

ROGUE VALLEY SEWER SERVICES
BUDGET COMMITTEE MEETING MINUTES
April 24, 2019

TIME AND PLACE OF MEETING:

A meeting of the Budget Committee of the Rogue Valley Sewer Services, Jackson County, Oregon, was held at 138 W Vilas Road, Central Point, Oregon on April 24, 2019. The meeting was called to order by RVSS Board Chairman Bill Stults at 7:01 a.m.

PRESENT:

Bill Stults, Kay Harrison, Jim Lewis, Wayne Brown, Jim Snyder, Mike Burrill Jr, Terry Sackett, Gary Hall, and Michael Parker.

ALSO PRESENT:

Carl Tappert, Manager; Brenda Baldovino, Finance Director; Joan Pariani, Administrative Support; Shane Macuk; Maintenance Manager; Nick Bakke, Engineering; Kevin James, Treatment Manager; Jennie Morgan; Stormwater Manager; Carole Balzer, IT/Customer Service; Dick McGregor, Shady Cove.

ELECTION OF BUDGET COMMITTEE CHAIRMAN:

Bill Stults was nominated and seconded to serve as committee chairman. Not further nominations were made; nominations were closed. Bill Stults was unanimously elected to serve.

ELECTION OF BUDGET COMMITTEE SECRETARY:

Jim Snyder was nominated and seconded to serve as committee secretary. No further nominations were made; nominations were closed. Jim Snyder was unanimously elected to serve.

PRESENTATION OF BUDGET BY BUDGET OFFICER:

Budget Officer Carl Tappert requested suggestions from Board members for new members to serve as volunteers on the Budget Committee, since one or two of the current members whose terms expire this year may be elected to the Board. He further requested that those volunteers who wish to be considered for another term so inform him.

Carl Tappert gave recognition of Bob Dunn's contributions and long service and dedication to the Board.

Carl Tappert acknowledged that Oregon State Law requires RVSS to produce a balanced budget.

Carl Tappert read verbatim the contents of "Fiscal Year 2020 (July 1, 2019 – June 30, 2020) Budget Message". He made note that it contains a recommendation to the Board to approve

a Fiscal Year 2020 rate increase of 4.9%, which will bring the monthly rate for a single-family residence from \$20.50 to \$21.50. He also made a point of recommending the current staffing level remain at 37 employees. He acknowledged that RVSS has not yet received official written notification of receipt of the "Distinguished Budget Presentation Award" from GFOA as stipulated in the Budget Message, but it is expected soon.

Carl Tappert stated that the included "History of RVSS" is the same document provided with last fiscal year's report, but with the addition of the final line acknowledging that "In 2019, the City of Shady Cove became part of RVSS."

Carl Tappert gave notice to the Committee that the RVSS staff will be conducting a review of the "Mission Statement and Goals" document to revise it for next year's budget document. Carl Tappert informed the Committee that the "Financial Policies" document was the same as last year, but that a review of fees is expected to be conducted this year because they may not be in synchronization with actual current costs.

A note was made that the stated time for the Public Hearing on June 19, 2019 has been changed from 7:00 am to noon.

Carl Tappert made note that the current map of the "Rogue Valley Sewer Services 2019 Boundary" now contains Shady Cove.

Carl Tappert noted that the "Department Organization" chart displays the re-organization which created "Treatment" as a separate new part of the organization. No personnel growth has occurred.

Carl Tappert explained that the "Resource and Requirement Summary, All Funds Combined" chart indicates that all funds are doing well and have positive balances.

Carl Tappert made note that the "FY20 Proposed Budget" on pages 22-23 presents the overall summary view of resources and appropriations for each fund.

FUND 01: GENERAL

The "Resources Summary" on pages 28-29 displays the zeroing-out of the Lagoon Tipping Fee for FY20 because it is now a separate fund. Carl Tappert also noted that the Lagoon has been accepting septic waste for about two years. It does not accept commercial waste.

The "Expenditure Detail-Personnel Services" on pages 30-31 shows the results of the small cost of living increase for FY20. Medical costs have been slightly lower than projections.

The "Expenditure Detail-Materials & Services" on pages 32-33 has a somewhat longer list than previous editions because the new software permits greater granularity, and the staff is taking advantage of that to provide better insights into costs.

The "Bank Charges" budget line was discussed at length. Charges come from a combination of the vendor handling transactions and the bank services. Carl Tappert stated that he would provide more details to the Board of Directors for their consideration.

The "Lagoon Maintenance" budget line is zeroed-out because it is now a separate fund.

The "Vehicle Fuel (Propane & CNG) has been added because certain RVSS vehicles use propane, which is more cost efficient.

The "Utilities & Power" are expected to be less than forecasted in the budget.

"Treatment Charges" are forecast to increase by 9.0%, mostly due to a 7.5% increase in the treatment rate charged by the City of Medford.

The "Expenditure Detail-Capital Outlay" on pages 34-35 is based on an aggressive program of replacing pipes.

The old "TV Van" is recommended for replacement.

A new electric vehicle is proposed which will be more cost effective for around-town driving, using electricity generated by RVSS, which will further reduce operating costs.

Two more trucks are proposed for conversion to propane. Discussion ensued concerning natural gas. Propane is the superior fuel.

Software is being upgraded as part of our overall conversion to GIS.

Debt service was re-negotiated in the past, so is it now optimized.

FUND 04: BEAR CREEK INTERCEPTOR OPERATIONS & MAINTENANCE

Carl Tappert explained that the bulk of fees are paid by RVSS, with not much coming from Medford under the cost sharing agreement. This is because the costs are allocated based on the portion of flow that runs through the Dunn Pump Station, and most of the flow through Dunn Pump Station comes from RVSS customers.

FUND 06: DUNN PUMP STATION OPERATIONS & MAINTENANCE

Revenues come from transfers.

Solar energy has been put in, so lower power costs are expected.

FUND 07: INTERCEPTOR CAPITAL EXPANSION

There are three pumps, but only two are currently operational. All have been in use for more than 30 years. The current budget includes the engineering design to upgrade all three pumps and controls.

FUND 09: WHITE CITY STORM DRAINS

Carl Tappert reviewed the history of RVSS' involvement with the White City Industrial Storm Drain area, which began in 1989. Most of the flooding issues have been addressed but there are still a few projects that need to be completed.

FUND 10: STORM WATER QUALITY MANAGEMENT

Carl Tappert reviewed the history of RVSS' involvement in stormwater quality, which began in 2004.

A new DEQ permit was issued this year which will result in some changes to the program. Most notably, Central Point has been issued its own permit and will no longer be covered

under RVSS' permit. There will also be additional requirements for construction site erosion control and post-construction stormwater management.

Carl Tappert highlighted the budget item for "Coordinated LID Projects". This is money that is set aside to assist cities when they are constructing stormwater quality projects. Not much of this has been spent to date.

FUND 50: SHADY COVE TREATMENT

With the annexation of Shady Cove there will be changes in the flow of money through Fund 50.

Sewer service rates charged by Shady Cove will be transferred to RVSS. 25% of these funds will be put into the RVSS General Fund to cover expenses associated with operating the collection system in Shady Cove. The remaining 75% will be put into Fund 50 to cover expenses related to operating the Shady Cove Treatment Plant.

The "Shady Cove O&M Fees" budget line is zeroed-out for FY2020 since RVSS is no longer operating under contract.

The "Shady Cove Debt Service Bond #1" budget line for FY2020 is \$127,505 because Shady Cove incurred this debt prior to annexation to RVSS. RVSS will collect fees, and then transfer money to Shady Cove, and Shady Cove will then pay their debt service.

Any surplus in Fund 50 will be transferred to Fund 55 which is used to cover capital expenses both at the Shady Cove Treatment Plant and the White City Lagoons.

FUND 52: SHADY COVE COLLECTION SYSTEM

Starting July 1, 2020, Shady Cove is annexed into RVSS, so this fund is zeroed-out for FY2020. All expenses related to the Shady Cove Collection System will be paid for through the General Fund.

FUND 55: TREATMENT CAPITAL

This fund should be re-named as the "Treatment Capital Fund". This fund will be used to cover capital expenses at both the Shady Cove Treatment Plant and the White City Lagoon. This fund will be funded by transfers from Fund 50: Shady Cove Treatment; and Fund 70: White City Lagoons.

The Committee discussed that funds from the Lagoon come from all over the RVSS area of operations, which appear to then be used to pay Shady Cove. Carl Tappert acknowledged that the majority of the revenue would come from lagoon operations while the majority of the expenses would be at the Shady Cove treatment plant. However, the Lagoon operation is an outgrowth of Shady Cove operations. It was pointed out that Lagoon operations fees do not come from RVSS "rate paying" customers. Lagoon revenues could be looked upon as a "windfall". The discussion continued about whether or not the funds should come from the General Fund. It was explained that if it is, then funds from RVSS "rate payers" would be used. It was questioned as to whether or not using Lagoon funds was somehow "masking" community improvements. Use of Lagoon fees for this purpose will continue as it has.

Carl Tappert indicated that he thinks that capital reserves from this program can be generated in about ten years to cover capital outlays that may potentially due about that time.

FUND 60: GOLD HILL TREATMENT

City of Gold Hill will continue to pay \$360,000 in fees to RVSS under contract to have their operations run by RVSS in FY2020. There are three more years left on the five-year contract. Gold Hill is under an order from DEQ and must complete a facility plan in the next few months. Once the facilities plan is complete the City Council must determine their desired path forward, which will require either rebuilding the treatment plant or constructing a pump station to send the waste to the regional system.

Carl Tappert noted that the pump station option has the highest initial capital cost, but since operating costs are so much less the pump station should be the most attractive option. The committee asked if RVSS had any influence on the City Council's decision making. Carl Tappert stated that he had made RVSS' preference known and provided cost information, but has done nothing else to try to sway the decision.

The Committee asked if RVSS would be willing to continue working for Gold Hill if they choose to rebuild the plant rather than connect to the regional system. Carl Tappert responded that we would because

operations are currently more efficient by covering operations at both Gold Hill and Shady Cove resulting in a dispersal of their work load, which is an operational and personnel benefit to RVSS.

RVSS will consider annexation after the facility plan decisions are made but is not likely to want to continue Gold Hill operations under further contracts past FY2022.

FUND 65: GOLD HILL COLLECTION SYSTEM

This is a fund that was established in FY2018 to track expenses related to operating the sewer collection system for the City of Gold Hill. The agreement expires in FY2022. The City of Gold Hill pays a monthly fee to RVSS, which is entered into Fund 60 and then transferred to Fund 65.

FUND 70: LAGOONS

Carl Tappert was charged by the Committee with conducting an analysis to determine if the best rate is being charged to Lagoon customers.

Carl Tappert informed the Committee that only residential waste is accepted at the Lagoon. No commercial customers are accepted.

A question was posed as to whether or not using the Lagoon Fund in a manner that looks like a "subsidy" of Shady Cove operations would become a model to be used for Gold Hill operations. It was recognized that this was more appropriately an RVSS Board of Directors decision.

A question was posed as to who is currently conducting capital improvements in Gold Hill and how they are being paid. Carl Tappert declared that RVSS is currently performing and paying for "small projects" associated with keeping the Gold Hill plant functioning. The Gold Hill City Council must make decisions next year concerning major capital improvements. A discussion ensued as to whether the Budget Committee should influence future RVSS negotiations with the Gold Hill City Council concerning these matters. No resolution was reached.

BUDGET REQUIREMENT DETAILS BY DEPARTMENT:

There was no further discussion concerning budget requirements for each Department, because important details were well integrated into the previous discussions.

FIVE-YEAR CASH FLOW PROJECTIONS:

Carl Tappert reminded the Committee that some intermediate years of the 5-Year Cash Flow Projections have negative numbers, but that the overall projection achieves positive numbers in the fifth year, which was the goal. RVSS will micro-manage expenditures in the intermediate years to prevent negative cash flow in each execution year.

CAPITAL IMPROVEMENT PLAN (CIP):

The Committee requested that the name of the city be added to each line item to improve clarity.

PERSONNEL SERVICES

Carl Tappert reminded the Committee that RVSS proposes retention of a staff of 37 personnel in FY2020 with no growth.

CAPITAL PROJECTS:

Carl Tappert discussed the use of RVSS crews vs contracting out specific work. If the project is <\$100K, RVSS usually has the proper sized crew to do all of the work. When it is larger, then contractors have access to the additional crew members needed for the project. RVSS will also use its own crews if there is a sensitive or difficult connection issue involved.

SCHEDULE OF BUDGETED DEBT:

Carl Tappert reminded the Committee that the debt was re-scheduled a few years ago and is now optimized.

LARGEST CONSUMPTION CUSTOMERS (TOP 20)

The Committee asked about the basis for billing. The usual means is based upon water meter readings, unless a special case has been determined for using a different method. Boise Cascade was mentioned as an example of a special situation because much of their water use is part of their emissions control system. The water used for emissions control does not enter the sewer so is deducted from their water meter readings.

MOTION:

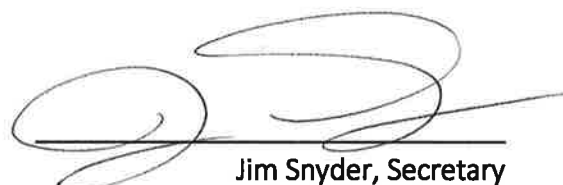
With no more inquires, Mike Parker motioned to approve the RVSS Proposed Budget Fiscal Year Ended June 2020. Mike Burrill, Jr seconded the motion. The motion carried by a unanimous vote of all committee members.

ADJOURNMENT:

There being no further business, the meeting was adjourned at 8:43 a.m.

ROGUE VALLEY SEWER SERVICES


Bill Stults, Chairman
Budget Committee


Jim Snyder, Secretary
Budget Committee


Bill Stults, Chairman
Board of Directors


Joan Pariani, Executive Secretary