

**CLACKAMAS RIVER WATER BOARD OF COMMISSIONERS
BOARD WORK SESSION
May 23, 2022**

COMMISSIONERS PRESENT:

Sherry French, President
Naomi Angier, Secretary
Tessah Danel, Treasurer- absent
Rusty Garrison

STAFF PRESENT:

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

CRW Employees: Chief Finance Office, Jason Kirkpatrick; IT Manager, Kham Keobounnam; Water Resources Manager, Rob Cummings

COMMISSIONERS ABSENT: 1

VISITORS: Bob Rubitschun, Chris Hawes

Call Work Session to Order

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

1. Retail Rates Discussion-(see presentation attached)

Mr. Kirkpatrick shared a recap of past presentations to the Board regarding capital planning and funding (rates) that would be needed to cover the debt for the projects and operating expenses of the district. Previous discussions with the Board had suggested a two-year rate plan as opposed to the previous 8-year rate plan and was suggested that there would need to be a 5% rate increase. The option presented to the Board this evening used a 6% increase. Staff worked with a rate consultant to review current water rates trends, general inflation and construction cost inflation, labor cost inflation and benefit inflation. Additional factors considered are debt, timing and amount of debt issuance, capital projects, timing, and amount of project. Timing of new rate implementation would look at an increase in the fall which would begin after the larger summer usage billings.

Commissioner Garrison asked about the review of other districts/utilities are implementing and the focus was more regional. Also asked that considering the larger capital projects out there if 6% was going to keep pace with the funds needed for those projects (also with the knowledge there would need to be additional borrowing for the larger project plan).

Commissioner Angier asked if other Districts in the region were looking at similar percentage increases as the 6% being looked at. Also, she asked what projects might not get done if the increase was only 5% rather than the discussed 6% increase.

Mr. Heidgerken shared that there would be a rate hearing and notice allowing for ratepayers to be notified and an opportunity to provide comment.

2. Update on the Clackamas Regional Water Supply Commission (CRWSC) and the North Clackamas County Water Commission (NCCWC) water supply agreement

Mr. Heidgerken shared the various agreements involved in initiating a new NCCWC water supply agreement and the dissolution of the CRWSC at the May Board meeting and will provide time tonight for answering questions and share if any changes to the

agreements have occurred since the May Board meeting. The wholesale water rates charged by CRW to NCCWC were reviewed with FCS Group who developed a rate model that can be updated annually to keep up with the true costs of the water supplied to NCCWC. A new agreement with Oak Lodge Water Services will be adopted separately from the NCCWC water supply agreement to handle CRW customers served by Oak Lodge.

There have been no changes made to the previous version of the CRWSC dissolution document that was shared at the May Board meeting, there are still items that need to be finalized but in concept it is ready. One item that is still being worked through is a service IGA between CRW and Sunrise Water to handle the staffing services Sunrise Water receives from CRW, this IGA would allow the GM's from both CRW and Sunrise to work out the details of the services provided.

3. Commissioner Communications-None at this time

4. General Manager Update

- Staffing update- There are still open recruitments for the Water Resources Manager, Sr. Finance and Accounting Specialist and Customer Service Specialist. Commissioner Garrison asked about how CRW staff advertise for positions.
- Board Vacancy process- two applications have been received to date. The application deadline is 3pm on May 31. The Board will receive copies of the applications on June 1. The Board will have a 5:30pm work session ahead of the June Board meeting for conducting interviews. With the idea that the July Board meeting will have time for the Board to nominate and swear in a new commissioner.

Public Comment: Mr. Rubitschun- appreciated the Board's dialog and discussions around the rate increases and the concern of the Board and the rate payers. He is in support of an appropriate rate increase for CRW to complete projects and not how we compare to other districts/utilities in the region. Appreciated Commissioner Angier about her concern on the impact to rate payers with considering a rate increase. Also asked about the supply chain disruptions and CRW's ability to complete capital projects and how those are impacted with supply and labor shortages and how CRW has been impacted by this. With the number of projects in the long term plan there is flexibility to move projects ahead or back depending on ability to complete those projects based on supplies needed.

Open meeting is adjourned at 7:00pm



Clackamas River Water

Water Rate Cost Drivers

Board Work Session

Jason Kirkpatrick, CFO

May 23, 2022



Previous Rate Discussions

Previous Rate Discussions

- October 26, 2020
 - Future rates were discussed as part of presentation on Capital Planning
 - As part of capital planning, it was forecasted that \$40 million in additional debt would need to be issued
 - It was presented that at a minimum a 5.0% per year rate increase would be needed to cover payments on the additional debt and meet debt coverage ratios
 - Estimated monthly impact to average customers ranged from \$1.54 to 2.89 for the year of 2021-2024, respectively

Previous Rate Discussions

- February 22, 2021
 - Future rates were discussed as part of presentation on Capital Planning Strategy
 - As part of capital planning, it was determined that reserves would be used to complete the 6-year capital plan and that beyond the 6-year plan, borrowing would finance larger capital improvements
 - It was suggested that 5% per year rate increase starting in 2022 would be needed to meet debt coverage ratios and reserve policy

Previous Rate Discussions

- January 24, 2022
 - Future rates were discussed as part of presentation on Rate Hearing Proposal
 - Noted that previous discussions have suggested a 5.0% annual increase would meet District needs.
 - Rate increases are needed to accomplish capital improvements as planned.
 - Suggested a two-year plan with new rates going into effect in November

As Previously Presented - Revenue Impact of 5.0% annual rate increases

Forecasted Revenue (in thousands) *

	FY 2022	FY 2023	FY 2024	FY 2025
Current Budget	\$ 12,739	\$ 12,830	N/A	N/A
New Forecast with Rate Increase in November	\$ 12,739	\$ 13,164	\$ 13,603	\$ 14,056

Bi-Monthly Average Customer Bill Increase (\$) (16 CCF)	\$5.18	\$5.44
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* Assumes consumption remains consistent with prior years.

* Based on current billed accounts.

Revenue Impact of 6.0% annual rate increases

Forecasted Revenue (in thousands) *

	FY 2022	FY 2023	FY 2024	FY 2025
Current Budget	\$ 12,739	\$ 12,830	N/A	N/A
New Forcast with 6.0% Rate Increase in November	\$ 12,739	\$ 13,343	\$ 14,331	\$ 15,191

Bi-Monthly Average Customer Bill Increase (\$) (16 CCF)	\$ 6.22	\$ 6.59
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* Assumes consumption remains consistent with prior years.

* Based on current billed accounts.

Cost Drivers

Recent changes to projections

Water Rate Cost Drivers

- General Cost Inflation
 - Prior model used 2.25% as the inflation factor
 - Current inflation factor used is 8.5%, based on discussions with FCS, 8.5%, 6.0%, 4.0%, used to for general cost inflation in the future
- Construction Cost Inflation
 - Prior model used 3.50%
 - Current inflation factor used on model is 8.0% for two years and then trends back down to 4.0%

Water Rate Cost Drivers

- Labor Cost Inflation
 - Prior model used 2.25% inflation factor
 - Current inflation factor at 4.0%, based on discussions with FCS, 4.0%, 4.0%, 4.0%, used to for labor cost inflation in the future
- Benefit Cost Inflation
 - Prior model used 5.0%, 18.0%, 10.0%
 - Current inflation factor used on model is 5.0%, 7.5% trending to 10.0% as a conservative baseline

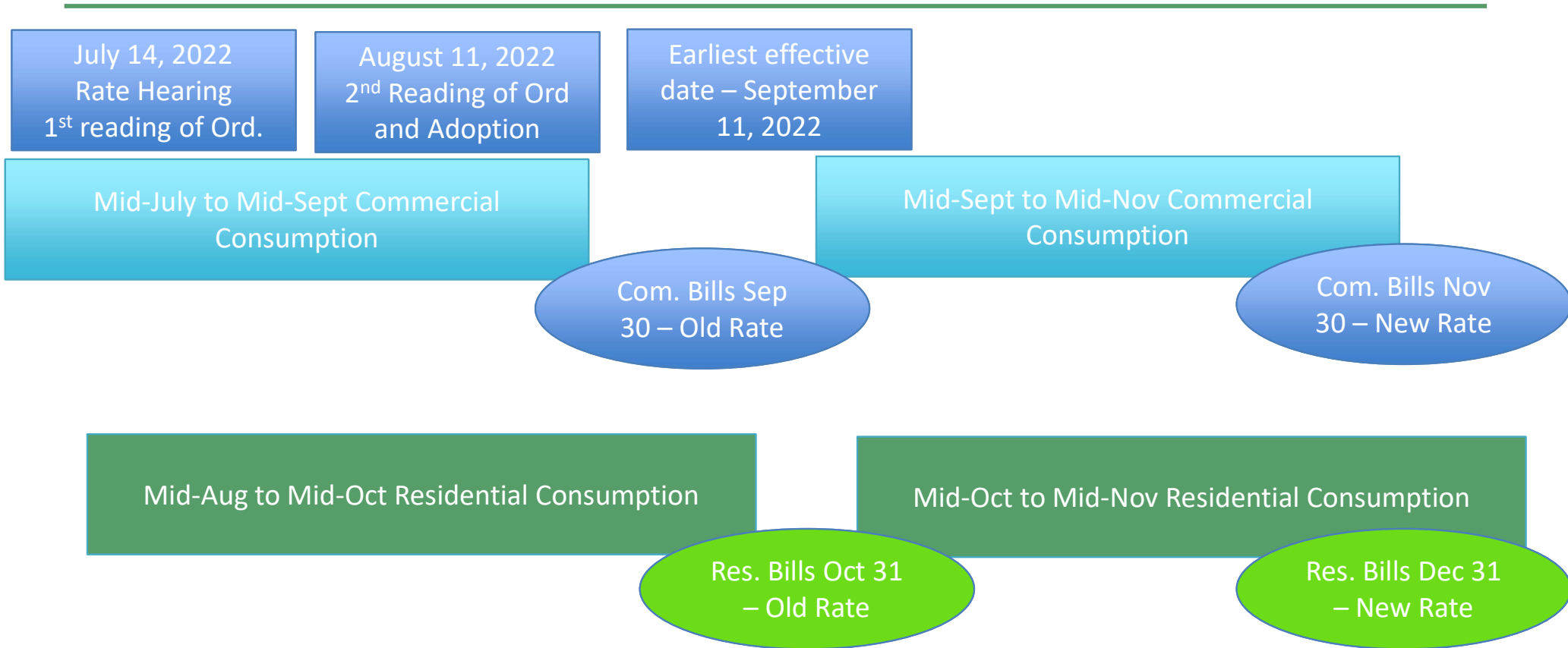
Water Rate Cost Drivers

- Debt
 - Timing and amount of debt issuance
- Capital projects
 - Timing and amount of projects
- Timing of new rate implementation
 - Prior model assumed full fiscal year of rate
 - By instituting a Fall rate implementation, we must reduce the impact of the new rate on revenues as it will only cover 2/3 of the year

Impacts on Capital Projects

- Costs are becoming difficult to estimate
- Supply chain issues are making lead times uncertain, causing delays
- Future interest rates are uncertain
- Timing of debt issuance and projects will have an impact on rates

Rate Increase Effective November Billing Cycle



Questions