

**WEST SLOPE WATER DISTRICT**

**Regular Board of Commissioners Meeting and Budget Committee Meeting**

May 19, 2021

**Meeting Summary**

**CALL TO ORDER**

Present on Virtual Meeting: Chair Charles Conrad; Commissioners Michael Hoffman, Paul Schuler, Andy Smith, and Carol Wild

Management Staff: Michael Grimm, General Manager; Lucy Dawes, Finance & Customer Service Manager

Budget Committee: Susan Meamber, Ramesh Krishnamurthy, Michael Smith, Rosalie Stevenson, and Nick DeMorgan

Public: Ron Neiger, 8145 SW Valley View Drive; Ross Tewksberry, 8320 SW Ridgeway Road

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**1.0 – CALL TO ORDER**

Chair Conrad called to order the regular meeting of the West Slope Water District Board of Commissioners at 5:01 P.M., Wednesday, May 19, 2021. The meeting was held through Zoom remote teleconferencing technology. The public was made aware of the meeting through the District’s website (agenda posted on website with instructions on how to obtain the login information). Chair Conrad congratulated Paul Schuler and Susan Meamber for winning their races in the May 18 election. The winner for Position #3 will be determined by Washington County Elections after the 223 write-in votes are counted and verified. All Commissioners, Budget Committee members, and members of the public introduced themselves.

**2.0 - PUBLIC COMMENTS/COMMUNICATIONS**

No public comments or communications were received by the District directed for the Board.

**3.0 – CONSENT AGENDA**

Chair Conrad asked to have Agenda Item 3.8 removed from the Consent Agenda. Commissioner Wild made a motion to approve the Consent Agenda Items 3.1 through 3.7. Commissioner Hoffman seconded the motion, and the motion passed unanimously. Chair Conrad asked why the District works with the City of Beaverton regarding the City’s sewer billings since the Water District does not work with wastewater. Ms. Dawes stated the District provides winter water data to the City of Beaverton and Clean Water Services for their wastewater billing. Commissioner Schuler made a motion to approve Agenda Item 3.8, and Commissioner Wild seconded. The motion passed unanimously.

**4.0 – BUDGET COMMITTEE MEETING**

At 5:20 PM, Chair Conrad suspended the regular Board of Commissioners meeting to begin the Budget Committee meeting. Chair Conrad nominated Rosalie Stevenson as the Budget Committee Chair, and the rest of the full Budget Committee approved the appointment. Mr. Grimm stated beyond the normal expenses to operate a water utility, key strategies that are impacting the budget are the cost of water as the District continues to work with the City of Portland on a new wholesale water sales agreement, infrastructure resiliency where the District replaces old infrastructure with new resilient infrastructure such as the Beaverton-Hillsdale Hwy water main replacement project, implementing a new GIS-based asset management tool for the District, regulatory compliance issues including a project to create a comprehensive inventory of all customer service lines in the District as part of a federal Revised Lead and Copper Rule, and sound financial management which includes short & long term financial planning and how to structure water rates to fund the projects needed for the District. The financial presentation at tonight's meeting will review all elements of this year's budget and its role in the District's long term strategic plan.

Mr. Michael Smith asked about the strategy of moving forward with the Beaverton-Hillsdale Hwy project without the aid of ODOT or other partners. Mr. Grimm stated the need for the project is well known starting with old cast iron pipe that has been repaired several times that is buried over 9 feet below the pavement. The new water main will be relocated to the north side of the highway at a nominal depth of 3 feet. The District has been attempting to partner with ODOT for over 4 years on a joint project. The advantage to the District to install pipe while ODOT is repairing / repaving the highway is the cost savings of not paying for asphalt pavement. Unfortunately, ODOT is not interested in any project on Beaverton-Hillsdale Hwy in the next seven years, and the District staff does not believe it is in the best interest of the District to wait seven years to see if ODOT will start a project on Beaverton-Hillsdale Hwy.

Mr. Krishnamurthy asked about the upcoming long term water supply decision by the Board of Commissioners (stay with Portland Water Bureau for the District's source of supply or switch to Tualatin Valley Water District) and the connectivity between the decision and the District's projects. Mr. Grimm responded that the District is continuing to work with Portland on a new wholesale water sales agreement that will be a significant improvement over the current agreement. Meanwhile, both Portland and TVWD/Hillsboro are managing large capital projects to build new water treatment plants and other resilient infrastructure. While the decision of which water to purchase starting in 2026 is a decision the Board will make in the future, the immediate impact of the Willamette Water Supply Project to the District is the availability of construction contractors to construct the District's Beaverton-Hillsdale Highway water main during the busiest construction phases for TVWD/Hillsboro.

Ms. Dawes began the budget presentation (presentation slides attached) by discussing the following:

- The purpose of the meeting is to arrive at a recommendation to approve or amend the proposed budget in order for the Board to pass a resolution to adopt and make appropriations for the July 1, 2021 to June 30, 2022 fiscal year.
- The resolution to adopt the budget and make appropriations would be considered by the Board at the June 16 meeting following the public hearing. Once the Board hears and considers all public comments, the Board may act to approve the budget.
- Behind each fund listed in the resolution are detailed expenses proposed for the fiscal year.
- The wholesale water rate Portland charges the District to purchase water will be slightly less in FYE 2022 than in the current FY, but the District is still proposing a 6% water rate increase. The rate will be effective after the June bill.

- Based on the assumption of the District paying off their bonds for Reservoir #3 in FYE 2023, Ms. Dawes ran the seven-year forecast for the District with a 6% water rate increase for FYE 2022 and 10% water rate increases each year thereafter. There will be some utilization of the rate stabilization fund to help stabilize District rates as the cost of water from Portland will increase sharply.
- The District is optimistic that working with Portland and their new Director and new City Commissioner on a new wholesale water sales agreement will result in wholesale water rates that are less than currently projected for future years though still more than the District currently pays and possibly implementing the new agreement before 2026.
- The District's proposed 6% water rate increase is mostly to account for the increased cost of operating a water utility since 2019. The District has not raised water rates since September 2019.
- In 2018, the District was very concerned about the wholesale water increase in FYE 6/30/2023 (see Wholesale Purchased Water Rates – PWB graph – see blue bars) and the impact of that large increase over the previous FY on West Slope water rates. In 2020, Portland changed how it recovered their asset costs from a doubling of the cost to wholesale customers in the first year to spreading the first-year asset recovery costs over five years (see orange bars). If the City had not made that change, it would be very difficult to meet the District's bond covenance. It is this spike that created the need to raise West Slope rates to avoid a large rate shock in 2023.
- The District is limited in its use of the rate stabilization fund to assist with meeting its bond covenance. Eliminating the bond covenance requirements by paying off the bonds removes the requirement to generate a certain amount of net operating profit in one year with limited use of the rate stabilization reserves.
- Covid-19 impacted operations for the District but thankfully the District's staff stayed healthy through the pandemic. Actual bad debt write-off for FY 2019-20 was \$10k and proposed bad debt for FY 2020-21 budget was \$20k. No impact included in the proposed FY 2021-22 budget.

Mr. Michael Smith asked about the difference between the water rate revenue in the on-screen presentation of \$4,023,000 vs. the water rate revenue found on page 29 of the Budget Document at \$3,983,000. Ms. Dawes explained the difference of \$40,000 is the water revenue from the City of Beaverton for unused capacity stemming from the City's withdrawal of territory from the District. Mr. Smith and Ms. Dawes agreed that paying the bonds off early is a benefit to the District to remove the requirement to generate a certain level of operating profit without using the rate stabilization fund.

Mr. Michael Smith asked if the Budget Committee is bothered by Portland's plan to double the rate to West Slope in the next few years. Ms. Dawes explained that we do not really know what the rates will be given the wholesale water sales agreement negotiation work is about making the rates equitable and affordable to wholesale customers as well as retail customers in Portland. Mr. Michael Smith asked if the news of drought in the Pacific Northwest will have an impact on Portland's water rates or the capacity available to the District. Mr. Grimm stated the region is in a drought condition with low Spring precipitation amounts in this region. But since the Bull Run watershed had a large snowpack accumulation during the winter, the amount of stored water behind the dams and the availability of groundwater this summer indicates Portland and its wholesale customers will not experience any supply shortages this summer.

- Ms. Dawes briefly reviewed the Budget Highlights for 2021-2022 noting water revenues increased, purchased water costs decreased, materials & services costs increased, and personnel costs increased over the FY20-21 actuals.

- Ms. Dawes compared the current year actuals to the budgeted amounts. Included in this budget are increases in education and training (no significant training costs during the pandemic) and professional services and consulting to assist with personnel / recruitment tasks associated with hiring a new finance manager prior to Ms. Dawes retirement in 2022.
- Personnel services include a 4.1% cost of living increase as well as an allowance for a 1.8% merit increase. Also included is funding for two finance managers for two months during the transition between Ms. Dawes and her successor. There are also increases to account for compensatory time and vacation leave bank increases and a 5% increase for employer paid PERS expenses.
- General Fund operating contingency decreased following operating expenses.
- Capital outlay increased as the current year included design costs for the Beaverton-Hillsdale Hwy water main project and this next fiscal year budget will cover the construction costs for the project. Also added was a \$500,000 capital contingency into that fund.
- Money was not transferred out of the rate stabilization fund.
- Ms. Dawes shared a graphical comparison of the volume of water purchased from Portland, used by the District (supply demand) and billed to the customer. The comparison spanned FYE 6/30/11 through proposed FYE 6/30/21.

Mr. Michael Smith asked why the District is paying more to Portland for water than the District is able to use or sell. Mr. Grimm explained the District is obligated to purchase a guaranteed minimum volume of water daily as part of the current wholesale water sales agreement. This clause in the agreement established by Portland to insure them against having stranded infrastructure investments should wholesale customers opt to purchase water elsewhere. The guaranteed minimum purchase is established in the agreement as 1.4 MGD, and the average annual daily use is 1.1 MGD. Therefore, the District only can use about 85% of the water purchased from Portland. The new wholesale water sales agreement will not have the guaranteed minimum purchase clause or monetary penalties for exceeding peaking factors.

Mr. Krishnamurthy asked about the current wholesale water sales agreement. Mr. Grimm stated the current agreement is a 20-year agreement signed by all wholesale customers in 2006. The current agreement was appropriate to address the issues facing utilities in 2006. However, the issues of today are vastly different, and the current agreement can no longer address today's issues. Therefore, it was important for Portland and the wholesale customers to create a new agreement. Mr. Krishnamurthy noted the current agreement is heavily weighted to favor Portland.

- Ms. Dawes shared a graph of the purchased water costs since FYE 2011 and noted years where the District has paid peaking factor penalty costs. Ms. Dawes also showed a 5-year average water purchase graph and noted projecting water revenue and water expenses is difficult when compared year-to-year. A five-year average comparison makes it a bit easier to plan a budget around since water usage is significantly impacted by spring and summer high temperatures and rainfall.
- Ms. Dawes shared a graph of how a ratepayer dollar is spent on water purchases, personnel services, materials and services, debt service, and capital & equipment reserve fund contributions.
- Ms. Dawes provided a trending comparison graph of general fund expenses from FYE 2020 and FYE 2021 actuals with the revised budget for FYE 2021 and the proposed budget for FYE 2022. This year's personnel services expenses were impacted by employer PERS costs and accrued vacation and compensatory time leave balances.

Material & Services expenses have been relatively stable over the fiscal years. Transfers out will be large in the coming fiscal year due to anticipated transfers into the capital reserve fund.

Mr. Krishnamurthy asked how the District has tried to be more efficient and cost effective in its approach to the budget instead of simply passing on all increased costs to the District customers. Ms. Dawes replied that to demonstrate efficiency and effectiveness, one should examine a specific expense category. Many expenses cannot be controlled by the District such as the cost to purchase water from Portland though we are negotiating a new sales agreement. The District has the same number of employees we have had for several years. Materials and services are held in check by the Operations Manager, and debt service payments are the amount set by the bond payback. Mr. Krishnamurthy commented the District may want to consider the viewpoint of running the utility as a business going forward but was satisfied with the response.

- Ms. Dawes presented a table of customer payment analytics detailing the way customers pay their water bill from 2015 to 2021. Ms. Dawes pointed out the method of taking credit card payments over the phone is the most labor intensive and expensive method for the District, but the number of customers paying with that method has decreased. The flexibility of payment methods is attractive to District customers and helps give the District a level of service our customers desire.

Mr. Krishnamurthy asked if the District does anything to create incentives to use automatic payment methods over phone call / check payment methods. Ms. Dawes replied that no incentives are currently offered. The District pays a fee for each credit card payment it receives, and currently the District will waive door tag and shut off fees if a past due customer is willing to sign up for an automatic payment method.

Mr. Michael Smith asked if the District is comfortable seeing the balance of the capital reserve fund decrease as low as it is projected knowing there are other capital projects to complete in future fiscal years. Is there a project in the budget document that is in jeopardy to complete? Mr. Michael Smith stated he does not believe the balance would be sufficient if there were some emergency repairs / replacements needed. Ms. Dawes replied the District maintains over \$1 million in operations contingency for such issues in the general fund contingency. Mr. Grimm stated the District would be well situated for emergency work but is not planning on another capital project in FYE 2023. Mr. Michael Smith asked if we expect any cost escalations on the Beaverton-Hillsdale Hwy. water main project. Mr. Grimm responded that we have budgeted for as many potential hurdles as possible but many of the variables are out of the control of the District (availability of contractors, cost of materials, extra requirements from ODOT).

- Ms. Dawes shared a brief overview of the equipment reserve fund pointing out \$280,000 reserved for future equipment purchases including new radio read meter purchases to replace failing meters and manual read meters.

Ms. Dawes turned the meeting back to Ms. Stevenson who asked the Budget Committee to express their thoughts and impressions of the budget as presented. Mr. Michael Smith thanked Ms. Dawes for an excellent budget document and presentation, and he asked what will happen if the bid for the Beaverton-Hillsdale Hwy water main project is much more than is currently budgeted. Mr. Grimm responded that in the event the bids come in significantly higher, the District will reduce the scope of the project to replace less pipe. Mr. Krishnamurthy is interested in future conversations about the gaps between the rate water is billed to customers and what

the District pays to Portland for water. He is also interested in knowing where the water purchased goes (potential water loss audit task). Mr. Michael Smith recommended that budget go forward to the June 16 meeting for approval as presented tonight. Ms. Meamber agreed Ms. Dawes did a great job preparing a clear budget, and she agreed moving ahead on the Beaverton-Hillsdale Hwy water main project to avoid future construction cost escalations as well as potential workman compensation claims from working in a dangerous zone or condition. Ms. Meamber also stated she would be interested to see a comparison of wholesale water rates from Portland and from TVWD. Mr. Grimm stated the District has been trying to get a comparison of future wholesale water rates from both utilities for several years and have yet to obtain them. The City of Portland has been very collaborative and cooperative to work on creating a new wholesale water sales agreement.

Mr. Tewksberry stated he agreed with moving forward with the Beaverton-Hillsdale Hwy water main project as soon as possible, and he appreciates all the hard work and effort it took to prepare a very clear and understandable budget. Ms. Stevenson asked what the energy costs are for pumping water over the West Hills to the District and if the costs have increased. Mr. Grimm stated Portland pays those direct costs and passes them on to the District through the wholesale water rates. Since the District's energy costs have not increased significantly recently, the energy cost to pump water probably have not significantly increased as well.

Ms. Stevenson asked the committee if they were ready to move ahead with a recommendation to move forward. By unanimous 10-0 vote, the Budget Committee voted to recommend the proposed budget be considered by the Board for approval at the June 16, 2021 meeting. Ms. Dawes gave a brief overview of the process to move forward including public notifications in the local newspaper and the District's website for the public hearings for both the water rate increase and the budget adoption. Chair Conrad adjourned the budget committee and returned to the regular meeting.

## **5.0 DISTRICT ACTIVITIES**

### **5.1 – General Managers Report**

Mr. Grimm highlighted the work with the FCS Group and the City of Portland which continues to move forward. The collective thought has been to reduce the number of "cost pools" from 19 to 5, but even the City understood that 5 cost pools did not make much of an impact on wholesale water rates. So, now the City is considering eliminating cost pools altogether and establishing a water rate for retail customers and another water rate for wholesale customers to simplify the City's rate model and create equitable water rates for wholesale customers. This topic will be further explored in the next project meeting in June. Commissioner Schuler asked if the City would now charge more for emergency water capacity for Gresham and Rockwood Water PUD. Mr. Grimm stated it is not known what any actual charges would be at this point for emergency water capacity, but it will be determined based on the methodology of the new wholesale water sales agreement.

A new intergovernmental agreement (IGA) was drafted for the termination of the existing IGA with TVWD for fire flow capacity for the Target store now that the service has been switched over to the District's distribution system.

Oregon Health Authority (OHA) completed a sanitary survey report for the District, and the District has retained its outstanding performer status. Mr. Grimm stated the District's ability to achieve the outstanding performer status is the result of all staff members working together. Chair Conrad asked why OHA is interested in the District's projects with Fracta and 120Water. Mr. Grimm replied that OHA is interested because they have not seen any similar projects and

are interested to see if there are opportunities to pass that information to other small (and large) water utilities.

Staff is looking ahead to what the District will look like (walk in traffic, Board meetings, etc.) in a post-pandemic horizon. Recognizing that we will not return exactly to the “normal” of the pre-pandemic horizon, the District will be following new rules passed in the State Legislature, the status of the Governor’s emergency declaration, and the status of the state’s vaccination efforts to guide conversation and decision making. Chair Conrad asked when the Board is able to meet in person again, will the District be required to have a virtual component to the meetings. Mr. Grimm stated a “hybrid” methodology for public meetings seems to be the Governor’s opinion, but we will need to wait for what emerges from the legislative session.

#### **6.0 – COMMISSIONERS COMMUNICATION**

Chair Conrad asked if any Commissioners had attended any outside meetings for the District, and none of the commissioners had. Commissioner Andy Smith asked if the Board should have a policy discussion for a strategy to accelerate the replacement of aging infrastructure such as how to make the funding be available sooner than it is currently. Commissioner Andy Smith is interested in learning about how the District may be able to obtain outside funding for infrastructure replacement. In the May 18 District election, 223 write in ballots were received for Position #3 on the District board. The Washington County Elections office will confirm the votes and provide the outcome of the election to the District no later than June 8. The District will certify the vote as presented by the county, and the Board should be able to swear in the new commissioners-elect at the June 16 meeting. Following up on a past request by Commissioner Schuler, Mr. Grimm is working on a future meeting with the TVWD, but given the many complex issues currently facing the TVWD Board of Commissioners, it will probably be a few months before we would be able to be on their agenda. Also, when the Covid restrictions on gathering are lifted, the Board should consider holding the gathering that was deferred for former Commissioner Reiersen to now include Commissioners Hoffman and Conrad. Chair Conrad expressed his thanks for an excellent budget document and budget analysis by Ms. Dawes and thanks to the five volunteer members of the Budget Committee. The Board’s consensus was the meeting today went very well.


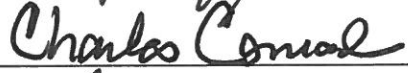

#### **7.0 - ADJOURNMENT**

Chair Conrad thanked the Board for their service through the meeting. There being no further business to discuss, Commissioner Wild moved to adjourn the meeting. Commissioner Hoffman seconded the motion, and it was approved unanimously. Chair Conrad adjourned the May 19, 2021 Regular Board of Commissioners meeting at 7:34 PM.

Respectfully Submitted,

\_\_\_\_\_  
Michael W. Grimm, P.E.  
Acting Secretary

Approved:

  
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# **Budget Purpose & Process**

**WEST SLOPE WATER DISTRICT**

RESOLUTION NO. 08-2021

**RESOLUTION ADOPTING THE BUDGET**

BE IT RESOLVED that the Board of Commissioners of the West Slope Water District adopts the Budget approved by the Budget Committee for Fiscal Year Ending June 30, 2022 in the total amount of \$10,487,000. This budget is now on file at 3105 SW 89<sup>th</sup> Ave., Portland, OR.

**RESOLUTION MAKING APPROPRIATIONS**

BE IT FURTHER RESOLVED that the amounts for the fiscal year beginning July 1, 2021 and for the purposes shown below are hereby appropriated:

	<u>Appropriation</u>
General Fund	
Personnel Services	\$ 1,025,000
Materials & Services	\$ 1,505,000
Debt Service	\$ 359,000
Transfers	\$ 1,426,000
Contingency	<u>\$ 1,451,000</u>
<b>Total</b>	<b>\$ 5,766,000</b>
Equipment & Vehicle Reserve Fund	
Capital Outlay	<u>\$ 100,000</u>
<b>Total</b>	<b>\$ 100,000</b>
Capital Improvement Reserve fund	
Capital Outlay	<u>\$ 2,600,000</u>
<b>Total</b>	<b>\$ 2,600,000</b>
<b>Total Appropriations, All Funds</b>	<b>\$ 8,466,000</b>
<b>Total Unappropriated and</b>	
<b>Reserved Amounts, All Funds</b>	<b>\$ 2,021,000</b>
<b>TOTAL ADOPTED BUDGET</b>	<b><u>\$ 10,487,000</u></b>



## 2021 – 2022 Budget

Presented by

Lucy Dawes –

Budget Officer

Manager, Finance & Customer Service

Mike Grimm –

General Manager

WEST SLOPE WATER DISTRICT  
Budget Committee Meeting  
FY 2021-2022

**AGENDA**

Wednesday, May 19, 2021  
5:00 PM

**Welcome and Introductions – Board Chair- Charlie Conrad**

- 1) Call to Order – Budget Committee Meeting - Board Chair
- 2) Budget Committee Elects a Chair and Secretary
- 3) General Manager Michael Grimm and Budget Officer Lucy Dawes
  - a) Past Year Accomplishments
  - b) Purpose and overview of Budget Process
  - c) 2021-22 Budget Requests
  - d) Questions, Answers, and Comments
- 4) Public Comment/Communications\*
- 5) Budget Committee
  - a) Discusses AND recommends budget, or
  - b) Makes appropriate changes AND approves budget, or
  - c) Sets additional meeting.
- 6) Adjourn Budget Committee

**\*Public comment is limited to 3 minutes per person to give everyone a chance to speak unless an extension is granted by the Board.**

If you are joining our meeting via zoom log-in, please indicate in your email to [customer.service@wswd.org](mailto:customer.service@wswd.org), requesting log-in credentials, if you wish to speak at the zoom meeting.

# Budgeting Process 1/3

- The appropriation resolution, approved by the District's Board of Commissioners is the State required outcome of the budget process. Previous slide.
- If no appropriation – no money can be spent. Needs to be adopted before July 1.
- Spending is restricted to the categories by fund listed in the appropriation resolution rather than detailed level in budget.
- Only items allowed to be spent in current year are appropriated.
- Reserved for future expenditures can be appropriated subsequent to adoption only via supplemental budget.
- Funds moved into a reserve fund must be used for the purpose for which that fund was established.

# Budgeting Process 2/3

- ORS 294 requires the board to appoint a Budget Officer.
- Budget officer role is to prepare, compile budget for budget committee review, make public notices and filings according to ORS 294.
- Purpose of this Budget Committee is to:
  - Recommend a budget to the Board of Commissioners. It could be:
    - as is.
    - or with specific changes.

# Budgeting Process 3/3

- Oregon State Statute allows the board to make the following changes to the recommended budget without public hearing or budget committee approval.
  - May decrease anything – but must rebalance each fund.
  - May make increases of \$5k or 10% per fund whichever is greater- must rebalance. (example – 10% of General Fund = \$576K)
- Prior to adoption and approval of the budget the board is required to hold a public hearing to hear any public comment on the proposed budget.
  - This year’s public budget hearing is currently planned to be held in conjunction with the regular Board of Commissioners meeting scheduled on June 16, 2021.
- Once the public is heard, the Board may then enact the resolution which:
  - adopts a budget and
  - appropriates expenditures enumerated in the budget.

# Customer rates and PWB purchased water rates. 1/2

- Based upon the forecasted purchased water rates received from PWB in February 2021, the 21/22 budget has been prepared based upon the following assumptions:
  - Customer rate increase of 6% to both the consumption and flat fee for all billings after 06/17/2021, effectively July 21<sup>st</sup> bills and any finals processed after the June billing, and then 10% each following year.
    - A notice of a public rate hearing to be held on June 16, 2021 is prepared and ready to be mailed with customer statements tomorrow if the budget committee approves this budget assumption. See PDF of the notice emailed to the budget committee along with this presentation.
  - Completion of the Beaverton Hillsdale HWY main replacement at \$2.8M total by 06/30/2022.
  - Payoff of the bonds at \$1.9M by 06/30/23 (not yet being budgeted) to remove the debt coverage ratio requirements.

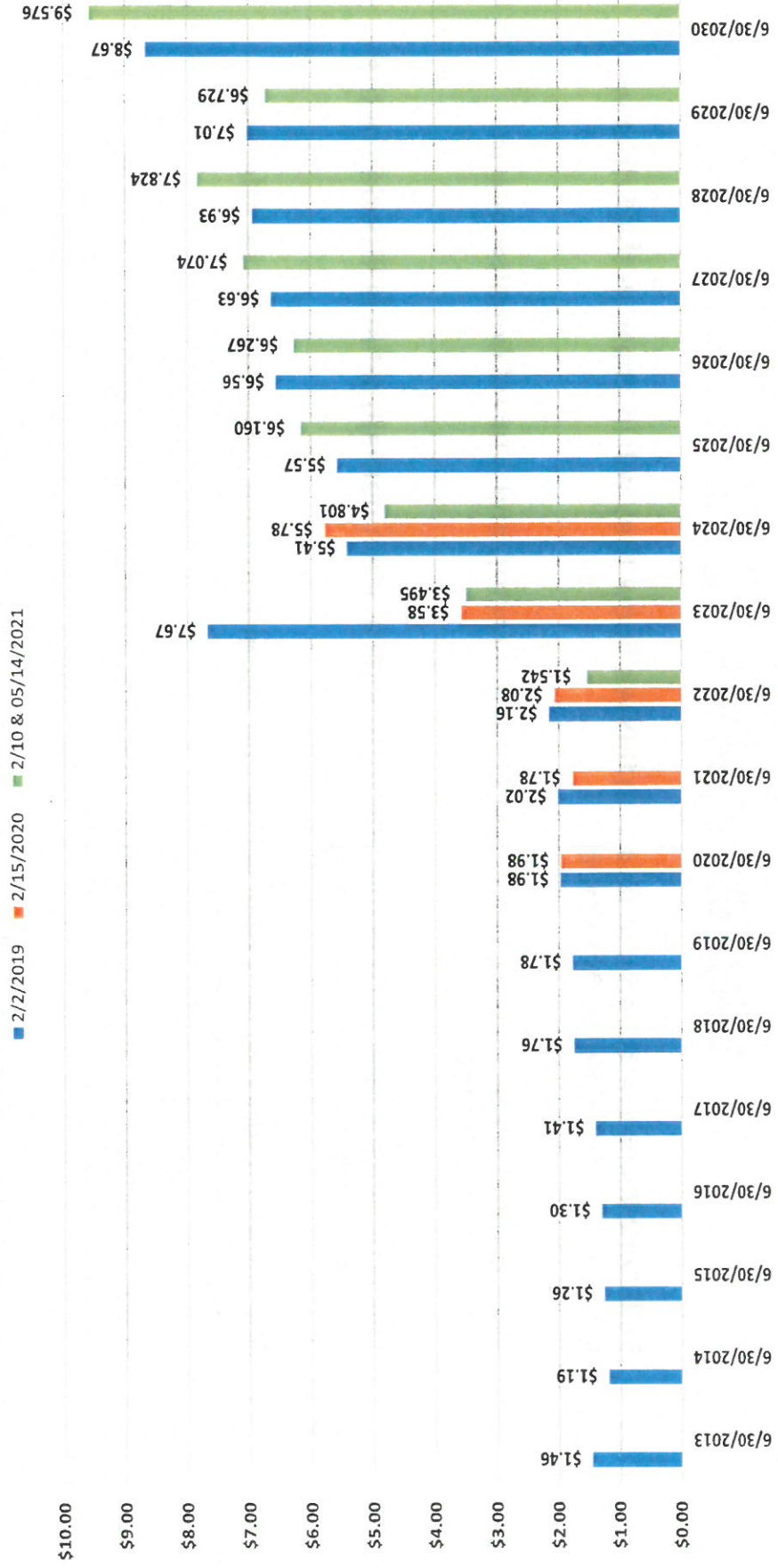


# Customer rates and PWB purchased water rates. 2/2

- PWB wholesale water rates to us are in flux we know they will increase in the future we just don't know when or how much.
- The Portland Water Bureau has a new Bureau Director, and a new Commissioner in charge of the Bureau.
- This is bringing a new perspective and fresh look at even perhaps what is included in the rate base under the existing contract.
- The Bureau is working on a new Wholesale Water Purchase agreement to be effective July 1, 2026 or sooner if it is ready.
- Given these factors, we are optimistic that rate increases ultimately may not be as drastic as the current forecasts indicate.
- This situation has led to proposing a moderate rate increase of 6% on 07/01/2021, or 3% for 20/21 and 3% for 21/22 since no rate increase was implemented in 20/21. The 3% per year approximates inflationary costs and contributes to building gently for additional infrastructure improvements and/or the possibility of paying off the bonds.

West Slope Water District  
2021-2022 Proposed Budget

# Wholesale Purchased Water Rates-PWB



# Rate Stabilization per Bond Covenants

- Incorrect interpretation, which along with the Wash Park doubling, drove the District's 12% customer rate increases in prior years.
  - In any year **AFTER** using an unlimited amount of rate stabilization to meet debt coverage ratios, the District is required to generate operating profits at least equal to the annual debt payments (\$359k).
- Correct interpretation.
  - The District must generate operating revenues **EVERY** year at least equal to that year's debt service. Rate stabilization transfers can only be used for the .15 or .25 required in excess of debt service. \$53K or \$90K.
- Customer rate increases that would cover the PWB's latest forecast of rates and still comply with the debt coverage covenants, would look as follows
  - 6% in FY 21/22
  - 11% in FY 22/23
  - 18% in FY 23/24
  - 20% in FY 24/25
  - 3% in FY 25/26
  - 6% in FY 25/27
- Perhaps preferable may be to pay off the bonds, removing the debt coverage requirements, then use the rate stabilization of \$800,000 to smooth customer rate increases in any amount in any year as is determined solely by the District.

# Covid-19 Pandemic Impact

- No Impact included in the proposed 2021-2022 budget.
- Bad debts –
  - \$10K allowance booked at 06/30/2020
  - Should be adequate.
- Salaries
  - 0% increase for FYE 06/30/2021. Picking up two years cola in 21-22 budget.
- Revenues
  - Very little if any impact. Seems to have held steady. Revenues were down in 2020-2021. But we believe that is due to cool and wetter than average weather. WSWD has a relatively small commercial customer base.

**West Slope Water District**  
Proposed Budget for Fiscal Year Ending June 30, 2022  
**Summary of All funds - Operating Statement**

	Rate		Capital Improvement Reserve		System Development Charges Fund		2020-2021 Projected
	General Fund	Stabilization Fund	Equipment Reserve	Improvement Reserve	Development Charges Fund	Total	
<b>Operating Revenues:</b>							
Water Rate Revenue	\$ 4,023,000	\$ -	\$ -	\$ -	\$ -	\$ 4,023,000	\$ 3,728,000
Other Operating	81,000					81,000	84,554
<b>Total Operating Income</b>	<b>4,104,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,104,000</b>	<b>3,812,554</b>
<b>Operating Expenses</b>							
Purchased Water	1,053,000					1,053,000	1,219,396
Personnel Services	1,025,000					1,025,000	948,448
Materials & Services	452,000					452,000	365,253
<b>Total Operating Expenses</b>	<b>2,530,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,530,000</b>	<b>2,533,098</b>
Operating Income	1,574,000					1,574,000	1,279,456
<b>Non-Operating Resources (Requirements)</b>							
Capital Outlay			(100,000)	(2,600,000)		(2,700,000)	(374,805)
Debt Service	(322,000)				(37,000)	(359,000)	(359,280)
Interest Income	7,000		2,000	20,000		29,000	31,052
SDC Fees					16,000	16,000	23,394
Non-operating Requirements	(315,000)		(98,000)	(2,580,000)	(21,000)	(3,014,000)	(679,639)
Excess (deficit) before Transfers	1,259,000		(98,000)	(2,580,000)	(21,000)	(1,440,000)	599,817
Transfers	(1,426,000)		126,000	1,300,000			
<b>Change in Fund Balance</b>	<b>(167,000)</b>	<b>-</b>	<b>28,000</b>	<b>(1,280,000)</b>	<b>(21,000)</b>	<b>(1,440,000)</b>	<b>599,817</b>
<b>Fund Balance-Working Capital, Beginning of Year:</b>							
General Fund	1,118,000					1,118,000	1,033,107
Reserve Funds	800,000	800,000	253,000	2,687,000	54,000	3,794,000	3,278,886
	1,118,000	800,000	253,000	2,687,000	54,000	4,912,000	4,311,993
<b>Fund Balance, End of Year:</b>							
Contingency	951,000			500,000		1,451,000	1,117,983
Reserved for Future Expenditure	800,000	800,000	281,000	907,000	33,000	2,021,000	3,793,827
	\$ 951,000	\$ 800,000	\$ 281,000	\$ 1,407,000	\$ 33,000	\$ 3,472,000	\$ 4,911,810

# 2021-2022 Proposed Budget Highlights 1/4

- With the assumptions above, the debt service coverage minimum requirement is met and exceeded by \$1.1M of operating income.
- \$48K of operating income is the minimum requirement of the bond covenant for FY21/22. (\$359K debt payment X 1.25).

**Comparisons between the current fiscal year (FYE 06/30/2021) Projected Actual and the next year (FYE 06/30/2022) Proposed Budget. The budget book compares the proposed Budget (FYE 06/30/22) to last years (FYE 06/30/2021) Budget.**

- \$295K increase in water revenue.
  - \$225k - 6% rate increase to customers effective with the July 2021 billing.
  - \$70k - units billed increase 12,000 over the FY20/21 projected.
  - FY20/21 is projected to be 16,000 units less than budgeted. This will be low.
  - The projection used standard practice of actuals from April, May and June 2020 (the prior year) to estimate the April, May and June 2021. We now know this will be low, 2020 was cool and wet, and 2021 is turning out to be dry.
- \$166k purchased water cost decline. PWB rates declined from \$1.777 per unit in FY20/21 to \$1.542 per unit in FY21/22.

# 2021-2022 Proposed Budget Highlights 2/4

- \$86k or 19% materials and services increase. This is primarily due to:
  - a) \$36K system maintenance costs increase. We budget \$50K for one major main break repair each year. Only \$16K is expected in FY20/21.
  - b) \$12k education and training increase for Board and staff. Actuals are projected to be particularly low in FY 20/21 due to COVID. We want to keep the **budget** dollars there to encourage as much training as possible.
  - c) \$7k professional services increase for recruiting and personnel consulting during hiring process of a new Finance and Customer Service Manager. District job descriptions, employment application, and interview questions all need to be updated to current employment law requirements.

# 2021-2022 Proposed Budget Highlights 3/4

- \$76K/8% personnel cost increase.
- a) \$55k/9% salaries increase:
  - \$23k 4.1% Cost of Living.
  - \$10K 1.8% Merit.
  - \$16K two months salary for overlap in the Finance and Customer Service Manager position during replacement.
  - \$5K comp time (mostly pager duty time earned) and vacation liability increase.
- b) \$7k/5% employer paid PERS expense increase
  - Assumes one position will move from the more costly Tier 2 rate to the lower cost OPSRP rate, thus reducing the District's weighted average cost. The increase would be 12.2% without this assumption. (9% increase to salaries and 3.2% increase in new rates effective 07/01/2021)
    - Current: 07/01/19-06/30/21: T1/2 is 29.04% and OPSRP is 20.21%
    - New: 07/01/21-06/30/23: T1/2 is 28.53% and OPSRP is 22.23%
    - T1/2 rates declined due to changes from SB2049
- c) \$13k or 6% payroll tax and medical insurance increase.
- d) \$2K/25% increase to other employee related primarily for helped wanted ads of \$2k.



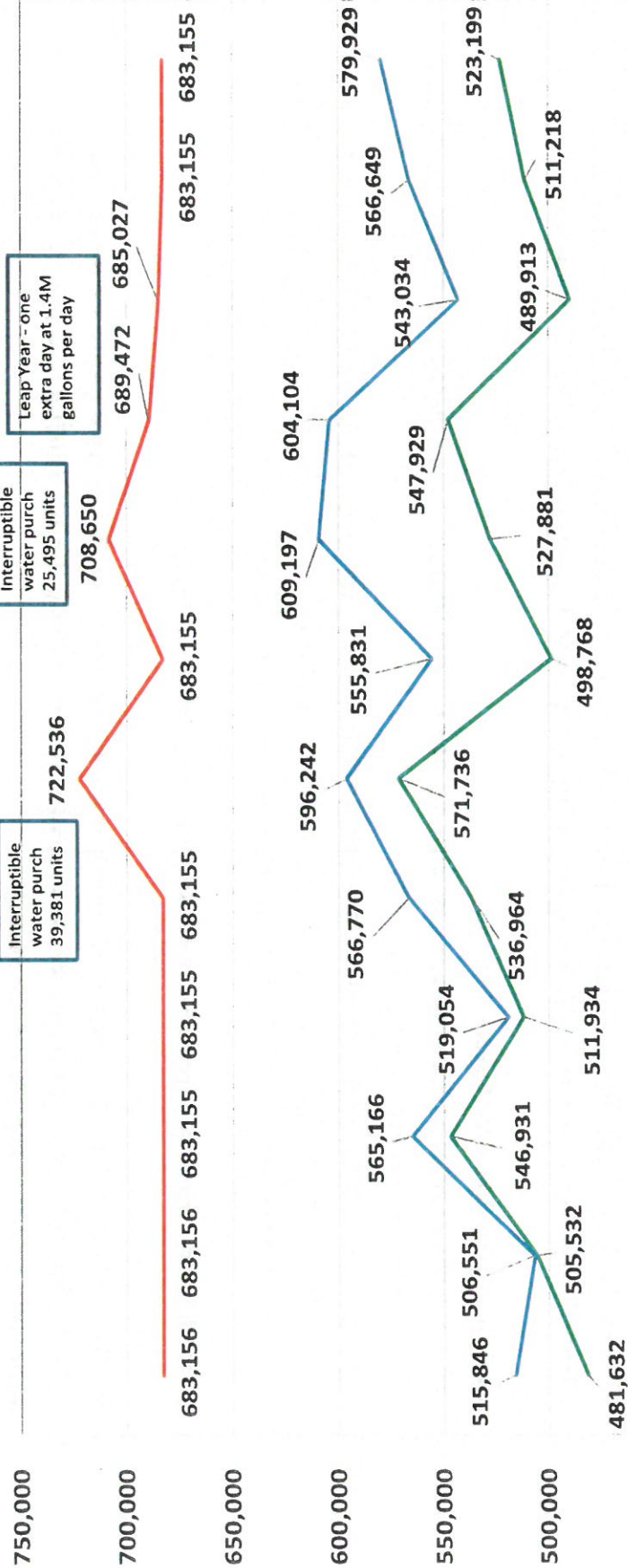
# 2021-2022 Proposed Budget Highlights 4/4

- General Fund operating contingency declines \$167K due to declines in operating expenses – primarily purchased water. We budget contingency based on three months of expenses.
- Capital Improvements Reserve Fund:
  - a) \$2.4M capital outlay increase due to \$2.6M for BH Highway completion vs \$200K on design and engineering spent in FY20/21.
  - b) \$500K Capital Improvement operating contingency increase. State budget law allows an operating contingency in any fund that has budgeted materials and services. Proposed for this year due to the \$2.6M of capital outlay budgeted here.
- \$0 additional transfers into the Rate Stabilization Reserve Fund.
- \$1.7M decline in District wide total designated to be reserved for **future years** expenditures. (These amounts cannot be moved to appropriations via any means during the year they are approved as reserved for future year.)
  - a) \$1.8M decline in Capital Improvements Reserve Fund due to Beaverton Hillsdale Hwy outlay at \$2.6M, \$1.3 incoming from the General Fund, and \$500k to operating contingency.
  - b) \$25k increase in Vehicle & Equipment Reserve Fund for additional aging of equipment.
  - c) \$21K decline in the System Development Charges Fund. Outlay -21/22 bond interest payment of \$37 exceeded \$16k of SDC revenue.

# West Slope Water District Water Volumes

## Billed, Used, Purchased

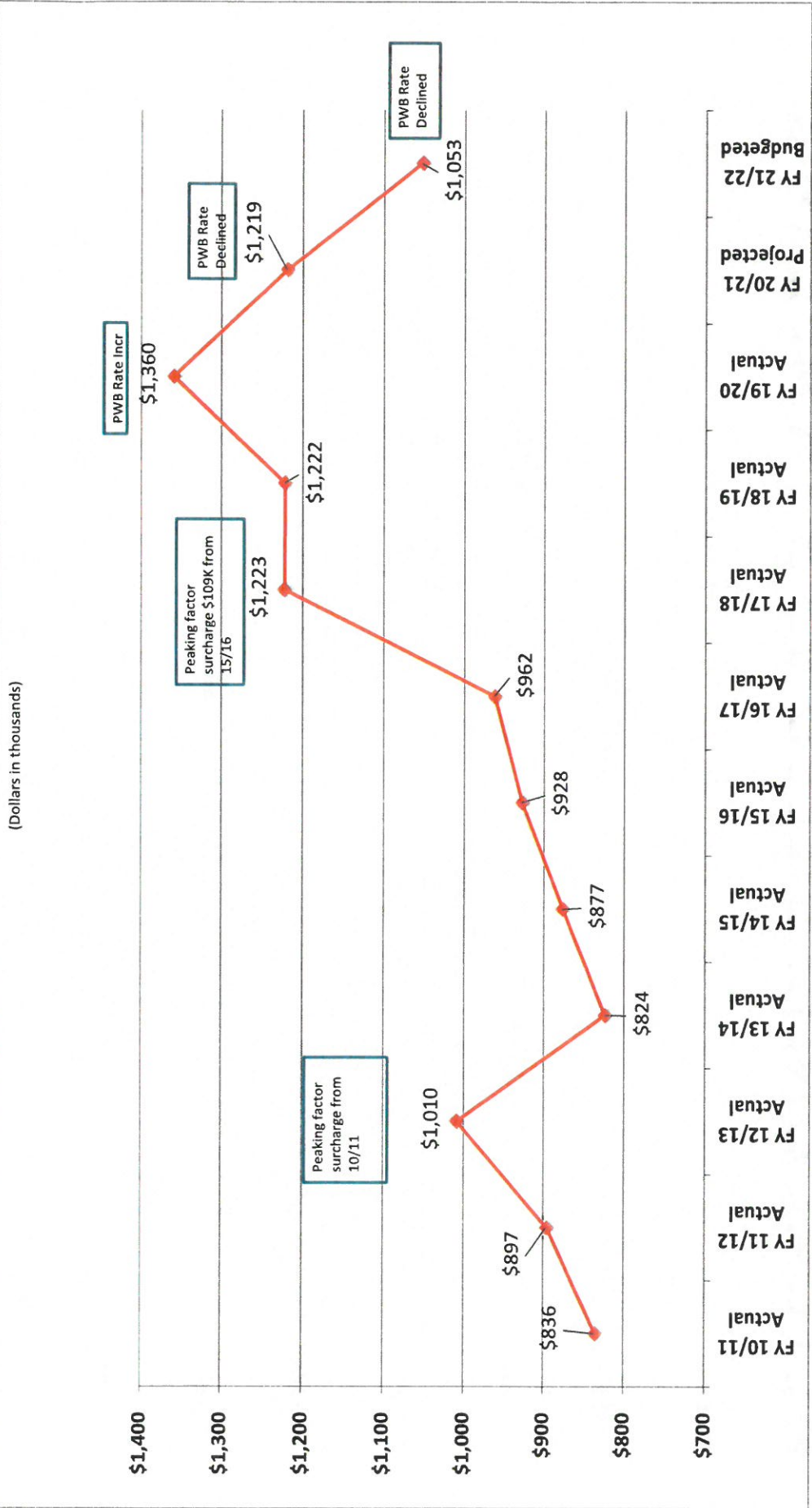
In Units/CCF's 1= 100 cubic feet or 748 gallons)



Fiscal Year	Water Billed	Water Used	Water Purchased
FY 10-11 Actual	515,846	506,551	481,632
FY 11-12 Actual	565,166	546,931	505,532
FY 12-13 Actual	565,166	519,054	511,934
FY 13-14 Actual	566,770	536,964	511,934
FY 14-15 Actual	596,242	571,736	498,768
FY 15-16 Actual	555,831	571,736	511,934
FY 16-17 Actual	609,197	547,929	527,881
FY 17-18 Actual	609,197	547,929	527,881
FY 18-19 Actual	604,104	547,929	527,881
FY 19-20 Actual	543,034	543,034	489,913
FY 20-21 Projected	566,649	566,649	511,218
FY 21-22 Budgeted	579,929	579,929	511,218

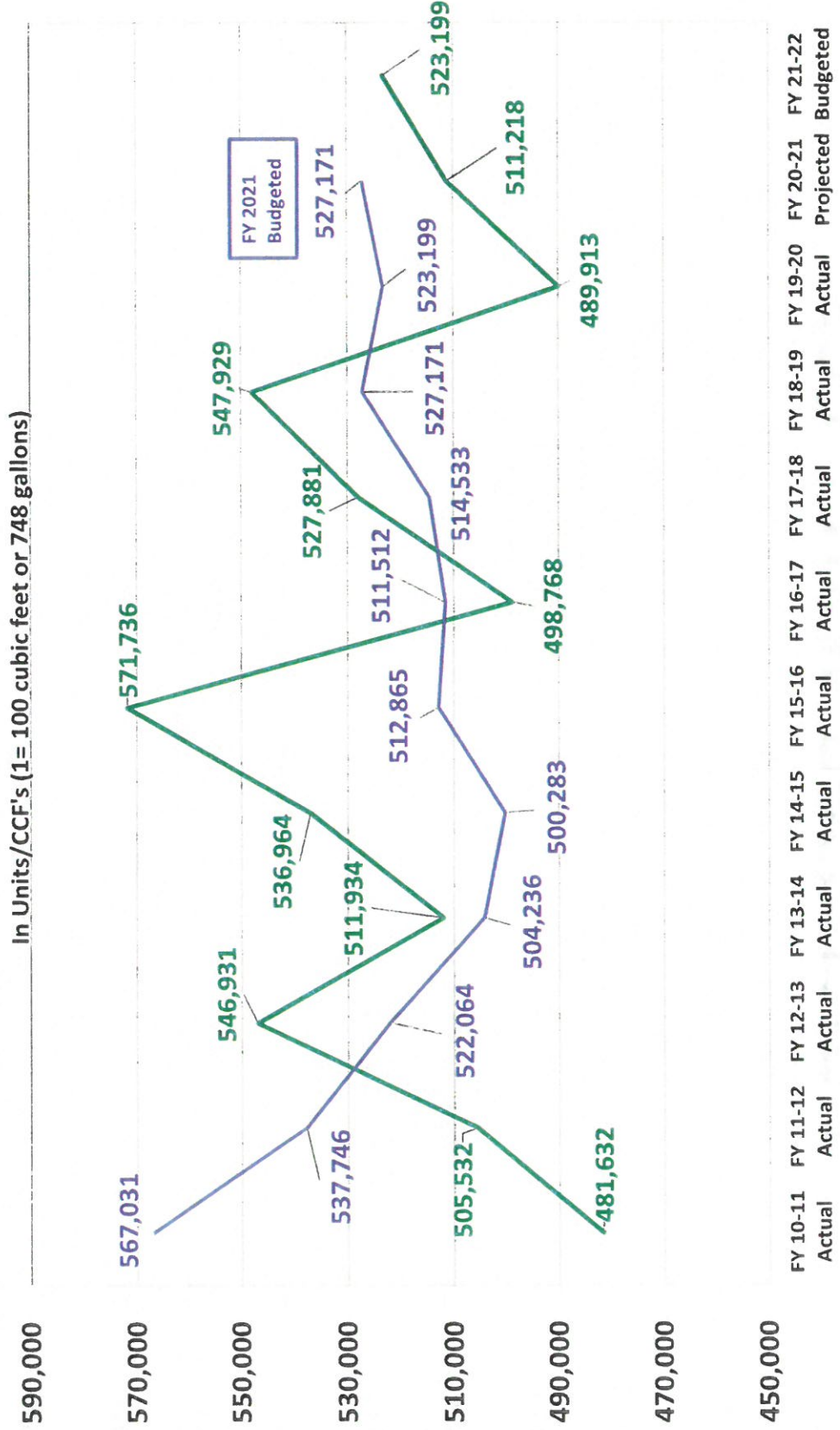
Interruptible water purch 39,381 units      722,536      Interruptible water purch 25,495 units      708,650      Leap Year - One extra day at 1.4M gallons per day      689,472      685,027

# West Slope Water District Purchased Water Cost



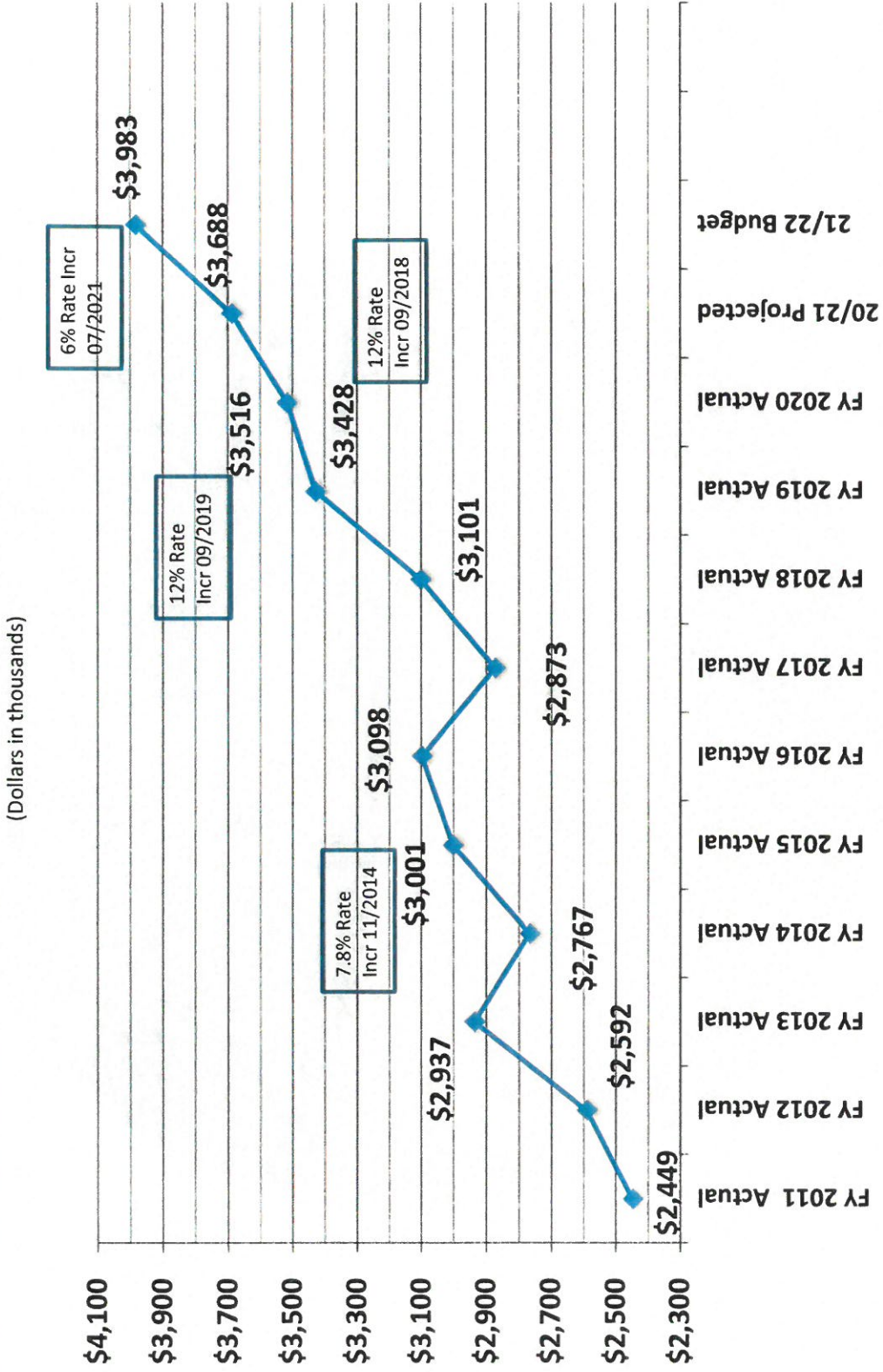
West Slope Water District

# ACTUAL UNITS BILLED VS 5 YR AVERAGE

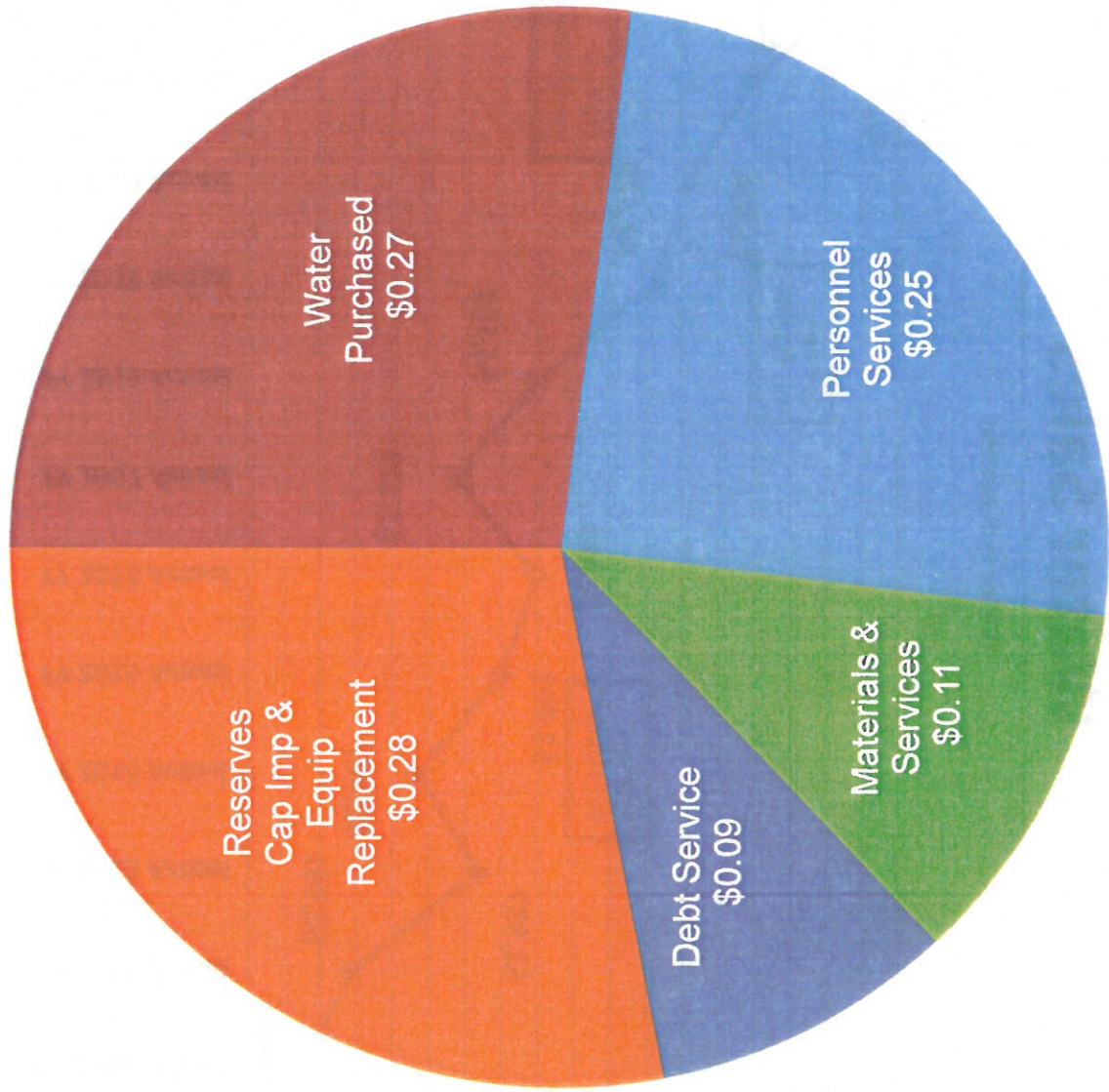


— Water Billed — 5 YR AVER

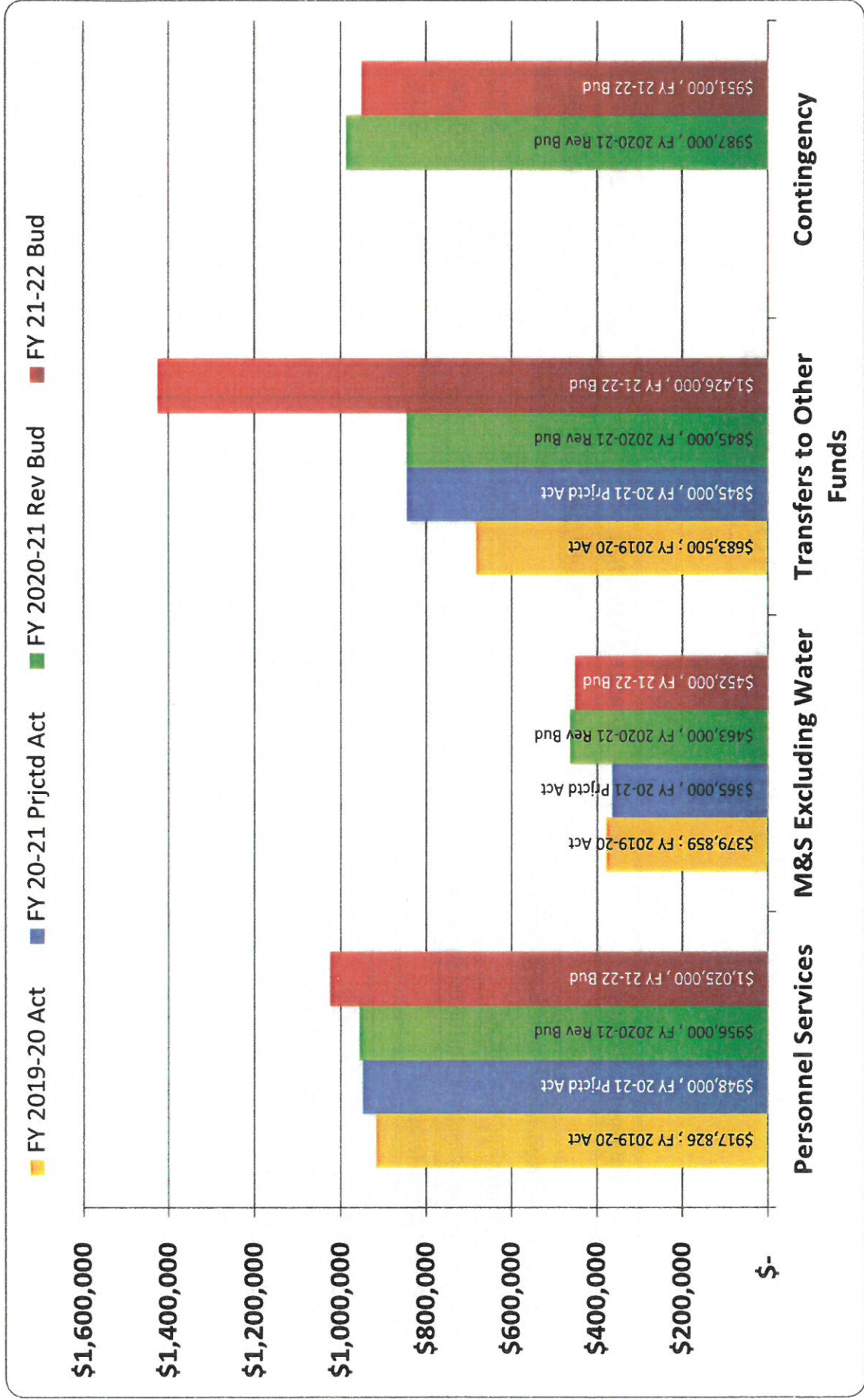
# West Slope Water District Water Sales



## West Slope Rate Dollar



# West Slope Water District General Fund Expenses



West Slope Water District

# Customer Payment Method Changes

Payment Method
Customer Initiated from their Bank On-line
Bill Pay - Electronic Files Rcvd
ACH from cust checking Initiated by WSWD
Checks mailed/dropbox
Phone/Counter (TSYS) Cr Cards
WSWD On-line Bill Pay Cr Cards
Total Credit Card Payments
Total Accounts

Change 2016-2021	
<u>Count</u>	<u>% of Total</u>
327	9.5%
(92)	-3.2%
(1,070)	-33.7%
(180)	-5.6%
1,086	33.7%
<u>906</u>	<u>27.5%</u>
<u>71</u>	<u>0%</u>

Change 2020-2021	
<u>Count</u>	<u>% of Total</u>
284	8.3%
(26)	-1.0%
(297)	-9.4%
(29)	-0.9%
113	3.5%
<u>84</u>	<u>2.1%</u>
<u>45</u>	<u>0%</u>



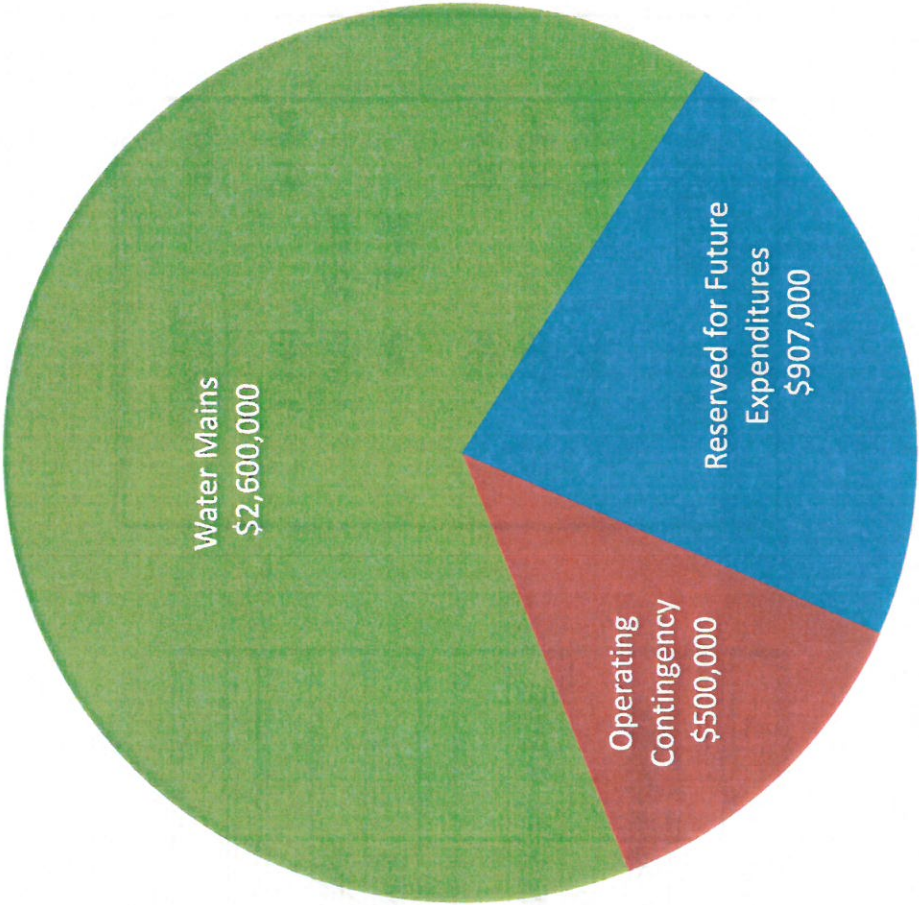
# Customer Payment Method Counts

Payment Method
Customer Initiated from their Bank On-line
Bill Pay - Electronic Files Rcvd
ACH from cust checking Initiated by WSWD
Checks mailed/dropbox
Phone/Counter (TSYS) Cr Cards
WSWD On-line Bill Pay Cr Cards
Total Credit Card Payments
Total Accounts

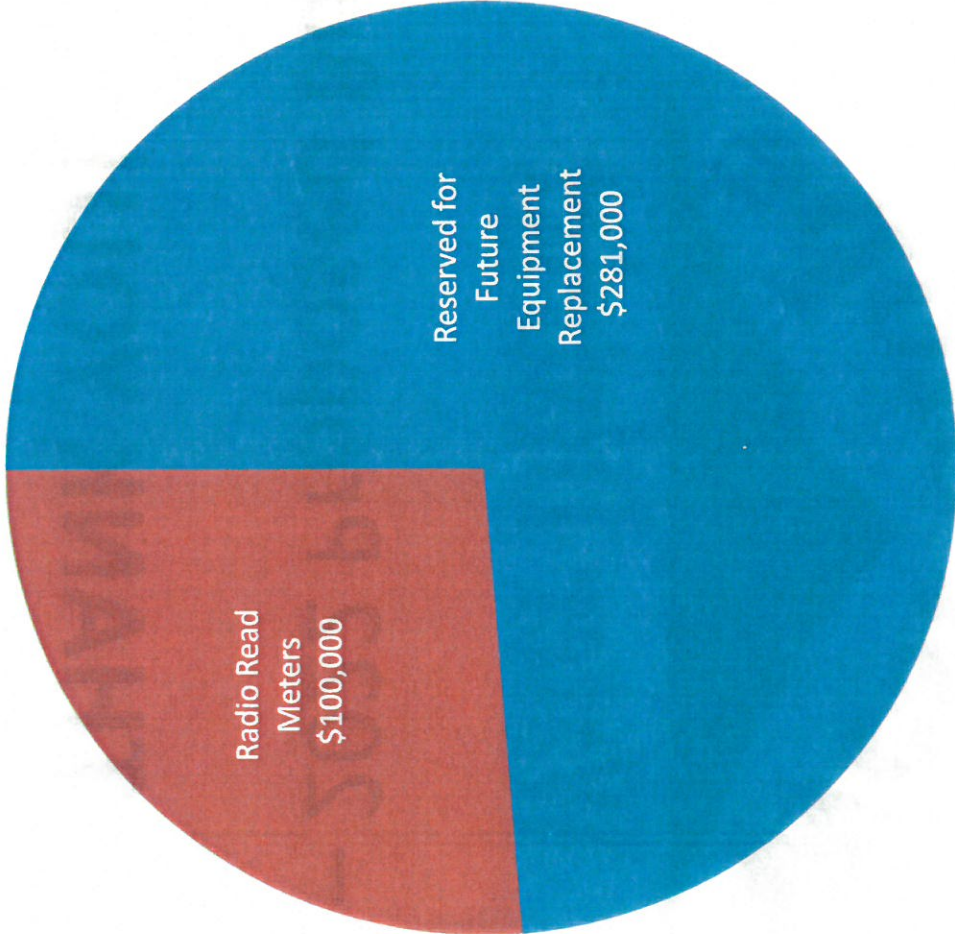
Apr 2021	
Count	% of Total
1,097	33.5%
503	15.3%
539	16.4%
54	1.7%
1,086	33.7%
1,140	34.8%
<u>3,279</u>	100%

December 2015	
Count	% of Total
770	24.0%
595	18.5%
1,609	50.2%
234	7.3%
-	
234	7.3%
<u>3,208</u>	100%

# Capital Improvement Reserve Fund



# Equipment Reserve





2021 – 2022 Proposed Budget

**THANK YOU!**

**Questions? Comments?**