

Heceta Water People's Utility District  
87845 Hwy 101  
Florence, OR 97439  
February 4, 2021  
Special Board of Directors' Meeting

1. CALL TO ORDER

President Rohner called the meeting of the Special Board of Directors of the Heceta Water People's Utility District to order at 2:00 pm on February 4, 2021.

2. ROLL CALL

Directors Wendy Rohner, Crystal Farnsworth, Debby Todd and Mary Kauffman; Secretary of Record Mike Buckwald; General Manager Carl Neville and Cindy Spinner; Engineer Aaron Speakman and Steve Donovan from Donovan Enterprises. Director Alan Whiteside was absent.

3. PUBLIC COMMENT

Former Board member Vito Coviello participated in the discussion regarding the Rate Study presentation.

4. NEW BUSINESS

a) Rate Study prepared by Donovan Enterprises, presented by Steve Donovan. Mr. Donovan discussed the presentation for informational purposes only on financial planning and a rate strategy to complete high priority projects outlined in the 2020 Water Master Plan (WMP). The rate analysis focused on the next 5 years of projects. The presentation recommends small annual rate increases every year over the next five years. The District has not had a rate increase since 2015. Mr. Donovan asked each Director if they are okay with this strategy. Directors are in agreement that gradual rate increases over time is best for the District, with proper communication. Mr. Speakman lead a discussion on the projects listed in the proposal. Director Kauffman inquired as to what is the Supervisory Control and Data Acquisition (SCADA). Mr. Speakman explained SCADA centralizes all electronic field instruments to be monitored and modified in real time from one location. GM Neville inquired why there is a difference in the amount of the office/shop replacement in the proposal compared to the WMP. Mr. Speakman explained the size per square footage was adjusted after the WMP was produced and after discussions with GM Neville. The principal funding source will be new long-term debt and possible grants, not included in the proposal as not guaranteed. President Rohner inquired as to the loans and whether we defer payment or start right away. Mr. Donovan explained we would get a construction loan where we pay interest only and begin to pay down principal once the loan is converted to a permanent 20 year loan. Director Todd inquired as to what we currently pay for outstanding loans and Mr. Buckwald responded with \$188 thousand a year. The proposal proposes we utilize the General Funds with the increase in rates to help pay for high priority projects. The proposal projects through the end of the Fiscal Year 2026 our General Fund will be roughly 90 days' operating expenses. In addition, the proposal forecasts we draw down our Construction Fund in the same period. Director Todd inquired as to what percentage is recommended for the district to maintain contingency funds. Mr. Donovan stated that the industry standard according to American Water Works for the capital reserve is one percent of book value of assets plus the 90 days' operating expenses for the operating reserve. Directors

expressed concerns with using majority of the General Fund for the projects, discussing events that have occurred in our District and in neighboring Districts, specifically Mapleton Water District. Board needs to decide what comfort level of contingency funds we need to maintain, which will determine the amount of rate increases are required to complete the projects. The presentation shows the District's current rates need to be increased slightly to cover our current expenses. The presentation recommends we increase our System Development Charges for inflation, to be addressed at a future meeting.

5. AGENDA SUGGESTIONS FOR FUTURE MEETING

- a) Reconcile projects in Water Master Plan with actual costs
- b) Set contingency level to be maintain
- c) Review System Development Charge
- d) Rate increase effective March 1st with monthly billing
- e) Xpress Bill Pay Online service

6. ADJOURNMENT

The meeting was adjourned at 3:36 pm