

Heceta Water People's Utility District
87845 Hwy 101
Florence, OR 97439
May 18, 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 May 18, 2021.

2. ROLL CALL

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

3. PUBLIC COMMENT

There were no public comments.

4. APPROVAL OF MINUTES

ACTION: Director Kauffman made a motion to accept the minutes of the HWPUD Board of Directors' meeting of March 16, 2021 as presented. Director Whiteside seconded the motion. Directors Rohner, Whiteside and Kauffman voted aye. There were no nay votes. Director Todd was not present.

5. PRESIDENT'S REPORT

President Rohner stated she is happy to see everyone as the county is opening up.

6. FINANCIAL REPORT

GM Neville reported that the FY 2021-22 Budget is in process and is expected to be delivered next week to the Budget Committee. District finances are normal.

ACTION: Director Whiteside made a motion to accept the financial report of April 2021 as presented. Director Kauffman seconded the motion. Directors Rohner, Whiteside and Kauffman voted aye. There were no nay votes. Director Todd was not present.

7. STAFF REPORT

GM Neville mentioned how we typically average one new meter a month and we have completed five in the month of April. He mentioned the staff member with the on the job injury is currently out 4 to 6 weeks. GM Neville stated the City of Florence intertie vault lid replacement is going well. He mentioned the County approved permits for the plant improvements with changes and Stettler is being sold to a family and restructuring the company. President Rohner questioned if the delay in the County issuing permits and now changes at Stettler will cause the contractor to increase costs. GM Neville stated he has told Stettler that we are at max in budget for this project and will not accept much for change orders. If change order costs are too high, we will cancel the project and Stettler will pay for stored materials we have already purchased. Director Kauffman questioned what specifically is the County requiring in change orders. GM Neville stated that changes in our ventilation

requirements such as moving dampers and adding vents. The County believes we store way too much in corrosive materials although our Fire marshal feels we are in compliance. GM Neville stated that our engineer came up with diluted solutions percentages totaling 100% and County now approves on how we store materials. Director Kauffman thanked GM Neville for his thoroughness in finding the information regarding how to address the crop growing customer in our District.

8. UNFINISHED BUSINESS

a) Rate Study – Director Kauffman mentioned the information Donovan provided was helpful in answering her questions, especially the affordability graph and the sensitivity analysis that shows that the increase rates will match GM Neville’s reserve recommendation. The rate increase does differ from GM Neville’s previous rate recommendation of 10% in the first year. Donovan recommends 5% each year over the next five years that will result in a reserve balance of \$482 thousand, assuming the District fully funds projects by loan proceeds. Donovan also includes an out of pocket General fund of \$60 thousand per year for meter replacement, minor tools and a construction fund at \$400 over the forecast that includes new debt service payments and funds capital improvement projects. Special Development Charge (SDC) fund will reduce by \$450 thousand in first two years for the pipeline project leaving a \$65 thousand balance. President Rohner asked GM Neville if he is in agreement with Donovan’s projections. GM Neville asked Donovan about amount of loan reserves required by lender. Donovan assumes a one half of one year annual debt service or \$370 thousand loan reserve requirement at the end of the five years. GM Neville questioned Donovan if the 10% first year with the 3% did not look good, how does a 5% each year get us to a higher reserve. Director Kauffman also questioned the disconnect between Donovan and GM Neville’s request for the 10%-3% analysis not being feasible, if 5% over five years is? Donovan explained 10% then 5% results in \$525 thousand as with a 3% the reserve goes down to \$273 thousand. 3% would not cover the borrowing with new debt incurred. Director Kauffman asked in prescribed annual rate increases listed in the sensitivity scale continue for 5 years. Donovan acknowledged it does and the power of compounding we will reach the forecasted reserve amount. Lower rate increase in 2 to 5 years does not build with added debt. GM Neville asked if any of the levels fall below the \$450 thousand reserve. If we use the base case of 4% the reserve will fall below the \$400 thousand reserve amount to start then end with \$288 thousand. President Rohner inquired if the end of year reserves at \$482 thousand includes all expenses. Donovan stated that expenses with inflation are included. Donovan mentioned that construction inflation is up 3.8 percent in commodity costs so far this year. GM Neville asked if in sensitivity level one and two are trending up or down in reserve annually. Donovan stated we are trending up after dipping down in the first year in the first two sensitivity cases. Director Kauffman and President Rohner recommended Donovan make changes to the Rate Study to include materials presented today: revise February rate study draft to state final report to match exhibit A in resolution; include sensitivity table, cost of living index, cost comparison graph with explanation in memo; rate increase may change as Board reviews annually and Board conclusion was based on GM reserve recommendation. GM Neville stated that the final rate study will be approved by the Board at the next Board meeting.

b) Board discussed different rate options ultimately deciding to start at the 5% each year as rate can be changed as needed. Director Kauffman asked about SDC rate increase. GM Neville

discussed with attorney who stated SDC is sensitive to each district. Donovan has the history of the construction cost index typically used for the SDC costs. Law states it has to be published and recognized index that industry uses. Director Kauffman recommend increase the SDC to notify the public at the same time as the rate increase. President Rohner agreed with SDC increase at the same time as rate increases. GM Neville will confirm with attorney and bring resolution for SDC increase at the next meeting. Engineer mentioned it is important to distinguish the District not changing its methodology just the cost of SDCs.

9. NEW BUSINESS

a) COLA - GM Neville stated the District uses prior years' consumer price index rate to calculate current years' COLA. Each pay level is separated by 5%.

ACTION: Director Whiteside made a motion to accept the 1.7 COLA to take effect July 1, 2021 as presented. Director Kauffman seconded the motion. Directors Rohner, Todd, Whiteside and Kauffman voted aye. There were no nay votes.

b) Resolution 2021-02 Rate and Fee Increase

ACTION: Director Kauffman made a motion to accept the Resolution 2021-02 with a 5% rates and fees increase as presented. Director Whiteside seconded the motion. Directors Rohner, Todd, Whiteside and Kauffman voted aye. There were no nay votes.

c) Resolution 2021-03 Safe Drinking Water Revolving Loan (Grant)

GM Neville stated we applied for a grant that was issued as a loan to cover the cost of the Rate Study. Once the project is finalized and reported as such the principal and interest is forgivable.

ACTION: Director Kauffman made a motion to accept the Resolution 2021-03 as presented. Director Whiteside seconded the motion. Directors Rohner, Todd, Whiteside and Kauffman voted aye. There were no nay votes.

d) Manager Evaluation

President Rohner explained the evaluation process, requesting each Board member complete an evaluation and mail to her by May 28, 2021. She averages the evaluations to score each category, summarizing statements and presents to GM Neville, reporting findings back to the Board at the next meeting. GM Neville does not see individual evaluations and scanned copies are sent to the attorney for permanent records.

10. ITEMS NOT ON THE AGENDA

A) GM Neville asked for a motion to start monthly meter reading and billing, effective with rate change

ACTION: Director Whiteside made a motion to start monthly billing effect August 1, 2021. Director Kauffman seconded the motion. Directors Rohner, Todd, Whiteside and Kauffman voted aye. There were no nay votes.

b) GM Neville asked for a motion to eliminate Leak Adjustment Credit Policy, effective with rate change

ACTION: Director Whiteside made a motion to eliminate the Leak Adjustment Credit Policy, effective August 1, 2021. Director Kauffman seconded the motion. Directors Rohner, Todd, Whiteside and Kauffman voted aye. There were no nay votes.

11. AGENDA SUGGESTIONS FOR FUTURE MEETINGS

12. ADJOURNMENT

The meeting was adjourned at 4:56 pm