

Heceta Water People's Utility District  
87845 Hwy 101  
Florence, OR 97439  
May 17, 2022  
Board of Directors' Meeting

1. CALL TO ORDER

Director 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 17, 2022.

2. ROLL CALL

Directors: Wendy Rohner, Debby Todd, Alan Whiteside, Crystal Farnsworth and Mary Kauffman; General Manager Carl Neville, Cindy Spinner; Accountant Brittney Hornung; Steve Donovan; Engineers Aaron Speakman and Rachel, all present.

3. PUBLIC COMMENT

There was no public comment.

4. APPROVAL OF MINUTES

a) ACTION: Director Farnsworth made a motion to accept the minutes of the HWPUD Board of Director's meeting of April 19, 2022, as presented. Director Whiteside seconded the motion. Directors Rohner, Todd, Whiteside, Farnsworth and Kauffman voted aye. There were no nay votes.

5. PRESIDENT'S REPORT

Director Rohner is happy to be back and feeling better.

6. FINANCIAL REPORT

Accountant Hornung reported the District is in good financial standing and revenue is coming in as expected. She stated there is no danger of over expenditure in any category as of the date of the financials. She mentioned the revenue and expenditures are monitored monthly.

ACTION: Director Whiteside made a motion to accept the financial report of April 2022 as presented. Director Farnsworth seconded the motion. Directors Rohner, Todd, Whiteside, Farnsworth and Kauffman voted aye. There were no nay votes.

7. STAFF REPORT

GM Neville reported that Kyler Paselk has passed the probationary period and is doing well have passed is first book. Director Rohner inquired how long or how many hours are needed to take the Oregon tests. GM Neville explained that Kyler can take both level one test after a calendar year on the job. Director Farnsworth inquired as to how long the District waits to turn off water on delinquent accounts. GM Neville explained we send late notices out on the 26th of the month notifying that if payment or arrangements have not been made prior to the third Wednesday of the following month, the water will be shut off. Director Rohner inquired to how long the account is to remain delinquent before we pull the meter. GM Neville explained if the past due balance remains for a consecutive 60 days, the District considers the meter abandoned and the meter is removed from service and will not be returned to service until all past bills and

fees are paid in full. He went on to say that we typically lock off the meter rather than remove as most of the Districts meter lead content would cause us to replace if we removed it from the ground. Director Rohner inquired about the lead content of the meters. GM Neville mentioned the content makes the brass soft and keeps it from cracking. Engineer Speakman stated that the levels changed in 2014 requiring meter replacement only if removed. Director Whiteside inquired about what material changed in the meters. Engineer Speakman stated that the lead content was changed as a health concern and the meter material was changed to stainless.

## 8. UNFINISHED BUSINESS

a) Donovan Memo – Steve Donovan presented his view on increasing rates. He stated that inflation is abnormal in consumer and producer prices since May of 2020 and is expected to remain high for the next 24 months. He went on to state the consumer price index is at 11 percent and is the leading indicator for consumer prices, which is affecting the cost of District supplies to support production. Donovan stated that the District needs to raise rate to keep up with costs to service and avoid eating into the Districts reserves. He mentioned that the 10% increase recommended by GM Neville is in line with what he is seeing over multiple states and being in a rural area with not a lot of suppliers or contractors, the cost is much higher for the District. Director Farnsworth agreed the District needs to stay ahead of the increase in costs now as it will be much harder if we hold off until next year. Director Rohner asked GM Neville if the recommendation is what he is seeing out of next year's budget. GM Neville stated that the District is required to have levels set higher to qualify for the \$400 thousand grant option of the loan. Directors Todd and Kauffman inquired as to what exactly the number is required to be higher. GM Neville stated the loan requires water rates to be above the affordability rate at \$56.87 based on a water usage of 7,500 to qualify for the grant portion. Director Kauffman questioned why the District is proposing setting rates higher than the affordability rate. Donovan stated the affordability rate, based on a percentage of the medium household income when high means that to service our customers is expensive and it would qualify the District to receive a grant. He went on to say if the rate is below the affordability rate it would disqualify the District from getting the grant. Director Kauffman questioned the logic of raising rates to qualify for a grant to complete projects. Donovan stated the bench mark to qualify for the grant is the medium household income which the Florence area is low and low rates disqualify the district from any subsidies. Director Todd asked if the District does not raise rates would that mean higher amount to borrow increasing interest debt. Donovan stated that projects will be completed even if the District does not qualify for subsidy in order to keep up with regularity, fire protection, health and service demands of customers. Director Kauffman inquired how we arrived at the 10% increase. GM Neville stated the calculation in part includes inflation costs for projects. Director Kauffman pointed out that inflation is only up 8% and that the contingency reserves appear to not have been reduced month over month. GM Neville stated that we have completed projects, like replacing the Sutton Pump Station out of pocket in the past utilizing the contingencies. Accountant Hornung pointed out that the contingency fund does not change monthly only annually which you can see it has been reducing year over year. GM Neville pointed out that without the grant the cost to the District would be an additional \$20,000 annually. Engineer Speakman stated that Donovan has talked about the increase in consumer price index but construction costs have increased 17 to 21% over this last year and is a factor to be included in the 10% rate increase. GM

Neville asked what the District does about the projects not being complete by the timeframe required of the loan. Engineer Speakman stated we would go back and revise or modify the loan with Business Oregon. Donovan pointed out it may cost the District more as negotiated rate might be higher. The Engineer Speakman pointed out there is contingency built in to the project timelines in anticipation of getting supplies and construction scheduled. Director Rohner asked if we have three years to get to the \$56.87 why go 10% now. GM Neville mentioned that increases in costs now makes it necessary. Engineer Speakman stated that playing catchup becomes harder as the years go on. Donovan pointed out that the revenue fluctuates as the season changes in our District. Directors Kauffman and Todd understand the need for the rate increase and requests the Donovan memo as well as the minutes clearly outline the reason for the rate increase.

b) Approve Resolution 2022-02 Adopt Rates and Fees

ACTION: Director Whiteside made a motion to approve Resolution 2022-02 Adopting Rate and Fees increase effective August 1, 2022. Director Farnsworth seconded the motion. Directors Rohner, Todd, Whiteside, Farnsworth and Kauffman voted aye. There were no nay votes.

c) Approve Resolution 2022-03 - HWPUD OBDD Financing Contract

Director Rohner expressed concerned about the loan outline projects that require completion to qualify but pointed out that Engineer Speakman stated that Business Oregon will work with the District to extend the loan if necessary. She also inquired about the grant amount being sufficient for the size of the loan. Engineer Speakman responded he believes so and the interest rate of 1% is the lowest he has seen.

b) ACTION: Director Farnsworth made a motion to approve Resolution 2022-03 to accept the OPDD Financing Contract. Director Whiteside seconded the motion. Directors Rohner, Todd, Whiteside, Farnsworth and Kauffman voted aye. There were no nay votes.

9. NEW BUSINESS

a) Low-Income Household Water Assistance Program (LIHWAP) – Cindy Spinner informed the Board that Lane County has allocated \$75,000 to the Districts low income customers over the next three years. LIHWAP works with Siuslaw Outreach Services (SOS) to provide funding for qualified households to pay for past due water bills. Customer applies with SOS and the County pays the District directly on behalf of the customer for one time only. The District currently has a resolution that provides discounted monthly base rate fees to qualified low income households which will continue with LIHEAP as well as LIHWAP. Director Rohner asked how our customers find out about the program. Cindy stated information will be included in our annual newsletter.

b) ITEMS NOT ON THE AGENDA  
No items not on the agenda.

c) AGENDA SUGGESTIONS FOR FUTURE MEETINGS  
No suggestions for future meetings.

d) ADJOURNMENT  
The meeting was adjourned at 4:50 pm