



B U D G E T C O M M I T T E E M I N U T E S

A meeting of the Sunrise Water Authority Budget Committee was held on **Wednesday, April 22, 2020 at 6:00 p.m.** at Sunrise Water Authority, 10602 SE 129th Avenue, Happy Valley, Oregon 97086.

Board Present: Chris Hawes, Chair; Andy Coate, Vice Chair; Kevin Bailey, Secretary; Wayne Barstow; Gary Barth; Kevin O'Meara.

Board Absent: none

Budget Committee: Diana Helm; Jason Rice; Markley Drake; Peter Kreft; Rebecca Brown; Michael Morrow

Budget Committee Absent: none

Staff Present: Wade Hathhorn, General Manager; Denise Bergstrom, Finance Director; Kim Anderson, Government Relations Manager; Tim Jannsen, Engineering Manager; Cindy Wolff, Administrative Assistant

Visitors Present: Paul Gornick, OLWSD Board; and Sherry French, CRW Board

1. **Open the Budget Committee Meeting (Chair, Sunrise Board)**

Hawes called the meeting to order.

2. **Election of Presiding Officer**

Hawes stated that typically a citizen member serves as Presiding Officer; however, given the unusual circumstances and remote format, he asked that he serve as Presiding Officer for this year's budget, and asked for objections. Barth nominated Hawes as Presiding Officer and Helm seconded. Hawes asked again for any objections and seeing none, the motion carried.

4. **FY 2020-21 Budget Presentation and Discussion**

Hathhorn provided an overview of Sunrise, highlighting growth, renewal and replacement of assets, capital projects and development, and the agency's response to the pandemic, specifically the move to remote work which was facilitated by ongoing efforts to move systems to the Cloud. Sunrise serves just under 50,000 people through about 18,000 ERUs or 16,000 connections. Kaiser Permanente is the largest user. The agency plans to move its facilities to property owned on 172nd/Armstrong Circle.

Hathhorn referred to page 11, Summary of Proposed Budget FY20-21 by Fund. He briefly described each of the four funds: General Fund (main operating fund), Construction Fund (SDCs), Reserve Fund (cell tower leases), and the Revenue Bond Reserve Fund (debt service). He noted that there's a fair amount of money going in and out of these funds, and referred to the table that shows transfers between funds. He explained that about five years ago the Board made a decision to begin attempting to fund future capital improvements through cash reserves. A number of these projects are eligible for SDC funds, but those funds lag behind the project so money is essentially borrowed from the General Fund and later paid back by the Construction Fund through a documented transfer. He provided Reservoir 11 as an example. Those "loans" are booked on paper and tracked and have to be retired within a ten-year period. He described the transfers as shown in the table. These transfers have allowed the agency to avoid future long-term debt. Barth asked about a \$100,000 discrepancy on the transfers, thinking it was a typo. Bergstrom said she would look into it. Brown asked how it is determined that a project is SDC eligible. Hathhorn said it has to add future capacity to the system. He explained that replacing aged infrastructure is replacing existing capacity,

not adding to capacity, so it would not be SDC eligible. Kreft noted the agency's effort to pay off debt, applauding the effort, and asked if there are any big expenditures coming in the next ten years or so. Hathhorn said the current capital plan has just under 100 million dollars of SDC eligible improvement projects, mostly due to the growth in Happy Valley.

Hathhorn moved on to discuss the General Fund. It's primarily funded by water sales, which are dependent on summer usage, but staff budgets conservatively to generate more revenue. The other operating revenue is from the collection of fees and services such as meter installations, billing fees, etc., and the non-operating revenue is associated with interest. Brown asked why the new meter installs were budgeted the same as the previous year's budget, despite the continued growth of Happy Valley. Hathhorn replied that, due to the ongoing public health crisis, staff has decided to be very conservative about revenue earned from new meter installations. There have to be enough resources to cover the operating expenses and the debt covenants, so revenue is under-estimated while expenses are over-estimated.

Hathhorn explained that the General Fund requirements are personnel and services, and materials and services, and capital outlay. These projects come up by need or by design. The personnel, and materials and services costs are both fixed, whereas capital outlay can be postponed or changed based on need. He focused on personnel, explaining that there are currently 25 full-time equivalents (FTEs) with a budget for 29. There are a couple positions to replace and some new additions we may need. Healthcare costs rose dramatically this year which added to the overhead. There's also between a 3-5% increase in salaries for merit and market adjustments. Kreft asked about the metric used for number of staff versus number of ERUs. Hathhorn said there are a number of key performance indicators within the industry such as staff to miles of pipe ratio, or staff to volume of water sold, so it's just another measure of efficiency. Brown asked if Hathhorn plans on filling the open positions. Hathhorn said yes, but it becomes more tenuous with the current pandemic.

Hathhorn moved on to materials and services. He explained the water purchases through CRW, and shared ownership of NCCWC with Oak Lodge and Gladstone. The other big component is paying the electric bill to pump water up hill. There's also system maintenance, which is largely associated with replacement of individual assets in the system (meters, PRVs, hydrants, etc.). That maintenance makes the majority of the materials and services budget, outside of office expenses, such as banking fees, supplies, etc. Brown noted an increase in professional services, and yet the summary says there's only a small increase. Hathhorn said he anticipates additional costs associated with ongoing legal services related to water rights on the Clackamas River. We have also shifted a number of services from internal staff to contractors, such as locates and flagging. Hawes noted there was no budget for infrastructure abandonment. Hathhorn said everything we've planned to abandon has been addressed.

Hathhorn moved to capital outlay, and described the projects included in the budget and referred to the appendix for a detailed list.

The last major component of the General Fund is the transfers between the Construction Fund, discussed earlier. He noted there was about \$250,000 more expense than revenue, and explained that it's not going to be unfamiliar for us to do that because we have sufficient reserves that allow for it, noting there's a balance between rate increases and staying ahead of renewal and replacement. He said that the Board is very conscience about rate increases and expenditures. However, if replacement projects weren't addressed those portions of infrastructure would literally rot.

Hathhorn then discussed the Reserve Fund, beginning on page 25. He explained that it is funded through cell tower leases and is used to buy vehicles, IT equipment, and related items. This fund is

set up so that monies in excess of a million dollars go back to the General Fund. He commented that we've been able to add safety items like cranes which prevents injuries from lifting.

Hathhorn then discussed the Construction (SDC) Fund, on page 26. He explained that it might look more complicated than it needs to be, but there are legal requirements about what has to be tracked and how it has to be reported. He said the two major pieces are repayment of the General Fund loan and a transfer of money to the Bond Reserve Fund to pay the annual debt service.

Hathhorn then describe the Bond Reserve Fund. He stated that the Fund is required to maintain one-year of standing debt service in it as part of reserves. The debt service details are in also outlined in the budget. Hathhorn explained that when the debt service is paid off, Sunrise will get about a million dollars back. Brown asked where that money would go. Hathhorn said back to the General Fund reserves.

Hathhorn explained that the Board was planning a rate increase but due to the COVID crisis it has been postponed. He commented that the Board has put this agency in a secure financial position. He shared his pride for Sunrise's finances and the savings to customers by financing with cash rather than bonds.

Morrow commented that the budget is impressive. Markley agreed and added that it's clearly laid out, and he continues to be impressed with Sunrise's financial position and commended Hathhorn on his leadership. Helm asked what the end dollars-per-square foot for the new administrative building will be. Hathhorn said it's uncertain at this time, but an early estimate for the admin building, shop and covered parking is roughly 12 million dollars, which was shocking as he hoped it would be closer to 7-8 million. The design architect was just hired within the last week so more information is forthcoming. He explained his plan was to build it for what we need today with architectural design that allows it for growth.

Brown commented that customers likely appreciate the hold on the rate increase, and asked if the agency implemented a moratorium on non-payment disconnections. Hathhorn said yes, though customers will ultimately still be held responsible for their bills unless the Board considers another program in the future. Brown asked if there is an uncollectibles account. Hathhorn said yes, and briefly described adjustments and write offs.

Hathhorn thanked the Committee members for their time and interest, noting how valuable their insights and feedback are.

3. Approval of FY 2019-20 Budget Committee Meeting Minutes

Helm made a motion to approve the Minutes of the FY 2019-20 Budget Committee, and Bailey seconded. Wolff performed a roll call vote. The motion carried with ten in favor and Brown and O'Meara abstaining due to not being at last year's meeting.

5. Open Committee Discussion & Public Comment

Hawes asked for further discussion. There was none.

6. Motion to Approve Proposed FY 2020-21 Budget

Hawes entertained a motion to approve the Proposed FY 2020-21 Budget. So moved by Barth and seconded by Drake. Wolff performed a roll call vote. The motion carried with nine in favor, Kreft had dropped the call. Brown added the caveat that she would like Bergstrom to review the \$100,000 discrepancy in the transfers Barth had noted earlier to determine if it is a typo.

7. Adjourn Budget Committee Meeting

Hathhorn thanked the committee members and invited them to stay for the regular Board meeting. Hawes adjourned the budget committee meeting.

DocuSigned by:

Chris Hawes

30402AC982D458...
CHRIS HAWES, CHAIR/PRESIDING OFFICER

DocuSigned by:

Kevin Bailey

DD833DE3CE264C1...
KEVIN BAILEY, SECRETARY