

**CLACKAMAS RIVER WATER BOARD OF COMMISSIONERS
BOARD WORK SESSION
March 25, 2024**

COMMISSIONERS PRESENT:

Sherry French, President
Naomi Angier
Tessah Danel, Secretary
Rusty Garrison
Bob Rubitschun, Treasurer

STAFF PRESENT:

Todd Heidgerken, General Manager
Karin Holzgang, Executive Assistant to the Board

CRW Employees: IT Manager, Kham Keobounnam;

COMMISSIONERS ABSENT:

VISITORS: Christa Bosserman Woolf, Financial Consultant

Call Work Session to Order

Commissioner French called the meeting to order at 6:00 pm. Roll call was taken

1. Proposed Retail Water Rates-Informational Presentation (see attached presentation)

- Background was presented regarding a recommendation to cover the costs of capital projects, cover debts and meet coverage issues. In 2022 a rate increase of 6% each year for two years was adopted by the Board.
- Rate Impacts
 - **Internal-** labor & benefits, planned projects, issuance of bonds
 - **External-** Vendor prices, construction costs,, labor market, unfunded government mandates, general economy
- **Assumptions Used to review rate calculations**
 - Maintain a 90-day operating reserve per policy
 - Meet required debt covenants
 - Use reserves first and then out of debt in 2027
 - Labor rates
 - Benefit costs
 - Materials & services (general inflation)
 - Project costs
 - Interest rates
 - SDC income
- **Possible range of Rate % increase**
 - Lowest rate would be 5.25% for 2-years and then re-evaluate
 - 6% generates cashflow faster and then rates % can be reduced when capital projects slow down
 - If choosing a rate for the next 4 years, 5.5% is a viable option

Commissioner Angier asked- Is the rate increase in dollars reflected as a 2-month amount, yes. Also asked if there could be a graph showing other water providers' rates. What is the current rate of inflation. Asked about the process for a rate increase- all CRW customers receive a notification of the proposed rate increase, a public hearing is conducted and then the rate increase is adopted.

Commissioner Garrison asked- about the inflation rates and how those play into the assumptions, is the over plan to catch up on deferred maintenance or get ahead of it, the answer is both. How does the growth in water sales get considered, CRW customer base doesn't really grow and most of the growth will mostly get annexed by the cites. The felt reserves look prudent to account for anticipated spend.

Commissioner Rubitschun- Asked about the current strategy of building reserves, the reserves that are being built up have not realized the costs from the aggressive capital campaign the Board has approved, concerned of the rate of growth of the reserves and not sure if the spend on projects will keep up. Ms. Bosserman Wolfe projects that in the next year or two the build up of reserves will slow and the amount will get spent down. If a timeframe is chosen for a rate increase plan is there an opportunity to make changes mid-stream (Mr. Heidgerken cautioned this and adopt a short timeframe to lock in the rate increase plan).

Mr. Heidgerken- reminded the Board that the WTP project is a one large project that will aggressively spend down reserves, there are still on-going maintenance CIP projects as well.

Commissioner Danel asked- to have an example provided of how the increase would provide the district the ability to cover the debt covenant and what happens if the district can't cover the debt covenant. Appreciates the conversation of the Board and various perspectives represented.

2. **Commissioner Communications-** Commissioner French provided the board members a copy of the current GM contract along with information to complete an evaluation of the GM.
3. **General Manager Update-** The WTP shutdown occurred and water to CRW customers is being supplies by interties with partners in the basin. The valve project change out began today. Additional safety measures have been implemented to make sure staff and the contractor are safe during the project. Also work the concrete structure of the WTP will begin soon and run during the shutdown. Really appreciate the support and assistance of partner water providers in the basin. An email was sent by SDAO on a leadership training for Board member, this is being conducted in conjunction with the PSU school of business.

Public Comment: none

Open meeting is adjourned at 7:40pm



March 25, 2024 Work Session

Residential Water Rates

Prepared by: Christa Bosserman Wolfe, CPA
Wolfe Consulting, LLC

History

October 26, 2020



Capital planning presentation forecasted that \$40 million in additional debt would need to be issued.



Minimum of 5% per year rate increase would be needed to cover payments on the additional debt and meet debt coverage ratios.



Estimated monthly impact to the average customer ranged from \$1.54 to 2.89 for the year of 2021-2024, respectively.

February 22, 2021

History

As part of capital planning, it was determined that reserves would be used to complete the 6-year capital plan and borrowing would finance remaining & larger capital improvements.

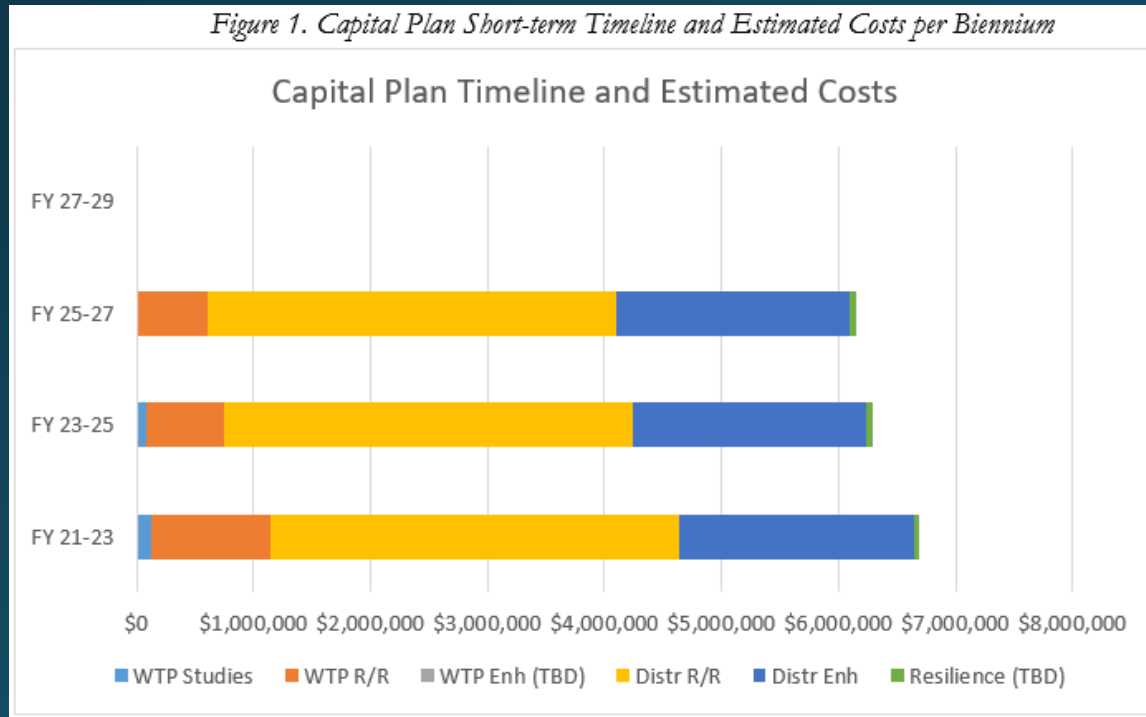


5% per year rate recommendation still applicable.

Reminder of the CIP Being Funded...

- ❖ Approximately, \$19M capital improvement plan through FY27 to address immediate needs.

Figure 1. Capital Plan Short-term Timeline and Estimated Costs per Biennium



Category	Example Project Type(s)	Total Cost (Estimated Range)	Timeline
Treatment- R/R	Detailed Treatment Process Studies	\$200K-\$210K	FY 21-27 (phased over several budget cycles)
Treatment- R/R	Treatment Process Renovations	\$2.2M-\$2.7M	FY 21-27 (phased over several budget cycles)
Treatment- Enhancement	Facility Plan "Alternative 2b"- Phases 1&2, New process additions	\$50M-\$70M	TBD
Distribution- R/R	Waterline replacements (replace substandard, aged, non-resilient lines)	\$9.0M-\$12.0M	FY 21-27 (phased over several budget cycles)
Distribution- Enhancement	Upsize existing waterlines, pumping and transmission upgrades to distribute CRW water to other zones; enhance and build upon seismic transmission systems	\$5.0M-\$6.0M	FY 21-27 (phased over several budget cycles)
Resilience	General facility site/security improvements	\$100K-\$250K	FY 21-27 (phased over several budget cycles)
Totals	6-year Total Estimated Cost Range: \$16.5M-\$21.16M (Annual average \$2.75M-\$3.53M)		

History

January 24,
2022

Staff recommended a two-year rate plan with new rates going into effect in November.

May 23, 2022

In consultation with FCS Group, staff presented a two-year rate plan with increases of 6% per year to keep pace with rising inflation.

August 2022

The Board approves the two-year rate plan of 6% increases per year.

What Impacts the Rates?

Internal Factors

- Labor and benefits (COLA's, steps, benefits provided)
- Planned projects
- Issuance of new debt

External Factors

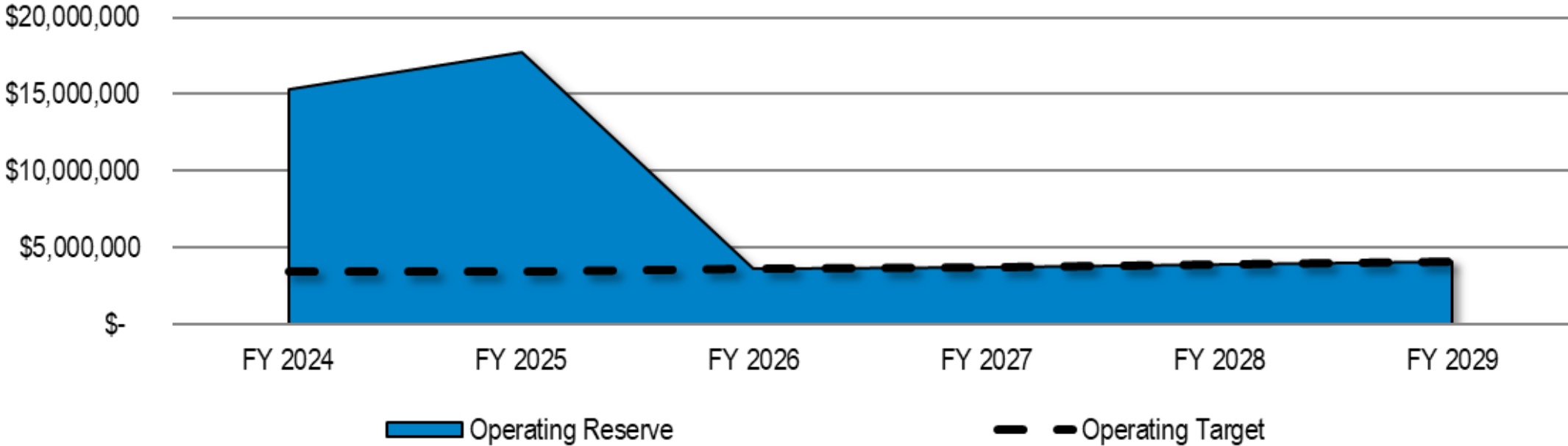
- Vendor price increases (goods, services, utilities)
- Construction costs
- Labor market
- Unfunded government mandates
- General economy

Ultimately, ALL the costs of doing business and caring for the infrastructure impact water rates.

Assumptions Used

- Maintain a 90 day operating reserve per policy
- Meet required debt covenants
- Use reserves first, then take out debt in 2027
- Labor rates - 4%
- Benefit costs - 7.5%
- Materials & services – general inflation %
- Project costs - ENR avg%
- Interest rates – 5% trending downwards over time
- SDC income – ENR avg%

Operating Reserve vs. Target



90 Day Operating Reserve Required

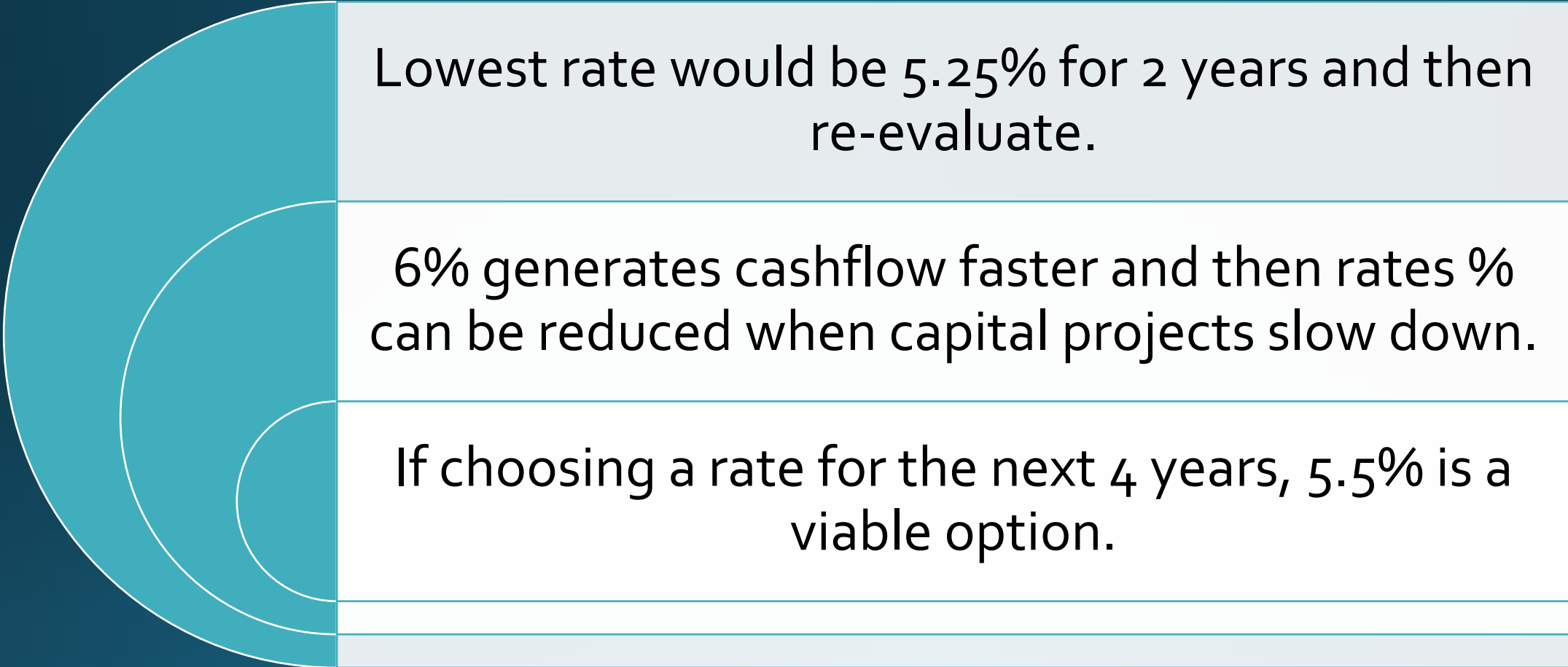
ENR			CONSTRUCTION ESTIMATE IN 2021		\$	40,000,000
2020	11,466	1.64%				
2021	12,149	5.96%	\$	2,382,697	\$	42,382,697
2022	13,007	7.06%	\$	2,993,197	\$	45,375,894
2023	13,585	4.44%	\$	2,016,396	\$	47,392,290
2024	14,128	4.00%	\$	1,895,692	\$	49,287,982
2025	14,694	4.00%	\$	1,971,519	\$	51,259,501
2026	15,208	3.50%	\$	1,794,083	\$	53,053,584
2027	15,740	3.50%	\$	1,856,875	\$	54,910,459
			PROJECTED CONSTRUCTION COST IN 2027		\$	55,000,000

CIP Needing Debt Financing

Future Debt Payments



Possible Range of Rate %

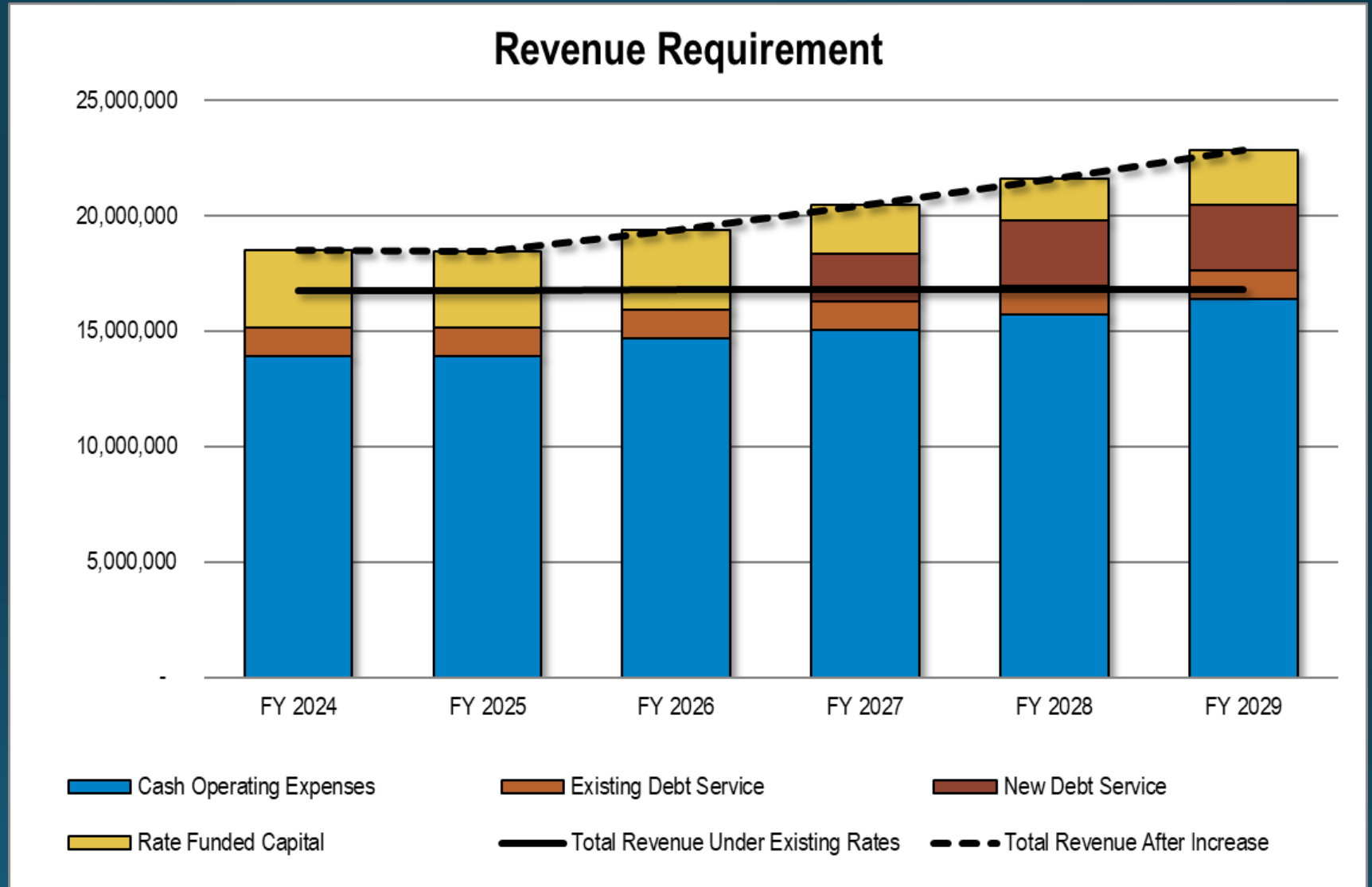


Lowest rate would be 5.25% for 2 years and then re-evaluate.

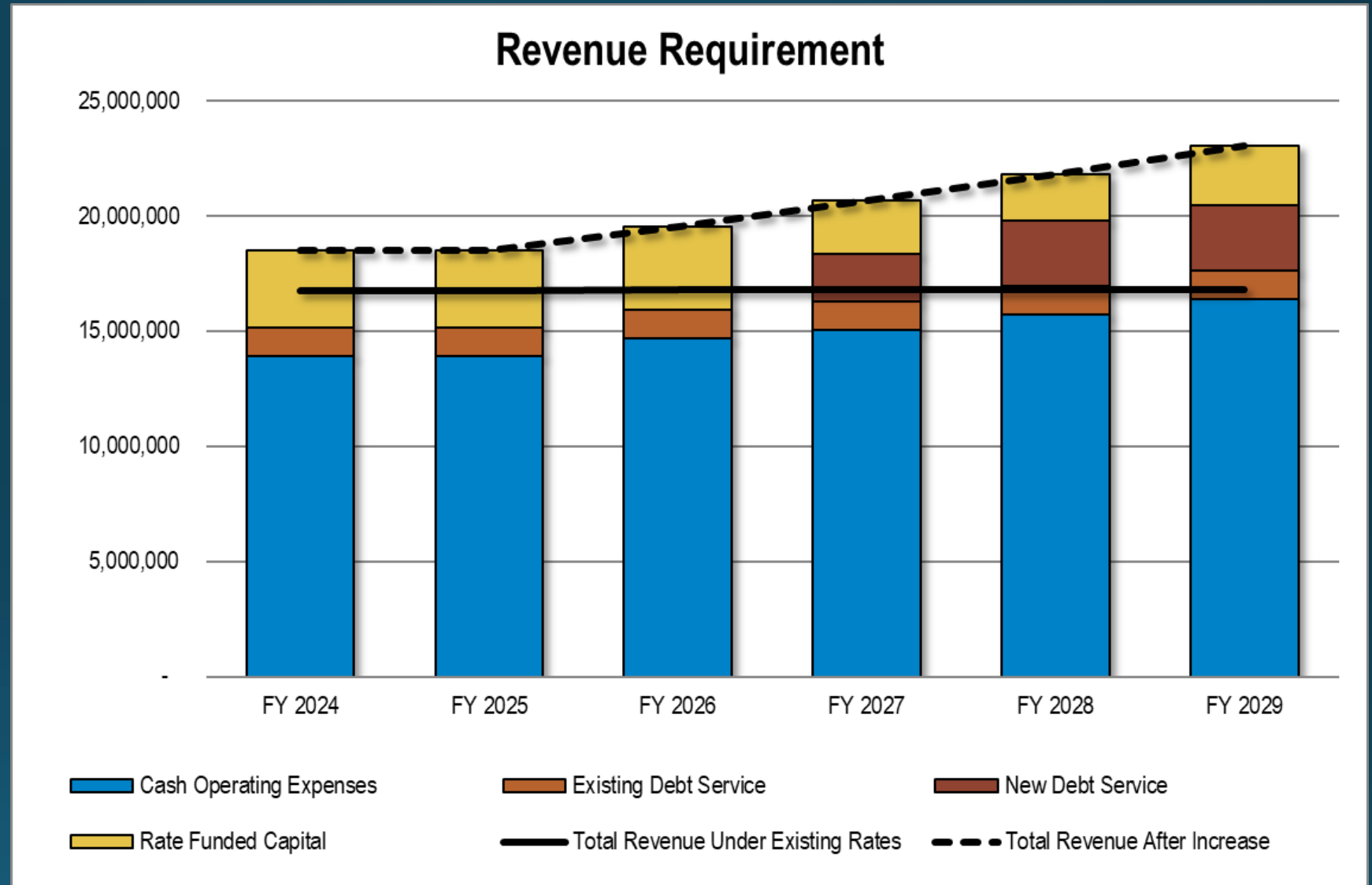
6% generates cashflow faster and then rates % can be reduced when capital projects slow down.

If choosing a rate for the next 4 years, 5.5% is a viable option.

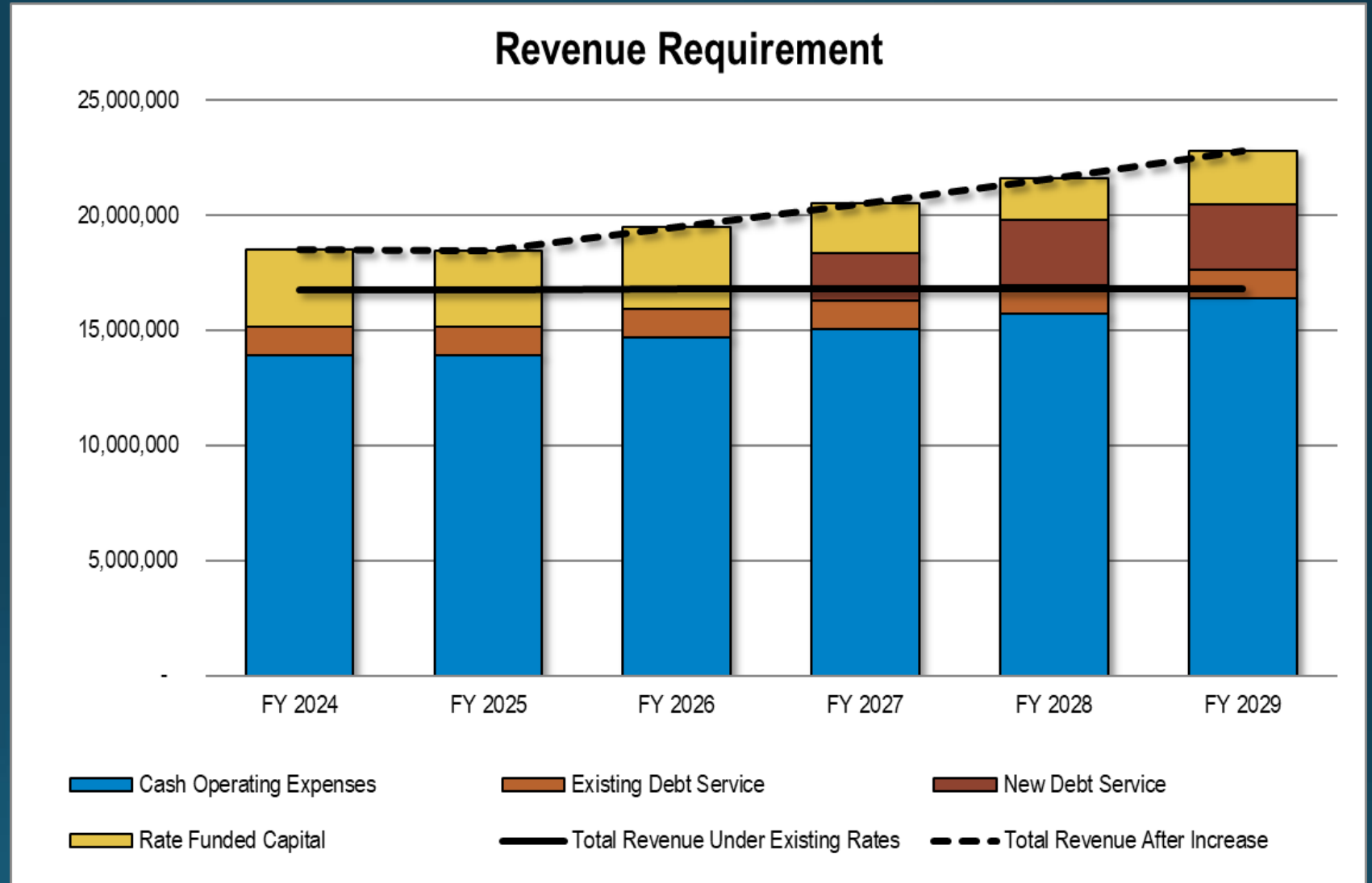
Effect of 5.25% Rate Increases for 2 years



Effect of 6% Rate Increases



Effect of 5.5% Rate Increases



Residential Water Rate Estimator

If you are a *residential* customer you can use the calculator below to estimate your water bill. First select your meter size. Then enter the average number of CCFs* used in your household. *Please enter whole numbers only.*

Hint: The average home has a 3/4" meter.

What size is your meter?

3/4" ▾

On average how many CCFs do you use?

16

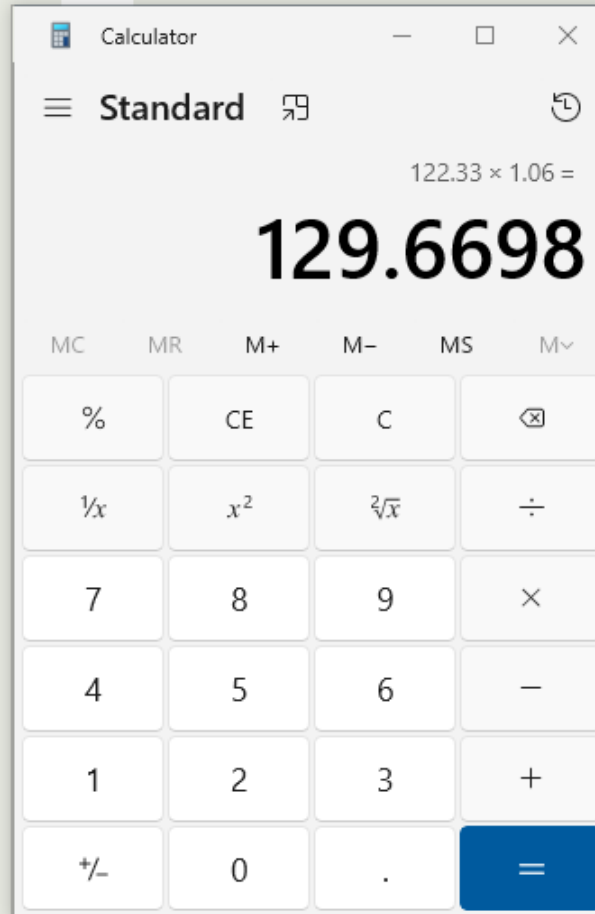
Estimated Water Bill

\$122.33

Calculate

Clear

*CRW bills are calculated based on units of 100 cubic feet (CCF) - 1 CCF = 748 gallons.



6% Rate Increase results in additional \$7.34.

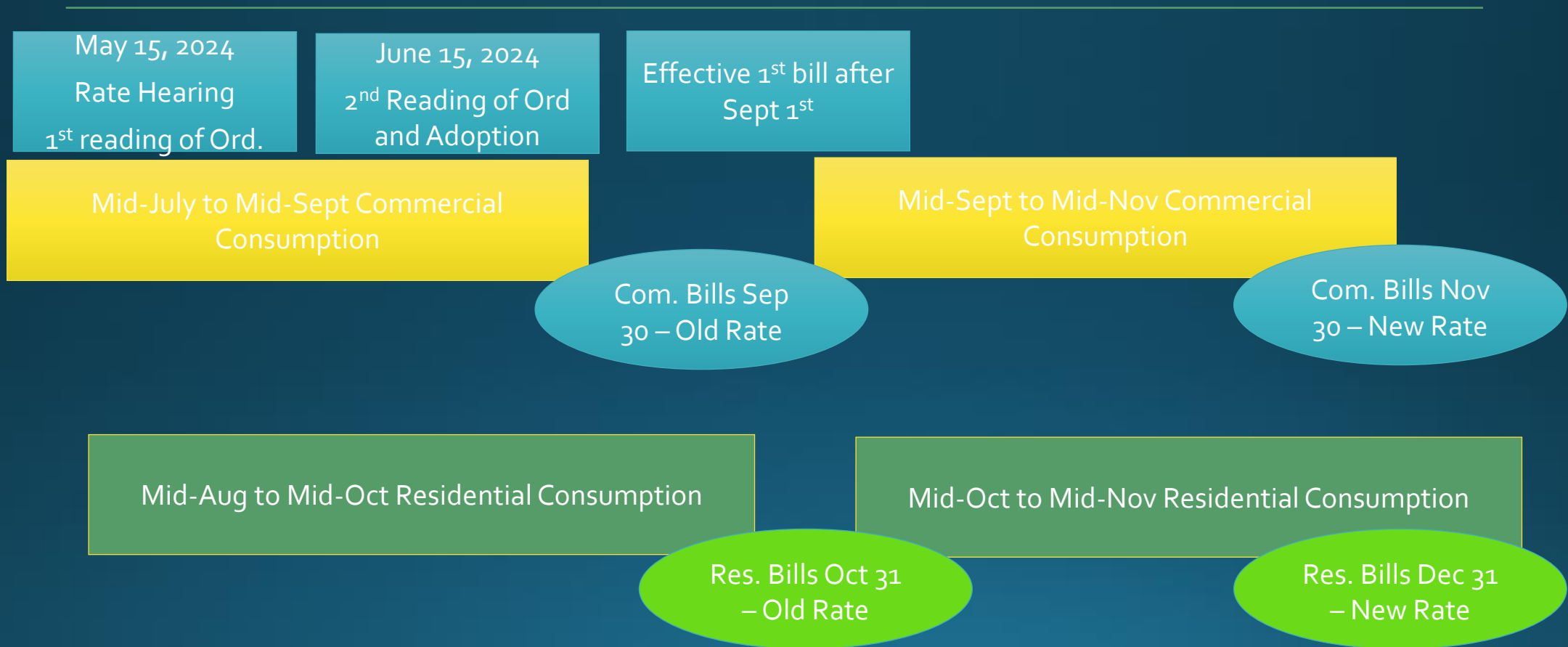
5% = \$6.12

*CRW average customer uses 16 CCF in the bi-monthly billing cycle

Revenue Impact of 6.0% Annual Rate Increases

Forecasted Residential Water Revenue				
	FY 2025		FY 2026	
<i>Current Budget</i>	\$	14,428,000	N/A	
New Forecast with 6% Rate Increase	\$	14,427,999	\$	15,293,679
<i>Projected Revenue</i>	\$	15,350,000	NA	
New Forecast with 6% Rate Increase	\$	16,271,000	\$	17,247,260
<i>Bi-Monthly Average Customer Bill Increase (\$) (16CCF)</i>				
	\$	7.34	\$	7.78
*Assumes consumption remains consistent with prior years.				
*Based on current billed accounts.				

Rate Increase Effective November Billing Cycle



Questions???

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