

CLACKAMAS RIVER WATER
BOARD OF COMMISSIONERS
WORK SESSION & EXECUTIVE SESSION
March 25, 2024 at 6:00pm



THIS MEETING WILL HAVE REMOTE ACCESS VIA ZOOM*

AGENDA

16770 SE 82nd Drive, Clackamas, OR 97015

Anyone who wishes to attend the meeting remotely may do so by internet at [https://us02web.zoom.us/j/863 9988 6074](https://us02web.zoom.us/j/86399886074) or by calling the following number [12532158782](tel:12532158782) and join meeting 863 9988 6074#. Passcode: 916685

Work Session @ 6:00pm

Call to Order, Roll Call

1. **Proposed Retail Water Rates-Informational Presentation-** *Christa Bosserman Wolfe, CPA, Finance Consultant*
2. **Commissioner Communications-** *CRW Board of Commissioners*
3. **General Manager Update-** *Todd Heidgerken, General Manager*

Public Comment

Adjourn Work Session

EXECUTIVE SESSION- will start immediately following the work session

1. Discuss information or records that are exempt by law from public inspection pursuant to ORS 192.660 (2) (f) and 192.355 (9) (a) and ORS 40.225
2. To conduct deliberations with persons designated by the governing body to negotiate real property transactions. 192.660 (2) (e)

Work Session Reminders:

- a. Work Session – audio only
- b. No decisions will be made by the CRW Board
- c. Staff may get direction or a sense of the board on key issues
- d. Members of the public are allowed to attend but not participate (*public comment provided at the end of the session*)

Public Comment: If there is a member of the public that wishes to address the Board are encouraged to submit a request through email to kholzgang@crwater.com no later than 4pm the day of the meeting.

Members of the public are welcome to speak for a maximum of three minutes, citizens must state their name, address, if they are a customer or not for the record.

The meeting location is accessible to persons with disabilities. A request for accommodations for persons with disabilities should be made at least 48 hours before the meeting to Adora Campbell (503) 722-9226.

CLACKAMAS RIVER WATER

BOARD WORK SESSION

March 25, 2024

SUBJECT Proposed Retail Water Rates – Informational Presentation

PRINCIPAL STAFF PERSON Christa Bosserman Wolfe, CPA – Finance Consultant

DOCUMENTS ATTACHED None

Agenda Summary

BACKGROUND CRW Residential Water Rate Increase History:

March 2014, the Board of Commissioners approved an eight-year rate plan, and the eighth year of the rate increase was implemented in May 2021. The District's capital needs continued to outpace rate increases, so a two-year rate plan of 6% increases each year was approved by the Board in June 2022. This plan was developed with staff and rate consultant, FCS Group, forecasting long-term needs and impacts of current and future rates.

The District completed the Water System Master Plan, the Water Treatment Plant Facilities Plan and a six-year capital plan. These plans identify priorities and specific projects that will require issuing bonded debt in 2027. Rate increases are needed to support these goals of maintaining, improving, and adding to our infrastructure.

Informational Presentation:

During the work session, CRW's Finance Consultant will provide an overview of the factors that influence retail water rates, and the necessary annual rate increases for the next two-year period to achieve the District's capital plan.

Recommendations:

Information will be presented to demonstrate the impacts of different rate increases for the next two years. The Board will be asked to provide direction regarding the different rate increases which will help inform the staff's approach to the rate hearing notices that will be distributed to all the CRW customers later this year.

CLACKAMAS RIVER WATER

BOARD WORK SESSION

March 25, 2024

SUBJECT Commissioner Communications

PRINCIPAL STAFF PERSON CRW Board of Commissioners

DOCUMENTS ATTACHED

Agenda Summary

BACKGROUND Time is being set aside during the work session to provide an opportunity for Commissioners to:

- Identify topics for consideration at future works sessions or board meetings;
- Discuss future agenda items.

CLACKAMAS RIVER WATER

BOARD WORK SESSION

March 25, 2024

SUBJECT	General Manager Update
PRINCIPAL STAFF PERSON	Todd Heidgerken, General Manager
DOCUMENTS ATTACHED	None

Agenda Summary

BACKGROUND Time has been set aside to briefly update and inform the Board on topics since the March Board Meeting.



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.

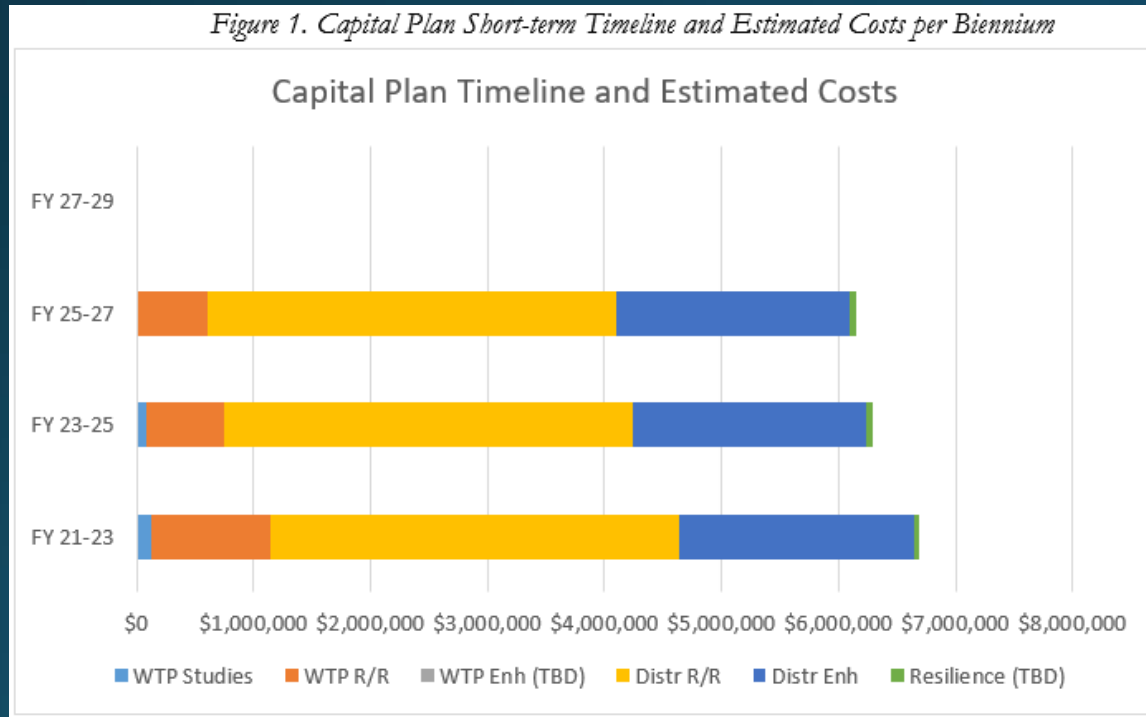


5% per year rate recommendation still applicable.

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

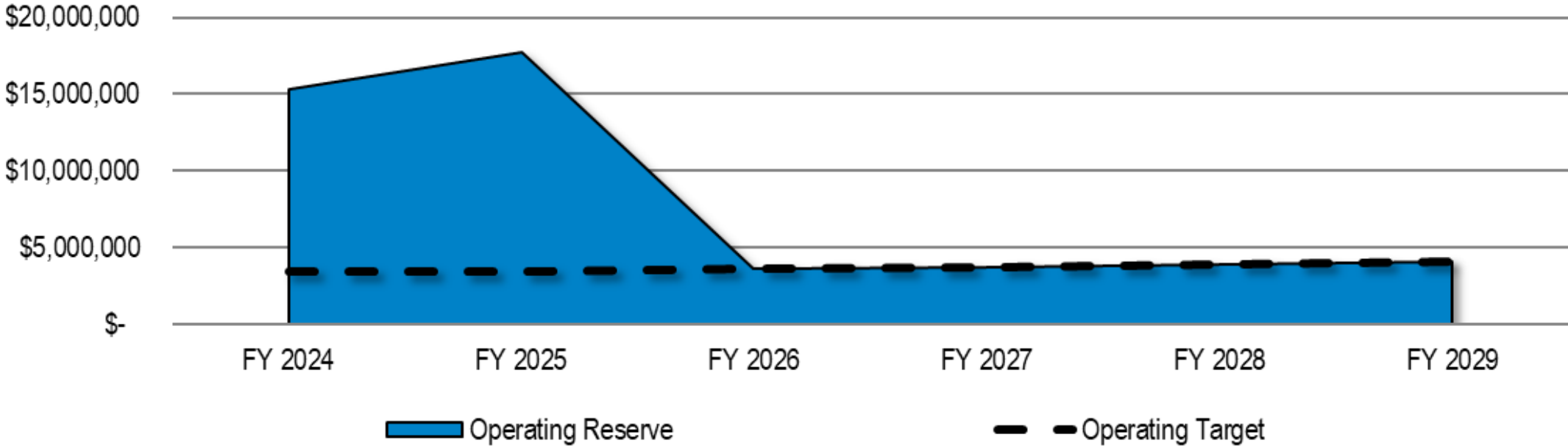
Ultimately, ALL the costs of doing business and caring for the infrastructure impact water rates.

The background of the slide is a blurred image of a document. A pen is visible at the top, and a line graph with several peaks and valleys is drawn on the paper. The overall color scheme is light blue and white.

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 %

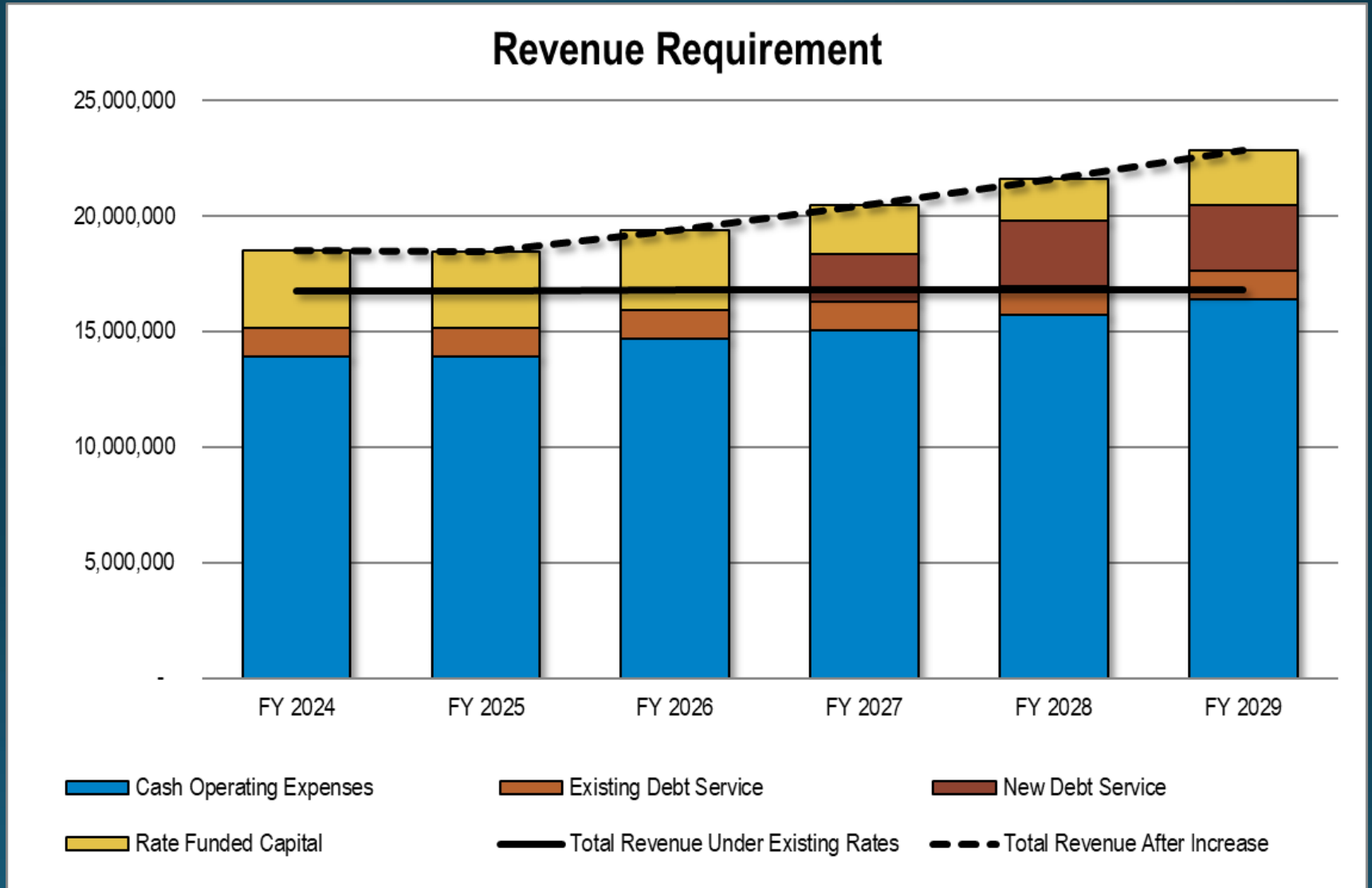


Lowest rate would be 5.25% for 2 years and then re-evaluate.

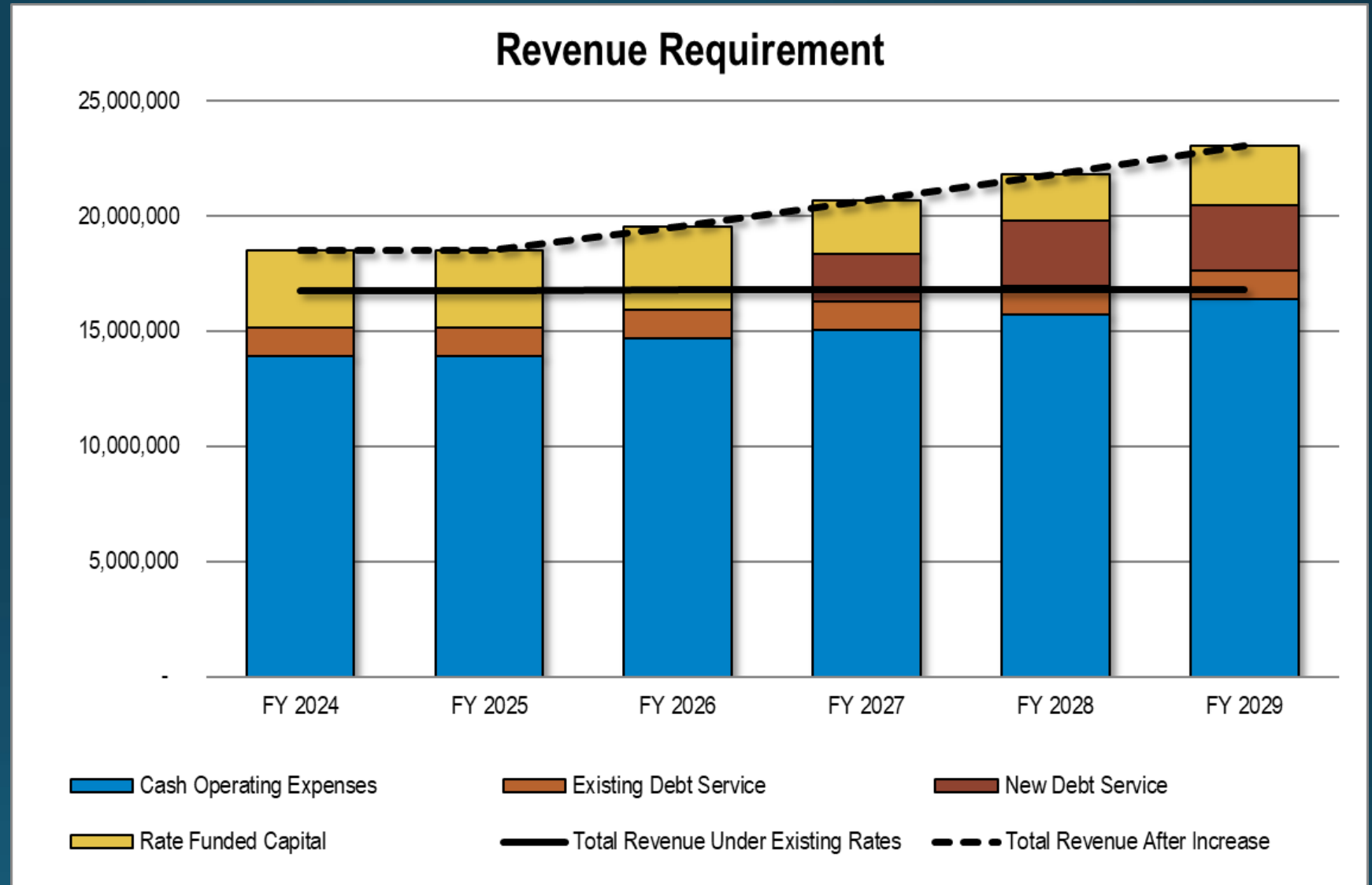
6% generates cashflow faster and then rates % can be reduced when capital projects slow down.

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

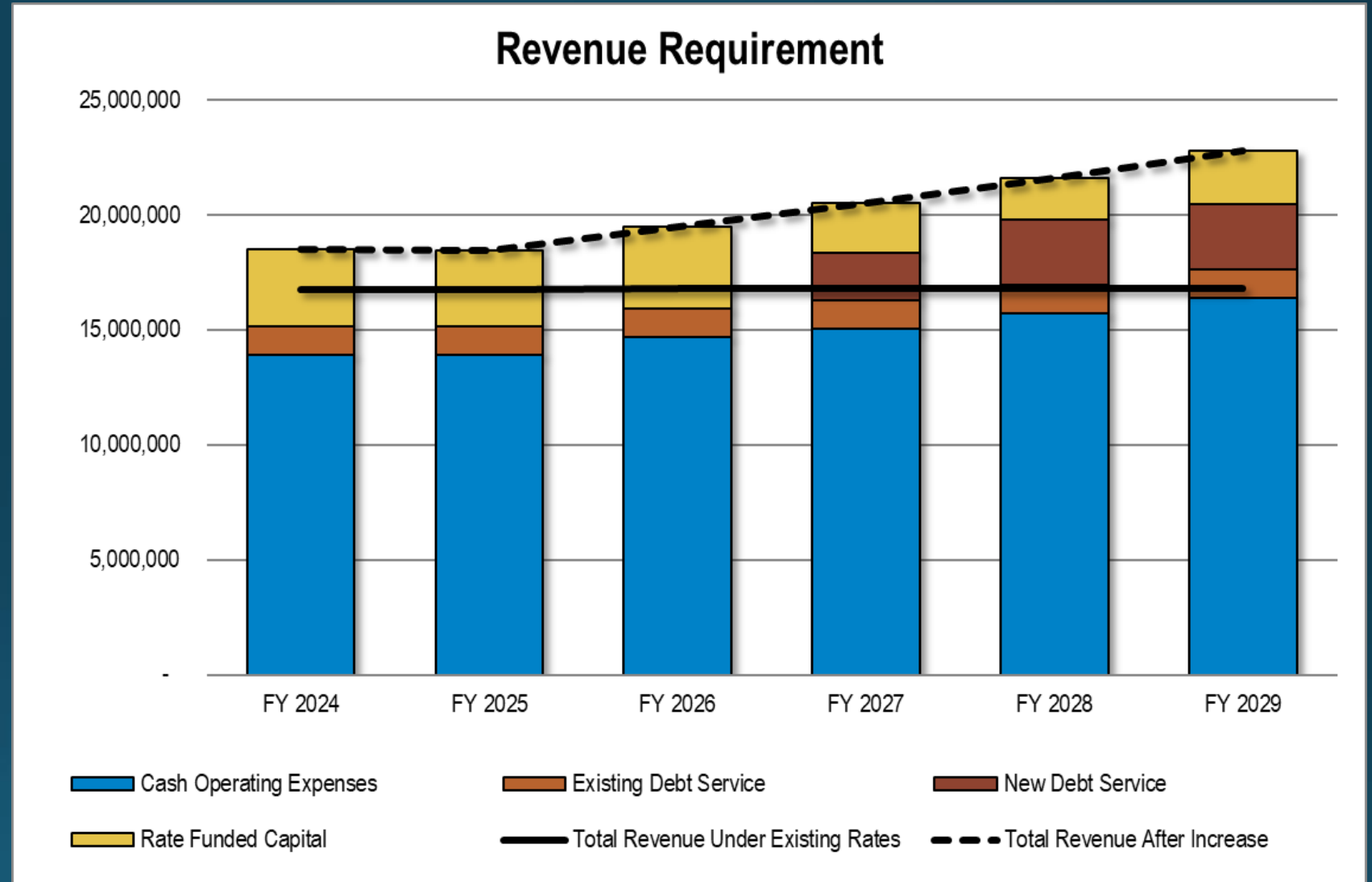
Effect of 5.25% Rate Increases for 2 years



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

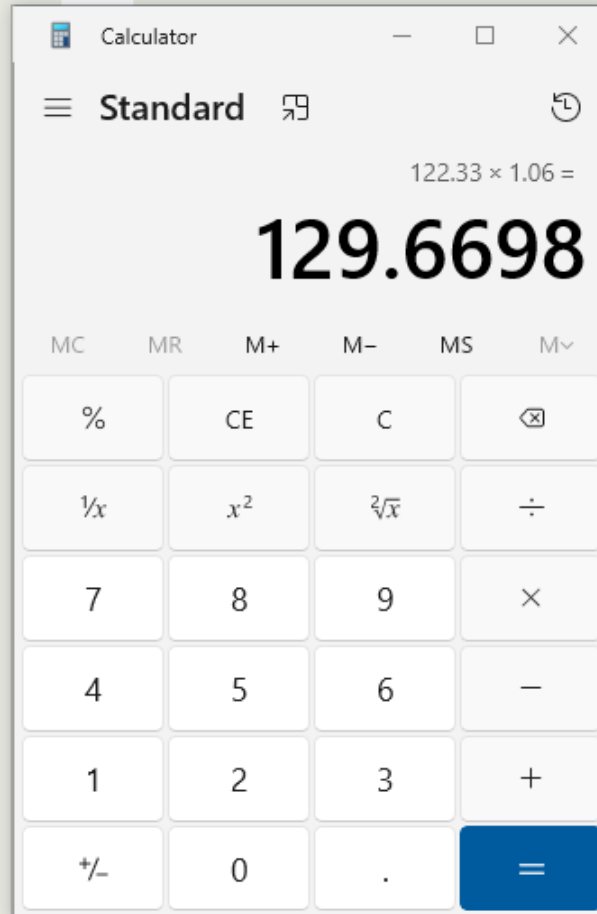
Estimated Water Bill

\$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

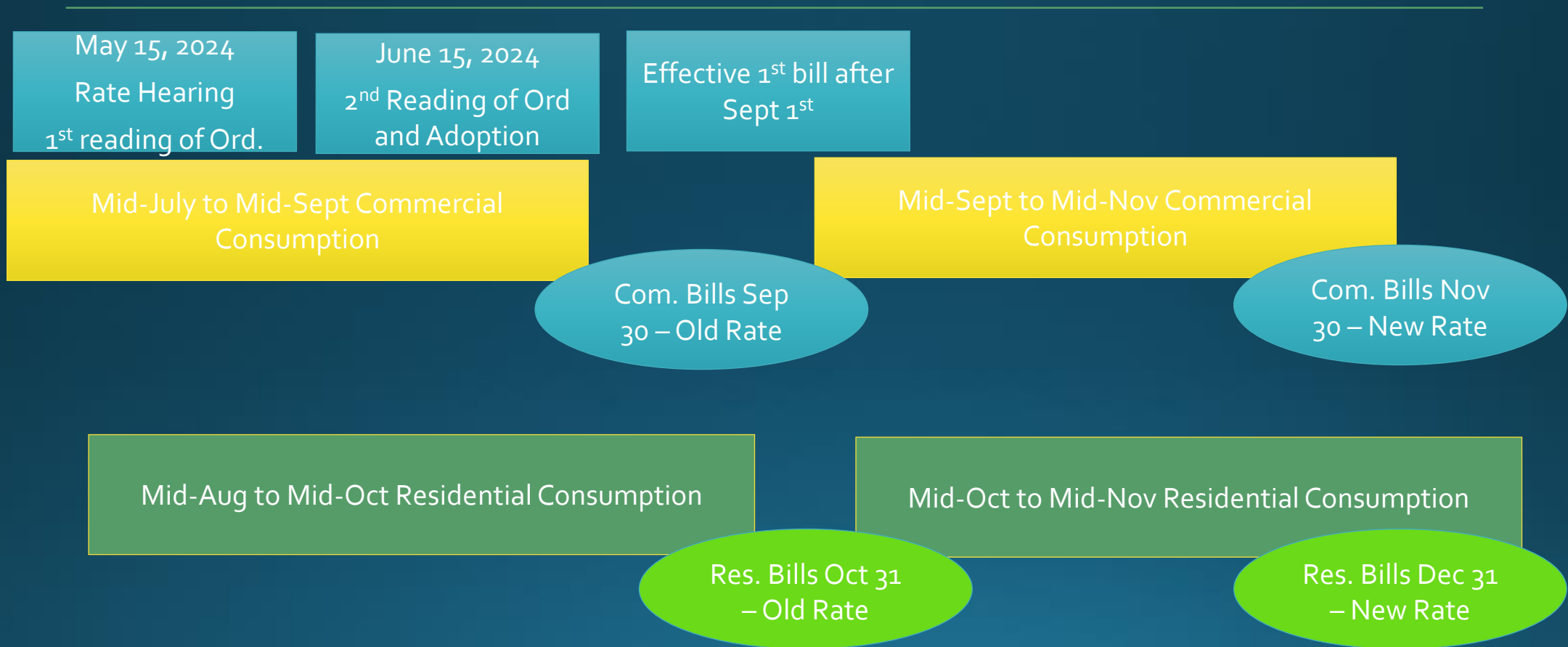
*CRW average customer uses 16 CCF in the bi-monthly billing cycle

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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- christa@wcportland.com

