

**BUDGET COMMITTEE MEETING #1**

**HYBRID MEETING: IN-PERSON ~ VIRTUAL MEETING VIA ZOOM**

**Wednesday, March 27, 2024, 6:30 p.m. ~ Corbett Fire Hall 36930 E Hist. Col. Riv. Hwy**

**BUDGET COMMITTEE MEMBERS PRESENT: In-Person: Michael Arion, Allen Cress, Malcolm Freund, Dan Graff, Sara Grigsby, Kelly Piper**

**BUDGET COMMITTEE MEMBERS PRESENT VIA ZOOM: Lauri Aunan, Angie Kimpo, Andrew Kurkinen**

**BUDGET COMMITTEE MEMBERS ABSENT: Jonathan Scott**

**STAFF MEMBERS PRESENT: District Manager Ana Linden, District Clerk Heather McGivney, DRC David Jacob**

**AGENDA**

**1. Call to Order** – Board President Kelly Piper called the meeting to order at 6:32pm.

**2. Roll Call** – Michael Arion, Allen Cress, Malcolm Freund, Dan Graff, Sara Grigsby, Angie Kimpo, and Kelly Piper were present. Lauri Aunan and Andrew Kurkinen joined via Zoom a few minutes into the meeting.

**3. Approval of the Agenda** – Kelly Piper wanted to clarify that Item 4 on the Agenda, Rate Study Follow Up, has been included because Commissioner Dan Graff asked for more information from the Rate Hearing. Michael Arion moved to approve the agenda, seconded by Sara Grigsby. (*motion passed 7 yes votes: M. Arion, A. Cress, M. Freund, D. Graff, S. Grigsby, A. Kimpo, K. Piper; 0 no votes*)

**4. Rate Study Follow Up** – Ana Linden expanded on the rate study previously presented by looking at the last 10 years of winter usage. When leaks are subtracted, most consumers use less than 15 units, and there are very few customers that use over 35 units. When projecting numbers, Ana eliminated any customers who used more than 35 units and extrapolated that a more realistic estimate of our reliable income covers 71% of our current budget Operations and Maintenance costs, and about 66% of the projected budget needs for the Fiscal Year 2024-25. The reliable income should cover 80% of Operations and Maintenance. When looking at the options presented at the Rate Hearing, there are only a few rate increase models that will raise the revenue that we need. Sara Grigsby said that she thinks that the solution is to blend two or more of the rate increase models. Ana mentioned that our base rate covers fewer feet of pipe per customer because we have a large pipe system compared to the number of customers. Ana believes that adjusting the base rate is the best way to raise the needed revenue. FYI, the current proposed budget does not include any rate increase. If a rate increase were passed, it would act as revenue that would carry over into the next Fiscal Year. She then talked about the proposal from Hydra Engineering for sand for our slow sand filter ponds. Hydra Engineering has been granted a variance from Oregon Health Authority to do testing to find equivalent sand to the NSF sand that is only available from Knife River. The proposal from Hydra Engineering is expected to cost about 40% of the cost from buying NSF sand from Knife River. Lauri Aunan asked if the Budget Committee would be asked to weigh in on the sand question. Ana answered no, this information is a follow up from questions that were asked at the Rate Hearing.

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**5. Election of the Fiscal Year 2024-2025 Budget Committee Chairperson** – Kelly Piper asked for nominations for a Budget Committee Chairperson. Kelly nominated Michael Arion, seconded by Angie Kimpo. (*motion passed 9 yes votes: M. Arion, L. Aunan, A. Cress, M. Freund, D. Graff, S. Grigsby, A. Kimpo, A. Kurkinen, K. Piper; 0 no votes*) Budget Committee Chairperson Michael Arion took control of the meeting.

**6. Review of the Budget Message** – District Clerk Heather McGivney read the Budget Message. The District was founded in 1932. Now our water is piped approximately two miles from the North and South Forks of Gordon Creek to our treatment plant. There it is filtered through our slow sand filter ponds and treated with chlorine to disinfect the water and soda ash to prevent corrosion of the pipes. We have five reservoirs throughout the system that can store roughly 2 million gallons of water. We computer monitor the flow rate, turbidity, pH, amount of chlorine, and temperature of the water to ensure that we are complying with state regulations. Our computers notify Corbett Water District staff both day and night if there are any potential problems. We have an energy efficient gravity fed system that flows the water down Larch Mountain, and the pressure of the water carries it over hills to our roughly 1080 customers. Like many other water utilities, we struggle with a worker shortage. It takes time and money to find, train, and retain quality employees, something which is reflected in this budget. The last three years that Ana has been Budget Officer, she feels that progress has been made in repairing and renovating the office building. We don't have an onsite Direct Responsible Charge (DRC) who is responsible for making decisions relating to water quality and public health. Ana increased the salaried positions in the Budget to make room for a well-qualified District Manager/DRC, or adding a part time utility worker who would act as field supervisor and DRC. We have been working intensively on maintenance for the last six months, and we've discovered problems relating to parts that are at the end of their useful life, or service lines that were not properly installed in the right of way on the homeowner's side of the street. Many of the parts were installed at different times, and we found a new main line that was not put into use because customer service lines were not transferred over to it. There are leaks to repair, and approximately 47% of our water is unaccounted for. As we repair these leaks, we should see an improvement in water loss. We are in the midst of a lawsuit to try to recoup costs on an ASR well that was attempted in 2020. The expenses in the budget for legal fees reflect the worst case scenario of taking the lawsuit all the way to trial. Our slow sand filtration ponds were built in the 1980s and still have the original sand in them. Every six months, we have to clean the ponds, resulting in a small amount of sand being removed from each pond. Over the years, this steady decrease has led us to a point that one or two of our ponds are now below the recommended level of 18 inches of sand. Replacing this sand is increasingly urgent. This budget includes money to hire Hydra Engineering to conduct tests that would comply with Oregon Health Authority regulations. The severe winter storm in January caused a wash out to the south of our Larch Mountain reservoir. The slope is now in need of stabilization, which will require an engineer to make plans, and construction to install the stabilization method. We got an extremely rough estimate for the work, which is included in the Capital Outlay section of the budget. Budget Committee Chair Michael Arion asked if there were any questions. Lauri sent in questions before the meeting, but it was decided to address them as they came up in general discussion. Malcolm Freund asked if a FEMA declaration of emergency would help with the costs for the Larch Mountain reservoir repair? Ana answered that it could, but we would have to apply and get an award from FEMA.

**7. Presentation of the Fiscal Year 2024-2025 Proposed Budget** – Budget Officer Ana Linden began by reading from the Explanation of Revenue and Expenditures. Lauri asked for an explanation of the Net Working Capital, and Ana explained that this is the estimate for what we will have in the bank at the beginning of the next Fiscal Year. Ana explained the resources and revenue expected for the next

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year are based on the current rates, without a rate increase. Ana extrapolated the projections from what we have received through February, which is 2/3 of the way through the Fiscal Year. Heather McGivney announced that she had made some errors in the way that the preceding year totals were added. The formulas for the totals are off, and a few of the individual numbers are incorrect based on how they were supposed to be reported. We were advised by Multnomah County TSCC that once we had published the proposed budget, we could not change it until we pass the approved budget. Our budget document has numbers in a bold font, and others in a non-bold font. The bold numbers represent the total for each category that is made up of the non-bold numbers. However, our formulas for the totals at the bottom of each column added both the bold numbers and the non-bold numbers, essentially doubling the total. There are a few of the non-bold line items that are also incorrect, because those numbers are supposed to match our audit rather than the new lines on our budget document. Heather apologized for causing so much confusion, then spent time verbally telling the committee the correct numbers for previous years so that they could write those numbers onto their working documents.

- Resources: Kelly Piper read the Explanation of Revenue and Expenses
  - Rate Revenue: Malcolm asked how many customers are paying the Variable Base Rate? These are the customers who live out of our District and don't pay property taxes to the District. Heather answered that there are less than 10, but she couldn't narrow it down more than that. Sara Grigsby asked about the amount estimated for Service Connections, why we received so much recently compared to the figure for next year? Ana explained that we had a large customer pay for a service connection recently, but next year we anticipate less building of new connections.
  - Other: Malcolm asked about the Deposit line. This money is from new customers coming into the District and paying a deposit for services. There are generally more customers moving into the District than old customers moving out who need a deposit refund, but this money should be considered a fund that is set aside for those potential refunds. Malcolm asked how much of the Taxes line item we expect to receive, because we never collect taxes at 100%. Ana answered that the estimate that we receive from Multnomah County is generally accurate, when we include the amount of back taxes.
- Personnel Services: Heather corrected the numbers that were wrong on this page, and then Kelly read from the Explanation of Revenue and Expenses.
  - Salaried Positions: Clarity was sought for the Field Superintendent/DRC line item. This is based on the average expenses that Hydra Engineering charges for DRC and education to our Field Workers.
  - Field Crew: Malcolm asked when are the Utility Workers able to be certified? David Jacob answered that they can take the test after one year of service. Dan Graff pointed out that, since David is DRC, any workers, even those who aren't qualified yet, can work under his license. Sara asked about the Overtime estimate, is it enough if there is another severe weather event? Dan responded that the DRC would be a salaried position. Heather pointed out that the actual spending for Overtime as of February 2024 is 50% of budget, though we are 2/3 of the way through the year, which included the winter storm. Malcolm asked why we aren't looking for a Utility II or Utility III worker? Ana responded that Utility II was cut from the budget for this year, and even when we did advertise for Utility II, we didn't get any applicants.
  - Office Crew: Malcolm asked how the potential SDAO internship grant would connect to the Temporary Office Worker? Heather responded that, if we receive the grant, it would offset part of the salary for the Temporary Office Worker. Sara asked about the increase in the Assistant District Clerk line item. Ana responded that we didn't budget enough for this Fiscal Year, and also, we used to have more efficient Clerks. Also, one of our Assistant Clerks works in the field part of her time.

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- Benefits: Malcolm expressed skepticism that any company pays 100% of the insurance for family coverage. Conversation ensued about the amount of coverage offered to families, and Angie Kimpo pointed out that other municipalities offer 100% coverage for both employee and family, and if we want to attract workers, we should consider covering families at 100% (employees are already covered at 100%). Malcolm asked how VEBA correlated with the Health Insurance line? Ana clarified that VEBA is a health savings account, and the District is the only one who can pay into the account.
- Taxes and Insurance: Sara asked about how Worker's Comp insurance might increase as we are considering adding field volunteers? Ana feels that the estimate should be good considering the amount that we have spent so far this year.
- Materials and Services: Heather corrected the numbers for this page. Michael Arion proposed that we correct the numbers on the remaining pages of the budget document, and then adjourn.
- Capital Improvement: Heather corrected the numbers for Capital Outlay page. Sara asked a question about the System Improvement line item: Why is there a number in the Actual spending for Fiscal Year 22-23, but no expenses in the current adopted budget for Fiscal Year 23-24? Ana responded that we had eliminated that line item from the budget document because she thought that there were no expenditures in the last three years. However, when looking at the figures from the audit, we had to add in an expenditure for Fiscal Year 22-23. If she plans on using the System Improvement line item again, it will be rolled into the broader category of Infrastructure.
- Budget Totals: Heather corrected the wrong numbers on this page.

Michael Arion asked the committee members to study the corrected numbers before our next meeting so that we can get into the numbers more carefully. Lauri asked if the agenda for the next meeting was posted anywhere? Heather answered that a draft agenda is online at [www.corbettwater.com/budget](http://www.corbettwater.com/budget).

## 8. Public Comments

- Community member John Ortlief asked in the Zoom chat isn't Knife River the company that is poisoning people's drinking water? He said that he wouldn't support them. Who is making these decisions, because he doesn't think this is a responsible approach? Then he asked if anyone was listening? Heather responded in the chat that she often doesn't have time to monitor the chat during the meeting, and that he could give his public comment during the appropriate time. Mr. Ortlief responded that he would contact the local news outlets about CWD's connection to Knife River. He thinks the findings might be enlightening. He concluded with congratulations, you goofs just got an easygoing citizen irritated with your subterfuge. Good job.
  - Angie responded that she thought Mr. Ortlief maybe misunderstood our proposal about sand, as we are trying to find an alternate to purchasing from Knife River? She thought that we might announce that at our next Budget Committee meeting. Michael Arion asked if we have his contact information, to which Heather responded that we should have his email address from his meeting registration. Ana said that we would reach out to him to explain.
- Joe Smith commented in the Zoom chat that we are budgeting for people that aren't even codified.

**ADJOURNMENT OF MEETING** – Dan Graff made a motion to adjourn the meeting at 8:46pm. Kelly Piper seconded. (*motion passed 9 yes votes: M. Arion, L. Aunan, A. Cress, M. Freund, D. Graff, S. Grigsby, A. Kimpo, A. Kurkinen, K. Piper; 0 no votes*) The meeting was adjourned at 8:46pm.

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