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**Water Environment Services Advisory Committee
AGENDA**

Date: May 15, 2025
Time: 6:00 – 7:30 pm
Format: Zoom
Link to Zoom: <https://clackamascounty.zoom.us/j/88970849626>

Facilitator: Greg DiLoreto, WES Advisory Committee Chair

Time	Topic	Action
6:00 pm <i>2 minutes</i>	Call to Order <i>Chair, Greg DiLoreto</i>	Roll Call
6:02 pm <i>7 minutes</i>	Welcome & Updates <i>Greg Geist, Director</i>	Inform
6:09 pm <i>5 minutes</i>	Approve March Minutes <i>Chair, Greg DiLoreto</i>	Approval
6:14 pm <i>6 minutes</i>	Public Comment <i>Each public member who would like to speak will have 3 min. The meeting adjourn time may vary depending on public comments.</i>	Comment
6:20 pm <i>60 minutes</i>	Budget Presentation <i>Presented by Erin Blue, Finance Manager</i>	Inform
7:20 pm <i>10 minutes</i>	WES Advisory Committee Report-outs <i>Chair, Greg DiLoreto</i>	Share
	Adjourn	



Minutes for Clackamas Water Environment Services (WES) Advisory Committee - DRAFT

Location: Zoom

Video link: <https://www.youtube.com/watch?v=b2DEeOznBDA>

Time: 6:00-7:30pm

Date: March 13, 2025

Acting Chair: Greg DiLoreto, Secretary: Chris Koontz

Approval of previous meeting's minutes: Yes

Attendees:

Members in attendance: Rita Baker, Christina Brow, Carol Bryck, Greg DiLoreto, Anthony Fields, William Gifford, David Golobay, Brian Johnson, Adam Khosroabadi, Larry Linstrom, Denyse McGriff, Michael Milch, Kathryn Miller, Colleen Rockwell

Quorum was established.

Members not in attendance: Christopher Bowker, Richard Craven, Preston Korst, Michael Morrow, and Neil Schulman

Meeting called to order at 6:00PM by Chair DiLoreto.

Agenda items with timestamps from video linked above:

- **00:01:10** Director Updates – Presenter: Greg Geist, Director (Inform)
- **00:11:30** Approve January Minutes – Facilitator: Greg DiLoreto, Chair (Consensus Approval)
- **00:13:38** Public Comment – Facilitator: Greg DiLoreto, Chair (Comment)
- **00:13:53** Committee Roles & Bylaws Reminders – Presenter: Greg DiLoreto, Chair
- **00:22:39** WES 2024 State of the District – Presenter: Greg Geist, Director (Inform)
- **00:29:45** SDC Discussion (part 2) – Facilitator: Erin Blue, Finance Manager & Ron Wierenga, Deputy Director (Motion for Approval)
- Budget Preview – Facilitator: Erin Blue, Finance Manager (**ran out of time to present this item**)
- **01:27:47** WES Advisory Committee Discussion (Share)

Motions:

First Motion: Recommend to the WES Board approval of the SDC Methodology Update.

First to motion: Michael Milch, seconded by Carol Bryck.

Members in attendance: Rita Baker (Y), Christina Brow (Y), Carol Bryck (Y), Greg DiLoreto (Y), Anthony Fields (Y), William Gifford (Y), David Golobay (Y), Brian Johnson (abstain), Adam Khosroabadi (Y), Larry Linstrom (Y), Denyse McGriff (Y), Michael Milch (Y), Kathryn Miller (Y), Colleen Rockwell (Y)

13 in favor/0 opposed/1 abstention. Motion to Approve Carries.

Second Motion: Recommend to the WES Board to keep the current SDC and make annual inflationary adjustments.

First to motion: William Gifford, seconded by Anthony Fields.

Members in attendance: Rita Baker (Y), Christina Brow (Y), Carol Bryck (N), Greg DiLoreto (Y), Anthony Fields (Y), William Gifford (Y), David Golobay (Y), Brian Johnson (abstain), Adam Khosroabadi (N), Larry Linstrom (Y), Denyse McGriff (N), Michael Milch (N), Kathryn Miller (abstain), Colleen Rockwell (Y)

8 in favor/4 opposed/2 abstention. Motion to Approve is Rejected.

Third Motion: Recommend to the WES Board a 5-year phase-in full increase of the calculated SDC.

First to motion: Adam Khosroabadi, seconded by William Gifford.

Members in attendance: Rita Baker (Y), Christina Brow (Y), Carol Bryck (Y), Greg DiLoreto (Y), Anthony Fields (Y), William Gifford (Y), David Golobay (Y), Brian Johnson (Y), Adam Khosroabadi (Y), Larry Linstrom (Y), Denyse McGriff (Y), Michael Milch (Y), Kathryn Miller (Y), Colleen Rockwell (Y)

14 in favor/0 opposed/0 abstention. Motion to Approve Carries.

Announcements: None

Meeting adjourned at 7:38pm by Chair DiLoreto

Respectfully submitted by:
Chris Koontz



May 15, 2025 Advisory Committee Meeting

WES Budget Update

Erin Blue, WES Finance Manager



Agenda

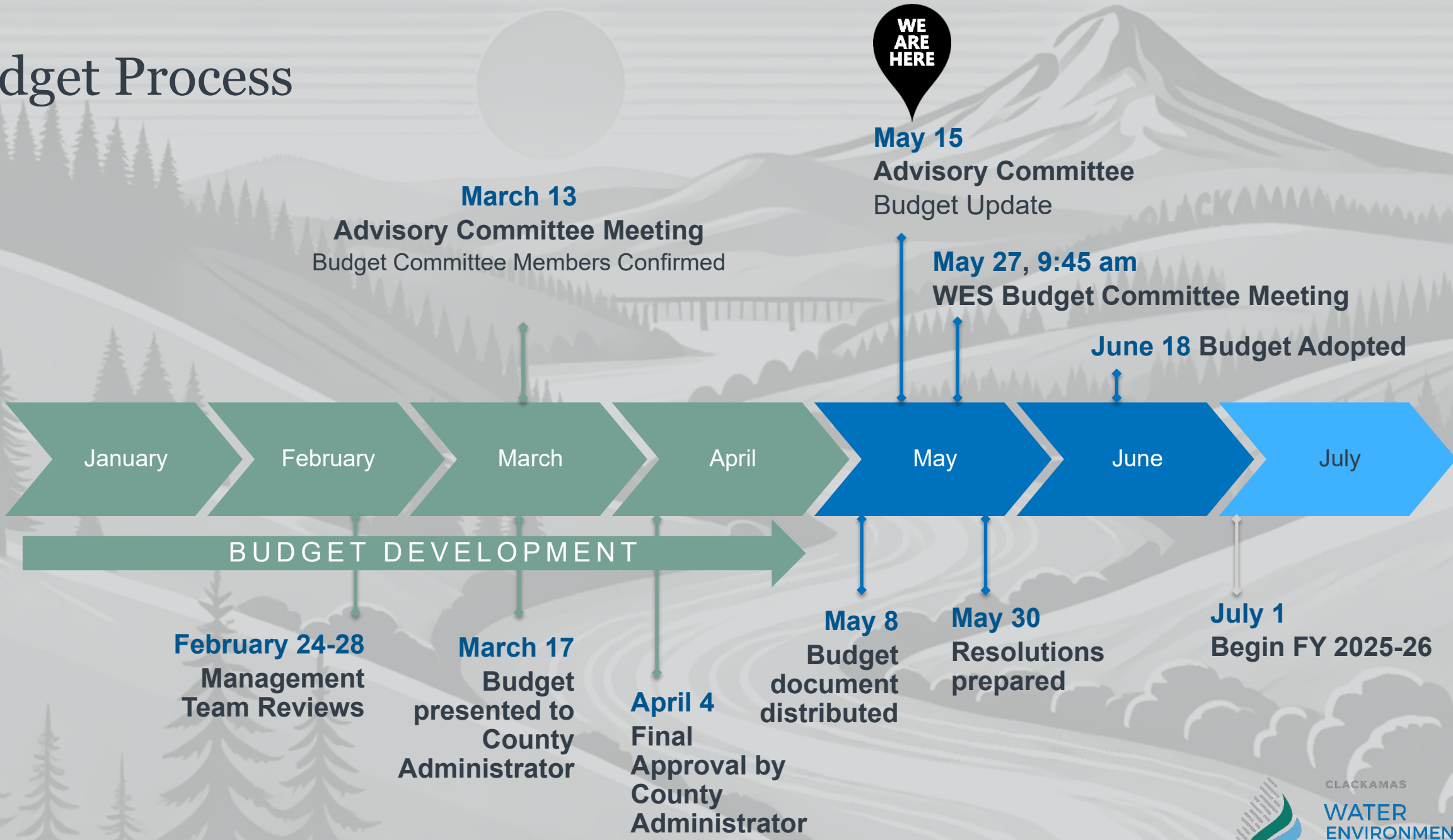
- 1 / Budget Process and Development**
- 2 / Financial Trends**
 - 2.1 Expenditure Trends**
 - 2.2 Revenue Trends**
- 3 / Rates and Long-Range Forecast**



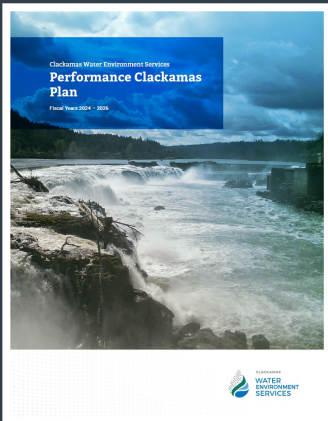
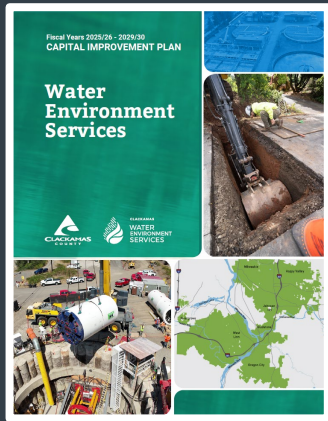
Budget Process

PUBLIC PROCESS

INTERNAL PROCESS



Budget Development



Input	Relation to the Budget	Previous WESAC Actions
<p>5-Year Capital Improvement Plan (CIP)</p>	<ul style="list-style-type: none"> Serves as the basis for the annual Capital Budget 	<p>FY 2025/26-2029/30 CIP recommended by WESAC in November 2024; approved by Board in February 2025</p>
<p>Strategic Plans</p>	<ul style="list-style-type: none"> Summarizes goals and the action WES will take to realize Vision and achieve Mission 	<p>Plan update initially presented for WESAC review in January 2023 with finalization in November 2023</p>
<p>Financial Policies</p>	<ul style="list-style-type: none"> Guides management of financial activities 	<p>Updates to key policies recommended by WESAC in January 2022; new debt policy approved by Board in October 2022</p>

Budget Development: Long-Term Financial Plan

Relation to the Budget

- 5-key objectives define funding priorities for essential services and infrastructure, and ensure resources align with long-term financial sustainability.

Previous WESAC Actions

Recommended by WESAC in March 2022; incorporated into financial planning



1

Provide all necessary services to protect public health and water quality



2

Ensure sufficient capacity to support economic development



3

Provide services in the most cost-effective manner for ratepayers



4

Honor foundational commitments regarding Legacy Debt payments



5

Achieve WESAC directive of charging by service received, not geographic location

RATE ZONE

Service(s) Provided
& Estimated Population

RATE ZONE 1

Wastewater Treatment
77,549 Population

RATE ZONE 2

Wastewater Treatment
Wastewater Collection
Surface Water Management
91,502 Population

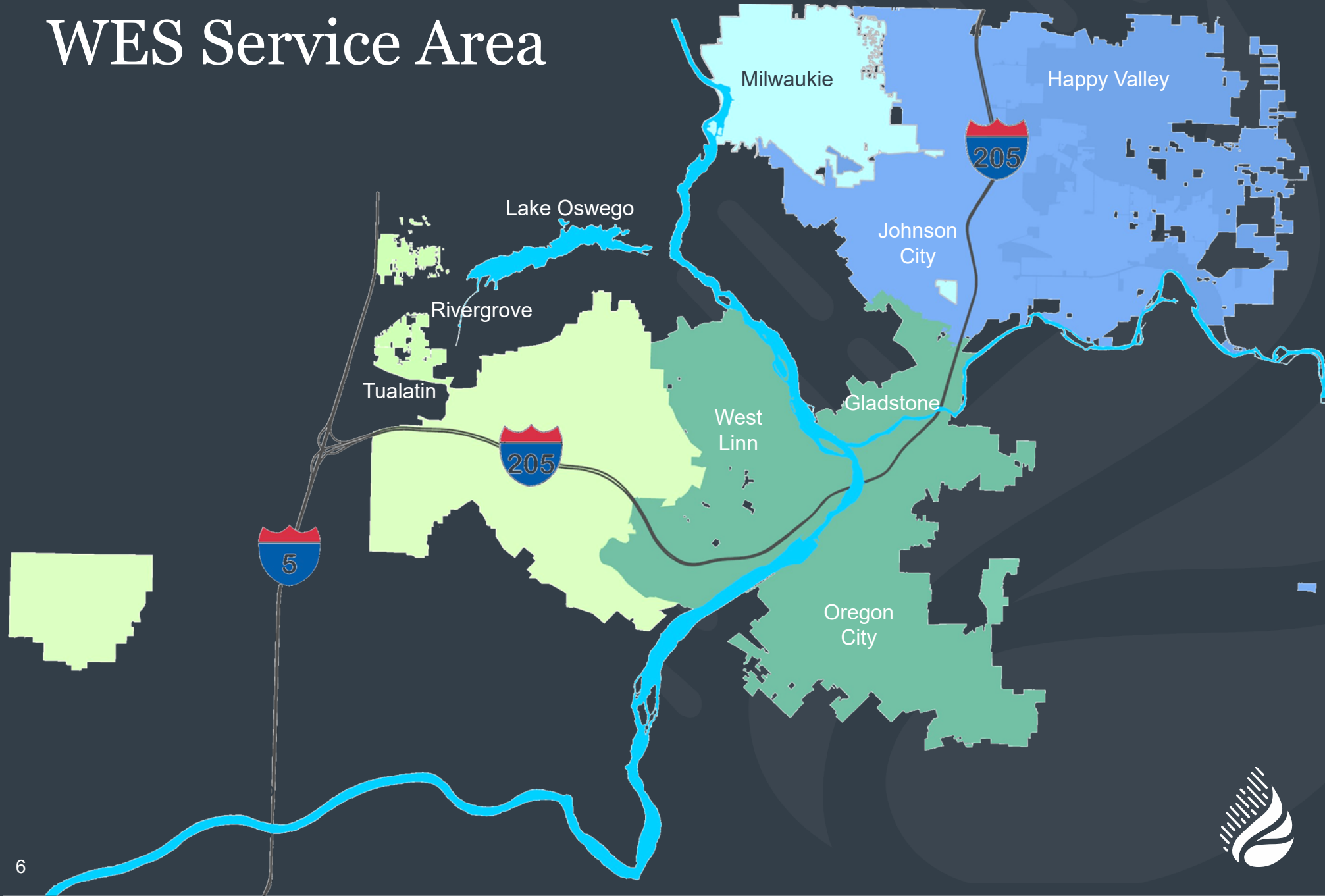
RATE ZONE 2A

Wastewater Treatment
21,851 Population

RATE ZONE 3

Surface Water Management
7,718 Population

WES Service Area



Financial Structure

Sanitary Sewer Funds	Surface Water Funds	Sources	Uses
Operating Fund	Operating Fund	<ul style="list-style-type: none"> • Service charges • Interest • Other income 	<ul style="list-style-type: none"> • Materials and Services • Special payments for ROW fees and Good Neighbor Fund contributions • Transfers to Construction and Debt Service Funds
Construction Fund	Construction Fund	<ul style="list-style-type: none"> • Transfers from Operating Funds • Project participation and grants • New debt issuances • Interest 	<ul style="list-style-type: none"> • Capital project expenditures
System Development Charge Fund	System Development Charge Fund	<ul style="list-style-type: none"> • System Development Charges (SDCs) for new connections • Interest 	<ul style="list-style-type: none"> • Capacity-enhancing capital project expenditures • Transfers to the Debt Service Fund for SDC-eligible debt
Debt Service Fund		<ul style="list-style-type: none"> • Transfers from Operating Funds and SDC Funds • New debt issuances • Interest • Assessment collections 	<ul style="list-style-type: none"> • Principal and interest payments on long-term debt • Special payments for rebatable arbitrage

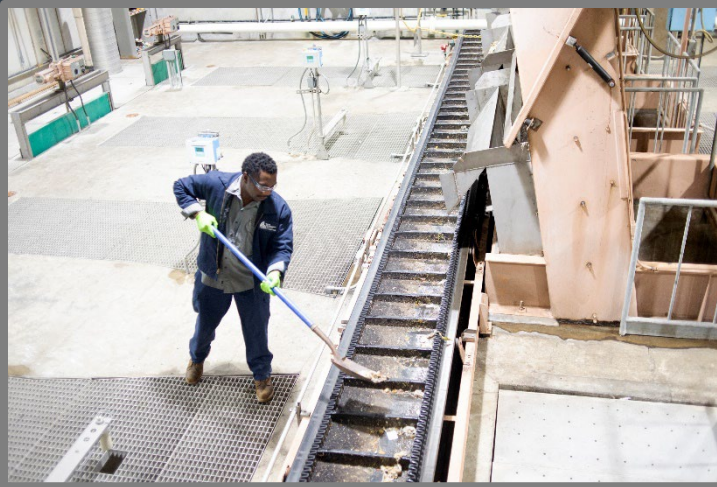
Short-term Factors and Priorities

Factor / Priority	Financial Planning Impact
Rate Increases & Service Affordability	<ul style="list-style-type: none">• 5% increases in monthly rates for Wastewater Treatment, Collection, and Surface Water Management• Reduction in Legacy Debt Component• Changes to System Development Charges pending Board Action in August 2025
Aging Infrastructure & Service Area Growth	<ul style="list-style-type: none">• Ongoing Capital Improvement Plan• Development trending towards multi-family; slower activity overall
Utility Costs	<ul style="list-style-type: none">• 37% increase in electricity cost per kilowatt hour (kWh)
Labor Cost Increases & Staffing Levels	<ul style="list-style-type: none">• Salary step increases and cost-of-living adjustments per contract• Market analyses to maintain competitive salaries• High vacancy rates during FYs 22-23 and 23-24



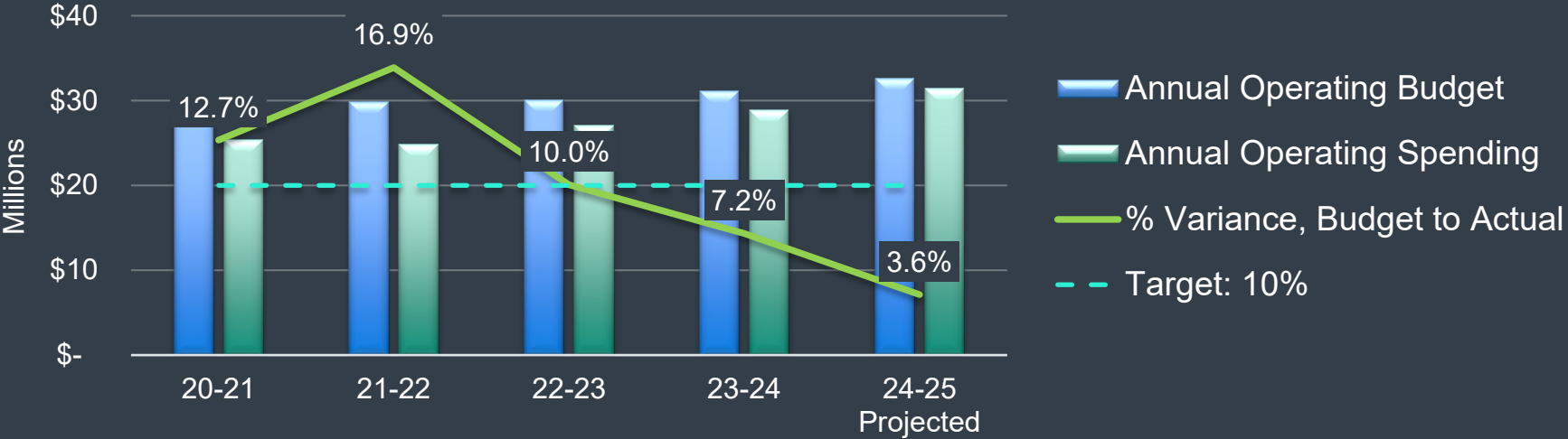
Financial Trends

- Provide context for each fiscal year's budget
- Inform assumptions used in long-term forecasting
- Serve as the basis for various financial targets:
 - Annual Operating Budget-to-Actual Variance
 - % Capital Budget Spent
 - Debt Service Coverage Ratio
 - Days Operating Reserve



Financial Trends – Total Operating and Capital Spending

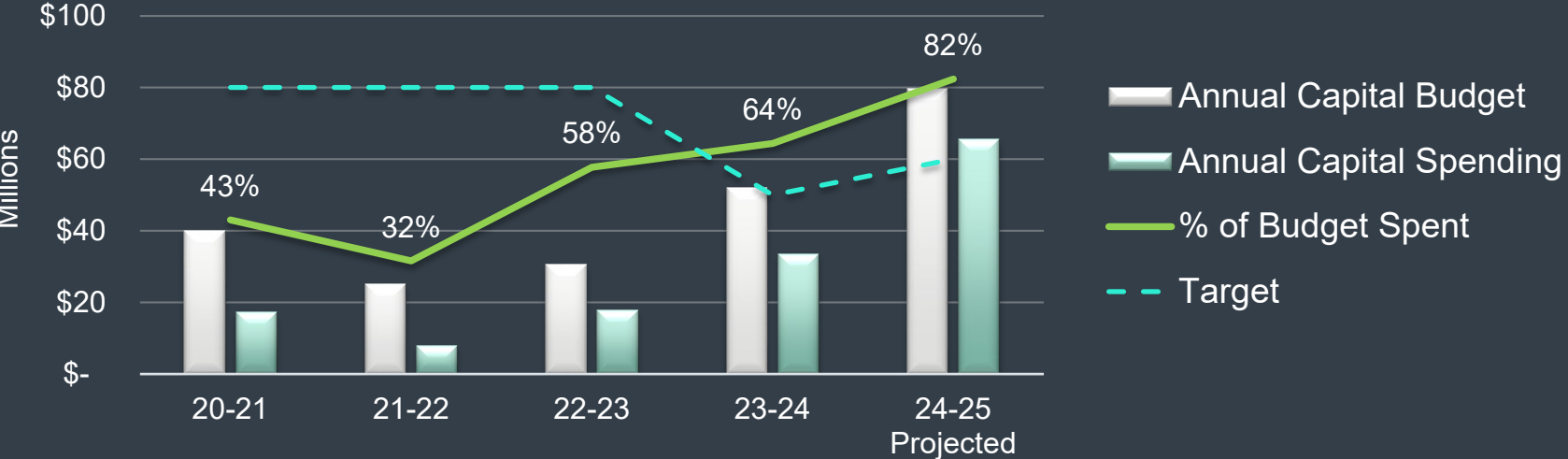
Operating Budget and Spending



Objective: Ensure that annual program operating expenses match budgeted resources.

Target: Annual Operating Expense ≤ 10% of Operating Budget

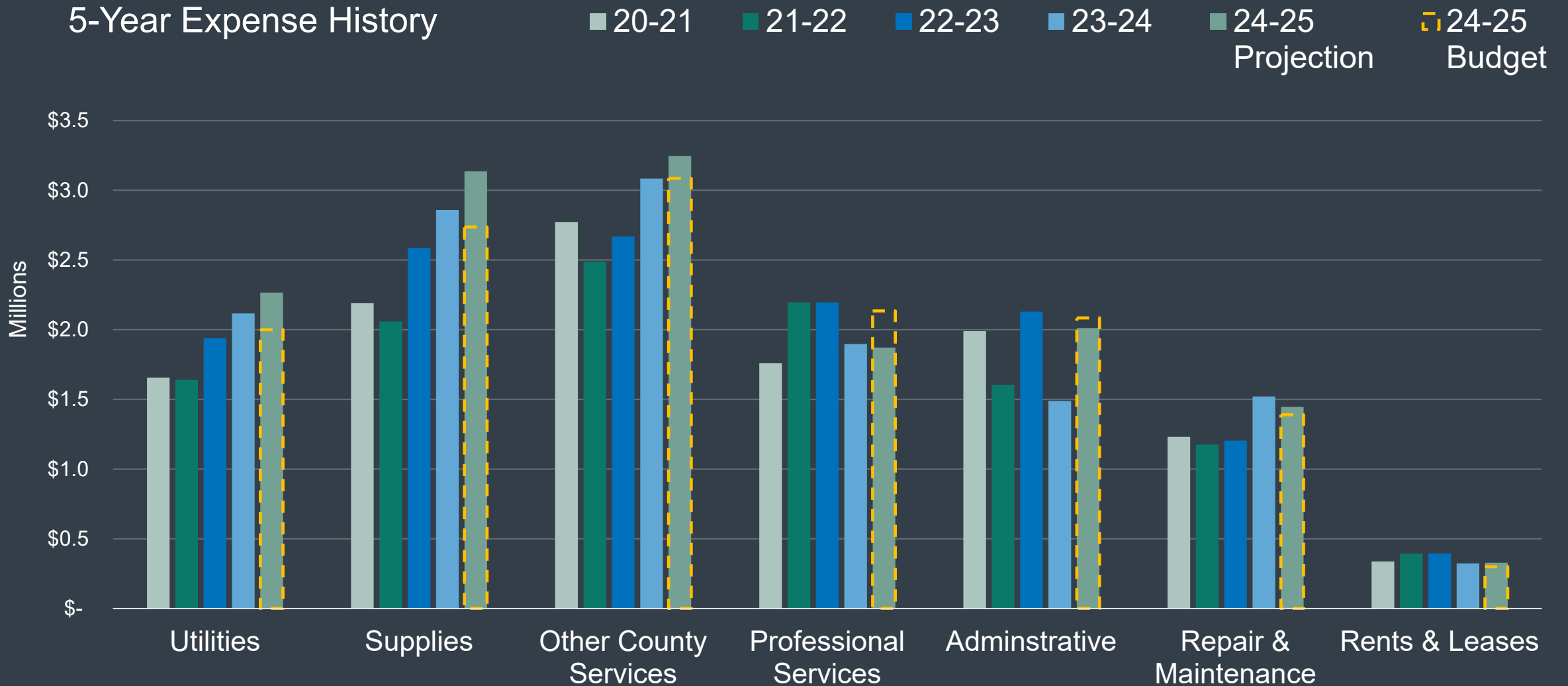
Capital Budget and Spending



Objective: Complete highest priority growth, reliability and regulatory-driven capital projects consistent with the annual five-year Capital Improvement Plan schedule.

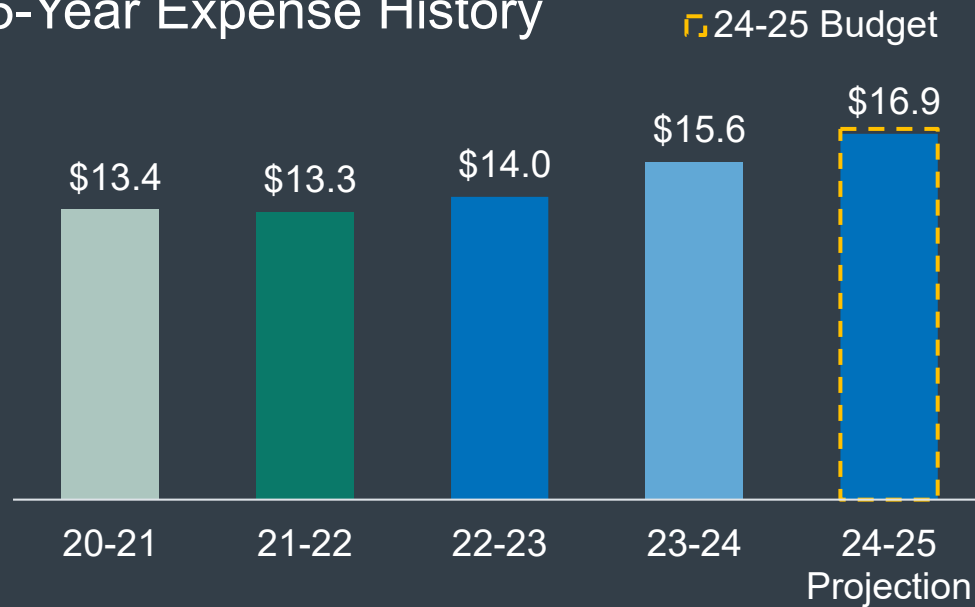
Target: Actual Capital Spending as % of Budget: 50+% for 2024; 60+% for 2025; 70+% for 2026

Financial Trends: Materials and Services

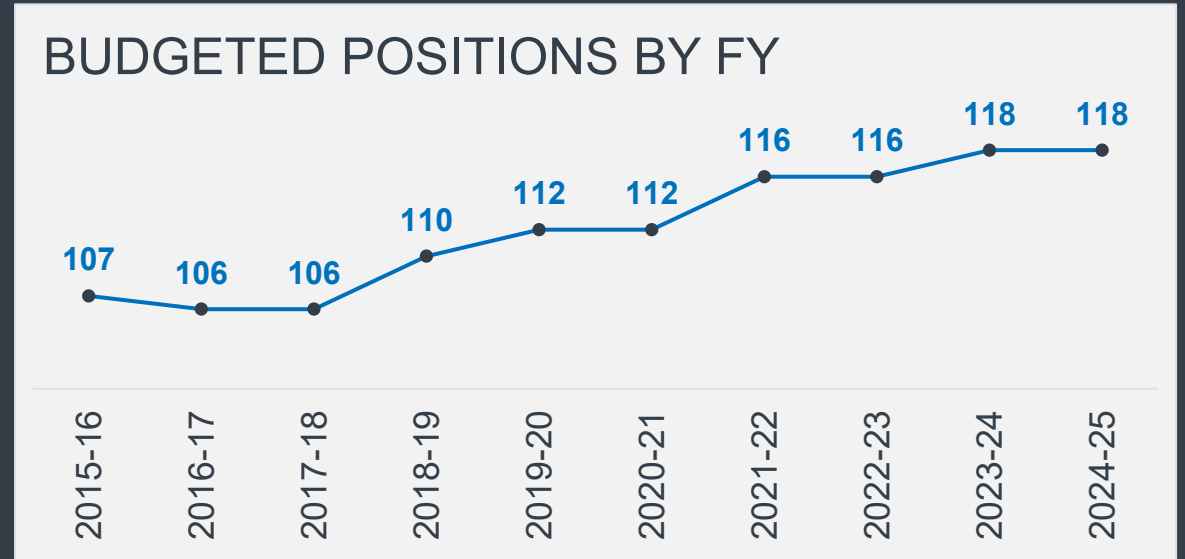


Financial Trends: Materials and Services - Labor

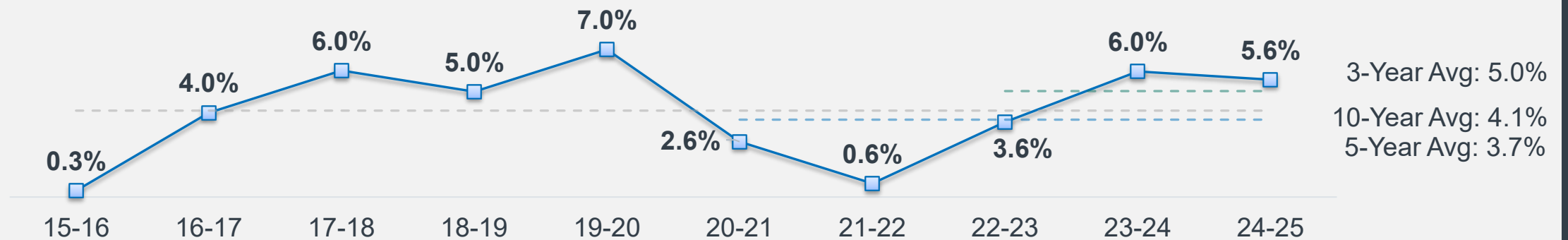
5-Year Expense History



BUDGETED POSITIONS BY FY

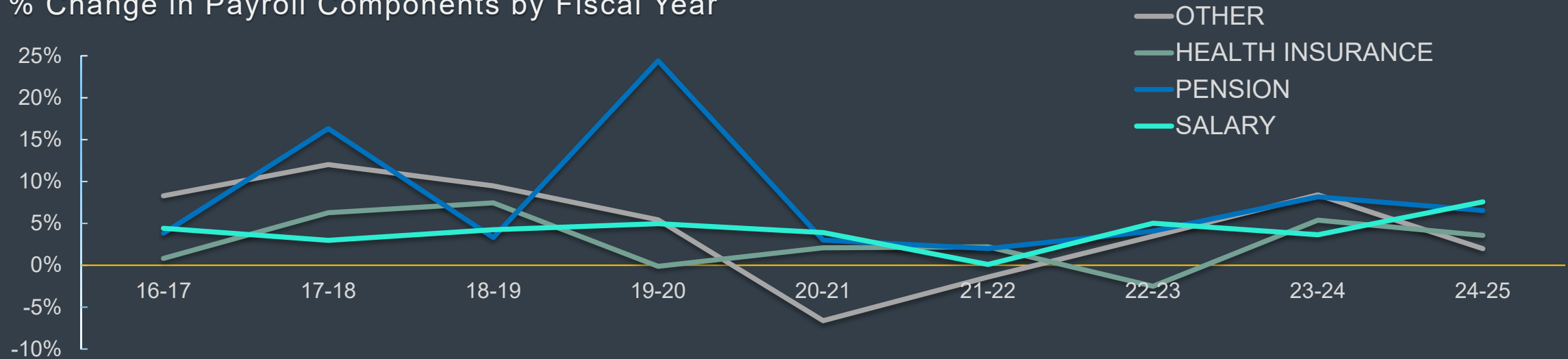


Average Annual Increase in Labor Cost per Full Time Equivalent Employee

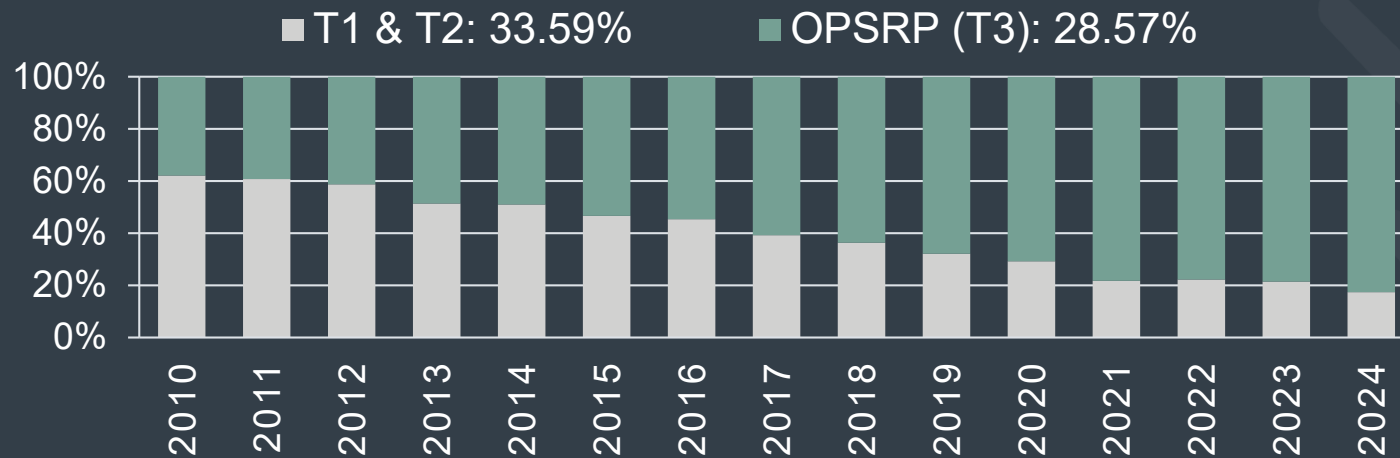


Financial Trends: Materials and Services - Labor

% Change in Payroll Components by Fiscal Year



STAFF % PENSION PLANS BY FY

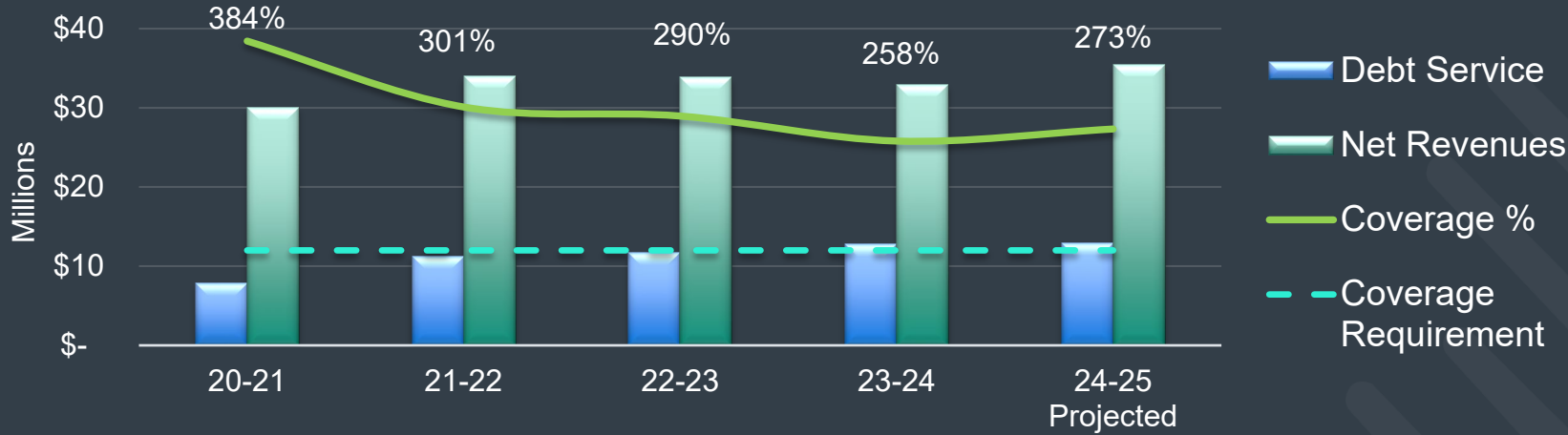


FY 24-25 Average Personnel Cost <i>(Represented Staff)</i>	
Salary	\$ 87,000
Pension	26,000
Health Insurance	22,400
Other	9,100
Total	\$ 144,500



Financial Trends: Debt Service

Bond Debt Service Coverage

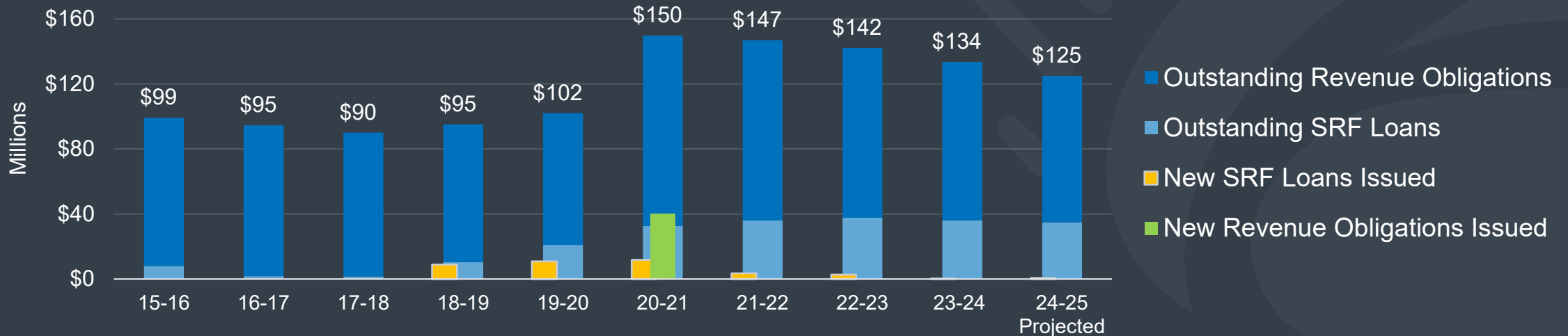


Objective: Manage WES' resources to maintain a strong and sustainable financial position.

Target: AAA Credit Rating

WES Credit Rating
AAA

Outstanding Principal and New Debt Issued



Financial Planning – Inputs

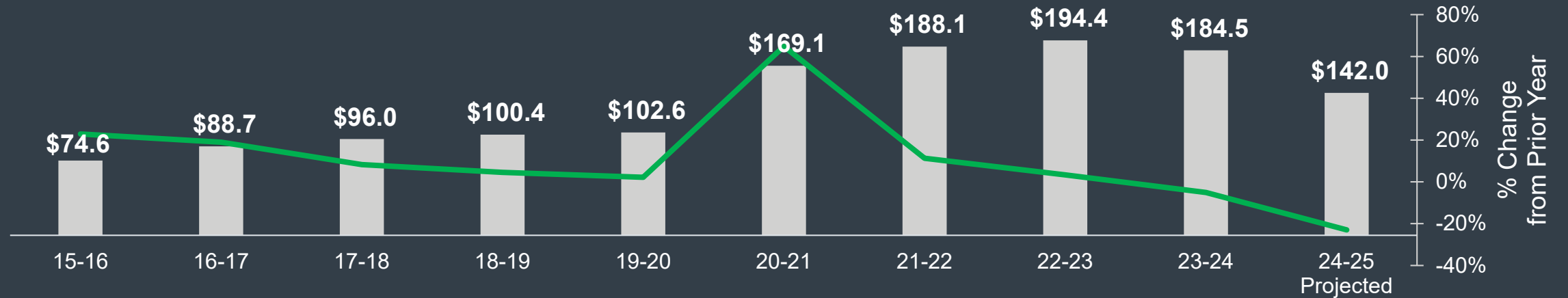
Unknown Factors

- Tariffs
- Federal Grant Programs
- State Legislative Actions
- Regulatory Changes
- Capital Project Uncertainty

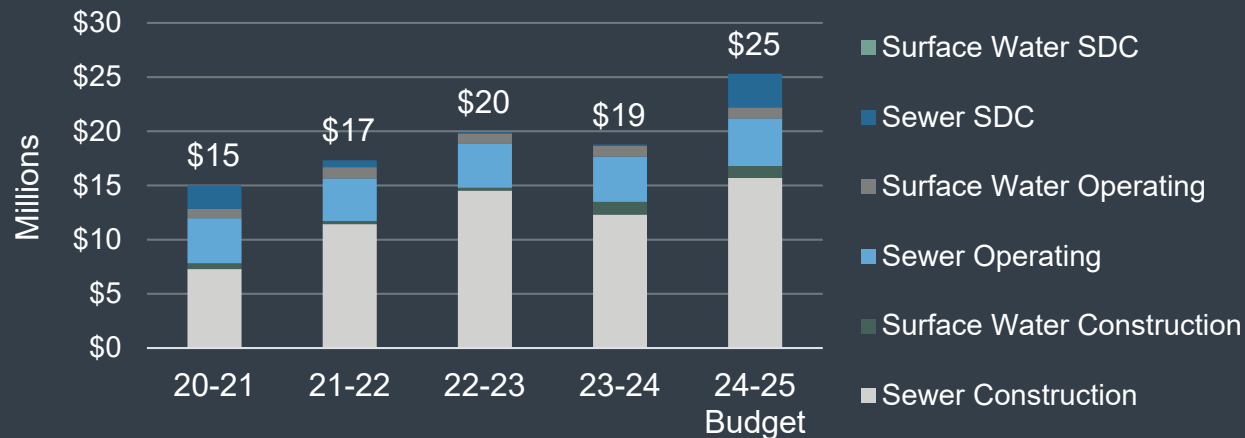


Financial Planning – Reserves and Contingency

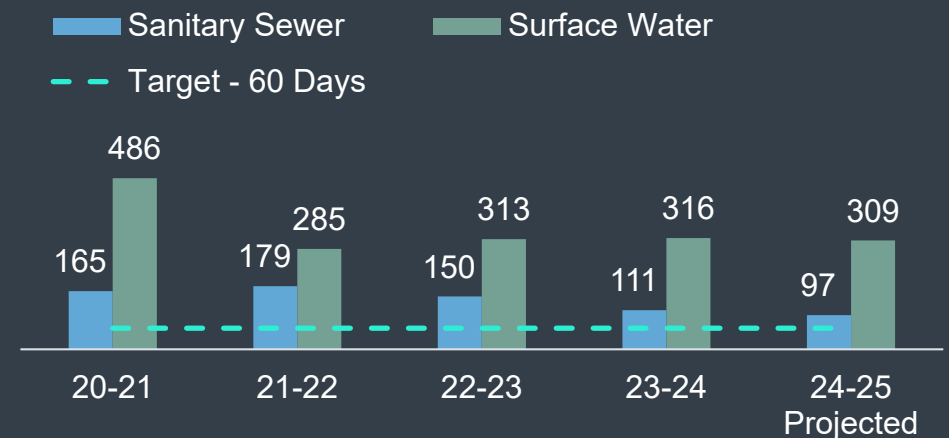
Aggregate Ending Fund Balance (Millions) and Percentage Change by FY



Contingency by FY

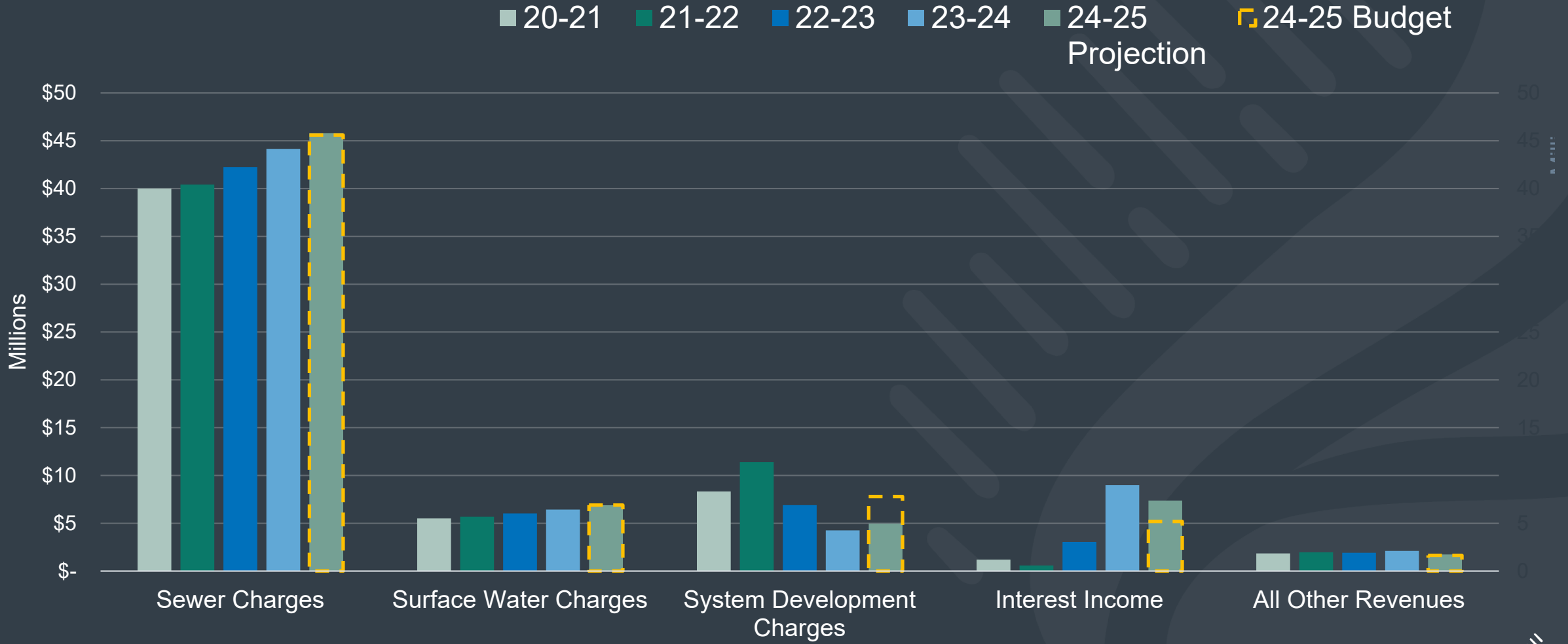


Days Operating Reserve at Fiscal Year-End



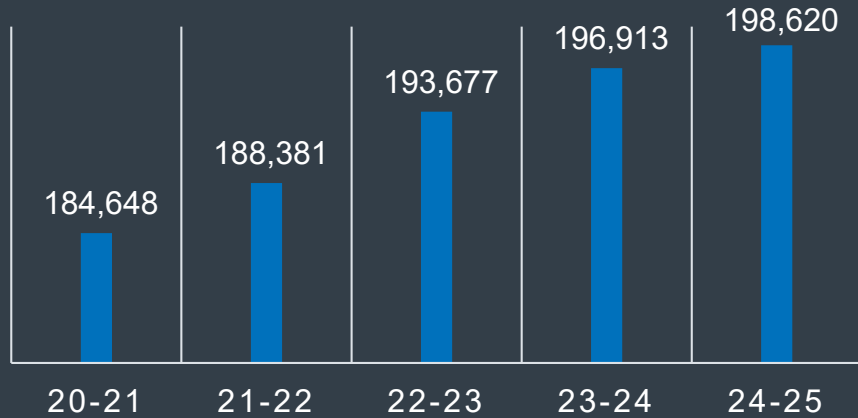
Financial Trends: Revenues

5-Year Revenue History

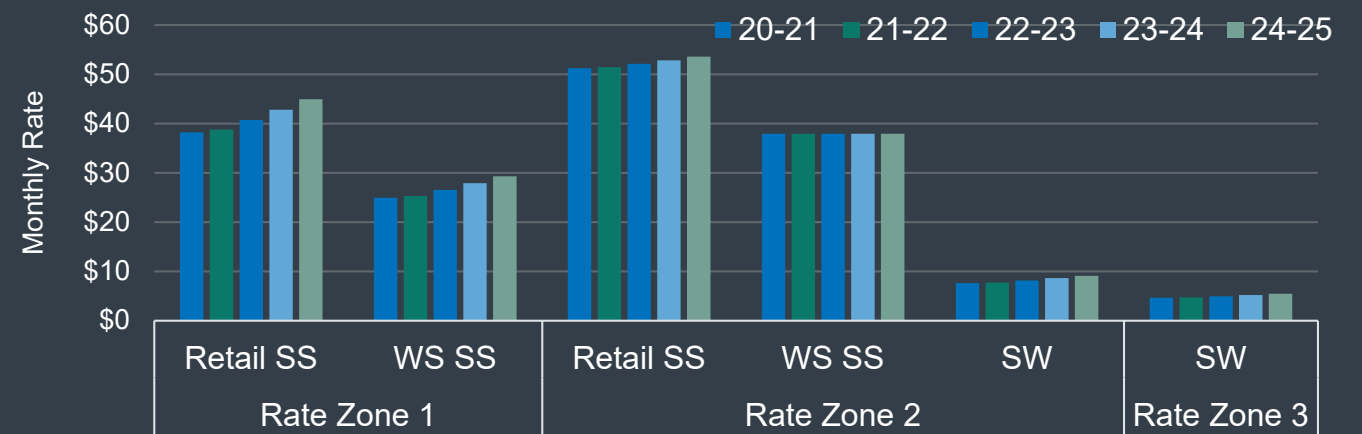


Financial Trends: Revenues – Underlying Variables

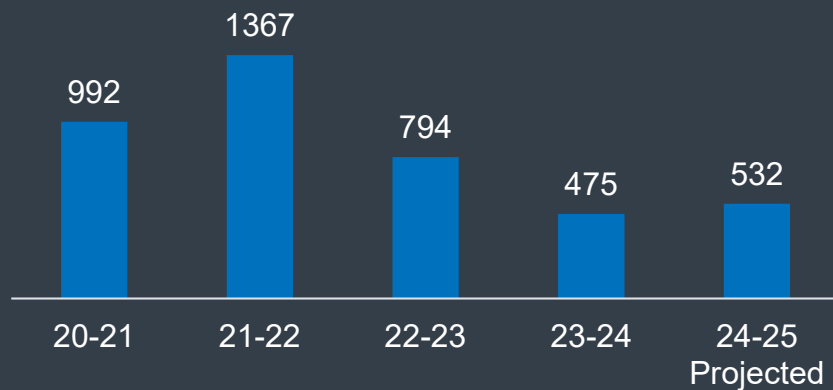
WES Service Area Population Estimate



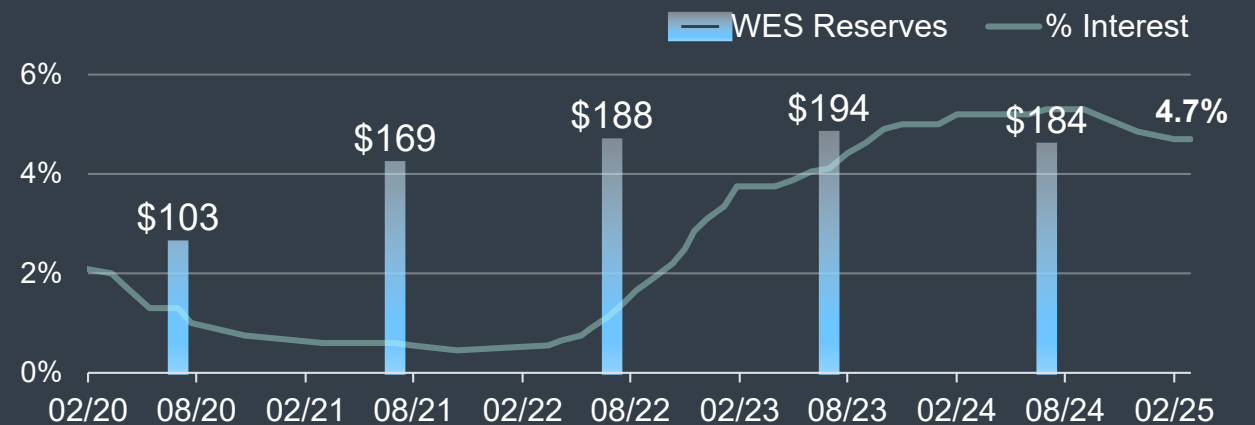
Monthly Sewer and Surface Water Rates



New Sanitary Sewer Connections by FY



Local Government Investment Pool Interest Rates & WES Reserve Levels (Millions)





FY 2025-26 System Development Charges

- December 2024 SDC Methodology Update calculated maximum fees of \$12,285 for Wastewater and \$480 for Surface Water
- Board supported a modification of the WESAC recommendation (10-year vs. 5-year phase-in)

	Proposed FY 2025-26	FY 2024-25	\$ Change	% Change
Sewer	\$ 9,375	\$ 9,100	\$ 275	3.0%
Surface Water	\$ 265	\$ 246.50	\$ 18.50	7.5%

- Public Hearing scheduled for August 14, 2025
- Fees to be adopted after receiving input and comments at Hearing



FY 2025-26 Rates for Services



	Proposed FY 2025-26 Rate	FY 2024-25 Rate	Change	
			\$	%
Wastewater Treatment				
Rate Zones 1 and 2	\$ 30.75	\$ 29.30	\$ 1.45	4.9%
Local Collection				
Rate Zone 2	\$ 16.45	\$ 15.65	\$ 0.80	5.1%
Surface Water Management				
Rate Zone 2	\$ 9.55	\$ 9.10	\$ 0.45	4.9%
Rate Zone 3	\$ 5.70	\$ 5.45	\$ 0.25	4.6%



Additional Rate Adjustments

Wastewater Legacy Debt Component

Applies to Rate Zone 2 only, including Johnson City and Milwaukie; covers annual debt service costs associated with debt transferred from CCSD No. 1 when WES was formed.

	Proposed FY 2025-26 Rate	FY 2024- 25 Rate	Change	
			\$	%
Rate Zone 2	\$ 7.20	\$ 8.65	\$ (1.45)	-16.8%

Right-of-Way (ROW) Surcharges

Non-WES fees collected on behalf of, and remitted to, other municipalities. ROW fees apply to ratepayers in the Cities of Gladstone, Happy Valley, and Oregon City.

City	City ROW Fee (as a percentage of total bill)
Gladstone	5%
Happy Valley	5%
Oregon City	6%



Service Charges – Combined Changes

Rate Zone	Customer Type	City / Area	Changes in WES Rate Components					Monthly Bill Increase	Total Monthly Bill FY 25-26
			Wastewater Treatment	Local Collection	Legacy Debt	Surface Water	ROW Fees		
1	Wholesale	Gladstone	\$ 1.45				\$ 0.10	\$ 1.55	\$ 32.30
		Oregon City	\$ 1.45				\$ -	\$ 1.45	\$ 32.60
		West Linn	\$ 1.45					\$ 1.45	\$ 30.75
	Retail	Unincorporated	\$ 1.45	\$ 0.80				\$ 2.25	\$ 47.20
2	Wholesale	Johnson City	\$ 1.45		\$ (1.45)			\$ -	\$ 37.95
		Milwaukie	\$ 1.45		\$ (1.45)			\$ -	\$ 37.95
	Retail	Happy Valley	\$ 1.45	\$ 0.80	\$ (1.45)	\$ 0.45	\$ 0.06	\$ 1.31	\$ 70.30
		Unincorporated	\$ 1.45	\$ 0.80	\$ (1.45)	\$ 0.45		\$ 1.25	\$ 66.95
3	Retail	Rate Zone 3				\$ 0.25		\$ 0.25	\$ 5.70

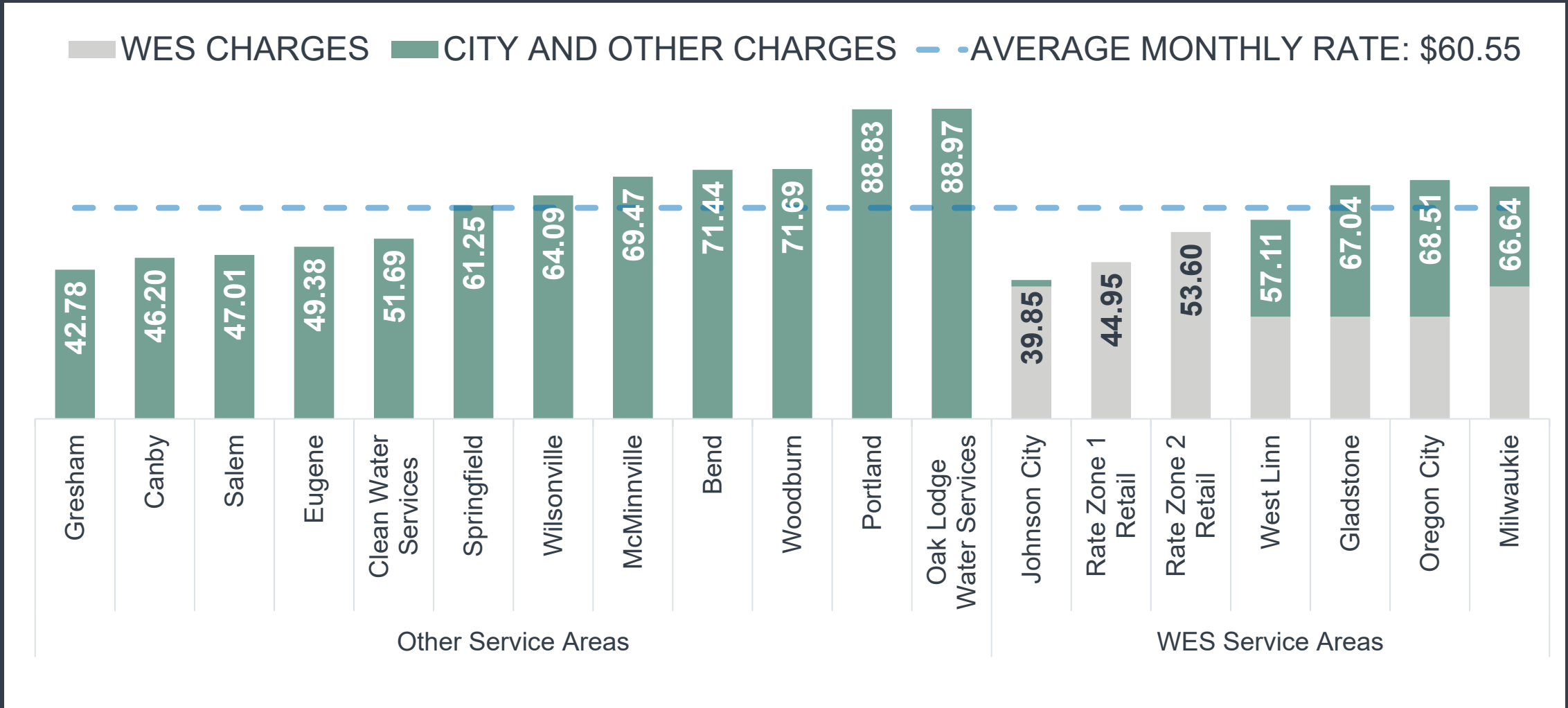
ROW Fees changes in the above chart are estimated based on proposed changes in the underlying service charge.



Neighboring Communities' Monthly Sewer Rates

Single-Family Residential

Data as of
January 2025

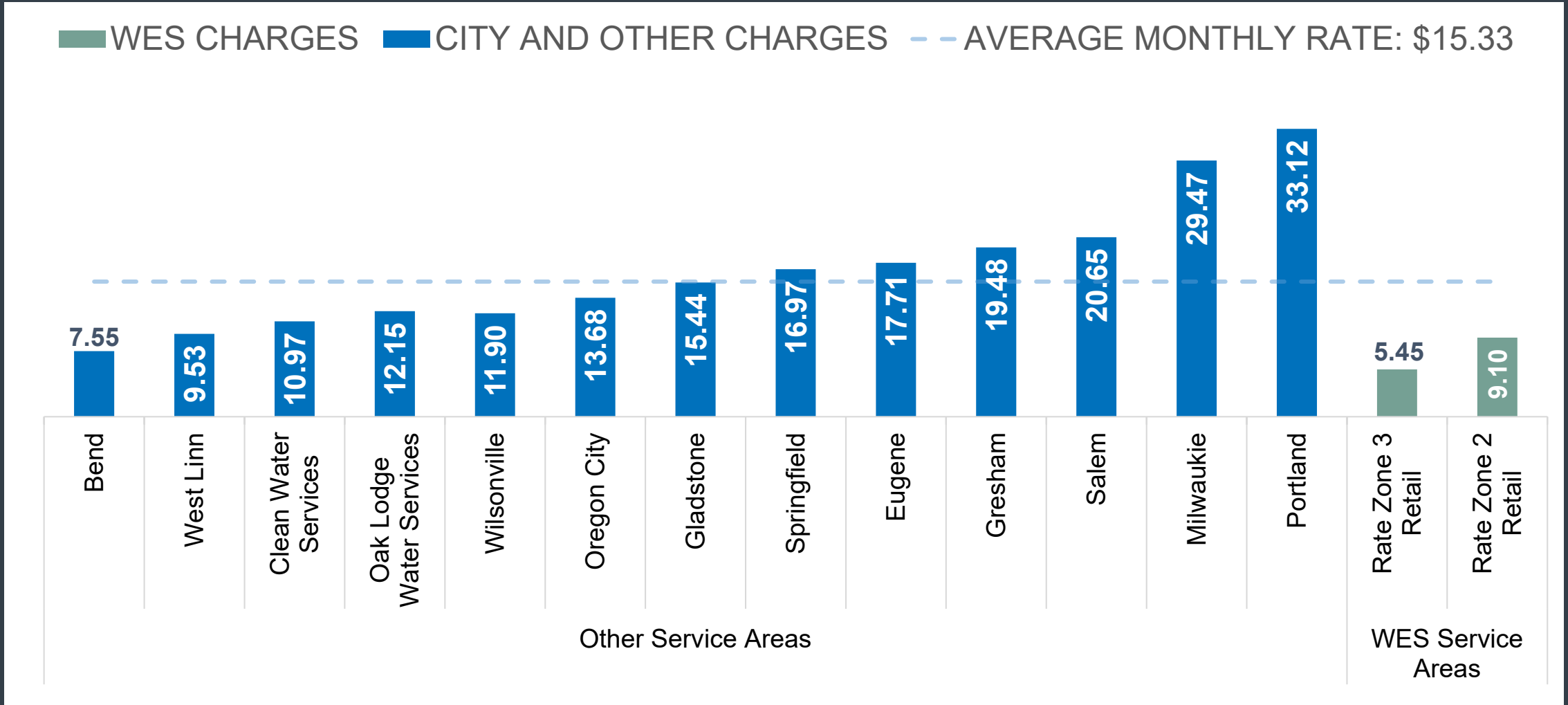


Sewer rates in the above chart are based on rates for single family dwellings; in those cities where consumption charges apply, totals are calculated based on a monthly consumption of 7 CCF. City and other charges includes ROW fees, where applicable.

Neighboring Communities' Monthly Surface Water Rates

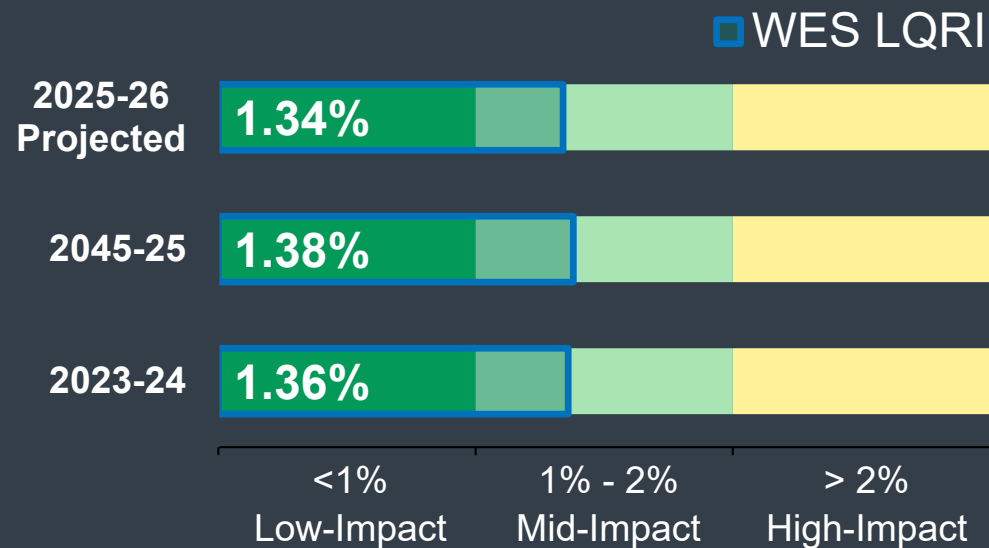
Single-Family Residential

Data as of
January 2025



Rate Affordability and Customer Assistance Programs

Affordability Assessment: Lowest Quintile Residential Indicator



Goal: Maintain a fair and equitable rate structure that fully recovers revenue requirements and promotes affordability.

Initiative: Annually maintain a mid-range or low impact rating for total annual cost of wastewater service relative to lowest quintile household income.

Goal: Increase awareness of, and access to, customer assistance programs that align with best practices and community values.

Initiative: By 2025, update the low income discount program.

WES Low-Income Discount Program

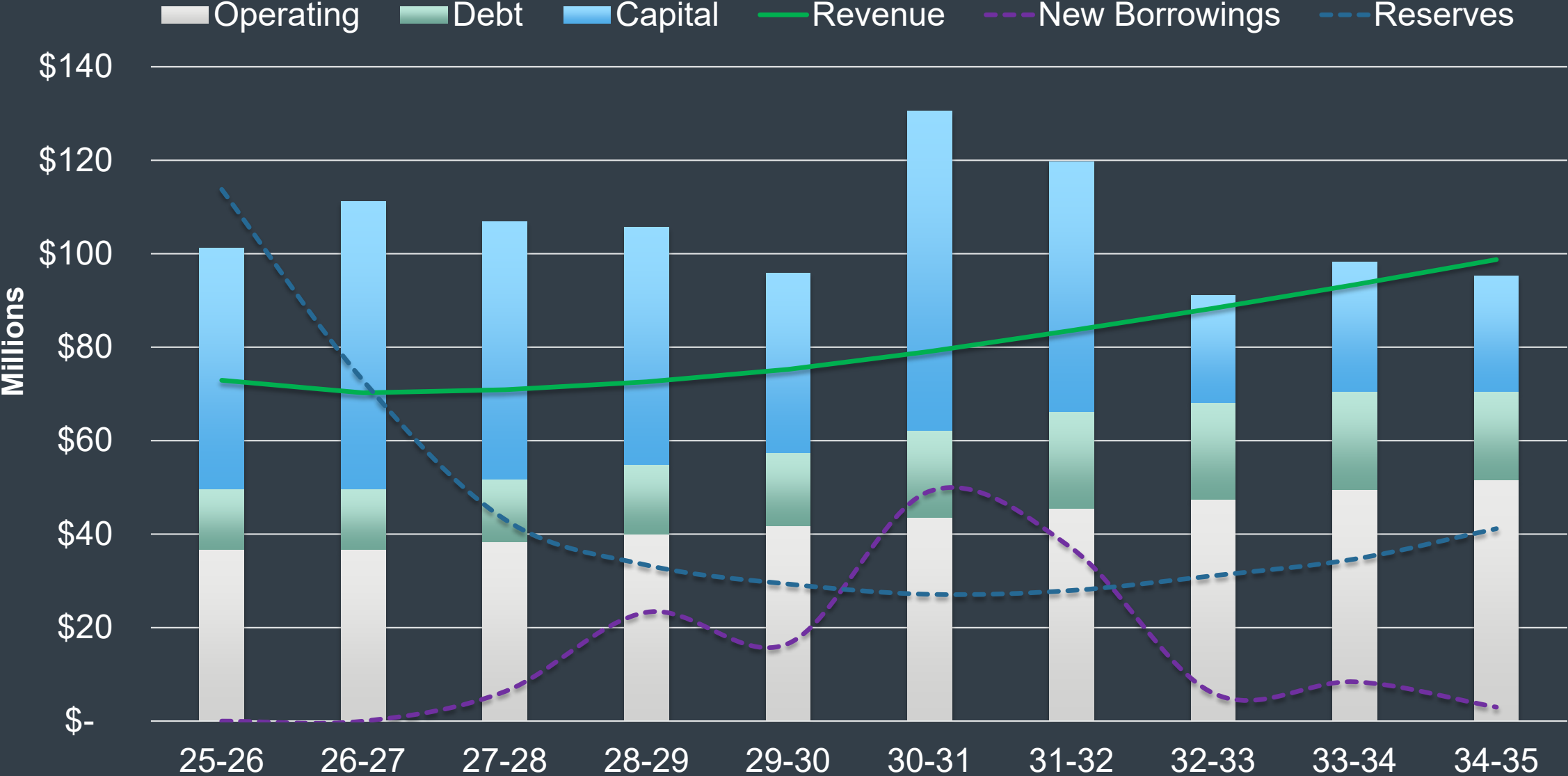
- 50% reduction for Sewer services
- Discount is passed through to partner Cities



Customer Assistance Program Initiative

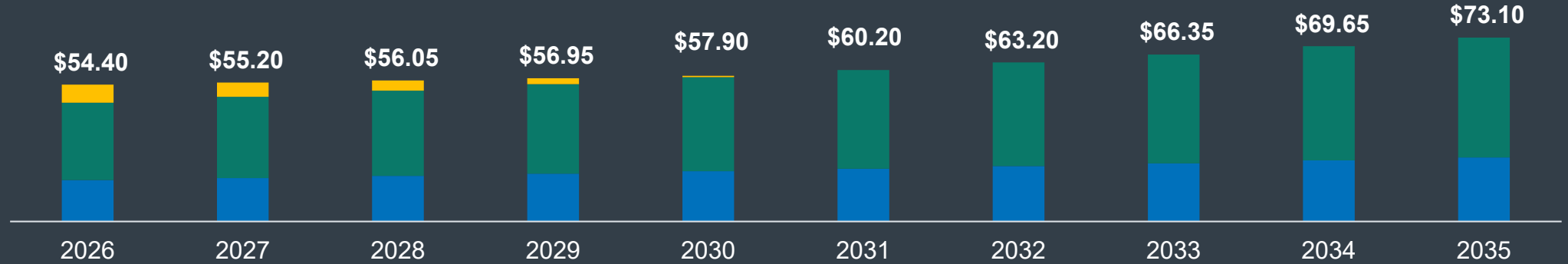


Financial Forecast



Forecasted Monthly Sewer Charges

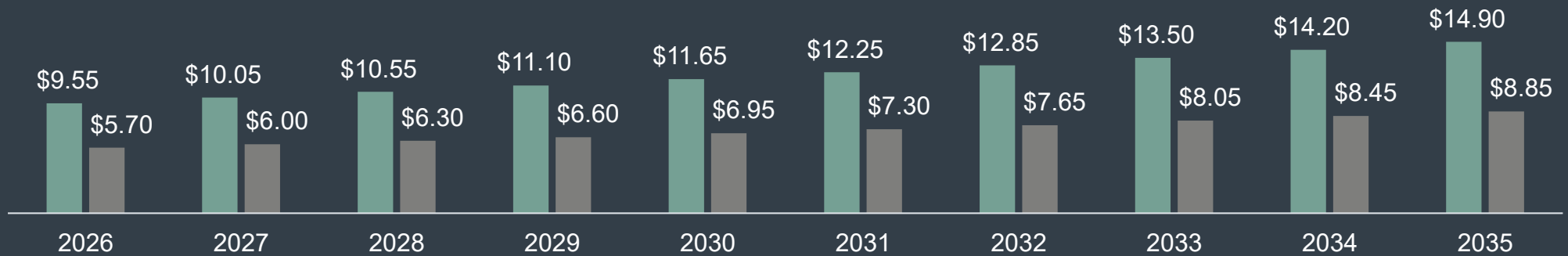
■ Local collection service fee
 ■ Wastewater treatment fee
 ■ Legacy debt service fee - Phase-Out



RZ1 Wholesale	\$	30.75	\$	32.30	\$	33.90	\$	35.60	\$	37.40	\$	39.25	\$	41.20	\$	43.25	\$	45.40	\$	47.65
RZ1 Retail		47.20		49.55		52.00		54.60		57.35		60.20		63.20		66.35		69.65		73.10
RZ2 Wholesale		37.95		37.95		37.95		37.95		37.95		39.25		41.20		43.25		45.40		47.65
RZ2 Retail		54.40		55.20		56.05		56.95		57.90		60.20		63.20		66.35		69.65		73.10

Forecasted Monthly Surface Water Charges

■ Rate Zone 2
■ Rate Zone 3



Next Steps



1

Please send any questions or comments on the proposed budget to WES Staff by Monday May 19th

Questions and responses will be shared at the Budget Committee Meeting

The WES Budget Committee will meet on May 27, 2025 at 9:45 am to consider the budget, discuss changes, and vote to approve the budget

2



3

The Board of County Commissioners will meet on June 18, 2025 to formally adopt the budget, which will be effective July 1st



Questions

Regarding Financial Planning or Proposed Rates

