

PACIFIC CITY JWSA BOARD OF DIRECTORS
BUDGET COMMITTEE MEETING MINUTES

May 12, 2020

Chair McVicker called the May 12, 2020, Budget Committee Meeting to order at 5:00 PM via conference call.

Committee Members Present: Carolyn McVicker, Cameron Gogas, Tim Donohue, Sean Carlton, Anne Price, Scott Culp, Garry Link, Bill Hite, and Kathy Starostka. Nettie Casiano was absent.

Guests Present: Tim Hirsch

Staff Present: Michelle Hughes, Budget Officer, Kirk Medina, and Rachelle DeLoe.

ELECTION FOR BUDGET COMMITTEE OFFICERS:

Director Price nominated Scott Culp for Chair of the Budget Committee. Director Carlton seconded. Chair McVicker asked for all members to cast an oral and visual vote to elect Mr. Culp as Budget Committee Chair, and it carried unanimously.

Chair McVicker handed the meeting over to Chairman Culp, and Chairman Culp called for nominations for Secretary.

Director Price nominated Bill Hite for Secretary of the Budget Committee. Chair McVicker seconded. Chairman Culp asked for an oral and visual vote to elect Bill Hite Budget Committee Secretary, and it carried unanimously.

BUDGET DISCUSSION

Budget Officer Michelle Hughes said due to the COVID-19 pandemic the Authority was not proposing any increases in user fees but instead asking for a decrease in the WWTP CIC by 15%.

Director Gogas asked how long Ms. Hughes believed they would be able to sustain the current WWTP CIC revenue income. Ms. Hughes responded that if they had continued to put a moratorium on the WWTP CIC then it would eventually be an issue, but they were not proposing that with that budget.

Director Carlton referred to their discussion at the prior board meeting and asked if the board decided to continue the moratorium passed the new fiscal year, would they need a supplemental budget. Ms. Hughes responded that they would not.

Chairman Culp asked if they were continuing the moratorium until 30 days after the state of emergency had ended. Ms. Hughes replied that the moratorium was only for April, May, and June of that year. Ms. Hughes continued that the board could decide to extend the moratorium, but the Authority was only proposing a 15% reduction in the WWTP CIC in the new fiscal year.

Director Price said she believed Chairman Culp may have been thinking of the resolution the board had passed regarding lock offs and past due fees.

Chairman Culp led discussions of the FY 20/21 budget going through each fund.

Chairman Culp began with the 002 Master Plan Fund. Ms. Hughes gave a history of the development of the 002 fund. Ms. Hughes added that there was \$400,000 in the grant proceeds line item was for a piece of equipment that was tentatively being delivered in June. Ms. Hughes said the \$1.2 million dollars in the Reserve Bond Transfer line item would be transferred at the end of the next fiscal year to hold onto for payments in the years to come. Director Carlton asked if it would be transferred into another line item. Ms. Hughes responded that the monies would be transferred into a bank account on the balance sheet and would no longer be reflected in revenue on the trial balance. Director Carlton asked if the money would stay in the 002 fund. Ms. Hughes said that it would, but it could also be moved to 003 Debt Service fund but could not be moved yet because there may be more expenses in the next fiscal year. Director Gogas asked what the interest gain would be. Ms. Hughes said the LGIP interest was going to decrease from 1.75% to 1.3%. Ms. Hughes continued that she had projected \$20,000 rather than the \$30,000 they had received that year in anticipation of the decreased interest.

Chairman Culp clarified that 003 fund was for debt owed on the Horn Creek Water Treatment Plant. Ms. Hughes replied in the affirmative.

Chairman Culp moved on to the 004 Sewer SDC/CIC fund. Ms. Hughes said in the past they had budgeted for the CIC (Capital Improvement Charges) an amount that was never fully collected. Ms. Hughes continued that they had decided not to budget for the full \$10 CIC and instead only budget for the \$5 that the committee had agreed to assess in prior years. Ms. Hughes said they had also budgeted for a 1.6% increase on SDC's (System Development Charges). Ms. Hughes wanted to clarify that the amount in the line item labeled Lift Station Improvement was for Step System Improvements and she would be moving that amount to a new line item. Chairman Culp referred to the line of credit from 2013 the Authority had through TLC Fibre Federal Credit Union and asked how long until it was paid off. Ms. Hughes said they anticipated it to be paid off in the next three years. Discussion ensued regarding the line of credit and its use in emergency situations. Director Carlton asked how many SDC's the Authority had received thus far. Ms. Hughes said they had received seven. Director Carlton asked if 10 was too high an amount of SDC's to anticipate. Ms. Hughes said there were many houses being bought and sold at the moment and it was hard to tell what the next fiscal year would hold. Director Price felt more comfortable leaving the CIC line item at the \$10 rather than reducing it, because if they needed to raise it throughout the year, they had that option. Director Donohue asked what SDC stood for. Ms. Hughes responded that it stood for System Development Charges. Chairman Culp clarified Director Price's comment regarding CIC's. Ms. Hughes commented that if they did have a major emergency and chose to assess the CIC charge up to the \$10, it would most likely not be enough because it is only a \$7 charge on 1400 connections. Director Carlton agreed with Director Price but added that he liked the way the proposed budget looked now because it was more accurate. Director Donohue asked if any monies

left over at the end of the year moved to the working capital line item. Chair McVicker said she believed the board had kept the additional money in the CIC line item in prior years because they had been worried about being able to prove to a bank that they would be able to pay it off in a reasonable amount of time. Chair McVicker continued that because the Airport Lift Station, the Wastewater Treatment Plant, and Horn Creek were all complete it may be a good time to take a year off and see how the budget looks in the next fiscal year. Director Price said she felt comfortable budgeting for just the \$3.

Chairman Culp moved on to the 005 Water SDC/CIC fund. Ms. Hughes said the 005 fund was similar to the 004 fund. Ms. Hughes continued that they were proposing 10 SDC's for the year and had reduced the CIC line item similarly to the 004 fund. Ms. Hughes referred to the New Construction line item on the bottom of page 6 for \$430,000 and should not have been put into the System Development improvement but a Capital Improvement on page 7. Director Carlton asked what the money in that line item would be used for. Ms. Hughes responded that the Authority wanted to install an Automatic Meter Reading system. Ms. Hughes said the meters would be electronically read, saving manpower and discovering distribution leaks quicker. Director Carlton asked if that would be the entire district or would it be phased in over multiple years. Mr. Medina said depending on which company the Authority went with, they could most likely all be done in one year. Director Carlton asked how much labor would be saved in a year. Mr. Medina responded that it would save about \$30,000 a year which would equate to about a ten year pay back. Mr. Medina added that there would be much more research before a decision was brought before the board. Discussion ensued regarding how AMR technology would benefit the district.

Chairman Culp moved on to the 104/105 Operation and Maintenance funds. Ms. Hughes referred to the revenue section of the 104 and 105 funds and noted that she had reduced them because of the COVID-19 pandemic and the uncertainty of commercial businesses and vacation rental openings. Director Donohue asked what the \$125,000 in Rolling Stock was being budgeted for. Ms. Hughes responded that the Authority was looking to purchase a Vac Truck.

Chairman Culp noted that the budget was about 80% smaller than the prior year due to the WWTP upgrade. Director Carlton asked if Ms. Hughes saw a 5%-8% drop in user fees for the next fiscal year. Ms. Hughes said depending on how long the pandemic lasted would ultimately determine the decrease, but they had already seen a significant decrease in the previous two months. Director Carlton asked what percentage of revenues came from variable rates. Ms. Hughes said she did not have a percentage prepared but could get him one. Director Carlton was concerned that the revenue was not low enough.

Chairman Culp moved onto the line items of the 002 Master Plan fund. Director Donohue asked what short lived assets line item was for. Ms. Hughes explained that the Authority had made an agreement with USDA-Rural Development to put \$90,000 in a reserve fund to replace short lived assets on the new wastewater treatment plant. Chairman Culp asked if the money was from grant proceeds. Ms. Hughes replied no, but that those monies came from the WWTP CIC's. Chairman Culp asked what the Grant Proceeds line item was. Ms. Hughes responded that Rural Development had given the Authority a \$1.9 million grant to spend on the WWTP Upgrade.

Chairman Culp moved onto the line items of the 003 Bonded Debt fund. Chair McVicker asked if the County had given any indication of how much money would be collected less the property taxes of that

year. Ms. Hughes replied that they had not. Director Donohue asked what LGIP stood for. Ms. Hughes replied that it stood for Local Government Investment Pool and it was similar to a savings that the Authority earned interest on monthly. Chairman Culp asked when the bond would be paid off. Ms. Hughes replied 2027. Director Gogas asked how much health insurance had gone up. Ms. Hughes replied 18%.

Chairman Culp moved onto the line items in the 004 SDC/CIC fund. Chairman Culp asked if New Construction Improvements would go along with the new Vac truck. Ms. Hughes responded no, that line item was for items that did not get a specific line. Ms. Hughes noted that she had reduced that particular line item by half from the previous year. Chairman Culp asked about the large amount on the Engineering line item. Ms. Hughes responded that the Authority was developing a new Master Plan that fiscal year. Chairman Culp asked if the engineering cost was split up. Ms. Hughes said that \$100,000 would come from each 004 and 005 funds. Ms. Hughes continued that there was an additional line item for Engineering that could be used for other projects. Director Carlton asked if the line items under materials and supplies and capital outlay lined up with the current master plan. Ms. Hughes replied that they do but they were trying to catch up on projects. Chairman Culp asked if the Authority was on a project hold waiting for the new Master Plan. Ms. Hughes replied no, and that they had plenty of projects to work on that fiscal year. Chair McVicker added that with the new Master Plan their priorities may change. Director Gogas asked about the amount in the Computer/Office Equipment line item. Ms. Hughes responded that the Authority's Springbrook accounting software was outdated and may need to be updated with the new metering system.

Chairman Culp moved onto the line items in the 005 SDC/CIC fund. Ms. Hughes noted that the New Service Installations would be moved as discussed prior and the New Construction line item would probably not be spent unless there is a system development project such as a main replacement that they decided to do. Chairman Culp asked about the filters that needed to be replaced at the Horn Creek Water Treatment Plant. Ms. Hughes responded that they had been inspected recently and were still in very good shape. Chairman Culp asked what percentage of the districts water came from Horn Creek. Ms. Hughes responded about 90%. Director Price clarified that there were water rights on the Horn Creek property and was connected to Phase II of Horn Creek. Discussion ensued regarding the water rights with the State of Oregon. Mr. Link clarified that there was \$100,000 for Engineering in the 004 and \$200,000 in the 005 and asked why it was not equal. Ms. Hughes responded that \$100,000 from each was for the Master Plan and the other \$100,000 in the 005 would be dedicated to other projects. Chair McVicker said she believed the Master Plan was estimated to cost around \$285,000. Ms. Hughes noted that there was an Engineering line item under Capital Improvement also that would cover the remainder. Director Carlton asked why the Authority needed a Vac truck, when it had not been needed in prior years. Mr. Medina replied that after completing an annual wastewater report it was discovered that there had not been any sewer maintenance in the prior year and had planned to make that a priority in the next fiscal year. Mr. Medina added that the Vac truck would also help with response time to water main breaks. Director Gogas asked if the Vac truck could be used to pump STEP systems. Mr. Medina replied in the affirmative. Discussion ensued regarding hypothetical scenarios where a Vac truck would be beneficial. Chair McVicker reminded the board that a Vac truck had been in the Master Plan previously for a cost of \$264,000, and \$250,000 seemed reasonable at that time.

Chairman Culp moved onto the 104 Operating fund. Ms. Hughes told Director Carlton that she had done some calculations and a flat rate sewer without usage was 7% less but was not concerned as the

Authority had consistent customers that went over the minimum usage. Director Carlton asked why the Accounting/Auditing line item was twice as much as the current year. Ms. Hughes responded that they had not made the final auditing payment for the year. Director Donohue asked if the Insurance line item for \$37,500 was for liability. Ms. Hughes replied in the affirmative. Director Carlton asked why the WWTP R&M and WW Collection Sys. R&M were much higher. Ms. Hughes responded that they had not made many operating repairs in the 19/20 fiscal year but had in prior years. Director Gogas asked if the Authority had ever exceeded the employee training budget. Ms. Hughes said they had not but it was their intention to send the staff to more trainings in the next fiscal year rather than doing a book study.

Chairman Culp moved onto the line items in the 105 Operating fund. Ms. Hughes told Director Carlton that the revenue percentage reduction would be about 12% but she was not concerned as business and vacation rentals may open up in the near future. Director Carlton clarified that roughly 90% of user fees are from flat rate. Ms. Hughes replied in the affirmative. Mr. Link referred to the statement in the beginning of the budget stating that an Assistant Manager position and an Operator position may not be filled that fiscal year and asked if that was pandemic related. Ms. Hughes replied it was not, but more of a recruiting issue. Director Donohue asked about the Customer Assistance Program line item and why it was budgeted for \$5,000 when in previous years they had budgeted for \$1,000. Ms. Hughes replied that they anticipated more customers using the customer assistance program in the coming year, because of the pandemic. Discussion ensued regarding the details of the customer assistance program. Director Gogas asked how many OIT's (Operators in Training) the Authority had. Ms. Hughes said currently there were three but there was an open position available. Chairman Culp asked if they had the same number of employees as the previous fiscal year. Ms. Hughes replied they had nine employees. Chairman Culp asked if they were saving money in wages with the new wastewater treatment plant. Ms. Hughes said they were still learning the plant so had not seen a savings in wages as of yet. Mr. Link asked why the OIT line item in 004 and 005 were not the same. Ms. Hughes replied that they were split based on how much time an employee spent in either water or sewer. Chairman Culp asked if the insurance benefits were any better or worse than the previous year. Ms. Hughes replied they were the same, but the cost was higher. Director Gogas asked what medical insurance company the Authority used. Ms. Hughes said they had Regence Blue Cross. Director Gogas asked if they had looked at other insurances. Ms. Hughes said they were in the SDIS (Special Districts Insurance Services) benefits group and SDIS did bring them other options each year to compare. Secretary Hite noticed a discrepancy in the budget message vs the 002 fund in the budget. Ms. Hughes responded that she had made a mistake and the correct expense total amount was \$2,154,230.

GUEST QUESTIONS AND COMMENTS

No questions were submitted.

BUDGET APPROVAL

Chairman Culp entertained a motion for budget approval.

Motion

Director Price moved to approve the FY 20/21 proposed budget as corrected. Director Gogas seconded, and the motion passed unanimously.

Chairman Culp adjourned the meeting at 6:17 PM.

The PCJWSA Board of Directors approved these minutes on June 2, 2020, by the following votes:

Aye_____ Nay_____ Abstain_____ Absent_____

ATTEST

Scott Culp, Budget Committee Chairman

Bill Hite, Budget Committee Secretary

Carolyn McVicker, Board of Directors Chair

Kirk Medina, Authority Manager