

Heceta Water People's Utility District  
87845 Hwy 101  
Florence, OR 97439  
February 16, 2021  
Board of Directors' Meeting

1. CALL TO ORDER

President Rohner called the meeting of the Board of Directors of the Heceta Water People's Utility District to order at 4:00 pm on February 16, 2021.

2. ROLL CALL

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

3. PUBLIC COMMENT

There were no public comments.

4. APPROVAL OF MINUTES

Director Farnsworth and Todd found spelling errors in the January 19, 2021 minutes. Director Rohner asked that the statement including the number of projects stated by Mr. Donovan as 7 in the February 4, 2021 minutes be removed as incorrect.

ACTION: Director Farnsworth made a motion to accept the minutes of the HWPUD Board of Directors' meeting of January 19, 2021 as corrected. Director Todd seconded the motion. Directors Rohner, Todd, Farnsworth and Kauffman voted aye. There were no nay votes.

ACTION: Director Todd made a motion to accept the minutes of the HWPUD Board of Directors' special meeting of February 4, 2021 as corrected. Director Kauffman seconded the motion. Directors Rohner, Todd, Farnsworth and Kauffman voted aye. There were no nay votes.

5. PRESIDENT'S REPORT

President Rohner reviewed how policies are made in the District. Majority of policies come from the staff at the recommendation of the GM Neville. Policies are written for what is best for the District and presented to the Board by GM Neville with facts to back up his recommendations and concerns, and he welcomes questions and differences of thought by the Board. The Board sometimes gets approached by the public or comes up with own concerns and brings to the attention of GM Neville. GM Neville researches and brings back to Board solutions and if necessary, for approval. President Rohner also thanked office personnel for the updated contact list of staff and Board members.

6. FINANCIAL REPORT

Secretary of Record, Mike Buckwald reported that the District appears to be in good condition with water revenue coming in as expected. No real issues noticeable except for under Capital Outlay the water rate study is over budget and requires a transfer from the General Fund to Capital Outlay to cover. Resolution No. 2021-01 makes appropriations for this transfer. Once resolution is approved additional payments will be issued.

ACTION: Director Farnsworth made a motion to accept the financial report of January 2021 as presented. Director Todd seconded the motion. Directors Rohner, Todd, Farnsworth and Kauffman voted aye. There were no nay votes.

#### 7. STAFF REPORT

President Rohner stated that everything looks good and complimented GM Neville on keeping projects going. She went on to state her concerns regarding the report of the attempt to hack in on a water plant in Florida. GM Neville explained the Florida plant was on Windows 7 that had not been updated in over a year. He explained the District's plant system has two fire walls and is monitored continuously by IT group, OrcoTech. The system does need to be on the internet for alerts to be sent out when the system identifies outages with chemical levels, either low or high. Director Rohner asked for GM Neville to elaborate. GM Neville explained the system is up to date and is used for monitoring only not operations. Director Farnsworth inquired if IT is monitoring for hacking and if just used for viewing of the pump stations. GM Neville explained the system is for viewing only, not for the managing of the treatment plant. President Rohner inquired if hackers can get in and adjust the program to feed the Districts water system. GM Neville explained that the risk is very small as the system will shut down once levels are out of parameters. Director Todd inquired if Operators' can get alerts without having the system online. GM Neville explained that the system gathers information and needs to be online to transmit the data to the Operators' in real time. Water is treated separately not by this system.

#### 8. UNFINISHED BUSINESS

No there was no unfinished business.

#### 9. NEW BUSINESS

a) Resolution 2021-01 - President Rohner read Resolution 2021-01 to appropriate funds. GM Neville explained the rate study has been done but have not yet received grant funds therefore funds need to be allocated.

ACTION: Director Todd made a motion to approve Resolution 2021-01. Director Farnsworth seconded the motion. Directors Rohner, Todd, Farnsworth and Kauffman voted aye. There were no nay votes.

b) Audit Report dated June 30, 2020

ACTION: Director Todd made a motion to approve the Audit report dated June 30, 2020. Director Kauffman seconded the motion. Directors Rohner, Todd, Farnsworth and Kauffman voted aye. There were no nay votes.

c) Budget Committee Member – President Rohner explained Nancy Bosket has moved out of District and Vito Coviello has agreed to join for the remainder of Mrs. Bosket's term through 2023.

ACTION: Director Farnsworth made a motion to approve Mr. Coviello as the new Budget Committee member through 2023 fiscal year. Director Todd seconded the motion. Directors Rohner, Todd, Farnsworth and Kauffman voted aye. There were no nay votes.

d) Customer letter – GM Neville explained customer had a leak, approximately 8 gallons per minute. Customer applied for leak adjustment credit and approved for the policy amount.

President Rohner asked if Mrs. Spinner informed customer of low income programs. Mrs. Spinner explained she had informed the customer of the LIHEAP/CAP program as well as offered to accept payment arrangements. Director Farnsworth asked if the District would receive money from LIHEAP if customer approved. Mrs. Spinner said sometimes the District does receive the past due balance or portion thereof and the remainder is up to the customer to pay. Directors' sympathizes with customer but agreed to follow District policy regarding the leak credit.

e) xPress Bill Pay – Mrs. Spinner discussed cost of implementing online payment options for the District's customers. xPress Bill Pay would allow customers to receive paperless billing and receive notices via email, reducing the postage costs as District moves to monthly billing. Director Farnsworth asked if office would replace Elavon with xPress Bill Pay. Mrs. Spinner stated office needs both. President Rohner asked why the District would offer this service. Mrs. Spinner listed several benefits to adding online payment options including requests from customers', reduce the time to process payments manually as office staff is down to one, and an 800 number to allow customers to get guidance after hours. President Rohner requested to find out how to enroll as an electronic vender for other bill pay providers. Director Farnsworth and President Rohner questioned why the one-time fee if office already has the card machine. Mrs. Spinner explained the fee was to have access to xPress Bill Pay software and to communicate with Caselle that would transfer data back and forth. Director Kauffman questioned the double fee for the card services. Mrs. Spinner explained the network fee is to have both Elavon and xPress Bill Pay. Directors Kauffman and Farnsworth expressed simplicity of having online payment options available with recurring payment setup. Director Todd asked why the Board has to approve going with the new service. GM Neville responded he felt this was a policy level decision as it dealt with how the District handles money. Director Farnsworth thanked Mrs. Spinner for her due diligence in gather the information and answering all the questions without hesitation.

ACTION: Director Farnsworth made a motion to implement xPress Bill Pay. Director Kauffman seconded the motion. Directors Rohner, Todd, Farnsworth and Kauffman voted aye. There were no nay votes.

#### 10. ITEMS NOT ON THE AGENDA

a) Rate Increase and Reserve Funds – GM Neville recommends a 10% rate increase and suspend the Leak Adjustment Credits. He presented a mocked rate sheet and monthly bill showing the amount the increase would have on a family of four. He recommended starting monthly billing on May 1, 2021. He presented a graph that shows the financial history over the past 10 years of water revenue, general operations and operations plus debt service to explain why the District needs a rate increase. GM Neville explained the District has been very aggressive with projects such as the Sutton Pump Station, thus reducing the contingency or reserve funds. He explained the average monthly District revenue is \$97 thousand, average monthly expenses are \$84 thousand, of which \$15 thousand goes to debt services, equaling a 16 percent debit to income ratio. If District services another \$370 thousand in loans for future projects, debt to income ratio would increase between 30 to 40 percent. District spent a total of \$223 thousand on unplanned projects last year that came directly from the contingency fund. GM Neville recommends the District maintain a \$450 thousand dollar reserves or six months of operations to provide coverage in the event of unforeseen catastrophes such as a slide or water line breakage.

b) System Development Charge Increase – Oregon allows the District to increase the SDC for inflation but GM Neville needs more time to research before making an official recommendation.

c) Master Plan Projects – GM Neville is working with Engineer Speakman to get correct numbers and statements on the office and shop price. Future projects will be determined based on what District receives in a loan package offer from lenders. District may be eligible for 50/50 or half grant/half loan at a low rate such as one percent that would justify proceeding with projects. If offer comes back with a 2.5 percent loan only, District would need to review projects and make determination as to what takes priority.

Overview – GM Neville recommends the District increase rates by 10% with monthly billing to begin May 1, 2021, add xPress Bill Pay for customers, suspend the Leak Adjustment Credits, revisit rate increases annually as part of the budget review, revisit projects based on the loan package offered, keeping Steve Donovan included and review legal options for raising SDC charges.

Questions – Director Kauffman thought the Board was going to have an open discussion after the special meeting regarding what the reserve amount verses borrowing would be and needs time to review. She stated that the reserve recommendation does not feel like a financially sound approach. She questioned if it is financially prudent to borrowing money paying interest while having money in the bank, unless money is earning more in the savings then what you pay out on loans. She inquired what a 10% rate increase compared to the affordability index of the annual medium household income in relationship to usage charges. GM Neville pointed out that rates have not been significantly increased since 2009. Director Farnsworth asked where the reserve amount was derived. GM Neville stated based on past experiences, specifically the slide that the District was able to pay in advance allowed continued service while waiting for FEMA funding. He went on to say with three loans outstanding, would the District qualify for another loan in an emergency situation without money in the bank to support and District rates need to be enough to cover debt services to satisfy lenders. Director Todd agrees with recommend reserves to cover emergencies. She went on to state that District needs to communicate rationale for rate increase to cover master plan projects. She agreed to proceed to monthly billing to alleviate the increase, questioning if the District can increase by dollar amount rather than percentage. Director Farnsworth stated that a dollar increase would not equate to a larger water user like a percentage increase. Director Todd suggested possible dollar increase on the base rate and percentage on the usage rates. President Rohner asked what the Board needs GM Neville to bring back at a future meeting. Director Farnsworth stated that GM Neville has given serious thought and solid reasons for his recommendations. She asked to identify specific projects that will be covered. GM Neville stated that there would be no construction projects, like the Enchanted Valley Pump Station with reserves being maintained at \$450 thousand next year paid out of pocket. President Rohner asked what GM Neville felt the increase would provide for the District. GM Neville stated it would increase the capital outlay and construction fund allowing District to proceed with projects like replacing the asbestos pipes. Engineer Speakman stated the rate increase in part is to bring District up to cover Inflation from 2009 to present and to cover current debt services and phase one capital improvements with applied loans. He went on to state that once loan package is received District would pare back how

much to spend and adjust rates accordingly. GM Neville reminded the Board, the Districts debt service has increased more than \$55 thousand each year since the last rate increase. Engineer Speakman mentioned that Donovan recommended reducing reserves and increasing rates every year for 5 years as a starting point. GM Neville mentioned that monthly billing will soften the increase, make it more manageable for customers and help identify leaks timely. Director Kauffman stated Donovan's rate study indicates the District has second highest rates compared to neighboring districts. Director Todd mentioned that the prices are not equivalent as the District only processes water. Engineer Speakman mentioned the Districts area is more spread out than other districts in the proposal with more costly asbestos piping. Director Kauffman inquired about seeing a sliding scale for reserves to rate increase to find the right variations. Director Todd mentioned the office costs seems high, would need justification for price. GM Neville reminded Board the District has to pay prevailing wage and will continue to talk to engineer and architects to adjust price. He did discuss with other builders but not specifics regarding prevailing wage. Discussion was concluded until next meeting.

#### 11. AGENDA SUGGESTIONS FOR FUTURE MEETINGS

Rate Study, increase and reserve fund as discussed in section 10 in these minutes.

#### 12. ADJOURNMENT

The meeting was adjourned at 5:29 pm