

**WEST SLOPE WATER DISTRICT**  
**Regular Board of Commissioners Meeting**  
**March 16, 2022**  
**Meeting Summary**

**CALL TO ORDER**

Present on Virtual Meeting: Chair Andy Smith, Commissioners Susan Meamber, Paul Schuler, and Carol Wild

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

Absent: Commissioner Ramesh Krishnamurthy

Public: No members of the public were present

\*\*\*\*\*

**1.0 – CALL TO ORDER**

Chair Smith called to order the regular meeting of the West Slope Water District Board of Commissioners at 5:02 P.M., Wednesday, March 16, 2022. The meeting was held through Zoom remote teleconferencing technology. The public was made aware of the meeting through the District’s website (the meeting agenda and Zoom meeting link were posted on the website). Ms. Dawes introduced Wendy Irwin to the Board as the in-coming Finance & Customer Service Manager. Ms. Dawes gave a brief background summary of Ms. Irwin’s skills and strengths and stated she comes to the District with the critical skills only the Finance Manager position brings to the District including the knowledge of GAAP and preparing financial statements for audits, managing & implementing internal accounting system, and Oregon Budget preparation and compliance. Ms. Irwin managed the business and accounting needs for a large church with a staff of 10 reporting to her and is currently the City of Maywood Park’s part-time Finance Manager. Ms. Irwin has multiple years of experience as an auditor at both a “big four” CPA firm and a local regional CPA firm and also recently ran her own CPA practice. The Board of Commissioners introduced themselves one-by-one to Ms. Irwin.

**2.0 - PUBLIC COMMENTS/COMMUNICATIONS**

Mr. Grimm stated there was no public comment submitted for this Board of Commissioners meeting.

**3.0 – CONSENT AGENDA**

Commissioner Schuler made a motion to accept the entire Consent Agenda. Commissioner Wild seconded the motion, and the motion passed unanimously.

**4.0 – DISTRICT ACTIVITIES**

#### 4.1 – General Managers Report

Mr. Grimm highlighted several key issues from the General Manager’s report:

- Work on the new wholesale water sales agreement is beginning to wrap up ... probably the FCS Group work in April will be the last under the Phase 3 contract to develop a new water rate model which will be the cornerstone of the new wholesale water sales agreement. The new rate model will be observed to determine if it will result in the agreed upon principles and desired outcomes from Phases 1 and 2 when the model is activated to determine wholesale water purchase rates.
- AKS’ subconsultant work with the BTEX evaluation of soil and water samples near historic fueling stations on Beaverton-Hillsdale Hwy is nearly complete. So far, no contaminated soils or water has been detected. AKS’ 100% plans engineer’s estimate for the construction work is \$2.454 million, slightly less than the 90% plans estimate December 2021 of \$2.576 million.
- The District continues to work with 120Water to establish the contract agreement and identify the project team for the District and 120Water and assign tasks. The first project meeting will be held virtually in early May. The District will need to clean up the paper data / field notes gathered to date about customer service lines and present that cleaned data to 120Water for inclusion in their service line inventory.
- Work will begin to write the Water Quality Report content in April. Christine Rains will be working with the District as a graphics artist to create the look and layout of the Report as she has done previously for the District.
- Mr. Grimm gave a brief summary of the few bills of interest to water utilities which emerged from the 2022 Oregon Legislative session ... or did NOT emerge from the Session. HB 4057 the Spray Sprinklers Bill passed with support from water utilities.

Commissioner Schuler asked if there were any red flags popping up as the FCS Groups gets closer to completing the water rate model. Mr. Grimm stated there are no red flags so far, but the proof of the new water rate model will be the testing of the rate model with real wholesale water purchase data. The risk protection that the City of Portland needs has pivoted from the guaranteed minimum purchase concept to a long-term wholesale customer agreement with penalties if the wholesale customer opts out of the agreement before the contracted end of the agreement. Commissioner Wild asked what kind of a timeline can we anticipate to receive for project completion. Mr. Grimm stated the City has already announced the existing agreement will end in 2026 without extension. When the City completes the rate model and the agreement that supports the new rate model, wholesale customers likely can sign the agreement and begin wholesale water purchase under the new agreement in advance of the expiration date of the current agreement. It is estimated the City’s work will be completed by the end of 2022, and wholesale customers can sign the new agreement by this time in 2023. Commissioner Wild asked if the District would be signing on to the concept of the new agreement or to the actual new agreement. Mr. Grimm stated to accommodate current wholesale customers who will leave to use other water sources in 2026, there will need to be a “transition period” with the new agreement that some wholesale customers can agree to purchase water under the new contract but only up to 2026. West Slope could choose to sign the short-term agreement if it had decided to seek a long-range supply source elsewhere (e.g. Tualatin Valley WD) beginning in 2026 or if it had not made that decision and required more time to make that decision prior to July 1, 2026. Commissioner Wild commented that it appears the window for any kind of discussion with TVWD over a long-term source of supply for West Slope may be shrinking, and Mr. Grimm agreed and pointed out TVWD’s cost to construct the Willamette Water Supply Project are much higher than anticipated and it is unknown how those costs would be shared with a non-owner wholesale customer. On the other hand, the City is determining how the project costs would be passed to wholesale customers by virtue of the new wholesale water

sales agreement. The final decision by the Board on which source to deem as the primary long-range source of supply will likely be based on Bull Run vs. Willamette for raw/finished water quality and immediate seismically resilient transmission of water to West Slope by TVWD vs. Portland's seismically resilient backbone project over the course of 3 decades. Mr. Grimm mentioned that since Portland is writing the new wholesale water sales agreement to include all the desired outcomes the wholesale customers have requested, it probably makes the most sense to accept the offer that we have requested and have been given rather than turn it down for a currently unknown offer. Commissioner Wild asked about the timeline for the completion of the Bull Run WTP and when would those costs be passed on to West Slope, and Mr. Grimm replied the City is required to have the WTP operational by 2027 but are planning to have the WTP operational in 2026 so it will be in compliance with OHA's order by 2027. While the exact cost of the WTP may not be known prior to West Slope's declaration of a long-term source water supply, the impact of the WTP on wholesale water rates should be able to be forecasted in the City's five-year rate forecast based on the City's guaranteed maximum price for the project. Ms. Dawes added the Bull Run WTP and the City's seismic resiliency projects will all be added to the rate model during the 30-year contract period, and that contract is difficult to pull out of as Commissioner Wild pointed out. Mr. Grimm commented all long-range supply options for West Slope will result in higher water rates for District customers.

Chair Smith asked about approaches to managing supply chain shortages and other issues related to the Beaverton-Hillsdale Hwy water main project. Mr. Grimm stated the District always has the right to reject all bids if all bids submitted are beyond the engineer's estimate and what the District has set aside in capital reserve for the project. The District will be in a wait and see position after the work is advertised for bid and has a chance to talk with construction contractors about their own issues for materials and workers. At that time, staff will revisit the strategy with the Board after the bid opening. Chair Smith stated the substantial completion bill (HB 4063) will return in the 2023 Legislative Session, so we will need to be prepared when it returns.

#### 4.2 – FYE 06/30/2023 Budget – Discussion of Key Assumptions

Ms. Dawes stated the budget is still being created but this month is a good time to discuss key assumptions with the Board such as customer water rate increases. Personnel costs, the cost of purchasing water, and capital costs are the three largest portions of the District's budget. The wholesale water rate from Portland is known for budgeting purposes, and Ms. Dawes has added to the budget the costs for existing staff as well as filling the vacant operator position if the Operations Manager needs that position filled during the upcoming CIP project. Ms. Dawes reviewed the water rate increase history over the last few fiscal years. The District projects to generate about \$1.3 million by June 30, 2022 to transfer to the Capital Improvements Fund which is on budget. Ms. Dawes reviewed the statistics and assumptions listed in Attachment #2 regarding customer water increases and additional capital fund investments. The District will have about \$4 million in capital reserve at the end of the current fiscal year. If \$2.6 million is spent on the B-H Hwy water main project, there would be \$1.4 million remaining, but another \$1.3 million would be added to the capital reserve fund from the General Fund in FY2022-23 bringing the total to almost \$2.8 million for future capital projects with no increase in the District's water rates. Ms. Dawes explained that for every 1% increase in water rates, the District would generate an additional \$40,000 for capital expenditures. Chair Smith asked how would an average water bill be impacted by a 1% increase. Ms. Dawes replied a \$50 monthly water bill would increase by \$0.50. Ms. Dawes stated her opinion is the District should have regular water rate increases annually to have capital revenue for main and reservoir replacement projects in the future, and that a 3% minimum increase would be a sufficient assumption to have available capital revenue each year to keep the District for the most part

from having to borrow money for capital projects. Commissioner Wild commented about past restrictions related to bond covenances, and Ms. Dawes replied the District needs to generate an operating profit 1.5 times the District's existing debt service. When capital costs like Portland's cost to build Washington Park Reservoir #3 was going to be included in the District's wholesale rate, the District would have potentially needed to increase our rates over 30% to meet the bond requirements. However, now that Portland has taken the capital cost for Reservoir #3 out of the rate base for West Slope, a large water rate increase is not needed.

Commissioner Schuler asked if the Budget Committee would recommend a water rate increase. Ms. Dawes stated the Budget Committee would be presented with a rate increase proposal as part of the overall budget proposal. Commissioner Schuler stated he supports small, annual water rate increases to continue to fund general fund operating expenses at current levels as well as continue to fund capital reserves. Commissioner Meamber asked how the District funded capital projects in the past ... through rates or through bonded debt. Ms. Dawes stated the District did get a bond for \$3.8 million to build Reservoir #3 in 2008. The District has five more years left to pay that bond. Commissioner Meamber said that she was in favor of a rate increase of at least 3% or even more if the District wanted to build up a more robust capital reserve fund.

Chair Smith stated he believes with the economy as it is, the public generally is expecting small increases in utility bills and supported an aggressive approach to building a capital reserve fund as much as possible while also looking a low-cost funding (loans & grants). Chair Smith shared that 3% might too low for an increase, 6% would be conservative, and as much as 10% would be acceptable to him. Commissioner Wild asked if both the consumptive and fixed portions of the District water bill would be increased, and Ms. Dawes stated both portions would be proposed in the assumptions to increase equally. Commissioner Wild asked if it would be acceptable to establish an implement an increase the consumptive portion at a higher rate and the fixed portion be increased at more modest rate and still adequately fund the capital reserve. Commissioner Meamber stated she supported the proposal from Chair Smith and Commissioner Wild. Ms. Dawes stated the customer assistance programs would help to make water rate increases easier on District customers with low or fixed incomes. Ms. Dawes suggested an assumption of a 6% increase on the fixed portion of the bill and a 10% increase on the consumptive portion of the bill. By consensus, the Board agreed to use that assumption in creating the budget.

#### 4.3 – Strategic Plan Strategy

Mr. Grimm asked the Board for some insight into what they believed an equity and inclusivity plan would look like for the District. Commissioner Schuler stated because of the small size of this District it is not necessary to "transform" the District but rather focus on internal and external improvements such as racial bias training and bias awareness training as well as understanding how the District can improve its interactions with a diverse customer base. Commissioners Wild and Meamber agreed with Commissioner Schuler's approach. Commissioner Meamber also stated there would value in our better understanding who the District customers are and a view of how the District staff resembles the District's demographics. Mr. Grimm stated there could be added value in having a consultant assist the District with our understanding and awareness of who the District's customers are. Chair Smith supports the comments made by the commissioners on this subject. Commissioner Wild stated that because of his past experiences in other committees, Commissioner Krishnamurthy's insight in this area would be very valuable.

#### 4.4 – Cost of Living Adjustment for General Manager's Salary Range

Mr. Grimm briefly shared a history of the General Manager's salary range since 2015 as part of the request by Commissioner Schuler at the February 2022 meeting (review the salary range and compare it to other similar salary ranges in the metro area). Mr. Grimm stated that it is important to the District to keep the General Manager's salary current with the cost of living and competitive in the local marketplace to attract capable candidates at the next hiring period. Allowing the salary range to lag behind the cost of living would force the Board to make a dramatic adjustment to the range in the future. Chair Smith reminded the Board that the salary ranges for all other District positions were adjusted by 7.3%. Commissioner Schuler stated not keeping the General Manager's salary range up to date presents a significant budget risk to the District's future budget. Commissioner Meamber and Chair Smith agreed with importance of keeping the salary range competitive with market. Commissioner Schuler made a motion to adjust the General Manager's salary range by 7.3% (from the CPI-Urban Pacific index in January 2022) in line with the salary range adjustments previously made to all other District positions. Commissioner Meamber seconded the motion, and the motion passed unanimously. The General Manager's new salary range will be \$139,490 to \$171,680 effective July 1, 2022.

#### 4.5 – Recognition of the District's 100-Year Anniversary - Discussion

Mr. Grimm shared some ideas for a 100-year anniversary including having a summertime open air event at Raleigh Park. Some West Slope residents have historic farm homes and old photographs of the District in the early 20<sup>th</sup> Century. Photos may also be available from the Washington County Historical Society and the Raleigh Hills Business Association. At least one local restaurant would be willing to set up a mobile food vending truck in the park. City of Portland staff and leaders would be willing to attend and help organize the logistics for the event and highlight the City's 100-year partnership with the District in supplying water to West Slope. Commissioner Wild commented that some historic photos were once shown as part of the local area garden club exhibits.

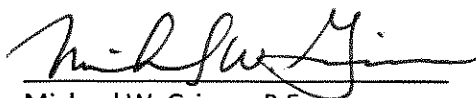
#### 5.0 – COMMISSIONERS COMMUNICATIONS

Commissioner Schuler stated he attended a national water reuse conference in San Antonio as part of his own work. No other commissioners attended any outside meetings, and there no other topics to be raised for this meeting by the Commissioners. Commissioner Schuler stated he is still interested in having a follow up meeting with TVWD. Chair Smith asked if Mr. Grimm could look into opportunities for accessing outside funding like ARPA funding. Mr. Grimm stated he is inquiring with Washington County about their ARPA fund allocations. The consensus of the Board was the meeting went well.

#### 6.0 - ADJOURNMENT

There being no further business to discuss, Commissioner Wild moved to adjourn the meeting. Commissioner Schuler seconded the motion, and the motion was approved unanimously. Chair Smith adjourned the March 16, 2022 Regular Board of Commissioners meeting at 7:12 PM.

Respectfully Submitted,



Michael W. Grimm, P.E.  
Acting Secretary

Approved:

