

**Rivergrove Water District
Minutes-Budget Committee Meeting
May 13, 2019**

CALL TO ORDER:

District Chair Christine Roth called the Rivergrove Water Fiscal 2019-2020 Budget Committee meeting of the Rivergrove Water District to order at 5:45 PM at 17661 Pilkington Rd., Lake Oswego. Committee members introduced themselves.

Commissioner Budget Committee members in attendance: Commissioners Chris Roth, Jonathan McDowell, Lawrence Magura, and Sherry Patterson. Commissioner Johnson was absent.

District Budget Committee Members: Brian Gerritz, Gerald Thackery, and Curtis Calonder were present. Member Rich Refvem was present but tardy. Manager DJ Ezell and Assistant Budget Officer Janine Casey were present.

TAB 1 Introduction-Budget officer DJ explained the budget cycle and the exhibits in the book.

TAB 2-BUDGET MINUTES: 5-17-2018 Budget Committee Meeting

Committee minutes were tabled due to lack of quorum for those present at the previous year's Committee meeting.

BUDGET COMMITTEE CHAIR/BUDGET COMMITTEE SECRETARY ELECTION:

Member McDowell moved to nominate Member Brian Gerritz as Chair of the 2019-2020 Budget Committee. Member Chris Roth seconded. Motion passed unanimously
Member Gerritz moved to nominate Member McDowell as Secretary. Member Roth seconded. Motion passed unanimously.

Member Gerritz moved to appoint Curtis Calonder as an alternate budget Committee member. Member Roth seconded. Motion passed unanimously.

TAB 3-Budget officer overview process

Budget message: Budget officer DJ Ezell explained the message shows the comparison on how we projected last year's budget, how we feel we will be ending on June 30th, 2019. Then it explains what she is proposing for this year's budget. She explained as to her view this year in estimating new services. This year she estimated only four new services being added for amounts for SDC's, installation fees, etc.

Personal Services: Expenses decreased by 13%. Reasons for that: Rick was only working 2 days a week. Our Finance person quit in September. DJ hired a temporary worker for a couple months and those expenses came out of Material Services. Health care expenses were lower because Rick went to a lower cost Senior plan, and Brian opted out of the District's health plan and used a less expensive plan available to his wife.

Material Services: Expenses increased 7%. Part of that is due to the expenses of the temp employee during the lag time where Eelia quit and before Janine was hired. Our Engineering services this year is higher than projected with our new Engineering firm.

Capital Outlay: Expenses decreased 41% from projections. The expenses that were plan for buying tool boxes, lights, etc. were not expensed because the purchase was not made. DJ discussed the vehicle purchase and why she doesn't feel that a ¾ Ton pickup would be a necessary size for the District. She felt that the smaller midsize vehicle should be what the District buys. Budget Committee members discussed and agreed.

We also purchased 192 AMR meters and hardware to start the AMR program. We have also moved the new fence installation to the Reservoir #3 project.

Water Sales: DJ predicted that water sales may be 6.3% higher than was projected. As of today's, date May 13th, we are at 100% of our projected 2018-2019 budget.

District Funds Explanation and discussion of the 2019-2020 Budget items:

General Operating fund: Personnel, Materials Services and Capital Outlay:

Personnel: Budgeted for 4.5 FTE employees. DJ as Manager is one position. Brian is taking the current Senior Operator Position. There is going to be a new position called the Water Operations Specialist which we will shortly begin recruitment. A student intern from Clackamas Community College Water Environment Program will fill the Utility 1 halftime position and is working 2 days a week until summer and then fulltime in the summer. He is required to do 120 hours of Internship in a Water System.

- Member Lawrence Magura asked DJ what happens if there is a fire in the District and our water is used to put out the fire who pays for the water used? Answer: no one is charged for the water it is just part of the District's responsibility to have water available for fire protection. She knows of no other District that charges for that water usage. Board will research.

Materials Services: increased 7% from this year's budget. DJ put \$15,000 in the line item for Personnel agency, but with all hope that we don't have to use it which happened last year. For the source water grant we still have \$17,340 to expend. DJ is putting more information about it in the Water Quality report which is going out shortly. She also wants to do another septic workshop explaining how to maintain your septic system.

We need to expend all of the Grant by October of 2019 or the funds will be lost. The rebates and grants are for customers who have their septic's inspected and we pay them \$250 for a septic inspection. Or if their septic's need repair there is a cost share amount of up to \$1,000 that they can apply for.

Capital Outlay: For next year's budget it has remained at the same amount as last year's budget. We are budgeting for two fire hydrant replacements, equipment for the new truck, and more money into the AMR program for purchasing more meters, hardware, software and equipment.

General Operating Contingency: The amount in Contingency is up this year 18.2% or \$160,307 to meet about 66.5 days of operating expenses. This is much better than in the past when we had less than 5% of our operating expenses for emergencies.

Member Brian Gerritz asked in regards to the study when we started increasing that what do the by-laws have for events to trigger going and using that. DJ noted that you can use the Contingency as the ORS's stipulate. For example, if you have a big emergency and need to use those funds the Board does a resolution to transfer funds from Contingency to where you need to expend the funds. We do not need to have another budget meeting to make this happen but the Board has to do action.

Unemployment Fund: A \$3,000 transfer is scheduled to be done from the General Operating Fund to the Unemployment Fund. Historically, unemployment taxes are not taken from the employees' paychecks. This fund was established and is part of the yearly budget. DJ has discussed with the Board about changing this in the future. She has researched it and it is not an easy process but she will let them know what it takes and costs.

Truck fund: Chair Brian Gerritz asked if the Generator is trailered and what the weight of it is? Brian Faist noted it was just under 14,000 pounds. Members agreed it would take a ¾ Ton to move it.

Member Sherry Patterson asked what the District has planned in event the City of LO takes the District over as the IGA with them notes that could be in a matter of 6 months' time. Is there funds set aside for employees in case of end of employment?

DJ stated that due to the pipe the District has we are not really attractive to "take" over but that they would absorb any liabilities and any assets we would have and employees if not employed by the City would receive unemployment. Member Patterson is concerned that we have some monies planned for and available that during that six month change over the employees have obligations themselves and she would like the employees to know that there would be some type of cushion there for the employees to stay that six months to help in the transition in event that LO does not hire them.

Member McDowell felt that with the amount of asbestos cement pipe we have that they would want us. Member Magura noted he felt that we are "takeover proof." Member Roth noted that they would also decommission our wells because they would not use them even as a backup. Chair Gerritz stated back to the truck size question-it would be a once time event of epic proportions to have the need for a ¾ Ton truck versus the need for everyday use of a smaller truck just within the District? DJ noted right. Chair Gerritz felt that there really isn't a good case for purchasing the ¾ Ton. DJ agreed because where it is right now at Well #1 at Old Gate that is our most productive well, and the Olson Well where we would move it to is basically a back up well. Discussion continued on vehicle purchase. Consensus of the Committee was to purchase a smaller truck to service the District.

DJ stated that in 2019-2020 a \$15,000 transfer will be made to the Truck fund to do the vehicle purchase.

Rich Refvem enters the meeting at this time.

Capital Improvement Fund: Used to track big projects and also the SDC fund income and expenditures. There will be a \$200,000 transfer from the General Operating Fund to the Capital Improvement fund. SDC Income is projected for 4 homes. Currently the SDC charges is \$11,723 and that can be found under line item 4035. DJ stated that we are going to be amending our loan because the estimation of the project at \$1,221,000-the projected costs have increased to a low of \$2.3 million to \$2.7 million. There will be an additional transmission main replacement added to the project so that also increased the costs.

Fiscal year 2018-2019 Goal Accomplishments and 2019-2020 goals to complete.

DJ stated the last part of the budget message lists the progress on the current Goals for this fiscal year and the additional work we have done. The second part of the Goals listed are the Goals we hope to finish or make good progress on in the 2019-2020 fiscal year.

1. Member Magura asked for a short synopsis on the loan that the District is using to fund the current reservoir project-like when we got it, how long we have to use it, etc., etc? DJ noted that we made application for the loan in 2017 for the Reservoir #3 Landslide Remediation/Seismic upgrade. The contract was signed July, 2017 for the \$1,221,000 loan amount with \$129,000 forgivable.
2. Member Magura asked about the burn time of the loan is it a year? DJ noted that no it is not but supposed to be for the time of the project. At this time she made a request for the first disbursement for \$74,953, for Engineering costs.

3. Member Magura asked when does the debt service start on that. DJ noted that it starts when the project ends. You can pay interest on any money disbursed from the loan once a year in December until then. The interest rate on this loan is 2.16%.
 4. Member Magura asked what the length of the loan would be? DJ stated that it is for a 20-year loan.
 5. DJ noted that we have to amend the loan because the first Engineer that helped make the application on the loan estimated the costs way low so after the design study, we definitely have to amend the loan to finish the project. We had to notify and meet with the SDWLF people to show they justification for the loan amendment. And we were approved for that.
- Committee breaks for refreshments.

Discussion on Budget Detail sheets-6:55 PM

Page 1. Resources: DJ stated for water sales she is estimating the same amount as she feels that we will end up as of June 30th this year as there are no water rate increases expected. Water Deposits have the same number in resources that are in expenses for Water Deposit refund.

- Member Rich Refvem asked where she expected development fees to come from? DJ stated down Canal Rd & duplex on East side of Pilkington and Childs, and possibly 65th and Childs development. Additional discussion held about possibly some on Dawn Street and DJ noted that the only one she has seen planning info from Rivergrove for Hafez Daree to split his property.

DJ noted that there are 3 line items that are zero line items and as soon as zeroes are all across those line items will go away. Those are miscellaneous income, Engineering Fee, Preferred Worker Cost Share, and Bonding Security Deposit line items.

- Chair Gerritz asked about the interest income and where the money is held to earn interest? DJ stated that 4058 line item is for the interest that accrues off the customer deposits. The 4059 line item is the money that is where we deposit the money that is non-restricted and not necessary for operational expenses at the time.

In line item Staff Continuing Ed/Other Reimbursement income such as stipends given to our Top Ops team when we've won the Subsection for reimbursement for expenses to go on to the Section Conference goes here. Plus, the SAIF dividends that we get go in this line.

Page 2. Summary page: DJ noted we will come back to this page it is a summary of the detail pages we are going to talk about.

Page 3. Personnel: DJ noted the Administration line budgets for DJ/Janine's wages. The Operations line will be budgeting for 2 fulltime Operations positions and .5 Utility 1 wages for a part-time Intern position. Deferred Compensation is now what used to be in the line item Pension. As soon as we have zeros across Pension will go away. The District does not do PERS but does these 457 contributions instead.

Page 4. Material Services-Administration: First section of Material Services: DJ stated that there is a little more in Insurance line item as the Board decided to add Cyber coverage in case the District gets hacked. She explained the costs in certain line items. Under telephone that covers about 6 lines both in the office and also at our well sites. Under fees, licenses, and permits, the State drinking water program is changing how they structure the fees. It will make a huge difference to big water systems such as Portland. But the fees should only increase around \$600 for our District a year. We don't know yet if it will pass

the legislature but it is possible. Metereading she budgeted a little less, but she has to renegotiate the contract with Metereaders to exclude our meters that are automatically read. That should make it a little less even with the possible increase that they will probably ask for.

- Chair Gerritz asked so we are swapping out the physical moped looking at each meter, will it be wholly in house? How the automatic meters are read? DJ stated eventually it will be wholly in house but to read the meters Brian goes down the road say at Childs and Bryant intersection, stops the vehicle, initiates the meter reading and it populates with all the meters that are installed. If it misses any he has to go closer to those that are missed to get the read. Most of the time all populate.
- Member Refvem asked how it is powered to send the read is it by the flow. Ans.-the meter holds a 20-year battery.

DJ stated that the ultimate goal is to get to the AMI or Automatic Meter Infrastructure which the customers can go online and check their usage in real time plus it alarms if there seems to be a leak through the meter.

- Member Refvem asked where the cost of the meters are? Answer-that is in the Capital Outlay portion of the budget on page 8.
- Discussion continued on the various selections and programs within the automatic meter reading and its advantages and costs.

Page 5. Material Services Operations: DJ stated that hopefully the truck maintenance will go down because we will be purchasing a new mid-sized pickup.

- Member Magura asked if that was going to be a purchase or a lease. DJ noted it will be a purchase because we can buy our vehicles under state bid so they are pretty reasonable. When the 2006 4X4 Chevy was purchased we paid around \$17,000 for it.

DJ noted that chemicals budget went down a bit and the cross-connection line item was increased due to needing additional parts and hopefully increased installations with the new meters going in also.

Page 6. Material Services Professionals: DJ noted she increased the Auditor numbers expecting a percentage raise for the Audit. Consultants amount went down-the only consultant used this year was Strictly Accounting for \$650.00. District Engineering costs have increased so she increased that line item.

Page 7. Capital Outlay: DJ explained the various line items and how she made some budget numbers. Fifteen thousand in small tools and equipment will be available to set up the new pickup with tool boxes, lights, etc. This is the section where the amount for the additional new AMR meters is in a line item.

Page 8. Unemployment Fund: DJ explained the way we self-insure. She explained the transfer is for building up the fund in case we are filed against. She also stated that whatever amount of money that is paid out to successful claimants because of the way we do it-we have to pay dollar for dollar the amount that is paid to them. She has checked into switching to paying for the unemployment insurance and then also some is taken out of the employees checks. First, we can't do anything until January 1. Then we have to file as a new company-which may confuse the State if nothing goes on our old account number, then for about 3 years we have to pay an increased or newbie rate until we established a claim history.

Page 9. Capital Improvement Fund: DJ stated that she and Kyle, our District Engineer, went over this, and we made sure the total amount for the Reservoir #3 project is in there, with 10% of the costs going to contingencies in both the Capital side and the SDC side. Kyle let DJ know the amount that is eligible for SDC expenditures and those are reflected on the page. We did add a new line item line 7, the CI Distribution Main Replacements. Part of the project on the Mission Estates, extending beyond their frontage to Dawn Street they are replacing for the District and that cost will be approximately \$53,000. The \$200,000 is for building up funds in that to help replacing AC mains in the District. She knows that the entire project will not be complete in one year but in case the money is needed it is budgeted here. The first year they are going to be doing the slump correction, installation of soil nail wall, and some distribution improvements to our interties, and the second year the seismic improvements to the Reservoir will be done and painting of the reservoir will also be done.

- Member Magura asked when these projects are being done where are we going to get the water to supply the District? Answer is the Engineers have those figures and have suggested that we put a variable drive to power our pumps to keep up with demand using the 2 remaining reservoirs.
- Member Refvem asked about when the mains are dug up to replace the AC the AC becomes hazardous waste? DJ stated that it becomes “special waste” and it has specific handling and disposal properties that increase costs of dealing with it. She noted in the project that will cost \$53,000 those costs are in that and there is a company LOI over on Jean Road that does that.
- Member Jerry Thacker asked in terms of in the district how much is AC pipe and how much is DI. Answer: Probably about 2/3rds AC to 1/3 DI. DJ did note that we will be doing a test this summer for Asbestos fibers in the water. Hopefully, there will be zero. She stated in her opinion that as long as our water is hard then there will be no corrosion of the AC fibers.

Page 10. Truck fund: DJ noted the \$15,000 transfer and anticipates through the state bid program it will be adequate to get a new midsize truck.

Chair Gerritz moved we approve the Rivergrove Water District budget as proposed for 2019-2020. Member Roth seconded. Motion passed. Budget Committee Members Roth, McDowell, Patterson, Magura, Refvem, Colander, Thacker, and Gerritz voted aye. Nays-None. Motion passed.

ADJOURN: Chair Brian Gerritz adjourned the meeting at 7:17 PM.

Respectfully,

Jonathan McDowell

Secretary
Rivergrove Water District Budget Committee

SS: dje