2026 - 2027
FISCAL YEAR

Budget

Clackamas Water Environment Services

(A Component Unit of Clackamas County, Oregon)

CLACKAMAS
WATER
ENVIRONMENT
SERVICES

clackamas.us/wes

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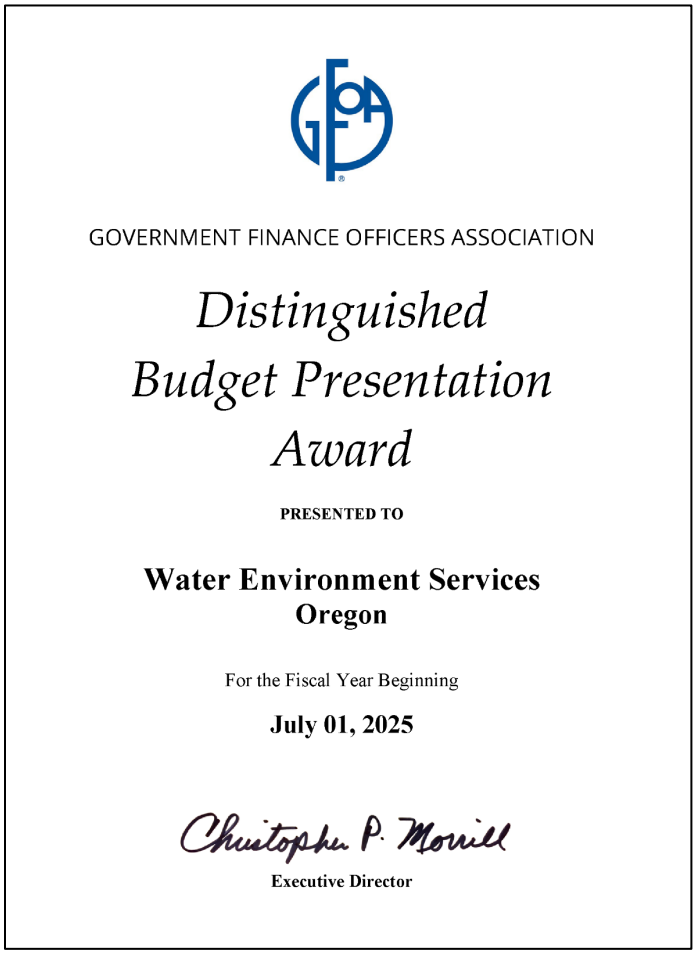
GFOA AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Water Environment Services, Oregon, for its annual budget for the fiscal year beginning July 01, 2025. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Water Environment Services
Oregon

For the Fiscal Year Beginning

July 01, 2025

Christopher P. Morrill

Executive Director

Each item in the Table of Contents is hyperlinked to the corresponding page

FY 2026-27 BUDGET

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For additional budget information, please visit:
https://www.clackamas.us/budget

Each page number is hyperlinked to the corresponding page

How to Use This Budget Document

WES' Fiscal Year (FY) 2026-27 budget document is organized into the following sections.

Section	Page	What You'll Find
Budget Message Primary narrative of the document - this is the recommended starting point for any reader	1	An explanation of the total budget, what changed from the prior year and why; the challenges WES is facing and how this budget addresses them; what ratepayers receive for their monthly bill; how WES actively works to keep costs low; and what the major capital investments planned for the year are. This section closes with operating budget highlights including staffing, labor cost, and utility cost trends.
Financial Summary Translates the budget into detailed financial schedules and trend analysis	12	WES' Budget Summary - All Funds (p. 12); summary of changes from the current year's budget (p. 13), revenue sources and multi-year trends (pp. 14 - 18); expenditure categories and multi-year trends (pp. 19 - 23); long-range financial outlook and key metrics (p. 24); contingency and fund balance / reserve policy and balances (p. 25); and rates and charges including rate zone descriptions, monthly service charge tables, and System Development Charges (pp. 26 - 29).
About the Department Context about WES as an organization	30	WES' history; population estimates and service area statistics; operating statistics; major industries and employment data for Clackamas County; a timeline of department milestones; the department organizational structure and reporting relationships; an organization chart; 10-year position summary schedules by work division and program; and the WES service area map.
Guide to the Budget Explanation of how the budget structure and process works	40	WES' fund structure and how funds relate to one another; sources and uses of funds; the basis of accounting and budgeting; the budget development process and timeline; public participation opportunities; the budget calendar; planning framework; and WES' adopted financial policies.
Performance Clackamas WES' program budgeting framework	47	WES' strategic plan structure and seven strategies; alignment of WES programs with Clackamas County's strategic priorities; performance measure types and definitions; the lines of business and program structure; a summary of budget changes by program; the budget summary by program and fund; and individual two-page summaries for each of the eleven programs. Each program summary includes a performance narrative, key performance measures with multi-year actuals and targets, FY 2026-27 strategic objectives, a four-year expense trend chart, materials and services expense detail, full-time equivalent schedules, and an explanation of significant budget changes.
Budget Detail Financial details underlying the budget summaries	78	FY 2026-27 budget consolidated financial schedule showing all resources and requirements across all funds; descriptions of each financial schedule line item; and fund-level detail schedules for each of WES' operating funds, capital funds, and system development charge funds.
Debt Summary of WES' debt obligations	96	Overview of WES' outstanding debt; legal debt limits; WES' AAA credit rating from S&P Global; the impact of debt service on monthly user charges; debt service coverage requirements and current coverage ratios; and a debt repayment schedule.
Capital Capital investment details	99	Capital program introduction; sewer capital budget with individual project descriptions; stormwater capital budget with individual project descriptions; and 5-year sewer capital project and stormwater capital project lists.
Long-Range Financial Plan Financial planning context for the current year's budget decisions	114	WES' financial planning objectives; the assumptions underlying the forecast including revenue growth, expense inflation, capital investment needs, and debt strategy; the complete 10-year financial forecast showing projected revenues, expenses, capital spending, debt service, and fund balances; and forecasted monthly rates through FY 2035-36 for each rate zone.
Appendix	120	List of acronyms and initialisms; and a glossary of the budget, financial, and technical terms used throughout this document.

Find What Matters to You

If you are a customer looking for information about your bill, the following sections may be the most helpful:

- **What your monthly bill pays for and how much WES services cost → pages 3 - 5**
- **How WES manages costs to keep rates as low as possible → page 6**
- **Rate increases for FY 2026-27 and regional comparison → page 7**
- **Affordability Assessment and Customer Assistance Program → page 8**
- **FY 2026-27 monthly service charge tables by rate zone → pages 26 - 29**
- **Capital projects happening in your community → pages 9 - 10 and 99 - 110**

For additional budget information, including prior-year documents, please visit https://www.clackamas.us/wes/financial-reports

Introduction

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Budget Message

What this budget costs, how it differs from the current budget, and what it means for the nearly 200,000 people we serve across Clackamas County.

$225.1 Million	$66.2 Million	$35.2 Million	$66.95
Total Budget	Planned Capital Investment	Operations and Maintenance	Typical Monthly Bill (Rate Zone 2 Retail)

Introduction

May 7, 2026

Dear Clackamas Water Environment Services Board of Directors, Budget Committee Members, Clackamas County Residents, and Customers:

On behalf of Clackamas Water Environment Services (WES), we are pleased to present the FY 2026-27 budget. The WES budget is guided by our vision to be a collaborative partner in building a resilient clean water future where all people benefit and rivers thrive. The budget reflects both the depth of WES' long-term planning and our commitment to delivering on the promises we make to the nearly 200,000 people we serve across Clackamas County.

Our community has clearly expressed its priorities. In the 2025 Clean Water Exchange (CWE) survey, 75% of respondents identified protecting clean water in rivers and streams as their top priority, while 59% cited managing aging sewer and stormwater infrastructure as a critical concern. This budget directly addresses both priorities.

This year's budget is based on an updated Strategic Plan. Last fall, staff evaluated WES' performance and benchmarked our organization against 440 best practices for clean water utilities, which identified future challenges and opportunities. The result is a roadmap that advances our vision through goals and objectives aligned with community input.

Our community told us clearly what matters most.

In our most recent community survey:

75% of respondents identified ensuring clean water in rivers and streams as the most important issue related to clean water.

59% identified managing aging sewer and stormwater infrastructure as a critical concern.

The 2025 Clean Water Exchange community survey revealed that customers want to better understand two key areas. First, how their rate dollars are used, particularly how our financial planning supports rate stability for all customers. Second, how our capital investments connect to their top priorities of protecting clean water and managing aging infrastructure. This budget document is one of the primary avenues through which we can show that connection.

The FY 2026-27 budget is designed to deliver the projects in our adopted Capital Improvement Plan (CIP) and meet rising operating and maintenance costs, while keeping rate increases steady and predictable. FY 2026-27 rates are aligned with WES' long-range financial planning and reflect an average increase of $1.25 per month, or $15.00 per year, for most households. WES is also expanding its Customer Assistance Program this year to include renters and multi-family households not previously eligible. If you or someone you know may qualify, please visit clackamas.us/wes.

Infrastructure investment is the single largest expenditure in this budget, with $66.2 million in work planned for FY 2026-27. This includes renewing and replacing aging equipment at our treatment facilities and expanding the regional collection system to meet the needs of a growing service area and handle heavier wet weather flows to protect river health. These investments involve building or renewing the pipes, pumps, and facilities that protect public health and keep Clackamas County's rivers clean every single day.

Through careful financial planning, over the past five *years, WES' annual rate increases have averaged between 1.6% and 4.3%*, below the 4.5% regional inflation rate (Consumer Price Index CPI-West) over the same period. In real terms, customers' bills have grown more slowly than the cost of other household expenses, all while WES continues to deliver reliable service and invest in critical infrastructure.*

**1.6% reflects Rate Zone 2 combined wastewater and surface water increases; 4.3% reflects Rate Zone 1 wastewater increase.*

Five years of below-inflation WES rate increases *(Rate Zone 2 shown)*

Year	CPI-West Increase	WES Rate Increase
2021	7.1%	0.5%
2022	6.2%	1.8%
2023	3.6%	1.9%
2024	2.5%	1.9%
2025	2.9%	1.9%
Average	**4.5%**	**1.6%**

The following pages provide an overview of the priorities, issues, and finances that informed the FY 2026-27 budget, including: what this budget costs and how it differs from the current year; the major challenges facing the organization and how this budget responds to them; an explanation of the value of WES' services and the rate increases that fund them; a summary of the Capital Improvement Plan; and the key factors driving the operating budget.

What This Budget Costs

WES is funded almost entirely by the rates and fees paid by the customers and communities it serves, with no general fund revenues received. Every dollar in this budget represents a direct commitment to ratepayers: that their investment is being used efficiently, transparently, and in service of the priorities they have told us matter most. The FY 2026-27 budget funds the operations and maintenance of five water resource recovery facilities (WRRFs), 23 pump stations, more than 600 miles of sanitary sewer and stormwater pipe, and a network of thousands of stormwater management facilities for the nearly 200,000 people WES serves across Clackamas County.

In WES' most recent Clean Water Exchange community survey, conducted in early 2025, 75% of respondents identified protecting clean water in rivers and streams as their top local priority related to clean water, and 59% said managing aging sewer and stormwater infrastructure is a critical concern. This budget is WES' response to that feedback. The capital investments, operating and maintenance budget, and financial strategies described in the following pages connect directly to the community's priorities.

Where Your Monthly Bill Goes

For FY 2026-27, each dollar of monthly sewer and surface water rates* supports the following:

62%
Operations & Maintenance
Treating approximately 7 billion gallons of wastewater annually; operating and maintaining 600+ miles of pipes, 23 pump stations, and thousands of stormwater facilities.

27%
Infrastructure Financing
Treating approximately 7 billion gallons of wastewater annually; operating and maintaining 600+ miles of pipes, 23 pump stations, and thousands of stormwater facilities.

11%
Debt Service
Principal and interest payments on debt issued to finance major capital projects; spreading infrastructure costs equitably across generations of ratepayers.

**Percentages are based on the FY 2026-27 operating budget and projected monthly service charge revenue.*

FY 2026-27 Total Budget[1]

Requirement	FY 2026-27 Budget	FY 2025-26 Amended Budget [2]	$ Change from FY 2025-26	% Change from FY 2025-26
Expenditures				
Materials and Services	**$ 35,232,216**	$ 34,047,475	$ 1,184,741	3.5%
Special Payments	**1,403,500**	3,064,200	(1,660,700)	-54.2%
Capital Outlay	**66,169,240**	51,478,350	14,690,890	28.5%
Debt Service	**13,033,363**	13,073,584	(40,221)	-0.3%
Subtotal - Expenditures	**115,838,319**	101,663,609	**14,174,710**	**13.9%**
Other Requirements				
Interfund Transfers	**31,173,969**	32,613,659	(1,439,690)	-4.4%
Contingency	**22,414,250**	18,019,600	4,394,650	24.4%
Reserves	**55,693,423**	95,286,595	(39,593,172)	-41.6%
Subtotal - Other Requirements	**109,281,642**	145,919,854	**(36,638,212)**	**-25.1%**
Total Budget	**$ 225,119,961**	**$ 247,583,463**	**$ (22,463,502)**	**-9.1%**

[1] ***Rounding*** *– Please note, financial figures are consistently rounded to the nearest tenth in the narrative. Due to this rounding convention, the sum of the underlying rounded figures discussed in the narrative may not tie to the narrative's rounded total.*

[2] *FY 2025-26 Amended Budget includes a transfer from Contingency to Materials and Services of $450,000.*

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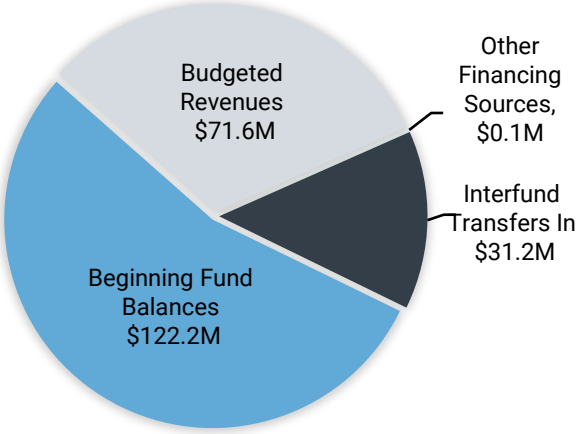
The FY 2026-27 budget totals $225.1 million and consists of budgeted expenditures of $115.8 million and other requirements of $109.3 million. Budgeted expenditures include materials and services for operations of $35.2 million, special payments of $1.4 million, capital outlay of $66.2 million, and debt service of $13.0 million. Compared to FY 2025-26's budget, total expenditures reflect an increase of 13.9% or $14.2 million. This change is primarily due to an increase of $14.7 million in capital outlay, as reflected in the Capital Improvement Plan (CIP). Materials and services reflects an increase of approximately $1.2 million or 3.5%; special payments reflects a decrease of $1.7 million or 54.2% due to a one-time expenditure for arbitrage payable in the current fiscal year, and debt service is essentially stable.

Other requirements of $109.3 million include interfund transfers of $31.2 million made to move resources between funds, contingency of $22.4 million to provide for unexpected or unforeseen costs, and reserves of $55.7 million. WES' adopted CIP anticipates investing $264.5 million over the next five years in critical infrastructure to add capacity to support growth and rehabilitate and replace aging infrastructure. The majority of the $55.7 million in reserves has been intentionally saved over the last several years to fund this planned capital outlay. It is projected that these reserves will be spent over the next one to two fiscal years to continue delivering the projects in WES' CIP.

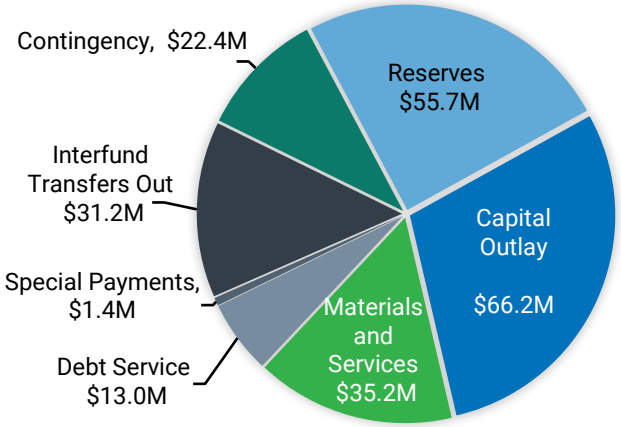
FY 2026-27: Combined Summary of Resources and Requirements

Total budgeted resources equal total budgeted requirements. The following charts and tables show where WES' resources come from and how they are used.

Total Resources: $225.1 Million



Total Requirements: $225.1 Million



RESOURCE CATEGORIES DEFINED

Beginning Fund Balance: Unexpended amounts (reserves) carried forward from the previous fiscal year.

Budgeted Revenues: Amounts received from service charges, and from other sources such as interest income, and other miscellaneous income.

Interfund Transfers In / Out: Amounts moved from one fund to another. Interfund transfers are shown as requirements in the originating fund and resources in the receiving fund.

Other Financing Sources: Amounts received from grants and debt financing.

For more detailed resource and requirement category descriptions, please see pages 79 - 80.

In accordance with Oregon State Budget Law, WES' total budget is balanced both overall and within each individual fund. A balanced budget is achieved when total 'resources', including revenues, other financing sources, interfund transfers in, and beginning fund balances, are equal to total 'requirements,' which include planned expenditures, contingency, interfund transfers out, and reserves.

REQUIREMENT CATEGORIES DEFINED

Capital Outlay: Expenditures for land acquisition, facility modification and expansion, system improvements, and significant equipment for treatment facilities, collection systems, and maintenance operations.

Contingency: An appropriation of funds set aside to cover unforeseen events and emergencies that may arise during the budget period, requiring authorization for use by the governing body.

Debt Service: Payment of principal and interest on funds borrowed to finance capital improvements.

Materials and Services: Expenditures for day-to-day operations and maintenance.

Reserves: Amounts set aside for future expenditure and not intended to be expended during the fiscal year.

Special Payments: Pass-through payments made to other organizations and one-time expenditures whereby goods or services are not received in return. Includes city right-of-way (ROW) fees, Good Neighbor fund contributions, and arbitrage payments.

Key Issues and How this Budget Responds

WES faces many of the same challenges that are impacting utilities across the country: aging infrastructure, growing service demands, rising costs, and the need to keep rates affordable. Communities throughout Oregon, including many in Clackamas County, are seeing double-digit percentage rate increases to meet their needs. These challenges are actively addressed through WES' capital, financial, and strategic plans. The following table highlights the most significant issues facing WES and how this budget addresses them, with each response linked to the relevant strategies in WES' Strategic Plan. WES' Strategies are described in full on page 48.

Issue	How This Budget Responds
Maintaining affordable services	WES' long-range financial planning provides the structure to keep rate increases steady and predictable. FY 2026-27 rates reflect an average increase of $1.25 per month or $15.00 per year for most customers. *Strategic Plan Strategy: Financial Viability*
Rate affordability: impact on lower-income households	WES' Customer Assistance Program (CAP) is being updated to reach more customers and include renters and multi-family households not previously eligible, with a goal of improving access for households in need. *Strategic Plan Strategies: Customer Satisfaction, Stakeholder Support*
Renewing and replacing aging infrastructure	WES' major facilities were originally built in the 1970's and 1980's and now require significant reinvestment to maintain service reliability. Approximately 50% of the $66.2 million capital budget is directed at renewal and replacement of aging treatment plant and collection system infrastructure. *Strategic Plan Strategies: Asset Management, Capital Planning and Delivery*
Building capacity for a growing service area	This budget invests $31.8 million in treatment and collection system expansion projects to build the capacity to serve new development across the service area, including $3.98 million for the Regional Inflow and Infiltration (I&I) Reduction Program to preserve existing system capacity. *Strategic Plan Strategies: Capital Planning and Delivery, Stakeholder Support*
Rising operating costs	To ensure sufficient resources are available for capital investment without requiring additional rate increases, WES' long-range financial plan targets no more than a 5% increase in operating costs annually. Despite upward pressures in labor and utility costs, this budget meets that planning target. The FY 2026-27 budget maintains existing staffing levels with 121 full-time equivalent (FTE) positions. Active workforce planning initiatives to retain employees and efficiently fill vacancies have resulted in a position vacancy rate of 2.5%, which is well below industry benchmarks. Operating budget utility increases are primarily the result of increases in the cost of electricity. WES actively works to offset these costs through participation in the Strategic Energy Management (SEM) program and by producing electricity using plant biogas at the Tri-City Facility. *Strategic Plan Strategies: Financial Viability, Workforce Planning and Development, Utility Operations and Environmental Protection*
Financing for capital projects	Funding for capital projects in FY 2026-27 will be through existing reserves, with no new debt service anticipated this fiscal year. WES has strategically built construction and System Development Charge reserves over previous years specifically to fund the adopted 5-year Capital Improvement Plan. WES is currently in the application phase for low-interest State Revolving Fund (SRF) loan financing for the Middle Clackamas Interceptor project and two surface water capital projects. This financing is being applied for under the SRF sponsorship program, which offers reduced interest rates and would lower the long-term cost to ratepayers compared to conventional borrowing. If these loans are approved, the first loan proceeds would likely be received in FY 2027-28, with debt service commencing after project completion. *Strategic Plan Strategy: Financial Viability*

Carli Creek Treatment Wetland

Managing Costs

WES' rates are set at the minimum amount needed to cover the costs to provide wastewater and stormwater services to customers. The following section highlights some of the specific ways WES works to reduce service delivery cost and maintain the lowest possible rate increases.

Energy Management: WES' five treatment facilities and 23 pump stations run continuously, consuming roughly 16 million kWh of electricity each year at a total cost of approximately $2 million, making electricity WES' largest non-labor operating cost. WES actively works to minimize both energy consumption and cost through two key strategic plan initiatives.

- Through Portland General Electric's Strategic Energy Management (SEM) program, WES earns rebates and achieves cost savings by identifying and implementing operational efficiencies that reduce electricity consumption. For the first half of FY 2025-26, WES has earned $85 thousand in rebates and is on track to meet the strategic plan target of more than $100 thousand annually.
- WES also produces electricity using the biogas generated during the wastewater treatment process at the Tri-City WRRF, which lowers the amount of electricity that needs to be purchased. Through the first half of FY 2025-26, this produced approximately 969,000 kWh, offsetting more than $100 thousand in electricity costs through December.

Strategic Plan Measure	FY 25-26 Target	FY 25-26 through Dec '25
% reduction in overall consumption of energy at WES' WRRFs	10%	4.1%
$ in energy rebates earned annually	≥ $100 K	$85 K
kWh electricity produced by WES' wastewater facilities	4 Million kWh	0.97 Million kWh

Proactive Maintenance: WES prioritizes scheduled preventative equipment maintenance over reactive repairs. For FY 2025-26 through December, WES is achieving a preventative-to-reactive maintenance ratio of approximately 92%, well above the 85% strategic plan target. Proactive maintenance is both less expensive than emergency repairs and extends the useful life of infrastructure, which defers asset replacement costs and reduces the pressure for rate increases.

Inflow and Infiltration Reduction Program: Through collaboration with our City Partners, WES' Regional Inflow and Infiltration Reduction Program reduces the volume of rainwater and groundwater that enters the sanitary sewer system, which in turn lowers the volume of wastewater that must be conveyed to, and treated at, WES' facilities. The program is projected to save ratepayers more than $100 million over the next 20 years by preserving existing treatment plant and collection system capacity that would otherwise need to be expanded.

Leveraging External and Low-Cost Financing: WES actively pursues grants and other external funding sources to decrease the portion of costs that must be recovered through rates. In FY 2025-26 through December, WES received approximately $1.1 million in grant funding for capital projects and was approved for a State Revolving Fund (SRF) loan of $100 thousand for the Hoodland Master Plan, which qualifies for 100% principal forgiveness. WES is also pursuing SRF sponsorship financing for three additional capital projects, which would provide interest rates well below conventional borrowing and lower long-term debt service costs.

What You Receive for Your Monthly Bill

For about **$2.23** per household per day*

WES customers receive wastewater treatment, collection system maintenance, and stormwater management services that protect public health and keep Clackamas County's rivers clean.

Every time you flush, shower, or run the dishwasher, that wastewater travels through a network of more than 350 miles of underground pipes and 23 pump stations to one of WES' five treatment facilities, where it is cleaned and safely returned to our rivers. WES treats approximately 7 billion gallons of wastewater each year.

Every time it rains, WES' stormwater system collects and directs the rainwater from streets, roofs, and driveways to prevent flooding, protect local streams and rivers, and ensure clean water for fish, wildlife, and the community.

* FY 2026-27 combined cost of wastewater and surface water services for a typical household in Rate Zone 2.

As a WES customer, you are part of a community of nearly 200,000 people who share these systems. Together, your rate dollars are what keep them running reliably, every single day.

Rate Increases for FY 2026-27

In alignment with WES' long-range financial planning projections, FY 2026-27 rate increases are approximately 5% for both wastewater services and surface water management services. For retail Rate Zone 2 customers, the net increase is 1.9%, as the 5% increases to the base wastewater and surface water rates are offset by a continuing reduction in the Legacy Debt component. This reduction will continue until the Legacy Debt is fully phased out, which is currently projected for FY 2030-31, at which point rates between Rate Zone 1 and Rate Zone 2 will be harmonized.

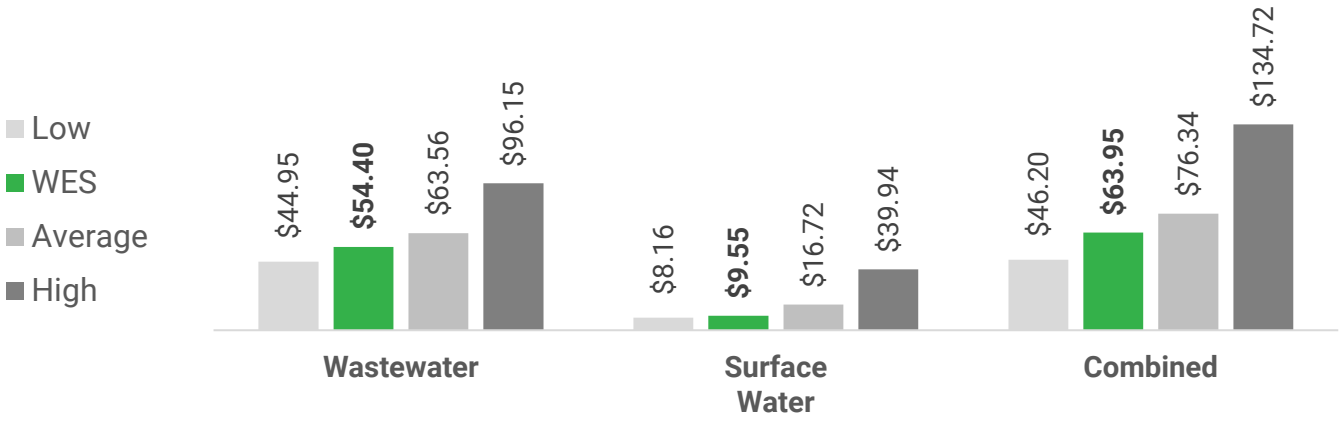
Household Bill Impact

The impact of this year's rate increase for the typical household is $15.00 per year.

How do WES rates compare regionally?

WES' current monthly single-family residential wastewater and surface water rates are below the average for neighboring jurisdictions, as shown in the chart below. WES' FY 2026-27 rates are designed to remain below the regional average while providing resources for capital investment and meeting rising operating expenses, reflecting the effectiveness of WES' long-range financial planning.

FY 2025-26 Regional Monthly Rate Comparison*



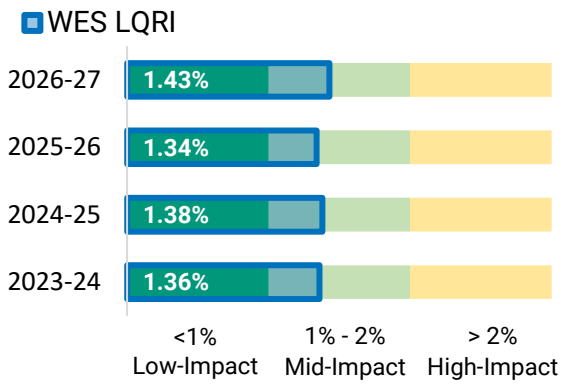
** FY 2025-26 rate comparison shown as peer data for FY 2026-27 is not yet available. Expanded versions of FY 2025-26 rate comparison charts are available on page 32.*

Affordability Assessment

The US Environmental Protection Agency's (EPA) Lowest Quintile Residential Indicator (LQRI) is a national benchmark used to determine the burden of the cost of clean water services for the lowest-income households within a service area. LQRI is calculated by comparing the average annual cost of wastewater services to the annual income of these households. The result is a percentage, which indicates how much of a low-income household's income goes toward wastewater services.

For the past four years, WES has successfully met the strategic plan target to keep the cost of wastewater services at or below 2% of the income for these households, within the EPA's mid-impact target range for affordability.

Lowest Quintile Residential Indicator



Customer Assistance Program

Maintaining affordable essential services is a core objective of WES' planning and a priority that the community has consistently highlighted.

In the 2025 Clean Water Exchange survey, respondents identified affordability and access to ratepayer assistance as key areas where WES can improve how it engages and communicates with customers, underscoring a need to make assistance programs more visible and easier to access.

WES' existing Customer Assistance Program (CAP) has historically had low enrollment. Based on estimates developed by Oregon's Low-Income Heating and Energy Assistance Program, approximately 12% of Clackamas County households may be eligible for utility assistance, however WES' current enrollment represents less than 1% of all WES households served. These findings are consistent with national statistics, where utility-led assistance programs typically reach only 10–15% of eligible customers. The most significant barrier for WES has been limited eligibility: WES' current program is available only to customers that are directly billed, effectively excluding renters and multi-family households.

WES Customer Assistance Program Enrollment

250
WES accounts currently enrolled

600
account enrollment target
by end of FY 2026-27

As a Strategic Plan initiative, staff have worked since early 2025 to update WES' CAP to address these challenges. The updated program incorporates emerging best practices and expands both who is eligible and what assistance is available. The most impactful change is the extension of eligibility to renters and multi-family households. The new program also adds emergency bill assistance, referrals to partner programs, and an expanded discount covering both sewer and now surface water charges.

At the current level of enrollment, WES' CAP results in approximately $150,000 in total discounts per fiscal year. The total discount amount is projected to nearly double to approximately $284,000 with expansion of eligibility under the updated program. To accommodate increased enrollment and minimize the impact to ratepayers, funding for the new program is diversified to include non-rate revenues such as late fees, which are projected to offset approximately half of the program cost, with the remainder funded through a modest rate-supported component. At full enrollment, the estimated cost to ratepayers is approximately $0.26 per EDU per month.

The updated Customer Assistance Program is expected to be launched in July 2026. Combined with planned outreach through partner organizations, WES anticipates enrollment will grow meaningfully toward the strategic plan target of 600 accounts, moving to a level of utilization that more closely reflects the actual need in our community. Information on the updated program will be available at clackamas.us/wes.

Aging assets, system growth, and increasing wet weather flows are driving the need for ongoing capital investment.

Aging Infrastructure

WES' core infrastructure is reaching its expected lifespan. The Kellogg Creek Water Resource Recovery Facility turned 50 in 2024, and the Tri-City Water Resource Recovery Facility turns 40 in October of this year. These facilities require significant renewal and replacement of aging components to maintain reliability and continue protecting water quality.

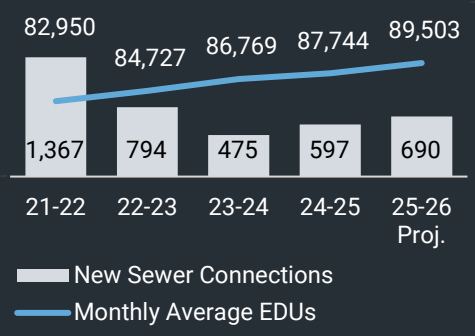
Growth in the System

At the same time, over the past decade, WES has experienced steady growth in the number of customers served. This growth is reflected in the number of new connections and total Equivalent Dwelling Units (EDUs) billed, which represent the demand for sanitary sewer services.

WES' $66.2 million capital budget is focused on meeting these needs by maintaining aging infrastructure and expanding system capacity to keep pace with a growing community.

Kellogg Creek Water Resource Recovery Facility

WES Sewer System Growth



Capital Improvement Plan

The most significant annual expense for WES is infrastructure spending through the Capital Improvement Plan (CIP), which totals $66.2 million for the FY 2026-27 budget year and $264.5 million over the five-year planning period. The budget funds 24 distinct wastewater and stormwater capital projects, and 13 recurring capital programs. Approximately half of FY 2026-27's capital budget is dedicated to rehabilitating and replacing aging infrastructure, while the other half supports system expansion to meet the needs of the growing community.

WES is well-positioned to finance the projects in the capital budget through existing construction and system development fund reserves, with no new debt planned for FY 2026-27.

Key capital project activities planned for FY 2026-27 include:

Project and Priority	Budget	FY 2026-27 Work
Clackamas Interceptor *Addressing condition issues and expanding capacity to support the growing City of Happy Valley and unincorporated areas in northern Clackamas County.*	**$ 11.25 Million**	FY 2026-27 work includes construction of the Middle Clackamas Segment. This segment was identified in the Sanitary Sewer Master Plan as the highest priority for a capacity increase.
Willamette Pump Station and Force Main *Addressing condition issues and expanding the capacity of the Willamette Pump Station and piping in West Linn.*	**$ 11.0 Million**	Planned work includes construction of a new force main which will be connected to the new Abernethy Bridge pipeline crossing the Willamette River.
Intertie 2 Force Main and Pump Station Expansion *Increasing service capacity of the pump station and piping that diverts wastewater from the Kellogg Creek Water Resource Recovery Facility (WRRF) to the Tri-City WRRF.*	**$ 6.7 Million**	Planned work for FY 2026-27 includes construction of the final portions of the new 30" force main extension and the pump station expansion.

Project and Priority	Budget	FY 2026-27 Work
Tri-City WRRF Influent Pump Station Expansion *Replacing aging pipes and equipment and increasing capacity of the influent pump station at the Tri-City WRRF.*	**$ 6.5 Million**	Planned work for FY 2026-27 includes finalizing design of the necessary improvements and procurement of electrical and mechanical equipment subject to long-lead times.
Rock Creek Interceptor *Addressing condition issues and expanding capacity to support the growing City of Happy Valley and unincorporated areas in northern Clackamas County.*	**$ 6.0 Million**	Planned work for FY 2026-27 includes property acquisition, finalizing design documents, and kicking off construction of the first phase of the Rock Creek Interceptor.
Regional Inflow and Infiltration (I&I) Reduction Program *Reducing the need for additional wet-weather treatment plant and collection system capacity.*	**$ 3.98 Million**	Annual spending for this program is based on an anticipated 33% reimbursement of capital costs for I&I reduction projects in partner cities. FY 2026-27 work includes projects in Gladstone, Milwaukie, and Oregon City.
Aldercrest Culvert Replacement & Kellogg Creek Restoration *Mitigating flooding and enhancing habitat in the upper Kellogg Creek area.*	**$ 800 Thousand**	Planned work for FY 2026-27 includes finishing design and permitting and starting construction on creek restoration and culvert replacement.
Sedona Drive Detention Repair *Protecting residential properties and waterways from stormwater infrastructure failure.*	**$ 750 Thousand**	Planned work for FY 2026-27 includes completing the alternatives analysis and beginning design and construction of the selected repair approach.

Operating Budget Highlights

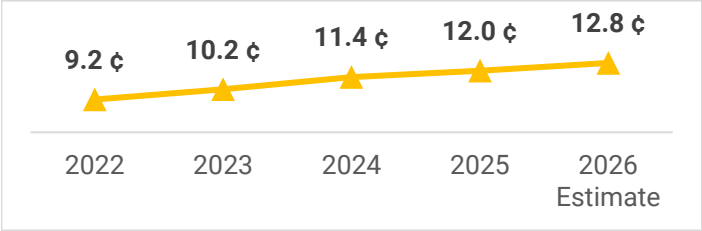
WES' FY 2026-27 operating budget for materials and services reflects a 4.9% overall increase from the original FY 2025-26 budget and a 3.5% increase from the amended FY 2025-26 budget, which is aligned with the long-range financial planning target of maintaining no more than a 5% annual increase. This target is an important and necessary constraint to ensure sufficient resources are available for capital investment without requiring additional rate increases.

Utility Costs

Electricity is an essential input for WES' operations, representing roughly 14% of the non-labor operating budget. Electricity costs have increased an average of 7.5% annually over the past five years, putting sustained pressure on the operating budget.

Effective January 1, 2026, electricity costs increased by approximately 2%; and an additional increase of 5.4% became effective on April 1, 2026. The FY 2026-27 budget reflects this increase and WES' long-range planning anticipates continued upward pressure in this category.

WES Actual Average Electricity Cost per kWh



Rising electricity costs, as shown in the chart above, are fueled by: power price increases, electric utility investments in critical infrastructure (amplified by inflation and supply chain issues), and expenditures related to mitigating wildfires and extreme weather.

Staffing Levels

The FY 2026-27 budget maintains the existing staffing level of 121 full-time equivalent positions, with no new positions added. Three positions were converted from temporary to regular status in the current fiscal year to increase maintenance capacity as WES' infrastructure continues to expand. In FY 2023-24, WES added two positions, a Senior Civil Engineer and a Civil Engineer, to support project delivery of the Capital Improvement Plan.

Additional information on position allocations across WES' programs and divisions is detailed in the About the Department section and in the Performance Clackamas section.

Labor Costs

Personnel cost increases in the FY 2026-27 budget are driven by inflationary cost-of-living adjustments, salary step increases, classification and compensation adjustments to maintain competitive salaries, and rising pension and health insurance costs. Further details of labor cost trends and increases are included in the Materials and Services: Labor Trends section on pages 22 - 23.

Summary of Changes Between Proposed and Adopted Budget

The FY 2026-27 Budget was adopted as proposed with no changes made.

Conclusion

WES is entering FY 2026-27 in a strong position guided by an updated strategic plan grounded in best practices and supported by a financial plan that has enabled consistent, below-inflation rate increases for five consecutive years. The work ahead is significant and our foundation is sound. We are proud to present a budget built on careful planning, fiscal responsibility, and our commitment to the communities we serve.

Gary Schmidt
District Administrator

Greg Geist
WES Director

Clackamas Water Environment Services
Budget Summary – All Funds

Budget Category	2024-25 Actual	2025-26 Amended Budget[1]	2025-26 Projection	**2026-27 Budget**	$ Change in Budget	% Change in Budget
RESOURCES						
Beginning Fund Balance	$ 184,492,936	$ 142,044,156	$ 140,351,253	**$ 122,227,882**	$ (19,816,274)	-14.0%
Revenues						
Sales and Services						
Sewer Charges	45,619,241	47,348,700	47,087,500	**48,669,300**	1,320,600	2.8%
Surface Water Charges	6,820,870	7,265,500	7,188,200	**7,577,400**	311,900	4.3%
System Development Charges	5,518,026	8,048,300	5,263,875	**8,508,500**	460,200	5.7%
Interest Income	6,976,922	4,971,700	5,825,200	**4,889,100**	(82,600)	-1.7%
All Other Revenues	1,916,053	1,712,350	2,147,220	**1,973,810**	261,460	15.3%
Subtotal - Revenues	66,851,112	69,346,550	67,511,995	**71,618,110**	2,271,560	3.3%
Other Financing Sources						
State Revolving Fund Loans	623,621	-	-	**100,000**	100,000	-
Grants and Project Contributions	1,243,915	3,579,098	1,670,600	**-**	(3,579,098)	-100%
Interfund Transfers In	35,764,976	32,613,659	32,613,179	**31,173,969**	(1,439,690)	-4.4%
TOTAL RESOURCES	**$ 288,976,560**	**$ 247,583,463**	**$ 242,147,027**	**$ 225,119,961**	**$ (22,463,502)**	**-9.1%**
REQUIREMENTS						
Materials and Services						
WES Labor	$ 17,416,210	$ 18,415,770	$ 19,066,320	**$ 20,028,590**	$ 1,612,820	8.8%
Other County Services	3,193,641	3,020,681	2,762,179	**2,920,333**	(100,348)	-3.3%
Professional Services	2,164,879	1,950,850	1,727,520	**2,060,150**	109,300	5.6%
Administrative	1,418,532	2,536,930	2,074,440	**2,037,140**	(499,790)	-19.7%
Supplies	2,974,997	3,241,500	3,183,410	**3,366,870**	125,370	3.9%
Utilities	2,434,294	2,623,700	2,600,200	**2,729,660**	105,960	4.0%
Repair & Maintenance	1,432,579	1,886,050	1,596,600	**1,719,400**	(166,650)	-8.8%
Rents & Leases	327,333	371,994	352,695	**370,073**	(1,921)	-0.5%
Subtotal - Materials and Services	31,362,465	34,047,475	33,363,364	**35,232,216**	1,184,741	3.5%
Special Payments	1,267,551	3,064,200	2,939,723	**1,403,500**	(1,660,700)	-54.2%
Capital Outlay	67,274,294	51,478,350	37,972,080	**66,169,240**	14,690,890	28.5%
Debt Service	12,956,021	13,073,584	13,030,799	**13,033,363**	(40,221)	-0.3%
Interfund Transfers Out	35,764,976	32,613,659	32,613,179	**31,173,969**	(1,439,690)	-4.4%
Contingency	-	18,019,600	-	**22,414,250**	4,394,650	24.4%
Ending Fund Balance & Reserves	140,351,253	95,286,595	122,227,882	**55,693,423**	(39,593,172)	-41.6%
TOTAL REQUIREMENTS	**$ 288,976,560**	**$ 247,583,463**	**$ 242,147,027**	**$ 225,119,961**	**$ (22,463,502)**	**-9.1%**

[1] *FY 2025-26 Amended Budget includes a transfer in the Sewer Operating Fund from Contingency to Materials and Services of $450,000, consisting of $250,000 to WES Labor and $200,000 to Utilities.*

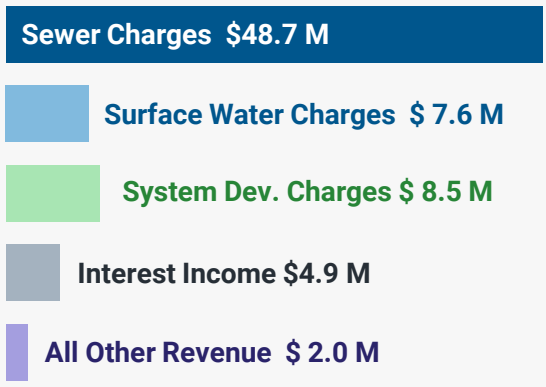
Summary of Changes from the Current Year's Budget

Revenues

Total revenues for FY 2026-27 are $71.6 million and reflect an increase of $2.3 million or 3.3% from the current year's budget, consisting of the following changes:

- **+ $1.3 M from Sewer Charges:** Rate increases of approximately 5% and growth in the service area.
- **+ $0.3 M from Surface Water Charges:** Rate increases of approximately 5% and growth in the service area.
- **+ $0.5 M from System Development Charges:** Approximately 1% growth in the service area and SDC fee increases of approximately 2.7%.
- **– $0.1 M from interest Income:** Declining interest rates and lower reserve balances subject to earnings.
- **+ $0.3 M from All Other Revenues:** Adjustments to miscellaneous fees to maintain cost recovery.

FY 2026-27 Revenue Sources: $71.6 Million



Expenses

FY 2026-27 Expenditures by Major Category: $115.8 Million

Total expenses for FY 2026-27 are $115.8 million and reflect an increase of 13.9% or $14.2 million from FY 2025-26's amended budget.

This overall change consists of the following:

- **+ $14.7 M for Capital Outlay:** Increased spending in alignment with the adopted Capital Improvement Plan. Additional details on capital projects are provided in the Capital section of this document.
- **+ $1.2 M for Materials and Services:** Increases in labor and utilities from ongoing cost pressures. The overall increase in materials and services is 3.5%, within the 5% annual operating cost target established in WES' long-range financial plan. Additional details of changes by materials and services category can be found on pages 20-23.
- **– $1.7 M for Special Payments:** Decrease due to the removal of a one-time $1.7 million arbitrage rebate payment made in FY 2025-26, which more than offsets the increases in city right-of-way fees and Good Neighbor program contributions anticipated for FY 2026-27 due to service area growth and rate adjustments.
- **– $0.04 M for Debt Service:** Budgeted debt service of $13.0 million is essentially unchanged, with stable principal and interest payments on existing debt and no new debt service anticipated for FY 2026-27. Details on WES' debt obligations are provided in the Debt Service Fund summary and the separate Debt section of this document.

Accounting Basis

This budget has been prepared on the accrual basis of accounting, consistent with the basis used in the preceding fiscal year.

How is WES funded and why does funding vary?

WES' main revenue sources include sewer charges, surface water charges, and System Development Charges (SDCs) for new sewer and surface water connections. Of the $71.6 million in revenue budgeted for FY 2026-27, these three sources account for approximately 90% or $64.8 million.

For FY 2026-27, interest earnings on investments represent $4.9 million or 6.8% and all other revenues represent $2.0 million or 2.8% of WES' total revenue. These sources include non-operating revenue such as special assessment principal and interest collections, pass-through revenue in the form of city right-of-way fees, and miscellaneous fees and charges.

Budgeted revenues for FY 2026-27 reflect an increase of 3.3% or $2.3 million from the FY 2025-26 budget.

Revenues at a glance – FY 2026-27

$48.7 M
~68% of total
Sewer charges
Monthly charges for wastewater treatment and collection services.

$7.6 M
~10.6% of total
Surface water charges
Monthly charges for surface water management services.

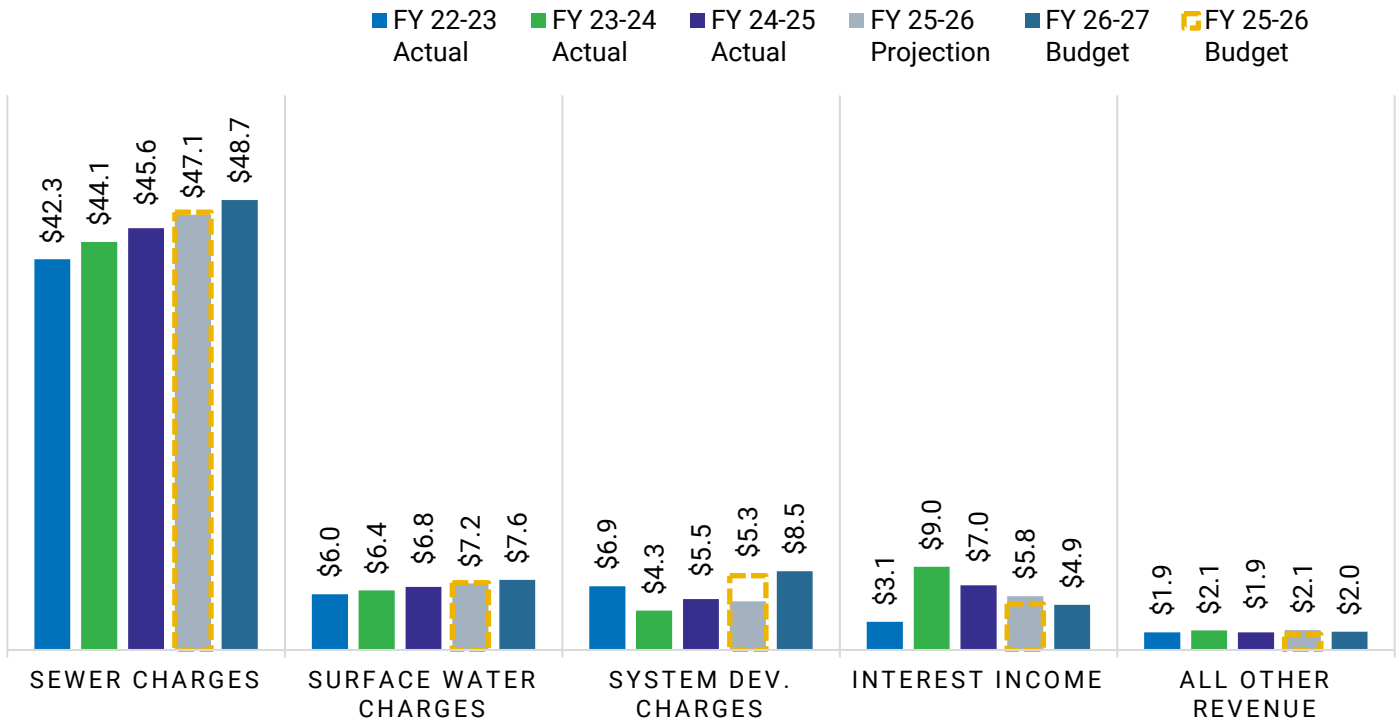
$8.5 M
~11.8% of total
System development charges
One-time fees for new development that increase the demand on WES' infrastructure.

$4.9 M
~6.8% of total
Interest income
Investment earnings on WES' reserves and cash balances.

$2.0 M
~2.8% of total
Other revenues
Right-of-way fees collected on behalf of cities, permit fees, penalties for past-due accounts, and other minor revenues.

The following chart shows WES' total revenues by major category for FY 2022-23 through FY 2024-25 actuals, the FY 2025-26 budget and projection, and the FY 2026-27 budget.

Revenue History and Forecast by Source, $ Millions



What causes WES' revenue to increase or decrease?

- **Rate adjustments:** Monthly sewer and surface water service charge revenues increase each year partially as a result of annual rate adjustments, which are approved by the Board of County Commissioners, as the governing body of WES, to meet rising operating costs and provide funding for capital needs.
- **Service area growth:** Growth in the number of accounts served, thereby increasing monthly service charge revenue. WES' service area is projected to grow about 1% annually, based on a population forecast completed in 2022.
- **Development activity:** Significant year-over-year differences in total revenue are typically due to variations in system development charge revenue, which depends on development activity.
- **Interest rates and reserve balances:** Interest income fluctuates based on interest yield and the balance of reserves in interest-bearing accounts.

The revenue projections detailed on the following pages are developed using the following inputs:

- Annual adjustments to monthly user rates and system development charges, as outlined on pages 27 - 29
- Population and service area growth forecasts
- Conservative estimates for variable revenue sources such as interest income and miscellaneous revenues
- Historical trends and recent development patterns

REVENUE SOURCES DEFINED

Sewer Charges

- **Retail Sewer Charges** - Retail Sewer Charges represent monthly charges for wastewater treatment, collection, and Legacy Debt (latter for Rate Zone 2 only). WES provides retail sewer service to customers in the Rate Zone 2 service area and to a limited number of customers in the Rate Zone 1 service area.
- **Wholesale Sewer Charges** - Wholesale Sewer Charges represent monthly charges for wastewater treatment service only. WES provides wholesale service to the Cities of Gladstone, Oregon City, and West Linn in Rate Zone 1, and to the Cities of Johnson City and Milwaukie in Rate Zone 2. Each of the cities provides their own local wastewater collection services.

Surface Water Charges - Surface Water Charges represent monthly charges for surface water management services. WES provides surface water services to the North Clackamas Service Area and City of Happy Valley in Rate Zone 2 and to the Rate Zone 3 service area.

System Development Charges (SDCs) - SDCs are one-time fees that apply to new development or to existing development that increases the demand on WES' infrastructure. Separate SDC fees apply to new connections to WES' sewer and surface water systems. Surface water SDCs apply to Rate Zone 2 only.

Interest Income - Interest income represents earnings on investments and reserves held as cash. Interest income is influenced by two key factors: prevailing interest rates and the total balance of interest-earning funds.

All Other Revenues

- **City Right-of-Way (ROW) Fees** - City ROW Fees are pass-through revenues collected by WES and remitted to the respective cities. These fees are fully offset by a corresponding amount in the Special Payments expense category within the Sewer Operating Fund budget.
- **Miscellaneous Revenues** - Miscellaneous Revenues represent all other minor revenue sources, including permit fees and penalties for past-due accounts.

SEWER CHARGES - 68% of budgeted revenues

FY 2026-27's budget includes total sewer charge revenue of $48.7 million, $1.3 million or 2.8% more than the FY 2025-26 budget and $1.6 million or 3.4% more than FY 2025-26's projected revenue.

Budgeted sewer charge revenue is calculated as the product of the monthly rates assessed and the number of equivalent dwelling units (EDUs) in each service area. EDU estimates are based on the medium growth forecast from a population study completed in December 2022, which analyzed historic trends and the local growth forecasts adopted by cities within WES' service area.

Year	Wholesale Sewer Charges	Change from Prior Year
FY 2022-23 Actual	$ 15.3 M	4.5%
FY 2023-24 Actual	$ 16.0 M	4.9%
FY 2024-25 Actual	$ 16.7 M	4.0%
FY 2025-26 Projection	$ 17.5 M	5.1%
FY 2026-27 Budget	**$ 18.2 M**	**4.1%**

Wholesale sewer revenues are budgeted at approximately $18.2 million for FY 2026-27, an increase of $0.7 million from the FY 2025-26 budget and projection.

Rate Zone 1 wholesale revenues reflect moderate customer growth and a 5% rate increase. The Rate Zone 2 wholesale rate is budgeted to remain stable as the wastewater treatment rate increase is offset by a continuing reduction in the Legacy Debt component.

Year	Retail Sewer Charges	Change from Prior Year
FY 2022-23 Actual	$ 27.0 M	4.6%
FY 2023-24 Actual	$ 28.1 M	4.2%
FY 2024-25 Actual	$ 29.0 M	3.0%
FY 2025-26 Projection	$ 29.6 M	2.1%
FY 2026-27 Budget	**$ 30.5 M**	**2.9%**

For FY 2026-27, charges for retail sewer services are budgeted at $30.5 million, which is an increase of $0.7 million or 1.9% from WES' FY 2025-26 budget and an increase of $0.9 million or 2.9% from FY 2025-26's projected revenue.

The FY 2026-27 budget includes 5% increases to the monthly rates for wastewater treatment and collection services and an offsetting 21.5% reduction in the Legacy Debt component of Rate Zone 2's monthly rate.

SURFACE WATER CHARGES - 10% of budgeted revenues

Year	Surface Water Charges	Change from Prior Year
FY 2022-23 Actual	$ 6.0 M	6.3%
FY 2023-24 Actual	$ 6.4 M	6.7%
FY 2024-25 Actual	$ 6.8 M	5.9%
FY 2025-26 Projection	$ 7.2 M	5.4%
FY 2026-27 Budget	**$ 7.6 M**	**5.4%**

Surface water charges are expected to produce revenues of $7.6 million in FY 2026-27, an increase of approximately $0.3 million over the FY 2025-26 budget and $0.4 million from FY 2025-26's projected revenue.

The FY 2026-27 budget includes a 5% increase to the monthly rates and anticipated growth of approximately 560 equivalent service units (ESUs).

SYSTEM DEVELOPMENT CHARGES - 12% of budgeted revenues

Year	System Dev. Charges	Change from Prior Year
FY 2022-23 Actual	$ 6.9 M	-39.5%
FY 2023-24 Actual	$ 4.3 M	-38.2%
FY 2024-25 Actual	$ 5.5 M	29.5%
FY 2025-26 Projection	$ 5.3 M	-4.6%
FY 2026-27 Budget	**$ 8.5 M**	**61.6%**

SDC revenues for FY 2026-27 are expected to generate $8.5 million total, consisting of $8.3 million for new sewer connections and $160 thousand for new surface water connections. Projected SDC revenue is based on estimated population growth and anticipated SDC fees. The budget assumes 860 new connections for FY 2026-27, consisting of 609 new connections in Rate Zone 2 and 251 new connections in Rate Zone 1.

The FY 2026-27 SDC revenue forecast reflects a wholesale sewer SDC fee of $9,630, and a surface water SDC fee of $272. These fees represent an approximately 2.72% increase over the FY 2025-26 fees of $9,375 and $265, respectively. This increase is an inflationary adjustment based on the Engineering News Record Construction Cost Index (ENR CCI) change from March 2025 to March 2026.

OTHER REVENUE SOURCES - 10% of budgeted revenues

Other revenue sources for FY 2026-27 total approximately $6.9 million, consisting primarily of interest income, with city right-of-way fees and miscellaneous revenues making up the balance.

INTEREST INCOME

Year	Interest Income	Change from Prior Year
FY 2022-23 Actual	$ 3.0 M	425.1%
FY 2023-24 Actual	$ 9.0 M	194.6%
FY 2024-25 Actual	$ 7.0 M	-22.5%
FY 2025-26 Projection	$ 5.8 M	-16.5%
FY 2026-27 Budget	**$ 4.9 M**	**-16.1%**

The FY 2026-27 budget anticipates total interest income of approximately $4.9 million, which is a $0.1 million or a 1.7% decrease compared to the FY 2025-26 budget. This reduction reflects lower average reserve balances due to planned capital spending. WES' interest yields rose steadily from mid-FY 2021-22 through mid-FY 2024-25, following a series of interest rate increases by the Federal Reserve. Rates have been decreasing slowly since late 2024. The FY 2026-27 budget conservatively assumes an average interest earnings rate on fund balance of approximately 4.0% for the upcoming fiscal year.

ALL OTHER REVENUES

Other revenue sources for FY 2026-27 total $1.9 million and include approximately $0.9 million of city right-of-way (ROW) fees, and $1.0 million in a variety of other small miscellaneous revenue categories, including permit fees and penalties for past-due accounts.

OTHER FINANCING SOURCES - $100,000

Other Financing Sources include debt financing and amounts received from grants and project contributions. The $100 thousand budgeted for FY 2026-27 represents a Department of Environmental Quality (DEQ) State Revolving Fund (SRF) Loan for the Hoodland Master Plan. This loan qualifies for 100% principal forgiveness and does not need to be repaid, therefore has no impact on WES' debt service.

REVENUE RISKS AND SENSITIVITIES

Monthly service charges comprise approximately 78% of total revenues and are highly stable and predictable due to the majority of residential accounts within WES' service area, which are billed on a fixed-fee basis. The primary revenue risk WES faces is variability in SDC revenue, as this source depends on development activity and is highly sensitive to shifts in population growth, housing development, and other economic factors.

For the last three fiscal years and 2025-26 (to-date), single-family housing development has been lower than forecasted, which has reduced WES' SDC revenues. Economists are projecting moderate improvement in residential development over the next year, supported by local initiatives encouraging higher-density and affordable housing projects. These expectations, along with recent permitting trends indicating a shift to multi-family development, align with WES' previously established mid-range population growth forecast of approximately 1.0%. This growth assumption is maintained in the FY 2026-27 budget.

If SDC revenues continue to be lower than anticipated, two adjustment options are available. First, because the Legacy Debt phaseout strategy relies on SDC revenues to make a portion of the required debt payments, lower SDC collections would slow the phaseout and extend the timeline for rate harmonization. Second, WES has the option to finance SDC-eligible capital projects with debt rather than drawing directly from SDC reserves. Under this approach, SDC revenues collected during the debt repayment period would be applied to making principal and interest payments on the related debt, which would allow WES to continue delivering SDC-eligible capital projects in the CIP as SDC collections recover, without adjusting the timing of those projects. If SDC's are higher than projected, this would strengthen the reserves and enable WES to fund a greater portion of eligible capital projects using SDCs.

How are WES' resources used and what drives changes?

WES' total budget of $225.1 million includes $115.8 million in budgeted expenditures and $109.3 million in other requirements such as interfund transfers, contingency, and reserves. Budgeted expenditures fall into four categories: capital outlay, materials and services, debt service, and special payments. Of the $115.8 million budgeted for FY 2026-27, capital outlay for infrastructure investment accounts for approximately 57.1% or $66.2 million. Materials and services total $35.2 million for ongoing operations and maintenance; debt service of $13.0 million is budgeted to cover principal and interest on outstanding debt; and special payments of $1.4 million represent payments for city right-of-way (ROW) fees and Good Neighbor program contributions to WES' city partners.

Total budgeted expenditures for FY 2026-27 reflect an increase of 13.9% or $14.2 million from the FY 2025-26 amended budget, driven primarily by a $14.7 million increase in capital outlay consistent with WES' adopted Capital Improvement Plan.

Expenses at a glance – FY 2026-27

$66.2 M

~57.1% of total

Capital Outlay

Expenditures for asset renewal and replacement, system improvements, and major equipment.

$35.2 M

~30.4% of total

Materials and Services

Expenditures for day-to-day operations and maintenance, including labor, supplies, and utilities.

$13.0 M

~11.3% of total

Debt Service

Payment of principal and interest on funds borrowed to finance capital improvements.

$1.4 M

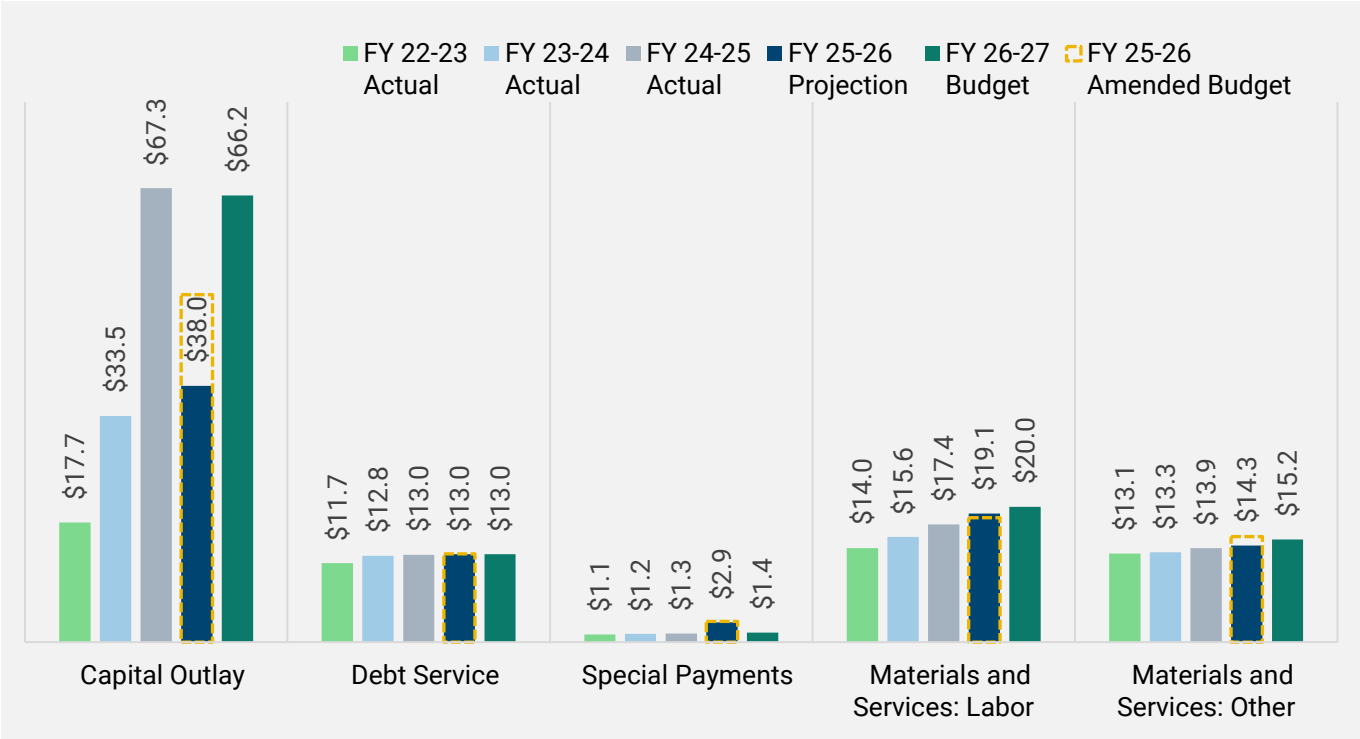
~1.2% of total

Special Payments

Pass-through payments and other expenditures whereby goods or services are not received in return.

The following chart shows WES' expenses by major category for FY 2022-23 through FY 2024-25 actuals, the FY 2025-26 amended budget and projection, and the FY 2026-27 budget. Significant year-to-year fluctuations in total spending are driven by differences in capital outlay.

Expense Trends by Major Category, $ Millions



What causes WES' expenses to increase or decrease?

- **Capital Outlay:** Capital outlay is based on WES' adopted 5-Year Capital Improvement Plan. Annual spending is influenced by the number of active projects, the size and scope of specific projects, and the phase those projects are in, with projects in the construction phase requiring a higher level of expenditure than projects in the design phase. In FY 2022-23, the majority of active projects were in the design phase, resulting in lower capital outlay spending overall. Increased capital outlay spending in FY 2024-25 was due to the construction phase of the major Tri-City Outfall project. Increased capital outlay spending for FY 2026-27 reflects the combined effect of several active projects in the construction phase.

- **Debt Service:** Minor changes in annual debt service over the last five years are the result of repayment commencing on two new State Revolving Fund loans: the Tri-City Solids Handling Improvement project loan in mid-FY 2022-23, and the 3-Creeks project loan in FY 2025-26. WES' outstanding debt issuances and projected debt service are covered in detail in the separate Debt section.

- **Special Payments:** Year-to-year increases in special payments are typically modest and reflect the combined impact of adjustments to rates and service area growth. The significant increase in special payments for FY 2025-26 was the result of a one-time arbitrage rebate payment for excess interest earnings on debt issued in 2021.

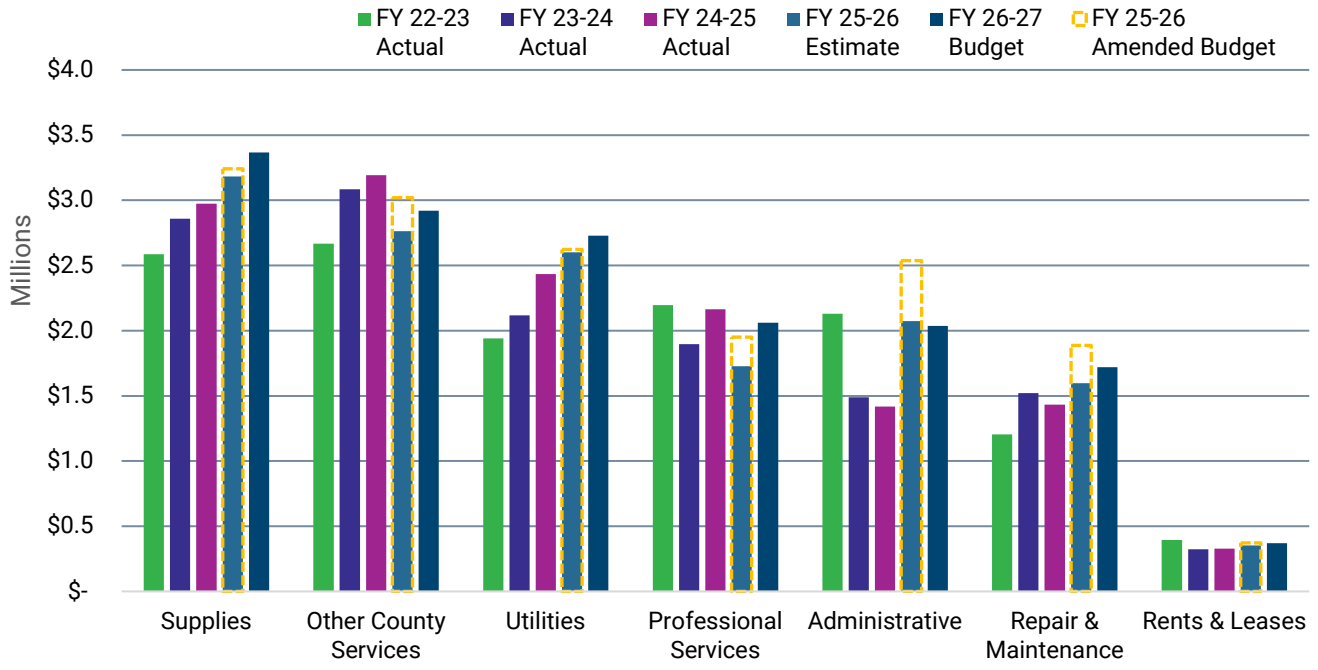
- **Materials and Services: Labor:** Changes in labor costs are the result of increases in salaries and benefits, changes in vacancies, and increases in the position count. Relatively lower actuals for labor for FYs 2022-23 through 2023-24 reflect high vacancies. Labor trends are discussed in more detail in the Materials and Services: Labor Trends section on pages 22 - 23.

- **Materials and Services: Other:** Increases in Materials and Services: Other for the past five years have been driven by increases in utility costs, chemicals and other plant supply costs, and repair and maintenance costs. Trends by specific category are discussed in more detail in the following section.

Materials and Services: Other Trends

Materials and Services: Other totals approximately $15.2 million in FY 2026-27, a decrease of 2.7% or $0.4 million from the FY 2025-26 amended budget. The chart below shows the trends for FY 2022-23 through FY 2026-27 for each Materials and Services: Other category. Year-to-year changes across most categories reflect increasing operating costs.

Materials and Services: Other Trends by Category



Materials and Services: Other - FY 2026-27 Budget by Category

The table below details each Materials and Services: Other category, showing the FY 2026-27 budget amount, the change from the amended budget for FY 2025-26, and the key factors driving the change.

Category	FY 2026-27 Budget	Change from FY 2025-26 Amended Budget	Factor(s) Influencing Change
Other County Services	**$ 2.9 M**	- $ 0.1 M -3.3%	Reduction of one embedded communications FTE, partially offset by an overall increase in County Allocated Costs resulting from higher Technology Services and Human Resources costs.
Professional Services	**$ 2.1 M**	+ $ 0.1 M 5.6%	Increases in the rates for contracted biosolids hauling and disposal services partially offset by reduced spending on other professional services due to the completion of one-time initiatives in WES' strategic plan.
Administrative	**$ 2.0 M**	- $ 0.5 M -19.7%	The decrease reflects the inclusion of an indirect cost offset for department overhead costs allocated to capital projects, consistent with standard cost allocation practices.
Supplies	**$ 3.4 M**	+ $ 0.1 M 3.9%	Increase in the purchase of small tools and equipment due to the shifting of some contracted maintenance work to WES staff, along with equipment price increases, and implementation of a critical spare parts inventory.
Utilities	**$ 2.7 M**	+ $ 0.1 M 4.0%	Electricity cost increase of approximately 7% and decommissioning of the cogeneration engine at Kellogg Creek, which had helped offset purchased electricity costs. Electricity has been the primary driver of increases in this category across recent years (+8.9% four-year annual average), partially offset by energy savings from participations in the Strategic Energy Management Program and biogas electricity production at Tri-City.
Repair & Maintenance	**$ 1.7 M**	- $ 0.2 M -8.8%	Reduced budget for vehicle maintenance in alignment with prior year actual spending partially offset by increases in equipment and computer software maintenance costs per contracts. While the difference from the FY 2025-26 budget reflects an 8.8% decrease, the difference from the amount projected for FY 2025-26 reflects an increase of 7.7% and is in alignment with the prior year trend resulting from growing computer and equipment maintenance contract costs and funding added to the Riverhealth Stewardship Program in FY 2025-26.
Rents & Leases	**$ 370 K**	- $ 2.0 K -0.5%	Reduced budget for equipment rental in alignment with prior year actual spending partially offset by a 3% annual inflationary adjustment in the rental cost for WES' administrative office space in the Development Services Building.

MATERIALS AND SERVICES: OTHER CATEGORIES DEFINED

Other County Services: Internal and central services provided by Clackamas County to WES, including: technology services, legal services, building maintenance, procurement, payroll, and human resources. This category also includes the costs of intergovernmental agreements between WES and other County departments as well as County personnel who perform work on behalf of WES as embedded communications staff.

Professional Services: Engineering, legal, environmental, utility plant services, and other contracted services.

Administrative: Banking fees, telephone and internet expenses, permit fees, insurance premiums, advertising and marketing, and other similar expenses

Supplies: Chemicals, utility plant supplies, safety supplies, computer equipment, small tools, and fuel costs.

Utilities: Electricity, natural gas, purchased sewer services, and water utility charges. The majority of utility costs are incurred for sewer operations at water resource recovery facilities and pump stations with only a minor amount budgeted under surface water operations for a portion of the utility costs for WES' water quality lab.

Repair & Maintenance: Contracted maintenance of WES' wastewater and stormwater infrastructure, as well as computer hardware/software maintenance, vehicle maintenance, and watershed restoration work performed by community partners and funded by WES' Riverhealth Stewardship Program.

Rents & Leases: WES' portion of the County's Development Services Building (DSB) rent for administrative office space, as well as equipment rental.

Materials and Services: Labor Trends

From FY 2022-23 actuals to FY 2026-27's budget, WES' labor expenses have increased an average of 9.5% per year. This upward trend reflects growth in staffing, reduced vacancies, rising salaries and benefits, and changes in adjustments to operating labor, which are the additions and reductions applied to total personnel costs to arrive at the labor amount included in the operating budget.

Labor Component	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 Projection	FY 2026-27 Budget
Budgeted Position Count Full-Time Equivalent Employees (FTE)	116	118	118	121	121
Turnover Rate # of Departures / # of Filled Positions	8%	4%	6%	5%	N/A
Vacancy Count at Time of Budget	17	15	7	5	3

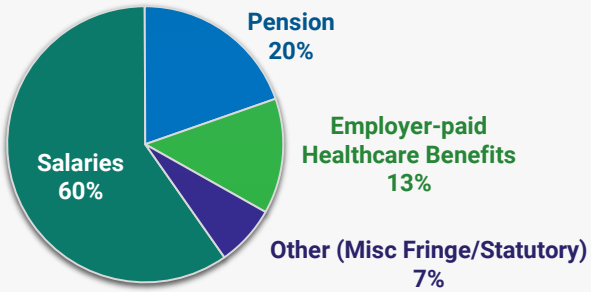
From FY 2022-23 to FY 2025-26, WES' staffing increased by five positions to 121 full-time equivalent employees. Two engineering positions were added in FY 2023-24 to support the capital program, and three operations positions were added in FY 2025-26 to support maintenance of WES' increasing inventory of infrastructure assets. The three positions added in FY 2025-26 were converted from six seasonal positions. There are no new positions planned for FY 2026-27.

Turnover rates include both retirement and non-retirement departures. WES' turnover rates have been consistently low, ranging from 8% in FY 2022-23 to 5% for FY 2025-26 year-to-date, with about half of the departures from staff retirements. WES' strategic plan includes several initiatives aimed at reducing non-retirement turnover by investing in professional development and improving employee engagement.

WES experienced position vacancy rates of 12%-15% during FYs 2022-23 and 2023-24, consistent with broader labor market trends. Through streamlining hiring procedures to fill vacancies more quickly, improving employee engagement to retain existing staff, and completing market studies to keep wages competitive, vacancy counts have steadily declined, from 15 in FY 2023-24, to five last year, to three currently. The FY 2026-27 budget anticipates filling all three vacancies by the beginning of the budget year.

Personnel costs consist of salaries, employer-paid healthcare benefits, pensions, and statutory and other fringe benefits. The relative proportion of each of these components for FY 2026-27 is shown in the chart to the right.

FY 2026-27 Budget Personnel Costs by Category



Over the past five years, pension costs have been the fastest-growing component of personnel costs, driven by adjustments to Oregon's Public Employees' Retirement System (PERS) rates. Salary cost changes are the result of annual cost-of-living adjustments (COLAs) based on the Consumer Price Index (CPI), step adjustments for qualified staff, and compensation adjustments resulting from market studies, reclassifications, and equal pay analyses. In partnership with County Human Resources, WES is nearing completion of a commitment made in the current union agreement to review all positions not reviewed since 2015. Salary adjustments for FY 2026-27 include increases from this review. These adjustments began impacting WES' labor costs in FY 2024-25 and any remaining adjustments are expected to be absorbed in the current year as well as next year's budget, with more modest salary cost growth anticipated after FY 2026-27.

WES' operating budget labor expense reflects several adjustments to total personnel costs, including: additions for overtime and temporary staffing to reflect anticipated demand above regular staffing levels; reductions for the frictional vacancy assumption and for any specific known vacancies; and a reduction for labor that is capitalized to capital projects rather than charged to the operating budget to reflect the portion of staff time spent directly on project delivery.

The table below shows the components of WES' personnel costs and the adjustments applied to arrive at the labor amount included in the operating budget for FYs 2022-23 through 2026-27.

Labor Component	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26 Amended	FY 2026-27	Average Annual Change
Salaries	$ 9,873,124	$ 10,499,007	$ 11,206,558	$ 12,333,670	$ 12,893,815	6.9%
Pension	2,851,929	3,164,224	3,345,617	4,000,509	4,259,971	10.6%
Employer-paid health benefits	2,415,490	2,616,690	2,691,396	2,532,202	2,919,840	4.9%
Other fringe/statutory	1,169,802	1,302,472	1,317,594	1,427,859	1,537,561	7.1%
Subtotal - Personnel Costs	16,310,345	17,582,393	18,561,165	20,294,240	21,611,187	7.3%
Adjustments						
+ Overtime and temp labor	577,000	597,500	506,820	434,700	487,300	N/A
– Capitalized labor	(980,205)	(1,282,150)	(1,500,800)	(1,712,911)	(1,839,239)	N/A
– Specific vacancies	(272,270)	(205,573)	(200,455)	(101,237)	-	N/A
– Frictional vacancy	-	(377,420)	(508,840)	(499,022)	(230,658)	N/A
Subtotal - Adjustments	(675,475)	(1,267,643)	(1,703,275)	(1,878,470)	(1,582,597)	N/A
Materials and Services: Budgeted Labor Total	**$ 15,634,870**	**$ 16,314,750**	**$ 16,857,890**	**$ 18,415,770**	**$ 20,028,590**	**6.4%**
Full-time equivalent (FTE)	116	118	118	121	121	N/A
Avg personnel cost per FTE	$ 140,606	$ 149,003	$ 157,298	$ 165,655	$ 178,605	6.2%
Actual and Projected Labor Costs	$ 13,951,925	$ 15,567,418	$ 17,416,210	$ 19,066,320	$ 20,028,590	9.5%

The five-year average annual growth in budgeted labor costs is 6.4%. The increase for FY 2026-27 is 10.3% and higher than the prior year average due to the cumulative impact of three factors: salary adjustments from the position review cycle; the elimination of specific vacancy reductions as all positions are expected to be filled at the start of the budget year; and a reduced frictional vacancy reduction reflecting the lower current vacancy count. These factors are expected to normalize, and operating labor cost growth is expected to return to approximately 5% to 6% annually after FY 2026-27, consistent with WES' long-range financial planning assumptions.

Frictional Vacancy Reduction Explained

The frictional vacancy reduction is a budget planning mechanism and placeholder that acts as a negative contingency to allow more accurate forecasting of personnel costs. This placeholder captures the cumulative potential throughout the year for internal promotions that create new vacancies, timing delays inherent in the hiring process, and unanticipated retirements or departures. The incorporation of a frictional vacancy rate offsets a portion of total labor costs.

Long-Range Financial Outlook

Expense trends for materials and services are used to develop the cost projections and indexing rates used in WES' Long-Range Financial Plan (LRFP). WES updates its LRFP annually in concert with the budget. The plan's objectives, forecasting assumptions, 10-year financial schedule, performance metric projections, and forecasted monthly rates through FY 2035-36 are detailed in the Long-Range Financial Plan section of this document. This section summarizes how FY 2026-27 budget decisions affect WES' financial position over the long term.

How this budget affects the 10-year outlook
The FY 2026-27 budget is aligned with the LRFP across all planning objectives. Highlights of the 10-year outlook include:

- **Planned Use of Reserves**: WES' fund balances will decrease from $122.2 million to $78.1 million (including contingencies) in FY 2026-27 as WES funds the first year of the $264.5 million FY 2026-27 through 2030-31 CIP. This is a planned drawdown of construction and SDC fund reserves that were specifically built for this purpose over the past several years. Debt service coverage is projected to remain above WES' target of 140% throughout the 10-year planning period, and ranges from 183% to 380% against a minimum requirement of 110% for all debt. Coverage percentages by year are detailed in the LRFP 10-year forecast.

- **Sewer Rate Harmonization:** The Legacy Debt component of Rate Zone 2's monthly wastewater treatment rate is projected to be fully phased out in FY 2030-31. At that point, all WES wastewater customers will pay the same rate for the same services, regardless of geographic location. The timing of the phase-out relies on retiring a portion of the outstanding Legacy Debt with Rate Zone 2 system development charges (SDCs). If SDCs are not received as projected, the phase-out period will be extended, and sewer rate harmonization will be delayed.

- **Projected Debt Issuance:** No new debt is required in FY 2026-27. Beginning in FY 2027-28, the LRFP anticipates new borrowing to fund wastewater capital projects as construction reserves are drawn down. WES' AAA credit rating from S&P Global positions the organization well to access low-cost capital when needed.

- **Sustainable Operating Costs:** The LRFP projects operating expense growth of approximately 4% to 5% annually, which is consistent with historical trends and the long-range planning target. This growth rate supports continued service delivery and provides funding for asset renewal and replacement without requiring rate increases beyond those already anticipated in the plan.

Long-Range Financial Plan Outlook: Key Metrics for FYs 2026-27 through 2030-31, $ Million

Metric	Year 1 FY 26-27	Year 2 2027-28	Year 3 FY 28-29	Year 4 FY 29-30	Year 5 FY 30-31
Operating Revenues	$ 71.6	$ 71.8	$ 73.3	$ 75.4	$ 79.2
Operating Expenses	$ 36.6	$ 38.5	$ 40.2	$ 41.9	$ 43.8
Capital Outlay	$ 66.2	$ 54.9	$ 50.7	$ 40.2	$ 68.1
Debt Service	$ 13.0	$ 13.7	$ 14.8	$ 15.8	$ 18.7
Fund Balance / Reserves	$ 78.1	$ 54.3	$ 41.1	$ 35.6	$ 33.8
Debt Coverage Ratio (min requirement = 110%)	268%	243%	223%	212%	190%
Days Operating Reserve (min target = 60)	86	75	80	87	93

Coverage ratios for FYs 2031-32 through 2035-36 range from 183% to 380%. See the Long-Range Financial Plan section for the full 10-year schedule.

Contingency

The FY 2026-27 budget includes a total contingency of $22.4 million, with $5.9 million in the operating funds and the remaining $16.5 million in the construction and SDC funds. Contingencies in the operating funds are equal to 60 days of budgeted operating expenses, consistent with WES' financial policy for operating reserves. Contingencies in the construction and SDC funds are set equal to 25% of each fund's budgeted capital outlay. Amounts budgeted as contingency may only be accessed through special action by the Board of County Commissioners, as the governing body of WES. Any contingency not expended during the year is added to reserves at year-end to become part of the subsequent year's beginning fund balance.

Contingency and Fund Balance Explained

Contingency *represents amounts set aside to address unforeseen circumstances that may arise during the fiscal year such as unexpected cost increases or reductions in revenue. These appropriations serve as a financial tool for managing risks. While contingency is included in the annual budget, WES does not typically access it during the year.*

Fund Balance *is the difference between accumulated resources and the requirements charged against them over the life of a fund. The fund balance at the end of one fiscal year is carried forward to the following year. Understanding changes in fund balance is useful in determining if expenditures can be sustained without additional revenue.*

WES' fund balance consists of the following components: unrestricted operating cash reserves, capital construction reserves, debt service reserves, and SDC reserves, which are restricted for capital projects.

WES' FY 2026-27 budget utilizes a portion of construction and SDC reserves to support capital projects, consistent with long-range financial planning.

Fund Balance / Reserves

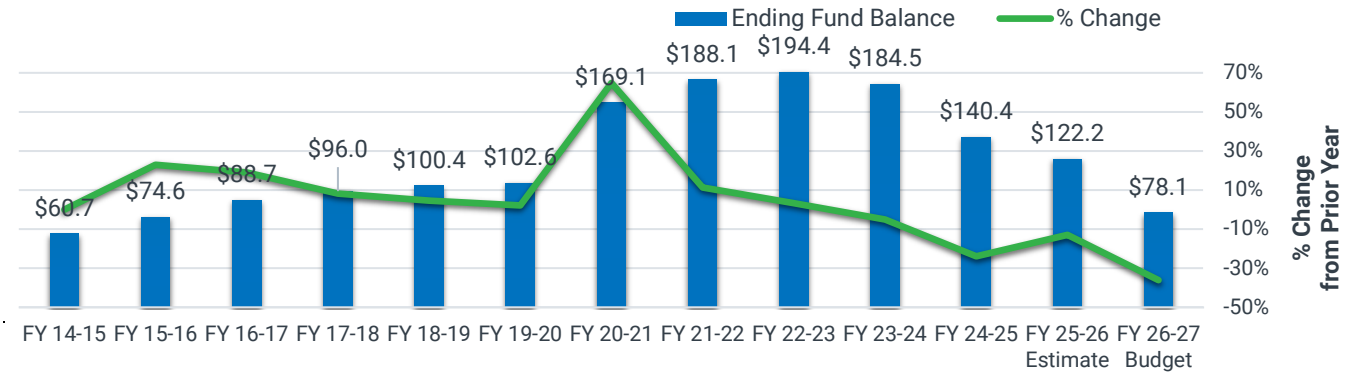
The table below shows the aggregate fund balance / reserve totals for FYs 2022-23 through 2024-25 actuals, the FY 2025-26 projection, and the FY 2026-27 budget.

Fiscal Year	Beginning Fund Balance	Ending Fund Balance [1]	Increase / (Decrease)
FY 2022-23 Actual	$ 188.1 M	$ 194.4 M	$ 6.3 M
FY 2023-24 Actual	194.4 M	184.5 M	(9.9) M
FY 2024-25 Actual	184.5 M	140.4 M	(44.1) M
FY 2025-26 Projection	140.4 M	122.2 M	(18.2) M
FY 2026-27 Budget	**122.2 M**	**78.1 M**	**(44.1) M**

[1] FY 2026-27 Ending Fund Balance includes budgeted contingency as this amount is not expected to be expended during the year and will be added to reserves at year-end.

The growth in fund balance and strengthening of reserves for FY 2022-23 was due to lower than anticipated capital spending. The reductions in fund balance for FYs 2023-24 through 2026-27 are the result of planned capital spending in alignment with WES' adopted CIP. WES anticipates spending the majority of capital construction reserves over the next one to two fiscal years to deliver projects in the capital plan. Additional details on the planned use of reserves may be found in the Long-Range Financial Plan section; discussions of changes in fund balance for individual funds are contained in the Budget Detail section.

Aggregate Ending Fund Balance ($ Million) and Percentage Change by Fiscal Year



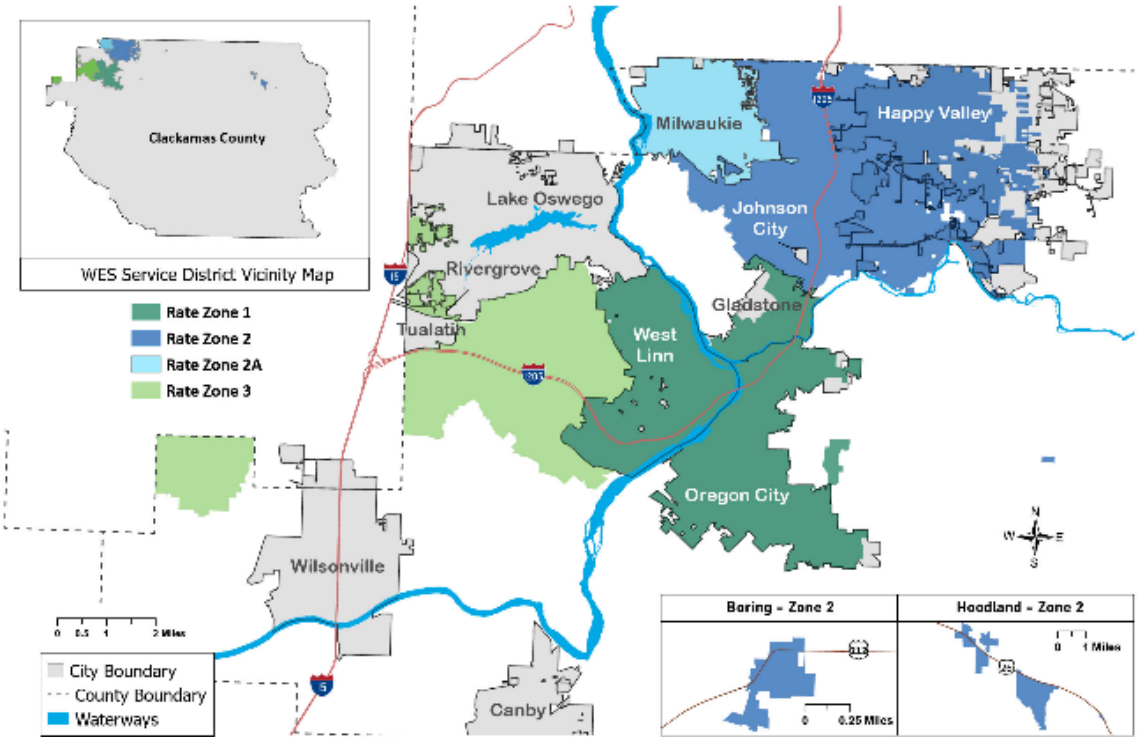
WES Rate Zones

The Oregon Revised Statutes (ORS) 190 agreement that formed WES established rate zones for each of WES' service areas. This distinction will be meaningful for several years with respect to rate setting as part of the agreements between the districts upon WES' formation. Once the Legacy Debt is phased out, as discussed in the following section, there will be no meaningful difference between Rate Zones as a whole with respect to the costs of service received.

Rates for all zones are established through annual resolution by the Board of County Commissioners as WES' governing body.

Rate Zone	Customer Type	Communities Served	Services Provided
Zone 1	**Wholesale**	Cities of Gladstone, Oregon City, and West Linn	Wastewater treatment *The Cities bill their own residents and remit payments to WES*
Zone 1	**Retail**	Small retail population outside unincorporated Oregon City	Wastewater treatment and local collection *Billed directly by WES*
Zone 2A	**Wholesale**	Cities of Johnson City and Milwaukie	Wastewater treatment *The Cities bill their own residents and remit payments to WES*
Zone 2	**Retail**	Unincorporated Portions of North Clackamas County as well as the City of Happy Valley, the communities of Boring and the Hoodland corridor, and Fischer's Forest Park near Redland	Wastewater treatment, local collection, and surface water management *Billed directly by WES*
Zone 3	**Retail**	Unincorporated Portions of Clackamas County and the City of Rivergrove draining into the Tualatin River	Surface water management *Billed directly by WES; no development fees apply*

Map of WES Service Area and Rate Zones *(detailed map provided on page 39)*



Rates for Monthly Services

As WES receives no general fund revenues, rates are established to meet the respective operating, capital, and debt service requirements for WES' primary services: wastewater treatment, collection, and surface water management. The rate increases for FY 2026-27 are aligned with WES' long-range financial planning projections and guidance from the WES Advisory Committee. For ease of administration and billing, monthly service rate adjustments are rounded to the nearest $0.05.

Sewer Rates

Wastewater rate increases for FY 2026-27 are approximately 5% to support increased operating costs and achieve the long-range planning goals to provide sufficient funding for capital investment while harmonizing sewer rates. WES' wastewater rates consist of a treatment rate and a local collection rate, as described below.

Wastewater Treatment Rate:

Applies to all sewer ratepayers; covers the costs of operating and maintaining WES' regional infrastructure including Water Resource Recovery Facilities, pump stations, and large conveyance pipes. Also funds new asset construction and asset replacement.

Rate Zones	**FY 2026-27 Rate**	FY 2025-26 Rate	$ Change	% Change
Zones 1 and 2	**$ 32.30**	$ 30.75	$ 1.55	5.0%

Wastewater Local Collection Rate:

Applies to sewer ratepayers in Happy Valley and unincorporated areas such as Oak Grove, Hoodland, Boring, etc.; covers costs of operating and maintaining WES' collection system feeding into the interceptors. Also funds asset replacements that are necessary to maintain aging infrastructure, especially inflow and infiltration reduction efforts.

Rate Zone	**FY 2026-27 Rate**	FY 2025-26 Rate	$ Change	% Change
Zone 2	**$ 17.25**	$ 16.45	$ 0.80	4.9%

Surface Water Rates

Surface water rate increases for FY 2026-27 are approximately 5%. These adjustments support increased costs to meet ongoing operational requirements in both rate zones, and for Rate Zone 2, capital investment for projects in WES' stormwater CIP.

Surface Water Management Rates:

Applies to ratepayers in WES' two surface water service areas. The increase in Rate Zone 2 supports both operating cost increases, and delivery of capital projects. The increase in Rate Zone 3 is needed to provide for ongoing operating costs.

Rate Zones	**FY 2026-27 Rate**	FY 2025-26 Rate	$ Change	% Change
Zone 2	**$ 10.00**	$ 9.55	$ 0.45	4.7%
Zone 3	**$ 5.95**	$ 5.70	$ 0.25	4.4%

Additional Rate Adjustments

City Right-of-Way (ROW) Fees / Surcharges

In addition to rates for primary services, the rates for Gladstone, Happy Valley, and Oregon City contain surcharges to provide for the respective Cities' ROW fees. These additional charges represent pass-through revenue that is collected on behalf of, and remitted to, the Cities as required by their right-of-way ordinances. ROW fees are charged as a percentage of gross revenue collected in the cities: the ROW fee for the Cities of Gladstone and Happy Valley is 5%; the City of Oregon City's ROW fee is 6%. ROW fee surcharges included in the monthly service charge table on the following page are estimated based on WES' rates and each City's respective ROW fee percentage.

Wastewater Legacy Debt Component

By utilizing a strategy to repay debt to the extent allowable with system development charges, staff anticipate this rate component will be phased out over the next six years. In alignment with this approach, the FY 2026-27 rate for the Legacy Debt component reflects a decrease of $1.55 per month.

For customers in Rate Zone 2 who receive wastewater treatment service-only, this decrease fully offsets the wastewater treatment service rate adjustment, resulting in no change to the monthly bill. For customers in Rate Zone 2 who receive both wastewater treatment and collection services, the decrease in the Legacy Debt component offsets a portion of the combined rate adjustments.

	FY 2026-27 Rate	FY 2025-26 Rate	$ Change	% Change
Rate Zone 2	**$ 5.65**	$ 7.20	$ (1.55)	-21.5%

Legacy Debt Explained

*As part of the past integration of Clackamas County Service District No. 1's ("CCSD No. 1's") budget, assets and operations into the WES entity, debt issued by CCSD No. 1 to construct certain treatment assets was transferred to WES. This transferred debt is referred to by the term **Legacy Debt.***

Per the requirements of WES' founding agreement and related board orders, a Legacy Debt component of the wastewater rate is collected only from Rate Zone 2 ratepayers.

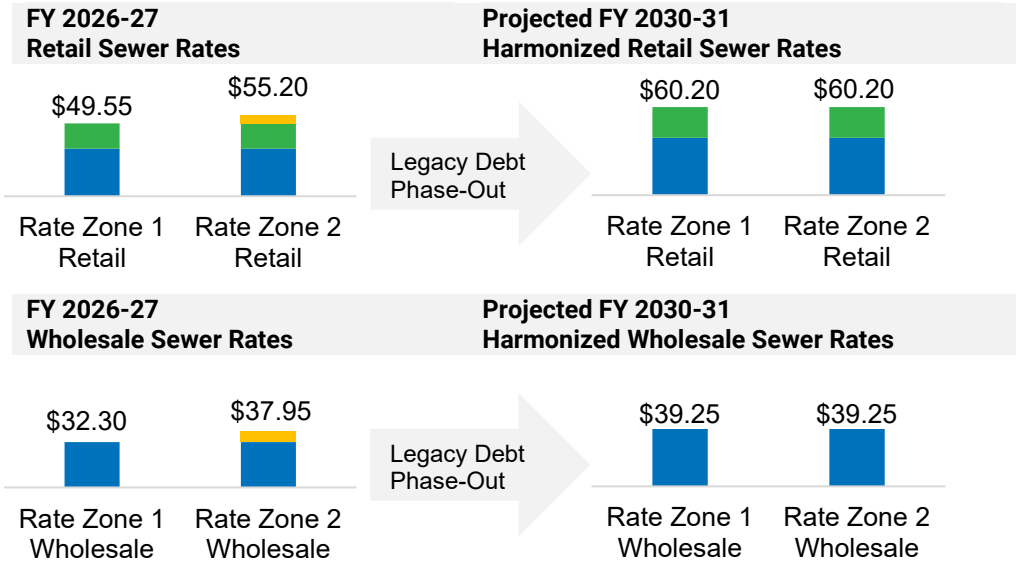
Sewer Rate Harmonization

The inclusion of the Legacy Debt component creates a disparity between Rate Zone 1's and Rate Zone 2's charges for the same wastewater services. The phrase "rate harmonization" describes a long-term strategy that will result in all sewer customers paying the same for services received, regardless of the rate zone in which they reside. In WES' long-range financial planning, sewer rate harmonization is projected to be achieved through gradual, annual reductions in the Legacy Debt component until the component is entirely phased out in FY 2030-31. The charts below illustrate the difference in WES' current retail and wholesale sewer rates and the harmonized rates projected for FY 2030-31. As the strategy for phasing out the Legacy Debt component relies on the use of system development charge revenue from Rate Zone 2 for a portion of the necessary debt payments, the timing of the phase out may be impacted if Rate Zone 2 SDCs are not received as projected.

Rate Components

- Legacy Debt
- Local Collection
- Wastewater Treatment

Note: Retail sewer services include wastewater treatment and collection services. Wholesale sewer services include wastewater treatment only.



Monthly Service Charges

The table below summarizes the FY 2026-27 monthly service charges by service category and rate component to provide a view of the total monthly bill and increase from the current monthly bill for each service area within WES.

Rate component	Rate Zone 1 *Wholesale* Gladstone	Rate Zone 1 *Wholesale* Oregon City	Rate Zone 1 *Wholesale* West Linn	Rate Zone 1 *Retail* Unincorp.	Rate Zone 2A *Wholesale* Johnson City	Rate Zone 2A *Wholesale* Milwaukie	Rate Zone 2 *Retail* Unincorp.	Rate Zone 2 *Retail* Happy Valley	Rate Zone 3 *Retail* Unincorp.
Wastewater treatment	$32.30	$32.30	$32.30	$32.30	$32.30	$32.30	$32.30	$32.30	
Local collection				$17.25			$17.25	$17.25	
Legacy Debt					$5.65	$5.65	$5.65	$5.65	
Subtotal: Sewer	**$32.30**	**$32.30**	**$32.30**	**$49.55**	**$37.95**	**$37.95**	**$55.20**	**$55.20**	
Surface water management							$10.00	$10.00	$5.95
On-site maintenance							$3.00	$3.00	
Subtotal: Surface Water							**$13.00**	**$13.00**	**$5.95**
City ROW fees	$1.60	$1.95						$3.41	
FY 2026-27 monthly bill	**$33.90**	**$34.25**	**$32.30**	**$49.55**	**$37.95**	**$37.95**	**$68.20**	**$71.61**	**$5.95**
Change from FY 2025-26	$1.60 5.0%	$1.65 5.1%	$1.55 5.0%	$2.35 5.0%	- 0.0%	- 0.0%	$1.25 1.9%	$1.31 1.9%	$0.25 4.4%
FY 2025-26 monthly bill	**$32.30**	**$32.60**	**$30.75**	**$47.20**	**$37.95**	**$37.95**	**$66.95**	**$70.30**	**$5.70**
FY 2025-26 change from FY 2024-25	$1.55 5.0%	$1.45 4.7%	$1.45 4.9%	$2.25 5.0%	- 0.0%	- 0.0%	$1.25 1.9%	$1.31 1.9%	$0.25 4.6%

System Development Charges

In September 2025, the Board adopted updated SDC methodologies for WES to reflect the current CIP and population growth projections. The maximum fees calculated under the updated methodologies are being phased in over a 10-year period in alignment with the Board's direction and the Advisory Committee's recommendation. The FY 2026-27 SDC fees represent an inflationary increase only of 2.72%, based on the Engineering News Record (ENR) Construction Cost Index (CCI). As the 10-year phase-in progresses, an update to the methodology will be required; this update is anticipated to be adopted during FY 2026-27 and future year adjustments are expected to align with the phase-in approach once the revised methodology is in place. The table below presents the SDCs for FY 2026-27 alongside the SDCs and annual percentage increases for the previous four fiscal years.

SDC revenues are a restricted resource and may only be used for capital expenses or related debt service and cannot be used to fund operational activities.

Service Category	FY 2022-23 SDC and % Increase	FY 2023-24 SDC and % Increase	FY 2024-25 SDC and % Increase	FY 2025-26 SDC and % Increase (eff. Nov. 1, 2025)	FY 2026-27 SDC and % Increase
Sewer	$ 8,600 5.9%	$ 8,860 3.0%	$ 9,100 2.7%	$ 9,375 3.0%	**$ 9,630** **2.72%**
Surface Water	$ 233 5.9%	$ 240 3.0%	$ 246.50 2.7%	$ 265 7.5%	**$ 272** **2.72%**

About the Department

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WATER ENVIRONMENT SERVICES

Water Environment Services (WES) was created in 2016 under Oregon Revised Statute 190 as a governmental partnership between Clackamas County Service District No. 1 (CCSD No.1) and Tri-City Service District (TCSD) in order to provide long-term certainty and stability for customers in both districts. The Surface Water Management Agency of Clackamas County (SWMACC) joined the partnership in June 2017.

The enabling legislation establishes the partnership as an independent municipal corporation authorized to provide specific services within specified boundaries in the county. The legislation also designates the Board of County Commissioners as the governing body.

Water Environment Services is managed by the County Department of the same name in a coordinated effort within the overall county organization. The Director of Water Environment Services is a member of the County Administrator's staff. Actions of the Board of County Commissioners, essential for WES' operation, pass through the Administrator for scheduling. The partnership also receives services from other county departments such as Finance, Human Resources, and Technology Services.

CLACKAMAS COUNTY SERVICE DISTRICT NO. 1

Clackamas County Service District No. 1 (CCSD No. 1) was formed in 1967 to construct and operate a sanitary sewer system within Clackamas County. On July 1, 2018, CCSD No. 1's operations were transferred to the Water Environment Services partnership. CCSD No. 1 continues to exist as the Rate Zone 2/2A service area within WES.

TRI-CITY SERVICE DISTRICT

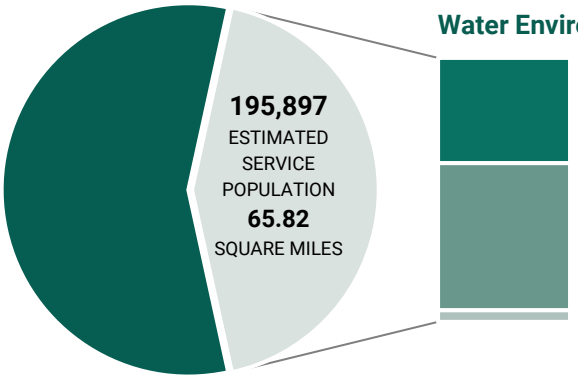
The Tri-City Service District (TCSD) was formed in 1980 to carry out a sewage improvement program for the Willamette and Clackamas Rivers. On July 1, 2017, TCSD's operations were transferred to the Water Environment Services partnership. TCSD continues to exist as the Rate Zone 1 service area within WES.

SURFACE WATER MANAGEMENT AGENCY OF CLACKAMAS COUNTY

The Surface Water Management Agency of Clackamas County (SWMACC) was created in 1992 to address the Oregon Department of Environmental Quality (DEQ) regulations applied to the Tualatin River as a result of the topography of the basin and density of development. On July 1, 2017, SWMACC's operations were transferred to the Water Environment Services partnership. SWMACC continues to exist as the Rate Zone 3 service area within WES.

Population and Service Area

Clackamas County
432,743
TOTAL POPULATION
1,879
SQUARE MILES
$84,035
PERSONAL INCOME PER CAPITA



Water Environment Services

RATE ZONE 1
77,541 ESTIMATED POPULATION
20.33 SQUARE MILES

RATE ZONE 2 and 2A
110,896 ESTIMATED POPULATION
30.28 SQUARE MILES

RATE ZONE 3
7,460 ESTIMATED POPULATION
15.21 SQUARE MILES

Operating Statistics

5 Water Resource Recovery Facilities

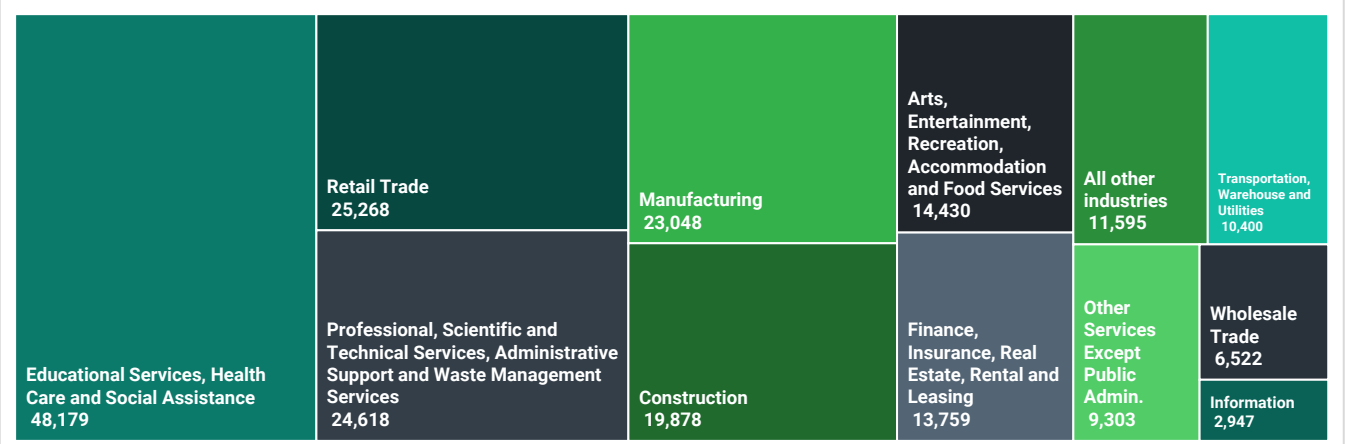
28.149 MILLION GALLONS PER DAY
TOTAL DRY-WEATHER TREATMENT CAPACITY

23 Pump Stations

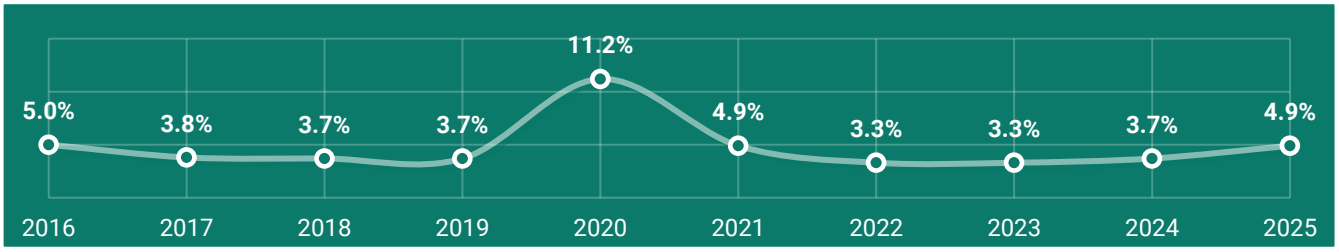
364.74
MILES OF SANITARY SEWER PIPE

19,171
SURFACE WATER CATCH BASINS/ MANHOLES

Major Industries by Number of Employees, Total Employees 210,047

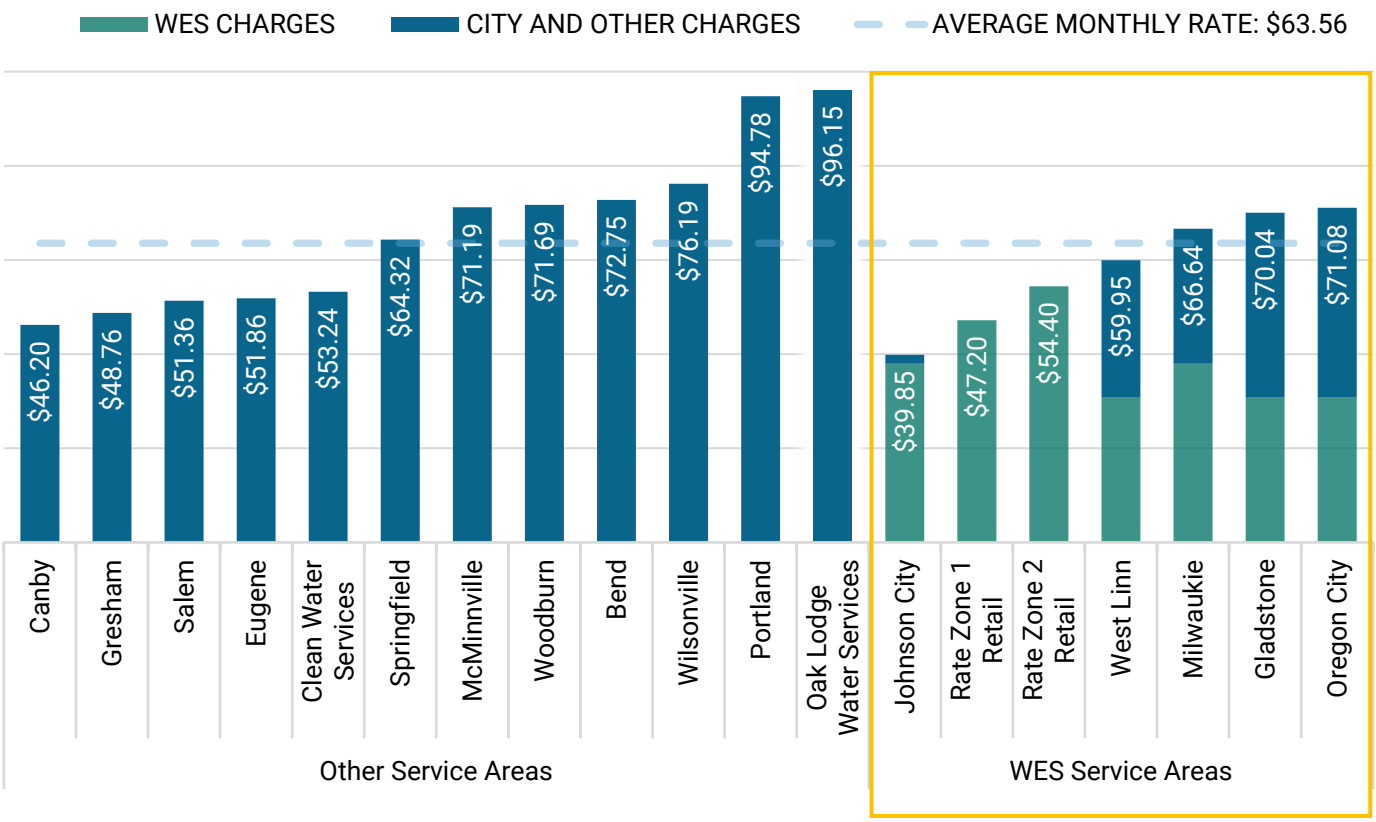


Clackamas County Unemployment Rates by Calendar Year



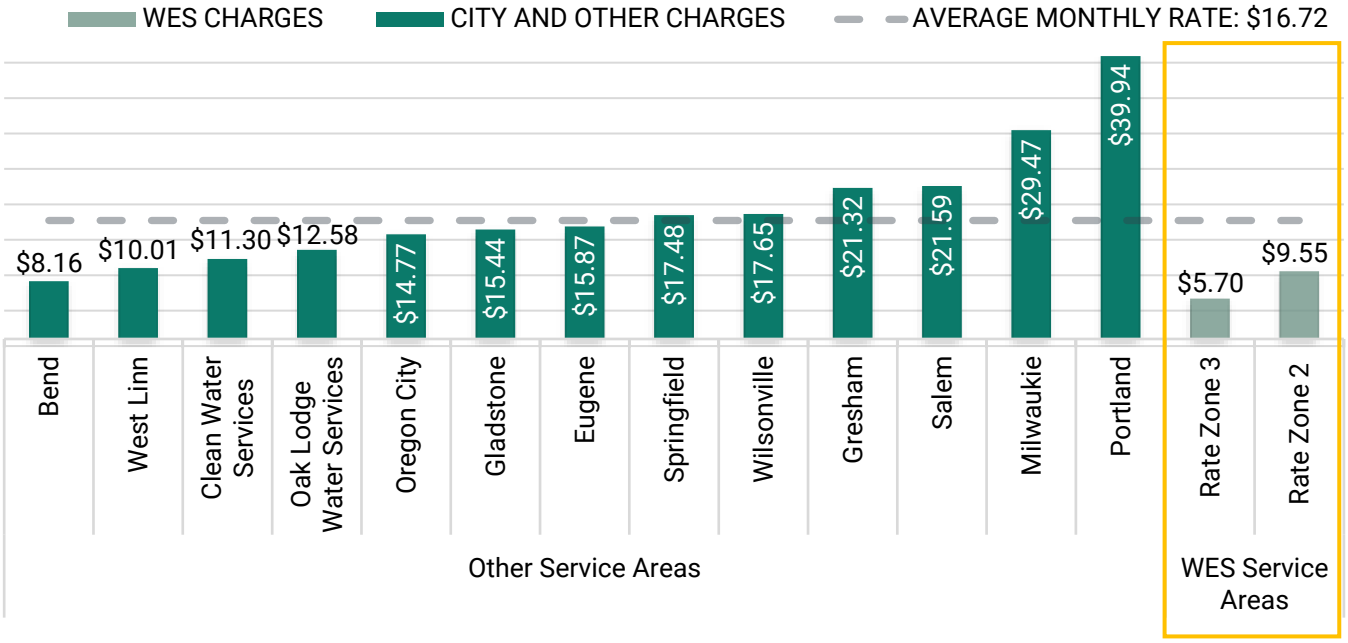
SOURCES: WES Records, Census Bureau, Bureau of Labor and Statistics, State of Oregon Employment Department, and Center for Population and Research

Monthly Sewer Rate Survey, FY 2025-26



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 include ROW fees, where applicable.

Monthly Surface Water Rate Survey, FY 2025-26



DEPARTMENT MILESTONES

1967 • Clackamas County Service District No. 1 (CCSD No. 1) organized to construct and operate a sanitary sewer system.

1971 • CCSD No. 1's Fischer's Forest Park Water Resource Recovery Facility (WRRF) begins service to 26 single-family residences.

1974 • CCSD No. 1's Kellogg Creek Water Resource Recovery Facility completed; service begins to North Clackamas Service Area. Design capacity 10.0 million gallons per day (dry weather flow).

1980 • Cities of Gladstone, Oregon City, and West Linn, in conjunction with Clackamas County form Tri-City Service District (TCSD) to provide wastewater transmission and treatment services.

1982 • CCSD No. 1's Hoodland Water Recovery Facility begins service to Hoodland, Welches, and the Wemme Recreational Corridor. Design capacity 0.9 million gallons per day.

1984 • Clackamas County Water Environment Services Department created to administer County service districts CCSD No. 1 and TCSD.

1986 • CCSD No. 1's Boring Water Resource Recovery Facility completed, providing service to 60 commercial and residential connections. Design Capacity 0.02 million gallons per day.

1987 • TCSD's Tri-City Water Resource Recovery Facility (WRRF) completed; service begins to the Cities of Gladstone, Oregon City, and West Linn. Design capacity 8.4 million gallons per day (dry weather flow).

1992 • Surface Water Management Agency of Clackamas County (SWMACC) formed to improve the water quality of the Tualatin River.

1993 • CCSD No. 1 initiates service to North Clackamas Surface Water Service Area.

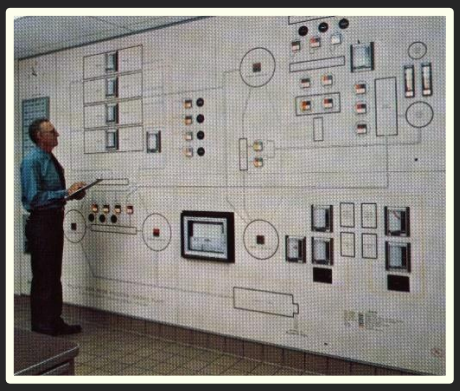
1996 • CCSD No. 1 and TCSD construct the shared Tri-City Water Quality Lab Facility.

1999 • Tri-City WRRF begins providing growth-related capacity for CCSD No. 1.

2010 • Tri-City WRRF expansion; increases facility's capacity to 11.9 million gallons per day to support area growth.

2012 • CCSD No. 1 and TCSD jointly purchase former Blue Heron property in West Linn, Oregon.

1974 - Construction of the Kellogg Creek Water Resource Recovery Facility (WRRF)



1974 – Original monitoring panel at Kellogg Creek WRRF

1975 – Water Quality Lab at Kellogg Creek WRRF

1985 – Construction of the Tri-City WRRF

2015
- WES embarks on a strategic planning effort focused on providing positive results for its customers and stakeholders.

2016
- WES implements the first Performance Clackamas Plan.
- CCSD No. 1 and TCSD form ORS 190 partnership Water Environment Services.

2017
- SWMACC joins Water Environment Services partnership

2018
- Carli Creek Treatment Wetland completed to treat surface water runoff from Clackamas Industrial Area.

2019
- Tri-City WRRF chlorine gas tanks replaced with sodium hypochlorite disinfection system.

2020
- Startup of new digester at Tri-City WRRF.
- Completion of 11 rehab and upgrade projects at Kellogg Creek WRRF.
- New online customer account management system launched.

2021
- Completion of biogas cogeneration engine at Tri-City WRRF to reduce purchased plant electricity.
- WES initiates a robust community engagement and discovery process called the Clean Water Exchange.

2022
- Regional Inflow and Infiltration (I&I) Reduction Intergovernmental Agreement approved to reduce I&I in WES' service area.
- Storm System Master Plan completed.

2023
- Preliminary work begins on Clackamas Area Interceptor Improvement Project.
- Phase 1 of Fischer's Forest Park Rehabilitation project completed.
- Strategic Energy Management Program participation begins at Kellogg Creek WRRF.

2024
- Groundbreaking for Tri-City Outfall project.
- Kellogg Creek WRRF celebrates 50th year of operation.
- Tri-City National Pollutant Discharge Elimination System Permit reissued by Department of Environmental Quality (DEQ).

2025
- Tunneling completed for Tri-City Outfall project.
- Groundbreaking for 3-Creeks project.
- Willamette Facilities Plan Approved by DEQ.
- WES receives Oregon Association of Clean Water's 2025 Outstanding Member Agency Award.

2026
- Upper Kellogg Stormwater projects completed to address recurrent flooding.
- Pollution Prevention Academy launched to help businesses stay compliant with local regulations and permits.
- Tri-City WRRF celebrates 40th year of operation.

2022 – Touring the new digester at the Tri-City WRRF

2023 – Biogas cogeneration engine at Tri-City WRRF

2023 – Carli Creek Treatment Wetland

2024 – The "Clack-A-Mole" Tunnel Boring Machine is lowered into the launch shaft

2025 – 3-Creeks Groundbreaking

DEPARTMENT ORGANIZATION

From an operational and strategic management perspective, Clackamas Water Environment Services is organized into four lines of business and eleven programs under the Performance Clackamas structure. Each program has a distinct operating budget containing the costs associated with carrying out that program's functions. Full-time equivalent positions (FTEs) are allocated to programs based upon budgeted needs and the program's objectives for the coming fiscal year.

From a human resources perspective, the Department is organized into five main divisional workgroups, three of which parallel their corresponding Performance Clackamas Lines of Business (Capital Planning and Management, Environmental Services, and Operations) and two divisional workgroups that fall under the Business Services Line of Business (Director and Business Services).

WES' staffing level for FY 2026-27 is 121 FTE, the same as the FY 2025-26 budget.

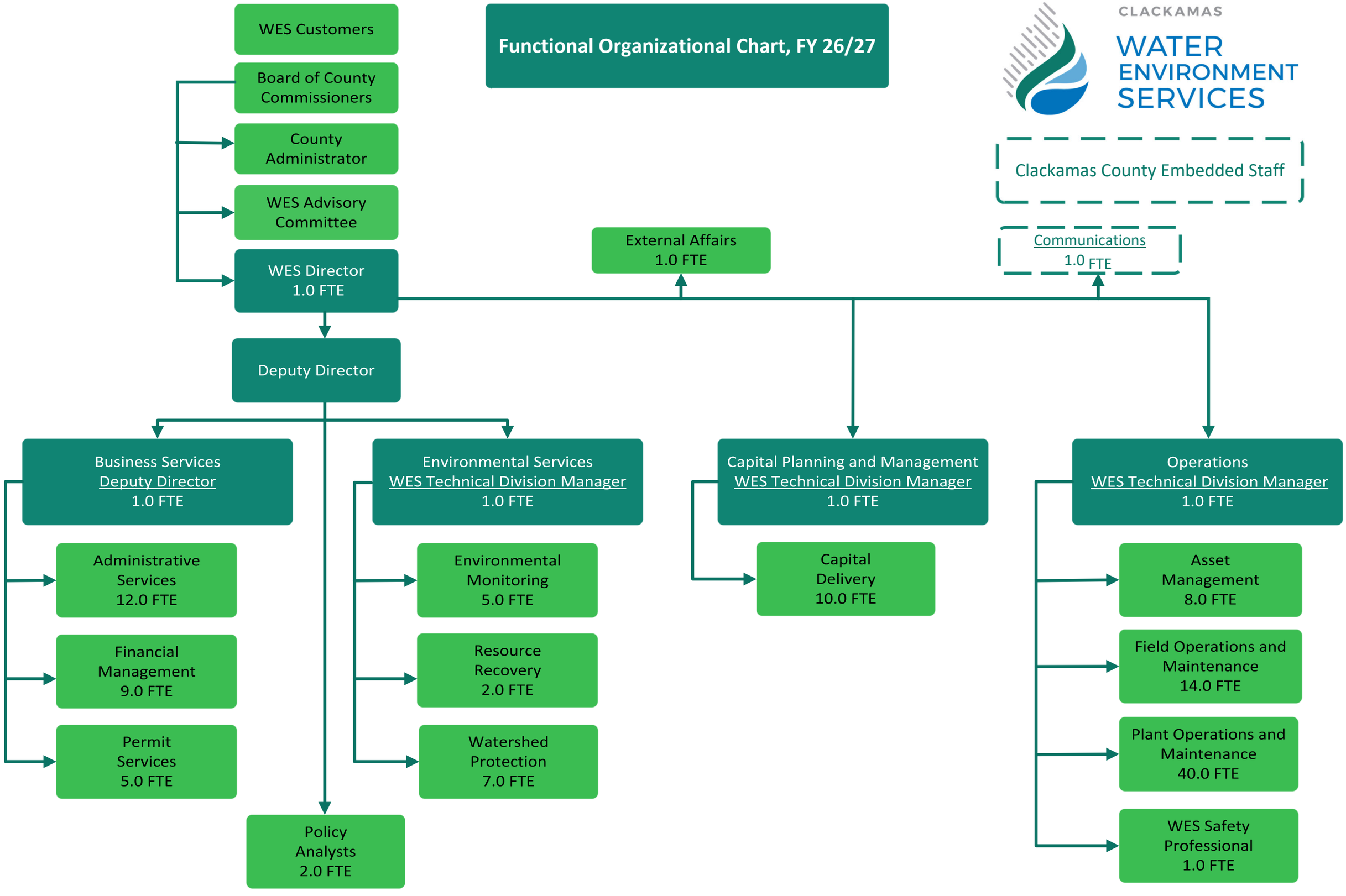
DIRECTOR 2 FTE	Staff in this workgroup provide services including: department oversight, district governance, public information and outreach, risk management, strategic planning, regulatory compliance, and policy administration.
BUSINESS SERVICES 29 FTE	Staff in this workgroup provide services including: financial analysis and reporting, accounting, budgeting, rate projections, utility billing, customer service and administration, human resources, records and contract administration, administrative support, and development review and permitting.
CAPITAL PLANNING AND MANAGEMENT 11 FTE	Staff in this workgroup provide services including: capital projects and fleet management, capital improvement program administration, and technical services.
ENVIRONMENTAL SERVICES 15 FTE	Staff in this workgroup provide services including: biosolids management, riparian restoration and erosion control, laboratory operations, program field monitoring, source control, and water quality monitoring.
OPERATIONS 64 FTE	Staff in this workgroup provide services including: sanitary sewer treatment, collection system maintenance, treatment plant maintenance, mechanical and electrical equipment maintenance, storm system maintenance, asset management, and information technology.
CLACKAMAS COUNTY EMBEDDED PERSONNEL	WES contracts with other County departments for personnel to provide public communications services. As these specialized positions are employees of the departments that WES contracts with, they are funded in the Other County Services line item in the budget and not included in WES' labor budget. These positions are listed on the organizational chart on the following page as embedded staff and identified with a dashed box. Embedded staff generally operate within the Director workgroup under the direction of Department Management.
WES ADVISORY COMMITTEE	WES' Advisory Committee is a 21-person committee consisting of customers, stakeholders and city representatives. The Committee's purpose is to provide input and make recommendations on wastewater and surface water issues to WES and the BCC.

The organizational chart on the following page illustrates the allocation of staff among the divisional workgroups for the 2026-27 fiscal year.

The Performance Clackamas section of this document contains details on the Department's 11 programs, which establish the structure for the operating budget.

Functional Organizational Chart, FY 26/27

CLACKAMAS WATER ENVIRONMENT SERVICES



Clackamas Water Environment Services Department Position Summary Schedules

Full-time Equivalent (FTEs) By Work Division

Work Division	17-18 Actual	18-19 Actual	19-20 Actual	20-21 Actual	21-22 Actual	22-23 Actual	23-24 Actual (1, 2)	24-25 Actual (3)	25-26 Budget (4)	26-27 Budget (5)
Director	3.00	5.00	3.00	4.00	4.00	4.00	1.00	2.00	2.00	2.00
Business Services	17.00	19.00	21.00	22.00	23.00	21.00	24.00	28.00	28.00	29.00
Capital Planning and Management	16.00	14.00	16.00	14.00	14.00	15.00	17.00	9.00	12.00	11.00
Environmental Services	21.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	18.00	15.00
Operations	49.00	52.00	52.00	52.00	55.00	56.00	56.00	59.00	61.00	64.00
Totals	**106.00**	**110.00**	**112.00**	**112.00**	**116.00**	**116.00**	**118.00**	**118.00**	**121.00**	**121.00**

Full-time Equivalent (FTEs) by Work Division are based on the Functional Organization Chart and include vacancies/unfilled positions.

(1) FY 2023-24 reflects an organizational shift of 3 FTEs from the Director to Business Services work division

(2) FY 2023-24 reflects 2 incremental FTE Engineering positions to support project delivery and implementation of WES' capital plans in the Capital Planning and Management work division

(3) FY 2024-25 reflects the following organizational changes:
- A shift of 8 FTEs in the Asset Management workgroup from the Capital Planning work division and Management to Operations work division
- A shift of 5 FTEs in the Resource Recovery workgroup from the Operations work division to the Environmental Services work division
- A shift of 5 FTEs in the Watershed Protection workgroup from the Environmental Services work division to the Business Services work division
- A shift of 1 FTE in the Administrative Services workgroup from the Business Services work division to the Director work division

(4) FY 2025-26 reflects the following organizational changes:
- A shift of 2 FTEs in the Watershed Protection workgroup from the Environmental Services work division to the Capital Planning and Management work division
- An increase of 1 FTE in the Plant Operations and Maintenance workgroup from the Operations work division to the Capital Planning and Management work division
- An increase of 3 new FTEs in the Operations division from the conversion of seasonal staff

(5) FY 2026-27 reflects the following organizational changes:
- A shift of 1 FTE in the Business Services workgroup from the Operations work division to the Administrative Services work division
- A shift of 1 FTE in the Plant Operations and Maintenance workgroup from the Capital Planning and Management work division to the Operations division
- A shift of 3 FTEs in the Operations division from the Environmental Services work division

Clackamas Water Environment Services Department Position Summary Schedules

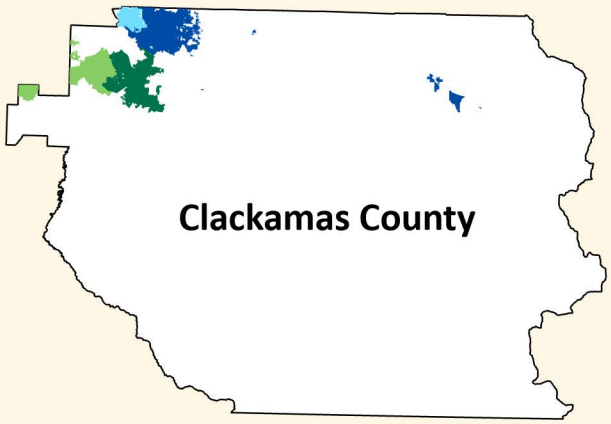
Full-time Equivalent (FTEs) By Performance Clackamas Program

Performance Clackamas Program	17-18 Actual	18-19 Actual	19-20 Actual	20-21 Actual	21-22 Actual	22-23 Actual	23-24 Actual	24-25 Actual	25-26 Budget	26-27 Budget
Account Services	4.17	2.68	2.81	2.69	2.65	2.72	3.93	4.56	5.16	5.11
Administrative Services	11.35	12.60	12.60	14.49	12.86	11.61	12.42	11.14	13.16	12.73
Asset Management	7.04	7.27	6.83	6.99	7.05	7.48	7.04	7.27	8.20	8.20
Capital Delivery (1)	6.39	5.98	7.09	7.79	7.28	6.40	8.59	10.00	10.55	10.40
Environmental Monitoring	6.64	6.29	5.99	5.61	6.07	5.58	5.74	5.95	6.20	6.81
Field Operations and Maintenance (3,4)	13.24	12.92	12.33	13.90	12.62	14.15	15.48	16.22	17.40	17.45
Financial Management	5.93	6.03	5.98	6.18	6.56	6.58	6.49	6.92	6.79	6.84
Permit Services (2,4,5,6)	10.05	8.21	8.64	7.77	8.01	7.73	7.66	8.62	6.04	5.05
Plant Operations and Maintenance (4,6)	28.81	32.56	33.50	32.74	31.29	32.08	33.21	33.26	37.95	38.23
Resource Recovery (3,4,5)	8.29	8.68	7.76	6.35	5.77	4.99	4.84	5.47	1.95	2.25
Watershed Protection (2,5,6)	4.09	5.43	5.37	5.11	4.69	4.27	4.05	3.94	6.35	7.93
Vacancies - All Programs (7)	0.00	1.35	3.10	2.38	11.15	12.41	8.55	7.65	1.25	0.00
Totals	**106.00**	**110.00**	**112.00**	**112.00**	**116.00**	**116.00**	**118.00**	**121.00**	**121.00**	**121.00**

Full-time Equivalent (FTEs) by Performance Clackamas Program are calculated by dividing the total hours charged to the program by hours per FTE.

(1) Includes capitalized labor
(2) FY 2025-26 increase in the Watershed Protection Program due to source control position shifts from the Permit Services Program
(3) FY 2025-26 increase in Field Operations and Maintenance Program due to the conversion of seasonal staff and Technician activity shift from the Resource Recovery Program
(4) FY 2025-26 decrease in the Resource Recovery due to the shifts of Technician/Supervisor activities to the Field Operations and Maintenance, Plant Operations and Maintenance and Permit Service Programs
(5) FY 2026-27 decrease in the Permit Services Program due to the shift of Supervisor activities to the Watershed Protection and Specialist activities to the Resource Recovery Program
(6) FY 2026-27 increase in the Watershed Protection Program due to the shift of Supervisor activities from the Permit Services Program and Coordinator activities from the Plant Operations and Maintenance Program
(7) Vacancies for FY 2024-25 forward periods reflect planned unfilled/partial vacancies and excludes frictional vacancy assumptions

Service Area Vicinity

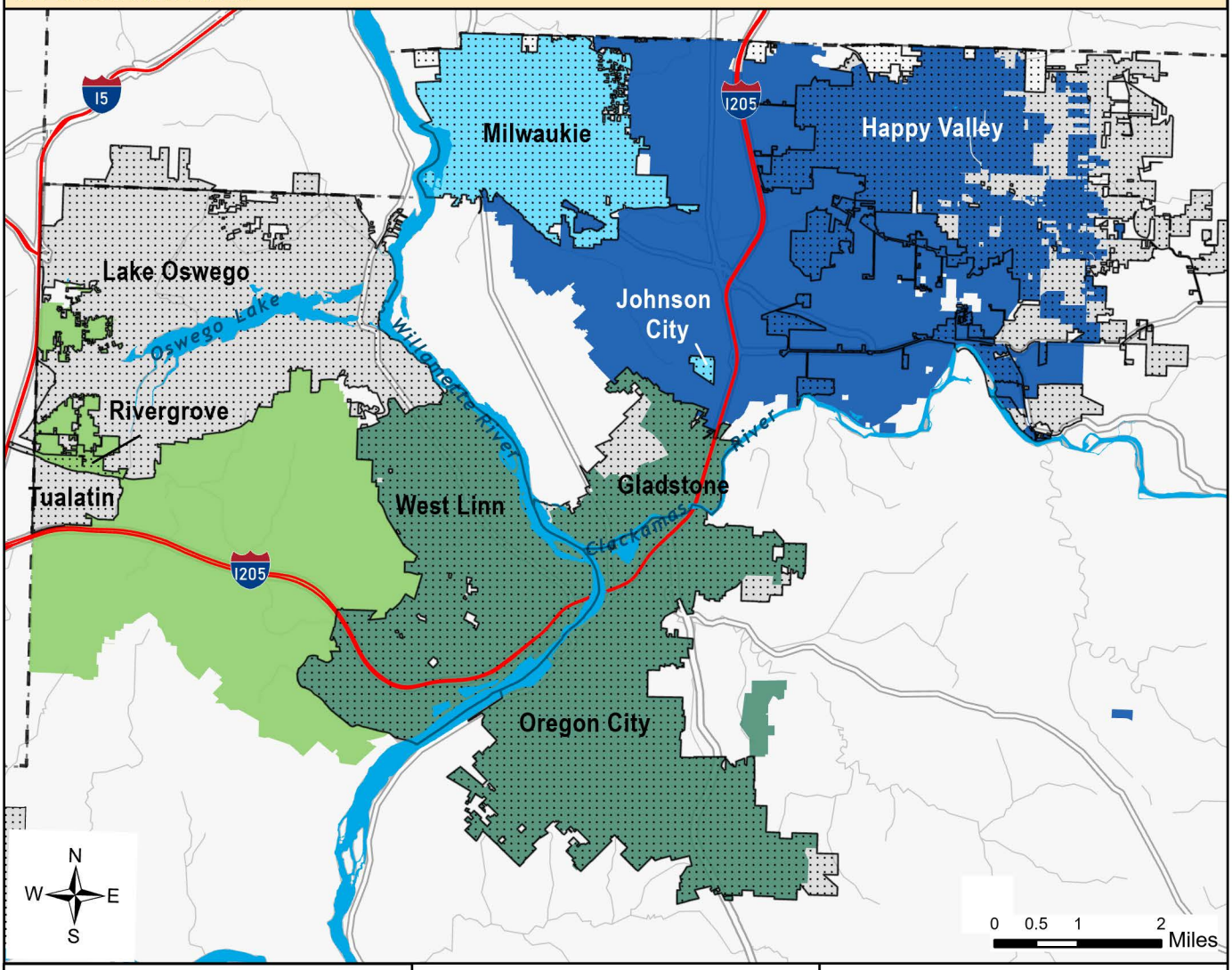


Legend

RATE ZONE

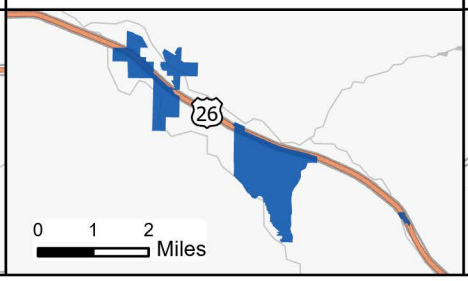
- Zone 1
- Zone 2
- Zone 2A
- Zone 3
- County Boundary
- City Boundary
- River
- Interstate Highway
- State Highway

WES Service Area

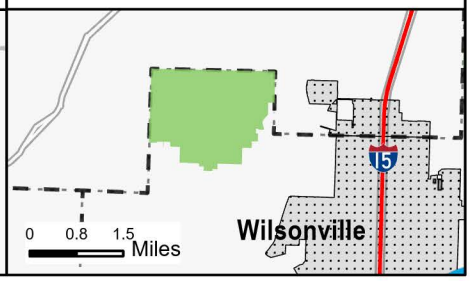


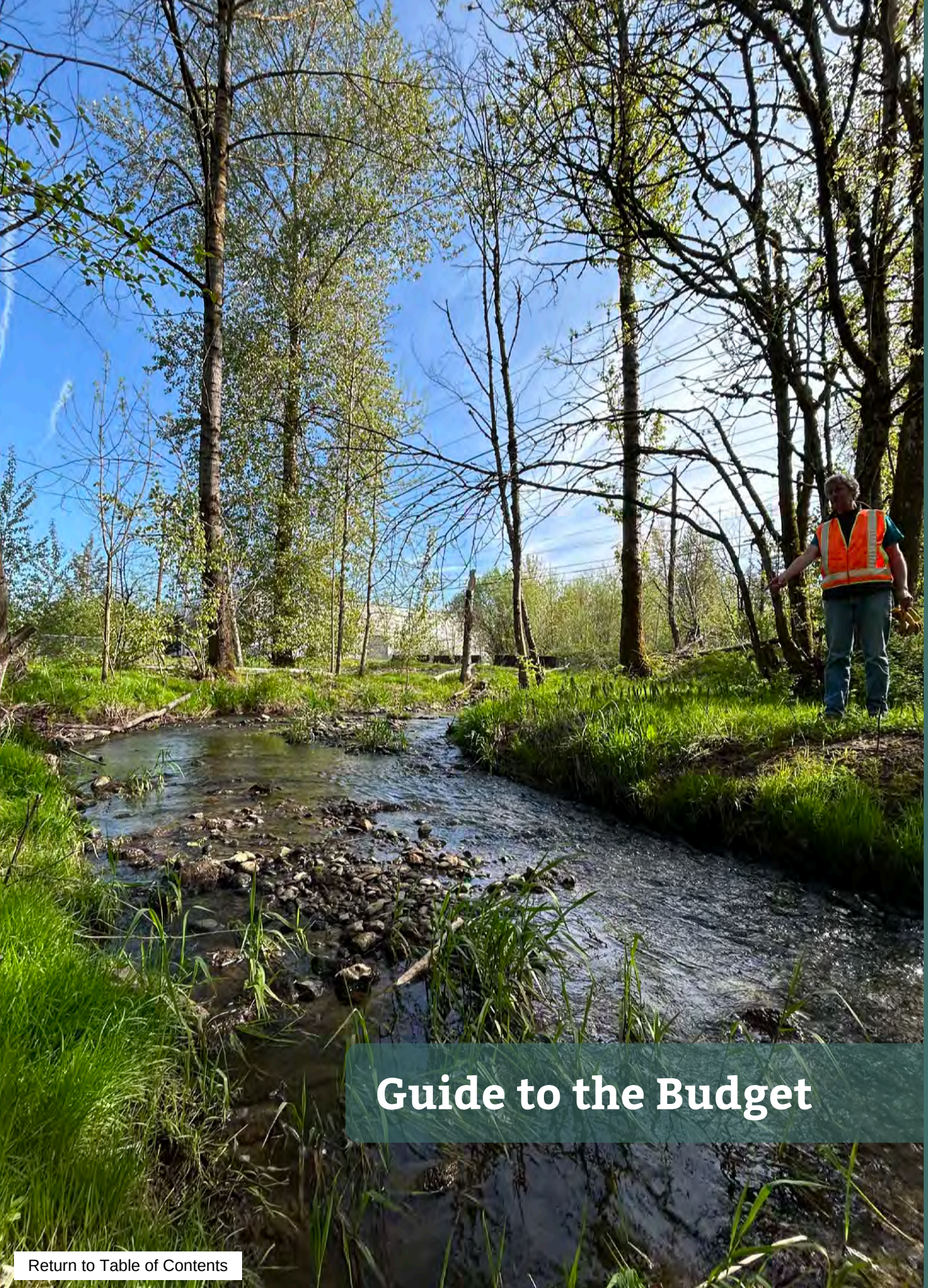
Boring - Zone 2

Hoodland - Zone 2



SWMACC - Zone 3





Guide to the Budget

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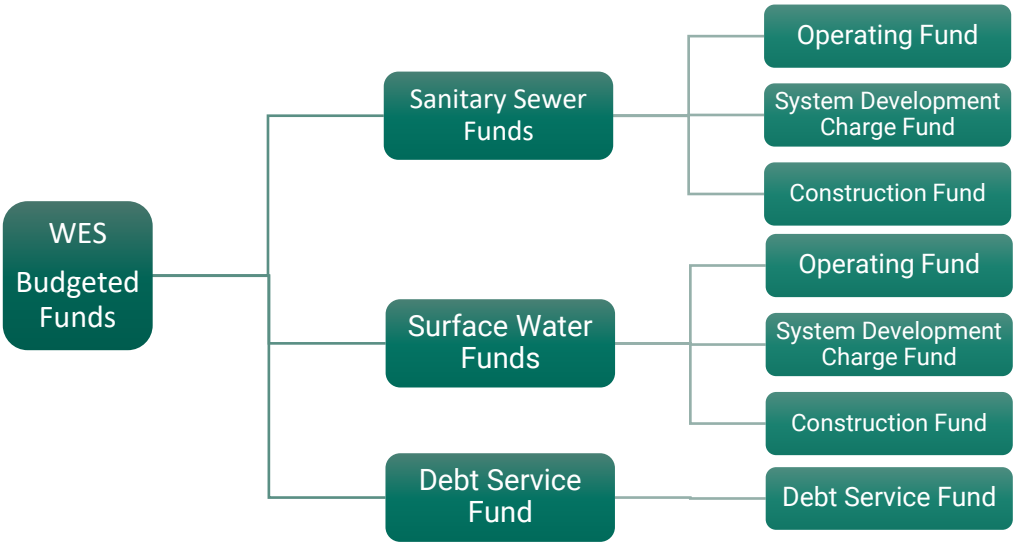
FINANCIAL STRUCTURE

WES' financial structure is organized into funds to ensure that revenues are used for their intended purposes and to maintain transparency and accountability.

What is a fund? A fund is a set of self-balancing accounts used to track specific types of revenues and expenditures. Oregon Budget Law requires that governments prepare and adopt the budget by individual funds, and that each fund's budget is balanced, which means that the resources must equal the requirements each fiscal year.

BUDGET FUND STRUCTURE CHART



SOURCES AND USES OF FUNDS

An overview of WES' primary sources and uses of funds by fund type is outlined in the table below.

	Operating Funds	System Development Charge Funds	Construction Funds	Debt Service Fund
Fund Purpose	*Day-to-day sewer and surface water operations*	*Capital expenditures related to growth or capacity increases*	*Non-System Development Charge capital expenditures*	*Repayment of principal and interest on WES' revenue obligations and state loans*
Sources	• Service charges • Interest • Other income	• System Development Charges (SDCs) for new connections • Interest	• Project participation • New debt issuances • Grants • Interest • Interfund transfers from Operating Funds	• New debt issuances • Assessment Collections • Interest • Interfund transfers from Operating and SDC Funds
Uses	• Materials and Services • Special payments • Interfund transfers to Construction and Debt Service Funds	• Capacity-enhancing capital project expenditures • Interfund transfers to Debt Service Fund for SDC-eligible debt	• Capital project expenditures	• Principal and interest on long-term debt • Special payments

BASIS OF ACCOUNTING AND FINANCIAL REPORTING

The audited financial statements are prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP), as applicable to governmental proprietary fund types (enterprise funds).

BASIS OF BUDGETING

In accordance with budgetary accounting principles, all funds are budgeted on the accrual basis of accounting under which revenues are recognized at the time they are earned, and expenses are recognized when they are incurred, regardless of the timing of the related cash flow.

Differences between the budget basis and accounting basis are reconciled at year-end as shown in the Annual Comprehensive Financial Report (ACFR). In particular, these differences include: depreciation is accrued for GAAP purposes but is not a budgeted expense item as it does not require an expenditure of funds; principal payments on long-term debt are expended on a budgetary basis but are applied to the outstanding liability on a GAAP basis; and capital outlay are treated as expenditures on a budgetary basis but are capitalized on a GAAP basis.

WES' Annual Comprehensive Financial Report, which includes audited financial statements and a reconciliation of budget-basis to GAAP-basis results is available at https://www.clackamas.us/wes/financial-reports.

PLANNING FRAMEWORK

WES' budget is guided by three related planning documents that together ensure WES delivers reliable services today while building a financially sustainable future.

Strategic Plan

WES' Strategic Plan establishes seven strategies that guide budget priorities and investment decisions.

Each strategy is carried out through WES' Performance Clackamas framework, which organizes the operating budget into program-level budgets with specific objectives and performance measures.

The seven strategies and program-level details are included in the Performance Clackamas section.

Capital Improvement Plan (CIP)

The CIP is a rolling 5-year plan that identifies and prioritizes wastewater and stormwater construction projects and major equipment purchases.

The CIP serves as the basis for the capital fund budgets, which are discussed in detail in the Capital section.

Long-Range Financial Plan (LRFP)

WES' long-range financial plan is a 10-year forecast projecting revenues, operating expenses, debt service requirements, capital needs, and rates. The plan balances short and long-term financial needs while ensuring WES meets financial policy targets including debt service coverage and reserves.

The Plan and 10-year rate forecasts are detailed on in the LRFP section.

BUDGET PROCESS

WES' budget process follows the overall framework for budget development as established by Oregon Budget Law (ORS 294.305 to 294.565 and ORS 294.900 to 294.930):

1. Planning & Preliminary Budget Development

The budget process begins in January of each year and requires program managers to estimate their current fiscal year expenses and project their operating budget requirements for the next fiscal year. During this phase, managers review their program's spend needs and craft their current fiscal year estimates and budgets to support strategic plan initiatives and their Performance Clackamas plan program goals.

The capital budget for the upcoming year is prepared based on the Capital Improvement Plan which details capital projects over a rolling 5-Year planning horizon.

Managers submit their operating and capital budgets to Department Finance where they are consolidated on a fund level and assembled into a preliminary budget which is used to update WES' long-range financial plan and forecast revenue requirements.

2. Review, Proposal, and Approval

The preliminary budgets are evaluated and revised as necessary by management. The revised version is then presented to the County Administrator for review. After the County Administrator's review, the proposed budget is published and distributed to the members of the WES Budget Committee and presented at an Advisory Committee Meeting.

A "Notice of Budget Committee Meeting" is published and a meeting is held, in which the WES Budget Committee hears the budget message, hears and considers public comments, discusses and revises the budget as needed, and approves the budget.

3. Adoption and Implementation

Once the WES Budget Committee has approved the budget, a budget summary and a notice of public budget hearing is published. This hearing provides another opportunity for public comment from interested citizens and other interested parties. Following the public hearing, the budget is adopted and appropriations are made by the Board of County Commissioners (BCC), which serves as the governing body for WES.

The budget must be adopted by June 30th of each year.

4. Budget Amendment after Adoption

The level of control is the level at which spending cannot exceed the budgeted amount without formal governing board authorization. The budget is adopted at the fund level with appropriations made at the principal object level in the categories of Materials and Services, Special Payments, Capital Outlay, Debt Service, Interfund Transfers Out, and Contingency. Management may make transfers of appropriations within these object levels, however, transfers of appropriations among object levels require approval by the BCC.

Unexpected additional resources may be added to the budget with a supplemental budget. The BCC, at a regular Board meeting, may adopt a supplemental budget less than 10% of the fund's original budget. A supplemental budget greater than 10% of the fund's original budget requires a public hearing, publication, and approval by the BCC.

STAKEHOLDER INPUT

WES Advisory Committee

WES has established the Water Environment Services Advisory Committee (WESAC) which meets regularly at publicly held meetings to provide input and discuss significant affairs of WES, including operations, capital improvements, regulatory compliance, and the development of the annual budget. Members of the advisory committee have experience and/or background in wastewater management, watershed health and restoration, economic development, and surface water. Members must reside or work within the WES service area.

WES Budget Committee

The WES Budget Committee is composed of WES' Board of Directors (the BCC) and a five-member subcommittee of the WESAC. The role of the WES Budget Committee is to perform duties consistent with County practices and Oregon Budget Law as outlined in the narrative overview of the budget process above and the timeline on the following page.

Community and Ratepayer Input

WES engages its customers and the broader community through the Clean Water Exchange (CWE), a biannual community survey that gathers public input on clean water priorities, service satisfaction, and community values. CWE results inform WES' Strategic Plan priorities and are reflected directly in budget decisions. The most recent survey was conducted in early 2025 and its findings are reflected throughout this budget.

CWE survey results are also used to set and evaluate customer performance targets in WES' Performance Clackamas program budgets.

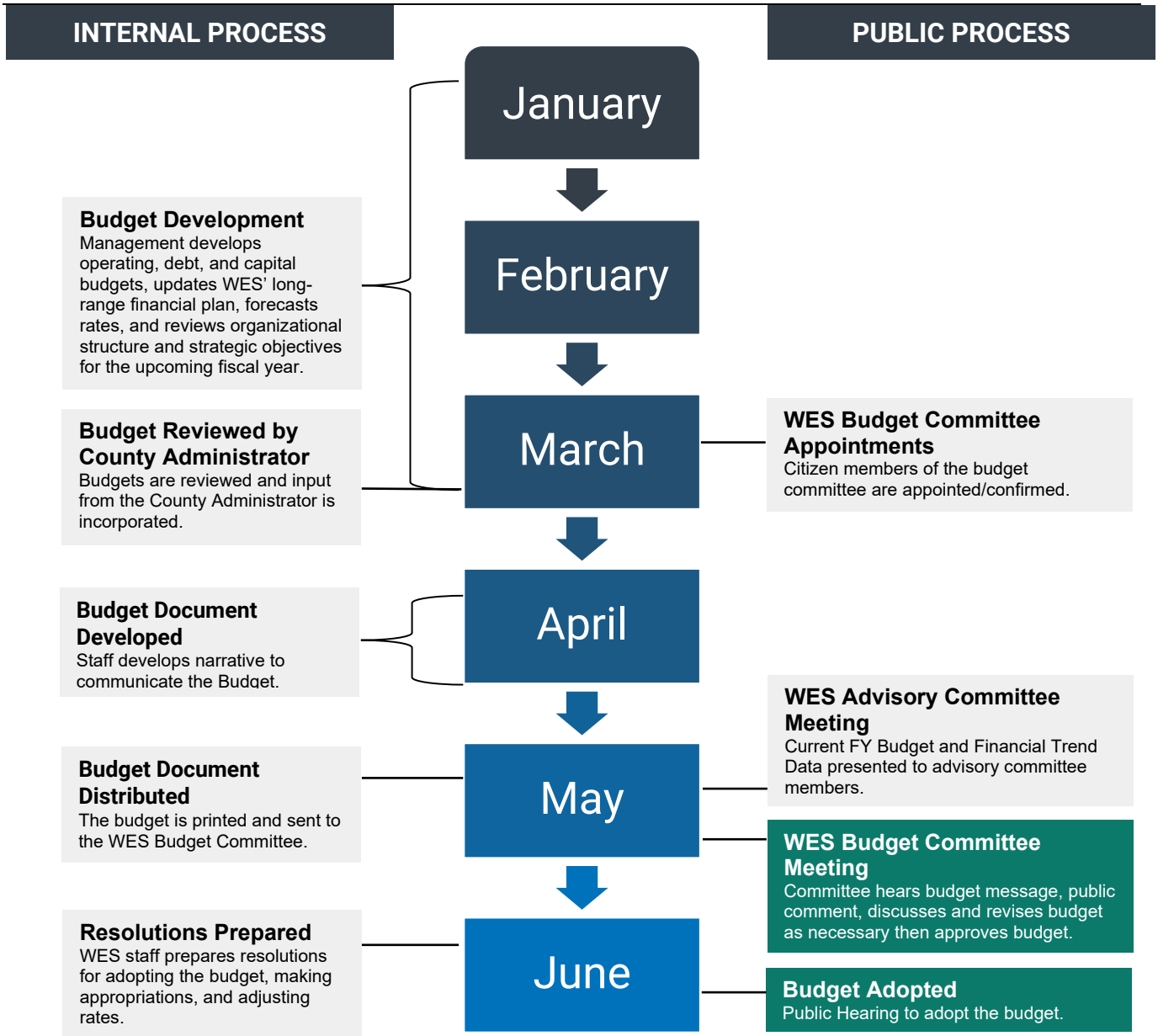
Public participation opportunities

WES Budget Committee Meeting | May 26, 2026
Members of the public may comment before the budget committee approves the budget.

Public Budget Hearing | June 17, 2026
Members of the public may comment before the Board of County Commissioners formally adopts the budget.

Meeting notices are published in The Oregonian and at clackamas.us/budget.

OVERVIEW OF BUDGET DEVELOPMENT: INTERNAL AND PUBLIC PROCESSES



BUDGET CALENDAR

The following calendar reflects the milestones met to develop the FY 2026-27 budget.

Date	Activity
December 20, 2025	Management begins review of Organization Structure and Performance Clackamas Lines of Business and Programs
February 12, 2026	Program Operating Budgets prepared by Managers and submitted to Department Finance; Capital Budget requests based on CIP submitted to Department Finance
February 19, 2026	Preliminary Budgets reviewed by Department Leadership
February 23-25, 2026	Management Team review of Consolidated Operating Budgets, budgetary trends, and significant changes
February 25, 2026	Final Operating and Capital Budget review by Department Leadership; all changes submitted to Department Finance
March 12, 2026	WES Budget Committee confirmed
March 16, 2026	Budgets presented to the County Administrator
March 19, 2026	Long-Range Financial Plan drafted to incorporate preliminary budgets; rates projected
March 30, 2026	County Administrator Final Approval of FY 2026-27 Proposed Budgets
April 3, 2026	Long-Range Financial Plan and rates updated with final budget numbers
April 30, 2026	Budget document completed and submitted to printer
May 7, 2026	Proposed Budgets distributed to WES Budget Committee and posted online
May 13, 2026	Notices of Budget Committee meeting published in The Oregonian and online
May 14, 2026	WES Advisory Committee Current FY Budget and Financial Trend Review Meeting
May 26, 2026	Budget Committee Meeting Week
June 3, 2026	Resolutions prepared for adopting the budget, making appropriations, and adjusting rates
June 5, 2026	Summary of budget as approved by the Budget Committee and Notice of Budget Hearing published
June 17, 2026	Public Hearing to Adopt the Budget and Rates

WES' financial policies guide its management of financial activities, including budgeting and financial planning, revenue management, debt management, and other related matters. These policies follow Government Finance Officers Association (GFOA) best practices and affirm WES' commitment to fiscal responsibility.

As a component unit of Clackamas County, WES adheres to County financial policies as applicable to enterprise funds, which are adopted and periodically updated by the Board of County Commissioners (BCC).

Policies that have been recently updated or are currently under review are noted within each section below.

The FY 2026-27 Budget complies with all applicable financial policies.

Budgeting and Financial Planning

WES will comply with Oregon Administrative Rules (OAR) 150-294.388(1) and adopt a balanced budget for each fund meaning that budgeted expenditures plus contingencies and reserves, if required, will be met by an equal amount of budgeted resources.

WES shall legally adopt its budgets on a fund basis with appropriations made at the principal object-level in the categories of Materials and Services, Special Payments, Capital Outlay, Debt Service, Interfund Transfers, and Contingency. Appropriations will lapse at the end of the fiscal year.

WES shall plan annual budgets for each fiscal year that accurately reflect the service priorities and needs of the residents as directed by the BCC.

WES will maintain a budgetary control system to monitor revenues and expenditures on an ongoing basis to ensure adherence to the budget.

Contingency accounts may be budgeted in each Operating, System Development Charge, and Construction fund for circumstances that may arise, which could not have been reasonably anticipated, and which may require a change in the annually adopted plan. Contingency may be re-appropriated to other spendable accounts during the budget year with approval of the BCC.

WES will manage funds with the objective of the Ending Fund Balance exceeding the original Contingency appropriation for the fiscal year.

Revenue

WES will maintain to the greatest extent possible a diversified base of revenue sources, limiting reliance on any single source.

A new Cost Recovery policy was adopted and implemented in December 2024. The summary below reflects this new policy.

WES shall establish fees and charges to recover the full direct and indirect costs of providing services.

- **Non-rate revenues** (such as permit fees and other miscellaneous charges) will be set to recover full costs. These fees may increase automatically by up to 3% annually based on the Consumer Price Index (CPI) for the Western U.S., with any higher adjustments requiring Board approval. The BCC may approve fees below full cost recovery if deemed in the public interest. Fees and charges are reviewed at least biennially to assess cost recovery, inflation impacts, and regional competitiveness.
- **Utility rates and system development charges** are set annually in accordance with Oregon Revised Statutes (ORS) and industry best practices. Rate-setting decisions prioritize full cost recovery to ensure financial sustainability and compliance with debt obligations.

All fees and charges will comply with state statutes and County ordinances.

WES will aggressively pursue the collection of delinquent accounts.

Capital Improvement Plan (CIP) and Capital Budget

A new Capital Asset Policy was adopted and implemented in July 2023. The summary below reflects this new policy.

WES shall prepare a long-term plan for capital improvements based on master planning studies. This plan shall be used to develop a 5-year Capital Improvement Plan (CIP) and extended 10-year capital spending projections for use in long-range financial planning.

WES will prepare a prioritized 5-year CIP addressing large-scale investments in infrastructure and equipment. The plan will be updated annually, and all changes will be reviewed for approval by the BCC.

Capital Outlay budgets will include all anticipated expenditures for individual items with a cost greater than $10,000 and a useful life expectancy of one year or more. Purchases below the thresholds, and outlays that only return a capital asset to its original condition, are budgeted as fiscal year expenditures in the Materials and Services category.

Each year's budget for capital expenditures will be in conformance with the CIP and in compliance with requirements of ORS.

Debt

A new WES Debt policy was adopted and implemented in October 2022. The summary below reflects this new policy.

WES will issue debt as needed and as authorized by the BCC in a form related to the type of improvement to be financed.

WES shall undertake and maintain all debt financings in compliance with applicable Federal law, the Oregon Constitution, ORS, and OAR. WES will further comply with the Security and Exchange Commission and Municipal Securities Rulemaking Board rules regarding ongoing disclosure, and oversight of participants in the municipal debt market including advisors and securities dealers.

WES will comply with all financing covenants to maintain the validity of the issuance of debt, including, but not limited to tax-exemption, arbitrage rebate compliance, insurance provisions, reporting, and monitoring requirements. Any instance of noncompliance will be reported to the BCC.

WES may participate in federal, state, or other loan programs, if in the best interests of WES. WES specifically will evaluate Clean Water Act State Revolving Fund (SRF) loans and Water Infrastructure Finance and Innovation Act (WIFIA) financing options.

Refunding obligations may be issued to retire all or a portion of an outstanding debt issue. Economic refunding may refinance high-coupon debt at lower interest rates to achieve debt service savings. Alternatively, WES may conduct a refunding for reasons other than cost savings, such as: to restructure debt service payments, to change the type of debt instruments, to release restricted revenues, to ease administrative requirements, or to remove undesirable covenants.

WES will maintain the highest practical credit rating (or ratings) to ensure efficient access to capital markets at the lowest prevailing interest rates.

Investments

WES' cash and investments are invested by the Clackamas County Treasurer on behalf of WES with the primary objectives of safety, liquidity, and yield.

WES will monitor the activities of the Clackamas County Treasurer regarding WES' cash and investments held by the County to ensure that liquidity and working capital needs are met and investments are in compliance with the County's Investment Policy.

Performance Clackamas

Return to Table of Contents

Budget by Program

Introduction

Performance Clackamas is a planning framework and process modeled after the Managing for Results (MFR) system, which has been used successfully in cities and counties throughout the United States. Clackamas County adopted Performance Clackamas in 2014, with plan updates provided when appropriate. The County's current plan was adopted by the Board of County Commissioners in July 2025.

WES staff implemented the first Performance Clackamas Plan in 2016, with updates made in FYs 2018-19 and 2023-24. WES will be implementing an updated plan in FY 2026-27 aligned with WES' refreshed Strategic Plan.

Clackamas County Strategic Priorities

WES' Performance Clackamas Plan is an integral part of WES' Strategic Plan and aligns WES' initiatives with four of the County's five overarching strategic priorities.

Note: WES' programs are aligned with four out of five of the County's Strategic Priorities through the use of primary indicators. 'Safe, Secure, and Livable Communities' is not represented, as none of WES' programs have primary indicators associated with this priority.

WES Strategic Plan Structure

WES' Strategic Plan acts as the organizational blueprint that guides decision-making. It was updated in FY 2025-26 following an Effective Utility Management (EUM) Best Practice Assessment and various organization-wide workgroup reviews. The Plan is composed of the following elements:

Plan Element	Description
Vision	WES' envisioned future state: *Be a collaborative partner in building a resilient clean water future where all people benefit and rivers thrive.*
Mission	WES' core purpose: *Clackamas Water Environment Services produces clean water, protects water quality and recovers renewable resources. We do this by providing wastewater services, stormwater management, and environmental education. It's our job to protect public health and support the vitality of our communities, natural environment, and economy.*
Focus Areas	Essential themes that help guide WES' strategic efforts and resource allocation.
Strategies	Broad and long-term initiatives that WES will undertake to achieve its vision and mission, adhering to core focus areas. These seven strategies reflect the most important issues that must be addressed to achieve WES' desired future.
Goals	Primary outcomes WES aims to achieve to support the overarching strategies.
Objectives	Specific actions and targets to achieve each goal.
Measures	Metrics used to track the progress towards achieving objectives. Measures provide a quantifiable means to assess performance and link staff's work to organizational goals.

WES' Seven Strategies

Strategy	Description
Workforce Planning and Development	We build an organization and work culture that attracts, develops, and retains a high-performing workforce by investing in our people, engaging our teams, and aligning every role with our vision, mission, and values.
Utility Operations and Environmental Protection	We operate wastewater and stormwater facilities to meet or exceed environmental and safety standards, recover resources, protect our watersheds and safeguard the health of our communities.
Asset Management	We maintain our infrastructure to ensure the cost-effective and sustainable delivery of reliable, high quality, and efficient clean water services.
Capital Planning and Delivery	We prioritize our infrastructure investments to deliver reliable, high quality, and climate-resilient clean water services that support the vitality of our communities, natural environment, and economy.
Financial Viability	We manage our financial resources to meet present and future funding needs, and to maintain reasonable and predictable rates that demonstrate fiscal responsibility.
Customer Satisfaction	We provide reliable, responsive customer service that aligns with our communities' values and exceeds customer expectations.
Stakeholder Support	We cultivate collaborative partnerships through proactive engagement, effective communication, public education, and community leadership.

Strategic Planning Cycle

WES' strategic planning cycle ensures ongoing alignment between community priorities and budget decisions. WES initiated an update to its Strategic Plan in fall 2025. The process began with a review of progress under the current plan, which runs through the end of FY 2025-26, and included the Effective Utility Management (EUM) Best Practice Assessment, in which WES benchmarked its current operations against 440 best practices for effectively managed clean water utilities, as well as planning workshops with each division. The EUM assessment confirmed that WES is well-managed by national standards, with more than half of applicable best practices already implemented, and identified priority opportunities in enterprise resiliency, financial viability, and workforce development. The budget reflects the priorities and objectives identified through this strategic planning work.

The chart below illustrates the steps in the strategic planning cycle.

Strategic Planning Process

WES' Strategic Plan is the result of an extensive engagement and planning process that includes the following efforts:

- Stakeholder and community engagement via conducting surveys and hosting focus groups
- Effective Utility Management Assessment
- Employee input via Workgroup Workshops

Alignment with Countywide Strategic Priorities

Indicators serve as broad pathways to align WES' plan to Clackamas County's five overarching Strategic Priorities. The tables below show the primary County-wide indicators that WES' Performance Clackamas Programs support, within four of the County's five Strategic Priorities.

Healthy People | **Programs:** Plant Operations and Maintenance | Resource Recovery | Watershed Protection

Countywide Primary Indicator – Evidenced By
Clean Water: Increase in availability of clean water to residents for all activities.

Vibrant Economy | **Program:** Permit Services

Countywide Primary Indicator – Evidenced By
Business Growth / Construction Growth: Increase in business revenue, gross domestic product (GDP) and expansion; construction opportunities, including permitting.

Strong Infrastructure | **Programs:** Asset Management | Capital Delivery | Field Operations and Maintenance

Countywide Primary Indicator – Evidenced By
Infrastructure Condition: Improvement in the condition or capacity of roads, railways, bridges, tunnels, water supply, sewers, electrical grids, and telecommunications.

Public Trust in Good Government | **Programs:** Account Services | Administrative Services | Environmental Monitoring | Financial Management

Countywide Primary Indicators – Evidenced By
Resident Satisfaction Rate: Increase in resident satisfaction with the delivery of County services.
Transparency: Increase in easy accessibility of public information.
Internal Services Support: The ability of Internal Services to support critical program functions, services, and processes as perceived by their customers.
Affordable Services: Affordability of County services through rates and fees.

Lines of Business and Program

Under the Performance Clackamas structure, WES is organized into four broad lines of business and eleven more specific programs, each focused on providing services that share a common purpose and/or result. The subsequent pages provide details on performance targets, FY 2026-27 objectives, and the operating budget for each program. Full-time equivalent employees (FTEs) are allocated among programs based on the program's planned activity, budget needs, and objectives for the upcoming fiscal year.

Business Services	Capital Planning and Management	Environmental Services	Operations
• Account Services • Administrative Services • Financial Management	• Capital Delivery	• Environmental Monitoring • Permit Services • Resource Recovery • Watershed Protection	• Asset Management • Field Operations and Maintenance • Plant Operations and Maintenance

Performance Measures

Performance Clackamas utilizes four types of measures, outlined in the table below. For WES, these measures constitute a subset of the measures in WES' Strategic Plan. In the program pages that follow, performance measures for fiscal year-to-date (FYTD) 2025-26 reflect results through December 2025.

Measure Type	Used to Track
Customer	The sentiment of how program outcomes or engagements are received by stakeholders.
Output	Program activity represented by numbers that change during a time period.
Ratio	Program performance in terms of other factors, such as combinations of outcomes or dollars.
Result	Progress towards a specific goal by a set future date.

Customer Survey Measures - The majority of customer-oriented measures in WES' plan are based on questions from the Clean Water Exchange (CWE) community surveys. These surveys are administered every two years and the results for these measures reflect the survey cycle for the related fiscal years: CWE 2.0 (administered in 2023) results are reflected for FY 2023-24 actuals, and CWE 3.0 (administered in 2025) results are reflected for FY 2024-25 and FY 2025-26 actuals.

Program Budget Summaries

Budget information for each program is consolidated into two broad categories:

Operating Expense Category	Description
Materials and Services: WES Labor	Covers employee salaries and benefits, including direct labor costs associated with the program, a proportionate share of allocated leave and fringe benefit costs, as well as any budgeted overtime, temporary labor expenses, and frictional vacancy reduction.
Materials and Services: Other	Encompasses all other operating costs, such as chemicals, supplies, utilities, professional and administrative services, insurance and banking fees, permit fees, and an allocation of Countywide overhead costs for central and internal services.

FY 2026-27 Budget Program Summary of Changes

Program	FY 2026-27 Budget	Change from FY 2025-26 Amended Budget	Summary of Influencing Factors for Change from FY 2025-26 Budget	Pg. # for Detail
Account Services	$ 1,613,380	30,510 2%	No significant changes. 1% increase in labor due to inflationary increases offset by the shift of Supervisor activities to the Administrative Services program and 3% increase in materials and services due to an increase in utility billing payment processing-transaction fees partially offset by a decrease of consulting services due to the completion of survey work.	**54**
Administrative Services	3,432,860	(277,900) -7%	5% increase in labor due to inflationary increases, the allocation of estimated fringe benefit costs, and the shift of Supervisor staff activities from the Account Services program offset by the shift of Water Quality Analyst to the Watershed Protection program and 32% decrease in materials and services due to a shift of county procurement service costs to the Financial Management program.	**56**
Financial Management	1,884,920	233,120 14%	9% increase in labor due to inflationary increases and the allocation of estimated fringe benefit costs and 27% increase in materials and services due to a shift of county procurement service costs from the Administrative Services program.	**58**
Capital Delivery	1,295,250	49,010 4%	4% increase in labor due to inflationary increases and the allocation of estimated fringe costs offset by the shift of surface water engineering staff activities to capitalized labor and Watershed Protection program activities and 4% increase in materials and services due to increases in training costs and equipment pool rental expenses.	**60**
Environmental Monitoring	1,869,060	272,610 17%	16% increase in labor due to inflationary increases, the shift of Environmental Program Coordinator activities from the Watershed Protection program and the allocation of estimated fringe benefit costs and 19% increase in materials and services due to higher lab service costs from price and upcoming special project volume increases, and janitorial services.	**62**
Permit Services	1,270,520	(99,080) -7%	7% decrease in labor due to the shift of Supervisor activities to the Watershed program and Environmental Service Specialist activity to the Resource Recovery program offset by inflationary increases and the allocation of estimated fringe benefit costs and 8% decrease in materials and services due to a reduction in county internal service costs and equipment pool rental expense offset by an increase in professional services for sanitary and stormwater standard updates.	**64**
Resource Recovery	1,388,750	(18,500) -1%	20% increase in labor due to the shift of the Environmental Services Specialist activity from the Permit Services program and inflationary increases, partially offset by the removal of the current year frictional vacancy estimate and 8% decrease in materials and services due to decreases in equipment pool rental expense and environmental service costs from pursuing energy savings performance contract; offset by increases in biosolids hauling and disposal costs from rate and production volume increases.	**66**
Watershed Protection	2,369,320	298,970 14%	25% increase in labor due to the shift and continued alignment of staff activities from various WES programs and 1% decrease in materials and services due to the reduction in environmental services from the completion of MS4 permit renewal work partially offset by increases in county internal service and cleanup program costs.	**68**
Asset Management	2,135,960	196,440 10%	14% increase in labor due to inflationary increases and the removal of the current year frictional vacancy estimate and 2% increase in materials and services due to cost increases for software maintenance.	**72**
Field Operations and Maintenance	4,912,560	121,830 3%	4% increase in labor due to inflationary increases and the allocation of estimated fringe benefit costs and 1% increase in materials and services from an increase in supplies costs to support in-house projects, increases in electricity and chemical costs from rate and capacity consumption increases, partially offset by a reduction in equipment pool rental expenses.	**74**
Plant Operations and Maintenance	13,894,616	860,231 7%	10% increase in labor due to inflationary increases and the allocation of estimated fringe benefit costs and 4% increase in materials and services due to increases in electricity costs and utility plant supplies to build out a critical spare parts inventory.	**76**

Budget by Program

Line of Business *Program*	FTE	Sewer Operating Fund (Excl. Non Program)	Surface Water Operating Fund (Excl. Non Program)	Non-Program / Non-Operating	Total Budget
Business Services					
Account Services	5.11	$ 1,314,120	$ 299,260	$ -	$ 1,613,380
Administrative Services	12.73	2,717,600	715,260	-	3,432,860
Financial Management	6.84	1,555,200	329,720		1,884,920
Equipment Cost Pool (Contra-Expense)	N/A	(283,180)			(283,180)
Business Services Total	**24.68**	**5,303,740**	**1,344,240**	**-**	**6,647,980**
Capital Planning and Management					
Capital Delivery	10.40	1,009,980	285,270		1,295,250
Capital Planning and Mgmt Total	**10.40**	**1,009,980**	**285,270**	**-**	**1,295,250**
Environmental Services					
Environmental Monitoring	6.81	1,436,910	432,150		1,869,060
Permit Services	5.05	570,140	700,380		1,270,520
Resource Recovery	2.25	1,388,750			1,388,750
Watershed Protection	7.93	749,990	1,619,330		2,369,320
Environmental Services Total	**22.04**	**4,145,790**	**2,751,860**	**-**	**6,897,650**
Operations					
Asset Management	8.20	1,688,710	447,250		2,135,960
Field Operations and Maintenance	17.45	3,266,260	1,646,300		4,912,560
Plant Operations and Maintenance	38.23	13,894,616			13,894,616
Operations Total	**63.88**	**18,849,586**	**2,093,550**	**-**	**20,943,136**
Operating Budget Total					**35,784,016**
Non-Program / Non-Operating					
Overhead Allocated to Capital Projects		(452,700)	(99,100)		(551,800)
Special Payments				1,403,500	1,403,500
Capital Outlay				66,169,240	66,169,240
Debt Service				13,033,363	13,033,363
Interfund Transfers Out				31,173,969	31,173,969
Contingencies and Reserves				78,107,673	78,107,673
Non-Program / Non-Operating Total				**189,887,745**	**189,335,945**
TOTAL BUDGET	**121.00**	**$ 28,856,396**	**$ 6,375,820**	**$ 189,887,745**	**$ 225,119,961**
FY 2025-26 Budget	121.00	$ 27,502,455	$ 6,095,020	$ 213,985,988	$ 247,583,463
$ Increase (Decrease)	0.00	1,353,941	280,800	(24,098,243)	(22,463,502)
% Increase (Decrease)	0.0%	4.9%	4.6%	-11.3%	-9.1%

CLACKAMAS
WATER ENVIRONMENT SERVICES

View WES' complete Strategic Plan online at www.clackamas.us/wes

VISION

Be a collaborative partner in building a resilient clean water future where all people benefit and rivers thrive.

MISSION

Clackamas Water Environment Services produces clean water, protects water quality and recovers renewable resources. We do this by providing wastewater services, stormwater management, and environmental education.

It's our job to protect public health and support the vitality of our communities, natural environment, and economy.

OUR FOCUS AREAS

- ***Protecting Public Health***
- ***Investment in Our People***
- ***Stewardship of Healthy Waterways***
- ***Responsive Customer Service***
- ***Fiscal Responsibility***
- ***Water Resource Recovery***

CLEAN WATER FOR ALL.

BUSINESS SERVICES

Account Services

The purpose of the Account Services Program is to provide our communities and the individuals we serve with reliable, responsive customer service, billing services, and comprehensive account management to ensure customers' expectations and needs are met.

FY 2026-27 BUDGET

$1,613,380

CHANGE FROM 2025-26

+ 1.9%

PERFORMANCE NARRATIVE

On an annual basis, the Account Services Program issues approximately 300,000 bills and is responsible for collecting all retail sewer and surface water monthly service charges, which constitute nearly 70% of WES' annual service charge revenue. This program is also responsible for administering customer assistance programs, assessment and miscellaneous billing, collections and delinquency management, processing account payments, adjustments and refunds, account openings and closings, and other account management services.

A core performance target for the Account Services Program is that 80% of customers are satisfied with WES' efforts to be customer-oriented. The most recent Clean Water Exchange survey, which was administered in March 2025, found that 75% of respondents were satisfied or very satisfied, below the 80% target and lower than the 79% result from the 2023 CWE 2.0 survey. While this decrease is within a normal range of survey fluctuation, focus group participants specifically identified challenges with WES' billing and payment experience that may contribute to the lower customer-orientation score. These findings highlight the importance of the program's initiative to implement a biannual customer satisfaction survey focused specifically on billing and account management. The customer satisfaction survey was successfully launched in March 2026 and results will be used to gain insight into customer expectations and develop action plans for improving service delivery, with a related goal of increasing utilization of online and automated payment options, which has plateaued since FY 2023-24.

In March 2025, program staff began working on an initiative to update the Customer Assistance Program (CAP) and are on track to implement the new program July 1, 2026. The updated program will expand eligibility to multi-family and rental households, which is expected to increase access and help achieve a target of 600 enrolled utility accounts, more than double the current enrollment.

The utility accounts certified performance measure tracks the effectiveness of the program's delinquency management. As the target of certifying fewer than 5% of utility accounts was consistently met for the last four fiscal years, a more ambitious target of 3.74% was established for FY 2025-26. The program anticipates meeting the current FY target through outreach and past-due account notifications planned for May 2026.

KEY PERFORMANCE MEASURES

Performance Measure	Type	FY 23-24	FY 24-25	FY 25-26 Target	FY 25-26 YTD	FY 26-27 Target	Status
80% of customers are satisfied with WES' efforts to be customer-oriented	Customer	79%	75%	80%	75%	80%	Below Target
# utility accounts enrolled in WES' Customer Assistance Programs	Output	205	237	350	247	600	Below Target
# utility accounts certified / total utility accounts	Ratio	1,089 / 26,245 4.1%	1,138 / 26,526 4.3%	1,000 / 26,750 3.7%	1,576 / 26,593 5.9%	≤ 5%	✓ On Track
60%+ of utility customers utilize online and automated phone system account management options to make payments	Result	42%	43.9%	52%	44.4%	50%	Below Target

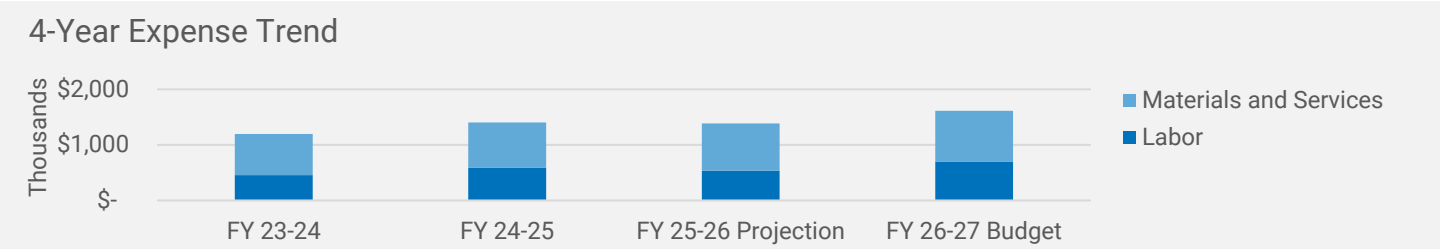
Account Services

FY 2026-27 Strategic Objectives and Budget Summary

FY 2026-27 STRATEGIC OBJECTIVES

In FY 2026-27, the Account Services Program will continue progress on initiatives to improve customer satisfaction and expand access to services. Results from the first biannual customer satisfaction survey will be used to identify improvements to WES' online payment system, payment options, and customer communications. These actions are anticipated to resume upward progress in online and automated payment utilization and contribute to improved customer satisfaction scores in the 2027 CWE survey.

Another objective for the upcoming year will be to implement a redundant payment gateway and processor to ensure continuity of payment services during outages or cybersecurity incidents, with the goal of implementing a backup system by the end of December 2026. This resiliency initiative was added to WES' strategic plan following the February/March 2026 payment system outage.



MATERIALS AND SERVICES EXPENSES BY CATEGORY

CATEGORY	FY 23-24 ACTUALS	FY 24-25 ACTUALS	FY 25-26 AMENDED BUDGET	FY 25-26 PROJECTED YEAR END	**FY 26-27 BUDGET**	$ CHANGE FROM PY BUDGET	% CHANGE FROM PY BUDGET
WES Labor	$ 455,549	$ 592,968	$ 695,850	$ 534,070	**$ 701,220**	$ 5,370	0.8%
Other	740,304	811,311	887,020	851,052	**912,160**	25,140	2.8%
Total Operating	**$ 1,195,853**	**$ 1,404,279**	**$ 1,582,870**	**$ 1,385,122**	**$ 1,613,380**	**$ 30,510**	**1.9%**

FULL-TIME EQUIVALENTS (FTE)

CATEGORY	FY 25-26 BUDGET	FY 26-27 BUDGET	CHANGE
Budgeted FTEs	5.16	5.11	**-0.05**

SIGNIFICANT ISSUES & CHANGES

The FY 2026-27 budget includes the following changes:

- WES Labor reflects a 0.8% increase from the current year's budget, driven by salary and benefit cost increases that are partially offset by a slight reduction in FTE assigned to the program. FY 2025-26's projected labor is significantly lower than budgeted due to a supervisor vacancy that was filled in December 2025.
- Other Materials and Services reflect a 2.8% increase due to higher banking and merchant fees for payment processing and increased postage costs due to higher USPS mailing rates. These increases are partially offset by reduced professional services expenses, as contracted services for the biannual customer satisfaction survey will be completed during the current fiscal year.

BUSINESS SERVICES

Administrative Services

The purpose of the Administrative Services Program is to provide efficient and effective administrative, human resources, and communication services to department employees so they can provide well managed services and information to customers and stakeholders.

FY 2026-27 BUDGET

$3,432,860

CHANGE FROM 2025-26

- 7.5 %

PERFORMANCE NARRATIVE

The Administrative Services Program provides internal human resources, workforce, and administrative support services to the department. The Program also provides customer and administrative support to both internal and external customers.

Our measure for performance evaluation tracking is a target of 100 completed reviews. WES has dedicated staff to support the components of the future Workforce Plan to support forward movement on performance appraisal completion, including future enhancement of a performance appraisal program. The Workforce Plan is nearing completion and implementing action on the goals will be a priority. We are also dedicated to staff development opportunities, including tracking how many hours of training are invested in each staff member; WES has set a goal of 40 hours per employee. Work is still being done to ensure staff can log training hours so accurate data can be reported for this goal.

WES discontinued the measure to perform 3 plant evacuation drills, one at each facility; however, we will continue to support the goal of ensuring staff are safe and aware of evacuation procedures in the event they are necessary. WES' Risk and Loss Control Analyst has been working on building-specific and plant safety for our staff. WES has been updating the Continuity of Operations Plan (COOP), and a more robust plan will be developed. WES will continue to focus on safety for employees.

Customer satisfaction is important to WES. WES is measuring the percentage of our stakeholders who agree that WES is providing reliable clean water services at a reasonable rate. The most recent Clean Water Exchange (CWE) survey, which was administered in March 2025, found that 64% of respondents were satisfied with WES' efforts to provide reliable clean water services at a reasonable rate. Although the shift is within the normal range of survey fluctuation, the result is down from the 72% result in the 2023 CWE survey and below the 80% target. Dissatisfaction increased by approximately 6%, highlighting an opportunity to better communicate WES' long-range financial plan and its role in keeping rates affordable with increases at a steady, predictable rate. To address this, the Administrative Services Program Communications Team is actively working with the Financial Management Program on an initiative to enhance outreach around how ratepayer dollars are used and how WES' financial planning supports rate stability for customers.

KEY PERFORMANCE MEASURES

Performance Measure	Type	FY 23-24	FY 24-25	FY 25-26 Target	FY 25-26 YTD	FY 26-27 Target	Status
80%+ of stakeholders agree that WES is providing reliable clean water services at a reasonable rate	**Customer**	72%	64%	80%	64%	80%	**Below Target**
# of employee evaluations completed per year	**Output**	46	53	100	35	100	**Below Target**
Training hours / Full-Time Equivalent (FTE) employee	**Ratio**	Data not available	5 hrs /FTE	40 hrs /FTE	12.5 hrs /FTE	40 hrs /FTE	**Below Target**
By 2025 complete and implement a department Workforce Plan	**Result**	On Track	On Track	7/1/2025	Delayed	7/1/2026	**Below Target**

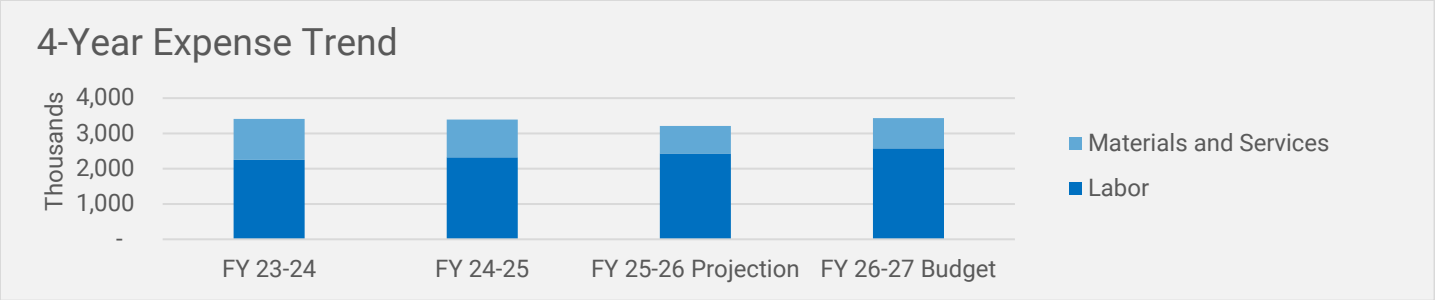
Administrative Services

FY 2026-27 Strategic Objectives and Budget Summary

FY 2026-27 STRATEGIC OBJECTIVES

Initiatives for FY 2026-27 focus on goals that align with the department Workforce Plan, including formalizing training and cross-training opportunities, enhancing the performance review program to boost the number of current employee evaluations, encouraging memberships to relevant associations and committees, and developing a method to capture job descriptions. The plan will include an updated completion date for the department electronic records system. Method(s) for customers to provide feedback to service request responses will be developed. The plan will continue to report on the average monthly hold times of customers who call in, as well as the maximum hold time for calls each month. The goals of the upcoming plan will support our focus on providing exceptional customer service to both our internal and external customers. A priority of our department will remain on overall staff engagement by providing clear and documented expectations, regular and effective performance feedback, and training opportunities. This addresses feedback that our staff provided through Employee Engagement survey responses and focus group sessions.

MATERIALS AND SERVICES EXPENSES BY CATEGORY



CATEGORY	FY 23-24 ACTUALS	FY 24-25 ACTUALS	FY 25-26 AMENDED BUDGET	FY 25-26 PROJECTED YEAR END	**FY 26-27 BUDGET**	$ CHANGE FROM PY BUDGET	% CHANGE FROM PY BUDGET
WES Labor	$ 2,250,139	$ 2,322,541	$ 2,456,830	$ 2,433,380	$ 2,577,820	$ 120,990	4.9%
Other	1,160,122	1,071,758	1,253,930	776,337	855,040	(398,890)	-31.8%
Total Operating	**$ 3,410,261**	**$ 3,394,299**	**$ 3,710,760**	**$ 3,209,717**	**$ 3,432,860**	**$ (277,900)**	**-7.5%**

FULL-TIME EQUIVALENTS (FTE)

CATEGORY	FY 25-26 BUDGET	FY 26-27 BUDGET	CHANGE
Budgeted FTEs	13.16	12.74	**- 0.42**

SIGNIFICANT ISSUES & CHANGES

The Administrative Services Program budget is decreasing by 7.5% overall as a result of reduced materials and services: other costs partially offset by an increase in labor costs. The increase in labor costs is driven by the removal of the prior year frictional vacancy estimate and the transfer of regulatory staff work activity from the Watershed Protection Program. The reclassification of the vacancy is currently underway, and the position should be filled by July 2026. These changes were made to better support business needs and align staffing with core program services. The Program has increased its professional services due to additional planned advertising and marketing over the next fiscal year. There is a decrease in materials and services due to shifting the costs for reimbursement of an FTE in central County procurement to the Financial Management Program to better align costs with the services each program provides.

BUSINESS SERVICES

Financial Management

The purpose of the Financial Management Program is to provide accurate and timely budget development and monitoring, financial reporting and compliance, analysis, and forecasting services to WES staff, the WES Advisory Committee, the Board of County Commissioners, bondholders, and the community so they have the necessary resources to achieve strategic results and make informed financial decisions.

FY 2026-27 BUDGET

$1,884,920

CHANGE FROM 2025-26

+ 14.1 %

PERFORMANCE NARRATIVE

The Financial Management Program is responsible for the development, preparation, and management of WES' budget and long-range financial plan, overseeing the rate setting process, annual financial reporting, and debt management. Additionally, the program supports other programs with financial analysis, prepares revenue and expenditure forecasts, develops and prepares various financial reports and analyses, and oversees the department's procurement processes.

One of this program's key performance measures evaluates customer satisfaction with WES' efforts to control costs and rates. This question was introduced for the first time in the March 2025 Clean Water Exchange (CWE) survey and established a baseline satisfaction level of 54%, below the 70% target. This result reinforced a consistent theme across both the survey and focus groups: customers want greater transparency about what WES is doing to manage costs and how ratepayer dollars are used. To address this feedback, the Financial Management Program will partner with the Administrative Services communications team to develop outreach materials that enhance our customer's understanding of WES' long-range financial planning and rate-setting approach. The program will also leverage the Account Services Program's biannual customer satisfaction survey to test new messaging ahead of the FY 2026-27 budget cycle. These efforts are expected to contribute to improved results in the next CWE survey.

The program continues to perform well in the measure for actual operating expenses to be at least 90% of the budgeted amount. Projected expenses are on track to meet this target for the current fiscal year, marking the third consecutive year of achieving this measure. This trend reflects improved budgeting accuracy and contributes to more accurate long-range financial planning, as the annual budget serves as the first year of WES' 10-year financial forecast.

Additional performance highlights for the past year include:

- Publishing WES' first Popular Annual Financial Report (PAFR) for FY 2024–25, which was a strategic plan initiative to enhance transparency through a user-friendly report that improves ratepayer understanding of WES' financial performance and position.
- Maintaining a AAA credit rating from S&P Global, which supports continued access to low-cost capital project financing.

KEY PERFORMANCE MEASURES

Performance Measure	Type	FY 23-24	FY 24-25	FY 25-26 Target	FY 25-26 YTD	FY 26-27 Target	Status
70% of customers are satisfied with WES' efforts to control costs and rates	Customer	Data not available	54%	70%	54%	70%	Below Target
S&P Global Credit Rating	Output	AAA	AAA	AAA	AAA	AAA	✓ On Track
Actual operating expenses / budgeted operating expenses	Ratio	92.8%	96.4%	≥90%	93%	≥90%	✓ On Track
Annually earn GFOA's Certificate of Achievement for Excellence in Financial Reporting and Distinguished Budget Presentation Awards	Result	Complete	Complete	Complete	Complete	Complete	✓ On Track
Annually maintain a mid-range or low impact rating for total annual cost of wastewater service, relative to lowest quintile household income	Result	Mid-Range 1.36%	Mid-Range 1.38%	Low to Mid-Range ≤2%	Mid-Range 1.34%	Low to Mid-Range ≤2%	✓ On Track

Financial Management

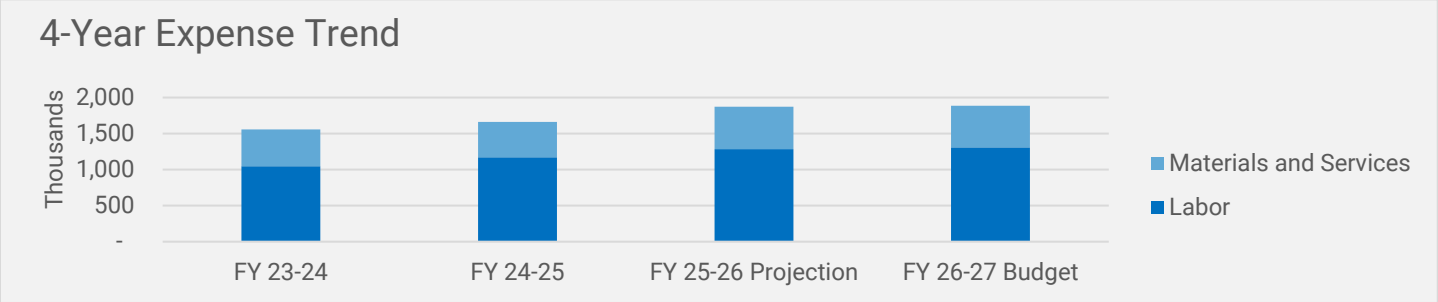
FY 2026-27 Strategic Objectives and Budget Summary

FY 2026-27 STRATEGIC OBJECTIVES

Initiatives for the upcoming year include:

- Pursuing external funding for capital projects, including grants and partner contributions. This work represents the next phase of a strategic plan initiative to establish a formal project funding program. Efforts in the coming year will focus on actively monitoring, evaluating, and pursuing funding opportunities to reduce the amount of revenue required from rates.
- Continuing implementation of a critical spare parts inventory. An inventory module has been developed in coordination with the Asset Management Program. Work in the next fiscal year will focus on risk assessment and identification of critical equipment to support system reliability and resilience.
- Developing a cost model for industrial permits to assess cost recovery and support any necessary fee updates.

MATERIALS AND SERVICES EXPENSES BY CATEGORY



CATEGORY	FY 23-24 ACTUALS	FY 24-25 ACTUALS	FY 25-26 AMENDED BUDGET	FY 25-26 PROJECTED YEAR END	**FY 26-27 BUDGET**	$ CHANGE FROM PY BUDGET	% CHANGE FROM PY BUDGET
WES Labor	$ 1,045,927	$ 1,170,988	$ 1,198,320	$ 1,285,030	$ 1,309,470	$ 111,150	9.3%
Other	511,108	491,482	453,480	586,941	575,450	121,970	26.9%
Total Operating	**$ 1,557,035**	**$ 1,662,470**	**$ 1,651,800**	**$ 1,871,971**	**$ 1,884,920**	**$ 233,120**	**14.1%**

FULL-TIME EQUIVALENTS (FTE)

CATEGORY	FY 25-26 BUDGET	FY 26-27 BUDGET	CHANGE
Budgeted FTEs	6.79	6.84	**+ 0.05**

SIGNIFICANT ISSUES & CHANGES

The FY 2026–27 budget for the Financial Management Program reflects a 14.1% increase from the current fiscal year, driven by both higher labor costs and an increase in materials and services. Labor costs are projected to increase by 9.3%, primarily due to salary and benefit adjustments, including compensation studies completed within the past year that resulted in salary adjustments for program staff. Additional compensation studies are in process for WES' remaining finance positions and further adjustments are anticipated in FY 2026–27.

WES reimburses the County for the cost of one FTE in central procurement in exchange for an enhanced level of service and prioritization of contracting support. The increase in other materials and services of 26.9% reflects a shift of this expense from the Administrative Services Program to better align costs with the services provided by the Financial Management Program.

CAPITAL PLANNING AND MANAGEMENT

Capital Delivery

The purpose of the Capital Delivery Program is to strategically plan for, design, and construct infrastructure projects that are cost-effective, sustainable, resilient, and reliable to protect clean water and support a vibrant economy.

FY 2026-27 BUDGET

$1,295,250

CHANGE FROM 2025-26

+ 3.9%

PERFORMANCE NARRATIVE

The Capital Delivery Program plans all capital project expenditures which range from $10,000 to several tens of millions of dollars. We are a staff of a program manager, two supervising engineers, five senior engineers, one civil engineer and two coordinators.

Program accomplishments for FY 2024-25 and Fiscal Year-to-Date 2025-26 include the following:

- Completion of the Tri-City WRRF Outfall Project Construction, and the new outfall being put into service in December of 2025 meeting our strategic plan target of having the system online before February 2026.
- Completion of the Intertie 2 Pump Station Expansion and Force Main Project design, in alignment with the strategic plan target of January 2025 and construction ongoing with anticipation of completion by the end of 2026.

Our five-year plan includes approximately $237 million in required sewer project expenditures and $27 million in stormwater project expenditures. We are actively managing approximately 45 projects representing over $150 million in facilities in planning, design, and construction costs. Due to unanticipated ground conditions and the current electrical supply market, the Willamette Pump Station and Tri City Influent Pump Station projects were delayed resulting in the project schedule getting extended and construction being delayed by one year.

The most recent Clean Water Exchange (CWE) survey, administered in March 2025, found that 45 percent of respondents were satisfied with WES' planning and investments in infrastructure. This represents a slight improvement from 42 percent in 2023 and falls within the normal range of survey fluctuation, though it remains below the 60 percent target. The “unsure” category decreased by 9 percentage points, a meaningful shift that suggests growing awareness of WES’ infrastructure work: however, dissatisfaction increased by approximately 6 percent. These results were somewhat surprising given that outreach around capital projects has been a focus over the past two years, including dedicating a portion of WES’ website to high-profile and high-impact projects. WES continues to look for ways to increase visibility of capital projects in the community, especially those that have a high impact on residential and business customers. It is also worth noting that approximately 26 percent of respondents identified as living in unincorporated Clackamas County, where WES infrastructure investments are less prevalent, which may have contributed to lower scores for this measure.

KEY PERFORMANCE MEASURES

Performance Measure	Type	FY 23-24	FY 24-25	FY 25-26 Target	FY 25-26 YTD	FY 26-27 Target	Status
60% of WES customers are satisfied with WES’ planning and investments in infrastructure	Customer	42%	45%	60%	45%	60%	Below Target
$ of partner city I/I reduction projects WES funds annually	Output	46%	59%	≥ 70% of annual I/I budget	27%	≥ 70% of annual I/I budget	Below Target
Actual capital expenses / budgeted capital expenses	Ratio	64%	84.6%	70%	57%	70%	Below Target
Update WES Hydraulic Model every 2 years.	Result	On Track	On Track	12/31/2025	Complete	12/31/2027	✓ On Track

Capital Delivery

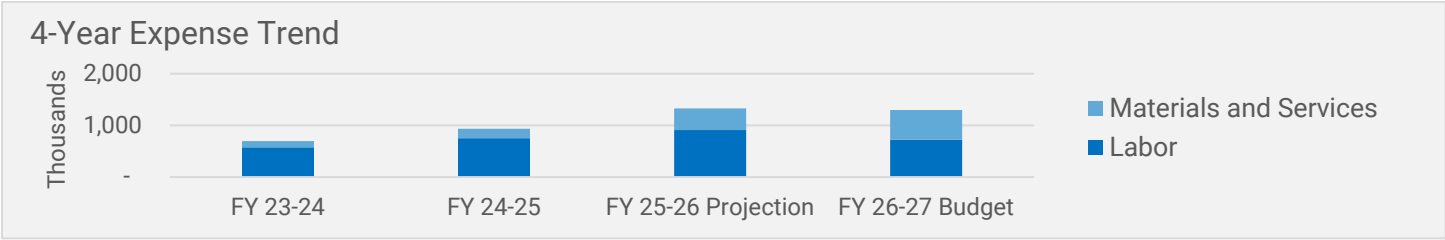
FY 2026-27 Strategic Objectives and Budget Summary

FY 2026-27 STRATEGIC OBJECTIVES

The major objectives for FY 2026-27 include the following:

- Complete the Middle Clackamas Interceptor Project design by the end of 2026 and have the project under construction.
- Completion of construction for the Three Creeks Water Quality Project by the end of 2026.
- Completion of the Hoodland Facility Plan by the end of 2026
- Complete the design of the first phase of the Rock Creek Extension by the end of 2026 and continue to completion of the design of the second phase of the Rock Creek Extension by the end of 2027.

MATERIALS AND SERVICES EXPENSES BY CATEGORY



CATEGORY	FY 23-24 ACTUALS	FY 24-25 ACTUALS	FY 25-26 AMENDED BUDGET	FY 25-26 PROJECTED YEAR END	FY 26-27 BUDGET	$ CHANGE FROM PY BUDGET	% CHANGE FROM PY BUDGET
WES Labor	$ 576,151	$ 752,304	$ 694,210	$ 908,780	**$ 722,980**	$ 28,770	4.1%
Other	297,111	183,380	552,030	418,349	**572,270**	20,240	3.7%
Total Operating	**$ 873,262**	**$ 935,684**	**$ 1,246,240**	**$ 1,327,129**	**$ 1,295,250**	**$ 49,010**	**3.9%**

FULL-TIME EQUIVALENTS (FTE)

CATEGORY	FY 25-26 BUDGET	FY 26-27 BUDGET	CHANGE
Operating Labor	1.70	1.50	**-0.20**
Capitalized Labor	8.85	8.90	**+0.05**

SIGNIFICANT ISSUES & CHANGES

The Capital Delivery budget shows the following changes:

- Materials and Services: WES Labor: Costs shown in this line item are calculated from the number of employees, respective salaries and the proportion of staff time that is not capitalized (not spent on design and construction projects). The change from the prior year budget is the result of salary and benefit increases, and the work group being fully staffed for the entire fiscal year.
- Materials and Services: Other: This item is the sum of engineering services (planning), miscellaneous materials/services, training and document management software. The increase in this line item is due to the increased cost of providing training for the fully staffed capital group. This training is part of meeting the requirements to maintain Professional Engineering licenses and to provide opportunities for staff to grow and develop on key topics for our industry.

ENVIRONMENTAL SERVICES

Environmental Monitoring

The purpose of the Environmental Monitoring Program is to collect and analyze samples, and report results to WES staff so they can operate the water resource recovery facilities and collection systems effectively, track performance, and comply with regulatory permit requirements

FY 2026-27 BUDGET

$1,869,060

CHANGE FROM 2025-26

+ 17.1%

PERFORMANCE NARRATIVE

The Environmental Monitoring Program provides essential sample collection, analysis, and reporting services for WES programs, ensuring the effective operation of treatment plants and collection systems and compliance with regulatory permits.

The Environmental Monitoring Program ensures WES' permit compliance through rigorous sample analysis. The laboratory has achieved a 93% on-time delivery rate for results within 15 days, exceeding the 80% target for the second half of the fiscal year. Demand for our services remains high, with total projected volume exceeding 30,000 analyses.

Key program highlights include:

- Enhanced Surface Water Analysis: To better support our Municipal Separate Storm Sewer System (MS4) permit requirements, we acquired a Total Organic Carbon (TOC) analyzer. Bringing this critical capability in-house streamlines our workflow, reduces turnaround times, and controls costs. Additionally, we are actively developing in-house testing methods for chloride and sulfate. These new methods will further strengthen our surface-water monitoring program while driving down overall testing expenses.
- Support for Engineering Initiatives: The program continues to provide vital data for the Engineering team's wastewater flow monitoring initiative, which is crucial for inflow/infiltration analysis and planning. As the flow monitoring network expands, the program's support has increased. Additionally, a five-year contract was established to maintain and operate WES's precipitation monitoring network, which includes seven new rain gauges across the service area.

KEY PERFORMANCE MEASURES

Performance Measure	Type	FY 23-24	FY 24-25	FY 25-26 Target	FY 25-26 YTD	FY 26-27 Target	Status
80% of test results are ready to report to customers within 15 days of receiving a sample	Customer	93.2%	86.7%	80%	92.9%	80%	✓ On Track
# of surface water and wastewater tests completed	Output	37,898	39,811	40,000	18,848	40,000	Below Target
Total Environmental Monitoring Program cost / total number of lab tests	Ratio	$ 1,508,965 / 37,898	$ 1,493,560 / 39,811	$ 1,596,450 / 40,000	$ 884,448 / 18,848	$ 1,869,060 / 40,000	✓ On Track
Annually collect 90% of planned flow monitoring and rain gauge data	Result	Data not available	98%	90%	100%	90%	✓ On Track

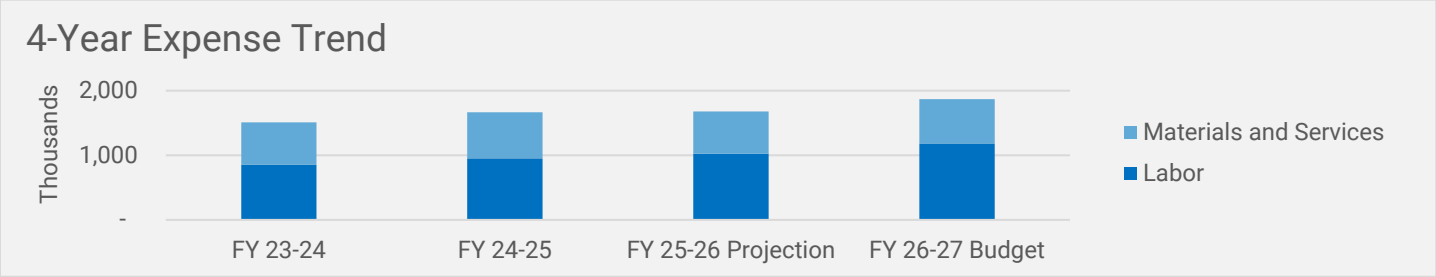
Environmental Monitoring

FY 2026-27 Strategic Objectives and Budget Summary

FY 2026-27 STRATEGIC OBJECTIVES

Initiatives for FY 2026-27 include a newly established effort within the Water Quality Laboratory to elevate data quality. Success will be measured by the percentage of final reported results that meet rigorous standards for accuracy, completeness, and consistency. Compliance will be verified through quarterly audits, with the overarching goal of achieving a 90% or higher success rate across all three metrics.

MATERIALS AND SERVICES EXPENSES BY CATEGORY



CATEGORY	FY 23-24 ACTUALS	FY 24-25 ACTUALS	FY 25-26 AMENDED BUDGET	FY 25-26 PROJECTED YEAR END	**FY 26-27 BUDGET**	$ CHANGE FROM PY BUDGET	% CHANGE FROM PY BUDGET
WES Labor	$ 855,460	$ 953,010	$ 1,021,310	$ 1,024,010	**$ 1,182,690**	$ 161,380	15.8%
Other	653,505	712,189	575,140	653,802	**686,370**	111,230	19.3%
Total Operating	**$ 1,508,965**	**$ 1,665,199**	**$ 1,596,450**	**$ 1,677,812**	**$ 1,869,060**	**$ 272,610**	**17.1%**

FULL-TIME EQUIVALENTS (FTE)

CATEGORY	FY 25-26 BUDGET	FY 26-27 BUDGET	CHANGE
Budgeted FTEs	6.20	6.82	**+0.62**

SIGNIFICANT ISSUES & CHANGES

The FY 2026-27 budget for Materials and Services: Other reflects a 19% increase from the previous fiscal year. Although the program has successfully mitigated a portion of the ongoing challenge of rising material and service costs by leveraging in-house laboratory capabilities for permit renewals and essential testing, the expanded scope of work necessitates additional funding. Looking ahead, the program will also work to procure new laboratory contracts this fiscal year to support these increased demands, ensuring competitive pricing and reliable performance for all required external analyses.

The budget also reflects a significant personnel adjustment, with program labor increasing by 0.62 FTE. This growth is driven by the strategic reallocation of the Environmental Program Coordinator's time, dedicating a larger portion of their capacity to the Environmental Monitoring Program with a corresponding reduction in their hours allocated to the Watershed Protection Program.

ENVIRONMENTAL SERVICES

Permit Services

The purpose of the Permit Services Program is to provide permit consultation, review, and approval services to developers, businesses, and industrial users so they can efficiently connect to WES' infrastructure, and appropriately discharge wastewater and stormwater.

FY 2026-27 BUDGET

$1,270,520

CHANGE FROM 2025-26

- 7.2 %

PERFORMANCE NARRATIVE

The Permit Services Program budget supports land development and private construction of WES's sanitary sewer and surface water systems. These resources allow for permit consultations, reviews, approvals, and inspection services to residential and business property owners undertaking land development.

Strategic results for the Permit Services Program center on 1) efficient and timely permitting for customers seeking to access WES' infrastructure, and 2) compliance with WES' Rules and Regulations for use of the infrastructure.

Year-to-date program performance is very good, with most results exceeding the strategic targets. Nearly all plans submitted for review are turned around in three weeks or less, with the majority of projects receiving approval in three submittals or less, representing high efficiency for the program. The number of permitted equivalent dwelling units (EDUs) is well under previous FY performance and expected output, which is an indication of land development and new connections slowing down.

Additional program performance highlights include:

- New connections to WES's systems have been lower due to slower than anticipated growth and the reduction in infrastructure built by private parties. Despite that trend, the ratio of the value of permitted, donated infrastructure relative to program costs is consistently above the target, reflecting a higher value of infrastructure relative to the cost to permit the infrastructure.
- The number of erosion control inspections of construction projects continues to increase with a high compliance rate from permittees, as indicated by the absence of violations and penalties issued to permittees by Oregon DEQ.

KEY PERFORMANCE MEASURES

Performance Measure	Type	FY 23-24	FY 24-25	FY 25-26 Target	FY 25-26 YTD	FY 26-27 Target	Status
50% of sanitary sewer and storm plans are approved in three or fewer submittals	Customer	77%	90%	50%	100%	50%	✓ On Track
# permitted Equivalent Dwelling Units (EDUs)	Output	261	428	500	126	500	Below Target
Total value of privately-built donated capital / total Permits Services Program cost	Ratio	3.10	1.25	>1	1.67	>1	✓ On Track
80% of sanitary sewer and storm plan reviews are completed within 3 weeks of submittal	Result	98%	96%	80%	94%	80%	✓ On Track

Permit Services

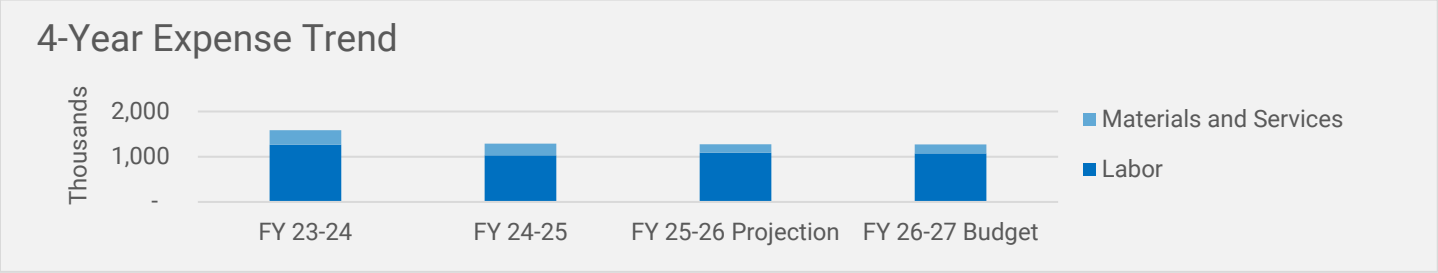
FY 2026-27 Strategic Objectives and Budget Summary

FY 2026-27 STRATEGIC OBJECTIVES

Initiatives for FY 2026-27 include:

- WES is participating in a county-wide strategic initiative to, "*By 2028, conduct a review of all development regulatory processes to minimize burdens, providing an effective and timely permitting process for the community.*" As part of that initiative WES will review its Rules and Regulations, last updated in 2023, for clarity, procedural improvements, streamlining opportunities, and new programs to better serve new and existing customers.
- The Permit Services Program will continue an initiative to implement electronic plan review for single family sewer connection permits, and transition existing permits, customer files and other relevant development review records to electronic format.
- WES will coordinate with the City of Happy Valley to annex large tracts of land already incorporated in the city into WES's service area for efficient permitting and to provide stormwater management services.

MATERIALS AND SERVICES EXPENSES BY CATEGORY



CATEGORY	FY 23-24 ACTUALS	FY 24-25 ACTUALS	FY 25-26 AMENDED BUDGET	FY 25-26 PROJECTED YEAR END	**FY 26-27 BUDGET**	$ CHANGE FROM PY BUDGET	% CHANGE FROM PY BUDGET
WES Labor	$ 1,263,720	$ 1,030,157	$ 1,153,890	$ 1,086,110	**$ 1,072,720**	$ (81,170)	-7.0%
Other	322,516	257,783	215,710	189,231	**197,800**	(17,910)	-8.3%
Total Operating	**$ 1,586,236**	**$ 1,287,940**	**$ 1,369,600**	**$ 1,275,341**	**$ 1,270,520**	**$ (99,080)**	**-7.2%**

FULL-TIME EQUIVALENTS (FTE)

CATEGORY	FY 25-26 BUDGET	FY 26-27 BUDGET	CHANGE
Budgeted FTEs	6.04	5.05	**-0.99**

SIGNIFICANT ISSUES & CHANGES

The FY 2026-27 budget represents a 7.2% decrease from the previous FY budget. The 7% decrease in labor costs is due to allocating staff time to other WES programs, like Watershed Protection, resulting in a decrease of about 1 FTE. The program is fully staffed with no current vacancies. The 8.3% decrease in other materials and services is due to a reduction in contracted services, as most of the current permit requirements for development review have been completed.

ENVIRONMENTAL SERVICES

Resource Recovery

The purpose of the Resource Recovery Program is to provide energy conservation, water reuse, and recycled solids coordination and support services to better utilize renewable sources of nutrients, recycled water and energy produced at WES facilities and build a more sustainable and climate resilient future for our communities.

FY 2026-27 BUDGET

$1,388,750

CHANGE FROM 2025-26

- 1.3 %

PERFORMANCE NARRATIVE

The strategic objectives of the Resource Recovery Program focus on maximizing the reuse of recovered nutrients, energy, and recycled water. By actively reducing the consumption of new resources, these initiatives enhance WES's climate readiness, shrink our carbon footprint, and bolster the long-term resiliency of our facilities.

Key Program Highlights:

- **Energy Optimization:** The Tri-City Water Resource Recovery Facility (WRRF) has re-engaged with Strategic Energy Management (SEM) initiatives, successfully targeting a 7.9% reduction in energy consumption for the 2025-26 fiscal year. To further maximize efficiency, the facility's cogeneration engine is fully utilizing biogas to increase on-site electricity production. WES is also actively participating in Portland General Electric's (PGE) demand response program to strategically curtail energy usage during peak events. Furthermore, WES is currently advancing an Investment Grade Audit as part of a broader Energy Savings Performance Contract (ESPC) to identify and implement future facility-wide decarbonization and energy-saving measures.
- **Solids Reuse:** WES remains committed to minimizing the volume of solids sent to landfills. We are actively exploring alternative storage solutions and new land application sites while closely coordinating with our hauling contractor to optimize beneficial reuse.
- **Water Reuse:** Backed by an Oregon Water Resources Department grant, WES recently conducted a feasibility study for external recycled water use. The findings from this study will inform a revised Recycled Water Use Plan, subject to Oregon Department of Environmental Quality approval. This effort will strategically direct how WES utilizes recovered water from the Tri-City WRRF.

The most recent Clean Water Exchange (CWE) survey, which was administered in March 2025, found that 65% of respondents were satisfied with WES' environmental protection efforts, up from 62% in 2023. This shift is within the normal range of survey fluctuations, although still below the 70% target. Notably, unsure respondents decreased by approximately six percentage points, indicating a growing awareness of WES' environmental work and a meaningful opportunity to share the story of how WES is protecting the environment and recovering resources on behalf of the community. In March 2026, WES launched a Pollution Prevention Academy to engage business customers, with 29 participants learning practical ways to protect the environment. Materials from the course will be made available online as a community resource.

KEY PERFORMANCE MEASURES

Performance Measure	Type	FY 23-24	FY 24-25	FY 25-26 Target	FY 25-26 YTD	FY 26-27 Target	Status
70% of WES customers are satisfied with WES' efforts to protect the environment	Customer	62%	65%	70%	65%	70%	Below Target
kWh electricity produced by WES' wastewater facilities	Output	4,376,470	2,345,100	4,000,000	968,932	2,000,000	Below Target
Metric tons of wastewater biosolids landfilled / total metric tons of wastewater biosolids produced	Ratio	24.4%	21%	≤10%	4%	≤10%	✓ On Track
By 2027 obtain Oregon DEQ approval for WES' Recycled Water Plan	Result	On Track	On Track	6/30/2027	On Track	6/30/2027	✓ On Track

Resource Recovery

FY 2026-27 Strategic Objectives and Budget Summary

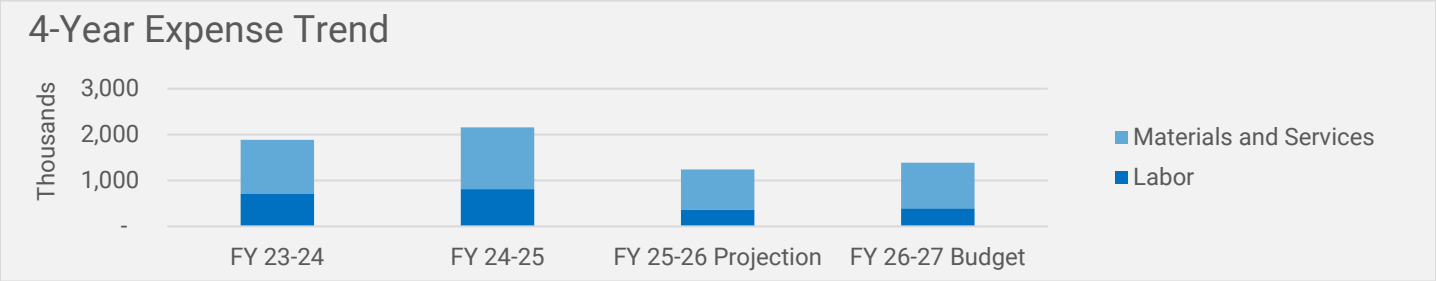
FY 2026-27 STRATEGIC OBJECTIVES

Initiatives for FY 2026-27 include:

Advancing energy efficiency goals by sustaining Strategic Energy Management (SEM) engagement, collaborating with an Energy Service Company (ESCO) on an Investment Grade Audit (IGA), and expanding the Kellogg Creek WRRF's participation in Portland General Electric's Energy Partner demand response program.

The program is also focused on maximizing the Tri-City cogeneration engine's output though efficient biogas utilization from upgrades to the gas conditioning system. Because Kellogg Creek recently lost its cogeneration generator, overall energy production targets have been temporarily reduced while we actively explore new energy production options for that facility. Beyond energy management, staff will coordinate with our new hauling contractor to further reduce biosolids landfilling and will assess local water needs to develop an updated Recycled Water Use Plan (RWUP) in congruence with the recently completed Water Reuse Feasibility study.

MATERIALS AND SERVICES EXPENSES BY CATEGORY



CATEGORY	FY 23-24 ACTUALS	FY 24-25 ACTUALS	FY 25-26 AMENDED BUDGET	FY 25-26 PROJECTED YEAR END	FY 26-27 BUDGET	$ CHANGE FROM PY BUDGET	% CHANGE FROM PY BUDGET
WES Labor	$ 718,808	$ 810,795	$ 327,120	$ 358,880	**$ 393,380**	$ 66,260	20.3%
Other	1,166,816	1,345,586	1,080,130	883,584	**995,370**	(84,760)	-7.8%
Total Operating	**$ 1,885,624**	**$ 2,156,381**	**$ 1,407,250**	**$ 1,242,464**	**$ 1,388,750**	**$ (18,500)**	**-1.3%**

FULL-TIME EQUIVALENTS (FTE)

CATEGORY	FY 25-26 BUDGET	FY 26-27 BUDGET	CHANGE
Budgeted FTEs	1.95	2.25	**+0.30**

SIGNIFICANT ISSUES & CHANGES

The Resource Recovery program proposes a $1.40 million operating budget to cover landfill disposal, as well as the hauling and land application of biosolids. The labor budget includes a slight increase of 0.3 FTE, which reflects the transfer of the Environmental Services Specialist role from the Permit Services program. Additionally, routine inflationary increases in salaries and benefits were partially offset by removing the current year's frictional vacancy estimate.
Overall, this budget anticipates higher costs for both biosolids management and landfill fees under upcoming contracts, which will be heavily impacted by rising fuel prices across the transportation sector. Landfill disposal remains the program's second-largest non-labor expense and is subject to significant fluctuation. For example, seasonal weather often forces the diversion of materials away from land application and into the landfill, a challenge compounded by the rising costs of hauling wastewater residuals. To help mitigate these expenses and reduce landfill hauling, WES continues to explore alternative solids storage solutions and other beneficial use scenarios.

Watershed Protection

The purpose of the Watershed Protection Program is to provide surface water management, watershed restoration, and watershed health education services to our communities so they can benefit from healthy and clean water.

FY 2026-27 BUDGET

$2,369,320

CHANGE FROM 2025-26

+ 14.4 %

PERFORMANCE NARRATIVE

The Watershed Protection Program delivers vital surface water protection and restoration services across the WES service area. The program safeguards regional water quality and WES's utility infrastructure by championing pollution prevention through comprehensive inspections, permitting, and enforcement. Our strategic results focus on long-term outcomes achieved through a multifaceted approach: targeted water quality assessments, public watershed health education, proactive pollution prevention, and on-the-ground restoration efforts.

Performance and Compliance

Supported by a fully staffed team, WES has doubled its business inspections this fiscal year, completing 52 inspections to date. For the first two quarters, an average of 56% of these businesses demonstrated adequate pollution controls and proper storm system maintenance. This performance exceeds our 50% target and continues a positive upward trend from previous years. To further improve compliance, staff are actively developing expanded technical support and educational resources beyond the standard inspection program.

Restoring stream water quality remains a challenging, long-term strategic goal following decades of environmental degradation. Currently, of the four streams routinely monitored by WES, two failed to meet multiple Oregon water quality criteria this fiscal year, resulting in a 50% success rate. Meaningful improvement will require ongoing, collaborative pollution prevention and targeted restoration. We continue to closely monitor district streams to track our progress and guide interventions.

Education and Community Outreach

Our public engagement initiatives are yielding strong results, with participating schools already meeting the annual watershed health education goal halfway through the fiscal year. General educational events also remain on target. WES is renewing its partnership with SOLVE to host Summer Waterways Cleanup events in Clackamas County, fulfilling key educational targets for PreK-12 students.

Additionally, in March 2026, WES hosted the Pollution Prevention Academy. This free, voluntary webinar series was designed for commercial and industrial customers within our wastewater and stormwater service areas. Covering four distinct compliance topics, the series provided educational and technical assistance to help system users navigate permit rules and protect our vital public infrastructure.

The most recent Clean Water Exchange (CWE) survey, which was administered in March 2025, found that 63% of respondents were satisfied with WES' water quality education efforts, down slightly from 66% in 2023 and below the 70% target, although the shift is within the normal range of survey fluctuation. Focus group feedback revealed a desire among customers to learn what they can actively do to protect the environment, rather than receiving messaging focused on what they should not do. In response, WES will work with a communications consultant to develop new messaging that highlights actionable ways residential customers can help protect the environment to implement in FY 2026-27. This feedback was consistent with 65% of survey respondents' indicating interest in learning about everyday actions to prevent water pollution. The program is actively working with the Administrative Services communications team to develop new action-oriented messaging for customers, with the first new content anticipated for release via bill inserts in 2026.

Watershed Protection

FY 2026-27 Strategic Objectives and Budget Summary

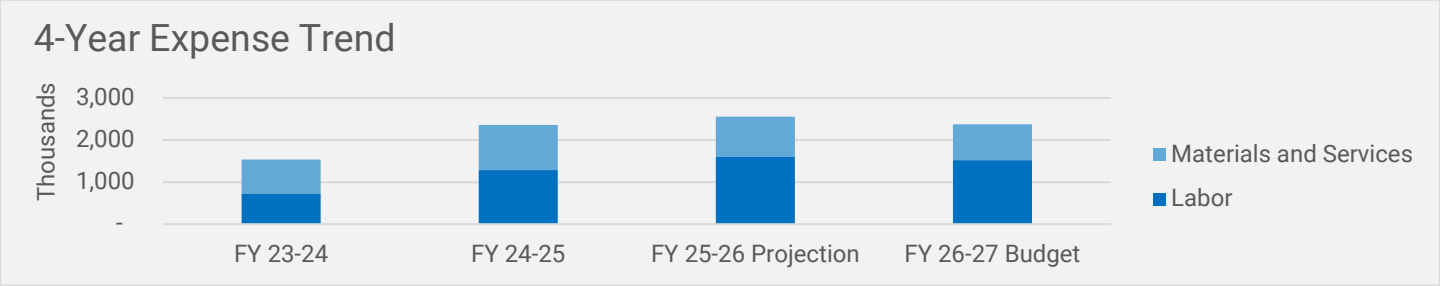
KEY PERFORMANCE MEASURES

Performance Measure	Type	FY 23-24	FY 24-25	FY 25-26 Target	FY 25-26 YTD	FY 26-27 Target	Status
70% of WES customers are satisfied with WES' efforts to educate customers on water quality practices	Customer	66%	63%	70%	63%	70%	Below Target
# of schools participating in WES' Watershed Health Education Program	Output	33	21	10	5	10	✓ On Track
# of streams meeting or exceeding Oregon's water quality criteria / # streams monitored within WES' jurisdiction	Ratio	100%	75%	≥30%	50%	≥30%	✓ On Track
50% of inspected businesses comply with stormwater standards upon initial inspection, as evidenced by adequate pollution controls and storm system maintenance	Result	62%	55%	50%	48%	50%	Below Target

FY 2026-27 STRATEGIC OBJECTIVES

For the upcoming fiscal year, storm system inspections and pollution prevention assistance will remain a core focus. We plan to expand our watershed health education efforts to empower customers with a deeper understanding of their environmental impact and how they can actively improve local water quality. WES will also continue awarding RiverHealth grants to grassroots organizations to support community-driven restoration and education initiatives. Furthermore, to ensure compliance and system efficacy, we will develop and implement new MS4-permit-required maintenance training materials. These resources will be designed to help both WES personnel and private business staff improve the upkeep of stormwater control measures throughout the district.

MATERIALS AND SERVICES EXPENSES BY CATEGORY



CATEGORY	FY 23-24 ACTUALS	FY 24-25 ACTUALS	FY 25-26 AMENDED BUDGET	FY 25-26 PROJECTED YEAR END	**FY 26-27 BUDGET**	$ CHANGE FROM PY BUDGET	% CHANGE FROM PY BUDGET
WES Labor	$ 732,538	$ 1,285,108	$ 1,212,400	$ 1,599,650	$ 1,520,330	$ 307,930	25.4%
Other	807,102	1,071,113	857,950	957,710	848,990	(8,960)	-1.0%
Total Operating	**$ 1,539,640**	**$ 2,356,221**	**$ 2,070,350**	**$ 2,557,360**	**$ 2,369,320**	**$ 298,970**	**14.4%**

FULL-TIME EQUIVALENTS (FTE)

CATEGORY	FY 25-26 BUDGET	FY 26-27 BUDGET	CHANGE
Budgeted FTEs	6.35	7.93	**+ 1.58**

SIGNIFICANT ISSUES & CHANGES

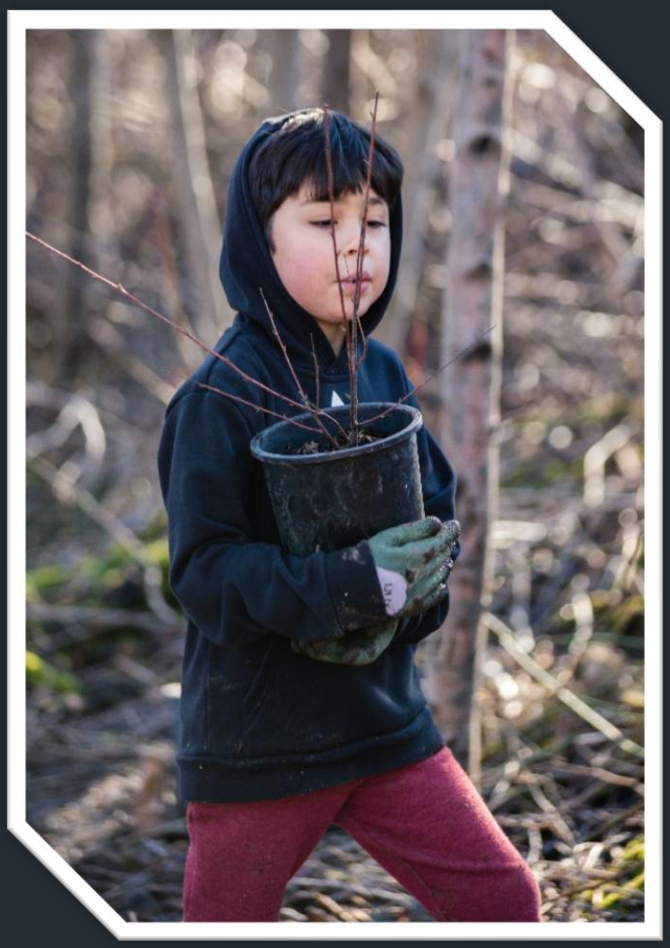
The FY 2026-27 budget represents approximately a 14% increase from the FY 2025-26 budget. A primary driver of this overall growth is an increase in program labor by 1.5 FTE. This staffing expansion reflects a strategic reorganization that brought additional capacity into the program by integrating private storm, pretreatment, and monitoring professionals. Consolidating these roles will support the delivery of more efficient public services by enhancing cross-training and internal communication.

While a long-standing precipitation and streamflow contract has been transitioned to the Environmental Monitoring Program budget, which provides a slight offset in contracted services, the overall budget increase is necessary to meet expanding regulatory demands. Specifically, the budget includes dedicated funding and enhanced staff capacity to implement critical water quality management projects for Total Maximum Daily Load (TMDL) Implementation and the Municipal Separate Storm Sewer System (MS4) Permit, ensuring the program is prepared for the permit's renewal in September 2026.

Community Partnerships for Watershed Health

RiverHealth Stewardship Program · Watershed Protection Program

The FY 2026-27 budget includes $330 thousand for WES' RiverHealth Stewardship Program



Through this program, WES partners with community groups, nonprofits, schools, and businesses to protect and restore watersheds across the WES service area. Much of WES' funding is extended through partner organizations' volunteer labor, in-kind contributions, donations, and local expertise, multiplying the impact of every grant award.

In FY 2025-26, grants were awarded to 13 organizations across four watersheds for projects spanning from riparian restoration and stormwater management to youth watershed education and community stewardship.

Current projects include:

- Riparian restoration and invasive species removal along Rock, Sieben, Johnson, Wilson, Saum, and Mt. Scott Creeks
- Watershed education and service learning at elementary schools and high schools
- Community stewardship events engaging more than 450 volunteers
- Natural gardening techniques implemented through the Backyard Habitat Certification Program
- Wetland restoration, monitoring, and water quality testing
- Workforce training and job skills for youth through restoration crews

OPERATIONS

Asset Management

The purpose of the Asset Management Program is to provide strategies, technology and asset tracking services to WES staff so they can make proactive, data-driven decisions that support cost-effective sustainable delivery of reliable high quality services.

FY 2026-27 BUDGET

$2,135,960

CHANGE FROM 2025-26

+ 10.1 %

PERFORMANCE NARRATIVE

The Asset Management Program tracks WES-owned and operated assets including their condition, manages information systems and mapping, provides software licensing, support and training, develops asset renewal and replacement plans, and implements utility management best practices. The program supports building and maintaining strong infrastructure so we can protect clean water for our community.

Staff have continued the positive trend with the timeliness of our mapping and maintenance management system asset inventory updates. This work will continue to be a high priority for the program and is utilized daily by our operations staff. The Geographic Information System (GIS) team was only half staffed for almost a year, this resulted in a longer than usual timeframe for mapping new assets.

Staff completed building a new strategic plan reporting site for tracking the organization's key performance indicators as well as operational dashboards used for regulatory compliance reports. We filled the senior GIS position in February and are focusing on developing applications to enable field data collection and building workflows to automate our electronic records to GIS process.

KEY PERFORMANCE MEASURES

Performance Measure	Type	FY 23-24	FY 24-25	FY 25-26 Target	FY 25-26 YTD	FY 26-27 Target	Status
100% of new assets mapped and entered into computerized maintenance management system (CMMS) within 3 months of construction acceptance	Customer	100%	97%	100%	81%	100%	Below Target
# asset condition assessments completed/expected	Output	357	787	500	288	500	✓ On Track
Miles of wastewater pipe condition assessments competed / total miles of wastewater pipes	Ratio	8%	9%	10%	5%	10%	✓ On Track
Annually submit a prioritized list of proposed renewal, replacement and operational efficiency capital projects, including impact if not implemented	Result	Complete	Complete	Complete	On Track	Complete	✓ On Track

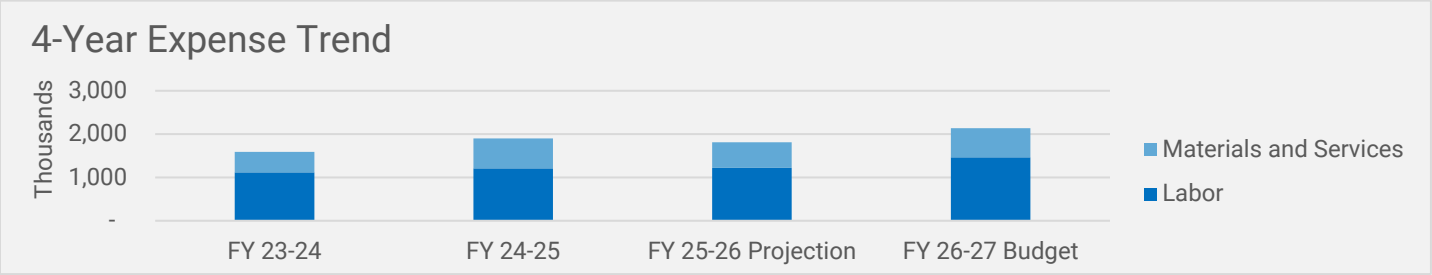
Asset Management

FY 2026-27 Strategic Objectives and Budget Summary

FY 2026-27 STRATEGIC OBJECTIVES

In FY 2026-27, Asset Management staff will focus on Cybersecurity and Data Governance. We plan to strengthen organizational cybersecurity by identifying, prioritizing, and reducing system vulnerabilities, and by developing and implementing a Cyber Incident Response Plan (CIRP). We plan to establish a foundational Data Governance framework to improve data quality, accountability, and consistency across our systems.

MATERIALS AND SERVICES EXPENSES BY CATEGORY



CATEGORY	FY 23-24 ACTUALS	FY 24-25 ACTUALS	FY 25-26 AMENDED BUDGET	FY 25-26 PROJECTED YEAR END	**FY 26-27 BUDGET**	$ CHANGE FROM PY BUDGET	% CHANGE FROM PY BUDGET
WES Labor	$ 1,116,094	$ 1,207,854	$ 1,280,590	$ 1,221,310	$ 1,465,840	$ 185,250	14.5%
Other	473,702	693,391	658,930	589,774	670,120	11,190	1.7%
Total Operating	**$ 1,589,796**	**$ 1,901,245**	**$ 1,939,520**	**$ 1,811,084**	**$ 2,135,960**	**$ 196,440**	**10.1%**

FULL-TIME EQUIVALENTS (FTE)

CATEGORY	FY 25-26 BUDGET	FY 26-27 BUDGET	CHANGE
Budgeted FTEs	8.20	8.20	-

SIGNIFICANT ISSUES & CHANGES

During FY 2026-27, the Asset Management Program budget is expected to increase by 10.1% from the current fiscal year budget. Projected labor costs are increasing 14.5% due to the team filling two vacancies that are now fully operational. Materials and Services are projected to increase a modest 1.7% to accommodate inflationary cost increases in computer hardware and software. We will continue creating operational efficiencies with our consolidation of software, hardware and supporting professional services budgets.

OPERATIONS

Field Operations and Maintenance

The purpose of the Field Operations and Maintenance Program is to maintain the public storm and wastewater collection systems so our communities can benefit from properly functioning infrastructure with assets optimized to protect property, infrastructure, and clean water.

FY 2026-27 BUDGET

$4,912,560

CHANGE FROM 2025-26

+ 2.5 %

PERFORMANCE NARRATIVE

The Field Operations and Maintenance Program operating budget supports inspection and maintenance of the public stormwater and wastewater collection systems, pump stations and vegetated water quality facilities.

During the past year we continued to prioritize catch basin maintenance, pipe condition assessment inspections, pipe cleanings, and pump station preventative maintenance programs while providing timely responses to customer service requests. We continue to plan, schedule and track our work through the computerized maintenance management system (CMMS). We will continue to leverage asset management principles and best practices to improve our inspection and maintenance performance to prevent larger emergency responses, sanitary sewer overflows and costly repairs. The key performance measures for the program are all on track.

KEY PERFORMANCE MEASURES

Performance Measure	Type	FY 23-24	FY 24-25	FY 25-26 Target	FY 25-26 YTD	FY 26-27 Target	Status
90% of service requests are responded to within 24 hours of receiving	Customer	88.3%	86.5%	90%	94.0%	90%	✓ On Track
# miles of wastewater collection pipe inspected and cleaned annually	Output	58.6	74.2	72.0	39.4	72.0	✓ On Track
# Sanitary Sewer Overflows (SSOs) / 100 miles of pipe [1]	Ratio	0.54	0.21	≤ 2	0.05	≤ 2	✓ On Track
% of wastewater collection system cleaned annually	Result	9.5%	11.6%	10%	7.1%	15%	✓ On Track

[1] The target of less than or equal to two SSOs per 100 miles of pipe is derived from the American Water Works Association benchmarking survey median average of 2.6 SSOs per 100 miles of pipe.

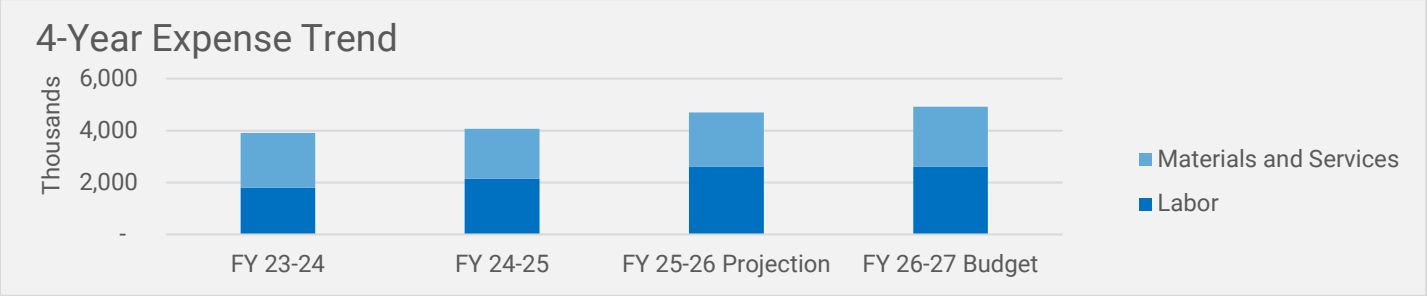
Field Operations and Maintenance

FY 2026-27 Strategic Objectives and Budget Summary

FY 2026-27 STRATEGIC OBJECTIVES

Initiatives for FY 2026-27 include a focus on mowing and/or cutting brush and weeds from 100% of vegetated stormwater facilities to reduce invasive vegetation and improve water quality function. We are also increasing our wastewater pipe cleaning target from 10% to 15% of wastewater pipes each year, to ensure key infrastructure is maintained at least once every seven years, to prevent spills and sustain reliability.

MATERIALS AND SERVICES EXPENSES BY CATEGORY



CATEGORY	FY 23-24 ACTUALS	FY 24-25 ACTUALS	FY 25-26 AMENDED BUDGET	FY 25-26 PROJECTED YEAR END	**FY 26-27 BUDGET**	$ CHANGE FROM PY BUDGET	% CHANGE FROM PY BUDGET
WES Labor	$ 1,803,679	$ 2,148,924	$ 2,495,000	$ 2,618,820	$ 2,602,940	$ 107,940	4.3%
Other	2,100,722	1,917,308	2,295,730	2,079,123	2,309,620	13,890	0.6%
Total Operating	**$ 3,904,401**	**$ 4,066,232**	**$ 4,790,730**	**$ 4,697,943**	**$ 4,912,560**	**$ 121,830**	**2.5%**

FULL-TIME EQUIVALENTS (FTE)

CATEGORY	FY 25-26 BUDGET	FY 26-27 BUDGET	CHANGE
Budgeted FTEs	18.40	17.45	**- 0.95**

SIGNIFICANT ISSUES & CHANGES

During FY 2026-27, the Field Operations and Maintenance Program budget is expected to increase by 2.5% from the current fiscal year budget. Projected labor costs are increasing by 4.3% due to the team being fully staffed and operational. No staffing vacancies should improve overall performance and levels of service during the year.

OPERATIONS

Plant Operations and Maintenance

The purpose of the Plant Operations and Maintenance Program is to effectively clean wastewater, maintain equipment and facilities, and recover renewable resources, while meeting or surpassing environmental, safety and public health standards, to protect the vitality of our communities.

FY 2026-27 BUDGET

$13,894,616

CHANGE FROM 2025-26

+ 6.6 %

PERFORMANCE NARRATIVE

Strategic results for the Plant Operations and Maintenance Program are focused on the efficient treatment of wastewater and optimizing the maintenance of the process support equipment within our water resource recovery facilities. Currently we are achieving a wastewater treatment effectiveness rate of 98%. We continue to train staff, improve operating procedures, and invest in asset reliability projects, as we work toward the goal of achieving 100% permit compliance.

Early FY 2025-26, WES received a penalty for Hoodland Water Resource Recovery Facility disinfection system operational challenges that occurred several years ago. WES staff negotiated a substantial decrease in the penalty by contributing to a supplemental environmental project. Since then, operational adjustments and capital improvements have been implemented to mitigate the issues. We have also started a planning project to address current and future needs of the facility for the next 20 years.

Total water resource recovery facility flows treated only represent one half of the fiscal year-to-date target and are largely dependent upon weather. Increased efforts to identify and reduce inflow and infiltration (I&I) will take years to see a tangible impact; with increasing service area population, the anticipated flow increase may offset inflow and infiltration reductions, rather than result in a net decrease in flow.

The most recent Clean Water Exchange (CWE) survey, which was administered in March 2025, found that 75% of respondents were satisfied with WES' efforts to provide reliable service, meeting the 70% target and reflecting a result within the normal range of survey fluctuation from the prior, 2023 CWE result of 70%. Feedback from focus groups further reinforced this result, indicating that WES' core operations are well regarded within the community.

KEY PERFORMANCE MEASURES

Performance Measure	Type	FY 23-24	FY 24-25	FY 25-26 Target	FY 25-26 YTD	FY 26-27 Target	Status
70% of WES customers are satisfied with WES' efforts to provide reliable service	Customer	70%	80%	70%	75%	70%	✓ On Track
# gallons of wastewater treated	Output	6,789,122,000	5,324,404,000	7,000,000,000	3,207,717,000	7,000,000,000	Below Target
Scheduled preventative maintenance / unscheduled reactive maintenance	Ratio	87% / 13%	85% / 15%	85% / 15%	92% / 8%	85% / 15%	✓ On Track
85+% average monthly removal of pollutant parameters (BOD and TSS) at all WES wastewater facilities	Result	97%	98%	85%	98%	85%	✓ On Track
Zero annual occurrences of permit violations that result in fines or penalties	Result	0	0	0	1	0	Below Target

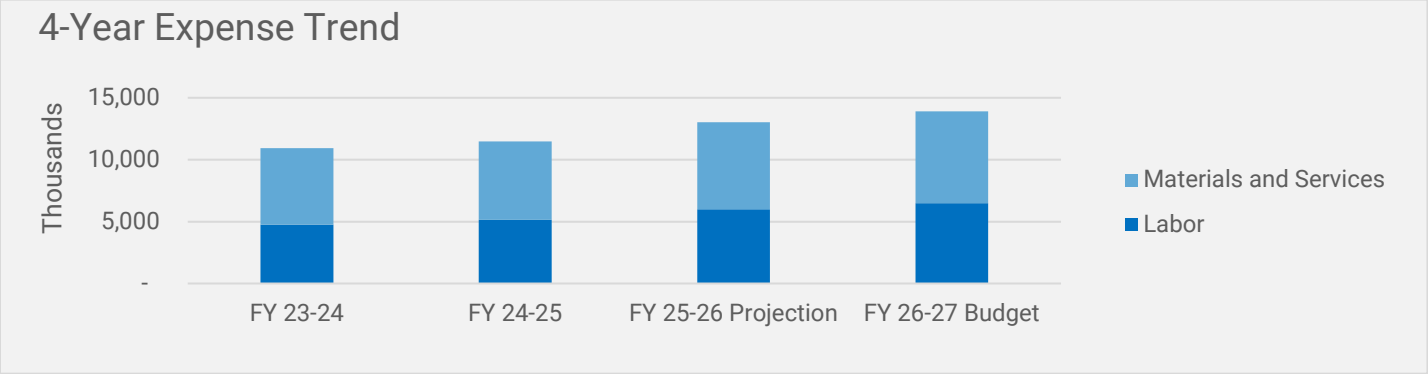
Plant Operations and Maintenance

FY 2026-27 Strategic Objectives and Budget Summary

FY 2026-27 STRATEGIC OBJECTIVES

Initiatives for FY 2026-27 include a continued focus on zero preventable annual occurrences of permit violations that result in fines or penalties. We will also continue to emphasize the importance of preventative maintenance programs, to ensure reliability of critical equipment, that is essential to provide exceptional wastewater treatment.

MATERIALS AND SERVICES EXPENSES BY CATEGORY



CATEGORY	FY 23-24 ACTUALS	FY 24-25 ACTUALS	FY 25-26 AMENDED BUDGET	FY 25-26 PROJECTED YEAR END	**FY 26-27 BUDGET**	$ CHANGE FROM PY BUDGET	% CHANGE FROM PY BUDGET
WES Labor	$ 4,749,353	$ 5,141,562	$ 5,880,250	$ 5,996,280	$ 6,479,200	$ 598,950	10.2%
Other	6,171,479	6,327,061	7,154,135	7,018,741	7,415,416	261,281	3.7%
Total Operating	**$10,920,832**	**$11,468,623**	**$13,034,385**	**$13,015,021**	**$13,894,616**	**$ 860,231**	**6.6%**

FULL-TIME EQUIVALENTS (FTE)

CATEGORY	FY 25-26 BUDGET	FY 26-27 BUDGET	CHANGE
Budgeted FTEs	38.20	38.23	**+ 0.03**

SIGNIFICANT ISSUES & CHANGES

During FY 2026-27, the Plant Operations and Maintenance budget is expected to increase by 6.6%. Projected labor costs are increasing 10.2% due to the teams being fully staffed and recent salary study updates. Materials and services are increasing by about 3.7%, reflecting continued increases in utility and chemical costs to operate our facilities.

Budget Detail

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FY 2026-27 BUDGET - CONSOLIDATED FINANCIAL SCHEDULE - ALL FUNDS

FUND DESCRIPTION	Sanitary Sewer Operating Fund	Sanitary Sewer SDC Fund	Sanitary Sewer Construction Fund	Surface Water Operating Fund	Surface Water SDC Fund	Surface Water Construction Fund	Debt Service Fund	Total Budget
RESOURCES								
Beginning Fund Balance	$ 6,919,472	$ 31,956,555	$ 59,390,328	$ 3,225,527	$ 3,295,769	$ 15,353,727	$ 2,086,504	$ 122,227,882
Sales and Services								
Sewer Charges	48,669,300							48,669,300
Surface Water Charges				7,577,400				7,577,400
System Development Charges	40,000	8,307,500			161,000			8,508,500
Charges for Services - All Other	1,111,200			120,000				1,231,200
Interest Income	276,800	1,278,300	2,375,600	129,000	131,800	614,100	83,500	4,889,100
Permits	44,000			35,000				79,000
Assessment Collections	5,000						140,000	145,000
Penalties	225,500							225,500
Miscellaneous Income	288,110			5,000				293,110
Subtotal - Revenues	**50,659,910**	**9,585,800**	**2,375,600**	**7,866,400**	**292,800**	**614,100**	**223,500**	**71,618,110**
Other Financing Sources								
Revenue from Bonds & Other Debts		100,000						100,000
Interfund Transfers In			16,000,000			2,250,000	12,923,969	31,173,969
TOTAL RESOURCES	**$ 57,579,382**	**$ 41,642,355**	**$ 77,765,928**	**$ 11,091,927**	**$ 3,588,569**	**$ 18,217,827**	**$ 15,233,973**	**$ 225,119,961**
REQUIREMENTS								
Materials and Services								
WES Labor	$ 15,979,120			$ 4,049,470				$ 20,028,590
Other County Services	2,250,813			669,520				2,920,333
Professional Services	1,583,980			476,170				2,060,150
Administrative	1,596,610			440,530				2,037,140
Supplies	3,282,400			84,470				3,366,870
Utilities	2,718,560			11,100				2,729,660
Repair & Maintenance	1,137,180			582,220				1,719,400
Rents & Leases	307,733			62,340				370,073
Subtotal - Materials and Services	28,856,396			6,375,820				35,232,216
Special Payments	1,403,500							1,403,500
Capital Outlay		13,272,500	49,145,000			3,751,740		66,169,240
Debt Service							13,033,363	13,033,363
Interfund Transfers Out	21,020,734	7,811,245		2,341,990				31,173,969
Contingency	4,809,000	3,318,100	12,286,250	1,063,000		937,900		22,414,250
Ending Fund Balance and Reserves	1,489,752	17,240,510	16,334,678	1,311,117	3,588,569	13,528,187	2,200,610	55,693,423
TOTAL REQUIREMENTS	**$ 57,579,382**	**$ 41,642,355**	**$ 77,765,928**	**$ 11,091,927**	**$ 3,588,569**	**$ 18,217,827**	**$ 15,233,973**	**$ 225,119,961**
CHANGES IN FUND BALANCE								
Net Increase (Decrease) in Fund Balance	(5,429,720)	(14,716,045)	(43,055,650)	(1,914,410)	292,800	(1,825,540)	114,106	(66,534,459)
% Change	-78%	-46%	-72%	-59%	9%	-12%	5%	-54%

RESOURCES

Resources are the total of estimated beginning funds on hand, plus interfund transfers in from other funds, and anticipated revenues. The following are descriptions for the resources listed in WES' fund summaries:

Beginning Fund Balance

Represents amounts of unexpended funds carried forward from the previous fiscal year.

Revenues

Amounts received by WES for payment of services provided, and from other sources such as interest income, and other miscellaneous income.

Sales and Services

Sewer Charges

Retail Sewer Charges – Includes revenue from monthly charges for retail sewer services, consisting of treatment, collection, and Legacy Debt (latter for Rate Zone 2 only).

City Payments – Includes payments by cities having agreements for wholesale sewer treatment services. For Rate Zone 1 service area: includes payments from the Cities of Gladstone, Oregon City, and West Linn. For Rate Zone 2A service area: includes payments from the Cities of Johnson City and Milwaukie.

Surface Water Charges – Includes revenue from monthly charges for surface water management services in Rate Zones 2 and 3.

System Development Charges – Revenues from fees for new connections to the sanitary sewer or surface water system. These revenues may be used to fund capital projects that expand system capacity.

All Other Revenues

Charges for Services – All Other – Includes city right–of–way (ROW) fees charged by some cities for services provided within their streets, as well as review fees and miscellaneous fees.

Interest Income – Includes interest earned on investments of reserves, as well as cash on hand resulting from operations.

Permits – Includes fees for wastewater, septage, and surface water and environmental permits.

Revenues – Continued

All Other Revenues - Continued

Assessment Collections – Includes principal and interest payments for assessment districts originally funded by CCSD No. 1 reserves.

Penalties – Includes charges for late fees on delinquent account balances.

Miscellaneous Income – Includes income for services rendered to other entities for reimbursable expenses and other minor revenues.

Other Financing Sources

Funds received by WES from other sources such as grants and debt financing.

Grants – Includes anticipated funding from federal, state, and local grants.

Capital Project Contributions – Includes Energy Trust and other incentives and contributions received for capital project funding.

Revenue from Bonds & Other Debts – Includes revenue obligation proceeds from new debt issuances and DEQ State Revolving Fund (SRF) Loan proceeds.

Interfund Transfers In

Amounts moved from one fund to another. Interfund transfers are shown as expenditures in the originating fund and revenues in the receiving fund (ORS 294.450).

REQUIREMENTS

Requirements are the total of all budgeted outlays within a fund, including: materials and services, special payments, capital outlay, debt service, interfund transfers out to other funds, contingency, and ending fund balance / reserves for future expenditure. The following are descriptions of the requirements listed in WES' fund summaries:

Materials and Services

Amounts expended for day–to–day operations. A major operating expenditure category that includes WES labor, contractual expenditures, consumable materials, supplies, operating costs, and other services.

WES Labor – Includes all budgeted positions of the Department. Department employees are employees of the County who are paid for by WES and recorded within this expense line item.

Other County Services – Includes expenditures for services provided by Clackamas County such as: technology services, investment services, community service work crews, facilities maintenance, payroll, procurement, and charges for embedded County communications staff.

Professional Services – Includes all professional services: engineering services, audit and financial services, legal services, consulting services, and utility services at plants.

Administrative – Includes advertising and marketing expenses, banking and merchant service fees, permit fees, property, vehicle, and liability insurance costs, uniforms cost for operations personnel, office supplies, postage and shipping, printing and copies, and telephone and internet service costs.

Supplies – Includes chemicals, utility plant supplies for building maintenance, plumbing, electrical, and mechanical supplies; also includes vehicle materials and supplies such as fuel as well as safety supplies, small tools and minor equipment, and computer hardware and software.

Utilities – Includes electricity, water, and natural gas expenses for WES' water resource recovery facilities (WRRF), pump stations, and the water quality lab, as well as water purchased for use in collections system maintenance services.

Repair & Maintenance – Includes all costs necessary for the maintenance and repair of WES' vehicles, equipment, structures, and property contracted with outside service providers. Also includes computer and software maintenance costs and watershed restoration/rehabilitation costs.

Rents & Leases – Includes the rental of office facilities for department staff, office equipment, heavy equipment, vehicles and other machinery and tools necessary for maintenance and repair.

Special Payments

A budget expenditure category for distributions, pass–through payments, grants made to other organizations and other one–time or unusual expenditures whereby goods or services are not received in return. Includes city right–of–way (ROW) fees, Good Neighbor agreement contributions, and arbitrage rebate payments for excess interest earnings on debt.

Capital Outlay

Expenditures that result in the acquisition of, or addition to, fixed assets. Includes all capital projects and capital equipment. Examples include: plant modification and/or expansion projects, collection system improvements, land acquisition, and the purchase of significant equipment for treatment facilities, collection systems, and maintenance operations.

Debt Service

Payment of principal and interest on borrowed funds.

Interfund Transfers Out

Amounts moved from one fund to another. Interfund transfers are shown as expenditures in the originating fund and revenues in the receiving fund (ORS 294.450).

Debt Service Fund Transfer – Includes interfund transfers from the sanitary sewer operating and SDC funds sufficient to pay the annual debt service on WES' revenue obligations and SRF loans.

Construction Fund Transfer – Interfund transfers from WES' operating funds to the construction funds to pay for current year capital outlay and that add to reserves for use in future year capital outlay.

Contingency

Provides funds for operating, emergency and replacement events; intended to ensure the fiscal and business continuity of WES by accommodating non–routine fluctuations in revenues and expenses.

Reserves – Designated

Amounts set aside for specific future expenditure and are not intended to be expended during the fiscal year.

Ending Fund Balance / Reserves for Future Expenditure

This line item represents the difference between the resources and requirements of each fund, which is carried forward as the beginning fund balance for the next fiscal year. Ending fund balance provides a working capital balance with which to begin the subsequent year; reserves for future expenditure identifies funds that are to be saved for future years.

OVERVIEW

This section provides detailed information on each of WES' individual funds, in alignment with Oregon Local Budget Law. Each fund represents a distinct fiscal and accounting entity, with its own set of resources and legal or operational constraints.

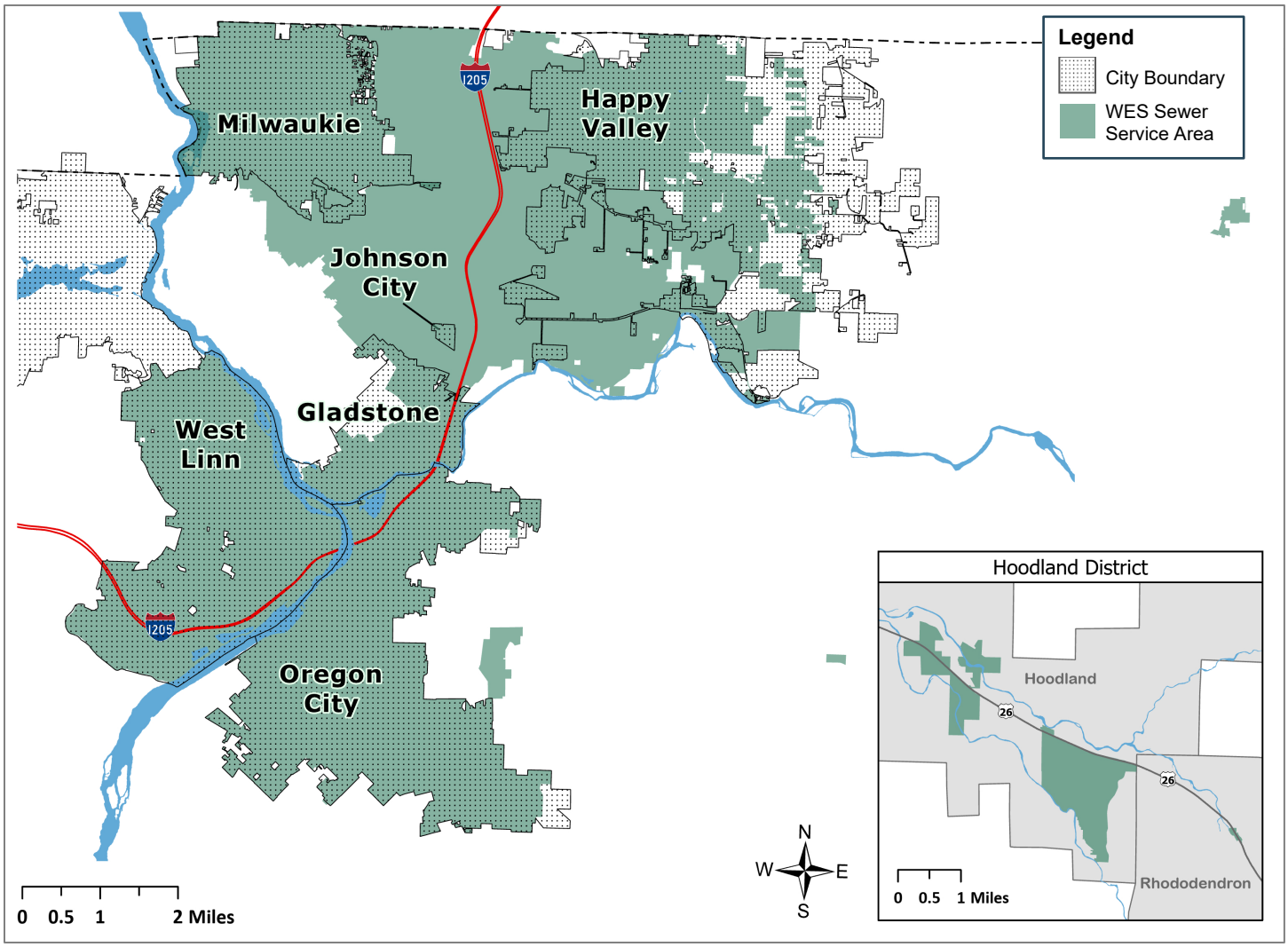
The fund detail pages include a narrative outlining each fund's purpose, major revenue sources, key expenditure categories, and fund balance trends. Financial schedules are included that show the two prior fiscal years' actual revenue and expenditure data, in comparison to the current fiscal year budget, projection, and the FY 2026-27 budget.

Note: Financial figures in the proceeding narratives are consistently rounded to the nearest tenth. Due to this rounding convention, the sum of the underlying rounded figures discussed in the narratives may not tie to the narratives' rounded total.

SEWER FUND DETAIL

The sanitary sewer funds ("sewer funds") consolidate all revenues and expenses for the sewer service areas within WES.

WES Sewer Service Area Map



SANITARY SEWER OPERATING FUND 631

Clackamas Water Environment Services' Sanitary Sewer Operating Fund ("Sewer Operating Fund") accounts for all operating and maintenance expenses for day-to-day wastewater treatment and collection operations.

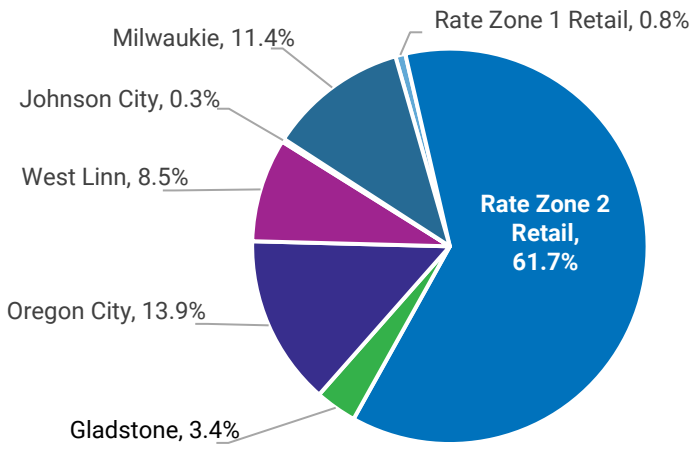
FY 2026-27 resources in the Sewer Operating Fund are approximately $57.6 million. Primary resources include sewer charges of $48.7 million, other minor charges, fees and other revenues of approximately $2.0 million, and beginning fund balance carried over from the prior year of approximately $6.9 million.

WES has established rate zones within its boundaries to reflect the different services provided and to differentiate between components of rates that only apply to certain service areas. The primary difference between WES' two sewer rate zones is the inclusion of a Legacy Debt component in the rate for customers in Rate Zone 2 for debt incurred by CCSD No. 1 prior to WES' formation.

Sewer Charges

Budgeted sewer charges are $48.7 million for FY 2026-27, consisting of retail sewer charges of approximately $30.5 million and wholesale sewer charges of approximately $18.2 million. The chart and table below detail budgeted sewer charge revenue by service type and service area.

Sewer Charges by Service Type and Service Area



Service Type and Service Area	FY 2026-27 Budget
Retail Sewer Charges	
Rate Zone 1	$ 401,100
Rate Zone 2	30,036,800
Wholesale Sewer Charges	
Rate Zone 1 Gladstone	1,657,400
Rate Zone 1 Oregon City	6,770,600
Rate Zone 1 West Linn	4,124,100
Rate Zone 2 Johnson City	126,600
Rate Zone 2 Milwaukie	5,552,700
TOTAL SEWER CHARGES	**$ 48,669,300**

Retail Sewer Charges

WES provides retail sewer service to a small number of customers within Rate Zone 1 and to four separate sewer service areas in Rate Zone 2: North Clackamas Service Area (NCSA), Hoodland, Fischer's Forest Park, and Boring. The Hoodland, Fischer's Forest Park, and Boring service areas have not traditionally generated service charge revenue sufficient to cover the costs of serving these areas. As a result, any deficiencies have been covered by funds from the NCSA. These deficiencies are negligible due to the small size of these service areas.

The Rate Zone 1 retail rate for FY 2026-27 is proposed to increase by $2.35 or 5.0% from $47.20 per EDU per month to $49.55 per EDU per month. The budget includes a Rate Zone 2 retail rate increase of $0.80 or approximately 1.5% from $54.40 per EDU per month to $55.20 per EDU per month. The difference in the Rate Zone 1 and Rate Zone 2 rates is the inclusion of the Legacy Debt component in Rate Zone 2's rate, as discussed above.

A summary of WES' FY 2026-27 retail sewer rates and their rate components is as follows:

WES Retail Rate Components

Rate Zone	Wastewater Treatment	Local Collection	Legacy Debt	WES Retail Subtotal	City Right-of-Way Fee Surcharge*	Estimated Monthly Total	Projected FY 2026-27 EDUs
Zone 1	$ 32.30	$ 17.25	$ -	$ 49.55	$ -	**$ 49.55**	540
Zone 2	$ 32.30	$ 17.25	$ 5.65	$ 55.20	$ 2.76	**$ 57.96**	44,968

City Right-of-Way Fee Surcharge applies only to Rate Zone 2 ratepayers within the City of Happy Valley.

Wholesale Sewer Charges

WES provides wholesale service to the Cities of Gladstone, Oregon City, and West Linn in Rate Zone 1 and to the Cities of Johnson City and Milwaukie in Rate Zone 2.

The budget includes a wholesale monthly service charge rate increase of $1.55 or approximately 5.0% from $30.75 per EDU per month to $32.30 per EDU per month. The following table combines WES' wholesale rate with the legacy debt service component for Rate Zone 2, applicable city right-of-way (ROW) fees, and the rate charged by individual cities for their local operating expenses, to arrive at the total user rates for FY 2026-27 that will be charged for a single-family unit in each city:

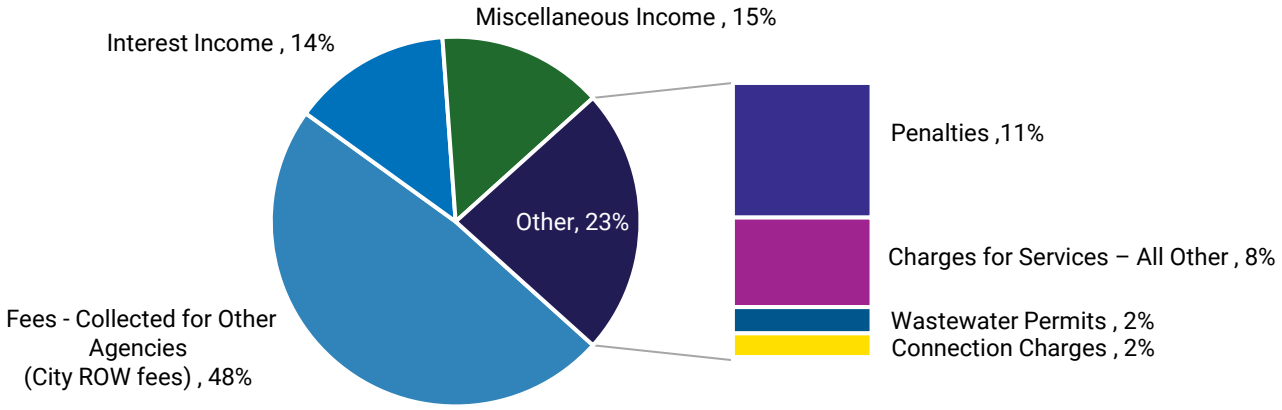
WES Wholesale Rate Components

Rate Zone and City	Wastewater Treatment	Legacy Debt	City Right-of-Way Fee Surcharge	WES Wholesale Subtotal	City Retail Monthly Rate*	Estimated Monthly Total	Projected FY 2026-27 EDUs
Zone 1							
Gladstone	$ 32.30	$ -	$ 1.60	$ 33.90	$ 37.74	**$ 71.64**	4,276
Oregon City	$ 32.30	$ -	$ 1.95	$ 34.25	$ 38.48	**$ 72.73**	17,468
West Linn	$ 32.30	$ -	$ -	$ 32.30	$ 29.20	**$ 61.50**	10,640
Zone 2							
Johnson City	$ 32.30	$ 5.65	$ -	$ 37.95	$ 1.90	**$ 39.85**	278
Milwaukie	$ 32.30	$ 5.65	$ -	$ 37.95	$ 28.69	**$ 66.64**	12,193

City Retail Monthly Rates for Gladstone, Oregon City, and West Linn reflect current FY 2025-26 rates; these are subject to change.

Other Revenue Items

Other revenues of approximately $2.0 million for FY 2026-27 include interest income, city ROW fees, and other miscellaneous charges for septage processing, permitting and plan review, and lien searches. Proportions of budgeted other revenues are detailed in the chart below:

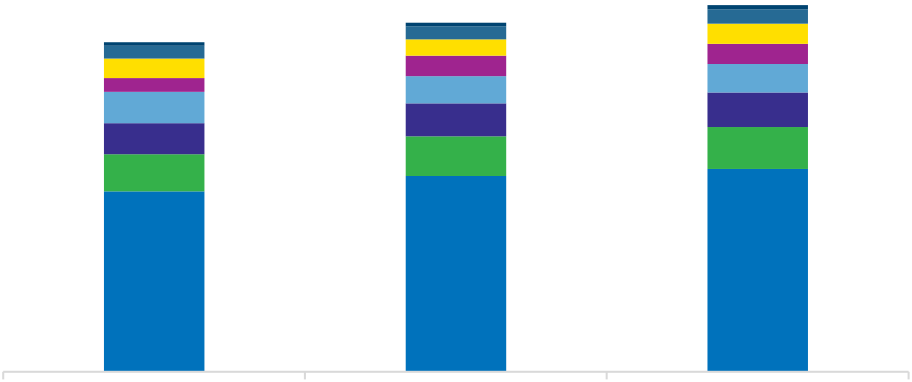


The Sewer Operating Fund's budgeted requirements are $57.6 million and include current year materials and services, special payments, interfund transfers, contingency, and ending fund balance.

Budgeted materials and services for FY 2026-27 total $28.9 million and include all expenses related to WES' sewer operations including the costs of: labor, utilities, supplies such as chemicals, professional services, administrative costs such as insurance and telephone expenses, repairs and maintenance, and rents and leases.

SEWER OPERATING FUND MATERIALS AND SERVICES

Expense Trends, FY 2024-25 Actual through FY 2026-27 Budget



	FY 2024-25 Actual	FY 2025-26 Projection	FY 2026-27 Budget
WES Labor	$ 14,198,094	$ 15,417,910	$ 15,979,120
Supplies	2,932,354	3,126,260	3,282,400
Utilities	2,427,669	2,590,900	2,718,560
Other County Services	2,493,028	2,145,225	2,250,813
Administrative	1,071,982	1,596,098	1,596,610
Professional Services	1,541,698	1,287,730	1,583,980
Repair & Maintenance	993,549	1,028,810	1,137,180
Rents & Leases	277,026	291,154	307,733
Total	**$ 25,935,400**	**$ 27,484,087**	**$ 28,856,396**

Special payments of $1.4 million have been budgeted for FY 2026-27 to provide pass-through payments to remit city right-of-way (ROW) fees to the Cities of Gladstone, Happy Valley, and Oregon City and to provide for Good Neighbor Fund contributions.

Budgeted interfund transfers for FY 2026-27 include $16.0 million to the Sewer Construction Fund and $5.0 million to the Debt Service Fund.

The budgeted contingency, based on 60 days of budgeted operating expenses, is approximately $4.8 million and represents funds set aside for unforeseen circumstances which may arise during the year. Contingency is typically not expended and added to reserves at year end.

Ending fund balance is $1.5 million, a decrease of 78% or $5.4 million from the beginning fund balance. This decrease is a result of transferring all funds not needed to meet operating, debt service, and reserve requirements to the Sanitary Sewer Construction Fund.

SEWER OPERATING FUND DETAIL

	2023-24 ACTUAL	2024-25 ACTUAL	2025-26 AMENDED BUDGET [1]	2025-26 PROJECTION	2026-27 BUDGET PROPOSED	2026-27 BUDGET APPROVED	2026-27 BUDGET ADOPTED [2]
RESOURCES							
Beginning Fund Balance	$ 10,106,032	$ 7,762,351	$ 7,091,153	$ 7,506,675	$ 6,919,472	$ 6,919,472	$ 6,919,472
Revenues							
Sales and Services							
Retail Sewer Charges	28,104,940	28,951,738	29,882,700	29,571,200	30,437,900	30,437,900	30,437,900
City Payments	16,029,545	16,667,502	17,466,000	17,516,300	18,231,400	18,231,400	18,231,400
System Development Charges	13,300	43,897	50,000	25,000	40,000	40,000	40,000
Charges for Services – All Other	1,053,013	1,056,322	1,044,700	1,074,200	1,111,200	1,111,200	1,111,200
Interest Income	515,922	505,148	248,200	450,400	276,800	276,800	276,800
Permits	24,750	42,375	45,000	44,000	44,000	44,000	44,000
Special Assessment Collections	7,574	17,088	5,000	23,000	5,000	5,000	5,000
Penalties	-	1,150	52,000	217,300	225,500	225,500	225,500
Miscellaneous Income	573,250	374,145	250,820	468,020	288,110	288,110	288,110
Operating Grants	46,687	90,693	-	-	-	-	-
Subtotal - Revenues	**46,368,981**	**47,750,058**	**49,044,420**	**49,389,420**	**50,659,910**	**50,659,910**	**50,659,910**
TOTAL RESOURCES	**$ 56,475,013**	**$ 55,512,409**	**$ 56,135,573**	**$ 56,896,095**	**$ 57,579,382**	**$ 57,579,382**	**$ 57,579,382**
REQUIREMENTS							
Materials and Services							
WES Labor	$ 12,876,377	$ 14,198,094	$ 14,736,190	$ 15,417,910	$ 15,979,120	$ 15,979,120	$ 15,979,120
Other County Services	2,399,235	2,493,028	2,351,321	2,145,225	2,250,813	2,250,813	2,250,813
Professional Services	1,436,131	1,541,698	1,454,975	1,287,730	1,583,980	1,583,980	1,583,980
Administrative	1,103,079	1,071,982	2,064,150	1,596,098	1,596,610	1,596,610	1,596,610
Supplies	2,829,779	2,932,354	3,171,445	3,126,260	3,282,400	3,282,400	3,282,400
Utilities	2,107,141	2,427,669	2,611,400	2,590,900	2,718,560	2,718,560	2,718,560
Repair & Maintenance	1,078,915	993,549	1,253,790	1,028,810	1,137,180	1,137,180	1,137,180
Rents & Leases	270,407	277,026	309,184	291,154	307,733	307,733	307,733
Subtotal - Materials and Services	**24,101,064**	**25,935,400**	**27,952,455**	**27,484,087**	**28,856,396**	**28,856,396**	**28,856,396**
Special Payments	1,212,298	1,267,551	1,364,200	1,319,600	1,403,500	1,403,500	1,403,500
Interfund Transfers Out -							
To Sewer Construction Fund	18,518,877	16,500,000	15,000,000	15,000,000	16,000,000	16,000,000	16,000,000
To Debt Service Fund	4,880,423	4,302,783	6,172,936	6,172,936	5,020,734	5,020,734	5,020,734
Contingency	-	-	4,134,000	-	4,809,000	4,809,000	4,809,000
Ending Fund Balance / Reserves for Future Expenditure	7,762,351	7,506,675	1,511,982	6,919,472	1,489,752	1,489,752	1,489,752
TOTAL REQUIREMENTS	**$ 56,475,013**	**$ 55,512,409**	**$ 56,135,573**	**$ 56,896,095**	**$ 57,579,382**	**$ 57,579,382**	**$ 57,579,382**

[1] *FY 2025-26 Amended Budget for the Sewer Operating Fund includes a transfer from Contingency to Materials and Services of $450,000, consisting of $250,000 to WES Labor and $200,000 to Utilities.*

[2] *The FY 2026-27 Budget was adopted as proposed with no changes made.*

SANITARY SEWER SYSTEM DEVELOPMENT CHARGE FUND 632

The Sanitary Sewer System Development Charge Fund ("Sewer SDC Fund") accounts for capital expenditures that are related to growth or capacity increases.

FY 2026-27 budgeted resources total approximately $41.6 million and include SDCs of $8.3 million, interest income of $1.3 million, and beginning fund balance of $32.0 million.

The primary resources in this fund are SDC revenues for new connections to the system. The largest portion of SDC revenue in FY 2026-27 of $5.9 million is expected from retail connections within Rate Zone 2. Wholesale SDC revenues of approximately $2.4 million are anticipated in Rate Zone 1 with $2.0 million from the City of Oregon City; $357 thousand from the City of West Linn, and $87 thousand from the City of Gladstone. These revenues are based on an SDC fee of $9,630 per EDU, which reflects an increase of $255 or 2.72% from the current fee of $9,375 per EDU approved by the WES Board of Directors and adopted effective November of FY 2025-26.

Oregon Revised Statutes (ORS) 223 restricts the use of SDC revenues from improvement fees to expenditure for capacity-increasing capital improvements including the repayment of associated indebtedness. Budgeted capital outlay for FY 2026-27 in this fund is $13.3 million and directed towards the SDC-eligible portions of various projects. Significant SDC-eligible projects include: the Rock Creek Interceptor Extension, Willamette Pump Station and Force Main Capacity, and the Regional Inflow & Infiltration Reduction Program. Descriptions of all major projects are provided in the separate Capital section.

FY 2026-27 resources also include State Revolving Fund (SRF) loan proceeds to finance a portion of the Hoodland Master Plan project. The total loan amount is $100 thousand and qualifies for 100% principal forgiveness.

The FY 2026-27 budget includes an interfund transfer to the Debt Service Fund of approximately $7.8 million. This transfer reflects WES' financial strategy to use SDC funds to repay debt to the extent eligible, which reduces pressure for rate increases. The budgeted transfer amount represents the SDC-eligible portions of FY 2026-27 debt service payments for the Series 2016 sewer revenue obligations, the Series 2021 sewer revenue obligations, and State Revolving Fund (SRF) Loan R95030.

Contingency is budgeted at $3.3 million based on 25% of budgeted capital outlay. Contingency is typically not expended and added to reserves at year end. Ending fund balance is budgeted at approximately $17.2 million. The $14.7 million decrease from the projected FY 2026-27 beginning fund balance reflects the budgeted use of resources for capital outlay and interfund transfers out for debt service. The $17.2 million ending fund balance will be used in future years for SDC-eligible capital expenditures and debt service.

	2023-24 ACTUAL	2024-25 ACTUAL	2025-26 AMENDED BUDGET	2025-26 PROJECTION	2026-27 BUDGET PROPOSED	2026-27 BUDGET APPROVED	2026-27 BUDGET ADOPTED [1]
RESOURCES							
Beginning Fund Balance	$ 52,339,171	$ 50,880,971	$ 36,843,788	$ 38,480,923	$ 31,956,555	$ 31,956,555	$ 31,956,555
System Development Charges	4,191,045	5,391,666	7,858,300	5,159,375	8,307,500	8,307,500	8,307,500
Interest Income	1,699,836	2,050,683	1,289,500	1,539,200	1,278,300	1,278,300	1,278,300
Revenue from Bonds & Other Debts							
SRF Loan Proceeds	-	-	-	-	100,000	100,000	100,000
TOTAL RESOURCES	**$ 58,230,052**	**$ 58,323,320**	**$ 45,991,588**	**$ 45,179,498**	**$ 41,642,355**	**$ 41,642,355**	**$ 41,642,355**
REQUIREMENTS							
Capital Outlay	$ 270,630	$ 11,299,615	$ 8,305,000	$ 5,407,500	$ 13,272,500	$ 13,272,500	$ 13,272,500
Interfund Transfers Out – To Debt Service Fund	7,078,451	8,542,782	7,815,443	7,815,443	7,811,245	7,811,245	7,811,245
Contingency	-	-	2,076,300	-	3,318,100	3,318,100	3,318,100
Ending Fund Balance / Reserves for Future Expenditure	50,880,971	38,480,923	27,794,845	31,956,555	17,240,510	17,240,510	17,240,510
TOTAL REQUIREMENTS	**$ 58,230,052**	**$ 58,323,320**	**$ 45,991,588**	**$ 45,179,498**	**$ 41,642,355**	**$ 41,642,355**	**$ 41,642,355**

[1] *The FY 2026-27 Budget was adopted as proposed with no changes made.*

SANITARY SEWER CONSTRUCTION FUND 639

The Sanitary Sewer Construction Fund ("Sewer Construction Fund") accounts for non-SDC capital expenditures. The primary resources are interfund transfers from the Sewer Operating Fund, proceeds from the issuance of debt for capital project financing, and interest earnings.

Total resources for FY 2026-27 are $77.8 million and include interfund transfers in from the Sewer Operating Fund of $16.0 million, interest income of approximately $2.4 million, and beginning fund balance of $59.4 million.

FY 2026-27 requirements include capital outlay of approximately $49.2 million. Major projects include: the Clackamas Area Interceptor Improvements, Willamette Pump Station and Force Main Capacity, Intertie 2 Pump Station Expansion and 30-inch Force Main, TCWRRF Influent Pump Station Expansion, Rock Creek Interceptor Extension, Multiple Pump Station Upgrades, and Kellogg Creek WRRF Administration Building Remodel. Descriptions of all major projects are provided in the separate Capital section.

The FY 2026-27 budget includes a contingency of approximately $12.3 million based on 25% of budgeted capital outlay to provide for unforeseen capital expenses. Contingency is typically not expended and added to reserves at year end. Projected ending fund balance is approximately $16.3 million and will provide funding for capital projects in future years. The decrease of $43.1 million from the projected FY 2026-27 beginning fund balance reflects the budgeted use of resources for capital outlay.

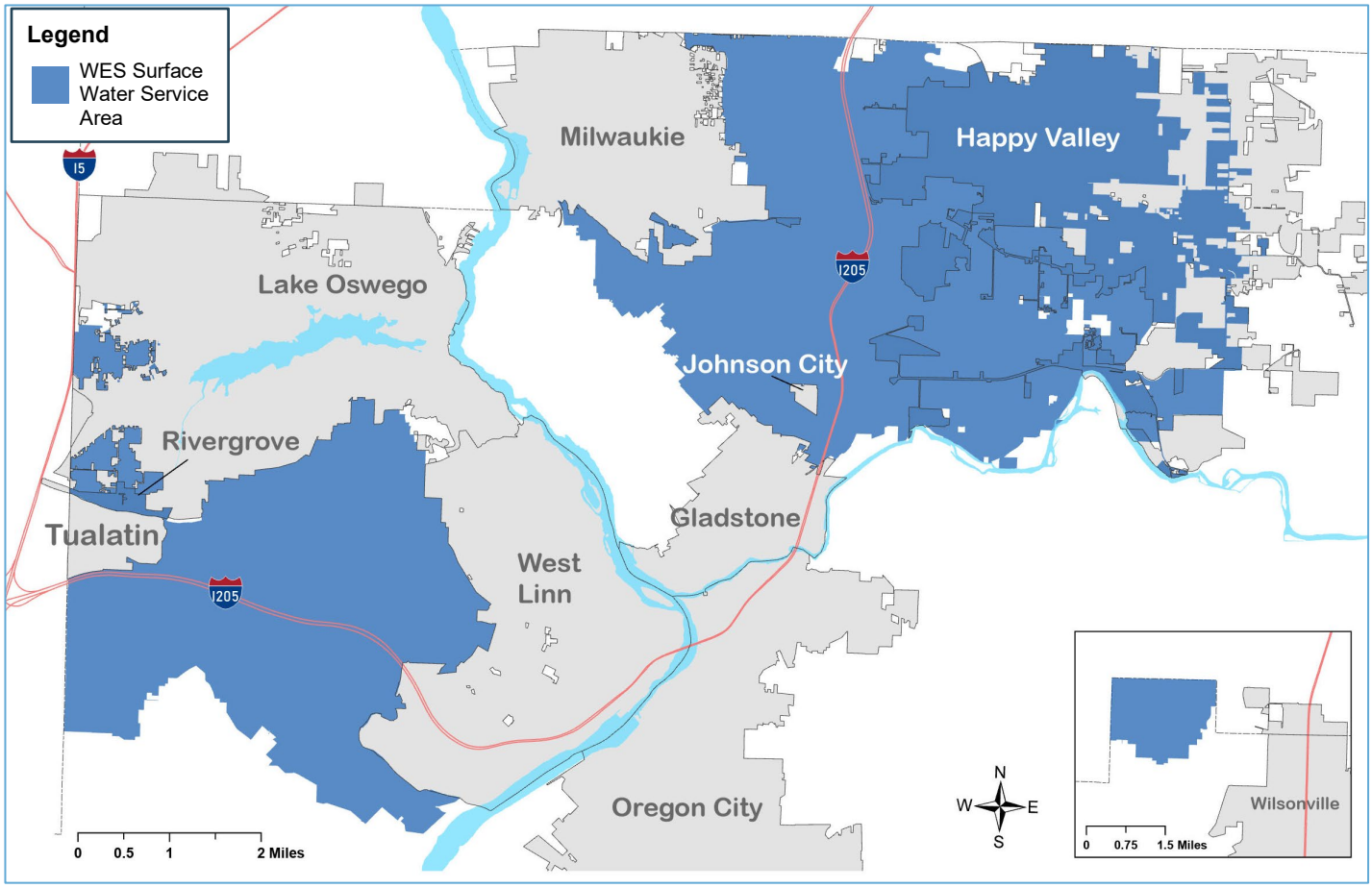
	2023-24 ACTUAL	2024-25 ACTUAL	2025-26 AMENDED BUDGET	2025-26 PROJECTION	2026-27 BUDGET PROPOSED	2026-27 BUDGET APPROVED	2026-27 BUDGET ADOPTED [1]
RESOURCES							
Beginning Fund Balance	$ 107,717,807	$ 99,962,657	$ 73,945,728	$ 70,731,988	$ 59,390,328	$ 59,390,328	$ 59,390,328
Interest Income	5,947,790	3,333,366	2,588,100	2,829,300	2,375,600	2,375,600	2,375,600
Federal Operating Grants	-	-	2,000,000	-	-	-	-
Capital Project Contribution	44,146	-	-	-	-	-	-
Interfund Transfers In – From Sewer Operating Fund	18,518,877	16,500,000	15,000,000	15,000,000	16,000,000	16,000,000	16,000,000
From Debt Service Fund	-	4,419,411	-	-	-	-	-
TOTAL RESOURCES	**$ 132,228,620**	**$ 124,215,434**	**$ 93,533,828**	**$ 88,561,288**	**$ 77,765,928**	**$ 77,765,928**	**$ 77,765,928**
REQUIREMENTS							
Capital Outlay	$ 32,265,963	$ 53,483,446	$ 35,570,000	$ 29,170,960	$ 49,145,000	$ 49,145,000	$ 49,145,000
Contingency	-	-	8,892,500	-	12,286,250	12,286,250	12,286,250
Ending Fund Balance / Reserves for Future Expenditure	99,962,657	70,731,988	49,071,328	59,390,328	16,334,678	16,334,678	16,334,678
TOTAL REQUIREMENTS	**$ 132,228,620**	**$ 124,215,434**	**$ 93,533,828**	**$ 88,561,288**	**$ 77,765,928**	**$ 77,765,928**	**$ 77,765,928**

[1] *The FY 2026-27 Budget was adopted as proposed with no changes made.*

Surface water management services provided to the community include the construction and maintenance of infrastructure necessary to improve water quality and provide adequate conveyance and control of stormwater runoff, development plan review, public education related to water quality and stormwater issues, restoration and enhancement of riparian areas and stream channels, and watershed planning.

In recent years, environmental regulations have tightened the standards for water quality and flow control in WES' streams and waterways. These new standards require WES to increase its efforts to improve water quality through on-going maintenance, plan review, and public education activities. As part of this effort, WES is also looking for opportunities to construct regional stormwater management facilities that can serve multiple developments more cost-effectively. As a program element of WES, surface water management activities have their own accounting cost centers, budget, and dedicated funding sources.

WES Surface Water Service Area Map



SURFACE WATER OPERATING FUND 641

WES' Surface Water Operating Fund provides for all surface water operating and maintenance activities and acts as a source of financing for future capital improvements.

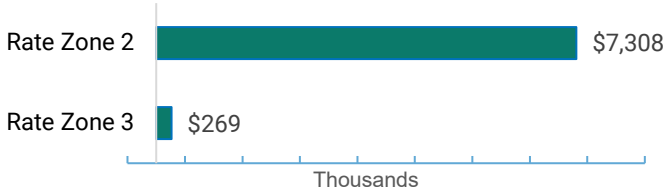
FY 2026-27 resources in the Surface Water Operating Fund are $11.1 million. These resources consist of beginning fund balance of $3.2 million, monthly service charges of $7.6 million, other revenues of $160 thousand, and interest earnings of $129 thousand.

WES has established surface water rate zones to reflect the different levels of service provided to the two distinct surface water service areas within its boundaries.

Surface Water Charges

Budgeted service charge revenues for FY 2026-27 amount to approximately $7.6 million, including $7.3 million from Rate Zone 2 and $269 thousand from Rate Zone 3. The chart and table below detail budgeted surface water charge revenue by service area.

Surface Water Charges by Service Area



Service Area	FY 2026-27 Budget
Surface Water Charges	
Rate Zone 2	$ 7,308,400
Rate Zone 3	269,000
TOTAL SURFACE WATER CHARGES	**$ 7,577,400**

Rate Zone 2

Within Rate Zone 2's total surface water charges of $7.3 million, $6.9 million is expected in monthly user fees charged to residents and businesses and an additional $0.4 million is anticipated from surface water maintenance contracts. Surface water maintenance contract revenues are derived from an on-site facilities maintenance program. A charge of $3.00 per month for On-Site Maintenance (OSM) is assessed for the annual maintenance and inspection of water quality and quantity facilities. This fee applies to properties in subdivisions that contract with WES to provide this maintenance. The revenues generated by the OSM fee are used to recover the costs of the personnel and materials necessary to provide this service.

The budget includes a Rate Zone 2 monthly service charge rate increase of $0.45 or approximately 5% from $9.55 per ESU per month to $10.00 per ESU per month. The monthly rate for customers in the City of Happy Valley is proposed to be approximately $10.50 per ESU per month in order to cover the City's 5% Right-of-Way fee.

Rate Zone 3

For Rate Zone 3, $269 thousand is budgeted for monthly user fees from residents and businesses within the service area boundaries. The FY 2025-26 fee of $5.70 per month per single-family dwelling is proposed to increase $0.25 or approximately 4% to $5.95 for FY 2026-27. Business and institutional customers are charged multiples of the impervious surface area typical for a single-family dwelling. The projected revenue from monthly user fees in Rate Zone 3 is based on providing service to 3,767 accounts.

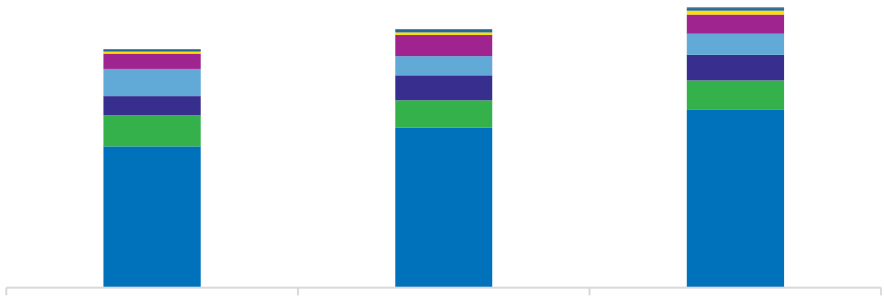
A summary of WES' surface water rates is as follows:

	WES Total	City Right-of-Way Fee Surcharge*	Estimated Monthly Total	Projected FY 2026-27 ESUs
Rate Zone 2	$ 10.00	$ 0.50	$ 10.50	57,428
Rate Zone 3	$ 5.95	$ -	$ 5.95	3,767

City Right-of-Way Fee Surcharge applies only to Rate Zone 2 ratepayers within the City of Happy Valley.

Requirements for the Surface Water Operating Fund total $11.1 million and include materials and services of $6.4 million, contingency and reserves of $2.4 million, and interfund transfers to the Surface Water Construction Fund of $2.2 million and to the Debt Service Fund of $92 thousand.

Expense Trends, FY 2024-25 Actual through FY 2026-27 Budget



	FY 2024-25 Actual	FY 2025-26 Projection	FY 2026-27 Budget
WES Labor	$ 3,218,116	$ 3,648,410	$ 4,049,470
Other County Services	700,613	616,954	669,520
Repair & Maintenance	439,030	567,790	582,220
Professional Services	623,180	439,790	476,170
Administrative	346,550	478,342	440,530
Supplies	42,644	57,150	84,470
Rents & Leases	50,306	61,541	62,340
Utilities	6,626	9,300	11,100
Total	**$ 5,427,065**	**$ 5,879,277**	**$ 6,375,820**

Materials and services for FY 2026-27 are budgeted at approximately $6.4 million and include all expenses necessary to fund WES' surface water operations, including the costs of: labor, professional services, supplies, administrative costs, repairs and maintenance, and rents and leases.

The budgeted contingency is approximately $1.1 million, based on 2 months of budgeted operating expenses, and represents funds set aside for unforeseen circumstances, which may arise during the year. Contingency is typically not expended and added to reserves at year end. Ending fund balance is $1.3 million, or approximately 30% of the beginning fund balance and a decrease of $0.8 million from FY 2025-26. This decrease is a result of transferring all funds not needed to meet operating, debt service, and reserve requirements to the Surface Water Construction Fund.

SURFACE WATER OPERATING FUND DETAIL

	2023-24 ACTUAL	2024-25 ACTUAL	2025-26 AMENDED BUDGET	2025-26 PROJECTION	2026-27 BUDGET PROPOSED	2026-27 BUDGET APPROVED	2026-27 BUDGET ADOPTED [1]
RESOURCES							
Beginning Fund Balance	$ 5,032,994	$ 5,191,498	$ 5,258,583	$ 5,084,204	$ 3,225,527	$ 3,225,527	$ 3,225,527
Revenues							
Sales and Services							
Surface Water Charges	6,440,253	6,820,870	7,265,500	7,188,200	7,577,400	7,577,400	7,577,400
Charges for Services – All Other	237,797	138,816	80,000	139,000	120,000	120,000	120,000
Interest Income	199,457	245,022	184,100	264,400	129,000	129,000	129,000
Permits	34,715	34,450	35,000	36,000	35,000	35,000	35,000
Miscellaneous Income	2,648	80,613	14,830	17,800	5,000	5,000	5,000
Subtotal - Revenues	**6,914,870**	**7,319,771**	**7,579,430**	**7,645,400**	**7,866,400**	**7,866,400**	**7,866,400**
TOTAL RESOURCES	**$ 11,947,864**	**$ 12,511,269**	**$ 12,838,013**	**$ 12,729,604**	**$ 11,091,927**	**$ 11,091,927**	**$ 11,091,927**
REQUIREMENTS							
Materials and Services							
WES Labor	$ 2,691,041	$ 3,218,116	$ 3,679,580	$ 3,648,410	$ 4,049,470	$ 4,049,470	$ 4,049,470
Other County Services	685,052	700,613	669,360	616,954	669,520	669,520	669,520
Professional Services	461,314	623,180	495,875	439,790	476,170	476,170	476,170
Administrative	385,428	346,550	472,780	478,342	440,530	440,530	440,530
Supplies	29,742	42,644	70,055	57,150	84,470	84,470	84,470
Utilities	9,334	6,626	12,300	9,300	11,100	11,100	11,100
Repair & Maintenance	441,739	439,030	632,260	567,790	582,220	582,220	582,220
Rents & Leases	52,716	50,306	62,810	61,541	62,340	62,340	62,340
Subtotal - Materials and Services	**4,756,366**	**5,427,065**	**6,095,020**	**5,879,277**	**6,375,820**	**6,375,820**	**6,375,820**
Interfund Transfers Out- To Surface Water Construction Fund	2,000,000	2,000,000	3,500,000	3,500,000	2,250,000	2,250,000	2,250,000
To Debt Service Fund	-	-	125,280	124,800	91,990	91,990	91,990
Contingency	-	-	1,016,000	-	1,063,000	1,063,000	1,063,000
Ending Fund Balance / Reserves for Future Expenditure	5,191,498	5,084,204	2,101,713	3,225,527	1,311,117	1,311,117	1,311,117
TOTAL REQUIREMENTS	**$ 11,947,864**	**$ 12,511,269**	**$ 12,838,013**	**$ 12,729,604**	**$ 11,091,927**	**$ 11,091,927**	**$ 11,091,927**

[1] *The FY 2026-27 Budget was adopted as proposed with no changes made.*

SURFACE WATER SYSTEM DEVELOPMENT CHARGE FUND 642

The Surface Water System Development Charge (SDC) Fund accounts for surface water capital expenditures that are related to growth or capacity increases. Currently, all surface water capital projects are in Rate Zone 2 and are consequently funded exclusively with Rate Zone 2 SDC revenues.

The FY 2026-27 budget includes resources of $3.6 million consisting of system development charges, interest income, and beginning fund balance.

The primary revenue source is SDC fees for new connections to the system; these revenues are budgeted at $161 thousand for FY 2026-27. These revenues are based on an SDC fee of $272 per ESU, which reflects an increase of $6 or approximately 2.72% from the current fee of $265 per ESU approved by the WES Board of Directors and adopted effective November of FY 2025-26.

Total requirements are approximately $3.6 million, comprised solely of ending fund balance for FY 2026-27. Expenditures of SDC funds collected from improvement fees are restricted to capacity-improving capital outlay by Oregon Revised Statutes (ORS) and there are no surface water capacity-improving projects budgeted for FY 2026-27. Therefore, the budgeted capital outlay is $0. WES' FY 2026/27-2030/31 Capital Improvement Plan (CIP) includes SDC-eligible stormwater capital projects totaling $4.1 million over 5 years, with projects commencing in FY 2027-28.

The increase in the ending fund balance from the beginning fund balance of $293 thousand is due to budgeted revenues exceeding budgeted expenses.

	2023-24 ACTUAL	2024-25 ACTUAL	2025-26 AMENDED BUDGET	2025-26 PROJECTION	2026-27 BUDGET PROPOSED	2026-27 BUDGET APPROVED	2026-27 BUDGET ADOPTED [1]
RESOURCES							
Beginning Fund Balance	$ 2,733,465	$ 2,883,946	$ 3,075,746	$ 3,092,569	$ 3,295,769	$ 3,295,769	$ 3,295,769
System Development Charges	56,700	82,464	140,000	79,500	161,000	161,000	161,000
Interest Income	93,781	126,159	107,700	123,700	131,800	131,800	131,800
TOTAL RESOURCES	**$ 2,883,946**	**$ 3,092,569**	**$ 3,323,446**	**$ 3,295,769**	**$ 3,588,569**	**$ 3,588,569**	**$ 3,588,569**
REQUIREMENTS							
Capital Outlay	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contingency	-	-	-	-	-	-	-
Ending Fund Balance / Reserves for Future Expenditure	$ 2,883,946	$ 3,092,569	$ 3,323,446	$ 3,295,769	$ 3,588,569	$ 3,588,569	$ 3,588,569
TOTAL REQUIREMENTS	**$ 2,883,946**	**$ 3,092,569**	**$ 3,323,446**	**$ 3,295,769**	**$ 3,588,569**	**$ 3,588,569**	**$ 3,588,569**

[1] *The FY 2026-27 Budget was adopted as proposed with no changes made.*

SURFACE WATER CONSTRUCTION FUND 649

WES' Surface Water Construction Fund accounts for non-SDC surface water capital expenditures. The primary resources are interfund transfers from the Surface Water Operating Fund, interest earnings, proceeds from the issuance of debt for surface water capital project financing, grants, and capital project contributions. Currently, all surface water capital projects are in Rate Zone 2 and are consequently funded exclusively with Rate Zone 2 revenues.

Budgeted resources for FY 2026-27 total $18.2 million and include interest income of $614 thousand, a transfer from the Surface Water Operating Fund of $2.2 million, and beginning fund balance of $15.4 million.

Requirements for FY 2026-27 include contingency of approximately $0.9 million for unforeseen capital expenditures, based on 25% of budgeted capital outlay; reserves of $13.5 million; and capital outlay of approximately $3.8 million. Major projects include: the Aldercrest Culvert Replacement & Kellogg Creek Restoration, and Sedona Drive Detention Repair. Detailed descriptions of all major capital projects and their funding sources may be found in the separate Capital section.

The decrease in fund balance of approximately $1.8 million or 10% from the beginning fund balance is due to the planned use of existing reserves for budgeted capital outlay.

	2023-24 ACTUAL	2024-25 ACTUAL	2025-26 AMENDED BUDGET	2025-26 PROJECTION	2026-27 BUDGET PROPOSED	2026-27 BUDGET APPROVED	2026-27 BUDGET ADOPTED [1]
RESOURCES							
Beginning Fund Balance	$ 9,482,588	$ 11,283,218	$ 13,384,629	$ 13,054,547	$ 15,353,727	$ 15,353,727	$ 15,353,727
Interest Income	321,253	449,904	468,500	522,200	614,100	614,100	614,100
Miscellaneous Income	-	35,815	-	-	-	-	-
Capital Project Contributions	-	35,644	560,100	584,180	-	-	-
Revenue from Bonds & Other Debts							
SRF Loan Proceeds	296,268	623,621	-	-	-	-	-
Federal Grants (ARPA)	169,415	1,117,577	1,018,998	1,086,420	-	-	-
Interfund Transfers In – From Surface Water Operating Fund	2,000,000	2,000,000	3,500,000	3,500,000	2,250,000	2,250,000	2,250,000
TOTAL RESOURCES	**$ 12,269,524**	**$ 15,545,779**	**$ 18,932,227**	**$ 18,747,347**	**$ 18,217,827**	**$ 18,217,827**	**$ 18,217,827**
REQUIREMENTS							
Capital Outlay	$ 986,306	$ 2,491,232	$ 7,603,350	$ 3,393,620	$ 3,751,740	$ 3,751,740	$ 3,751,740
Contingency	-	-	1,900,800	-	937,900	937,900	937,900
Ending Fund Balance / Reserves for Future Expenditure	11,283,218	13,054,547	9,428,077	15,353,727	13,528,187	13,528,187	13,528,187
TOTAL REQUIREMENTS	**$ 12,269,524**	**$ 15,545,779**	**$ 18,932,227**	**$ 18,747,347**	**$ 18,217,827**	**$ 18,217,827**	**$ 18,217,827**

[1] *The FY 2026-27 Budget was adopted as proposed with no changes made.*

DEBT SERVICE FUND 635

The Debt Service Fund accounts for the repayment of the principal and interest on WES' revenue obligations and State Revolving Fund (SRF) loans. The SRF loans financed the North Clackamas Revitalization Area (NCRA) assessment district in Rate Zone 2, construction of the Tri-City Solids Handling Improvement project, and the design phase of the 3-Creeks Water Quality project. The primary resources include monthly charges transferred from the Operating Funds, system development charges transferred from the Sewer SDC Fund, and the interest and principal payments associated with the NCRA loans received from beneficiaries in that assessment district.

The budget for FY 2026-27 includes resources of $15.2 million, consisting of beginning fund balance of $2.1 million, interfund transfers in from the Sewer SDC Fund of $7.8 million, from the Sewer Operating Fund of $5.0 million and from the Surface Water Operating Fund of $92 thousand, assessment principal and interest collections of $140 thousand, and interest income of $84 thousand. The transfer from the Sewer SDC fund reflects WES' financial strategy to use restricted SDC cash to make debt service payments to the extent eligible under applicable state statutes. This strategy, which was implemented in FY 2021-22 after receiving support from the WES Advisory Committee, reduces pressure for rate increases. The amount transferred for FY 2026-27 represents the SDC-eligible portions of the budgeted debt service for the Series 2016 sewer revenue obligations, the Series 2021 sewer revenue obligations, and SRF Loan R95030.

Requirements include debt service payments of approximately $13.0 million, designated reserves of approximately $0.8 million, and other reserves of $1.4 million.

FY 2026-27 debt service in this fund consists of $10.6 million for principal and interest on sewer revenue obligations and $2.4 million for principal and interest on state loans. Of the $2.4 million related to state loan repayments, $2.2 million is for SRF Loan R95030. SRF Loan R95030 was used to provide capital financing for the Tri-City Solids Handling Improvement project; the project was completed in late FY 2021-22, and repayment of the loan commenced in FY 2022-23. An additional $92 thousand is for SRF Loan 95031 that was entered into in September 2020 with DEQ to provide financing for the design phase of the 3-Creeks Water Quality project. The loan was issued under the DEQ's sponsorship option program which allowed WES to pair Loan R95030 for the Tri-City Solids Handling Improvement project with the 3-Creeks project to obtain a reduced interest rate on both borrowings. As a result, in October 2022, WES closed on the $37.0 million loan for the Tri-City Solids Handling Improvement project and received an interest rate reduction from 2.14% to 1.00%. The interest savings over the life of the loan is approximately $4.0 million and will more than offset the total debt service for the $1.45 million 3-Creeks design loan. The debt service for the Tri-City Solids Handling Improvement project loan (R95030), totaling $37.0 million, is allocated 36% to Rate Zone 1 and 64% to Rate Zone 2 in accordance with the ORS 190 formation agreement for WES. The design phase of the 3-Creeks Water Quality project was completed in FY 2024-25 and repayment of the $1.45 million loan commenced in FY 2025-26.

The remaining $10.6 million of debt service for FY 2026-27 includes approximately $6.9 million for the Series 2016 sewer revenue obligations and $3.7 million for the Series 2021 sewer revenue obligations. The Series 2016 sewer revenue obligations, issued in August 2016, were used to refinance portions of the 2009 and 2010 revenue bonds and pay off SRF Loan R22403. The Series 2021 sewer revenue obligations, issued in February 2021, were used to finance various capital projects, including construction of the Tri-City WRRF Outfall. The debt service for Series 2016 and Series 2021 is paid from sewer user charges and sewer SDC charges via interfund transfers in from the respective funds. As the Series 2016 debt was originally incurred by CCSD No. 1, only ratepayers within Rate Zone 2 are responsible for this debt. WES' borrowings are covered in further detail in the separate Debt section.

Designated reserves, which consist of SRF loan reserves required by the SRF loan agreements, are neutral to FY 2025-26 at $0.8 million.

Ending fund balance and reserves for future expenditures for FY 2026-27 are budgeted at $1.4 million, or approximately 10% higher than the FY 2026-27 beginning fund balance, exclusive of designated reserves. This increase reflects projected interest earnings on fund balance.

	2023-24 ACTUAL	2024-25 ACTUAL	2025-26 AMENDED BUDGET	2025-26 PROJECTION	2026-27 BUDGET PROPOSED	2026-27 BUDGET APPROVED	2026-27 BUDGET ADOPTED [1]
RESOURCES							
Beginning Fund Balance	$ 6,941,816	$ 6,528,295	$ 2,444,529	$ 2,400,347	$ 2,086,504	$ 2,086,504	$ 2,086,504
Interest Income	219,318	266,640	85,600	96,000	83,500	83,500	83,500
Assessment Collections	179,273	135,280	185,000	127,900	140,000	140,000	140,000
Interfund Transfers In							
From Sewer Operating Fund	4,880,423	4,302,783	6,172,936	6,172,936	5,020,734	5,020,734	5,020,734
From Surface Water Operating Fund	-	-	125,280	124,800	91,990	91,990	91,990
From Sewer SDC Fund	7,078,451	8,542,782	7,815,443	7,815,443	7,811,245	7,811,245	7,811,245
TOTAL RESOURCES	**$ 19,299,281**	**$ 19,775,780**	**$ 16,828,788**	**$ 16,737,426**	**$ 15,233,973**	**$ 15,233,973**	**$ 15,233,973**
REQUIREMENTS							
Principal Payments							
R06224	$ 106,208	$ 106,208	$ 106,208	$ 106,208	$ 106,208	$ 106,208	$ 106,208
R95030	1,736,115	1,753,519	1,771,099	1,771,099	1,788,855	1,788,855	1,788,855
R95031	-	-	65,280	32,528	65,730	65,730	65,730
2016	4,705,000	4,945,000	5,200,000	5,200,000	5,470,000	5,470,000	5,470,000
2021	2,280,000	2,395,000	2,515,000	2,515,000	2,640,000	2,640,000	2,640,000
Total Principal	8,827,323	9,199,727	9,657,587	9,624,835	10,070,793	10,070,793	10,070,793
Interest Payments							
R06224	4,779	4,248	3,717	3,717	3,186	3,186	3,186
R95030	338,878	507,290	480,898	480,898	454,242	454,242	454,242
R95031	-	-	60,000	49,967	26,260	26,260	26,260
2016	2,197,756	1,956,507	1,702,882	1,702,882	1,436,132	1,436,132	1,436,132
2021	1,402,250	1,288,250	1,168,500	1,168,500	1,042,750	1,042,750	1,042,750
Total Interest	3,943,663	3,756,295	3,415,997	3,405,964	2,962,570	2,962,570	2,962,570
Total Debt Service	12,770,986	12,956,022	13,073,584	13,030,799	13,033,363	13,033,363	13,033,363
RESERVES							
R06224	53,104	53,104	53,104	53,104	53,104	53,104	53,104
R95030	695,854	695,854	695,854	695,854	695,854	695,854	695,854
R95031	-	-	28,500	42,288	42,288	42,288	42,288
2021	4,419,411	-	-	-	-	-	-
Total Reserves	5,168,369	748,958	777,458	791,246	791,246	791,246	791,246
Reserves - Designated	5,168,369	748,958	777,458	791,246	791,246	791,246	791,246
Special Payments	-	-	1,700,000	1,620,123	-	-	-
Interfund Transfers Out- To Sewer Construction Fund	-	4,419,411	-	-	-	-	-
Ending Fund Balance / Reserves for Future Expenditure	1,359,926	1,651,389	1,277,746	1,295,258	1,409,364	1,409,364	1,409,364
TOTAL REQUIREMENTS	**$ 19,299,281**	**$ 19,775,780**	**$ 16,828,788**	**$ 16,737,426**	**$ 15,233,973**	**$ 15,233,973**	**$ 15,233,973**

[1] *The FY 2026-27 Budget was adopted as proposed with no changes made.*

Debt

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Debt

DEBT SERVICE REQUIREMENTS

Clackamas Water Environment Services' debt strategy targets three purposes: (i) efficient and cost-effective funding and completion of necessary WES infrastructure; (ii) gradual, relatively linear rate adjustments to avoid "rate shock"; and (iii) participation in the costs of constructed infrastructure by future users of the system. In support of this strategy, WES finances investments in infrastructure using revenues from monthly service charges, System Development Charges, and the issuance of long-term debt.

All long-term debt issued prior to WES' formation was originally incurred by WES' member district CCSD No. 1. Consequently, to ensure financial equity among ratepayers, only those ratepayers within Rate Zone 2 (the former CCSD No. 1 service area) are responsible for the debt issued before July 1, 2018. The mechanism to ensure this equity is the inclusion of a Legacy Debt component based on annual debt service requirements in WES' rate structure. As one of the benefits of WES' formation is savings through shared capital investment, debt issued after the formation of WES is the responsibility of all ratepayers served.

As of June 30, 2026, WES' long-term indebtedness consists of the following:

Revenue Bond	Issue Date	Date of Maturity	Amount Issued	Interest Rate	June 30, 2026 Principal Outstanding	FY 2026-27 Debt Service Principal	FY 2026-27 Debt Service Interest
2016 Ref.	08/30/2016	12/01/2035	$ 83,250,000	2.20%	$ 53,760,000	$ 5,470,000	$ 1,436,132
2021	02/24/2021	06/01/2035	40,000,000	0.84%	28,575,000	2,640,000	1,042,750
Subtotal					82,335,000	8,110,000	2,478,882

State Loan	Issue Date	Date of Maturity	Amount Issued	Interest Rate	June 30, 2026 Principal Outstanding	FY 2026-27 Debt Service Principal	FY 2026-27 Debt Service Interest
R06224[1]	10/26/2009	09/01/2032	4,142,142	0%	690,367	106,208	3,186
R95030	01/15/2019	03/01/2042	37,000,000	1.00%	30,877,682	1,788,855	454,242
R95031	09/24/2020	03/01/2045	1,450,000	1.38%	1,417,472	65,730	26,260
Subtotal					32,985,521	1,960,793	483,688
Total Outstanding Debt					**$ 115,320,521**	**$ 10,070,793**	**$ 2,962,570**

[1] R06224 loan agreement terms allowed $2,071,071, or 50% of the total $4,142,142 loan amount, to be forgiven at the completion of the NCRA collection sewers construction project.

In September 2020, WES entered into a Loan Agreement with DEQ for SRF Loan R95031 to provide financing for the design phase of the 3-Creeks Water Quality project. The loan was issued under the DEQ's sponsorship option program which allowed WES to pair Loan R95030 for the Tri-City Solids Handling Improvement project with the 3-Creeks project to obtain a reduced interest rate on both borrowings. As a result, in October 2022, WES closed on the $37.0 million loan for the Tri-City Solids Handling Improvement project and received an interest rate reduction from 2.14% to 1.00%. The interest savings over the life of the loan is approximately $4.0 million and will more than offset the total debt service for the $1.45 million 3-Creeks design loan. The debt service for the Tri-City Solids Handling Improvement project loan (R95030), totaling $37.0 million, is allocated 36% to Rate Zone 1 and 64% to Rate Zone 2 in accordance with the ORS 190 formation agreement for WES. The design phase of the 3-Creeks Water Quality project was completed in FY 2024-25 and repayment of the $1.45 million loan commenced in FY 2025-26.

In February 2021, WES capitalized on historically low interest rates by issuing the Series 2021 Sewer Revenue Obligations in the amount of $40,000,000 with a true interest cost of 0.84% and a 15-year term. The timing of this borrowing enabled WES to secure interest savings exceeding $8.0 million over the term of the debt, thereby increasing the funds available for capital projects. The proceeds from this issuance (including a premium of approximately $8.8 million) were used to finance several sewer capital projects, including the Tri-City Outfall project.

WES does not anticipate issuing any new debt in FY 2026-27. WES has been approved for a $100 thousand SRF loan for the Hoodland Master Plan that qualifies for 100% principal forgiveness and therefore carries no debt service. WES is also in the application phase for SRF sponsorship financing for the Middle Clackamas Interceptor and two surface water capital projects. If approved, the first loan proceeds are anticipated in FY 2027-28 with the associated debt service commencing after project completion.

DEBT LIMITS

Oregon Revised Statutes 451.545 provides a limitation on general obligation debt of 13.0% of the aggregate real market value of all property by law assessable for state and county purposes within WES' boundaries. WES' total real market value as of July 1, 2025 is approximately $41.62 billion which calculates to a legal debt limit of approximately $5.411 billion. WES has no outstanding general obligation debt so there is currently no debt subject to this limit.

CREDIT RATING

WES holds S&P Global's highest issuer credit rating, AAA, which reflects the agency's assessment of WES' excellent financial health and management. This rating was first awarded in May 2018 and reaffirmed in February 2021.

IMPACT OF DEBT ON USER CHARGES

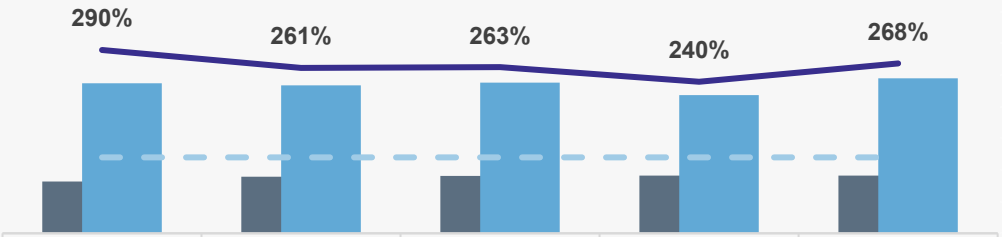
Rate Zone 2 sanitary sewer rates include a Legacy Debt component for the Series 2016 debt incurred before WES was formed. This component is calculated for each budget year based on the total Legacy Debt service for the coming fiscal year and the projected number of EDUs in Rate Zone 2. In FY 2022-23, WES began implementing a plan to phase-out this component by FY 2030-31. To accommodate the phase out, existing and new reserves of Rate Zone 2 SDC revenues are being used to fund the SDC-eligible portion of Legacy Debt service. For FY 2026-27, the Legacy Debt component of Rate Zone 2's rate is $5.65 per month based on approximately $7.0 million in Legacy Debt principal and interest payments.

To reduce pressure on monthly user charges, WES utilizes SDC revenues to make eligible debt payments. The portions of debt service that are not covered by SDC revenues are included in the monthly rates of the user charge the debt was incurred to support.

COVERAGE REQUIREMENTS

WES' bond covenant requires the entity to establish and maintain fees, rates, and charges at levels sufficient to ensure that total annual net revenues (operating revenue less operating expenses), in each year during which bonds are outstanding, equal at least 120% of the senior lien bond principal and interest due in that fiscal year and 110% of all debt service. The following chart shows WES' bond coverage for the prior three fiscal years, and the projected coverage for FY 2025-26 and FY 2026-27. Actual coverage for the prior three fiscal years has ranged from 290% to 263%, respectively. The decrease in coverage ratios from FY 2022-23 through 2025-26 reflects the impact of repayment commencing on SRF loans R95030 and R95031.

Bond Debt Service Coverage



	22/23 Actual	23/24 Actual	24/25 Actual	25/26 Projected	26/27 Proposed
Debt Service	$11,692,859	$12,770,986	$12,956,022	$13,030,799	$13,033,363
Net Revenues	$33,869,858	$33,392,612	$34,015,096	$31,208,908	$34,982,394
Coverage %	290%	261%	263%	240%	268%
Coverage Requirement	120%	120%	120%	120%	120%

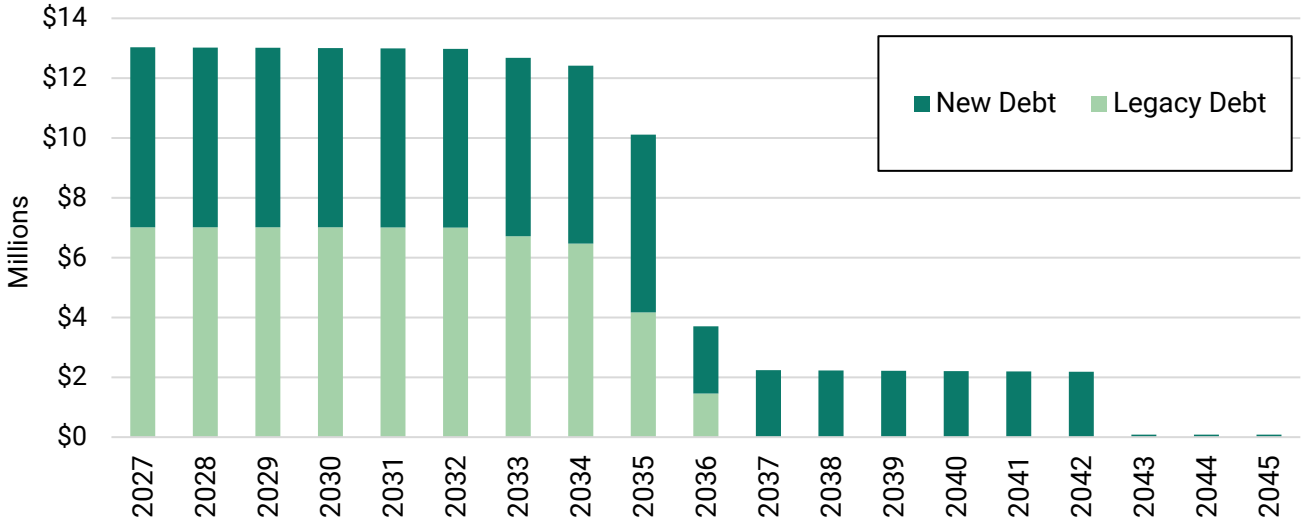
Source: WES Financial Records

Future Debt Service Repayment Schedule

The following table and chart summarize WES' debt service obligations due each year to maturity:

Fiscal Year	Total Annual Legacy Debt Service (Rate Zone 2 Only)	Debt Service for debt issued after WES Formation (All Ratepayers)	Total Estimated Annual Debt Service
2027	$ 7,015,526	$ 6,017,837	$ 13,033,363
2028	7,013,843	6,006,517	13,020,360
2029	7,015,038	5,998,602	13,013,640
2030	7,014,882	5,988,592	13,003,474
2031	7,012,726	5,981,235	12,993,961
2032	7,006,092	5,971,031	12,977,123
2033	6,718,194	5,960,128	12,678,322
2034	6,467,963	5,950,825	12,418,788
2035	4,171,350	5,940,021	10,111,371
2036	1,458,900	2,247,716	3,706,616
2037-2041		11,083,373	11,083,373
2042-2045		2,441,976	2,441,976
Totals	**$ 60,894,514**	**$ 69,587,853**	**$ 130,482,367**

Existing Debt Service by Fiscal Year, FY 2027 through FY 2045



Capital

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Kellogg Creek Water Resource Recovery Facility

CAPITAL

INTRODUCTION

The FY 2026-27 Capital Budget is based upon WES' FY 2026-27 – 2030-31 Capital Improvement Plan (CIP), which was adopted by the Board of County Commissioners in January 2026. The CIP is an annually updated, rolling 5-year plan which identifies and prioritizes wastewater and stormwater construction projects and major equipment purchases.

The 5-year CIP is a result of addressing existing capacity and condition concerns identified in our major planning documents.

- Hoodland Master Plan (2017)
- Sanitary Sewer Master Plan (2019)
- Boring Facility Plan (2020)
- Willamette Facility Plan (2021)
- Storm System Master Plan (2023)

To be considered for the CIP, projects must result in the acquisition, construction, or improvement of a capital asset with a total cost of $10,000 or more and an estimated useful life exceeding one year. Capital project costs may include the costs of design, construction (or purchase), WES engineering, administrative and legal costs, and financing. Costs must be directly related to, and primarily benefit, a single capital project to be considered project costs.

For additional capital project information and WES' currently adopted CIP, please refer to WES' website:
https://www.clackamas.us/wes/capprojectsl.html

CAPITAL EXPENDITURES IMPACT ON THE ANNUAL OPERATING BUDGET

The projects in the current 5-year CIP address deficiencies in condition at the treatment facilities and condition and capacity in the conveyance system and do not have a measurable impact on operation and maintenance costs.

5-YEAR PROJECT COST ESTIMATES

Project cost estimates change over time due to inflation, and during the design phase as the details of the project are refined. Over the last several years, the economy experienced historic inflation that had a significant impact on project delivery costs. The project costs in the adopted CIP have been escalated to the Engineering News Record (ENR) Construction Cost Index (CCI) as of July 2025.

In addition to escalating the project costs to the construction index, WES' CIP reflects the most recent cost estimates for each project. WES uses a structured approach to estimating costs for capital improvements and infrastructure investments, utilizing different estimate classes to align with the various stages of project development.

CAPITAL FUNDING SOURCES

Capital expenditures are attributed to one or more capital funds, depending on the purpose and location of the asset.

Fund	Fund Title	Description
632	Sanitary Sewer System Development Charge (SDC) Fund	Provides for construction of sanitary sewer projects attributable to growth and therefore eligible for SDC funding.
639	Sanitary Sewer Construction Fund	Provides for construction of sanitary sewer projects financed either by bond proceeds, grants, operating fund revenues (e.g. monthly service charge revenue) or other resources.
642	Surface Water System Development Charge Fund	Provides for construction of surface water projects attributable to growth and therefore eligible for SDC funding.
649	Surface Water Construction Fund	Provides for construction of surface water projects financed either by bond proceeds, grants, operating fund revenues (e.g. monthly service charge revenue) or other resources.

Funding for capital projects that benefit both WES' sanitary sewer/wastewater treatment and surface water programs is proportionately split between the sanitary sewer and surface water construction and/or SDC funds based on the relative benefit to each program. Projects with shared sanitary sewer and surface water funding include improvements to, or rehabilitation of, shared facilities (e.g., Tri-City Administration Building and Water Quality Lab), as well as the purchase costs of shared equipment.

WES utilizes a cost-pool model for fleet management, where capital expenditures for vehicles are initially assigned to the Sanitary Sewer Construction Fund. The full annual operating costs of these vehicles, including asset replacement costs, are subsequently charged to the sanitary sewer or surface water programs and respective operating funds, depending on each program's usage of the vehicles.

SEWER CAPITAL BUDGET

The FY 2026-27 Sewer Capital Budget is approximately $62.4 million. Sewer projects are categorized according to their location and/or function: Tri-City Water Resource Recovery Facility (WRRF), Kellogg Creek WRRF, Hoodland WRRF, Boring Treatment System, Fischer's Forest Park Treatment System, Collection System, Water Quality Lab, and Recurring Projects. The map on the following page provides an overview of WES' sewer infrastructure and FY 2026-27's budgeted capital spending.

FY 2026-27's capital budget anticipates utilizing approximately $13.3 million of SDC funds for eligible projects. The itemized project summaries in the proceeding section note projects that are anticipated to be funded with SDCs.

For additional capital project information and WES' currently adopted CIP, please refer to WES' website:
https://www.clackamas.us/wes/capprojectsl.html

WES Sewer System

FY 2026-27
Sewer Capital Budget

KELLOGG CREEK WRRF – $3.8 M

- Administration Building Remodel
- UV Replacement
- Primary Clarifier Rehabilitation
- Headworks and Grit Loading Improvements

TRI-CITY WRRF - $11.25 M

- Influent Pump Station Expansion
- Rossman Landfill Mitigation
- Aeration Basin Improvements
- Wet Weather Expansion

COLLECTION SYSTEM – $43.56 M

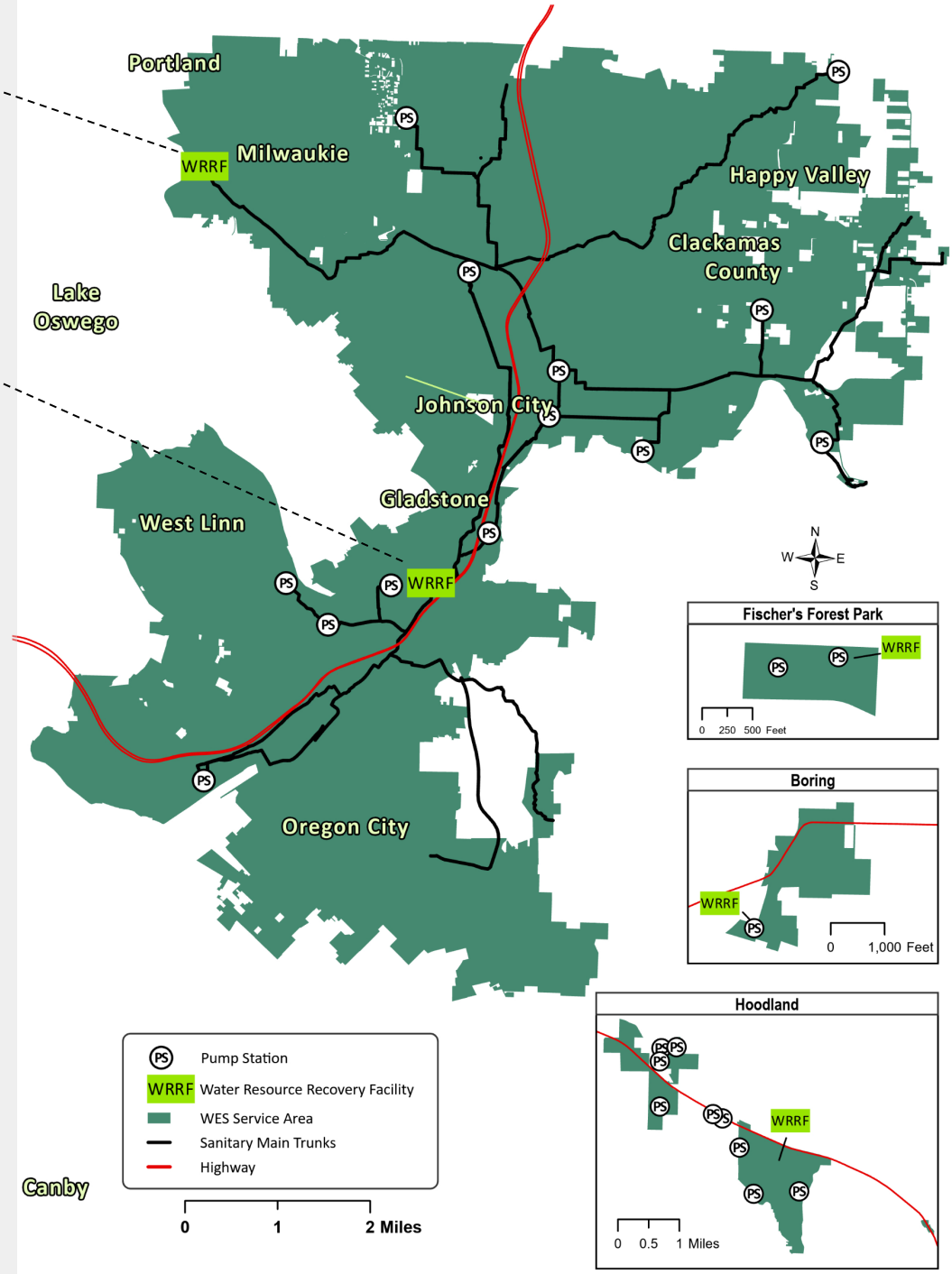
- Clackamas Area Interceptor Improvements
- Willamette Pump Station and Force Main Capacity
- Intertie 2 Pump Station Expansion and 30-inch Force Main
- Rock Creek Interceptor Extension
- Inflow & Infiltration Reduction Program
- Multiple Pump Station Upgrades
- Clackamas Force Main 10-inch Upsize
- Bolton Force Main Evaluation and Replacement
- Decant Facility

BORING WRRF - $0.5 M

WATER QUALITY LAB - $0.5 M

RECURRING - $2.81 M

- Pipe and Manhole Rehabilitation and Replacement
- WRRF Small Projects
- WRRF SCADA Improvements
- Fleet
- Pump Station Improvements
- Developer-Installed Assets



For additional capital project information and WES' currently adopted CIP, please refer to WES' website: https://www.clackamas.us/wes/capprojectsl.html

FY 2026-27 PROJECT SUMMARIES

Of the $62.4 million in the FY 2026-27 Sewer Capital Budget, $62.2 million is expected to be spent on the following projects:

Clackamas Area Interceptor Improvements

The Clackamas Interceptor has been shown in past studies and in the Sanitary Sewer System Master Plan (2019) to lack capacity to serve the current and future service areas. Parts of the interceptor require rehabilitation. Design for the entire interceptor system has been advanced to the 60 percent level. Improvements along the length of the interceptor will be designed as one system to assure cohesiveness, then construction will be phased over several years and multiple projects to best meet capacity needs and funding resources. Construction will be delivered through four bid packages over the next 10+ years. FY 2026-27's budget anticipates a bid for the construction package for the Middle Clackamas Interceptor, with the bid package for the Mt. Scott Interceptor following closely behind. The timing for the remaining two construction packages, Upper Clackamas and Lower Clackamas, is estimated in 2029 and 2033, respectively. The projected cost for the program is $32.9M over the 5-year CIP with future phases scheduled beginning in FYs 29-31. Total project capital cost is estimated at $51.2M.

Project Category: Collection System

Funding Sources		Amount
Sewer Construction	$	11,250,000
Sewer SDC	$	-
2026-27 Budget	**$**	**11,250,000**

Willamette Pump Station and Force Main Capacity

The Willamette Pump Station collects flow from the Willamette area of West Linn and conveys it to the Willamette Interceptor. The Sanitary Sewer Master Plan (2019) and a subsequent detailed evaluation showed the pump station and force main are at capacity and in need of expansion. Condition issues also need to be addressed. WES took advantage of the Abernethy Bridge Expansion Project and contracted with ODOT to suspend a portion of the force main from the bridge at a cost savings to rate payers. The remainder of the project includes replacement of the Willamette Pump Station and an upsized force main from the pump station to the Abernethy Bridge to accommodate planned future flows. Total program capital cost is estimated at $33.1M with $9.26M transferred to ODOT as a deposit in FY 21/22 for the force main segment across the I205 bridge. ODOT will draw on WES' $9.26 deposit when construction is completed.

Project Category: Collection System

Funding Sources		Amount
Sewer Construction	$	8,360,000
Sewer SDC	$	2,640,000
2026-27 Budget	**$**	**11,000,000**

Intertie 2 Pump Station Expansion and 30-inch Force Main

The Intertie 2 (IT2) Pump Station diverts flow in excess of Kellogg WRRF capacity to the Tri-City WRRF. The pump station is at capacity and was constructed so that pump(s) can be added to increase capacity. The 30-inch force main from the pump station to Tri-City WRRF was partially constructed in past years. This project will complete construction of the force main. The pump station is scheduled for a second expansion beyond 2030. Total project capital cost is estimated at $24.6M.

Project Category: Collection System

Funding Sources		Amount
Sewer Construction	$	5,025,000
Sewer SDC	$	1,675,000
2026-27 Budget	**$**	**6,700,000**

Tri-City WRRF Influent Pump Station (IPS) Expansion

The Influent Pump Station (IPS) pumps flow that arrives from the sanitary sewer collection system by gravity to the influent screening channel for subsequent treatment through the facility. The pumps are original to the 1985 construction and have a firm (largest pump out of service) hydraulic capacity of 50 MGD. The pumps and variable frequency drives have reached the end of their service life and are due for replacement. The firm capacity has been exceeded during wet weather events in recent years, necessitating the immediate need for expansion. The project will include new pumps and drives sized for projected 2040 influent flows. Pump station mechanical, electrical, and control systems will be replaced as needed to operate the new pumps and extend the life of the facility. Total project capital cost is estimated at $18.4M.

Project Category: Tri-City WRRF

Funding Sources		Amount
Sewer Construction	$	4,875,000
Sewer SDC	$	1,625,000
2026-27 Budget	**$**	**6,500,000**

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: https://www.clackamas.us/wes/capprojectsl.html

Rock Creek Interceptor Extension

The Sanitary Sewer Master Plan completed in 2019 built upon a preliminary routing analysis that was completed in 2007 for the extension of the Rock Creek Interceptor. Based on this planning work, the interceptor will be extended to the north and east. The schedule for implementation will need to be balanced against available downstream conveyance and treatment capacity. The project is currently in the preliminary design phase. Total project capital cost is estimated at $13.6M.

Project Category: Collection System

Funding Sources		Amount
Sewer Construction	$	3,000,000
Sewer SDC	$	3,000,000
2026-27 Budget	**$**	**6,000,000**

Inflow and Infiltration (I&I) Reduction Program

Inflow and Infiltration (I&I) is clean groundwater and/or rainwater that enters the sewer system through direct connections such as roof drains, area drains, or defects such as leaking joints or manholes. When the amount of I&I becomes excessive it can cause capacity deficiencies in the sewer system and possible overflows. The Sanitary Sewer System Master Plan (2019) recommended removal of excessive I&I in 19 basins in WES and member city systems. All future WES planning assumes removal of the I&I. WES initiated a five-year program to assist member cities and fund 33% of approved project costs for removal of I&I in basins identified in their systems. This project includes those costs and assumes ongoing costs throughout the planning period. Total five-year spending is projected at $12.0M.

Project Category: Collection System

Funding Sources		Amount
Sewer Construction	$	1,987,500
Sewer SDC	$	1,987,500
2026-27 Budget	**$**	**3,975,000**

Rossman Landfill Mitigation Project

Rossman Landfill was to be mitigated as part of the Membrane Bio-Reactor (MBR) Phase 1 construction project, but the work was not performed due to the location of the MBR being outside of the landfill footprint. Thus, this project, like the MBR project, is SDC eligible. The cost for this project will need to be refined as the mitigation requirements are further studied, and a plan is developed with DEQ. This project is scheduled to be completed prior to the Tri City Wet Weather Expansion to reduce risk/uncertainty from that project. Total project capital cost is estimated at $7.5M.

Project Category: Tri-City WRRF

Funding Sources		Amount
Sewer Construction	$	1,750,000
Sewer SDC	$	1,750,000
2026-27 Budget	**$**	**3,500,000**

Kellogg Creek WRRF Administration Building Remodel

This project remodels the Administration Building at the Kellogg Creek WRRF to update the lab, provide locker rooms, a kitchen/lunchroom, and offices for staff. This project will also include a dual-purpose conference room that will be available for community use. A conceptual design has been completed. This project needs to be completed prior to construction of the Digestion and Dewatering Project at the Kellogg Creek WRRF as that project includes demolishing the current staff locker rooms and kitchen/lunchroom. Total project capital cost is estimated at $4.6M.

Project Category: KC WRRF

Funding Sources		Amount
Sewer Construction	$	2,000,000
Sewer SDC	$	-
2026-27 Budget	**$**	**2,000,000**

Multiple Pump Station Upgrades

Several pump stations are in need of rehabilitation. The type of upgrades includes, but are not limited to, pumps and electrical, HVAC and structural components. By designing the project once and constructing in phases, WES is providing consistency across our facilities and being efficient with design costs. The pump stations include Sieben Lane, South Welches, Golf Course Terrace, Gladstone, Clackamas, 82nd Drive, Bolton, River Street, Timberline Rim, and Willamette. The estimated total capital cost for this program is $12.9M.

Project Category: Collection System

Funding Sources		Amount
Sewer Construction	$	2,000,000
Sewer SDC	$	-
2026-27 Budget	**$**	**2,000,000**

Clackamas Force Main 10-inch Upsize

The existing force main from the Clackamas Pump Station has an approximately 2,000 linear foot section where the pipe reduces size from 12-inch to 10-inch diameter and causes pressure issues with the air relief valves. The reduction in diameter limits operations ability to clean the force main as part of regular force main maintenance. This project includes the design and construction of the replacement of the 10-inch diameter segment and upsizes it for additional capacity. Total project capital cost is estimated at $1.5M.

Project Category: Collection System

Funding Sources		Amount
Sewer Construction	$	937,500
Sewer SDC	$	312,500
2026-27 Budget	**$**	**1,250,000**

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: https://www.clackamas.us/wes/capprojectsl.html

Kellogg Creek WRRF UV Replacement

Wastewater treated at the Kellogg Creek WRRF is primarily disinfected with ultraviolet (UV) light, while a chlorination system provides backup. The Willamette Facilities Plan identifies a need to renew this disinfection system to ease maintenance and improve reliability. The UV equipment is at the end of its useful life. This project will evaluate and select the best disinfection system and then design and construct the recommended improvements. Total project capital cost is estimated at $2.2M.

Project Category: KC WRRF

Funding Sources		Amount
Sewer Construction	$	1,250,000
Sewer SDC	$	-
2026-27 Budget	**$**	**1,250,000**

Bolton Force Main Evaluation and Replacement

The Bolton and River Street pump stations are served by 16" and 12" force mains respectively. The force mains were installed in the 1980s, and recently the Bolton force main has had breaks in the pipe. This project will determine, based on hydraulic needs and condition, if the existing force mains can be rehabilitated or if a new force main will need to be installed to provide a reliable and resilient way to transport sewage from the north side of West Linn across the Willamette River for treatment at the Tri-City WRRF. Total project capital cost is estimated at $7.7M.

Project Category: Collection System

Funding Sources		Amount
Sewer Construction	$	1,180,000
Sewer SDC	$	-
2026-27 Budget	**$**	**1,180,000**

WRRF Small Projects

These funds are reserved for small projects related to operational assets that are capital in nature, including: small pump replacements, minor system and process updates, and small machinery. The intent is to replace or upgrade high risk assets efficiently, thereby maintaining effective treatment plant operations. Specific efforts may include electrical updates, instrumentation upgrades, and process HVAC system improvements. This is a recurring budget item.

Project Category: Recurring / Programmatic

Funding Sources		Amount
Sewer Construction	$	800,000
Sewer SDC	$	-
2026-27 Budget	**$**	**800,000**

Pipe and Manhole Rehabilitation and Replacement

Sanitary sewer pipe and manholes are subject to degraded condition through exposure to chemicals, organic growths, and soil movement. This degradation leads to defects in pipe which can result in surface water and groundwater infiltration into the collection system, straining treatment capacities and increasing risk of pipe failure. WES tracks manhole and pipe condition through our asset management program. Projects are prioritized, and each year, work is planned based on the available budget. Projects within this program include repairing and/or replacing damaged and aging pipelines utilizing methods including pipelining, pipe bursting and replacement. This program also includes projects to rehabilitate aging manholes which have degraded condition through normal exposure to chemical and biological components and soil movement. Rehabilitation efforts to reduce risk will range from cleaning and spray lining to complete manhole replacement depending upon the degree of wear. This is a recurring budget item.

Project Category: Recurring / Programmatic – Collection System

Funding Sources		Amount
Sewer Construction	$	750,000
Sewer SDC	$	250,000
2026-27 Budget	**$**	**1,000,000**

Tri-City WRRF Aeration Basin Improvements

The four conventional aeration basins are original to the facility. The aeration system consists of valves and instrumentation that control the flow of oxygen to the biological treatment process. The aeration system at Tri-City's aeration basins, along with its programming controls, are antiquated and need to be replaced. This renewal will improve process performance and increase efficiency, significantly conserving electricity used to power air blowers. In addition to the control and process improvements, this project will also address deficiencies of the basins' structural concrete and other ancillary systems. Design began in FY 2025-26 and construction is anticipated in FY 2027-28. Total project capital cost is estimated at $3.7M.

Project Category: Tri-City WRRF

Funding Sources		Amount
Sewer Construction	$	750,000
Sewer SDC	$	-
2026-27 Budget	**$**	**750,000**

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: https://www.clackamas.us/wes/capprojectsl.html

Tri-City Lab Remodel

A conceptual design was performed for a remodel of the WES Lab Building located on the Tri-City campus. The project includes a new roof, a new HVAC system, and reconfiguration of office space. Due to the immediate need for the roof system, that part of the remodel was completed during FY 2022-23. The HVAC improvements and full lab remodel are in design and will be constructed prior to the Tri-City Administration remodel project. Funding for this project is proportionately split between the Sanitary Sewer and Surface Water Construction funds based on the relative benefit to each program. Total project capital cost is estimated at $4.1M.

Project Category: Water Quality Lab

Funding Sources		Amount
Sewer Construction	$	500,000
Sewer SDC	$	-
Surface Water Construction	$	88,235
Surface Water SDC	$	-
2026-27 Budget	**$**	**588,235**

Tri-City WRRF Wet Weather Expansion

The results of the Collection System Master Plan show that peak wet weather flow to the Tri-City WRRF currently exceeds its hydraulic capacity. The current hydraulic capacity of the facility is 70 MGD. Projected 2040 peak flow is 105 MGD assuming I/I reduction goals (65% in 19 basins) are met. The Willamette Facilities Plan recommends an expansion of the wet-weather treatment capacity to include new headworks, high-rate clarification and disinfection. Total project capital cost is estimated at $59.5M.

Project Category: Tri-City WRRF

Funding Sources		Amount
Sewer Construction	$	467,500
Sewer SDC	$	32,500
2026-27 Budget	**$**	**500,000**

Fleet

This project pool funds the replacement of aging equipment and fleet used in administrative functions, environmental monitoring, and field operations and maintenance. FY 2026-27 is highlighted by the purchase of a new tanker truck for transporting sanitation by-product. This is a recurring budget item.

Project Category: Recurring / Programmatic

Funding Sources		Amount
Sewer Construction	$	470,000
Sewer SDC	$	-
2026-27 Budget	**$**	**470,000**

Boring Upgrades Project

The Boring Treatment Facility periodically cannot meet effluent water quality requirements defined in the NPDES permit. During winter months, wastewater must occasionally be hauled to a different WES WRRF when the facility is unable to adequately reduce ammonia concentrations. During the summer months, onsite irrigation of treated effluent is essential to limit temperature impacts to the discharge stream. In 2020, a Facilities Plan was prepared that recommended the facility be permanently converted to a pump station to convey flow to another facility for treatment. Design of the proposed pump station and force main was initiated, but detailed cost estimates prepared during the initial phases of design exceeded the planning level estimates and the project to convert the facility to a pump station was placed on hold until a more feasible charge location can be realized. An updated alternatives analysis is being carried out to identify a cost-feasible approach to continuing operation of the existing facility until the recommended long-term solution can be implemented. Total capital project cost is estimated at $8.8M.

Project Category: Boring WRRF

Funding Sources		Amount
Sewer Construction	$	500,000
Sewer SDC	$	-
2026-27 Budget	**$**	**500,000**

Kellogg Creek Primary Clarifier Rehabilitation

This project was identified as a condition assessment project to rehabilitate Primary Basin 1 and 2. The facility plan identified that rehabilitation will include addressing the corrosion of the concrete within the basins and full replacement of the bottom basin grout. During the design phase of this project, further evaluation of the basins will be conducted to refine the full scope of this project. Currently, replacement of the mechanical equipment is not included as part of this project. Total project capital cost is estimated at $1.3M.

Project Category: KC WRRF

Funding Sources		Amount
Sewer Construction	$	300,000
Sewer SDC	$	-
2026-27 Budget	**$**	**300,000**

For additional capital project information and WES' currently adopted CIP, please refer to WES' website:
https://www.clackamas.us/wes/capprojectsl.html

SCADA System Modernization and Renewal Program

WES treatment facilities utilize Supervisory Control and Data Acquisition (SCADA) systems that allow personnel to monitor and control treatment processes in real time. Data from sensors and devices like motors, pumps, and valves are relayed to operators, who interpret data to efficiently and effectively control plant processes. As SCADA systems are vital for plant operations, this project includes a recurring budget to evaluate and repair or replace the existing SCADA systems, some of which utilize computer components from the 1990s. This is a recurring budget item.

Project Category: Recurring / Programmatic

Funding Sources		Amount
Sewer Construction	$	300,000
Sewer SDC	$	-
2026-27 Budget	**$**	**300,000**

Kellogg Creek Headworks and Grit Loading Improvements

The headworks and grit loading systems at Kellogg are original to the 1970s construction of the facility and are in need of an update to provide reliable treatment. Planned improvements include replacing two existing mechanical bar screens and accessories, rehabilitating the grit removal system, and updating the electrical, instrumentation, and control systems. Total project capital cost is estimated at $1.6M.

Project Category: KC WRRF

Funding Sources		Amount
Sewer Construction	$	250,000
Sewer SDC	$	-
2026-27 Budget	**$**	**250,000**

Decant Facility

WES operates a decant facility adjacent to the Clackamas Pump Station located at the corner of SE Jennifer St. and SE Evelyn St. in the Clackamas industrial area. A decant facility is a structure used to separate liquids from solids in waste material via gravity, allowing flows to be drained into the collection system off a sloped concrete pad through screening, and material to be hauled away more efficiently with higher percent solids. This decant facility is utilized by multiple municipalities and presently experience operating issues that impact the Clackamas Pump Station. This project will evaluate the existing facility, identify upgrades, develop standard operating procedures for facility use, and construct the designed upgrades. Total project capital cost is estimated at $1.2M.

Project Category: Collection System

Funding Sources		Amount
Sewer Construction	$	200,000
Sewer SDC	$	-
2026-27 Budget	**$**	**200,000**

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: https://www.clackamas.us/wes/capprojectsl.html

Installation of a driveway culvert in the upper Kellogg Creek area

STORMWATER CAPITAL BUDGET

WES' goals for stormwater capital projects include:

- Protect and enhance streams and wetlands through planning and constructing modifications to the stormwater infrastructure.
- Minimize the degradation of receiving waters from impacts attributable to stormwater runoff in existing developed areas.
- Maximize public benefits of natural areas by providing multiple uses including water quality and habitat, as well as recreation, and by leveraging funding from multiple sources.
- Provide stormwater facilities for future development and redevelopment.

The following table summarizes the different categories of stormwater projects and their corresponding project costs for FY 2026-27 by funding source.

Project Category	Stormwater Construction Fund	Stormwater SDC Fund	Total FY 2026-27 Budget
Stormwater Capital Projects	$ 2,040,000	$ -	$ 2,040,000
Water Quality Lab	88,240	-	88,240
Recurring / Programmatic Projects			
Restoration and Property Acquisition	650,000	-	650,000
Stormwater Pond Repair and Rehabilitation Program	411,000	-	411,000
Small Storm System Emergency Repairs	250,000	-	250,000
Water Quality Retrofit Program	150,000	-	150,000
Small Drainage Projects Program	100,000	-	100,000
UIC Decommissioning/Retrofit Program	55,000	-	55,000
Water Quality Lab: Equipment (85% split with SS)	7,500	-	7,500
Total	**$ 3,751,740**	**$ -**	**$ 3,751,740**

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: https://www.clackamas.us/wes/capprojectsl.html

FY 2026-27 PROJECT SUMMARIES

Of the $3.8 million in the FY 2026-27 Stormwater Capital Budget, $3.6 million is expected to be spent on the following projects:

Aldercrest Culvert Replacement & Kellogg Creek Restoration

The project will reduce flooding and improve habitat along Kellogg Creek between SE Clackamas Road and SE Thiessen Road by removing or replacing culverts and stream crossings. Replacement stream crossings will be designed to be fish passable.

At the southern end of the creek section, this project will remove one pair of parallel culverts that appear to serve no purpose, replace a small culvert with a concrete slab driveway bridge, and restore native vegetation along the length of the stream. Two driveway crossings will be replaced with concrete slab bridges to accommodate the natural stream form and provide fish passage. The proposed improvements take place entirely on private property and will require the cooperation of multiple property owners along the project reach.

The benefits of this project include reducing flooding and improving fish and wildlife habitat.

This project was partially funded with resources from Clackamas County's American Rescue Plan Act (ARPA) grant award, as approved by the Board of County Commissioners in October 2022. Total project capital cost is estimated at $2.3M.

Project Category: Stormwater

Funding Sources		Amount
Surface Water Construction	$	800,000
Surface Water SDC	$	-
2026-27 Budget	**$**	**800,000**

Restoration and Property Acquisition

WES puts a high value on stream restoration, habitat improvement, and floodplain management and sees these actions as part of its mission to protect and improve water quality. These projects maximize the ecological and stormwater benefits of properties and support numerous local and regional environmental goals. For the purposes of this program summary, restoration and property acquisition can include instream restoration, riparian revegetation, culvert replacement or repair for fish passage, and property acquisition.

The main challenges for these waterbodies include poor fish passage, changes to aquatic habitat conditions, flooding risks, lack of riparian vegetation, in-stream erosion and down cutting, and water quality concerns. The SSMP identified 13 locations where restoration and property acquisition projects would address these challenges. The Restoration and Property Acquisition budget is an annual baseline funding allocation to fund restoration, revegetation, and culvert replacement efforts, as well as an allocation of funding for property acquisition that would support restoration efforts. The restoration and property acquisition program would fund the following types of activities:

- In-stream habitat improvement such as channel enhancements or stabilization, or floodplain reconnections.
- Streamside property acquisition to protect existing valuable habitat from alteration.
- Culvert replacement or repair to re-introduce habitat to fish that had been previously cut off due to culverts that prevented passage.
- Revegetation of streamside properties to improve habitat for fish and aquatic invertebrates.
- Streamside property acquisition to protect existing valuable habitat from alteration.

This is a recurring budget item.

Project Category: Recurring / Programmatic

Funding Sources		Amount
Surface Water Construction	$	650,000
Surface Water SDC	$	-
2026-27 Budget	**$**	**650,000**

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: https://www.clackamas.us/wes/capprojectsl.html

Sedona Drive Detention Repair

WES owns a buried detention pipe behind two residential properties on SE Sedona Drive. During a period of heavy rain in spring 2025, a portion of the soil cover around a leaking part of the pipe failed and slid downhill, which exposed the side of the pipe. Visible soil erosion has occurred around the outfall pipe, and scattered pieces of concrete debris downhill of the outfall pipe suggest that concrete debris was previously placed around the outfall pipe as riprap to reduce erosion. Following the initial failure, WES field operations cleaned and modified the detention pipe to reduce leakage, but concerns remain about the risk of future failure. This project will develop a preliminary plan to mitigate the risk of further failures. The project includes geotechnical Engineering, Natural Resources Assessment, Survey, Alternatives Analysis, and Preliminary Design to stabilize the detention pipe and slope. Total project capital cost is estimated at $0.8M.

Project Category: Stormwater

Funding Sources		Amount
Surface Water Construction	$	750,000
Surface Water SDC	$	-
2026-27 Budget	**$**	**750,000**

Stormwater Pond Repair and Rehabilitation Program

WES owns or operates 621 stormwater facilities that reduce pollutants in stormwater runoff and/or control flows prior to discharge to a natural wetland, stream, or river. These facilities also help reduce erosive runoff, or drainage hydromodification, in stream channels. Of those facilities, 58 are currently in need of repair or rehabilitation. These facilities need routine inspection and maintenance, as well as eventual rehabilitation, to ensure functionality and maximize their useful life.

The Stormwater Pond Repair and Rehabilitation Program provides a clear budget line for these assets that are critical to meeting water quality goals and to protecting conveyance infrastructure downstream. Associated costs include project management, mobilization, traffic control, erosion controls, and surface restoration. To keep up with maintenance needs, WES is planning to fund the repair and rehabilitation of 10% of all facilities every five years. This is a recurring budget item.

Project Category: Recurring / Programmatic

Funding Sources		Amount
Surface Water Construction	$	411,000
Surface Water SDC	$	-
2026-27 Budget	**$**	**411,000**

Rose Creek New Detention Pond and Instream Restoration

The purpose of the project is to stabilize the stream, prevent future erosion and improve habitat. The project will construct a stormwater detention pond and flow control structure upstream of the headcut to treat and detain runoff from the upstream residential neighborhood. This will reduce peak flow rates entering the stream system and reduce erosion in the stream. The proposed detention pond receives runoff from a drainage basin of approximately 30 acres. Rock grade control structures and stable streambed material will be placed in the stream to raise the level of the streambed and stabilize the headcut, protecting the pedestrian bridge, road, and habitat upstream. The project will also restore habitat within the riparian corridor of the site. Invasive vegetation will be removed, and native species will be planted. Vegetation restoration will include the establishment of habitat features such as brush piles, snags, and large woody debris. The large wood debris will also slow the flow of water and dissipate energy during high flow events. Wetland areas will be constructed adjacent to the main channel by excavation and planting with native wetland plants. Total project capital cost is estimated at $3.4M.

Project Category: Stormwater

Funding Sources		Amount
Surface Water Construction	$	350,000
Surface Water SDC	$	-
2026-27 Budget	**$**	**350,000**

Small Storm System Emergency Repairs

This project budget provides for repair of storm infrastructure such as pipes, manholes or catch basins that break and need immediate repair. This is a recurring budget item.

Project Category: Recurring / Programmatic

Funding Sources		Amount
Surface Water Construction	$	250,000
Surface Water SDC	$	-
2026-27 Budget	**$**	**250,000**

For additional capital project information and WES' currently adopted CIP, please refer to WES' website:
https://www.clackamas.us/wes/capprojectsl.html

Water Quality Retrofit Program

Within the WES surface water service area, water quality has been significantly degraded from pre-development conditions in some areas due to land use changes, hydromodification, and untreated runoff from impervious surfaces. Water quality retrofits generally include new facilities in unserved areas or enhancements which add or increase water quality treatment within existing stormwater infrastructure. New facilities serving existing impervious surfaces may be placed in the right-of-way or on public property. Enhancements of existing facilities could include installation of cartridge filter systems, conversion of swales to rain gardens or wet ponds, and other improvements to stormwater facilities or conveyance systems where water quality treatment is either inadequate or can be significantly improved. This is a recurring budget item.

The National Pollutant Discharge Elimination System (NPDES) Municipal Separate Storm Sewer System (MS4) permit requirements may change in the future and require additional water quality monitoring and retrofits to the existing storm system to improve water quality.

Project Category: Recurring / Programmatic

Funding Sources		Amount
Surface Water Construction	$	150,000
Surface Water SDC	$	-
2026-27 Budget	**$**	**150,000**

SE Clackamas Rd Drainage Infrastructure

This project will reduce flooding of properties near the SE Clackamas Road-Kellogg Creek crossing without replacing the culvert or disrupting the wetland upstream of the crossing. This will be achieved by replacing the undersized ditch inlet that collects a tributary stream and routing new storm pipes on SE Clackamas Road to a new outfall on the downstream side of the Kellogg Creek crossing instead of into the wetland upstream of the crossing.

This project was partially funded with resources from Clackamas County's American Rescue Plan Act (ARPA) grant award, as approved by the Board of County Commissioners in October 2022. Total project capital cost is estimated at $2.0M.

Funding Sources		Amount
Surface Water Construction	$	100,000
Surface Water SDC	$	-
2026-27 Budget	**$**	**100,000**

Small Drainage Projects Program

Providing regular maintenance to existing stormwater infrastructure is important to proper asset management. The Storm System Master Plan (SSMP) grouped similar drainage issues together. Projects within the Small Drainage Program correct nuisance drainage issues and includes small pipe conveyance, upgrading manholes and inlets, and small pipelining and root removal.

The Small Drainage Projects Program improves drainage issues when flooding is caused by WES-owned stormwater infrastructure. These projects support WES's goal of proactively addressing performance deficiencies or enhancements and decrease the number of customer service requests. The SSMP identified 32 instances where a new inlet or manhole is needed, three instances of root removal in small pipe, and assumed 3,000 linear feet of 18" (or smaller) pipe that could be installed to address some flooding and ponding issues through a given year.

The Small Drainage Project Program is intended to provide steady annual funding so that WES can both reactively and proactively address small flooding and drainage issues in a timely manner. This is a recurring budget item.

Project Category: Recurring / Programmatic

Funding Sources		Amount
Surface Water Construction	$	100,000
Surface Water SDC	$	-
2026-27 Budget	**$**	**100,000**

For additional capital project information and WES' currently adopted CIP, please refer to WES' website: https://www.clackamas.us/wes/capprojectsl.html

SEWER CAPITAL PROJECT LIST

FY 27-28 through 30-31 are projected based on the FY 2026-27 - 2030-31 CIP

PROJECT CATEGORY AND DESCRIPTION	FY 2025-26 Budget	FY 2025-26 Projection	**FY 2026-27 Budget**	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Tri-City Water Resource Recovery Facility							
Influent Pump Station (IPS) Expansion	$ 4,500,000	$ 550,000	**$ 6,500,000**	$ 6,500,000			
Rossman Landfill Mitigation Project	500,000		**3,500,000**	3,500,000			
Aeration Basin Improvements	400,000	300,000	**750,000**	750,000	750,000	750,000	
Wet Weather Expansion		50,000	**500,000**	2,500,000	13,000,000	16,000,000	13,500,000
Administration Building Remodel (15% split with SW)				212,500	1,700,000	1,572,500	
Maintenance Building Relocation (15% split with SW)				170,000	935,000		
Headworks Rehabilitation	1,000,000						2,300,000
Rehabilitate Chlorine Contact Basins and Replace Gates							1,000,000
MBR Cassette Replacement							1,000,000
Wet Weather Outfall	5,500,000	11,000,000					
Primary Clarifier Rehabilation	4,000,000	2,000,000					
Data Management Software		55,000					
TOTAL	15,900,000	13,955,000	**11,250,000**	13,632,500	16,385,000	18,322,500	17,800,000
Water Quality Laboratory							
Lab Remodel (15% Split with SW)	1,275,000	130,000	**500,000**	1,710,000			
TOTAL	1,275,000	130,000	**500,000**	1,710,000	-	-	-
Kellogg Creek Water Resource Recovery Facility							
Administration Building Remodel	2,000,000	800,000	**2,000,000**				
UV Replacement	750,000	250,000	**1,250,000**				
Primary Clarifier Rehabilitation			**300,000**	500,000	500,000		
Headworks and Grit Loading Improvements			**250,000**	1,350,000			
Digester Improvements and Dewatering					1,000,000	3,000,000	12,000,000
Primary Basin and Primary Pump Station							100,000
Cogen Engine Rebuild		650,000					
Odor Duct Improvements		55,000					
TOTAL	2,750,000	1,755,000	**3,800,000**	1,850,000	1,500,000	3,000,000	12,100,000
Hoodland Water Resource Recovery Facility							
Secondary Treatment Upgrade						500,000	2,000,000
Facility Plan	300,000	200,000					
TOTAL	300,000	200,000	**-**	-	-	500,000	2,000,000
Boring Water Resource Recovery Facility							
Upgrades		175,000	**500,000**				8,000,000
TOTAL	-	175,000	**500,000**	-	-	-	8,000,000
Fischer's Forest Park (FFP)		10,660					
TOTAL	-	10,660	**-**	-	-	-	-

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SEWER CAPITAL PROJECT LIST

FY 27-28 through 30-31 are projected based on the FY 2026-27 - 2030-31 CIP

PROJECT CATEGORY AND DESCRIPTION	FY 2025-26 Budget	FY 2025-26 Projection	**FY 2026-27 Budget**	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Collection System							
Clackamas Area Interceptor Improvements	2,500,000	750,000	**11,250,000**	12,150,000	4,000,000	500,000	5,000,000
Willamette Pump Station and Force Main Capacity	3,000,000	1,030,000	**11,000,000**	3,000,000	8,000,000	4,000,000	
Intertie 2 Pump Station Expansion and 30-inch Force Main	9,000,000	10,500,000	**6,700,000**				
Rock Creek Interceptor Extension	1,000,000	600,000	**6,000,000**	6,000,000			
Inflow & Infiltration (I&I) Reduction Program	2,700,000	1,000,000	**3,975,000**	2,000,000	2,000,000	2,000,000	2,000,000
Multiple Pump Station Upgrades	1,300,000	1,300,000	**2,000,000**				
Clackamas Force Main 10-inch Upsize	100,000	60,000	**1,250,000**				
Bolton Force Main Evaluation and Replacement		125,000	**1,180,000**	2,600,000	2,600,000		
Decant Facility			**200,000**			1,000,000	
Timberline Rim and Sandy River Lane Pump Station with Force Main		76,330		500,000	2,000,000		
Oregon City Interceptor Rehabilitation						300,000	1,500,000
Lower Willamette Interceptor and Replacement							5,000,000
Linwood Ave Pump Station and Force Main	600,000	125,000					
Mt. Talbert Realignment	250,000	558,690					
Bioxide Station Upstream Capps Rd Industrial Area Pump Station		25,000					
RV Wonderland Mag Meter		17,390					
Gladstone Pump Station Fence		15,350					
I205 Bridge Willamette Force Main Crossing		10,000					
TOTAL	20,450,000	16,192,760	**43,555,000**	26,250,000	18,600,000	7,800,000	13,500,000
Recurring / Programmatic Capital Project Costs							
Collection System: Pipe and Manhole Rehabilitation and Replacement	1,500,000	1,100,000	**1,000,000**	1,000,000	1,000,000	1,000,000	1,000,000
Water Resource Recovery Facilities: Small Projects	800,000	704,130	**800,000**	800,000	800,000	800,000	800,000
Water Resource Recovery Facilities: SCADA System Modernization and Renewal Program			**300,000**	300,000	300,000	300,000	300,000
Fleet: Vehicle Replacement	210,000	74,480	**260,000**	605,000	165,000	515,000	619,000
Fleet: Heavy Equipment	490,000	215,000	**210,000**		500,000		
Collection System: Pump Station Improvements	100,000	2,500	**100,000**	100,000	100,000	100,000	100,000
Collection System: Developer-Installed Assets	100,000		**100,000**	100,000	100,000	100,000	100,000
Water Quality Lab: Equipment (15% split with SW)		35,050	**42,500**		42,500		42,500
Collection System: Permanent Flow Metering Program		28,880		50,000			50,000
TOTAL	3,200,000	2,160,040	**2,812,500**	2,955,000	3,007,500	2,815,000	3,011,500
TOTAL - ALL SEWER PROJECTS	$ 43,875,000	$ 34,578,460	**$ 62,417,500**	$ 46,397,500	$ 39,492,500	$ 32,437,500	$ 56,411,500

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STORMWATER CAPITAL PROJECT LIST

FY 27-28 through 30-31 are projected based on the FY 2026-27 - 2030-31 CIP

PROJECT CATEGORY AND DESCRIPTION	FY 2025-26 Budget	FY 2025-26 Projection	**FY 2026-27 Budget**	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Stormwater Capital Projects							
Aldercrest Culvert Replacement & Kellogg Creek Restoration	$ 800,000	$ 1,500,000	**$ 800,000**				
Sedona Drive Detention Repair			**750,000**				
Rose Creek New Detention Pond and Instream Restoration		50,000	**350,000**	1,525,000	1,525,000		
SE Clackamas Rd Drainage Infrastructure	750,000	500,000	**100,000**				
3-Creeks Water Quality Project	3,811,357	350,000	**40,000**	20,000	20,000	20,000	20,000
Regional Stormwater Pond - Happy Valley				1,750,000	1,750,000		
SE Wildlife Estates Dr Ditch Inlet and Upstream Detention	306,000	75,000		1,030,000	400,000		
Valley View (Storm Costs Only)	350,000	350,000		250,000	750,000	750,000	1,000,000
NCRA Stormwater Plan				150,000	150,000	450,000	450,000
Sunnyside Place Culvert Replacement & Stream Restoration					670,000		
Idleman Conveyance						820,000	820,000
SE 172nd Ditch Conveyance Improvement						250,000	
TOTAL	6,017,357	2,825,000	**2,040,000**	4,725,000	5,265,000	2,290,000	2,290,000
Tri-City Water Resource Recovery Facility							
Administration Building Remodel (85% split with SS)				37,500	300,000	277,500	
Maintenance Building Relocation (85% split with SS)				30,000	935,000		
TOTAL	-	-	**-**	67,500	1,235,000	277,500	-
Water Quality Laboratory							
Lab Remodel (85% split with SS)	225,000		**88,240**	301,765			
TOTAL	225,000	-	**88,240**	301,765	-	-	-
Recurring / Programmatic Capital Project Costs							
Restoration and Property Acquisition	650,000		**650,000**	825,000	825,000	825,000	825,000
Stormwater Pond Repair and Rehabilitation Program	411,000	80,000	**411,000**	411,000	411,000	411,000	411,000
Small Storm System Emergency Repairs	100,000	175,000	**250,000**	250,000	250,000	250,000	250,000
Water Quality Retrofit Program	100,000		**150,000**	150,000	150,000	150,000	150,000
Small Drainage Projects Program	100,000	313,620	**100,000**	100,000	100,000	100,000	100,000
UIC Decommissioning/Retrofit Program			**55,000**	55,000	55,000	55,000	55,000
Water Quality Lab: Equipment (85% split with SS)			**7,500**		7,500		7,500
TOTAL	1,361,000	568,620	**1,623,500**	1,791,000	1,798,500	1,791,000	1,798,500
TOTAL - ALL STORMWATER PROJECTS	$ 7,603,357	$ 3,393,620	**$ 3,751,740**	$ 6,885,265	$ 8,298,500	$ 4,358,500	$ 4,088,500

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Long-Range Financial Plan

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Long-Range Financial Plan

INTRODUCTION

WES updates its long-range financial plan in concert with the development of the annual budget. The plan provides a 10-year view of WES' financial position by projecting all operating, capital, and debt service requirements and the resulting utility rates needed to fund WES' sewer and surface water enterprises. This forecast allows WES to assess financial sustainability and ensure adherence to strategic objectives and compliance with financial policies. Projections in the plan are preliminary and subject to change based on updates to the underlying inputs and assumptions.

FINANCIAL PLANNING OBJECTIVES

In March 2022, WES staff finalized a comprehensive long-term financial strategy. The key objectives under this long-term strategy are as follows:

- Provide all necessary services to protect public health and water quality
- Ensure sufficient capacity to support economic development
- Provide services in the most cost-effective manner for ratepayers
- Honor foundational commitments regarding Legacy Debt payments
- Achieve WES Advisory Committee directive of charging by service received not geographic location

As detailed on the following pages, WES' long-range planning incorporates strategies to achieve these objectives in compliance with WES' financial policies, which demonstrate to ratepayers, credit markets, investors, and rating agencies that WES is committed to financial sustainability and prudent stewardship of resources. The financial plan ensures sufficient funding for future infrastructure needs, replacement of aging facilities, bond reserves, and various operating expenses in a manner that mitigates unexpected rate changes.

Protecting Public Health & The Environment

Financial planning objectives first ensure annual operating expenses are fully met so that WES can provide all necessary services to fulfill Clean Water Act requirements and meet customer expectations regarding human and watershed health. This minimum operating expenditure level, coupled with the cost inflation assumptions detailed on the following page, serves as the foundation for the long-range financial plan input.

Infrastructure Investment

The Capital Improvement Plan (CIP) ensures sufficient capacity to support economic development and growth in WES' service area. As capacity projects must be constructed prior to allowing access to WES' system, all planning processes and related capital investments are completed in advance of new customer connections.

The financial plan incorporates WES' 5-year CIP and extended sewer and surface water capital expenditure projections developed for long-range planning. The capital projection figures in this section for FYs 2026-27 through 2030-31 reflect the adopted CIP, as detailed in the Capital Section of this document. For FYs 2031-32 through FY 2035-36, the projections reflect the extended capital figures developed for application in the long-range plan.

Capital Financing

WES' capital financing strategy primarily utilizes cash reserves and system development charge (SDC) revenue, followed by debt financing, to minimize the impact on ratepayers. Employing cash reserves and SDCs reduces financing costs and represents a prudent, sustainable approach to funding ongoing capital investments. Debt financing may be favored over cash reserves when low interest rates provide a financial benefit to ratepayers and allow WES to preserve cash reserves for future projects. The optimal mix of cash versus debt financing varies with the capital investment lifecycle of each project. The overall financial strategy involves steady, incremental rate increases to prevent major rate fluctuations. This strategy requires building cash reserves during the project planning stages and having sufficient borrowing capacity available during the construction phase to implement the capital improvement plan.

Ratepayer Assurance

The objective of ratepayer assurance establishes WES' guiding principles for the prudent use of ratepayer funds, setting rates and charges, and ensuring transparency in budgeting and the rate-setting process. Prudent management of ratepayer funds promotes accountability with regards to fulfilling WES' mission, as well as asset and personnel management, operating cost containment, and environmental stewardship. This objective reinforces WES' commitment to developing and setting rates and charges that are affordable and predictable, honor foundational commitments regarding legacy debt payments, and generate sufficient revenue for full cost recovery and required debt service coverage.

Sewer Rate Harmonization

As an entity, WES began operations with existing debt issued by CCSD No. 1 ("Legacy Debt"), and certain restrictions in its foundational documents included the manner in which certain debt is apportioned among the service districts. To honor foundational commitments towards Legacy Debt payments and achieve the WES Advisory Committee directive of charging by service received and not by geographic location, WES' long-term financial planning targets the retirement of the Legacy Debt as the key inflection point for harmonizing rates. Under the current plan, wastewater rates will be increased at a steady predictable rate of 5% for treatment services and 5% for local collection services. Simultaneously, the Legacy Debt rate component that is only charged to Rate Zone 2 will continue to decrease over time due to anticipated customer growth and the use of SDC revenues to cover related debt service payments until it is fully phased out in FY 2030-31. For customers in Rate Zone 2, including Rate Zone 2A (the Cities of Johnson City and Milwaukie), this reduction in the Legacy Debt component will offset the annual 5% increases on the treatment rate, allowing rates between Rate Zone 1 and 2 to converge. This revenue path will provide sufficient funds to sustain operating expenses and realize essential capital infrastructure so that in 2031, rates will be harmonized, and all wastewater ratepayers will be paying the same rate for services received irrespective of their geographic location.

Debt Service Coverage

WES' bond covenants require that WES maintain an annual senior lien debt service coverage ratio of 1.2 to 1 or 120%. To meet this ratio, annual net revenues (operating revenues less operating expenses) must be 1.2 times greater than annual debt service. WES' debt service coverage strategy is to generate net revenues to target a higher coverage ratio, of 1.4 to 1 or 140%, of annual debt service to ensure WES maintains access to low-cost capital and retains financial flexibility to manage unanticipated economic impacts.

Fund Balance Reserves

A well-designed reserve policy is a financial best practice and communicates WES' commitment to maintaining long-term financial health. The fund balance reserve strategy requires that each operating fund balance maintains a minimum amount of 60 days of annual budgeted operations and maintenance expenses over the 10-year planning period. This strategy mitigates risks and is key to ensuring WES can respond quickly and decisively to extreme events or unforeseen economic conditions. The reserves planned under this strategy also serve as a financial tool to ensure stable, predictable rate increases. WES adopts budgets and establishes rates such that a reserve of undesignated fund balances provides sufficient capacity to bridge shortfalls in cash flow and cover unanticipated expenditures.

FORECASTING ASSUMPTIONS

The long-range financial plan projections are based on assumptions that reflect WES' current policies, goals, and objectives. In general, WES ensures the plan conforms to BCC-approved policies and that it incorporates current operating budgets, capital budgets, and CIP updates. Plan forecasting assumptions are categorized into Revenues, Operating Expenses, and Capital Expenses categories: Revenues consist primarily of service charges from monthly rates; Operating Expenses consist primarily of operations and maintenance expenses[1] including labor; and Capital Expenses consist of debt service and revenue funded capital improvements. The output of the plan is a 10-year financial forecast that presents annual revenues and expenses, projected rates, and the anticipated performance of key financial sustainability metrics over the planning period.

Specific economic assumptions incorporated into WES' financial planning are detailed in the table below. Assumptions include: inflationary adjustments for operating and maintenance expenses by major category (e.g. labor, utilities, etc.); medium population growth projections from a forecast completed in December 2022; conservative earnings rates for investment income; and inflationary adjustments for construction costs.

Applied Economic Assumptions in the Long-Range Financial Plan

Expenses	Assumptions
Operating Expenses – WES Labor	6.0% annual increase for FY 27/28 5.0% annual increase for FYs 28/29 – 35/36
Operating Expenses – Utilities	5.0% annual increase
Operating Expenses – Chemicals and Supplies	4.5% annual increase for FYs 27/28 4.0% annual increase for FYs 28/29 – 35/36
Operating Expenses – Other Materials and Services	3.0% annual increase
Capital Expenses	3.0% annual increase
Financing for future borrowings	3.5% interest rate & 30-year term

Revenues	Assumptions
Interest Earnings	3.0% on fund balance for FY 27/28 2.0% on fund balance for FY 28/29 1.0% on fund balance for FYs 29/30 – 34/35
Population growth (average across the respective service areas)	0.98% growth in sanitary sewer service area 1.20% growth in surface water service area

10-YEAR PROJECTED FINANCIAL SCHEDULE AND PERFORMANCE RESULTS

The schedule on the following page provides the 10-year cash flow and fund balance projections for WES' sewer and surface water operations, including associated capital replacement and improvement needs. These projections help WES to evaluate its performance against various financial sustainability and performance metrics, including fund balance reserve levels and debt service coverage.

[1] *The term 'operating expenses' is used interchangeably with the term 'materials and services' expenses.*

Water Environment Services Forecast (Fcst) FY 26-27 through FY 35-36

Description	Budget FY 26-27	Fcst Yr 2 FY 27-28	Fcst Yr 3 FY 28-29	Fcst Yr 4 FY 29-30	Fcst Yr 5 FY 30-31	Fcst Yr 6 FY 31-32	Fcst Yr 7 FY 32-33	Fcst Yr 8 FY 33-34	Fcst Yr 9 FY 34-35	Fcst Yr 10 FY 35-36
Beginning Fund Balance	**$ 122,227,882**	**$ 78,107,673**	**$ 54,265,259**	**$ 41,130,999**	**$ 35,612,606**	**$ 33,844,976**	**$ 34,701,967**	**$ 38,076,921**	**$ 41,470,462**	**$ 48,148,893**
Sewer and Surface Water Charges	56,246,700	58,297,650	60,493,584	62,801,509	66,176,083	70,163,098	74,414,513	78,900,606	83,666,329	88,779,377
System Development Charges	8,508,500	8,979,690	9,396,588	9,833,437	10,290,238	10,768,408	11,268,695	11,795,948	12,356,729	12,917,646
Interest Income	4,889,100	2,494,393	1,342,597	741,612	679,079	653,431	652,741	675,472	698,384	751,795
All Other Revenues	1,973,810	1,980,235	2,018,219	2,057,181	2,097,151	2,138,155	2,127,135	2,117,711	2,162,531	2,208,509
Operating Revenues	**71,618,110**	**71,751,968**	**73,250,988**	**75,433,739**	**79,242,551**	**83,723,092**	**88,463,084**	**93,489,737**	**98,883,973**	**104,657,327**
% Change from prior year		0.2%	2.1%	3.0%	5.0%	5.7%	5.7%	5.7%	5.8%	5.8%
Materials and Services - WES Labor	20,028,590	21,230,305	22,291,821	23,406,412	24,576,732	25,805,569	27,095,847	28,450,640	29,873,172	31,366,830
Materials and Services - Other	15,203,626	15,786,737	16,378,133	16,992,556	17,630,937	18,294,245	18,983,492	19,699,729	20,444,054	21,217,611
Operating Expenses	**35,232,216**	**37,017,042**	**38,669,954**	**40,398,968**	**42,207,669**	**44,099,814**	**46,079,339**	**48,150,369**	**50,317,226**	**52,584,441**
% Change from prior year		5.1%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Net Operating Income	**36,385,894**	**34,734,926**	**34,581,034**	**35,034,771**	**37,034,882**	**39,623,278**	**42,383,745**	**45,339,368**	**48,566,747**	**52,072,886**
State Revolving Fund Loans	100,000	-	-	-	-	-	-	-	-	-
Revenue from Bonds & Other Debts	-	11,438,138	19,283,693	16,978,812	49,545,948	35,966,629	6,158,347	8,323,107	3,728,385	11,300,946
Other Financing Sources	**100,000**	**11,438,138**	**19,283,693**	**16,978,812**	**49,545,948**	**35,966,629**	**6,158,347**	**8,323,107**	**3,728,385**	**11,300,946**
Special Payments	1,403,500	1,445,605	1,488,973	1,533,642	1,579,652	1,627,041	1,675,852	1,726,128	1,777,912	1,831,249
Capital Outlay	66,169,240	54,881,248	50,701,472	40,207,983	68,093,283	52,345,862	22,670,277	27,495,060	24,880,631	36,893,767
Debt Service	13,033,363	13,688,625	14,808,542	15,790,351	18,675,525	20,760,013	20,821,009	21,047,746	18,958,158	13,213,653
Other Financing Uses	**80,606,103**	**70,015,478**	**66,998,987**	**57,531,976**	**88,348,460**	**74,732,916**	**45,167,138**	**50,268,934**	**45,616,701**	**51,938,669**
Ending Fund Balance / Reserves	**$ 78,107,673**	**$ 54,265,259**	**$ 41,130,999**	**$ 35,612,606**	**$ 33,844,976**	**$ 34,701,967**	**$ 38,076,921**	**$ 41,470,462**	**$ 48,148,893**	**$ 59,584,056**

TEST OF COVERAGE REQUIREMENTS

Total Gross Operating Revenues	$ 71,618,110	$ 71,751,968	$ 73,250,988	$ 75,433,739	$ 79,242,551	$ 83,723,092	$ 88,463,084	$ 93,489,737	$ 98,883,973	$ 104,657,327
Operating Expenses & Special Pmts	36,635,716	38,462,647	40,158,927	41,932,610	43,787,321	45,726,855	47,755,191	49,876,497	52,095,138	54,415,690
Net revenues	$ 34,982,394	$ 33,289,321	$ 33,092,061	$ 33,501,129	$ 35,455,230	$ 37,996,237	$ 40,707,893	$ 43,613,240	$ 46,788,835	$ 50,241,637
All Debt Service (incl. State Loans)	$ 13,033,363	$ 13,688,625	$ 14,808,542	$ 15,790,351	$ 18,675,525	$ 20,760,013	$ 20,821,009	$ 21,047,746	$ 18,958,158	13,213,653
Projected Coverage - All Debt	268%	243%	223%	212%	190%	183%	196%	207%	247%	380%
Senior Lien Debt Service	$ 10,588,882	$ 11,253,995	$ 12,383,858	$ 13,375,708	$ 16,271,020	$ 18,365,743	$ 18,490,162	$ 18,779,921	$ 16,700,337	$ 10,965,937
Projected Coverage - Senior Lien	**330%**	**296%**	**267%**	**250%**	**218%**	**207%**	**220%**	**232%**	**280%**	**458%**
Debt Coverage Required	120%	120%	120%	120%	120%	120%	120%	120%	120%	120%

10-YEAR PROJECTED PERFORMANCE RESULTS

The results of the various financial performance metrics are summarized in the table below.

LONG-RANGE PLAN PERFORMANCE METRIC	LONG-RANGE PLAN PERFORMANCE TARGET	10-YEAR PROJECTED PERFORMANCE
Operating Fund Balance Reserve Levels	≥ 60 days' operating expenses	75 – 130 days
Debt Service Coverage - All *(includes State Revolving Fund Loans)*	≥ 130% (110% required)	183% - 380%
Debt Service Coverage - Senior Lien *(excludes State Revolving Fund Loans)*	≥ 140% (120% required)	207% - 458%
Annual Monthly Rate Increases	≤ 5%	≤ 5%

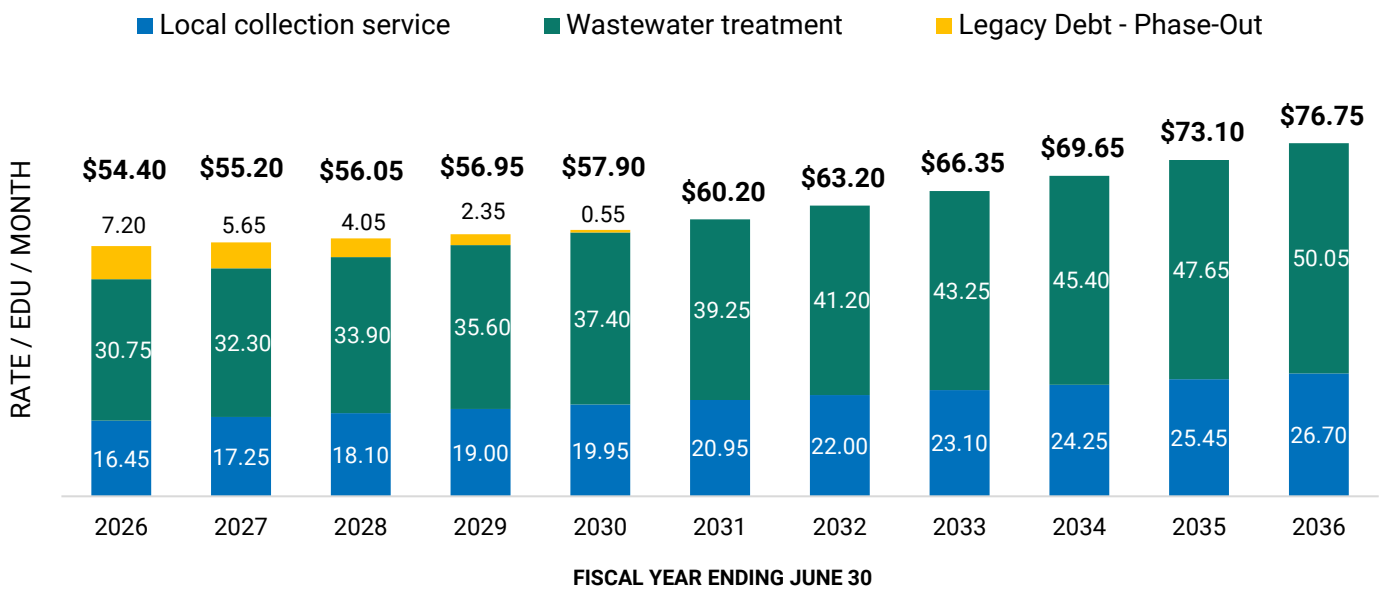
FORECASTED MONTHLY RATES UNDER THE 10-YEAR PLAN

WES sets rates for sewer and surface water services to achieve full cost recovery, which means that rates must be at least sufficient to pay operating and maintenance expenses, meet principal and interest requirements on all outstanding debt, and satisfy bond covenant coverage requirements.

As WES' governing body, the Clackamas County Board of County Commissioners (BCC) has full power and authority to levy different rates between and within the rate zones. As of FY 2026-27, the BCC has established rates for each of the three rate zones of WES. Customers in Rate Zones 1 and 2 pay monthly user charges for wastewater treatment service. Rate Zone 2 customers also pay monthly user charges for local collection and surface water management services as well as sufficient amounts to meet the Legacy Debt service charge. As levels of service change, the BCC may add or subtract charges within the rate zones.

FORECASTED MONTHLY SEWER CHARGES

The chart below shows the projected wastewater treatment, wastewater collection, and Rate Zone 2 Legacy Debt rate components over the ten-year forecast horizon, along with the total monthly rate expressed in dollars per Equivalent Dwelling Unit (EDU) for retail Rate Zone 2 customers.



The tables below show the projected monthly rates per EDU for both Retail and Wholesale customers in Rate Zones 1 and 2. Retail sewer service consists of wastewater treatment and local collection. Wholesale sewer service consists of wastewater treatment only.

Wholesale *Sewer Charges and Annual Percent Increase by Rate Zone*

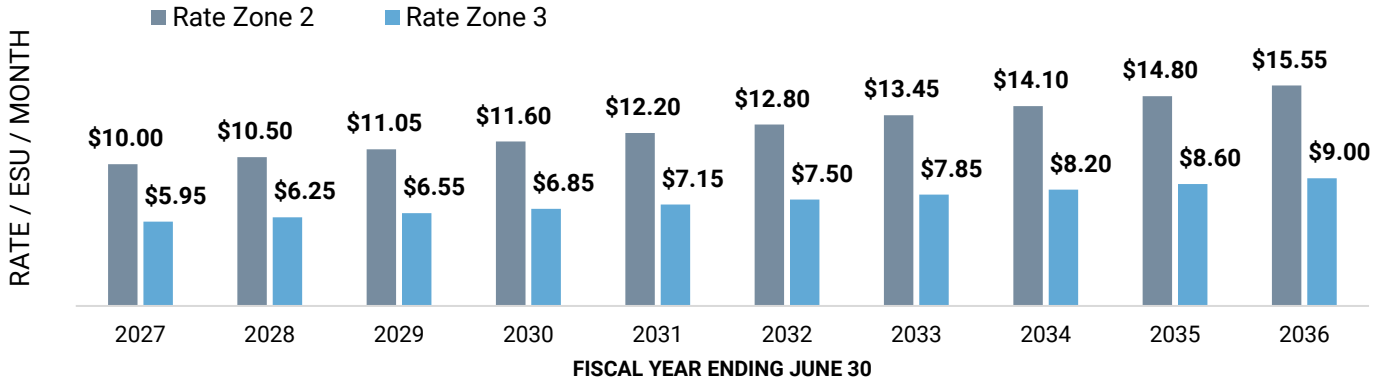
Zone	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Rate Zone 1	$ 30.75	$ 32.30 5.0%	$ 33.90 5.0%	$ 35.60 5.0%	$ 37.40 5.1%	$ 39.25 4.9%	$ 41.20 5.0%	$ 43.25 5.0%	$ 45.40 5.0%	$ 47.65 5.0%	$ 50.05 5.0%
Rate Zone 2	$ 37.95	$ 37.95 0.0%	$ 37.95 0.0%	$ 37.95 0.0%	$ 37.95 0.0%	$ 39.25 3.4%	$ 41.20 5.0%	$ 43.25 5.0%	$ 45.40 5.0%	$ 47.65 5.0%	$ 50.05 5.0%

Retail *Sewer Charges and Annual Percent Increase by Rate Zone*

Zone	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Rate Zone 1	$ 47.20	$ 49.55 5.0%	$ 52.00 4.9%	$ 54.60 5.0%	$ 57.35 5.0%	$ 60.20 5.0%	$ 63.20 5.0%	$ 66.35 5.0%	$ 69.65 5.0%	$ 73.10 5.0%	$ 76.75 5.0%
Rate Zone 2	$ 54.40	$ 55.20 1.5%	$ 56.05 1.5%	$ 56.95 1.6%	$ 57.90 1.7%	$ 60.20 4.0%	$ 63.20 5.0%	$ 66.35 5.0%	$ 69.65 5.0%	$ 73.10 5.0%	$ 76.75 5.0%

FORECASTED MONTHLY SURFACE WATER CHARGES

WES provides surface water management services to the Rate Zone 2 and 3 service areas. The chart below shows the surface water rates for each service area over the 10-year forecast horizon. All monthly rates shown are expressed in dollars per Equivalent Service Unit (ESU) per month.



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ACFR - Annual Comprehensive Financial Report
ARPA - American Rescue Plan Act
AWWA - American Water Works Association
BCC - Board of County Commissioners of Clackamas County
BOD - Biochemical Oxygen Demand
BSA - Boring Service Area
CAP - Customer Assistance Program
CAS - Conventional Activated Sludge
CCI - Construction Cost Index
CCSD No. 1 - Clackamas County Service District No. 1
CFR - Code of Federal Regulations
CIA - Clackamas Industrial Development Area
CIP - Capital Improvement Plan
CIRP - Cyber Incident Response Plan
CMMS - Computerized Maintenance Management System
COA - Chart of Accounts
COLA - Cost of Living Adjustment
COOP - Continuity of Operations Plan
CSMP - Collection System Master Plan
CWE - Clean Water Exchange
DEQ - Department of Environmental Quality
DTD - Department of Transportation and Development
EDU - Equivalent Dwelling Unit
ENR - Engineering News Record
EPA - Environmental Protection Agency
ERP - Enterprise Resource Planning
ESU - Equivalent Service Unit
ESCO - Energy Service Company
ESPC - Energy Savings Performance Contract
EUM - Effective Utility Management
FEMA - Federal Emergency Management Agency
FFPSA - Fischer's Forest Park Service Area
FTE - Full-time Equivalent (Employee)
FY - Fiscal Year
GAAP - Generally Accepted Accounting Principles
GASB - Government Accounting Standards Board
GFOA - Government Finance Officers Association
GIS - Geographic Information System
HSA - Hoodland Service Area
HVAC - Heating, Ventilation, and Air Conditioning
I&I - Inflow and Infiltration
IGA - Intergovernmental Agreement
IPT - Industrial Pretreatment
KCWRRF - Kellogg Creek Water Resource Recovery Facility
LQRI - Lowest Quintile Residential Indicator
MBR - Membrane Bioreactor
MGD - Million Gallons per Day
MFR - Managing for Results
NACWA - National Association of Clean Water Agencies
MS4 - Municipal Separate Storm Sewer System
NCRA - North Clackamas Revitalization Area
NCSA - North Clackamas Service Area
NCSWSA - North Clackamas Surface Water Service Area
NPDES - National Pollutant Discharge Elimination System
O&M - Operating and Maintenance
OAR - Oregon Administrative Rules
ODFW - Oregon Department of Fish and Wildlife
ODOT - Oregon Department of Transportation
ORELAP - Oregon's Environmental Laboratory Accreditation Program
ORS - Oregon Revised Statutes
OSM - On-Site Maintenance
PFAS - Per- and Polyfluoroalkyl Substances
PGE - Portland General Electric
RAS - Return Activated Sludge
REC - Renewal Energy Certificates
ROW - Right-of-Way
RWUP - Recycled Water Reuse Plan
S&P - Standard and Poor's
SCADA - Supervisory Control and Data Acquisition
SDC - System Development Charge
SEM - Strategic Energy Management
SRF - State Revolving Fund
SSO - Sanitary Sewer Overflow
SSMP - Storm System Master Plan
SWMACC - Surface Water Management Agency of Clackamas County
TCSD - Tri-City Service District
TCWRRF - Tri-City Water Resource Recovery Facility
TMDL - Total Maximum Daily Load
TOC - Total Organic Carbon
TSS - Total Suspended Solids
UIC - Underground Injection Control
WES - Water Environment Services
WESAC - Water Environment Services Advisory Committee
WIFIA – Water Infrastructure Finance and Innovation Act
WFP - Willamette Facilities Plan
WPCF - Water Pollution Control Facilities
WRRF - Water Resource Recovery Facility
WRU - Water Recycle Use Plan

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Mount Hood, Clackamas County

GLOSSARY

Accrual Basis - The basis of accounting in which revenues are recognized when earned and measurable, and expenses are recorded when incurred, regardless of when cash is received or paid.

Adopted Budget - The final budget approved by the governing body, which establishes legal spending limits (appropriations) for the fiscal year.

Appropriation - Legal authorization to spend a specific amount of money for a defined purpose during a specified period, as established by the adopted budget, including supplemental budgets, if any. It is presented in a resolution or ordinance adopted by the governing body (ORS 294.311(3)).

Approved Budget - The financial plan agreed upon by the Budget Committee, after the Budget Committee reviews and makes any changes to the proposed budget. The approved budget is forwarded to the governing body for further consideration.

Asset Management - A systematic process of acquiring, utilizing, maintaining, upgrading, replacing, and disposing of existing assets. Also, the name of a program within WES' Performance Clackamas structure.

Audit - Examination of records or financial accounts to check their accuracy and validity.

Balanced Budget - A budget in which total resources equal total requirements within a fund.

Beginning Fund Balance - Unexpended resources carried forward from the prior fiscal year.

Board of County Commissioners (BCC) - The governing body of Clackamas County, which also serves as the Board of Directors for WES. The BCC is responsible for adopting WES' annual budget, setting rates and fees, approving policies, and providing overall direction for WES' financial and operational activities.

Bonds - A written contract for payment of a sum of money at a future date, with interest paid at an agreed rate on a set schedule.

BOD - Biochemical oxygen demand, or BOD, is a key water quality parameter used to measure the amount of oxygen required by aerobic microorganisms to decompose organic matter in wastewater. Measured in milligrams per liter (mg/L), BOD is an essential indicator of the organic pollution level in wastewater. Monitoring and managing BOD is important for ensuring the effectiveness of wastewater treatment processes and for meeting environmental compliance standards. The Plant Operations and Maintenance Programs track the removal of BOD as a performance measure.

Budget - The local government's financial plan, which identifies expected revenues, expenditures, and priorities for one fiscal year.

Budget Calendar - The schedule of key dates followed in the preparation and adoption of the budget.

Budget Committee - Fiscal planning board of a local government, consisting of the governing body plus an equal number of legal voters appointed from the district (ORS 294.336). WES' Budget Committee consists of WES' Board of Directors (the BCC) and 5 citizen members from WES' Advisory Committee.

Budget Message - A written explanation of the budget, including financial priorities and key issues, presented by the chief executive or governing body chair.

Budget Officer - Person appointed by the governing body to assemble budget material and information and to oversee preparation of the proposed budget (ORS 294.331).

Capital Expenditures - Expenditures to acquire an asset or upgrades to an existing asset, which increase the asset's capacity, efficiency, or useful life and meet the criteria for capitalization: 1) the total cost is $10,000 or more, and 2) the estimated useful life is in excess of one year. Expenditures which do not meet the capitalization criteria are included as operating expenditures.

Capital Improvement Plan (CIP) - A plan for capital expenditures to provide long-lasting infrastructure improvements, the cost of which is to be incurred over a fixed time horizon over a number of years. WES' CIP uses a 5-fiscal year planning horizon.

Capital Outlays - Expenditures for acquiring, constructing, or improving capital assets.

Capital Project Fund - A fund used to account for the receipt and disbursement of money used to finance the building or acquisition of capital facilities.

Clean Water Act - A landmark federal law enacted in 1972 that aims to restore and protect the chemical, physical, and biological integrity of the nation's waters. It establishes the basic structure for regulating discharges of pollutants into US waters and sets water quality standards. The Act is administered by the Environmental Protection Agency (EPA).

Clean Water Exchange (CWE) - WES' biannual community engagement initiative, consisting of a survey, focus groups, and interviews.

Collection System - The pipes, pumping stations, and other infrastructure associated with the collection and transportation of wastewater.

Compliance - Adherence to applicable laws, regulations, permits, and industry standards set by outside parties such as EPA and DEQ.

Component Unit - A legally separate entity for which a primary government is financially accountable. WES is a component unit of Clackamas County.

Contingency - Budgeted funds set aside for unexpected or unforeseen expenditures, which may only be used with governing body approval.

Comprehensive Plan - A combined capital improvement plan for all of the districts managed by WES.

Conveyance Systems - The systems of pipes and pump stations that transport wastewater to treatment plants for treatment and resource recovery.

Cost Allocation Plan - The methods and procedures used to distribute indirect and overhead costs to the departments that receive central and internal services.

Culvert - A pipe or channel that carries stormwater runoff from one area to another. Proper maintenance of stormwater culverts is important to ensure they function effectively and prevent flooding or other drainage problems.

Customer Assistance Plan (CAP) - A program designed to improve affordability of sewer and surface water services for eligible low-income households. WES' program provides an income-qualified bill discount and other forms of assistance, and is being expanded to increase access, including eligibility for renters and multi-family households, as part of WES' strategic focus on affordability and customer support.

Debt Service - Payment of principal and interest on borrowed funds.

Debt Service Coverage - A measure of an entity's ability to pay its debt obligations. Calculated by dividing annual net revenues (operating revenues less operating expenses) by total annual debt service. A higher debt service coverage ratio indicates a stronger ability to repay loans and bonds.

Debt Service Fund - A fund established to account for the accumulation of resources and payment of long-term debt principal and interest.

Depreciation - An accounting procedure that spreads the cost of purchasing an asset over the asset's useful life.

Effective Utility Management (EUM) - A comprehensive water sector utility performance assessment and management framework, endorsed by the U.S. Environmental Protection Agency and ten national water sector associations dedicated to improving products and services, increasing community support for water services, and ensuring a strong and viable utility into the future.

Effluent - Wastewater or other liquid, partially or completely treated or in its natural state, flowing from a treatment plant.

Ending Fund Balance - The remaining resources after all expenditures and requirements, which is carried forward as beginning fund balance to the next fiscal year.

Enterprise Fund - A fund used to account for operations that are financed primarily through user fees for services.

Environmental Protection Agency (EPA) - The EPA, or the United States Environmental Protection Agency, is a federal agency responsible for protecting human health and the environment by enforcing regulations and conducting research related to air and water quality, hazardous waste management, and other environmental issues.

Equivalent Dwelling Unit (EDU) - A unit of measurement of sewer usage that is assumed to be equivalent to the usage of an average single-family home. EDU's are used to establish user charges for service and connection fees (i.e. System Development Charges).

Equivalent Service Unit (ESU) - A configuration of development resulting in impervious surfaces (i.e. concrete, asphalt, etc.) on a parcel that contributes runoff to the stormwater system. One ESU is equal to 2,500 square feet of impervious surface area.

Expenditure - The payment of funds or incurrence of a liability for goods or services.

Financial Policies - Policies that follow the Government Finance Officers Association (GFOA) best practices. WES' financial policies guide its management of financial activities, including budgeting and financial planning, revenue management, debt management and other related matters.

Fiscal Year (FY) - A 12-month period to which the annual operating budget applies. For WES, the fiscal year starts July 1st and runs through June 30th.

Frictional Vacancy Estimate / Reduction - A budget planning mechanism and placeholder that acts as a negative contingency to allow more accurate forecasting of personnel costs. This placeholder captures the cumulative potential throughout the year for internal promotions that create new vacancies, timing delays inherent in the hiring process, and unanticipated retirements or departures. The incorporation of a frictional vacancy rate offsets a portion of total budgeted labor costs.

Full-time Equivalent (FTE) - The ratio of time spent in any position to that of a full-time position. An employee working full-time for one year is 1.0 FTE; an employee working equivalent to 6 months is 0.5 FTE.

Fund - A fiscal and accounting entity with self-balancing accounts to record cash and other financial resources, related liabilities, balances and changes, all segregated for specific, regulated activities and objectives.

Fund Balance - The excess of a fund's assets over its liabilities. The fund balance is carried over into the next fiscal year and is available to be appropriated or reserved for future expenditures. This balance is important for financial planning, as it determines the amount of resources available for future use.

Generally Accepted Accounting Principles (GAAP) - Uniform minimum standards and guidelines for financial accounting and reporting. These standards govern the form and content of WES' financial statements.

Geographic Information System (GIS) - A computer-based tool which allows for the storage, analysis, management and presentation of spatial and/or geographically linked data.

Good Neighbor Fund - Annual contributions from WES to the Cities of Gladstone, Milwaukie, and Oregon City under Intergovernmental Agreements between WES and the cities. The contributions are budgeted within the Special Payments category and provide funding for the cities to spend on qualifying projects that enhance the areas around WES' Kellogg Creek and Tri-City WRRFs. Qualifying projects include recreational improvements such as parks and trails, fish and habitat enhancements, etc.

Hydromodification - Changes in the volume and timing of watershed runoff from land clearing and development activities, such as forest removal, the addition of impervious surfaces, and the construction of piped surface water systems.

Impervious Surface - A manmade surface that prevents water from infiltrating the ground, such as roofs, roads, and driveways. WES uses the area of impervious surfaces to determine service quantities for billing surface water management services.

Inflow & Infiltration (I&I) - Refers to the unintended introduction of surface water, groundwater, or stormwater into a wastewater collection system. Inflow occurs when water enters the system directly through sources such as roof drains or stormwater connections, while infiltration occurs when water seeps into the system through cracks or leaks in pipes or manholes. Excessive inflow and infiltration can overload the wastewater treatment system and cause overflows or backups.

Infrastructure - The physical systems and facilities that support essential public services, including water, sewer, transportation, and utilities.

Interfund Transfers - The movement of resources between funds, recorded as an expenditure in the originating fund and revenue in the receiving fund. Synonymous with 'transfers' on some budget schedules.

Legacy Debt – Debt incurred for capital investments made by CCSD No. 1 before the formation of the WES partnership. Also, a component of WES' current wastewater rate structure, which represents an amount collected for the debt. The Legacy Debt component is being phased out over time, resulting in gradual reductions to this portion of customer bills and supporting the long-term goal of rate harmonization across service areas.

Line Item - The category in a budget, chart of accounts or financial statement which represents an account used to record transactions for a particular type of income, expense, asset or liability.

Local Collection Rate – A component of WES' wastewater rate structure and the monthly charge assessed to customers to fund the operation, maintenance, and capital investment associated with WES' collection system feeding into the interceptors. This component only applies to Rate Zone 2.

Long-Range Financial Plan - A multi-year financial plan that aligns revenues, expenditures, capital investment, and debt planning to ensure long-term financial sustainability. WES' long-range financial plan combines elements of the CIP, strategic plan, financial policies and economic assumption to form a 10-year view of WES' financial position.

Lowest Quintile Residential Indicator (LQRI) - A US Environmental Protection Agency (EPA) metric used to benchmark the annual cost of wastewater services against the annual income of low-income households within the service area. A low-income household is defined by the 20th percentile of area median household income.

Master Plan - Comprehensive, long-term plans that outline the current and future needs of the wastewater and stormwater systems. Master plans typically include an assessment of the existing infrastructure, an evaluation of future demand for services, and a proposed plan for system improvements and expansions. Master plans also identify priorities for capital improvements and provide a framework for financing those improvements through a Capital Improvement Plan (CIP). WES' master plans consist of the Willamette Facilities Plan, Collection System Master Plans, and the Surface Water Master Plan.

Million Gallons per Day (MGD) - The term used to represent million gallons per day of wastewater discharged to WES' water resource recovery facilities.

Mission Statement - An explanation of the Department's purpose expressed in terms of the service it provides to its customers and the benefit to be provided for those customers.

National Pollutant Discharge Elimination System (NPDES) - A regulatory requirement of the Clean Water Act. The purpose is to control the amount of pollutants discharged into the receiving water and thereby ensure that the surface water's designated water quality and designated use are not degraded.

Operating Fund - A fund used to account for the day-to-day operations of WES.

Organizational Unit - Any administrative subdivision of the local government, especially one charged with carrying on one or more specific functions (such as department, office or division).

Oregon Revised Statute (ORS) 190 - Oregon State Statute for intergovernmental cooperation.

Partner Communities - The Cities, hamlets, neighborhoods, and other subsets of our region within the boundaries of the three service districts in the WES 190 partnership. These communities are WES' partners in wastewater resource recovery and watershed protection.

Performance Clackamas Plan - A planning and performance management system adopted by Clackamas County which aligns county operations with specific, measurable goals to improve efficiency, effectiveness, and accountability in government services. The measures in WES' Performance Clackamas Plan are a subset of the measures in WES' Strategic Plan.

Performance Measures - Specific metrics used to track progress towards achieving objectives. Measures provide a quantifiable means to assess performance and link staff's work to organization goals. WES' FY 2026-27 budget reflects performance measures from WES' adopted Performance Clackamas and Strategic Plans.

Personnel Services - Includes salaries and wages, overtime, temporary and seasonal, part-time pay and fringe benefits for Water Environment Services' Department Staff. As the staff of the Department are Clackamas County employees which serve WES, the personnel services expenditures of the Department are included in Clackamas County's budget. The personnel service expenses incurred by WES are classified under the WES Labor line in the operating budget.

Preventative Maintenance - Scheduled maintenance performed to prevent equipment failure and extend asset life.

Principal Object Category - A grouping of expenditures, such as materials and services, capital outlay, debt service, etc. that serves as the presentation framework for the budget financial schedules.

Program - A group of activities with a common purpose that carries out the Department's Mission and produces results for customers.

Proposed Budget - The budget prepared by the Budget Officer and presented to the Budget Committee for review.

Pump Station - A pumping facility which lifts wastewater flow to a sufficient enough elevation to allow it to flow by gravity.

Rate - The amount of money charged per unit of service provided.

Rate Harmonization - A long-term financial strategy to align WES' wastewater rates across the different rate zones so that all customers pay the same amount for equivalent services. Rate harmonization is supported by the phased elimination of the Legacy Debt component and is intended to improve equity, transparency, and consistency in rate structures over time.

Rate Zone - A geographic area within a service area that delineates between different levels or types of service provided, as well as different rate structures. WES' service area consists of three rate zones. Refer to the Expense Trends WES Rate Zones section for a more detailed discussion of the three rate zones.

Regional Inflow and Infiltration (I&I) Reduction Program - A collaborative program with WES' partner cities that invests in projects, which reduce excess stormwater and groundwater entering the wastewater system. By lowering wet-weather flows, the program helps to preserve existing system capacity and avoid additional treatment and collection system expansions, resulting in long-term savings for ratepayers.

Requirements - Budgetary uses of funds, including: operating expenditures, interfund transfers to other funds, capital outlay, special payments, debt service, contingencies, reserves, and ending fund balance.

Resolution - A formal order of a governing body.

Resources - Estimated beginning funds on hand plus anticipated sales and service charge receipts, interest income, all other revenues, revenue from bonds & other debts, and interfund transfers.

Retail Customers - Customers receiving combined wastewater treatment and local collection services in Rate Zones 1 and 2; as well as surface water services in Rate Zones 2 and 3.

Revenue Bond - A type of municipal bond where principal and interest are secured by revenues such as charges or rents paid by users of the facility built with the proceeds of the bond issue.

Revenues - Money received by WES from various sources, including but not limited to wastewater and surface water management monthly service charges, system development charges, and various fees. Revenues are used to cover operating and maintenance expenses, capital improvement, and debt service.

Riparian - Refers to the area of land along the banks of a river, stream, or other body of water. The riparian zone is an ecologically important area that serves as a transition zone between aquatic and terrestrial habitats.

Service Area - The geographic area served by WES' wastewater treatment and collection systems, and stormwater management system.

Service District - County service districts are separate legal entities with their own governing board that provide the public with a limited set of services and facilities within a defined geographic boundary. The WES entity is a partnership of three separate county service districts: CCSD No. 1, SWMACC and TCSD.

Sewer Rate Harmonization - A long-term strategy that will result in all WES sewer customers paying the same for services received, regardless of the rate zone in which they reside.

State Revolving Fund (SRF) - A fund administered by the State of Oregon Department of Environmental Quality that provides low-interest loans for investment in water infrastructure projects.

Strategic Energy Management (SEM) - Portland General Electric's (PGE's) comprehensive, continuous improvement approach to help businesses and large industrial facilities like WES reduce energy use through behavioral, operational, and maintenance changes. Through participation in SEM, WES receives coaching, training, and technical support, while also earning financial incentives based on verified energy savings and performance milestones. SEM supports WES' goals of managing rising utility costs and improving operational efficiency.

Strategic Plan - The strategic plan helps shape the budget, guides investment and positions an organization to realize its vision. WES utilizes the Effective Utility Management ("EUM") framework that is based on 10 Attributes of Effectively managed Utilities and 5 Keys to Management Success. WES' Strategic Plan is updated every three years.

Strategic Planning - The process of defining goals, aligning resources, and evaluating progress to achieve an organization's mission.

Stream Health Index - Stream Health is measured using a set of multi-metric indices based on water quality and biological variables measured in district streams. The indices were developed regionally to correlate to a rough score-card of overall health, which can be adversely impacted by polluted storm runoff, development activities, and agricultural practices. Stream health can also be improved through pollution prevention and restoration activities.

Stormwater - Storm runoff from impervious surfaces that may contribute to surface water pollution since storm drains, ditches, and culverts lead to the nearest river, stream or wetland.

Supervisory Control and Data Acquisition (SCADA) - A system operating with coded signals over communication channels to provide control of remote equipment.

Supplemental Budget - A financial plan prepared to meet unexpected needs or to spend revenues not anticipated when the regular budget was adopted. Requires public hearings, notices and adoption by governing body.

Surface Water - Streams, wetlands, rivers, and springs that can be impacted by activities in the watershed.

Surface Water Management - The practice of controlling and optimizing the flow, distribution, use, and quality of water on the surface of the earth, including rivers and streams. This involves managing runoff, reducing erosion, preventing flooding, and enhancing water quality to protect ecosystems and support human use and habitation. Surface water management services include inspecting and maintaining stormwater facilities, setting stormwater design rules and standards for development projects, and providing erosion and sediment control requirements and inspections to minimize pollutant discharges into water bodies.

Surface Water Rate - The monthly charge assessed to customers to fund WES' surface water management services, including the operation, maintenance, and capital investment of stormwater infrastructure.

System Development Charges (SDCs) - Revenues from fees for new connections to the sanitary sewer or surface water system, which may be used to fund capital projects that expand system capacity.

Total Maximum Daily Load (TMDL) - The maximum amount of pollution a water body can receive from all sources and still meet water quality standards.

Total Suspended Solids (TSS) - A key water quality parameter used to quantify the concentration of suspended particles in wastewater. These particles include silt, industrial pollutants, and other particulate matter. Measured in milligrams per liter (mg/L), TSS levels are critical for assessing the effectiveness of wastewater treatment processes. The Plant Operations and Maintenance Programs tracks removal of TSS as a performance measure.

Treatment Rate - A component of WES' wastewater rate structure and the monthly charge assessed to customers to fund the operation, maintenance, and capital investment associated with WES' regional infrastructure including Water Resource Recovery Facilities, pump stations, and large conveyance pipes.

W3 - Plant re-use water; also referred to as non-potable water, used for seal water, spray chemical carrier water, etc.

Wastewater - The used water from homes and businesses, which may be a combination of liquid and water-carried domestic or industrial wastes from buildings, together with any groundwater and stormwater that may be present.

Wastewater Treatment - The process of removing contaminants from wastewater; involves physical, chemical, and biological processes to eliminate pollutants and produce environmentally safe treated effluent. Sludge, the byproduct of treatment, is further processed for safe disposal or reuse as biosolids. This essential service protects water quality and public health, ensuring compliance with environmental regulations.

Water Resource Recovery Facility (WRRF) -
A facility that processes wastewater to remove pollutants and contaminants and produce treated water that can be safely discharged into the environment or reused. Also known as a wastewater treatment plant.

Watershed - The land that water flows across, or under, on its way to a stream, lake or river. Watersheds are sometimes referred to as drainage basins or drainage areas.

Wholesale Customers - City partners receiving only wastewater treatment services. Includes the Cities of Gladstone, Oregon City, and West Linn in Rate Zone 1, and the Cities of Johnson City and Milwaukie in Rate Zone 2.

Workforce Plan - A plan that outlines an organization's current and future staffing needs by evaluating workforce levels, skills, and anticipated changes such as retirements, turnover, and service demands. WES' workforce plan supports efficient service delivery by aligning staffing with organizational priorities and helping manage labor costs and maintain continuity of operations.

Clackamas River, Clackamas County

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