

2025 - 2026  
FISCAL YEAR

# Budget

**Clackamas Water  
Environment Services**

*(A Component Unit of  
Clackamas County, Oregon)*



CLACKAMAS  
WATER  
ENVIRONMENT  
SERVICES

[clackamas.us/wes](http://clackamas.us/wes)



## **Clackamas Water Environment Services**

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#### **Prepared by:**

Gary Schmidt, District Administrator  
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WES Finance Department

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**For additional budget information,  
please visit:**

<https://www.clackamas.us/budget>



## Introduction

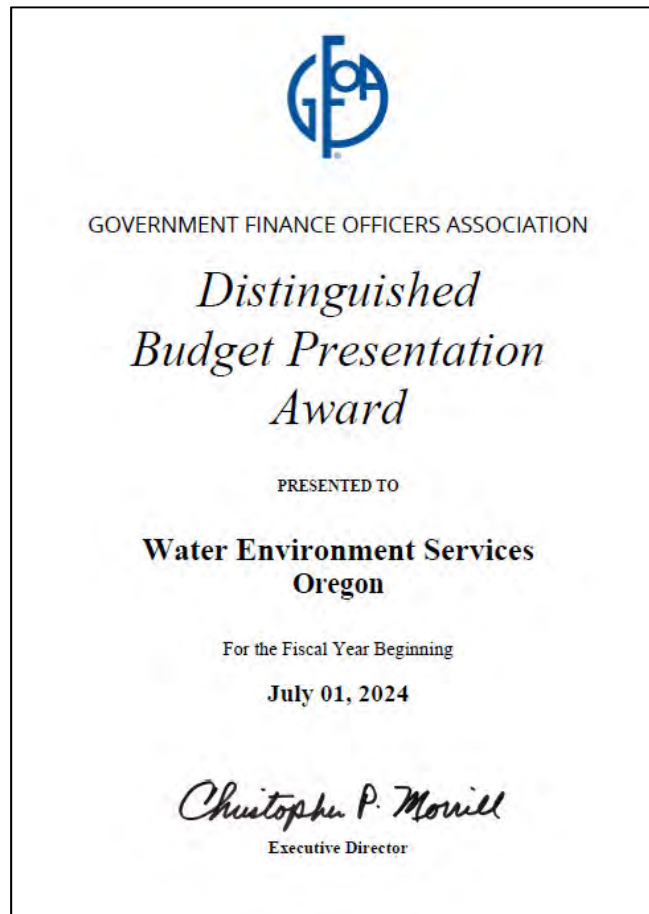


## GFOA AWARD

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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, 2024. 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.





# BUDGET MESSAGE | FISCAL YEAR 2025-26

WES' Budget Message is structured into sections designed to give you an overview of the priorities, issues, and finances that informed the Fiscal Year ("FY") 2025-26 budget:

- Introductory Letter from the Administrator and Director
- Budget Development, Factors, and Priorities
- Total Budget and Significant Changes
- Budget Summary
- Revenue and Expense Highlights
- Contingency and Fund Balance / Reserves
- Rates and Charges

## Introductory Letter from the Administrator and Director

April 29, 2025

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 2025-26 budget for your consideration.

For over 60 years, WES has protected public health and supported our communities, natural environment, and economy. The FY 2025-26 budget totals \$247.6 million and reflects the essential resources required to continue producing clean water, protecting water quality, and recovering renewable resources on behalf of the nearly 200,000 residents, businesses, and other key stakeholders within our diverse service area.

As we navigate this year's budget process, we are simultaneously preparing to launch the WES Clean Water Exchange 3.0, our third bi-annual stakeholder input initiative. Previous WES Clean Water Exchanges provided valuable insights into how the community views our organization and how we're communicating our services. This process helps us identify opportunities to enhance our service delivery to realize our vision of being a collaborative partner in building a resilient clean water future, where all people benefit and rivers thrive. Since the 2023 WES Clean Water Exchange 2.0, we have made significant progress. We have strengthened our messaging on the importance of capital investments in maintaining safe and reliable infrastructure and established a structured framework for capital, financial, and strategic planning. This approach ensures ongoing engagement with our community, city partners, and customers, providing multiple opportunities for input.

As we enter the third year of our current Strategic Plan, we are pleased to report substantial progress on strategic initiatives, with most on track for timely completion. Read about our progress under the current plan throughout the Budget Message section, with more information on our specific goals and objectives covered in the Performance Clackamas section of this document. As a mission-driven organization providing essential services, we remain focused on continuous improvement. In line with this commitment, we will begin updating WES' Strategic Plan this fall. The update will involve reviewing accomplishments to date and setting new objectives and targets to align with community and Board priorities.

Partnership remains at the heart of our work. Reflecting stakeholder feedback, this budget increases the resources available for the Riverhealth Stewardship Grant Program, which supports community-led projects that improve the health of watersheds within our service area. The budget also continues to include capital funding for the Wastewater Regional Inflow and Infiltration Reduction program; through this program, WES provides a share of the cost to rehabilitate our partner cities' local sewer systems. This strategic investment helps reduce wet-weather flows, thereby avoiding more costly upgrades to regional collection and treatment infrastructure.

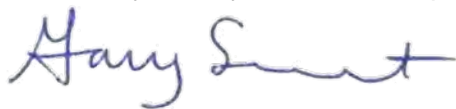


This fiscal year marked one of the most significant capital investments in WES' history, with an estimated \$65.5 million in project delivery by June 30, 2025. Notable achievements include completing the tunnel boring phase of the Tri-City Water Resource Recovery Facility (WRRF) Outfall Project in just eight months. A photo of the tunnel boring machine, affectionately named 'Clack-A-Mole', is featured at the bottom of this page. This project will be fully completed next fiscal year and represents a major milestone in ensuring the Tri-City WRRF can safely and reliably treat wastewater for the next 50 years and beyond. Capital outlay continues to be a driver in WES' FY 2025-26 budget, with more than \$51 million of investment planned for infrastructure projects to maintain the reliability of our wastewater and stormwater systems, and to build new capacity in our regional collection and treatment systems to support our growing service area.

WES' budget is an annual process, and it is prepared using the best, most accurate information we have at the time. Even as the economy has stabilized and inflation has eased over the last two years, going forward, we face potential uncertainty in broader economic conditions. Staff continue to monitor developing state and federal legislation, as well as regulatory changes, that may financially impact our organization. We proactively manage these risks through our financial policies, which embody best practices for reserves and thoughtful contingency planning. Thanks to careful financial management, WES remains in a strong financial position, with adequate capital and operating reserves that prepare us for future uncertainties.

Ratepayer funds cover the majority of costs to operate, build, and maintain our five water resource recovery facilities, a network of more than 600 miles of wastewater and stormwater pipe, and the thousands of structures that connect our systems. As an organization funded by our ratepayers, WES recognizes the importance of financial stewardship. In alignment with one of the key objectives in our long-range financial plan, the budget continues to support steady, predictable rate increases to meet current and future funding needs. Proposed rate increases in the FY 2025-26 budget average \$1.25 per month, or \$15.00 annually, for most residential customers. Even with these necessary increases, WES' monthly rates for wastewater and surface water remain below the average rates in the surrounding area.

Thank you for your continued partnership. Serving you is not just our responsibility; it is our honor and privilege.



Gary Schmidt  
District Administrator



Greg Geist  
WES Director

*January 2025 – Tri-City WRRF Outfall Project*

The tunnel boring machine "Clack-A-Mole" is retrieved from the Willamette River after digging a ½ mile, 9-foot diameter tunnel for a new outfall.





# Budget Development, Factors, and Priorities

The key planning documents that guided this budget process include the FY 2025-26 - FY 2029-30 Capital Improvement Plan, the 2025 Strategic Plan, and the FY 2025-26 - 2033-34 Long-Range Financial Plan.



## Strategic Plan

WES' utilizes the Effective Utility Management (EUM) framework for strategic planning. At the core of the framework are 10 Attributes of Effectively Managed Utilities and 5 Keys to Management Success. The Attributes help define the everyday best practices at well-managed utilities; the Keys to Management Success are the enablers or facilitators of these best practices, which include strategic planning, measurement of progress, and embracing a continual improvement management mindset. WES' Strategic Plan helps shape the budget, guides investment, and positions WES to realize its vision and support the Board of County Commissioner's vision for all of Clackamas County.



## 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. Updated annually, the CIP provides multi-year planning schedules, budget estimates, and identifies funding sources for projects. The CIP serves as the basis for the capital fund budgets, which are discussed in detail in the Capital Section on pages 94 - 110.



## Long-Range Financial Plan

WES' long-range financial planning combines elements of the CIP, strategic plan, financial policies, and economic assumptions to form a 10-year view of WES' financial position. The long-range financial plan aims to balance the requirements for capital project investments while ensuring resources are sufficient to provide for ongoing operating and maintenance needs. The long-range financial plan also includes projections for the timing of borrowing to ensure adequate revenue capacity is available to issue debt when needed. Additionally, this plan serves as the foundation for WES' 10-year rate forecasts. WES' long-range financial plan and 10-year rate forecasts are detailed on pages 111 - 115.



## Financial Policies

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 the Government Finance Officers Association (GFOA) best practices and affirm WES' commitment to fiscal responsibility. A summary of WES' financial policies can be found on pages 40 - 41.

## Strategic Plan Structure

The strategic plan acts as a blueprint for decision-making and contains plan elements such as WES' vision, mission statement, core focus areas, and seven strategies designed to navigate both short and long-term challenges. Underlying these seven strategies are long-term goals, objectives that can be achieved in the short-term, and performance measures to track the organization's progress.

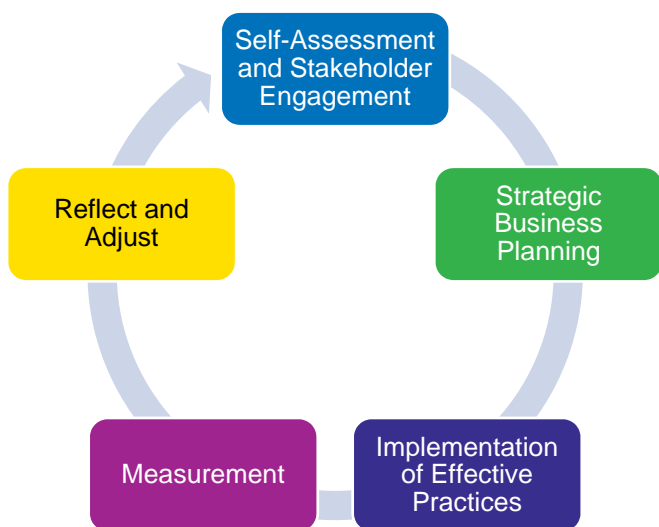
## Strategic Plan Elements

WES' Strategic Plan is composed of the following elements:

Plan Element	Description
<b>Vision</b>	WES' envisioned future state, outlining the organization's aspirations and setting the collective direction.
<b>Mission</b>	The core purpose of WES, defining the organization's identity, activities, and significance.
<b>Focus Areas</b>	Essential themes that help guide WES' strategic efforts and resource allocation.
<b>Strategies</b>	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.
<b>Goals</b>	Primary outcomes WES aims to achieve to support the overarching strategies.
<b>Objectives</b>	Specific actions and targets to achieve each goal.
<b>Measures</b>	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.

## Strategic Planning Cycle

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 surveys, interviews, and focus groups
- Employee input via all-staff surveys and focus groups
- Effective Utility Management Assessment
- Leadership and Management Team Workshops

## Performance Clackamas

Performance Clackamas is a planning framework and process modeled after a system known as Managing for Results (MFR), 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 March 2021. WES staff implemented the first Performance Clackamas Plan in 2016 with updates made in FYs 2018-19 and 2023-24. WES' Performance Clackamas Plan is a component of WES' Strategic Plan that complements and supports WES' efforts to have a more comprehensive district-wide plan to guide and measure our work. The FY 2023-24 plan is reflected in this budget and detailed in the Performance Clackamas section of this document.





CLACKAMAS

**WATER  
ENVIRONMENT  
SERVICES**

## 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.**

The Strategic Plan's seven key strategies outline the primary actions WES is taking to address current and future business challenges.

No.	Strategy	Description
1	<b>Workforce Planning and Development</b>	<i>We build an organization and work culture that attracts, retains, develops, engages, and invests in a high performing workforce to achieve our vision, mission, and support our values.</i>
2	<b>Utility Operations and Environmental Protection</b>	<i>We effectively manage wastewater and stormwater systems to meet or surpass environmental, safety, and public health standards, to recover resources and to protect watersheds.</i>
3	<b>Asset Management</b>	<i>We proactively invest in and maintain WES' infrastructure assets to ensure the cost-effective, sustainable delivery of reliable, high quality, and efficient clean water services.</i>
4	<b>Capital Planning and Delivery</b>	<i>We strategically plan and upgrade WES' infrastructure to ensure the sustainable delivery of reliable, high quality, and climate-resilient clean water services that support the growth and vitality of our communities, natural environment, and economy.</i>
5	<b>Financial Viability</b>	<i>We manage WES' financial resources to meet present and future funding needs, and to maintain fair, reasonable, and equitable rates that demonstrate fiscal responsibility.</i>
6	<b>Customer Satisfaction</b>	<i>We provide reliable, responsive customer service that aligns with our communities' values and the expressed needs of our customers.</i>
7	<b>Stakeholder Support</b>	<i>We are committed to building collaborative partnerships that result in a resilient clean water future, where all people benefit and rivers thrive, through proactive engagement, effective communication, public education, and community leadership.</i>





Kellogg Creek Water Resource Recovery Facility

# FY 2025-26 Budget Factors and Priorities



## Rate Increases and Service Affordability

As a not-for-profit government utility, WES relies primarily on service rates to fund its operations. In alignment with WES’ long-range financial planning projections, FY 2025-26 rate increases are approximately 5.0% for both wastewater services and surface water management services. WES’ current monthly single-family residential wastewater treatment, collection, and surface water management rates are below the average for neighboring jurisdictions. The proposed adjustments are designed to ensure financial sustainability, while keeping WES’ rates below the regional average.

## Affordability Assessment

WES evaluates service affordability using the US Environmental Protection Agency’s (EPA) Lowest Quintile Residential Indicator (LQRI). This metric benchmarks the annual cost of WES’ wastewater services against the annual income of low-income households within the service area. A low-income household is defined by the 20<sup>th</sup> percentile of area median household income, in line with the EPA’s affordability standards.

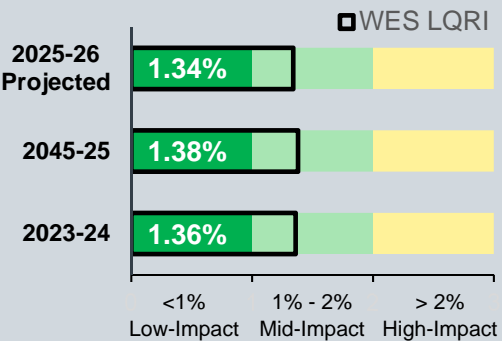
For the past three years, WES has successfully met the strategic plan target for the cost of wastewater services to not exceed the mid-range LQRI threshold of 2%. This approach supports WES’ commitment to affordable service delivery and aligns with ongoing initiatives, such as the existing Low-Income Discount Program.

Staff are currently developing a new customer assistance program to support our strategic plan goal to increase awareness of, and access to, customer assistance programs that align with best practices and community values. The new program, scheduled for implementation in January 2026, will aim to enhance the financial assistance options available to our customers, ensuring that essential wastewater services remain accessible to all.

## Strategic Plan Initiatives

	Annually maintain a mid-range or low impact rating for total annual cost of wastewater service relative to lowest quintile household income.
On Track	By 2025, update the low income discount program.

## Lowest Quintile Residential Indicator (LQRI)





## Ongoing Capital Improvement Plan

The most significant annual expense for WES is infrastructure spending through the Capital Improvement Plan (CIP), which totals \$51.5 million for the FY 2025-26 budget year and \$243.8 million over the five-year CIP period. The budget funds 25 distinct wastewater and stormwater capital projects, and 11 recurring capital programs that ensure service reliability and support future growth. Approximately two-thirds of the capital budget spending is dedicated to rehabilitating and replacing aging infrastructure, while one-third supports system expansion to meet the needs of the growing community.

Key construction activities planned for FY 2025-26 include:

- \$9.0 million for the Intertie 2 force main and pump station, which diverts wastewater from the Kellogg Creek Water Resource Recovery Facility (WRRF) to the Tri-City WRRF. Planned work for FY 2025-26 includes installing the majority of the 30" force main extension and procuring equipment for the pump station expansion.
- \$5.5 million to complete construction of a new outfall at the Tri-City WRRF, expanding capacity for future peak flows. The new outfall is anticipated to be operational by 2026, aligning with the strategic plan target.

Several major projects will be in design or transitioning to construction during FY 2025-26, including:

- \$3.8 million for the Three Creeks Water Quality project to enhance fish and wildlife habitat, restore wetlands, and re-establish natural floodplain function. Construction on this project is anticipated to begin in July 2025 and the system will be operational by 2026 to meet the strategic plan target.
- \$3.0 million to address condition issues and expand the capacity of the Willamette Pump Station and force main in West Linn.
- \$2.5 million for the Clackamas Interceptor in the Sunrise Gateway Corridor to expand service capacity in the growing City of Happy Valley and unincorporated areas in northern Clackamas County.
- \$1.6 million for ongoing American Rescue Plan Act (ARPA)-funded stormwater projects to mitigate flooding and enhance habitat in the upper Kellogg Creek area.

The budget also includes \$2.7 million of funding for the Regional Inflow & Infiltration (I&I) Reduction Program, based on an anticipated 33% reimbursement of capital costs for I&I reduction projects in partner cities. This strategic investment is projected to save WES more than \$100 million over the next 20 years by reducing the need for additional wet-weather treatment plant and collection system capacity.

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 2025-26.

*Strategic plan objectives to ensure the sustainable delivery of reliable, high-quality clean water services focus on planning and executing key capital projects.*

### Strategic Plan Initiatives

<input checked="" type="checkbox"/>	By 2025, complete the Tri-City WRRF Outfall Project design.
<b>On Track</b>	The Tri-City WRRF Outfall will be operational by 2026.
<input checked="" type="checkbox"/>	By 2024, complete the Three Creeks Water Quality Project design.
<b>On Track</b>	The Three Creeks Water Quality Project will be operational by 2026.
<input checked="" type="checkbox"/>	By 2025, complete the Intertie 2 Pump Station Expansion and Force Main Project design.
<b>On Track</b>	By 2026, complete the Middle Clackamas Interceptor Project design.



Primary Clarifier Rehabilitation



## Service Area Growth

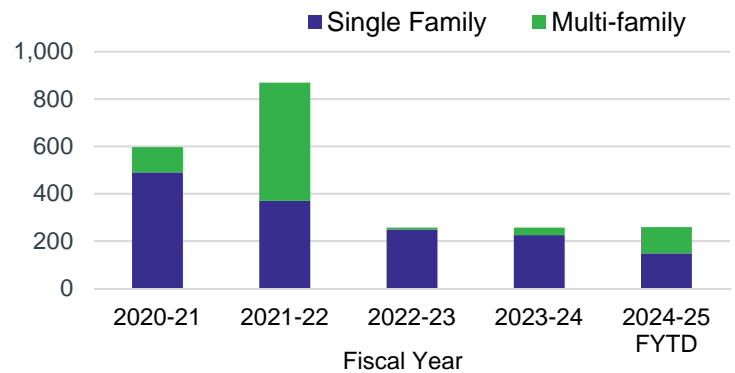
Throughout FYs 2022-23, 2023-24, and 2024-25 (to-date), single-family housing development has been lower than anticipated, which has reduced WES' system development charge (SDC) revenues. Economists are projecting moderate improvement in residential development over the next year, supported by local 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 2025-26 budget.

## Utility Costs

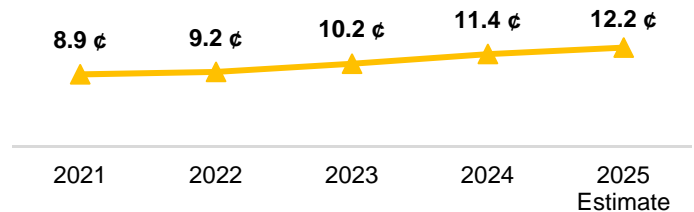
Electricity is an essential input for WES' operations, representing roughly 12% of the non-labor operating budget. While overall inflation has declined from the peak seen in FY 2022-23, electricity costs have increased an average of 8.7% annually over the past three years, driven by factors beyond general inflationary trends.

Effective January 1, 2025, the cost of electricity increased by approximately 7%. The FY 2025-26 budget reflects this increase and anticipates continued upward pressure in this category.

Permitted Residential Equivalent Dwelling Units by Development Type (Rate Zone 2)



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 events.*

*To help offset rising electricity costs, WES' strategic plan includes a number of objectives aimed at achieving energy savings.*

### Strategic Plan Initiatives

Measure	FY 24-25 Target	FY 24-25 Actual through Dec '24
10% reduction in overall consumption of energy at WES' WRRFs.	10%	4.1%
kWh electricity produced by WES' wastewater facilities	4 Million kWh	1.5 Million kWh
\$ in energy rebates earned annually	≥ \$100 K	\$44 K

*In addition to reducing energy consumption through participation in the Strategic Energy Management (SEM) program, the Kellogg Creek and Tri-City WRRFs use cogeneration engines (pictured to the right) to produce electricity from biogas.*

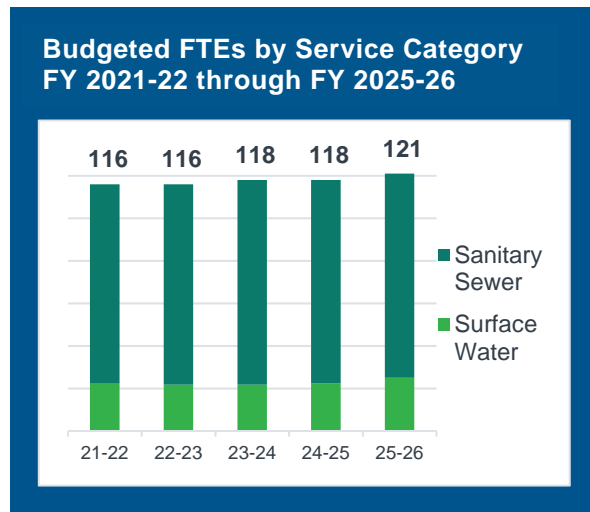


Tri-City WRRF Cogeneration Engine

## Staffing Levels

WES experienced position vacancy rates of 12%-15% during FYs 2022-23 and 2023-24, consistent with broader labor market trends. In FY 2023-24, WES had fifteen vacancies. That number has steadily declined due to streamlining hiring procedures to fill vacancies more quickly, improving employee engagement to retain existing staff, and completing market studies to keep wages competitive. WES had seven vacancies at the time of last year's budget, and five vacancies currently remain. The FY 2025-26 budget anticipates filling all five vacancies by the beginning of the budget year.

Although staffing levels are now approaching the budgeted full-time equivalent (FTE) count, WES has identified a need to increase Operations staffing to maintain our expanding inventory of infrastructure assets. This is a growing area of responsibility that would otherwise rely on temporary seasonal staff or contracted services. To meet this need, the FY 2025-26 budget adds three new positions, bringing the total to 121 FTE. The three new full-time positions, converted from six seasonal positions, will provide in-house capacity for maintenance. As the new FTEs replace existing temporary positions, the financial impact consists primarily of the added benefit and pension costs associated with regular status FTEs. Two of the three new positions are expected to be filled by July 1 and are budgeted at 100% of their projected salary. The hire date for the third position is uncertain so that position has not been budgeted for.



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.

## Labor Costs

Personnel cost increases in the FY 2025-26 budget are driven by the addition of the positions discussed above, as well as inflationary cost-of-living adjustments, salary step increases, classification and compensation adjustments to maintain competitive salaries, and rising pension and health insurance costs. The budget continues to reflect a 5% frictional vacancy reduction for programs with existing vacancies.



### *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.*

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

## Materials and Services Increases

Despite ongoing cost pressures, WES' FY 2025-26 operating budget reflects only a 3.2% overall increase in materials and services. This is due to a focused approach to prioritizing discretionary spending, the aforementioned savings from vacancy considerations, and prudent budgeting. The 3.2% increase aligns with WES' long-range financial planning target of no more than a 5% increase in operating costs annually. Meeting this target is an important and necessary constraint to ensure sufficient resources are available for capital investment without requiring additional rate increases.



## Total Budget and Significant Changes

The following summary serves to provide a general overview of significant FY 2025-26 budgetary items, highlights, and trends for Clackamas Water Environment Services. A more detailed discussion, including summaries for each fund, is provided in the Budget Detail section.

**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.

### FY 2025-26 Total Budget

Requirement		Service Category		FY 2025-26 Budget	FY 2024-25 Amended Budget <sup>1</sup>	Change from FY 2024-25	
		Sewer	Surface Water			\$	%
Expenditures	Materials & Services	\$ 27,502,455	\$ 6,095,020	<b>\$ 33,597,475</b>	\$ 32,551,091	\$ 1,046,384	3.2%
	Special Payments	3,064,200	-	<b>3,064,200</b>	1,327,900	1,736,300	130.8%
	Capital Outlay	43,875,000	7,603,350	<b>51,478,350</b>	79,546,000	(28,067,650)	-35.3%
	Debt Service	12,948,304	125,280	<b>13,073,584</b>	13,038,622	34,962	0.3%
	<b>Subtotal - Expenditures</b>	<b>87,389,959</b>	<b>13,823,650</b>	<b>101,213,609</b>	<b>126,463,613</b>	<b>(25,250,004)</b>	<b>-20.0%</b>
Other Requirements	Interfund Transfers	28,988,379	3,625,280	<b>32,613,659</b>	35,847,578	(3,233,919)	-9.0%
	Contingency	15,552,800	2,916,800	<b>18,469,600</b>	25,311,500	(6,841,900)	-27.0%
	Reserves	80,433,359	14,853,236	<b>95,286,595</b>	94,067,632	1,218,963	1.3%
	<b>Subtotal - Other Requirements</b>	<b>124,974,538</b>	<b>21,395,316</b>	<b>146,369,854</b>	<b>155,226,710</b>	<b>(8,856,856)</b>	<b>-5.7%</b>
<b>Total Budget</b>		<b>\$ 212,364,497</b>	<b>\$ 35,218,966</b>	<b>\$ 247,583,463</b>	<b>\$ 281,690,323</b>	<b>(34,106,860)</b>	<b>-12.1%</b>

WES' total FY 2025-26 budget is \$247.6 million and consists of budgeted expenditures of \$101.2 million and other requirements of \$146.4 million. Budgeted expenditures include materials and services for operations of \$33.6 million, special payments of \$3.1 million, capital outlay of \$51.5 million, and debt service of \$13.1 million. Compared to FY 2024-25's budget, total expenditures reflect a decrease of 20.0% or \$25.3 million. This decrease is primarily due to a reduction of \$28.1 million in capital outlay, down from the previous year's high of \$79.5 million, as reflected in the CIP. Materials and services reflects an increase of approximately \$1.0 million or 3.2%; special payments reflects an increase of \$1.7 million or 130.8% due to a one-time expenditure for arbitrage payable, and debt service reflects an increase of \$35 thousand or 0.3%.

Other requirements of \$146.4 million include interfund transfers of \$32.6 million made to share resources between funds, contingency of \$18.5 million to provide for unexpected or unforeseen costs, and reserves of \$95.3 million. WES' adopted 5-Year CIP anticipates investing \$243.8 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 \$95.3 million in reserves has been intentionally built over the last several years to fund this planned capital outlay. It is projected that these reserves will be spent over the next two fiscal years to continue delivering the projects in WES' capital plan.

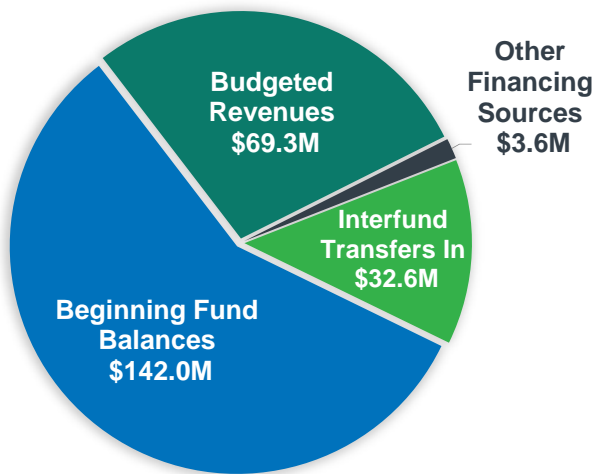
A detailed discussion of each of the major budget categories is provided on the following pages.

<sup>1</sup> The FY 2024-25 Amended Budget includes a supplemental budget for a transfer of the remaining unspent Series 2021 bond proceeds from the debt service fund to the sewer construction fund for spending on capital projects.

## Budget Summary

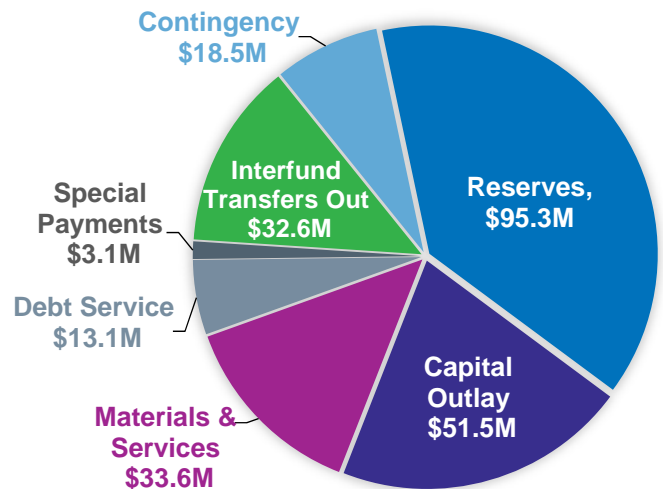
### FY 2025-26: Combined Summary of Resources and Requirements

Total Resources: **\$247.6 Million**



Total budgeted resources are \$247.6 million. Resources include: budgeted revenues of \$69.3 million, beginning fund balances of \$142.0 million, other financing sources of \$3.6 million, and interfund transfers in of \$32.6 million.

Total Requirements: **\$247.6 Million**



Total budgeted requirements are \$247.6 million. Requirements include: materials and services of \$33.6 million, special payments of \$3.1 million, capital outlay of \$51.5 million, debt service of \$13.1 million, contingency of \$18.5 million, reserves of \$95.3 million, and interfund transfers out of \$32.6 million.

### RESOURCE AND REQUIREMENT CATEGORIES DEFINED

#### RESOURCE CATEGORIES

**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.

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

**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.

#### REQUIREMENT CATEGORIES

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

**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.

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

**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

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

*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.*



# CLACKAMAS WATER ENVIRONMENT SERVICES

## BUDGET SUMMARY – ALL FUNDS

	2023-24 ACTUAL	2024-25 AMENDED BUDGET <sup>1</sup>	2025-26 BUDGET	Change from 2024-25	
				\$	%
<b>RESOURCES</b>					
Beginning Fund Balance	\$ 194,353,873	\$ 175,953,785	<b>\$ 142,044,156</b>	\$ (33,909,629)	-19.3%
<b>Revenues</b>					
Sales and Services					
Sewer Charges	44,134,485	45,603,300	<b>47,348,700</b>	1,745,400	3.8%
Surface Water Charges	6,440,253	6,906,100	<b>7,265,500</b>	359,400	5.2%
System Development Charges	4,261,045	7,794,200	<b>8,048,300</b>	254,100	3.3%
Interest Income	8,997,357	5,195,600	<b>4,971,700</b>	(223,900)	-4.3%
All Other Revenues	2,113,022	1,642,420	<b>1,712,350</b>	69,930	4.3%
<b>Subtotal - Revenues</b>	65,946,162	67,141,620	<b>69,346,550</b>	2,204,930	<b>3.3%</b>
Other Financing Sources					
State Revolving Fund Loans	296,268	162,400	-	(162,400)	-100%
Grants and Project Contributions	260,247	2,584,940	<b>3,579,098</b>	994,158	38.5%
Interfund Transfers In	32,477,751	35,847,578	<b>32,613,659</b>	(3,233,919)	-9.0%
<b>TOTAL RESOURCES</b>	<b>\$ 293,334,301</b>	<b>\$ 281,690,323</b>	<b>\$ 247,583,463</b>	<b>\$ (34,106,860)</b>	<b>-12.1%</b>
<b>REQUIREMENTS</b>					
<b>Materials &amp; Services</b>					
WES Labor	\$ 15,567,418	\$ 16,857,890	<b>\$ 18,165,770</b>	1,307,880	7.8%
Other County Services	3,084,287	3,526,829	<b>3,020,681</b>	(506,148)	-14.4%
Professional Services	1,897,445	2,439,620	<b>1,950,850</b>	(488,770)	-20.0%
Administrative	1,488,507	2,382,270	<b>2,536,930</b>	154,660	6.5%
Supplies	2,859,521	3,127,900	<b>3,241,500</b>	113,600	3.6%
Utilities	2,116,475	2,286,180	<b>2,423,700</b>	137,520	6.0%
Repair & Maintenance	1,520,655	1,588,210	<b>1,886,050</b>	297,840	18.8%
Rents & Leases	323,123	342,192	<b>371,994</b>	29,802	8.7%
<b>Subtotal - Materials &amp; Services</b>	28,857,431	32,551,091	<b>33,597,475</b>	1,046,384	<b>3.2%</b>
Special Payments	1,212,298	1,327,900	3,064,200	1,736,300	130.8%
Capital Outlay	33,522,899	79,546,000	51,478,350	(28,067,650)	-35.3%
Debt Service	12,770,986	13,038,622	13,073,584	34,962	0.3%
Interfund Transfers Out	32,477,751	35,847,578	32,613,659	(3,233,919)	-9.0%
Contingency	-	25,311,500	18,469,600	(6,841,900)	-27.0%
Ending Fund Balance & Reserves	184,492,936	94,067,632	95,286,595	1,218,963	1.3%
<b>TOTAL REQUIREMENTS</b>	<b>\$ 293,334,301</b>	<b>\$ 281,690,323</b>	<b>\$ 247,583,463</b>	<b>\$ (34,106,860)</b>	<b>-12.1%</b>

### SUMMARY OF CHANGES BETWEEN PROPOSED AND ADOPTED BUDGET

The FY 2025-26 Budget was adopted as proposed with no changes made.

<sup>1</sup> The FY 2024-25 Amended Budget includes a supplemental budget for a transfer of the remaining unspent Series 2021 bond proceeds from the debt service fund to the sewer construction fund for spending on capital projects.



*Hoodland Water Resource Recovery Facility*

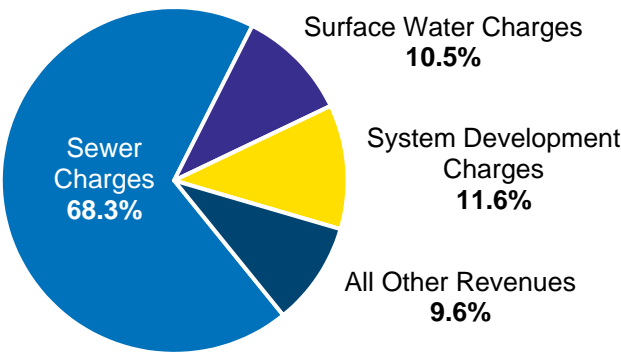
# Revenue and Expense Highlights

## REVENUE HIGHLIGHTS

### BUDGETED REVENUES - \$69,346,550

The majority of WES' revenues are from sewer charges, surface water charges, and System Development Charges (SDCs) for new sewer and surface water connections. Of the \$69.3 million in revenue budgeted for FY 2025-26, these three sources account for approximately 90% or \$62.7 million.

All other revenues represents \$6.7 million or approximately 10% of WES' total revenue. These sources include non-operating revenue such as interest earnings on investments, special assessment principal and interest collections, pass-through revenue in the form of city right-of-way fees, and miscellaneous fees and charges.



FY 2025-26 budgeted revenues reflect an increase of \$2.2 million or 3.3% from FY 2024-25's budget. This overall increase consists of additional revenue from sewer charges of \$1.7 million, surface water charges of \$0.4 million, system development charges of \$0.3 million, and a reduction in other revenue sources of \$0.2 million. The increase in sewer and surface water service charges results from anticipated growth in the service area which increases the number of units billed, and 5% adjustments to the monthly rates for wastewater treatment, collection, and surface water management services. In December 2024, WES' SDC methodologies were updated to reflect the latest Capital Improvement Plan and population growth projections. The methodology update and resulting fees will be considered by the Board in August 2025. As the Board's potential actions related to establishing fees based on the methodology update are unknown at the time of budget development, the revenue projections for SDCs reflect 1.6% inflationary fee adjustments only. Projections for SDCs and service charges are based on growth estimates from a population study completed in December 2022, which forecasts an annual average population growth rate of approximately 1% across the service area. This growth forecast is the same as the forecast used in FY 2024-25's budget.

The decrease in other revenue sources of \$0.2 million, or 2.3% from the FY 2024-25 budget, is due to reduced interest income from projecting lower investment earnings. For a more detailed discussion of revenues, please refer to the Revenues Sources and Trends section beginning on page 23 and the separate Budget Detail section.



## OTHER FINANCING SOURCES - \$3,579,098

The FY 2025-26 budget includes other financing sources of \$3.6 million. This total consists of \$3.0 million in federal grant funding, with state and local grant funding making up the balance. Budgeted federal grants include \$2.0 million in Environmental Protection Agency (EPA) Community Grant funds for work on the Boring Water Resource Recovery Facility project and \$1.0 million in American Rescue Plan Act (ARPA) funds for surface water infrastructure projects. Budgeted local grant funds include \$0.6 million from the Metro Nature in the Neighborhoods program for the construction phase of the 3-Creeks Water Quality project.

## EXPENSE HIGHLIGHTS

### BUDGETED EXPENSES - \$101,213,609

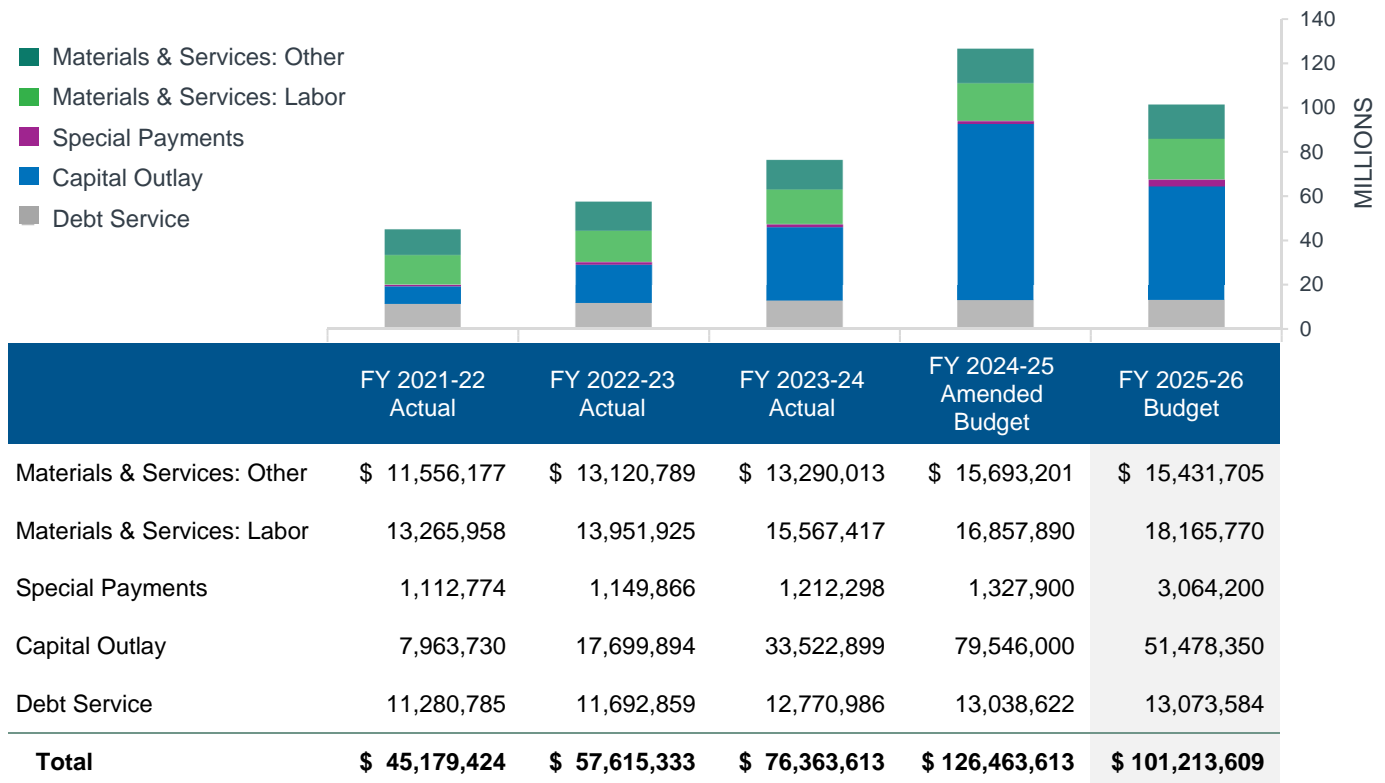
Expenses for FY 2025-26 reflect a decrease of 20.0% or \$25.3 million from FY 2024-25's budget. This decrease consists of reduced spending of \$28.1 million for capital outlay, which is partially offset by increases of \$1.0 million for materials and services, \$1.7 million for special payments, and \$35 thousand for debt service.

#### FY 2025-26 Budget by Major Expense Category



The chart and table below reflect actual spending by major category for FYs 2021-22 through 2023-24 and the current budget in relation to the FY 2025-26 budget. Reduced spending in FYs 2021-22 through 2022-23 was driven by lower year-over-year capital spending. Increases in debt service reflect the issuance of new debt during FY 2021-22, repayment commencing on the Tri-City Solids Handling Improvement project loan in FY 2022-23, and repayment commencing on the 3-Creeks project loan in FY 2025-26. FY 2021-22 actuals for Materials & Services: Other was lower due to reduced professional services spending. Actuals for FYs 2021-22 through 2023-24 for labor reflect high vacancy counts.

#### Expense Trends by Major Category, FY 2021-22 Actual through FY 2025-26 Budget



## Materials & Services

Materials & Services consist of current year operating costs incurred to provide sewer and surface water management services to meet customer needs and maintain WES' treatment and collection systems. For FY 2025-26, these total approximately \$33.6 million, an increase of 3.2% or \$1.0 million from the FY 2024-25 budget.

### MATERIALS & SERVICES CATEGORIES DEFINED

**WES Labor:** WES personnel costs, including salaries, pensions, and other benefits.

**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.

Changes in each Materials & Services category are outlined in the following table.

Category	FY 2025-26 Budget	Change from Prior Year	Factor(s) Influencing Change
<b>WES Labor</b>	<b>\$18.2 M</b>	<b>\$1.3 M 7.8%</b>	<ul style="list-style-type: none"> <li>Addition of 3 FTE positions, converted from temporary staff.</li> <li>Increased salary and benefit costs related to step increases, contractual cost-of-living adjustments, pension cost increases, and compensation adjustments resulting from market analyses to ensure WES' salaries remain competitive with neighboring jurisdictions.</li> </ul>
<b>Other County Services</b>	<b>\$3.0 M</b>	<b>\$ (0.5) M -14.4%</b>	<ul style="list-style-type: none"> <li>Cost methodology and cost driver updates made to the County's Cost Allocation Plan, resulting in reduced allocations of County Counsel and Technology Services costs to WES.</li> <li>Reduced reliance on County Facilities for plant maintenance as WES vacancies have been filled.</li> </ul>
<b>Professional Services</b>	<b>\$2.0 M</b>	<b>\$ (0.5) M -20.0%</b>	<ul style="list-style-type: none"> <li>Reduced spending due to the completion of one-time initiatives in WES' strategic plan, including hydraulic modeling and master planning.</li> </ul>
<b>Administrative</b>	<b>\$2.5 M</b>	<b>\$ 0.2 M 6.5%</b>	<ul style="list-style-type: none"> <li>Increases anticipated in merchant service charges due to higher transaction fees for online payment processing.</li> <li>Property and liability insurance increases due to higher property values driven by inflation, and rising insurance rates attributed to recent catastrophic events, such as wildfires.</li> </ul>



Category	FY 2025-26 Budget	Change from Prior Year	Factor(s) Influencing Change
<b>Supplies</b>	<b>\$3.2 M</b>	<b>\$ 0.1 M</b> 3.6%	<ul style="list-style-type: none"> <li>Chemical cost increases of approximately 7% are anticipated for the coming year; actual increases from FY 2023-24 to FY 2024-25 have been lower than anticipated, allowing the budget to reflect a lower overall increase in this category.</li> </ul>
<b>Utilities</b>	<b>\$2.4 M</b>	<b>\$ 0.1 M</b> 6.0%	<ul style="list-style-type: none"> <li>Increase of approximately 7% in electricity costs partially offset through savings from energy generated using biogas at WES' Tri-City and Kellogg Creek facilities, as well as participation in energy reduction programs.</li> </ul>
<b>Repair &amp; Maintenance</b>	<b>\$1.9 M</b>	<b>\$ 0.3 M</b> 18.8%	<ul style="list-style-type: none"> <li>Increase in funding for the RiverHealth Stewardship Program (RHSP).</li> <li>Increases in equipment and computer software maintenance costs per contracts, as well as increases in vehicle maintenance costs.</li> </ul>
<b>Rents &amp; Leases</b>	<b>\$ 372 K</b>	<b>\$ 30 K</b> 8.7%	<ul style="list-style-type: none"> <li>Annual inflationary adjustment of 3% in the rental cost for WES office space in the DSB.</li> <li>Additional equipment rental costs.</li> </ul>

## Special Payments

The FY 2025-26 budget for Special Payments is \$3.1 million and 130.8% or \$1.7 million higher than the FY 2024-25 budget. This increase is due to an arbitrage rebate payment for the Series 2021 debt issuance estimated at \$1.7 million due in February 2026. WES took advantage of the historically low interest rates of early 2021 to issue \$48.8 million in revenue obligations (including an \$8.8 million premium) at a tax yield of 0.71%. Project spending was initially slower than anticipated, resulting in excess interest earnings of approximately \$1.7 million that will be rebated to the federal government. A minor portion of the increase in budgeted special payments reflects higher ROW fees to be collected on behalf of the cities due to anticipated growth of the service area, as well as budgeted rate increases.

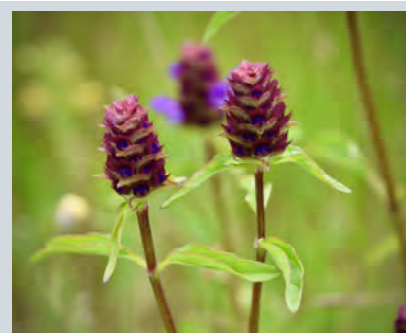
## Capital Outlay

In alignment with the adopted Capital Improvement Plan (CIP), WES' budget anticipates \$51.5 million in capital outlay spending on projects to increase wastewater system capacity, rehabilitate existing facilities, reduce inflow and infiltration, and improve the efficiency of treatment processes. Compared to FY 2024-25's capital outlay budget of \$79.5 million, the decrease is 35.3% or \$28.1 million. FY 2024-25's higher capital spending was primarily due to the Tri-City Outfall project, which entered the construction phase in February 2024. The Tri-City Outfall project will be completed and put into service in early 2026, with an additional \$5.5 million budgeted to finish construction during the upcoming fiscal year.

Additional information on WES' capital outlay, including detailed descriptions of major projects and projected expenditures under the adopted CIP may be found in the Capital section of this budget document.

## Debt Service

The FY 2025-26 budget for Debt Service is \$13.1 million. This amount reflects an increase of approximately \$35 thousand or 0.3% from FY 2024-25 due to including the estimated first and second payments for Oregon Department of Environmental Quality State Revolving Fund (SRF) Loan R95031, which is being used to finance the design phase of the 3-Creeks Water Quality project. Further details regarding WES' debt service are provided in the fund summary for the Debt Service Fund in the Budget Detail section and in the separate Debt section.



## Community Partnerships for Watershed Health

*WES' RiverHealth Stewardship Program (RHSP) partners with local nonprofits, neighborhood groups, schools and businesses to advance watershed health through restoration, community education, and volunteer stewardship. Since its inception, the RHSP has funded projects ranging from large-scale wetland restorations to small-group creek clean-ups, driving both measurable habitat improvements and deepening community stewardship of our shared waterways.*

*In response to stakeholder input, the FY 2025-26 budget increases RHSP funding by 10 percent, bringing total program support to \$330,000. This increase will allow WES to expand program reach into underserved areas and support more impactful projects.*

## CONTINGENCY

The FY 2025-26 budget includes a total contingency of \$18.5 million, with \$5.6 million in the operating funds and the remaining \$12.9 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.

## FUND BALANCE / RESERVES

The table below shows the aggregate fund balance / reserve totals for FYs 2021-22 through 2023-24 actuals, the FY 2024-25 estimate, and the FY 2025-26 budget.

Fiscal Year	Beginning Fund Balances	Ending Fund Balances <sup>1</sup>	Increase / (Decrease)
FY 2021-22 Actual	\$ 169.1 M	\$ 188.1 M	\$ 19.0 M
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 Estimate	184.5 M	142.0 M	(42.5) M
<b>FY 2025-26 Budget</b>	<b>142.0 M</b>	<b>113.8 M</b>	<b>(28.2) M</b>

<sup>1</sup> FY 2025-26 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.

### 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.

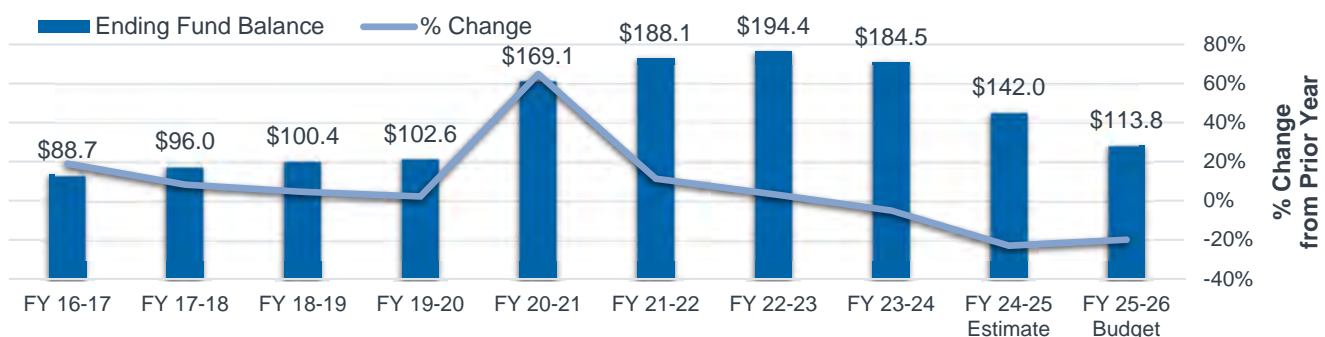
**Fund Balance** is the difference between accumulated resources and the requirements charged against them over the life of a fund. The fund balance at the end of one fiscal year is carried forward to the following year. Understanding changes in fund balance is useful in determining if expenditures can 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 2025-26 budget utilizes a portion of construction and SDC reserves to support capital projects, consistent with long-range financial planning.

The growth in fund balance and strengthening of reserves for FYs 2021-22 and 2022-23 was due to lower than anticipated capital spending. The reduction in fund balance for FYs 2023-24 through 2025-26 is the result of planned capital spending in alignment with WES' adopted CIP. WES anticipates spending the majority of capital construction reserves over the next 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 (Millions) and Percentage Change by Fiscal Year

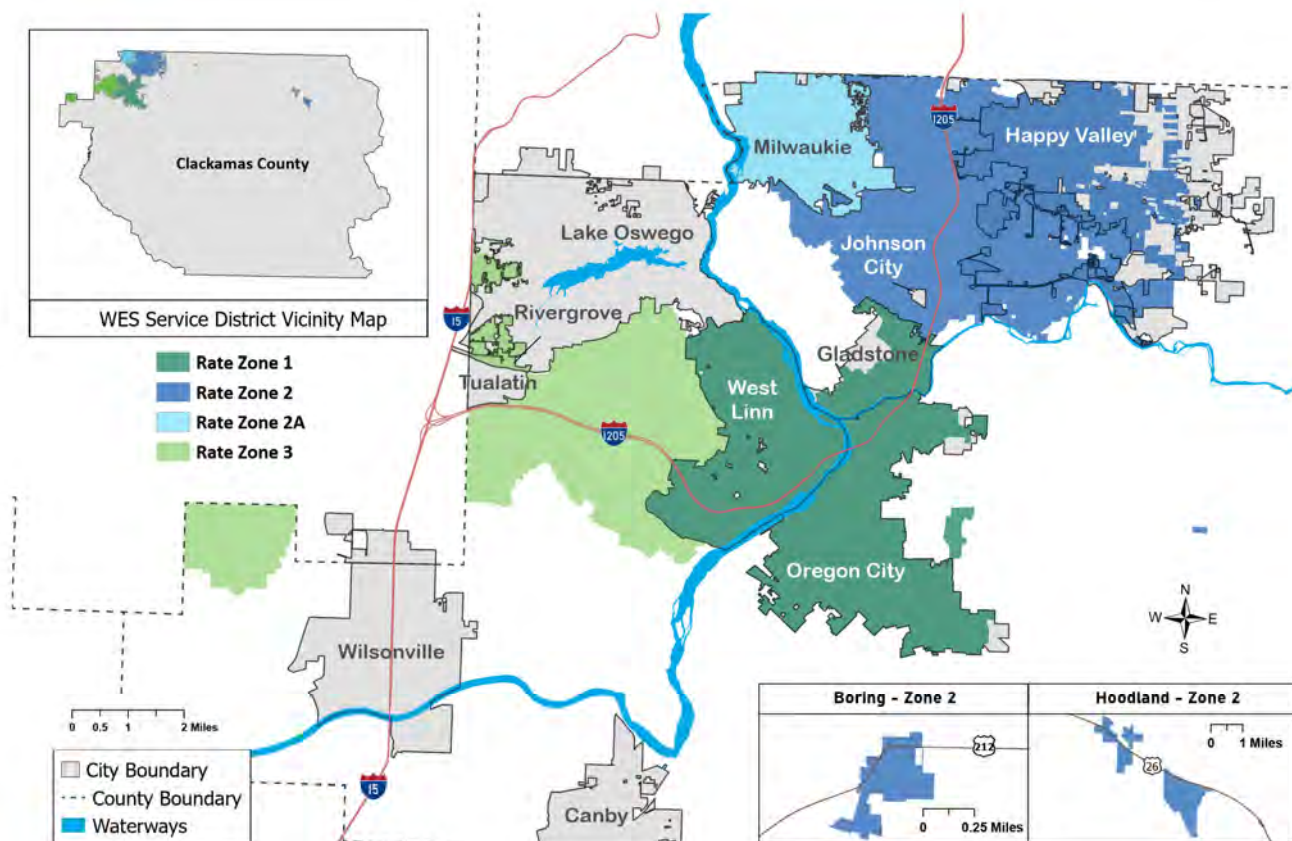




### WES RATE ZONES

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 a number of years with respect to rate setting as part of the agreements between the districts upon the formation of WES. 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.

#### Map of WES Service Area and Rate Zones *(larger version of map provided on page 33)*



#### Rate Zone 1

Within Rate Zone 1, WES provides wholesale wastewater treatment services to the Cities of Gladstone, Oregon City and West Linn, as well as wastewater treatment and collection services to a small retail population outside of these three cities. These services are predominantly funded by revenues derived from monthly service charges and fees for development, both of which are collected by the three cities and remitted to WES.

#### Rate Zone 2/2A

Within Rate Zone 2/2A, WES provides retail wastewater treatment and collection services to 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. Wholesale wastewater treatment services are provided to the Cities of Johnson City and Milwaukie. Surface water management services are provided to the unincorporated portions of North Clackamas County and the City of Happy Valley. All of these services are predominantly funded by revenues derived from monthly service charges and fees for development.

#### Rate Zone 3

Within Rate Zone 3, WES provides surface water management services to those portions of unincorporated Clackamas County and the City of Rivergrove draining into the Tualatin River. WES continues to provide the same level of service to its customers as in prior years through maintenance of existing roadside ditches and drywells. WES also responds to water quality complaints, and contracts for stream assessment and analysis. These services are funded entirely by revenues from the Rate Zone 3 monthly service charges as there are currently no development fees that apply.

## RATES FOR SERVICES

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 2025-26 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.

### Wastewater Rates

Wastewater rate increases for FY 2025-26 are approximately 5% to support increased operating costs and to 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 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.

	FY 2025-26 Rate	FY 2024-25 Rate	Change	
			\$	%
Rate Zones 1 and 2	<b>\$ 30.75</b>	\$ 29.30	\$ 1.45	4.9%



#### **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 necessary to maintain aging infrastructure, especially inflow and infiltration reduction efforts.

	FY 2025-26 Rate	FY 2024-25 Rate	Change	
			\$	%
Rate Zone 2	<b>\$ 16.45</b>	\$ 15.65	\$ 0.80	5.1%

### Surface Water Rates

Surface water rate increases for FY 2025-26 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.

	FY 2025-26 Rate	FY 2024-25 Rate	Change	
			\$	%
Rate Zone 2	<b>\$ 9.55</b>	\$ 9.10	\$ 0.45	4.9%
Rate Zone 3	<b>\$ 5.70</b>	\$ 5.45	\$ 0.25	4.6%



**Additional Rate Adjustments:**

**Right-of-Way (ROW) 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 2025-26 rate for the Legacy Debt component reflects a decrease of \$1.45 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 2025-26 Rate	FY 2024-25 Rate	Change	
			\$	%
Rate Zone 2	<b>\$ 7.20</b>	\$ 8.65	\$ (1.45)	-16.8%

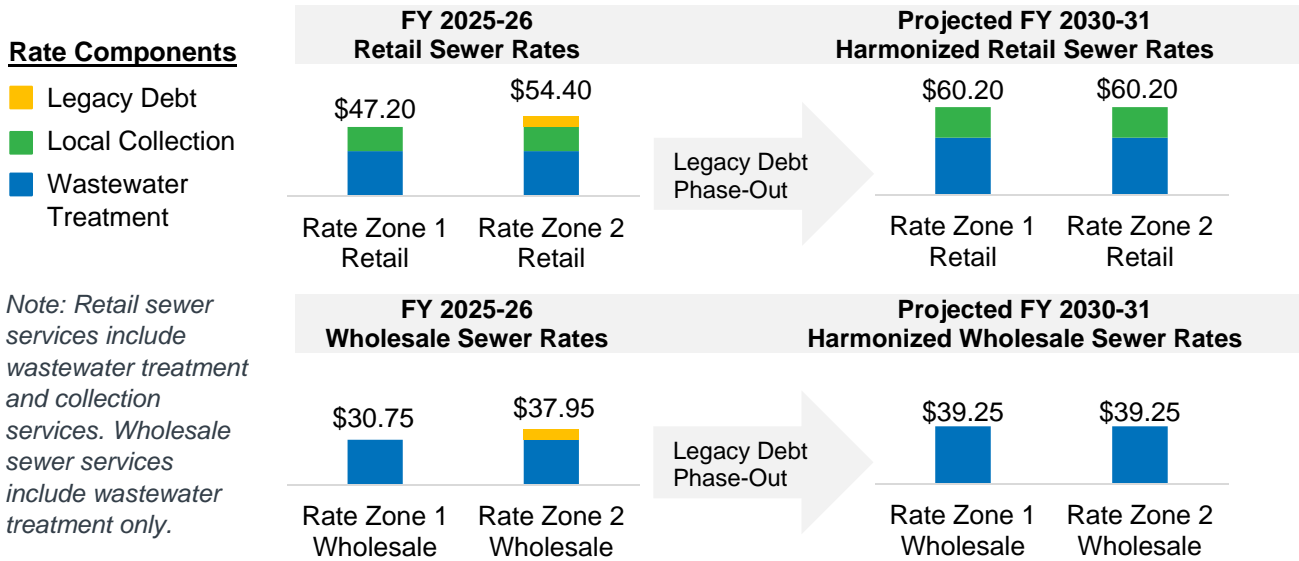
**Legacy Debt Explained**

*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.



## Monthly Service Charges

The table below summarizes the FY 2025-26 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.

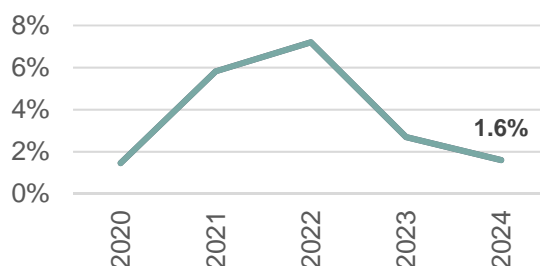
		Rate Zone 1				Rate Zone 2 (and 2A)				Rate Zone 3
		Wholesale		Retail		Wholesale		Retail		Retail
Rate Components		Gladstone	Oregon City	West Linn	Unincorp RZ1	Johnson City	Milwaukie	Unincorp RZ2	Happy Valley	Rate Zone 3
Sewer	Treatment	\$ 30.75	\$ 30.75	\$ 30.75	\$ 30.75	\$ 30.75	\$ 30.75	\$ 30.75	\$ 30.75	\$ -
	Local Collection				16.45			16.45	16.45	
	Legacy Debt					7.20	7.20	7.20	7.20	
	Subtotal - Sewer	30.75	30.75	30.75	47.20	37.95	37.95	54.40	54.40	
Surface Water	Surface Water							9.55	9.55	5.70
	On-Site Maintenance							3.00	3.00	
	Subtotal – Surface Water							12.55	12.55	5.70
City Right-of-Way Fees		1.55	1.85						3.35	
Total Monthly Bill	FY 2025-26	\$ 32.30	\$ 32.60	\$ 30.75	\$ 47.20	\$ 37.95	\$ 37.95	\$ 66.95	\$ 70.30	\$ 5.70
	FY 2025-26 Δ from FY 2024-25	\$	\$ 1.55	\$ 1.45	\$ 2.25	\$ -	\$ -	\$ 1.25	\$ 1.31	\$ 0.25
		%	5.0%	4.7%	5.0%	0.0%	0.0%	1.9%	1.9%	4.6%
	FY 2024-25	\$ 30.75	\$ 31.15	\$ 29.30	\$ 44.95	\$ 37.95	\$ 37.95	\$ 65.70	\$ 68.99	\$ 5.45
	FY 2024-25 Δ from FY 2023-24	\$	\$ 1.45	\$ 1.50	\$ 2.15	\$ -	\$ -	\$ 1.20	\$ 1.26	\$ 0.25
		%	4.9%	5.1%	5.0%	0.0%	0.0%	1.9%	1.9%	4.8%

## SYSTEM DEVELOPMENT CHARGES

WES uses construction price indices to plan capital expenses and as the basis for adjustments to System Development Charge fees. The chart to the right illustrates the change in construction costs for the last five calendar years as measured by the Engineering News Record (ENR) Construction Cost Index (CCI).

In December 2024, WES' SDC methodologies were updated to reflect the current CIP and population growth projections. The methodology update and resulting rates will be considered by the Board in August 2025. As any adjustments based on the new methodology are unknown at the time of budget development, the FY 2025-26 budget includes only inflationary adjustments of 1.6% for Sewer and Surface Water System Development Charges based on the 2024 CCI. The table below presents the SDCs for FY 2025-26 alongside the SDCs and annual percentage increases for the prior four fiscal years.

Average Construction Cost Index



Service Category	FY 2021-22		FY 2022-23		FY 2023-24		FY 2024-25		FY 2025-26	
	SDC	% Increase	SDC	% Increase	SDC	% Increase	SDC	% Increase	SDC	% Increase
Sewer	\$ 8,120	1.4%	\$ 8,600	5.9%	\$ 8,860	3.0%	\$ 9,100	2.7%	\$ 9,245	1.6%
Surface Water	\$ 220	2.3%	\$ 233	5.9%	\$ 240	3.0%	\$ 246.50	2.7%	\$ 250.50	1.6%



# REVENUE SOURCES AND TRENDS

Budgeted revenues for FY 2025-26 total \$69.3 million, an increase of 3.3% or \$2.2 million from the FY 2024-25 budget.

Revenue projections are developed using the following inputs:

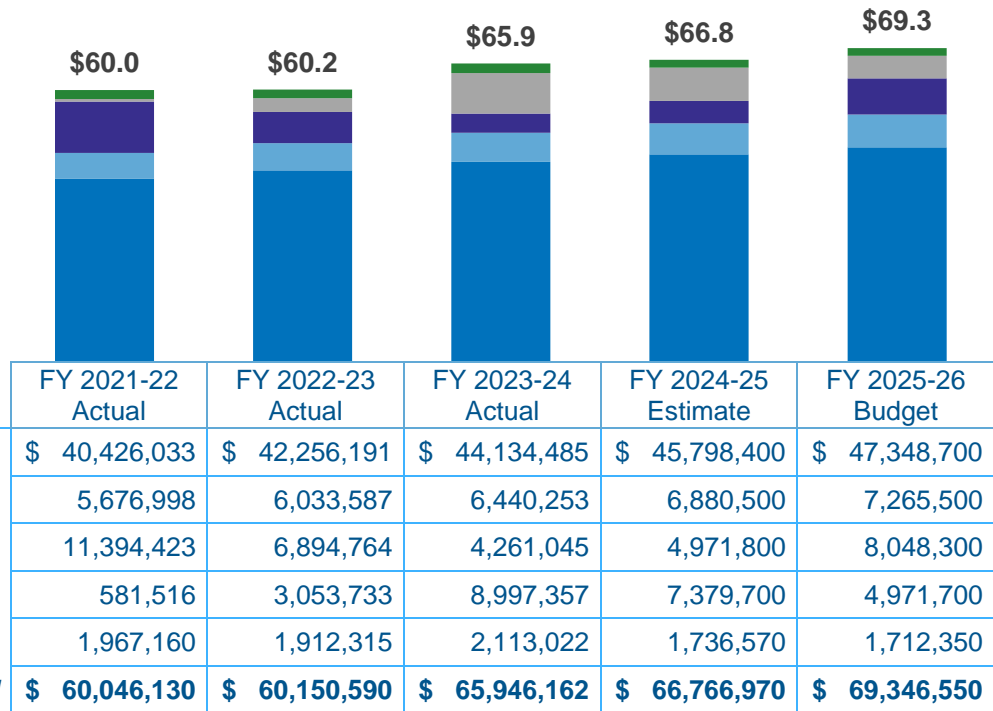
- Adjustments to monthly user rates and system development charges, as outlined on pages 20-22
- Population and service area growth forecasts from the 2022 FCS Group study, which projects an average annual growth rate of approximately 1.0% in the sewer service area
- Conservative estimates for variable revenue sources such as interest income and miscellaneous revenues
- Historical trends and recent development patterns

The following table and chart show WES' total combined revenues for FY 2021-22 through FY 2023-24 actuals, the FY 2024-25 estimate, and the FY 2025-26 budget.

## Revenue History and Forecast, Millions

WES' primary sources of revenue are sewer charges, surface water charges, and system development charges.

These three sources have accounted for 83%-95% of WES' actual annual revenue over the previous four years and are projected to make up 90% of budgeted revenue for FY 2025-26.



## REVENUE SOURCES DEFINED

### Sewer Charges

- **Retail Sewer Charges** - Retail Sewer Charges represent monthly charges for wastewater treatment, collection, and legacy debt service (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 – 68.3% of Budgeted Revenues

FY 2025-26's budget includes sewer charge revenue totaling \$47.3 million, \$1.7 million or 3.8% more than the FY 2024-25 budget and \$1.6 million or 3.4% more than the FY 2024-25 estimate.

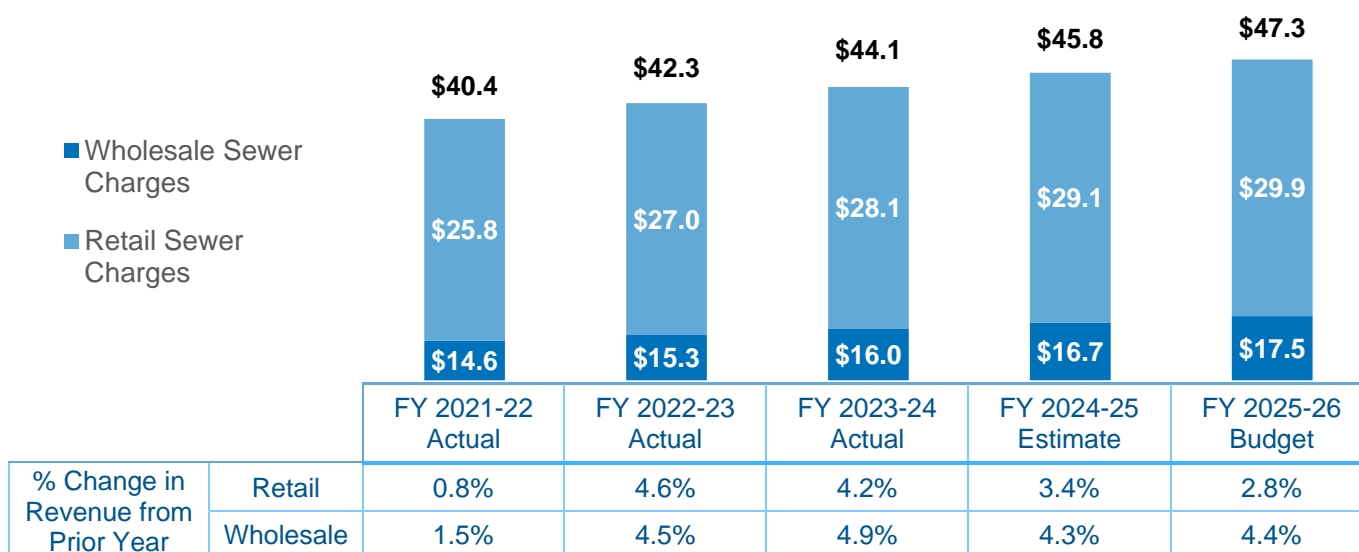
Budgeted sewer charge revenue is calculated as the product of the monthly rates assessed and the number of equivalent dwelling units (EDUs) in each service area. FY 2025-26 growth projections are outlined in the table below. These estimates are based on the medium growth forecast from a population study completed in December 2022, which analyzed historic trends and local growth forecasts adopted by cities within WES' service area.

### Service Area Growth Forecast

Service Type	Rate Zone	City/Area	Projected Annual Growth Rate	2024-25 Estimated EDUs	2025-26 Projected EDUs	2025-26 Projected New EDUs
Wholesale	1	Gladstone	0.20%	4,266	4,275	9
		Oregon City	1.19%	17,005	17,207	202
		West Linn	0.35%	10,554	10,591	37
	2	Johnson City	-	278	278	-
		Milwaukie	0.36%	12,045	12,087	42
Subtotal Wholesale EDUs			~ 0.70%	44,148	44,438	290
Retail	1	Unincorporated	-	539	539	-
	2	Happy Valley	2.59%	10,525	10,795	270
		Unincorporated	0.89%	32,579	32,869	290
Subtotal Retail EDUs			~ 1.30%	43,643	44,203	560
Total EDUs			~ 1.00%	87,791	88,641	850

As shown in the chart below, over the previous four years, sewer charge revenue has increased in proportion to user charge increases and customer growth. Note that FY 2021-22's percentage increase was lower in comparison to other years due to lower adopted rate increases and a \$700 thousand reduction in revenue from commercial accounts due to pandemic-related business closures. Commercial account activity returned to normal in FY 2022-23.

### Sewer Monthly Service Charge Revenue by Customer Type, Millions







Willamette River

## WHOLESALE SEWER CHARGES

Wholesale sewer revenues are budgeted at approximately \$17.5 million for FY 2025-26, an increase of \$0.7 million from the FY 2024-25 budget and estimate.

Approximately \$11.8 million is expected from wholesale service charges from Rate Zone 1 in FY 2025-26, \$0.6 million more than the amount budgeted in FY 2024-25. This increase is the result of moderate growth in the number of customers in the member cities and a 5.0% adjustment to the monthly wastewater treatment service fee.

The monthly wholesale sewer service rate in Rate Zone 2, consisting of the WES regional wastewater treatment rate and a legacy debt component, is proposed to remain at \$37.95 for FY 2025-26 as the \$1.45 increase in the wastewater treatment rate component is entirely offset by a decrease in the legacy debt component. The FY 2025-26 budget reflects service charge revenues of approximately \$127 thousand from the City of Johnson City and \$5.5 million from the City of Milwaukie.

## RETAIL SEWER CHARGES

For FY 2025-26, charges for retail sewer services represent \$29.9 million of projected total monthly sewer charges, an increase of \$1.0 million or 3.6% from WES' FY 2024-25 budget and an increase of \$0.8 million or 2.8% from FY 2024-25's estimated revenue.

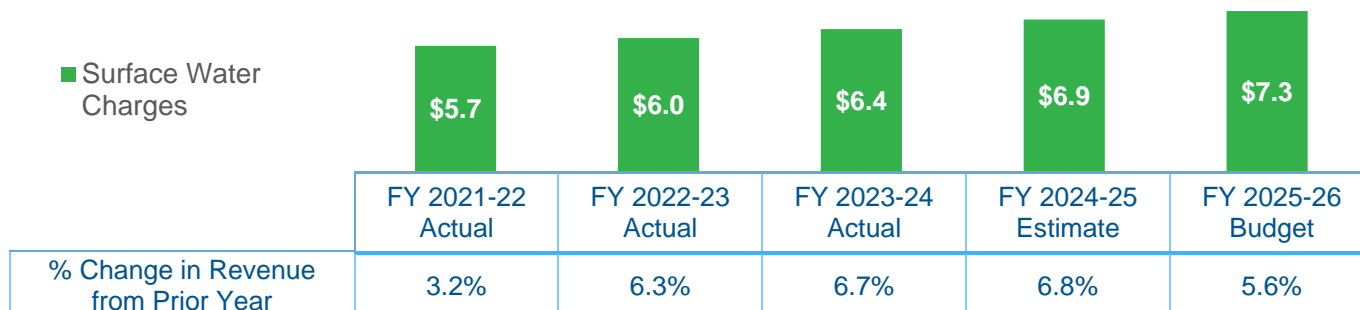
The FY 2025-26 budget includes 5% increases to the monthly rates for wastewater treatment and collection services and an offsetting 16.8% reduction in the legacy debt service component of Rate Zone 2's monthly rate.

## SURFACE WATER CHARGES – 10.5% of Budgeted Revenues

Surface water charges are expected to produce revenues of \$7.3 million in FY 2025-26, an increase of approximately \$0.4 million over the FY 2024-25 budget and estimated revenue.

The chart below illustrates the revenue trend for surface water monthly service charges for FY's 2021-22 to 2023-24 actuals, the estimated revenues for FY 2024-25 and FY 2025-26 budget. Note that FY 2021-22's percentage increase was lower in comparison to other years due to lower adopted rate increases.

### Surface Water Monthly Service Charge Revenue, Millions

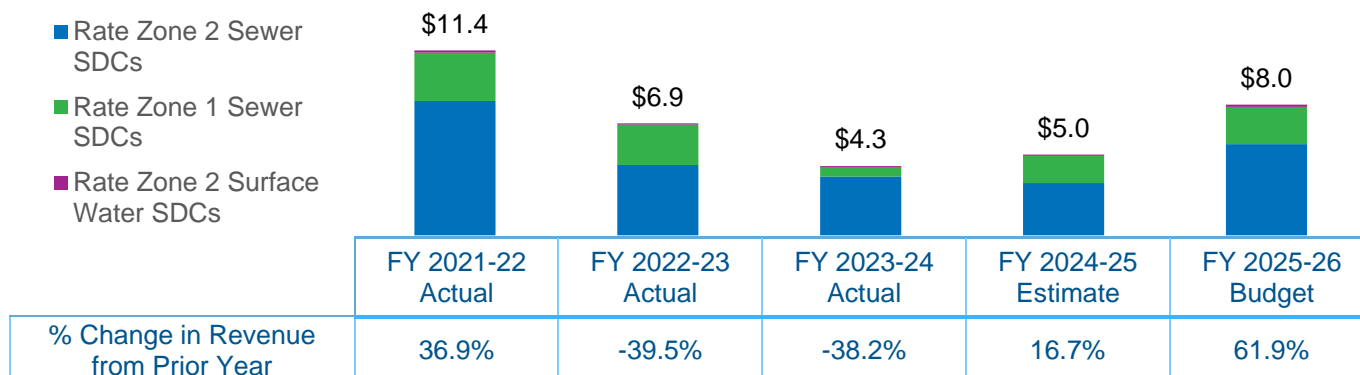


## SYSTEM DEVELOPMENT CHARGES – 11.6% of Budgeted Revenues

SDC revenues for new sewer connections are expected to generate around \$7.9 million for FY 2025-26 and SDC revenues for new surface water connections are expected to generate \$140 thousand. Projected SDC revenue is based on population growth projections and anticipated SDC fees. The budget assumes 850 new connections for FY 2025-26, consisting of 590 new connections in Rate Zone 2 and 260 new connections in Rate Zone 1.

The FY 2025-26 SDC revenue forecast reflects a wholesale sewer SDC fee of \$9,245, and a surface water SDC fee of \$250.50. These fees represent 1.6% inflationary increases over the FY 2024-25 fees of \$9,100 and \$246.50, respectively. In December 2024, WES completed an update to its SDC methodologies, incorporating the most recent Capital Improvement Plan and population projections. The updated methodology and potential fee adjustments will be considered by the Board in August 2025. As the outcome of those future actions were unknown at the time of budget development, the FY 2025-26 budget reflects placeholder fees with inflation-based adjustments to current fee levels.

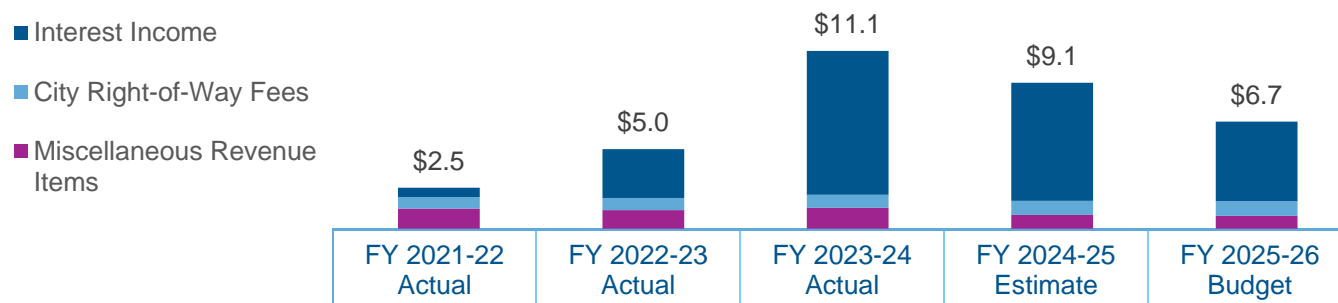
### System Development Charge Revenue by Rate Zone and Service Type, Millions



## OTHER REVENUE SOURCES – 9.6% of Budgeted Revenues

Other revenue sources for FY 2025-26 total approximately \$6.7 million and consist primarily of interest income, with city right-of-way fees and miscellaneous revenue items making up the balance.

### Other Revenue Sources, Millions



## INTEREST INCOME

The FY 2025-26 budget anticipates total interest income of approximately \$5.0 million, which is a \$0.2 million or 4.3% decrease compared to the FY 2024-25 budget. This reduction reflects a slight decline in interest rates and 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. In recent months, rates have begun to decrease, though at a slower pace than initially projected.

The FY 2025-26 budget conservatively assumes an average interest earnings rate on fund balance of approximately 4.0% for the upcoming fiscal year.

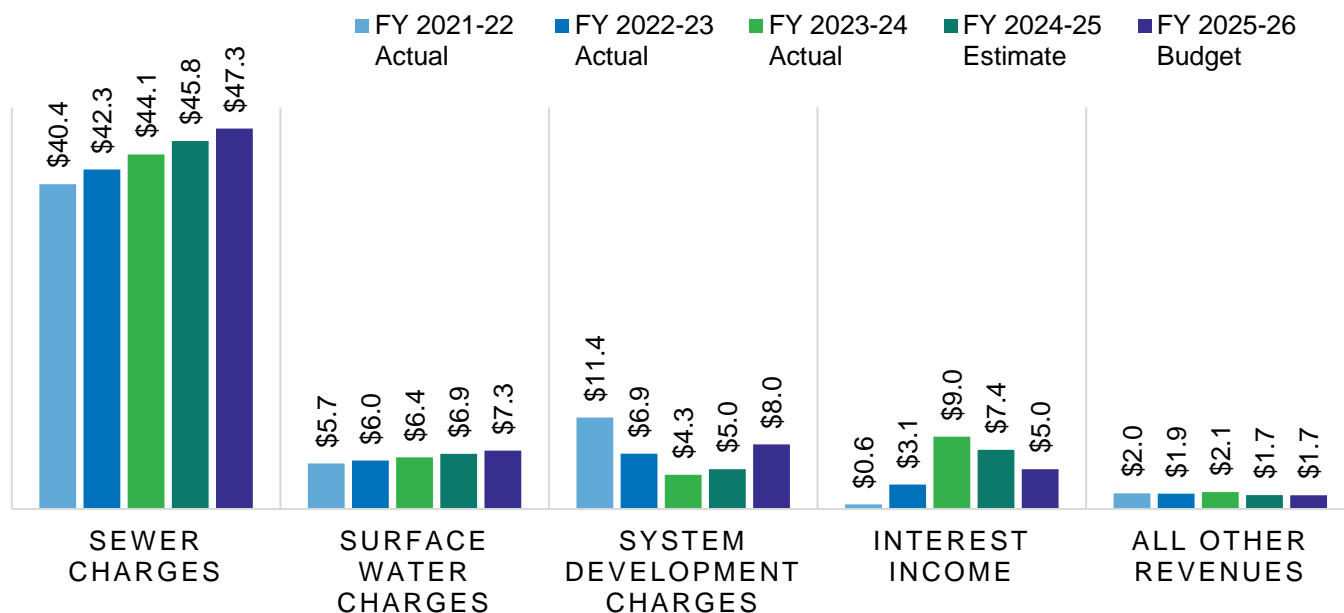
## ALL OTHER REVENUES

Other revenue sources for FY 2025-26 total \$1.7 million and include \$0.9 million of city right-of-way (ROW) fees, and approximately \$0.8 million in a variety of other small miscellaneous revenue categories, including permit fees and penalties for past-due accounts.



The chart below illustrates the 5-year trend by revenue source, by comparing the budget for FY 2025-26 against the previous four fiscal years.

### Annual Revenue by Source, Millions



As depicted in the chart, monthly sewer and surface water service charges tend to predictably increase each year as a result of growth in the number of accounts billed in the service area and annual rate adjustments.

System development charge revenue fluctuates with underlying development activity. Significant year-over-year changes in total revenue are typically due to variations in SDC revenue, which is highly sensitive to shifts in population growth, housing development, and other economic factors.

Interest income fluctuates based on interest yield and the balance of reserves in interest-bearing accounts.



3-Creeks Natural Area





## About the Department



## ORGANIZATIONAL INFORMATION

### 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.

On July 1, 2017, Water Environment Services began providing wastewater treatment services at the Tri-City Water Resource Recovery Facility, located in Oregon City, Oregon, to the Cities of Gladstone, Oregon City and West Linn, and to a small number of retail customers. These services were provided by TCSD in prior years.

On July 1, 2017, Water Environment Services began providing surface water management services to the City of Rivergrove and portions of unincorporated Clackamas County draining into the Tualatin River. These services were formerly provided by SWMACC.

On July 1, 2018, Water Environment Services began providing wastewater collection and treatment services to the unincorporated areas of Clackamas County, the City of Happy Valley, the western edges of Damascus, and communities of Hoodland, Boring, and Fischer's Forest Park. In addition, Water Environment Services began providing wastewater treatment services to the Cities of Johnson City and Milwaukie under wholesale agreements. These services were formerly provided by CCSD No. 1.

On July 1, 2018, Water Environment Services began providing surface water management services within the City of Happy Valley and unincorporated Clackamas County. These services were provided by CCSD No. 1 in prior years.

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.

### RATE ZONE 1

Rate Zone 1 includes the Cities of Gladstone, Oregon City, and West Linn, and a small number of retail customers.

### RATE ZONE 2/2A

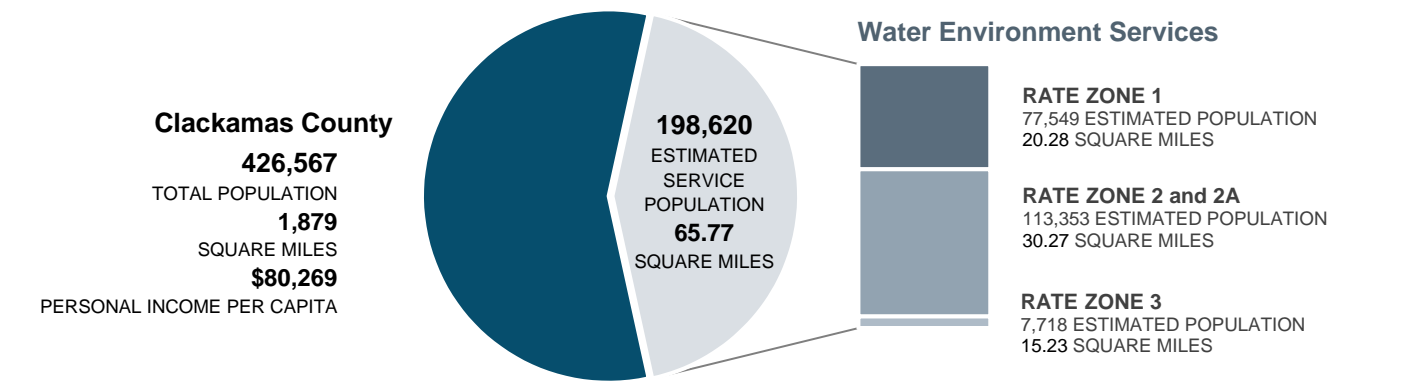
Rate Zone 2 includes four separate, noncontiguous sewer service areas encompassing the unincorporated areas of Clackamas County, the City of Happy Valley, the western edges of Damascus, and communities of Hoodland, Boring, and Fischer's Forest Park as well as a surface water management service area within the City of Happy Valley and in unincorporated Clackamas County. Rate Zone 2A includes the Cities of Johnson City and Milwaukie as wholesale customers.

### RATE ZONE 3

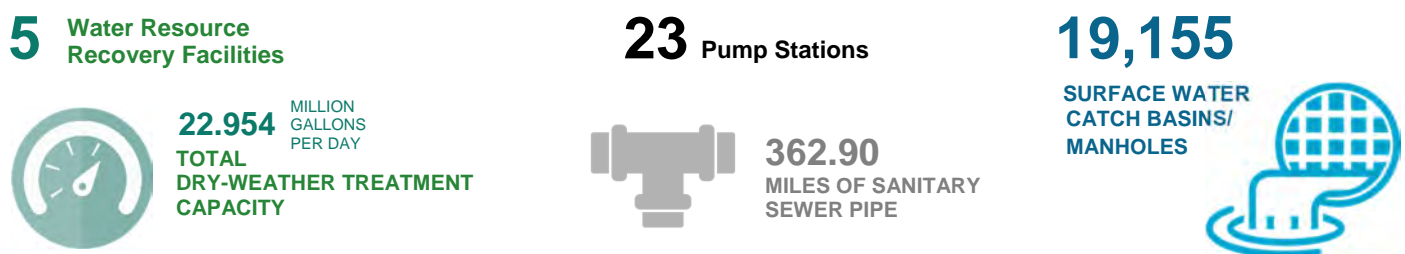
Rate Zone 3 includes the City of Rivergrove and portions of unincorporated Clackamas County draining into the Tualatin River.



Population and Service Area



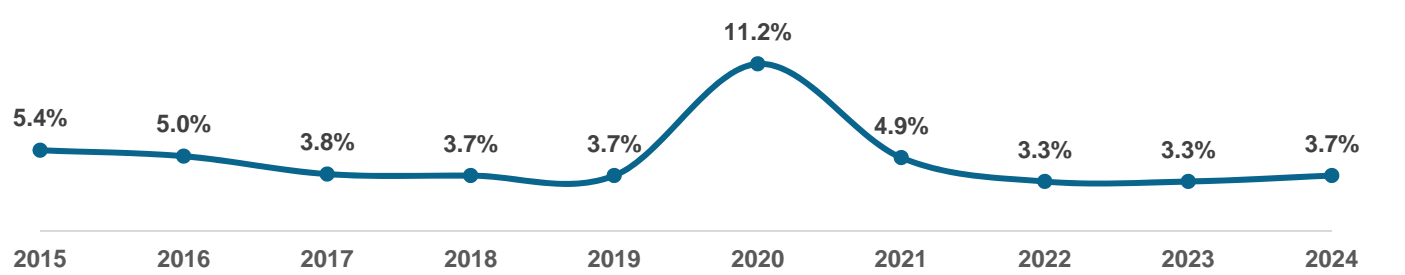
Operating Statistics



Major Industries by Number of Employees, Total Employees 208,777

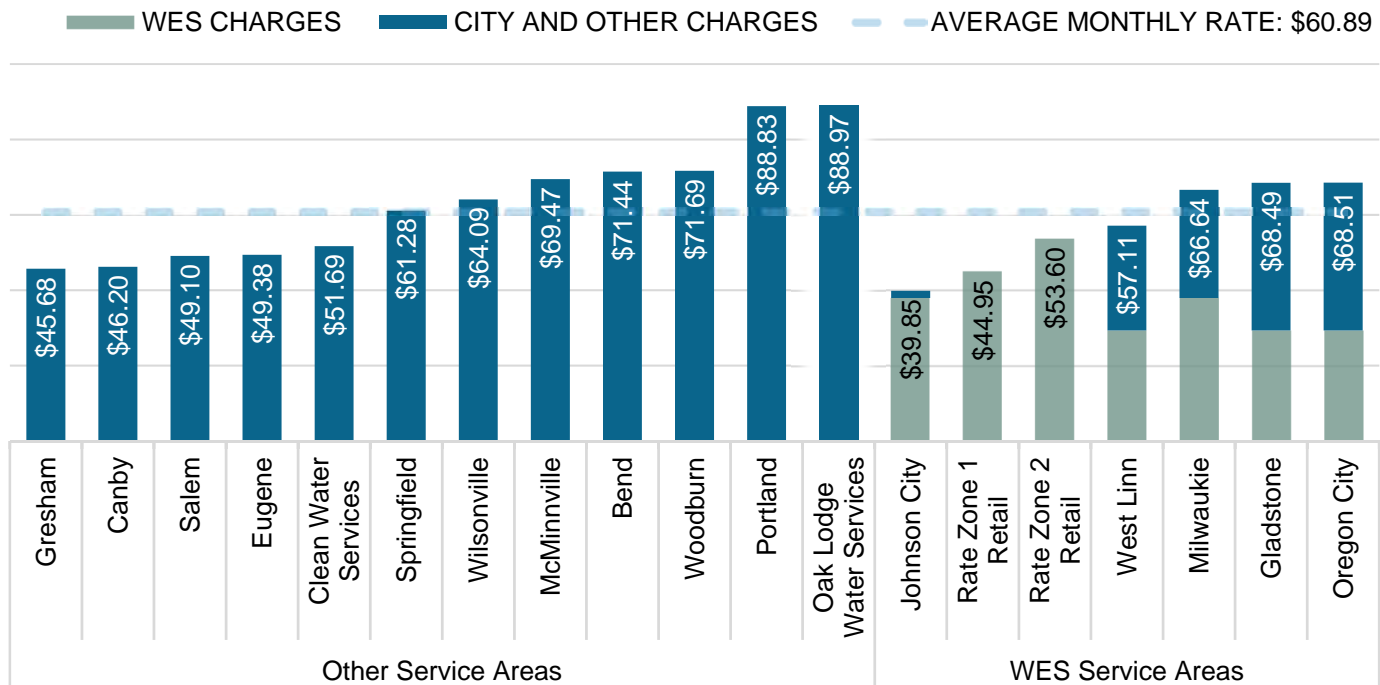


Clackamas County Unemployment Rates by Calendar Year



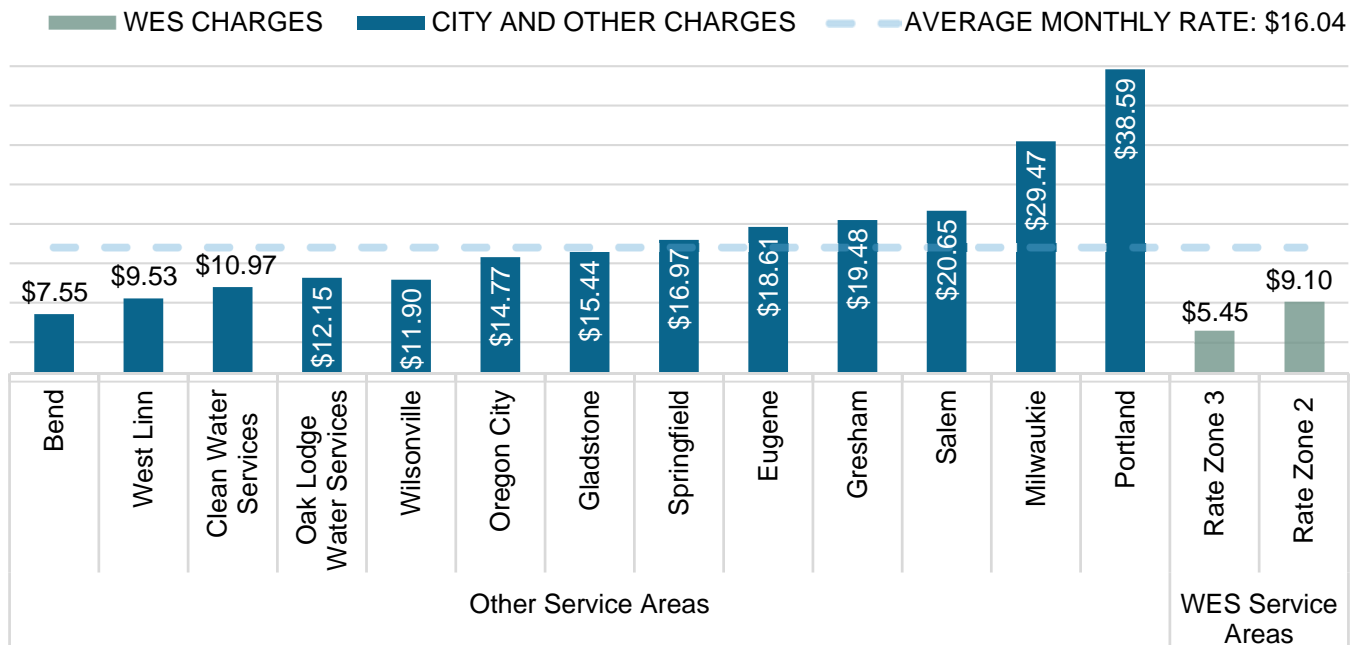
SOURCES: WES Records, Census Bureau, Bureau of Labor and Statistics, State of Oregon Employment Department, and Center for Population and Research

### Monthly Sewer Rate Survey, FY 2024-25



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

### Monthly Surface Water Rate Survey, FY 2024-25



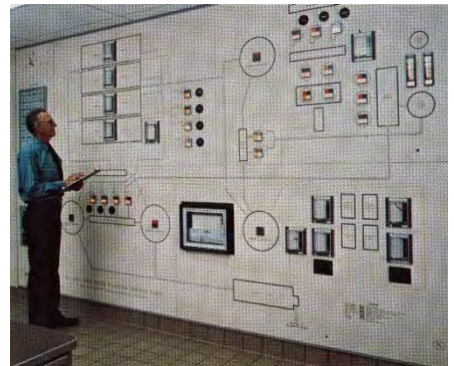
City and other charges includes ROW fees, where applicable.

## DEPARTMENT MILESTONES

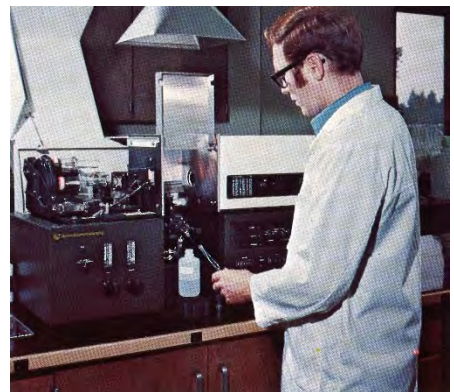
- 1967 • Clackamas County Service District No. 1 (CCSD No. 1) organized to construct and operate a sanitary sewer system.
- 1971 • CCSD No. 1's Fischer's Forest Park Water Resource Recovery Facility begins service to 26 single-family residences.
- 1974 • CCSD No. 1's Kellogg Creek Water Resource Recovery 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 formed within Clackamas County, Oregon under the provisions of ORS Chapter 451.
- 1986 • CCSD No. 1's Boring Water Resource Recovery Facility completed, providing service to 60 commercial and residential connections. Design Capacity 0.020 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.
- 2015 • WES embarks on a strategic planning effort focused on providing positive results for its customers and stakeholders.



1974 - Construction of the Kellogg Creek WRRF



1974 – Original monitoring panel at Kellogg Creek WRRF



1975 – Water Quality Lab at Kellogg Creek WRRF



1985 – Construction of the Tri-City WRRF



- 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.
  - Water Environment Services begins providing service to the Rate Zone 1 and 3 service areas.

- 2018
- Water Environment Services begins providing service to the Rate Zone 2 service area.
  - 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.
  - Clackamas Water Environment Services' new brand and logo announced.

- 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 plant energy use.
  - WES initiates a robust community engagement and discovery process called the Clean Water Exchange.
  - WES Exchange process begins to support update of Strategic Plan.

- 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.
  - Vision and Mission Statements refreshed; finalization of FY 2023-24 – FY 2025-26 Strategic Plan.

- 2024
- Groundbreaking for Tri-City Outfall project.
  - Kellogg Creek WRRF celebrates 50<sup>th</sup> year of operation.
  - Tri-City National Pollutant Discharge Elimination System Permit Reissued by DEQ.

- 2025
- Tunneling completed for Tri-City Outfall project.
  - Wastewater and Stormwater System Development Charge Methodology Review and Update.
  - Countywide Employee Engagement Survey.
  - Willamette Facilities Plan Approved by DEQ.



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



*2023 – Biogas cogeneration engine at Tri-City WRRF*



*2023 – Carli Creek Treatment Wetland*



*2023 – Aerial of 3-Creeks*








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

## DEPARTMENT ORGANIZATION

The Department is proposed to contain 121 full-time equivalent (FTE) positions for FY 2025-26, reflecting three more FTE positions than the FY 2024-25 budget.

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. 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).

<b>DIRECTOR</b> 2 FTE		Staff in this workgroup provides services including: department oversight, district governance, public information and outreach, risk management, strategic planning, regulatory compliance, and policy administration.
<b>BUSINESS SERVICES</b> 28 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.
<b>CAPITAL PLANNING AND MANAGEMENT</b> 12 FTE		Staff in this workgroup provide services including: capital projects and fleet management, capital improvement program administration, and technical services.
<b>ENVIRONMENTAL SERVICES</b> 18 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.
<b>OPERATIONS</b> 61 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.
<b>CLACKAMAS COUNTY EMBEDDED PERSONNEL</b>		WES contracts with other County departments for personnel to provide legal and 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.
<b>WES ADVISORY COMMITTEE</b>		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.

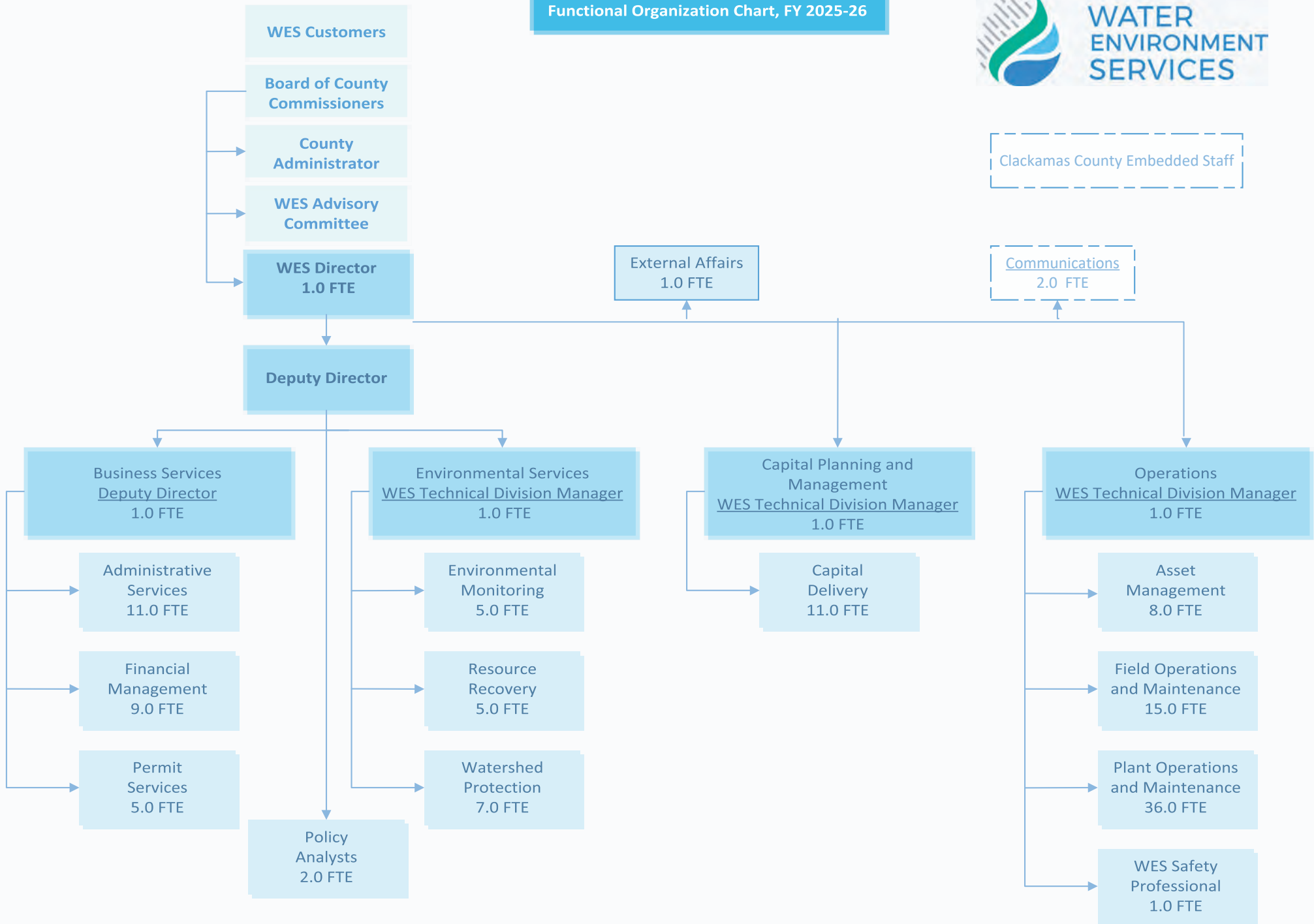
*The organizational chart on the following page illustrates the allocation of staff among the divisional workgroups for the 2025-26 fiscal year.*

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

# Functional Organization Chart, FY 2025-26

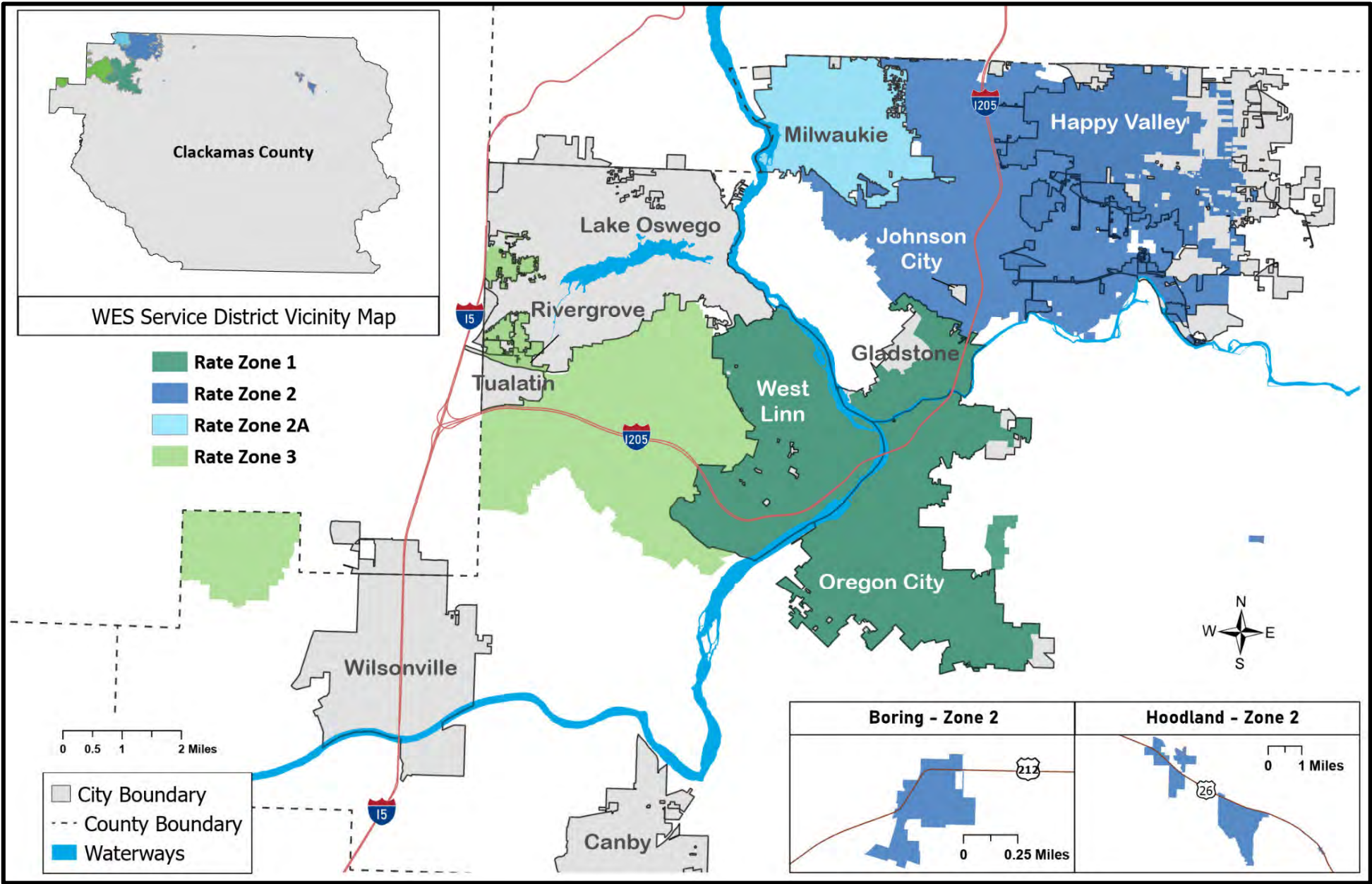


Clackamas County Embedded Staff





# WES Service Area Map





# Guide to the Budget

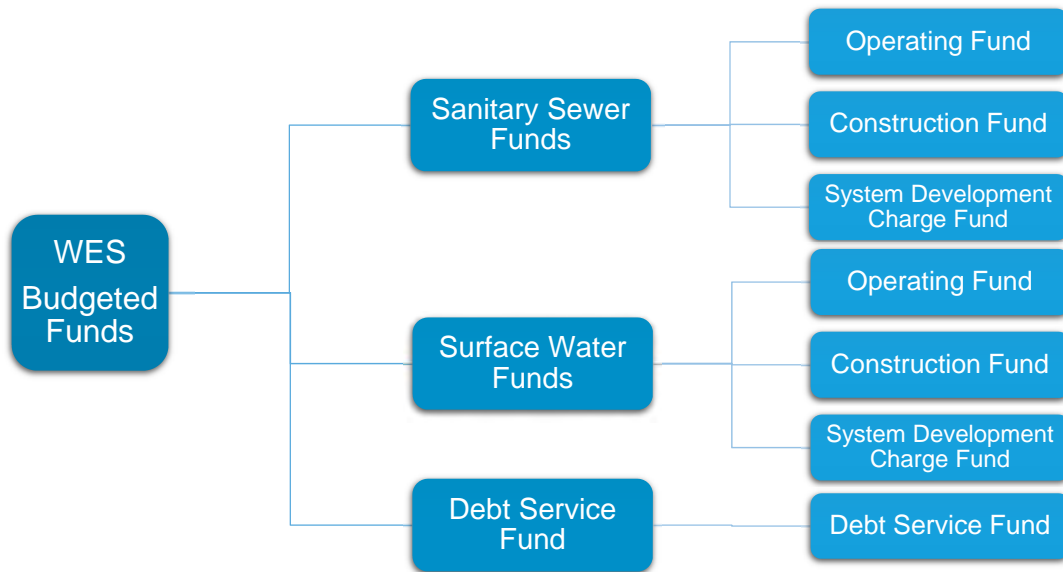




## FINANCIAL STRUCTURE

In accordance with Oregon Budget Law requirements, WES' budget is prepared and adopted by individual funds. A fund is 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. Oregon Administrative Rules require that each fund's budget is balanced, which means that the resources must equal the requirements each fiscal year. The fund accounting structure below outlines the organization of the various funds within WES.

## 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	Construction Funds	System Development Charge Funds	Debt Service Fund
Fund Purpose	<i>Day-to-day sewer and surface water operations</i>	<i>Non-System Development Charge capital expenditures</i>	<i>Capital expenditures related to growth or capacity increases</i>	<i>Repayment of principal and interest on WES' revenue obligations and state loans</i>
Sources	<ul style="list-style-type: none"> <li>• Service charges</li> <li>• Interest</li> <li>• Other income</li> </ul>	<ul style="list-style-type: none"> <li>• Project participation</li> <li>• New debt issuances</li> <li>• Grants</li> <li>• Interest</li> <li>• Interfund transfers from Operating Funds</li> </ul>	<ul style="list-style-type: none"> <li>• System Development Charges (SDCs) for new connections</li> <li>• Interest</li> </ul>	<ul style="list-style-type: none"> <li>• New debt issuances</li> <li>• Assessment Collections</li> <li>• Interest</li> <li>• Interfund transfers from Operating and SDC Funds</li> </ul>
Uses	<ul style="list-style-type: none"> <li>• Materials &amp; Services</li> <li>• Special payments</li> <li>• Interfund transfers to Construction and Debt Service Funds</li> </ul>	<ul style="list-style-type: none"> <li>• Capital project expenditures</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity-enhancing capital project expenditures</li> <li>• Interfund transfers to Debt Service Fund for SDC-eligible debt</li> </ul>	<ul style="list-style-type: none"> <li>• Principal and interest on long-term debt</li> <li>• Special payments</li> </ul>



## **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.

## **BUDGET PROCESS**

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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 30<sup>th</sup> of each year.

### **4. Budget Amendment after Adoption**

The level of control is the level at which spending cannot exceed 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 & 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 through the use of 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 hearing before the public, publication, and approval by the BCC.

## STAKEHOLDER INPUT

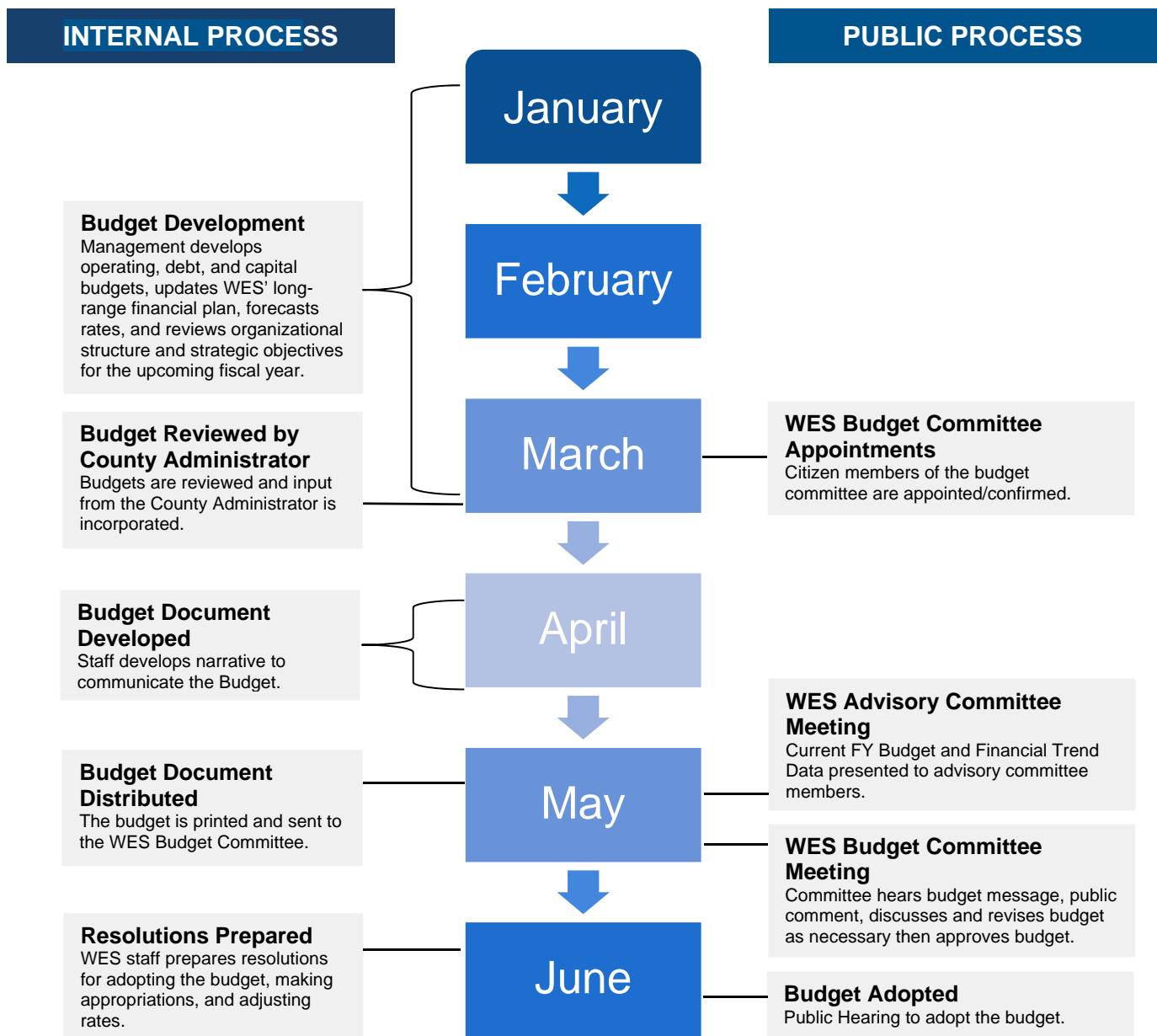
### WES Advisory Committee

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 on the preceding page and the timeline below.

## OVERVIEW OF BUDGET DEVELOPMENT: INTERNAL AND PUBLIC PROCESSES



## BUDGET CALENDAR

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The following calendar reflects the milestones met to develop the FY 2025-26 budget.

Date	Activity
January 1, 2025	Management begins review of Organization Structure and Performance Clackamas Lines of Business and Programs
February 10, 2025	Program Operating Budgets prepared by Managers and submitted to Department Finance; Capital Budget requests based on CIP submitted to Department Finance
February 12, 2025	Preliminary Budgets reviewed by Department Leadership
February 24-28, 2025	Management Team review of Consolidated Operating Budgets, budgetary trends, and significant changes
February 28, 2025	Final Operating and Capital Budget review by Department Leadership; all changes submitted to Department Finance
March 12, 2025	Long-Range Financial Plan drafted to incorporate preliminary budgets; rates projected
March 13, 2025	WES Budget Committee confirmed
March 17, 2025	Budgets presented to the County Administrator
April 4, 2025	County Administrator Final Approval of FY 2025-26 Proposed Budgets
April 7, 2025	Long-Range Financial Plan and rates updated with final budget numbers
April 22, 2025	Budget document completed and submitted to printer
May 8, 2025	Proposed Budgets distributed to WES Budget Committee First notice of Budget Committee meeting published online
May 14, 2025	Second notice of Budget Committee meeting published in The Oregonian
May 15, 2025	WES Advisory Committee Current FY Budget and Financial Trend Review Meeting
May 27, 2025	Budget Committee Meeting
June 4, 2025	Summary of budget as approved by the Budget Committee and Notice of Budget Hearing published
June 5, 2025	Resolutions prepared for adopting the budget, making appropriations, and adjusting rates
June 18, 2025	Public Hearing Budget Adopted



The Clackamas County Board of Commissioners (BCC) has adopted resolutions, which establish policies to provide direction and framework for the County and each component unit's operations. As WES is considered a component unit of Clackamas County, in addition to being governed by the BCC, WES adheres to the County's financial policies as applicable to enterprise funds.

Financial policies are reviewed periodically to incorporate minor changes to existing policy or major shifts in financial priorities at the discretion of the BCC. In 2020, a large-scale project was initiated to update the County's financial policies. This section includes a notation for policies that are under review and development, as well as those that have been recently updated.

The FY 2025-26 Budget complies with all relevant 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 & 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 expenditures and revenues on an ongoing basis to ensure adherence to the budget.

Contingency accounts may be budgeted in each Operating, System Development Charge, and Capital 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 by 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.

**Note:** 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, with adjustments approved by the BCC. 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 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

**Note:** 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 \$5,000 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 & Services category.

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

## Debt

**Note:** 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 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 that investments are in compliance with the County's Investment Policy.





# Performance Clackamas





## PERFORMANCE CLACKAMAS

### Budget by Program

#### Introduction

Performance Clackamas is based on the 'Managing for Results' (MFR) methodology, which is an integrated management system dedicated to delivering outcomes for customers. It is an integral part of WES' Strategic Plan and aligns WES' initiatives with the overarching priorities of Clackamas County.

#### Clackamas County Strategic Priorities



Honor, Utilize,  
Promote and Invest  
in our Natural  
Resources



Grow a Vibrant  
Economy



Ensure Safe,  
Healthy and Secure  
Communities



Build a Strong  
Infrastructure



Build Public Trust  
through Good  
Government

#### Performance Clackamas Structure

##### Lines of Business and Programs

Under the Performance Clackamas structure, WES is organized into 4 broad lines of business and 11 more specific programs, each aimed at providing services that share a common purpose and/or result. The subsequent pages provide details on how each program monitors its performance targets and establishes a unique operating budget to encompass the expenses of executing its designated functions. Full-time equivalent employees (FTEs) are allocated among programs based upon the program's budgeted needs and objectives for the upcoming fiscal year.

Business Services	Capital Planning and Management	Environmental Services	Operations
<ul style="list-style-type: none"> <li>Account Services</li> <li>Administrative Services</li> <li>Financial Management</li> </ul>	<ul style="list-style-type: none"> <li>Capital Delivery</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Monitoring</li> <li>Permit Services</li> <li>Resource Recovery</li> <li>Watershed Protection</li> </ul>	<ul style="list-style-type: none"> <li>Asset Management</li> <li>Field Operations and Maintenance</li> <li>Plant Operations and Maintenance</li> </ul>



## Alignment with Countywide Strategic Priorities and Program Primary Indicators

Indicators serve as broad pathways to align WES' plan to Clackamas County's five overarching Strategic Priorities. The table below shows the primary Countywide indicators that WES' Performance Clackamas Programs support within four of the County's five Strategic Priorities<sup>1</sup>.

Countywide Strategic Priority	WES Performance Clackamas Program	Countywide Primary Indicator	Evidenced By
<b>Build Public Trust Through Good Government</b>	Account Services	Resident Satisfaction Rate	Increase in resident satisfaction with the delivery of County services
	Administrative Services	Transparency	Increase in easy access of public information
	Environmental Monitoring	Internal Services Support	The ability of Internal Services to support critical program functions, services, and processes as perceived by their customers
	Financial Management	Affordable Services	Affordability of County services through rates and fees
<b>Build Strong Infrastructure</b>	Asset Management	Infrastructure Condition	Improvement in the condition or capacity of roads, railways, bridges, tunnels, water supply, sewers, electrical grids, and telecommunications
	Capital Delivery		
	Field Operations and Maintenance		
<b>Grow a Vibrant Economy</b>	Permit Services	Business Growth/ Construction Growth	Increase in business revenue, gross domestic product (GDP) and expansion; construction opportunities, including permitting
<b>Honor, Utilize, Promote and Invest in our Natural Resources</b>	Plant Operations and Maintenance	Clean Water	Increase in availability of clean water to residents for all activities
	Watershed Protection		
	Resource Recovery	Recycle/Reduce/ Reuse Rate	Increase in reducing, recycling or reuse of recyclable materials

<sup>1</sup> WES' programs are aligned with four of the County's five Strategic Priorities through primary indicators. The Strategic Priority 'Ensure Safe, Healthy, and Secure Communities' is not represented in the above table, as none of WES' programs have primary indicators associated with this priority.

## Performance Clackamas Lines of Business and Program Descriptions

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<b>Business Services</b> Line of Business	The purpose of the Business Services Line of Business is to provide administrative, financial, and utility relations services to WES staff, the WES Advisory Committee, and the Board of County Commissioners so they can provide cost-effective, well-managed services and information to our communities.
<b>Account Services</b> Program	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.
<b>Administrative Services</b> Program	The purpose of the Administrative Services Program is to provide efficient and effective administrative, human resources, and communication and engagement support to WES staff so they can provide well-managed services and information to customers and stakeholders.
<b>Financial Management</b> Program	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.
<b>Capital Planning and Management</b> Line of Business	The purpose of the Capital Planning and Management Line of Business is to provide capital planning, design, and construction services to ensure sustainable, reliable service delivery and support the growth and vitality of our communities.
<b>Capital Delivery</b> Program	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.
<b>Environmental Services</b> Line of Business	The purpose of the Environmental Services Line of Business is to provide monitoring, permitting, pollution prevention, and resource recovery services to WES staff, permit applicants, and our communities so they can access and appropriately use WES' infrastructure, and understand their potential impact on water quality.
<b>Environmental Monitoring</b> Program	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.
<b>Permit Services</b> Program	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.
<b>Resource Recovery</b> Program	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.
<b>Watershed Protection</b> Program	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.



### Operations Line of Business

The purpose of the Operations Line of Business is to provide wastewater treatment, asset management, and collection and conveyance services to care for clean water infrastructure, and to protect the natural environment and public health of our communities.

### Asset Management Program

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.

### Field Operations and Maintenance Program

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.

### Plant Operations and Maintenance Program

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.

## 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.

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

WES' Strategic Plan for FY 2023-24 through 2025-26 and the FY 2023-24 Performance Clackamas Plan update introduced several new performance measures and discontinued others. Within the Key Performance Measure tables in this section, new measures are marked with "NEW" beneath the measure type, and discontinued measures are labeled with "DISCONTINUE" in the FY 24-25 Target column. Where available, prior year actuals and year-to-date data for new measures are included or noted as "NEW" in the prior year actual column when data is not available.

The introduction of new measures and the discontinuation of outdated ones ensure that WES' performance metrics remain relevant, accurate, and aligned with our evolving strategic objectives. Additionally, some initiative/results-type measures have been completed and thus retired. This approach enables us to respond effectively to changes within the organization and the external environment, driving continuous improvement and better decision-making.

The majority of the newly introduced, customer-oriented measures in WES' plan are based on questions from a bi-annual stakeholder survey. The customer survey measures for FY 23-24 Actual and FY 24-25 Actuals as of 12/31/2024 reflect responses from the March 2023 stakeholder survey.

## Program Budget Summaries

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

Operating Expense Category	Description
Materials & Services: <b>WES Labor</b>	Covers employee salaries and benefits, including direct labor costs associated with the program, a proportionate share of allocated leave, as well as any budgeted overtime, temporary labor expenses, and frictional vacancy reduction.
Materials & Services: <b>Other</b>	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 2025-26 Budget Program Summary of Changes

Program	FY 2025-26 Budget	Change from FY 2024-25 Budget		Summary of Influencing Factors for Change from FY 2024-25 Budget	Pg. # for Detail
		\$	%		
Account Services	1,582,870	174,450	12%	11% increase in labor due to the continued alignment of Administrative Services and Financial Management staff activities to the Account Services program and 13% increase in materials and services due to an increase in utility billing payment processing-transaction fees.	49
Administrative Services	\$3,710,760	262,350	8%	18% increase in labor due to the shift of Watershed Protection staff activities to the Administrative Services program and the removal of the prior year's frictional vacancy estimate and 8% decrease in materials and services due to a reduction in county internal service costs.	51
Financial Management	1,651,800	8,630	1%	No significant changes. 5% increase in labor due to inflationary increases partially offset by a shift of staff activities to the Account Services program and 10% decrease in materials and services due to a reduction in county internal service costs, alongside lower financial consulting costs.	53
Capital Delivery	1,246,240	(125,630)	-9%	14% increase in labor due to inflationary increases, removal of the prior year's frictional vacancy placeholder and the shift of surface water engineering staff from the Watershed Protection program and 28% decrease in materials and services due to a decrease in contracted engineering costs.	56
Environmental Monitoring	1,596,450	(35,050)	-2%	10% increase in labor due to inflationary increases, interns and the continued alignment of Resource Recovery and Watershed Protection staff activities to the Environmental Monitoring program and 19% decrease in materials and services due to the completion of professional services contracts for monitoring requirements.	59
Permit Services	1,369,600	16,470	1%	7% increase in labor due to inflationary increases offset by a 20% decrease in materials and services due to a reduction in county internal service costs and equipment pool rental expense.	61
Resource Recovery	1,407,250	(502,720)	-26%	59% decrease in labor due to the shift and continued alignment of staff activities to various WES programs and 4% decrease in materials and services due to a reduction in county internal service costs net of an increase in equipment pool rental expense.	63
Watershed Protection	1,920,350	(360,640)	-16%	13% decrease in labor due to the shift and continued alignment of staff activities to various WES programs and 19% decrease in materials and services due to a reduction in county internal service and environmental monitoring costs.	65
Asset Management	1,939,520	58,340	3%	2% increase in labor due to inflationary increases and 5% increase in materials and services due to cost increases for software maintenance.	68
Field Operations and Maintenance	4,690,730	658,410	16%	24% increase in labor due to inflationary and compensation increases, the conversion of six half-time seasonal positions to three full-time positions, a shift of Resource Recovery staff to the Field Operations and Maintenance program, and net of the decrease from the inclusion of a frictional vacancy placeholder; 10% increase in materials and services due to an increase in equipment pool rental expenses and supplies costs.	70
Plant Operations and Maintenance	12,834,385	946,524	8%	13% increase in labor due to inflationary and compensation increases and the shift of Administrative Services and Resource Recovery staff to Plant Operations and Maintenance and 4% increase in materials and services due to increases in electricity costs and repairs & maintenance expenses as a result of inflationary and level-of-service cost adjustments.	72



# Water Environment Services

## Budget Summary by Program and Fund



Line of Business		FY 25-26	FY 25-26	FY 25-26	FY 25-26	FY 25-26	FY 25-26
			WES Sewer Operating Fund 631 (Excl. Non Program)	WES Surface Water Operating Fund 641 (Excl. Non Program)		Non Program / Non Operating	
Program	Prog #	FTE			ARPA		Total Budget
<b>Business Services</b>							
Account Services	700102	5.16	\$ 1,268,850	\$ 314,020			\$ 1,582,870
Administrative Services	700101	13.16	2,836,305	874,455			3,710,760
Financial Management	700103	6.79	1,380,080	271,720			1,651,800
Equipment Cost Pool (Contra-Expense)	700104	N/A	(352,480)				(352,480)
Business Services Total		25.11	5,132,755	1,460,195	-	-	6,592,950
<b>Capital Planning and Management</b>							
Capital Delivery	700203	10.55	943,180	303,060			1,246,240
Capital Planning and Management Total		10.55	943,180	303,060	-	-	1,246,240
<b>Environmental Services</b>							
Environmental Monitoring	700302	6.20	1,227,410	369,040			1,596,450
Permit Services	700303	6.04	705,900	663,700			1,369,600
Resource Recovery	700305	1.95	1,407,250				1,407,250
Watershed Protection	700304	6.35	599,640	1,320,710			1,920,350
Environmental Services Total		20.54	3,940,200	2,353,450	-	-	6,293,650
<b>Operations</b>							
Asset Management	700405	8.20	1,567,285	372,235			1,939,520
Field Operations and Maintenance	700403	18.40	3,084,650	1,606,080			4,690,730
Plant Operations and Maintenance	700404	38.20	12,834,385				12,834,385
Operations Total		64.80	17,486,320	1,978,315	-	-	19,464,635
<b>Operating Budget Total</b>							<b>33,597,475</b>
<b>Non Program / Non Operating</b>							
Special Payments						3,064,200	3,064,200
Capital Outlay					1,018,998	50,459,352	51,478,350
Debt Service						13,073,584	13,073,584
Transfers						32,613,659	32,613,659
Contingency and Reserves						113,756,195	113,756,195
Non-Program / Non-Operating Total					1,018,998	212,966,990	213,985,988
<b>TOTAL</b>		<b>121.00</b>	<b>\$ 27,502,455</b>	<b>\$ 6,095,020</b>	<b>\$ 1,018,998</b>	<b>\$ 212,966,990</b>	<b>\$ 247,583,463</b>
<b>FY 2024/25 Amended Budget *</b>							
\$ Increase (Decrease)		3.00	1,072,764	-26,380	547,998	-35,701,242	-34,106,860
% Increase (Decrease)		2.5%	4.1%	-0.4%	116.3%	-14.4%	-12.1%



## Line of Business Purpose Statement

The purpose of the Business Services Line of Business is to provide administrative, financial, and utility relations services to WES staff, the WES Advisory Committee, and the Board of County Commissioners so they can provide cost-effective, well-managed services and information to our communities.

### Water Environment Services

Greg Geist - Director

FTE 121.00 FTE

Total Program Operating Budget \$33,597,475

#### Business Services

Ron Wierenga -

Deputy Director

Total Budget

\$6,592,950

#### Account Services

Ron Wierenga -

Deputy Director

FTE 5.16

Total Budget

\$1,582,870

#### Administrative Services

Ron Wierenga -

Deputy Director

FTE 13.16

Total Budget

\$3,710,760

#### Financial Management

Ron Wierenga -

Deputy Director

FTE 6.79

Total Budget

\$1,651,800

#### Equipment Cost Pool (Contra-Expense)

Total Budget

(\$352,480)



## Business Services

## Account Services

### Purpose Statement

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.

### Performance Narrative Statement

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.

#### Program accomplishments for FY 2023-24 and Fiscal Year-to-Date 2024-25 include the following:

- Consistent achievement of the annual goal of less than 5% of accounts certified for delinquency, marking the fourth consecutive year.
- 9% increase (since FY 2022-23) in the number of accounts utilizing online and automated telephone options for payment processing.

#### Strategic Objectives for FY 2025-26

- Program staff have significantly improved the customer experience in recent years by introducing new systems; particularly a comprehensive online account management system, now serving approximately 47% of WES' directly-billed customers. One objective in the strategic plan is continuing to increase utilization of these systems with a target of 60% of WES' customers using online or Interactive Voice Response methods to make payments by the end of calendar year 2025.
- WES' Low Income Discount (LID) Program was revised during FY 2023-24 to better align income guidelines with state and federal utility assistance standards. That update, along with increased customer outreach to promote the program, resulted in a 49% increase in enrollment from FY 2021-22 to FY 2024-25 (to date). Despite this progress, enrollment remains limited due to program requirements that restrict eligibility to property owners. A major initiative for FY 2025-26 includes creating and implementing a new customer assistance program, with expected outcomes of broadening eligibility and access. This project was initiated in February 2025 and is on track for implementation by January 2026.
- Another focus of the program during the upcoming year will be implementing a bi-annual customer satisfaction survey. Staff began work on this strategic plan initiative in March 2025 by identifying survey objectives and developing a list of draft questions centered around the customer's billing and account management experience. Work will continue in FY 2025-26 with contracted services for survey design finalization, outreach planning, and survey administration. Results and responses will be used to gain insights into our customers' experience and expectations, and develop action plans for improving service delivery.

### Key Performance Measures <sup>1</sup>

		FY 22-23 Actual	FY 23-24 Actual	FY 24-25 Target	FY 24-25 Actuals as of 12/31/24	FY 25-26 Target
Result	500 additional accounts added to paperless billing each year	322	324	DISCONTINUE	DISCONTINUE	DISCONTINUE
Output	# callers assisted	13,607	DISCONTINUE	DISCONTINUE	DISCONTINUE	DISCONTINUE
Output	# customer bills issued annually	299,923	305,624	DISCONTINUE	DISCONTINUE	DISCONTINUE
Customer (NEW)	80% of customers are satisfied with WES' efforts to be customer-oriented	NEW	79%	80%	79%	80%
Output (NEW)	# utility accounts enrolled in WES' Customer Assistance Programs	152	205	250	221	350
Ratio (NEW)	# utility accounts certified / total utility accounts <sup>(2)</sup>	1,005 / 25,988 3.9%	1,089 / 26,245 4.1%	900 / 26,500	1,619 / 26,411 6.1%	1,000 / 26,750
Result (NEW)	By 2025 60%+ of utility customers utilize online and automated phone system account management options to make payments	38%	42%	47%	47%	52%

(1) The Key Performance Measure tables for the FY 2024-25 Target and fiscal years moving forward include several new performance measures marked as "NEW" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

(2) Measure was previously reported as a percentage. Beginning in FY 2024-25, this will be reported as an output/ratio.

#### Program includes:

Mandated Services

Shared Services

Grant Funding

#### Explanation

The Account Services Program provides billing services to customers as required by the Public Utilities Commission in Oregon Administrative Rules, Chapter 860, Division 37.



Business Services

Account Services

Budget Summary



	FY 22-23 Actuals	FY 23-24 Actuals	FY 24-25 Amended Budget	FY 24-25 Projected Year End	FY 25-26 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	282,655	455,549	625,850	645,280	695,850	70,000	11%
Materials and Services: Other	330,327	740,304	782,570	829,113	887,020	104,450	13%
<b>Operating Expense</b>	<b>612,982</b>	<b>1,195,853</b>	<b>1,408,420</b>	<b>1,474,393</b>	<b>1,582,870</b>	<b>174,450</b>	<b>12%</b>
<b>Total Expense</b>	<b>612,982</b>	<b>1,195,853</b>	<b>1,408,420</b>	<b>1,474,393</b>	<b>1,582,870</b>	<b>174,450</b>	<b>12%</b>

Significant Issues and Changes

The FY 2025-26 budget represents an increase of 12% from FY 2024-25. This increase is due both to increased labor costs to align staff work with program core services, as well as an increase in materials and services resulting from higher transaction fees for online and automated phone system payment processing passed through from our 3rd-party service provider. The materials and services budget continues to include resources for printing and consulting fees to support program initiatives.



## Business Services Administrative Services

### Purpose Statement

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.

### Performance Narrative Statement

The Administrative Services Program provides internal human resource, workforce and administrative support services to the department.

Our measure for performance review tracking was updated to a target of 100 completed reviews. WES has dedicated staff to ensure the components of the Workforce Plan are in action to support forward movement on performance appraisal completion and the Program initiative to have a completed Workforce Plan by July of 2025. Identified in the future Workforce Plan will be a Program 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.

WES has discontinued the measure to perform 3 plant evacuation drills, one at each facility; however, we will continue to support this goal to ensure 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 and plant safety for our staff. WES will be rolling out an updated and more robust Continuity of Operations Plan (COOP) and we will continue to focus on safety for WES employees.

Customer satisfaction is important to WES. WES has discontinued tracking customer satisfaction through general survey responses and is now measuring the percentage of our stakeholders who agree that WES is providing reliable clean water services at a reasonable rate. WES is gearing up for another Clean Water Exchange effort to connect with stakeholders in a meaningful way and gather important information from them to support this goal.

### Key Performance Measures <sup>(1)</sup>

		FY 22-23 Actual	FY 23-24 Actual	FY 24-25 Target	FY 24-25 Actuals as of 12/31/24	FY 25-26 Target
Efficiency	Percent of annual reviews completed	46%	46%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Output	# Plant Evacuation Drills (one per plant) per year	3	3	DISCONTINUE	DISCONTINUE	DISCONTINUE
Result	95% of surveyed WES customers are satisfied with the service they receive	70%	70%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Customer (NEW)	80%+ of stakeholders agree that WES is providing reliable clean water services at a reasonable rate	NEW	72%	80%	72%	80%
Output (NEW)	# of employee evaluations completed per year	NEW	46	100	39	100
Ratio (NEW)	Training hours / Full Time Equivalent (FTE) employee	NEW	Data not yet available	40 hrs/FTE	Data not yet available	40 hrs/FTE
Result (NEW)	By 2025 complete and implement a department Workforce Plan	NEW	On Track	7/1/2025	On Track	7/1/2025

(1) The Key Performance Measure tables for the FY 2024-25 Target and fiscal years moving forward include several new performance measures marked as "NEW" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

Program includes:

Mandated Services

Shared Services

Grant Funding

### Explanation

The Administrative Services Program provides services as required by the Public Utility Commission in Oregon Administrative Rules, Chapter 860, Division 37 and organizes and administrates the advisory committees that review and provide policy recommendations to the governing body of the districts, in compliance with Oregon Public Meetings Law (ORS 192.610 to 192.690).



## Business Services

## Administrative Services

### Budget Summary

	FY 22-23 Actuals	FY 23-24 Actuals	FY 24-25 Amended Budget	FY 24-25 Projected Year End	FY 25-26 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	1,898,512	2,250,139	2,085,470	2,310,590	2,456,830	371,360	18%
Materials and Services: Other	1,326,456	1,160,121	1,362,940	1,091,176	1,253,930	(109,010)	-8%
<b>Operating Expense</b>	<b>3,224,968</b>	<b>3,410,260</b>	<b>3,448,410</b>	<b>3,401,766</b>	<b>3,710,760</b>	<b>262,350</b>	<b>8%</b>
<b>Total Expense</b>	<b>3,224,968</b>	<b>3,410,260</b>	<b>3,448,410</b>	<b>3,401,766</b>	<b>3,710,760</b>	<b>262,350</b>	<b>8%</b>

### Significant Issues and Changes

The Administrative Services Program budget is increasing by 8% overall. The increase is mostly due to an increase in labor costs and office lease expenses. 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. 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 a need in advertising and marketing over the next fiscal year. There is a decrease in materials and services for allocated costs.



**Purpose Statement**

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.

**Performance Narrative Statement**

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.

The performance metric for annual operating expenditures, which targets a variance of less than 15% from the budgeted amount, was further improved upon in FY 2023-24 with an actual variance of 7.2%, down from 10% in FY 2022-23. This metric is included in the current strategic plan as a ratio measure, targeting actual operating expenses to be at least 90% of the budgeted amount.

**Additional Program highlights for FY 2023-24 and Fiscal Year-to-Date 2024-25 include:**

- Meeting the Lowest-Quintile Residential Income (LQRI) target of less than 2% with a mid-range impact rating of 1.38% for FY 2023-24: focusing on service affordability, this metric emphasizes maintaining annual wastewater service costs at a level that is affordable for households in the lowest quintile of residential income.
- Submission of WES' FY 2024-25 Budget and FY 2023-24 Annual Comprehensive Financial Report to Government Finance Officers Association (GFOA) for award consideration, resulting in received awards.
- Maintenance of a Standard and Poor's (S&P) AAA credit rating: upholding this rating is important to ensure WES has access to low-cost capital financing.
- Updating the system development charge (SDC) methodologies: as a financial management best practice, WES periodically reviews and updates the SDC methodologies to reflect the latest capital planning and service area growth assumptions. WES completed the draft methodology update in December 2024 and presented the update to the Board in April 2025, after receiving input from WES' Advisory Committee. Adoption of the updated methodologies is set for consideration in July 2025, following the required statutory noticing period.
- Enhancing stakeholder understanding of WES' rate structure: a 'Rates 101' presentation and fact sheet is under development, scheduled for completion by fiscal year-end. These outreach materials will serve to enhance understanding of how ratepayer dollars are used to deliver safe, reliable clean water services.

**Strategic objectives for FY 2025-26 include:**

- Implementing a comprehensive project funding program to evaluate and pursue opportunities for alternative funding sources including grants, capital project participation, strategic partnerships, and energy rebates/incentives. This initiative is on-track for completion by December 2025.
- Developing a critical spare parts plan, inventory, and warehouse tracking system to improve operational resiliency. This initiative is in progress, with critical spare parts identified, and an inventory module in development with Asset Management Program staff. Project completion is expected by December 2025.

**Key Performance Measures <sup>(1)</sup>**

		FY 22-23 Actual	FY 23-24 Actual	FY 24-45 Target	FY 24-25 Actuals as of 12/31/24	FY 25-26 Target
Output	Annual operating expenditures will vary from budgeted operating expenditures by less than 15%	10.0%	7.2%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Result	Rates will not increase more than 10% in any year nor less than the adopted index stating the current rate of inflation.	3.2% avg (0.00% - 5.32%)	2.8% avg (0.00% - 5.1%)	DISCONTINUE	DISCONTINUE	DISCONTINUE
Result	Quarterly budget to actual reports are distributed within three weeks of quarter's close	75%	100%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Customer (NEW)	70% of customers are satisfied with WES' efforts to control costs and rates	NEW	Data not yet available	70%	Data not yet available	70%
Output	S&P Global Credit Rating <sup>(2)</sup>	AAA	AAA	AAA	AAA	AAA
Ratio (NEW)	Actual operating expenses / budgeted operating expenses	\$ 27,072,714 / \$ 30,092,890	\$ 28,857,430 / \$ 31,085,707	≥ 90%	\$ 16,757,787 / \$ 32,551,091	≥ 90%
Result (NEW)	Annually earn GFOA's Certificate of Achievement for Excellence in Financial Reporting and Distinguished Budget Presentation Awards	Complete	Complete	Complete	Complete	Complete
Result (NEW)	Annually maintain a mid-range or low impact rating for total annual cost of wastewater service, relative to lowest quintile household income	NEW	Mid-Range 1.36%	Low < 1.0% or Mid-Range 1.0% to 2.0%	Mid-Range 1.38%	Low < 1.0% or Mid-Range 1.0% to 2.0%

(1) The Key Performance Measure tables for the FY 2024-25 Target and fiscal years moving forward include several new performance measures marked as "NEW" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

(2) Previously reported as "Maintain current bond rating of AAA"

**Program includes:**

Mandated Services	<input type="text" value="Y"/>
Shared Services	<input type="text" value="N"/>
Grant Funding	<input type="text" value="N"/>

**Explanation**

The Financial Management Program provides financial reporting and audit-related services as required by ORS 297.405 to 297.740 and 297.990 and prepares and administers the annual budget in compliance with ORS 294.305 to 294.565 and 294.900 to 294.930.



	FY 22-23 Actuals	FY 23-24 Actuals	FY 24-25 Amended Budget	FY 24-25 Projected Year End	FY 25-26 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	927,691	1,045,927	1,139,840	1,194,140	1,198,320	58,480	5%
Materials and Services: Other	740,029	511,109	503,330	497,276	453,480	(49,850)	-10%
<b>Operating Expense</b>	<b>1,667,720</b>	<b>1,557,036</b>	<b>1,643,170</b>	<b>1,691,416</b>	<b>1,651,800</b>	<b>8,630</b>	<b>1%</b>
<b>Total Expense</b>	<b>1,667,720</b>	<b>1,557,036</b>	<b>1,643,170</b>	<b>1,691,416</b>	<b>1,651,800</b>	<b>8,630</b>	<b>1%</b>

#### Significant Issues and Changes

The FY 2025-26 budget for the Financial Management Program is \$1.65 million, and approximately equal to the current FY's budget. A reduction in the budget for contracted financial services due to completion of a long-term service contract, in combination with reductions in county allocated costs for central and internal services, offset salary and benefit increases in labor costs.

# Capital Planning and Management



## Line of Business Purpose Statement

The purpose of the Capital Planning and Management Line of Business is to provide capital planning, design, and construction services to ensure sustainable, reliable service delivery and support the growth and vitality of our communities.

### Water Environment Services

Greg Geist - Director

FTE 121.00 FTE

Total Program Operating Budget \$33,597,475

#### Capital Planning and Management

Jeff Stallard - Mgr

Total Budget

\$1,246,240

#### Capital Delivery

Jeff Stallard - Mgr

FTE 10.55

Total Budget

\$1,246,240



## Capital Planning and Management

### Capital Delivery



#### Purpose Statement

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.

#### Performance Narrative Statement

The Capital Delivery Program plans all capital project expenditures which range from \$5,000 to several tens of millions of dollars. We are a staff of a program manager, two supervising engineers, five senior engineers, two civil engineers and a construction coordinator. Our five-year plan includes approximately \$240 million in required sewer project expenditures. We are actively managing approximately 52 projects representing over \$150 million in facilities in planning, design, and construction costs. Projects have been completed on budget and with the addition of two new engineering positions in FY2023-24, we are starting to get project delivery back on schedule.

Initiative: By 2024 complete the 3-Creeks Water Quality Project design

The design of the 3-Creeks Water Quality Project is complete and the project was publicly advertised for construction bids in March 2025.

#### Key Performance Measures <sup>(1)</sup>

		FY 22-23 Actual	FY 23-24 Actual	FY 24-25 Target	FY 24-25 Actuals as of 12/31/24	FY 25-26 Target
Output	Annual 5-year CIP	1	1	DISCONTINUE	DISCONTINUE	DISCONTINUE
Result	90% of capital projects started will be completed on time and on budget	93%	93%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Customer (NEW)	60% of WES customers are satisfied with WES' planning and investments in infrastructure	NEW	66%	60%	66%	60%
Output (NEW)	\$ of partner city I/I reduction projects WES funds annually	\$1,439,871	\$2,162,010	\$5,600,000	\$22,856	\$2,700,000
Ratio (NEW)	Actual capital expenses / budgeted capital expenses	\$ 17,699,895 / \$ 30,649,772	\$33,522,899 / \$ 52,062,327	\$42,727,600 / \$ 79,546,000	\$43,163,267 / \$ 79,546,000	\$36,034,845 / \$ 51,478,350
Result (NEW)	By 2024 complete the 3-Creeks Water Quality Project design	NEW	On Track	12/31/2024	Complete	N/A
Result (NEW)	By 2025 complete the Intertie 2 Pump Station Expansion and Force Main Project design	NEW	On Track	1/1/2025	Complete	N/A
Result (NEW)	By 2025 complete the Tri-City WRRF Outfall Project design	NEW	Complete	1/1/2025	Complete	N/A

(1) The Key Performance Measure tables for the FY 2024-25 Target and fiscal years moving forward include several new performance measures marked as "NEW" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

Program includes:

Mandated Services

Shared Services

Grant Funding

Explanation

The Capital Delivery Program provides services which are mandated by state and federal public procurement laws and the requirements regarding the construction and maintenance of facilities subject to the Clean Water Act and OAR 340, Division 45.

## Capital Planning and Management



### Capital Delivery

#### Budget Summary

	FY 22-23 Actuals	FY 23-24 Actuals	FY 24-25 Amended Budget	FY 24-25 Projected Year End	FY 25-26 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	433,101	576,151	609,210	423,330	694,210	85,000	14%
Materials and Services: Other	230,918	297,111	762,660	441,642	552,030	(210,630)	-28%
<b>Operating Expense</b>	<b>664,019</b>	<b>873,262</b>	<b>1,371,870</b>	<b>864,972</b>	<b>1,246,240</b>	<b>(125,630)</b>	<b>-9%</b>
<b>Total Expense</b>	<b>664,019</b>	<b>873,262</b>	<b>1,371,870</b>	<b>864,972</b>	<b>1,246,240</b>	<b>(125,630)</b>	<b>-9%</b>

#### Significant Issues and Changes

The Capital Delivery budget shows the following changes:

Materials & 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, the removal of the prior year's frictional vacancy estimate, and transferring two surface water engineering positions from the Watershed Protection program, which are needed to deliver the projects identified by our planning documents.

Materials & Services: Other: This item is the sum of engineering services (planning), miscellaneous materials/services, training and document management software. The decrease in this line item is due to completing the NPDES Permit renewal process.

# Environmental Services



## Line of Business Purpose Statement

The purpose of the Environmental Services Line of Business is to provide monitoring, permitting, and pollution prevention services to WES staff, permit applicants, and our communities so they can access and appropriately use WES' infrastructure, and understand their potential impact on water quality.

### Water Environment Services

Greg Geist - Director

FTE 121.00 FTE

Total Program Operating Budget \$33,597,475

#### Environmental Services

Terrance Romaine - Mgr

Total Budget

\$6,293,650

#### Environmental Monitoring

Terrance Romaine - Mgr

FTE 6.20

Total Budget

\$1,596,450

#### Permit Services

Ron Wierenga -

Deputy Director

FTE 6.04

Total Budget

\$1,369,600

#### Resource Recovery

Terrance Romaine - Mgr

FTE 1.95

Total Budget

\$1,407,250

#### Watershed Protection

Terrance Romaine - Mgr

FTE 6.35

Total Budget

\$1,920,350





## Environmental Services

### Environmental Monitoring

#### Purpose Statement

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

#### Performance Narrative Statement

The Environmental Monitoring Program ensures WES' permit compliance through rigorous sample analysis. The laboratory has achieved an 84% on-time delivery rate for results within 15 days, exceeding the 80% target for the first half of the fiscal year. Demand for services remains strong, with projections exceeding 30,000 analyses.

#### Key program highlights include:

- **Enhanced Surface Water Analysis:** The acquisition of a Total Organic Carbon (TOC) analyzer will streamline surface water sample analysis, a crucial requirement for the Municipal Separate Storm Sewer System (MS4) permit. This in-house capability will reduce turnaround times and control costs.
- **Support for Engineering Initiatives:** The monitoring program continues to provide vital data for the Engineering team's wastewater flow monitoring initiative, crucial for inflow/infiltration analysis and planning. As the flow monitoring network expands, the monitoring 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 <sup>(1)</sup>

		FY 22-23 Actual	FY 23-24 Actual	FY 24-25 Target	FY 24-25 Actuals as of 12/31/24	FY 25-26 Target
Output	Laboratory maintains ORELAP accredited status	Accredited	Accredited	DISCONTINUE	DISCONTINUE	DISCONTINUE
Customer	80% of test results are ready to report to customers within 15 days of receiving a sample	87%	94%	80%	84%	80%
Output	# of surface water and wastewater tests completed	36,175	37,898	40,000	20,127	40,000
Ratio (NEW)	Total Environmental Monitoring Program cost / total number of lab tests	\$ 1,392,948 / 36,175	\$ 1,508,965 / 37,898	\$ 1,631,500 / 40,000	\$ 843,701 / 20,127	\$ 1,596,450 / 40,000
Result (NEW)	Annually collect 90% of planned flow monitoring and rain gauge data	NEW	Data not available	90%	99.7%	90%

(1) The Key Performance Measure tables for the FY 2024-25 Target and fiscal years moving forward include several new performance measures marked as "NEW" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

#### Program includes:

Mandated Services	<input type="text" value="Y"/>
Shared Services	<input type="text" value="N"/>
Grant Funding	<input type="text" value="N"/>

#### Explanation

The Environmental Monitoring Program is mandated by the State of Oregon for sampling and collection services following the water quality permit (ORS 468B.050) issued by the DEQ, the Federal Clean Water Act, the Code of Federal Regulations (40 CFR Part 136 and Part 503) for sampling and collections, EPA Methods, Standard Methods and Industrial pre-treatment (40 CFR Part 403).

## Environmental Services

### Environmental Monitoring

#### Budget Summary

	FY 22-23 Actuals	FY 23-24 Actuals	FY 24-25 Amended Budget	FY 24-25 Projected Year End	FY 25-26 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	796,255	855,460	924,890	927,860	1,021,310	96,420	10%
Materials and Services: Other	596,693	653,505	706,610	752,847	575,140	(131,470)	-19%
<b>Operating Expense</b>	<b>1,392,948</b>	<b>1,508,965</b>	<b>1,631,500</b>	<b>1,680,707</b>	<b>1,596,450</b>	<b>(35,050)</b>	<b>-2%</b>
<b>Total Expense</b>	<b>1,392,948</b>	<b>1,508,965</b>	<b>1,631,500</b>	<b>1,680,707</b>	<b>1,596,450</b>	<b>(35,050)</b>	<b>-2%</b>

#### Significant Issues and Changes

The Environmental Monitoring program proposes a \$1,596,450 operating budget for FY 2025-26. This budget supports 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 FY 2025-26 budget for Materials and Services: Other reflects a 19% reduction compared to the previous fiscal year. This decrease is primarily due to completing a one-time macroinvertebrate and geomorphic monitoring initiative in the current fiscal year, along with the repurposing of resources. While rising material and service costs are a concern, the program has adequately addressed sampling needs for permit renewals and other testing with in-house laboratory services. The program will also procure laboratory contracts to secure competitive pricing and performance for external analyses this fiscal year.

## Environmental Services

### Permit Services

#### Purpose Statement

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.

#### Performance Narrative Statement

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 all results exceeding the strategic targets. Nearly all plans submitted for review are turned around in 3 weeks or less, with the majority of projects receiving approval in 3 submittals or less, representing high efficiency for the program. The number of permitted 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:

- The initiative to update WES' Rules and Regulations and design standards was completed in 2023 with several presentations to the WES Advisory Committee and the District Board. Adoption hearings for the Rules and Regulations were held in May 2023 with implementation of the new rules and standards starting on July 1, 2023. Implementation of the new Rules and design standards have required a significant amount of work from Permit Program staff.
- 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.
- The ratio of the value of permitted, donated infrastructure relative to program costs is down due to slow growth and the reduction in infrastructure built by private parties. This is expected to increase in the second half of the FY.

#### Key Performance Measures <sup>(1)</sup>

		FY 22-23 Actual	FY 23-24 Actual	FY 24-25 Target	FY 24-25 Actuals as of 12/31/24	FY 25-26 Target
Output	# industry compliance inspections	32	32	DISCONTINUE	DISCONTINUE	DISCONTINUE
Output	# permitted Equivalent Dwelling Units (EDUs)	287	261	500	251	500
Result	80% of sanitary sewer and storm plan reviews are completed within 3 weeks of submittal	100%	98%	80%	97%	80%
Output	# sanitary and storm plan reviews	286	286	DISCONTINUE	DISCONTINUE	DISCONTINUE
Result	90% of permitted industrial customers are in compliance with wastewater discharge rules	96%	96%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Customer (NEW)	50% of sanitary sewer and storm plans are approved in three or fewer submittals	44%	77%	50%	88%	50%
Ratio (NEW)	Total value of privately-built donated capital / total Permits Program cost	\$ 2,760,563 / \$ 1,480,472	\$ 4,907,590 / \$ 1,586,236	>1	\$ 161,200 / \$ 701,306	>1

(1) The Key Performance Measure tables for the FY 2024-25 Target and fiscal years moving forward include several new performance measures marked as "NEW" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

#### Program includes:

Mandated Services	<input type="text" value="Y"/>
Shared Services	<input type="text" value="N"/>
Grant Funding	<input type="text" value="N"/>

#### Explanation

The review of sanitary sewer and stormwater plans and specifications are authorized by District Rules and Regulations, and are required by state law, including ORS 468B, Water Quality, and by rule, including OAR 340 Division 52.

The discharge of industrial wastes to sanitary sewer are authorized by District Rules and Regulations, and are permitted by state law, including ORS 468B, Water Quality, and by rule, including OAR 340 Division 45.



## Environmental Services



### Permit Services

#### Budget Summary

	FY 22-23 Actuals	FY 23-24 Actuals	FY 24-25 Amended Budget	FY 24-25 Projected Year End	FY 25-26 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	1,220,216	1,263,720	1,083,190	1,042,310	1,153,890	70,700	7%
Materials and Services: Other	260,256	322,516	269,940	199,370	215,710	(54,230)	-20%
<b>Operating Expense</b>	<b>1,480,472</b>	<b>1,586,236</b>	<b>1,353,130</b>	<b>1,241,680</b>	<b>1,369,600</b>	<b>16,470</b>	<b>1%</b>
<b>Total Expense</b>	<b>1,480,472</b>	<b>1,586,236</b>	<b>1,353,130</b>	<b>1,241,680</b>	<b>1,369,600</b>	<b>16,470</b>	<b>1%</b>

#### Significant Issues and Changes

The Permit Services program proposes a \$1.37 million operating budget to support 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. The FY 2025-26 budget represents a 1% increase from the previous FY budget. An increase in labor costs is typical of other programs in the department, and is mostly offset by a reduction in other materials and services such as professional services support as major initiatives have recently been completed. The program is fully staffed with no current vacancies.

## Environmental Services

## Resource Recovery



### Purpose Statement

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.

### Performance Narrative Statement

The strategic results of the Resource Recovery Programs focus on reusing recovered nutrients, energy, and recycled water to the extent practicable to reduce the consumption of new resources and products. These activities help increase WES' climate readiness by reducing our carbon footprint and increasing the resiliency of WES facilities.

#### Program highlights include:

- Energy: Tri-City WRRF re-engaged with Strategic Energy Management (SEM) and achieved a 4% reduction by identifying projects to reduce energy consumption. Tri-City also participated in PGE's demand response program to curtail energy usage during peak demand events. Maximizing biogas utilization by the cogeneration engine generates more electricity for use by the facilities.
- Solids reuse: WES aims to reduce landfilling solids by exploring storage options for weather effects.
- Water reuse: The Oregon Water Resources Department grant funds a feasibility study for external reuse. Study data will inform a revised Recycled Water Use Plan for DEQ approval

### Key Performance Measures <sup>(1)</sup>

		FY 22-23 Actual	FY 23-24 Actual	FY 24-25 Target	FY 24-25 Actuals as of 12/31/24	FY 25-26 Target
Output	Metric tons of solids produced	1,979	DISCONTINUE	DISCONTINUE	DISCONTINUE	DISCONTINUE
Efficiencies	Energy cost / volume processed (MG)	\$224	DISCONTINUE	DISCONTINUE	DISCONTINUE	DISCONTINUE
Output	Gallons of recycled water used	211.89	DISCONTINUE	DISCONTINUE	DISCONTINUE	DISCONTINUE
Demand	Gallons of recycled water needed	229.66	DISCONTINUE	DISCONTINUE	DISCONTINUE	DISCONTINUE
Customer (NEW)	70% of WES customers are satisfied with WES' efforts to protect the environment	NEW	62%	70%	62%	70%
Output (NEW)	kWh electricity produced by WES' wastewater facilities	NEW	4,376,470	4,000,000	1,552,380	4,000,000
Ratio (NEW)	Metric tons of wastewater biosolids landfilled / total metric tons of wastewater biosolids produced <sup>(2)</sup>	325 / 1,979 16.4%	614 / 2510 24.4%	200 / 2,000 ≤10%	102 / 1032 9.8%	200 / 2,000 ≤10%
Result (NEW)	By 2025 obtain Oregon DEQ approval for WES' Recycled Water Plan	NEW	On Track	12/31/2025	On Track	12/31/2025

(1) The Key Performance Measure tables for the FY 2024-25 Target and fiscal years moving forward include several new performance measures marked as "NEW" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

(2) Measure was previously reported as a percentage. Beginning in FY 2024-25, this will be reported as an output/ratio.

#### Program includes:

Mandated Services

Shared Services

Grant Funding

#### Explanation

The Resource Recovery Program provides solids disposals which meet all requirements set forth in Oregon Administrative Rules (OAR) Chapter 340, Division 50 and Title 40 Code of Federal Regulations Part 503.

## Environmental Services

### Resource Recovery

#### Budget Summary

	FY 22-23 Actuals	FY 23-24 Actuals	FY 24-25 Amended Budget	FY 24-25 Projected Year End	FY 25-26 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	707,830	718,808	790,390	850,910	327,120	(463,270)	-59%
Materials and Services: Other	1,137,161	1,166,817	1,119,580	1,110,523	1,080,130	(39,450)	-4%
<b>Operating Expense</b>	<b>1,844,991</b>	<b>1,885,625</b>	<b>1,909,970</b>	<b>1,961,433</b>	<b>1,407,250</b>	<b>(502,720)</b>	<b>-26%</b>
<b>Total Expense</b>	<b>1,844,991</b>	<b>1,885,625</b>	<b>1,909,970</b>	<b>1,961,433</b>	<b>1,407,250</b>	<b>(502,720)</b>	<b>-26%</b>

#### Significant Issues and Changes

The Resource Recovery program proposes a \$1.40 million operating budget for hauling and land application of biosolids and landfill costs. In FY 2024-25, the vendor updated the pricing to reflect increased overhead costs, so the contract was amended. WES is entering the final year of the hauling and land application contract and will need to procure a new one next fiscal year. Landfill disposal remains the second largest non-labor cost and can fluctuate due to weather impacts at certain times during the year, diverting materials from land application. WES will continue to look for alternatives to store solids to decrease landfill hauling. Three WES Technicians will be moved into the Plant Operations and Maintenance Program budget because their position involves hauling materials to different facilities for further processing or disposal rather than beneficial reuse. This will result in a 59% reduction in labor costs.





## Environmental Services

### Watershed Protection

#### Purpose Statement

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.

#### Performance Narrative Statement

Strategic results for the Watershed Protection Program focus on long-term outcomes realized by the implementation of a broad range of services, including assessments and plans to target water quality improvement activities, watershed health education that informs the public on how they can help protect water quality, pollution prevention activities including inspection and enforcement, and on-the-ground restoration.

WES staff inspected 52 businesses to-date this FY and the percentage determined as having adequate pollution controls and exhibiting proper maintenance of their storm systems is averaging 56% for the first two quarters. Strategic performance is just above the 50% target for businesses being in compliance with WES' rules, and continues to trend up from previous years. Full staffing has also doubled the number of businesses inspected so far this FY.

Another long-term strategic result is that streams in WES' service area meet Oregon water quality criteria. Of the 4 streams routinely monitored by WES, 2 of them failed to meet two or more water quality criteria again this FY; as a result, 50% meet the quality goal, reflecting the difficulty of this particular challenge to improve water quality after decades of degradation. Only through ongoing, collaborative implementation of pollution prevention measures, along with targeted restoration projects, will this result improve. WES continues to monitor water quality in District streams to track overall improvement.

Schools participating in Watershed Health education programs have already met the annual goal half-way through the FY. Watershed Health education events are on target to meet the annual goal. Among other education events, WES is partnering with SOLVE again this year to bring Summer Waterways Cleanup events to Clackamas County, which will deliver results on yearly educational targets related to fostering educational opportunities for public and private school students in the PreK-12 age range.

#### Key Performance Measures <sup>(1)</sup>

		FY 22-23 Actual	FY 23-24 Actual	FY 24-25 Target	FY 24-25 Actuals as of 12/31/24	FY 25-26 Target
Result	50% of inspected businesses comply with stormwater standards upon initial inspection, as evidenced by adequate pollution controls and storm system maintenance.	62%	62%	50%	56%	50%
Output	# commercial/industrial site pollution prevention visits	52	DISCONTINUE	DISCONTINUE	DISCONTINUE	DISCONTINUE
Output	Acres of pond and streamside planted	27	DISCONTINUE	DISCONTINUE	DISCONTINUE	DISCONTINUE
Customer (NEW)	70% of WES customers are satisfied with WES' efforts to educate customers on water quality practices	NEW	66%	70%	66%	70%
Output (NEW)	# of schools participating in WES' Watershed Health Education Program	NEW	33	10	10	10
Ratio (NEW)	# of streams meeting or exceeding Oregon's water quality criteria / # streams monitored within WES' jurisdiction <sup>(2)</sup>	4 / 9 44%	4 / 4 100%	1.2 / 4 30%	2 / 4 50%	1.2 / 4 30%

(1) The Key Performance Measure tables for the FY 2024-25 Target and fiscal years moving forward include several new performance measures marked as "NEW" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

(2) Measure was previously reported as a percentage. Beginning in FY 2024-25, this will be reported as an output/ratio.

Program includes:

Mandated Services	<input type="text" value="Y"/>
Shared Services	<input type="text" value="N"/>
Grant Funding	<input type="text" value="Y"/>

Explanation

Program activities support compliance with Municipal Stormwater and WPCF UIC permits, and TMDL orders, through Oregon DEQ's statutory authority in ORS468B and by Rule in OAR 340-4 and 340-44, and 340-42, respectively.

## Environmental Services

### Watershed Protection

#### Budget Summary

	FY 22-23 Actuals	FY 23-24 Actuals	FY 24-25 Amended Budget	FY 24-25 Projected Year End	FY 25-26 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	770,260	732,538	1,220,670	1,244,630	1,062,400	(158,270)	-13%
Materials and Services: Other	934,652	807,102	1,060,320	985,607	857,950	(202,370)	-19%
<b>Operating Expense</b>	<b>1,704,912</b>	<b>1,539,640</b>	<b>2,280,990</b>	<b>2,230,237</b>	<b>1,920,350</b>	<b>(360,640)</b>	<b>-16%</b>
<b>Total Expense</b>	<b>1,704,912</b>	<b>1,539,640</b>	<b>2,280,990</b>	<b>2,230,237</b>	<b>1,920,350</b>	<b>(360,640)</b>	<b>-16%</b>

#### Significant Issues and Changes

The Watershed Protection Program proposes a \$1.9 million operating budget to support surface water protection and restoration services in WES' service area. The program also supports general pollution prevention services, including inspections, permits, and enforcement that protect water quality and WES' utility systems. The FY 25-26 budget represents about a 16% decrease from the FY 2024-25 budget. The program is fully staffed with no current vacancies. The labor budget is slightly lower this FY, reflecting staff re-organization to other programs such as Environmental Monitoring and Capital Delivery. Staff reorganization which integrated private storm, pretreatment, and monitoring professionals will support delivery of more efficient services to the public by improving cross-training among staff and improving internal communication. A long-standing precipitation and streamflow contract is now budgeted in Environmental Monitoring, reflecting the bulk of the 19% decrease in contracted services. There is budget for implementing projects related to water quality management for the Municipal Stormwater Permit and TMDL Implementation, as well as preparing to renew the Municipal Stormwater Permit expiring in September 2026. In this upcoming FY, storm system inspection and pollution prevention assistance will continue to be a core focus. Watershed health education will increase so that customers understand their impact on water quality and will know how to help improve it. RiverHealth grants will continue to be provided to grass-roots organizations for community restoration and watershed health education. MS4-permit-required maintenance training materials will be developed and implemented for WES and private business staff to improve maintenance of stormwater control measures in the district.



## Line of Business Purpose Statement

The purpose of the Operations Line of Business is to provide wastewater treatment, asset management, water resource recovery, and collection and conveyance services to care for clean water infrastructure, and to protect the natural environment and public health of our communities.

### Water Environment Services

Greg Geist - Director

FTE 121.00 FTE

Total Program Operating Budget \$33,597,475

#### Operations

Matt House - Mgr

Total Budget  
\$19,464,635

#### Asset Management

Matt House - Mgr

FTE 8.20  
Total Budget  
\$1,939,520

#### Field Operations and Maintenance

Matt House - Mgr

FTE 18.40  
Total Budget  
\$4,690,730

#### Plant Operations and Maintenance

Matt House - Mgr

FTE 38.20  
Total Budget  
\$12,834,385





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.

### Performance Narrative Statement

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.

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.

In this upcoming fiscal year, staff will work to assess our cybersecurity resiliency and make improvements where essential. Staff will continue making improvements to our strategic plan reporting site for tracking the organization's key performance indicators. Staff continue to make improvements in GIS by mapping recorded sanitary easements and working with the Financial Management Program to build a critical spare parts plan which includes an inventory and tracking system.

### Key Performance Measures <sup>(1)</sup>

		FY 22-23 Actual	FY 23-24 Actual	FY 24-25 Target	FY 24-25 Actuals as of 12/31/24	FY 25-26 Target
Output	# asset inventories completed/expected	192	DISCONTINUE	DISCONTINUE	DISCONTINUE	DISCONTINUE
Result	100% of new assets mapped and entered into the maintenance management system within six months of construction acceptance	90%	100%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Output	# asset renewal/replacement plans provided/expected	3	3	DISCONTINUE	DISCONTINUE	DISCONTINUE
Output (NEW)	# asset condition assessments completed/expected	258	357	500	400	500
Customer (NEW)	100% of new assets mapped and entered into computerized maintenance management system (CMMS) within 3 months of construction acceptance	NEW	100%	100%	94%	100%
Ratio (NEW)	Miles of wastewater pipe condition assessments completed / total miles of wastewater pipes	10.1 / 342	29.5 / 360	36 / 360	16.5 / 360	36 / 360
Result (NEW)	Annually submit a prioritized list of proposed renewal, replacement and operational efficiency capital projects, including impact if not implemented	NEW	On Track	Complete	On Track	Complete

(1) The Key Performance Measure tables for the FY 2024-25 Target and fiscal years moving forward include several new performance measures marked as "NEW" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

Program includes:

Mandated Services

Shared Services

Grant Funding

Explanation

The Asset Management Program provides services which are mandated by state and federal public procurement laws and are subject to the requirements of the Clean Water Act and OAR 340, Division 45.

Operations

Asset Management

Budget Summary



	FY 22-23 Actuals	FY 23-24 Actuals	FY 24-25 Amended Budget	FY 24-25 Projected Year End	FY 25-26 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	1,090,151	1,116,094	1,255,160	1,264,670	1,280,590	25,430	2%
Materials and Services: Other	480,557	473,702	626,020	565,811	658,930	32,910	5%
<b>Operating Expense</b>	<b>1,570,708</b>	<b>1,589,796</b>	<b>1,881,180</b>	<b>1,830,481</b>	<b>1,939,520</b>	<b>58,340</b>	<b>3%</b>
<b>Total Expense</b>	<b>1,570,708</b>	<b>1,589,796</b>	<b>1,881,180</b>	<b>1,830,481</b>	<b>1,939,520</b>	<b>58,340</b>	<b>3%</b>

Significant Issues and Changes

The Asset Management Program proposes a \$1,939,520 operating budget to provide strategies, technology and asset tracking services to WES staff so they can make proactive, data-driven decisions that support cost-effective delivery of reliable high quality services. During FY 2025-26, the Asset Management Program budget is expected to increase by 3% to accommodate inflationary cost increases and some additional software costs that will be shifted to the Asset Management Program. We have continued creating operational efficiencies with our consolidation of software, hardware and supporting professional services budgets. We are continuing our improvements to optimize the systems and ensure we have the staffing capacity to support them.



## Field Operations and Maintenance

## Purpose Statement

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.

## Performance Narrative Statement

During the past year we continue to prioritize training, 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.

Key Performance Measures <sup>(1)</sup>

		FY 22-23 Actual	FY 23-24 Actual	FY 24-25 Target	FY 24-25 Actuals as of 12/31/24	FY 25-26 Target
Result	Clean 33.3% of all WES-owned or operated catch basins per year, such that the entire system is cleaned every three years.	28.2%	22.0%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Result	Camera inspect, clean and provide preventative maintenance to 16.7% (approximately 54 miles of pipe) of the sanitary collection system each year, such that the entire system is inspected and maintained every six years.	10.3%	9.5%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Result	75% of all WES Maintenance activities will be planned efforts to address performance deficiencies or enhancements.	90%	88%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Customer (NEW)	90% of service requests are responded to within 24 hours of receiving	NEW	88%	90%	75%	90%
Output (NEW)	# miles of wastewater collection pipe inspected and cleaned annually	34.1	58.6	72.0	44.1	72.0
Ratio (NEW)	# Sanitary Sewer Overflows (SSOs) / 100 miles of pipe <sup>(2)</sup>	3.51	0.54	≤ 2	0.55	≤ 2
Result (NEW)	10% of wastewater collection system cleaned annually	7.0%	9.5%	10%	7.7%	10%

(1) The Key Performance Measure tables for the FY 2024-25 Target and fiscal years moving forward include several new performance measures marked as "NEW" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

(2) 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.

Program includes:

Mandated Services

Shared Services

Grant Funding

Explanation

Utility Locates: The Attorney General's Model Rules of Procedure under the Administrative Procedures Act, which became effective January 1, 2012, are by this reference adopted as rules of administrative procedure of the Board of Directors for the Oregon Utility Notification Center and are controlling except as otherwise required by statute or rule. (Stat. Auth.: ORS 757.552, Stat. Implemented: ORS 183.341, 757.552, Hist.: OUNC 2-2013, f. & cert. ef. 11-14-13)



# Operations



## Field Operations and Maintenance

### Budget Summary

	FY 22-23 Actuals	FY 23-24 Actuals	FY 24-25 Amended Budget	FY 24-25 Projected Year End	FY 25-26 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	1,558,772	1,803,679	1,936,090	2,096,390	2,395,000	458,910	24%
Materials and Services: Other	1,653,565	2,100,722	2,096,230	2,036,080	2,295,730	199,500	10%
<b>Operating Expense</b>	<b>3,212,337</b>	<b>3,904,401</b>	<b>4,032,320</b>	<b>4,132,470</b>	<b>4,690,730</b>	<b>658,410</b>	<b>16%</b>
<b>Total Expense</b>	<b>3,212,337</b>	<b>3,904,401</b>	<b>4,032,320</b>	<b>4,132,470</b>	<b>4,690,730</b>	<b>658,410</b>	<b>16%</b>

### Significant Issues and Changes

The Field Operations and Maintenance Program proposes a \$4,690,730 operating budget to inspect and maintain the public stormwater and wastewater collection systems and vegetated water quality facilities, so our communities can benefit from properly functioning infrastructure that protects clean water. The FY 2025-26 budget represents a 16% increase from the current fiscal year budget. Materials and services are increasing by 10%, reflecting anticipated increases in utility costs to operate our wastewater pump stations, cost increases for odor control chemicals, and modest increases for repair and maintenance supplies. Labor is increasing due to recent salary study updates and the conversion of two temporary positions to full time.



## Plant Operations and Maintenance

## Purpose Statement

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.

## 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 99%. 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.

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.

Key Performance Measures <sup>(1)</sup>

		FY 22-23 Actual	FY 23-24 Actual	FY 24-25 Target	FY 24-25 Actuals as of 12/31/24	FY 25-26 Target
Result	WES will continually achieve a "wastewater treatment effectiveness rate" of 85% in addition to 100% permit compliance. (Treatment effectiveness rate is calculated on a daily basis for all facilities. The number of compliance samples that are outside of internal control limits divided by the total number of compliance samples. Internal control limits are set well within compliance limits to decrease violations through early detection of system failures.)	99%	97%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Result	75% of all WES Maintenance activities will be planned efforts to address performance deficiencies or enhancements.	82%	88%	DISCONTINUE	DISCONTINUE	DISCONTINUE
Customer (NEW)	70% of WES customers are satisfied with WES' efforts to provide reliable service	NEW	80%	70%	80%	70%
Output	# gallons of wastewater treated <sup>(2)</sup>	6,510,000,000	6,789,122,000	7,000,000,000	3,032,251,000	7,000,000,000
Ratio (NEW)	Scheduled preventative maintenance / unscheduled reactive maintenance	82% / 18%	87% / 13%	85% / 15%	76% / 24%	85% / 15%
Result (NEW)	85+% average monthly removal of pollutant parameters (BOD and TSS) at all WES wastewater facilities	98%	97%	85%	99%	85%
Result (NEW)	Zero annual occurrences of permit violations that result in fines or penalties	1	0	0	0	0

(1) The Key Performance Measure tables for the FY 2024-25 Target and fiscal years moving forward include several new performance measures marked as "NEW" and discontinued measures labeled as "DISCONTINUE." Discontinued measures include results-type measures that were one-time initiatives which have been completed and retired, as well as measures replaced with new ones. These updates ensure key performance metrics remain relevant and aligned with strategic objectives in WES' FY 2023-24 through FY 2025-26 Strategic Plan.

(2) Measure was previously reported in rounded billion gallons.

Program includes:

Mandated Services	<input type="text" value="Y"/>
Shared Services	<input type="text" value="N"/>
Grant Funding	<input type="text" value="N"/>

Explanation

Wastewater treatment is mandated under the Clean Water Act (CWA 33 U.S.C. §1251et seq 1972.) The Oregon Department of Environment Quality issues a NPDES permit for treatment systems to discharge directly to surface waters.



## Plant Operations and Maintenance

## Budget Summary

	FY 22-23 Actuals	FY 23-24 Actuals	FY 24-25 Amended Budget	FY 24-25 Projected Year End	FY 25-26 Budget	Chg from Prior Yr Budget	% Chg from Prior Yr Budget
Materials and Services: WES Labor	4,266,481	4,749,353	5,187,130	5,082,070	5,880,250	693,120	13%
Materials and Services: Other	5,883,667	6,171,479	6,700,731	6,464,864	6,954,135	253,404	4%
<b>Operating Expense</b>	<b>10,150,148</b>	<b>10,920,832</b>	<b>11,887,861</b>	<b>11,546,934</b>	<b>12,834,385</b>	<b>946,524</b>	<b>8%</b>
<b>Total Expense</b>	<b>10,150,148</b>	<b>10,920,832</b>	<b>11,887,861</b>	<b>11,546,934</b>	<b>12,834,385</b>	<b>946,524</b>	<b>8%</b>

## Significant Issues and Changes

The Plant Operations and Maintenance Program proposes a \$12,834,385 operating budget to effectively clean wastewater and proactively maintain facilities and equipment, to meet or surpass environmental, safety and public health standards. The FY 2025-26 budget represents an 8% increase from the previous FY budget. Materials and services are increasing by about 4%, reflecting an increase in utility and chemical costs to operate our facilities. Labor is increasing due to recent salary study updates and three staff being moved to Operations from the Environmental Services line of business.





## Budget Detail



**Clackamas Water Environment Services**  
**FY 2025-26 BUDGET - CONSOLIDATED FINANCIAL SCHEDULE - ALL FUNDS**

SERVICE CATEGORY	Sanitary Sewer			Surface Water			Debt Service	TOTAL
FUND DESCRIPTION	Operating Fund	SDC Fund	Construction Fund	Operating Fund	SDC Fund	Construction Fund	Debt Service Fund	BUDGET
<b>RESOURCES</b>								
Beginning Fund Balance	\$ 7,091,153	\$ 36,843,788	\$ 73,945,728	\$ 5,258,583	\$ 3,075,746	\$ 13,384,629	\$ 2,444,529	\$ 142,044,156
Sales and Services								
Sewer Charges	47,348,700							47,348,700
Surface Water Charges				7,265,500				7,265,500
System Development Charges	50,000	7,858,300			140,000			8,048,300
Charges for Services - All Other	1,044,700			80,000				1,124,700
Interest Income	248,200	1,289,500	2,588,100	184,100	107,700	468,500	85,600	4,971,700
Permits	45,000			35,000				80,000
Special Assessment Collections	5,000						185,000	190,000
Penalties	52,000							52,000
Miscellaneous Income	250,820			14,830				265,650
Subtotal - Revenues	<b>49,044,420</b>	<b>9,147,800</b>	<b>2,588,100</b>	<b>7,579,430</b>	<b>247,700</b>	<b>468,500</b>	<b>270,600</b>	<b>69,346,550</b>
Other Financing Sources								
Grants and Capital Contributions			2,000,000			1,579,098		3,579,098
Interfund Transfers In			15,000,000			3,500,000	14,113,659	32,613,659
<b>TOTAL RESOURCES</b>	<b>\$ 56,135,573</b>	<b>\$ 45,991,588</b>	<b>\$ 93,533,828</b>	<b>\$ 12,838,013</b>	<b>\$ 3,323,446</b>	<b>\$ 18,932,227</b>	<b>\$ 16,828,788</b>	<b>\$ 247,583,463</b>
<b>REQUIREMENTS</b>								
Materials & Services								
WES Labor	\$ 14,486,190			\$ 3,679,580				\$ 18,165,770
Other County Services	2,351,321			669,360				3,020,681
Professional Services	1,454,975			495,875				1,950,850
Administrative	2,064,150			472,780				2,536,930
Supplies	3,171,445			70,055				3,241,500
Utilities	2,411,400			12,300				2,423,700
Repair & Maintenance	1,253,790			632,260				1,886,050
Rents & Leases	309,184			62,810				371,994
Subtotal - Materials & Services	27,502,455			6,095,020				33,597,475
Special Payments	1,364,200						1,700,000	3,064,200
Capital Outlay		8,305,000	35,570,000			7,603,350		51,478,350
Debt Service							13,073,584	13,073,584
Interfund Transfers Out	21,172,936	7,815,443		3,625,280				32,613,659
Contingency	4,584,000	2,076,300	8,892,500	1,016,000		1,900,800		18,469,600
Ending Fund Balance and Reserves	1,511,982	27,794,845	49,071,328	2,101,713	3,323,446	9,428,077	2,055,204	95,286,595
<b>TOTAL REQUIREMENTS</b>	<b>\$ 56,135,573</b>	<b>\$ 45,991,588</b>	<b>\$ 93,533,828</b>	<b>\$ 12,838,013</b>	<b>\$ 3,323,446</b>	<b>\$ 18,932,227</b>	<b>\$ 16,828,788</b>	<b>\$ 247,583,463</b>
<b>CHANGES IN FUND BALANCE</b>								
Net Increase (Decrease) in Fund Balance	(5,579,171)	(9,048,943)	(24,874,400)	(3,156,870)	247,700	(3,956,552)	(389,325)	(46,757,561)
% Change	-79%	-25%	-34%	-60%	8%	-30%	-16%	-33%

## RESOURCES

Resources are estimated beginning funds on hand, plus interfund transfers in from other funds, and anticipated revenues. 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.

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

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

**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.

**Charges for Services – All Other** – Includes right-of-way 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.

**Special 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.

**Operating 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.

**Revenues from Bonds & Other Debts** – Includes revenue obligation proceeds from new debt issuances and DEQ State Revolving Fund Loan proceeds.

### Interfund Transfers

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: operating expenditures, interfund transfers to other funds, special payments, capital outlay, debt service, contingencies, and ending fund balance / reserves for future expenditure. Following are descriptions for the requirements listed in WES' fund summaries:

**Materials & 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.



## Materials & Services - Continued

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

**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 purchased water expenses used in 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.

## Interfund Transfers

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.

## 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 right-of-way (ROW) fees, good neighbor fund 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.

## 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 (cumulative of beginning fund balance, all revenues, interfund transfers in, and other financing sources) and requirements (cumulative of materials and services, special payments, capital outlay, debt service, interfund transfers out, contingency and reserves), 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.

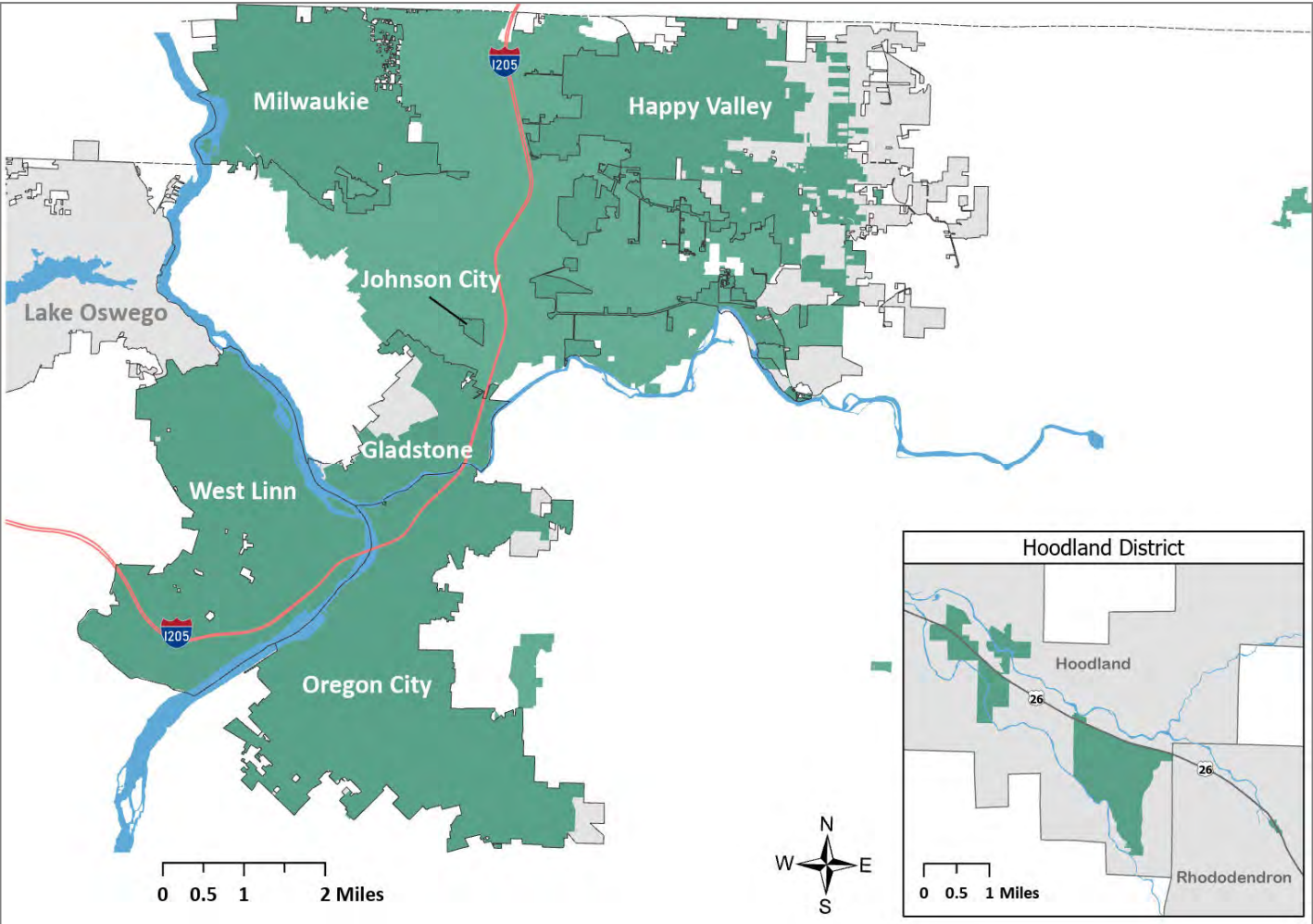
The fund detail pages include a narrative outlining each fund's purpose, major revenue sources, key expenditure categories, and fund balance trends. Financial schedules are included that show the two prior fiscal years' actual revenue and expenditure data, in comparison to the current fiscal year budget, estimate, and the FY 2025-26 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 sewer operations.

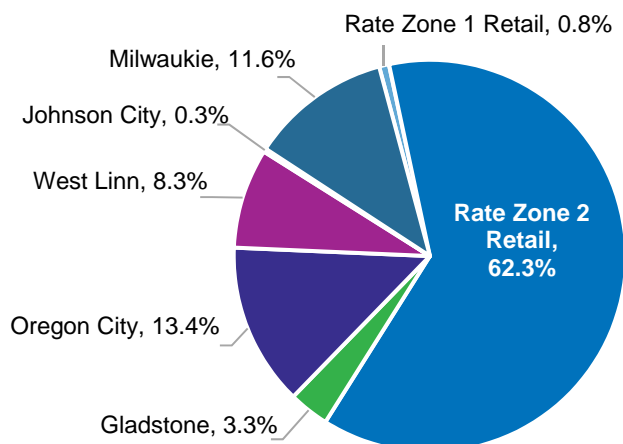
FY 2025-26 resources in the Sewer Operating Fund are approximately \$56.1 million. Primary resources include sewer charges of \$47.3 million, other minor charges, fees and miscellaneous revenues of approximately \$1.7 million, and beginning fund balance carried over from the prior year of approximately \$7.1 million.

WES has established rate zones within its boundaries to reflect the different levels of service 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 service 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 \$47.3 million for FY 2025-26, consisting of retail sewer charges of approximately \$29.9 million and wholesale sewer charges of approximately \$17.5 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 2025-26 Budget
<b>Retail Sewer Charges</b>	
Rate Zone 1	\$ 385,300
Rate Zone 2	29,497,400
<b>Wholesale Sewer Charges</b>	
Rate Zone 1 Gladstone	1,577,500
Rate Zone 1 Oregon City	6,349,400
Rate Zone 1 West Linn	3,908,100
Rate Zone 2 Johnson City	126,600
Rate Zone 2 Milwaukie	5,504,400
<b>TOTAL SEWER CHARGES</b>	<b>\$ 47,348,700</b>

### 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 2025-26 is proposed to increase by \$2.25 or 5.0% from \$44.95 per EDU per month to \$47.20 per EDU per month. The budget includes a Rate Zone 2 retail rate increase of \$0.80 or approximately 1.5% from \$53.60 per EDU per month to \$54.40 per EDU per month. The difference in the Rate Zone 1 and Rate Zone 2 rates is the inclusion of the legacy debt service component in Rate Zone 2's rate, as discussed above.



## SEWER FUND DETAIL

A summary of WES' FY 2025-26 retail sewer rates and their rate components is as follows:

	WES Retail Rate Components			WES Retail Total	City Right-of-Way Fee Surcharge*	Estimated Monthly Total	Projected FY 2025-26 EDUs
	Wastewater Treatment	Local Collection	Legacy Debt Service Component				
<b>Rate Zone 1</b>	\$ 30.75	\$ 16.45	\$ -	\$ 47.20	\$ -	<b>\$ 47.20</b>	539
<b>Rate Zone 2</b>	\$ 30.75	\$ 16.45	\$ 7.20	\$ 54.40	\$ 2.72	<b>\$ 57.12</b>	43,664

\*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.

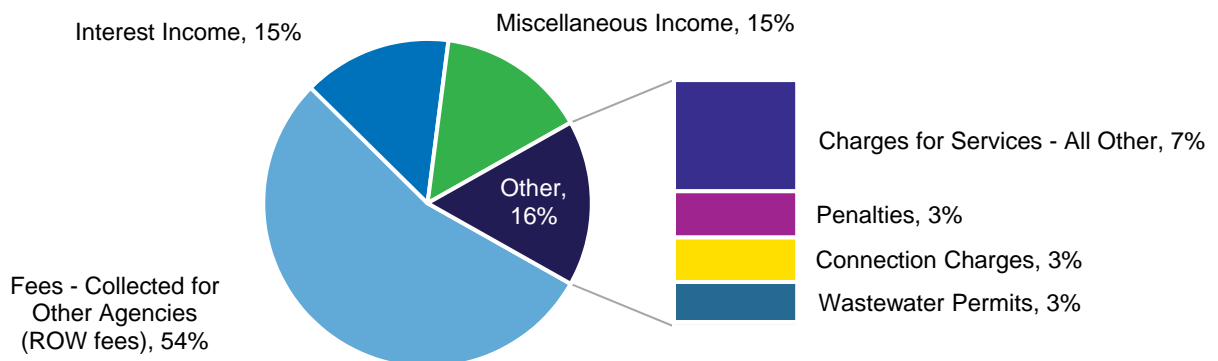
The budget includes a wholesale monthly service charge rate increase of \$1.45 or approximately 5.0% from \$29.30 per EDU per month to \$30.75 per EDU per month. The following table combines WES' wholesale rate with the legacy debt service component for Rate Zone 2, applicable city right-of-way (ROW) fees, and the rate charged by individual cities for their local operating expenses, to arrive at the total user rates for FY 2025-26 that will be charged for a single-family unit in each city:

	WES Wholesale Rate Components			WES Wholesale Subtotal	City Retail Monthly Rate <sup>1</sup>	Estimated Monthly Total	Projected FY 2025-26 EDUs
	Wastewater Treatment	Legacy Debt Service Component	City Right-of-Way Fee Surcharge				
<b>Rate Zone 1</b>							
Gladstone	\$ 30.75	\$ -	\$ 1.55	\$ 32.30	\$ 37.74	<b>\$ 70.04</b>	4,275
Oregon City	\$ 30.75	\$ -	\$ 1.85	\$ 32.60	\$ 37.36	<b>\$ 69.96</b>	17,207
West Linn	\$ 30.75	\$ -	\$ -	\$ 30.75	\$ 27.81	<b>\$ 58.56</b>	10,591
<b>Rate Zone 2</b>							
Johnson City	\$ 30.75	\$ 7.20	\$ -	\$ 37.95	\$ 1.90	<b>\$ 39.85</b>	278
Milwaukie	\$ 30.75	\$ 7.20	\$ -	\$ 37.95	\$ 27.93	<b>\$ 66.64</b>	12,087

<sup>1</sup> City Retail Monthly Rates for Gladstone, Oregon City, and West Linn reflect current FY 2024-25 rates; these are subject to change.

### Other Revenue Items

Other revenues of approximately \$1.7 million for FY 2025-26 include interest income, 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:

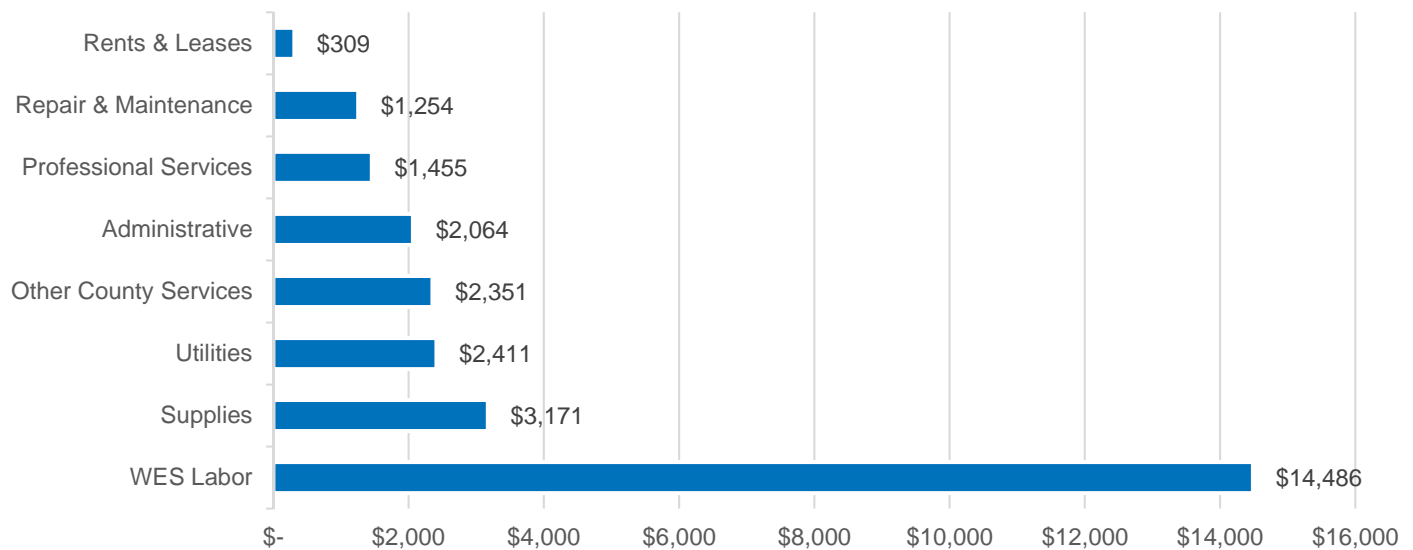


## SEWER FUND DETAIL

The Sewer Operating Fund's budgeted requirements are \$56.1 million and include current year materials and services, special payments, interfund transfers, contingency, and ending fund balance.

Budgeted materials and services for FY 2025-26 total \$27.5 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 & SERVICES (THOUSANDS)



Special payments of \$1.4 million have been budgeted for FY 2025-26 to provide pass-through payments to remit city right-of-way fees to the Cities of Gladstone, Happy Valley, and Oregon City and to provide for Good Neighbor Fund contributions.

Budgeted interfund transfers for FY 2025-26 include \$15.0 million to the Sewer Construction Fund and \$6.2 million to the Debt Service Fund.

The budgeted contingency, based on 60 days of budgeted operating expenses, is approximately \$4.6 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 / reserves are neutral to FY 2024-25 at approximately \$1.5 million.

## SEWER OPERATING FUND DETAIL

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 AMENDED BUDGET	2024-25 ESTIMATE	2025-26 BUDGET		
					PROPOSED	APPROVED	ADOPTED
RESOURCES							
Beginning Fund Balance	\$ 13,357,957	\$ 10,106,032	\$ 7,190,579	\$ 7,762,351	\$ 7,091,153	\$ 7,091,153	\$ 7,091,153
Revenues							
Sales and Services							
Retail Sewer Charges	26,981,353	28,104,940	28,839,300	29,072,800	29,882,700	29,882,700	29,882,700
City Payments	15,274,838	16,029,545	16,764,000	16,725,600	17,466,000	17,466,000	17,466,000
System Development Charges	25,050	13,300	70,000	50,000	50,000	50,000	50,000
Charges for Services – All Other	943,760	1,053,013	1,016,200	1,014,800	1,044,700	1,044,700	1,044,700
Interest Income	332,905	515,922	215,700	310,500	248,200	248,200	248,200
Permits	45,625	24,750	45,000	44,000	45,000	45,000	45,000
Special Assessment Collections	9,452	7,574	5,000	5,000	5,000	5,000	5,000
Penalties	-	-	45,000	2,000	52,000	52,000	52,000
Miscellaneous Income	349,586	573,250	206,220	296,720	250,820	250,820	250,820
Operating Grants	-	46,687	75,000	75,000	-	-	-
Subtotal - Revenues	43,962,569	46,368,981	47,281,420	47,596,420	49,044,420	49,044,420	49,044,420
TOTAL RESOURCES	\$ 57,320,526	\$ 56,475,013	\$ 54,471,999	\$ 55,358,771	\$ 56,135,573	\$ 56,135,573	\$ 56,135,573
REQUIREMENTS							
Materials & Services							
WES Labor	\$ 11,510,092	\$ 12,876,377	\$ 13,458,110	\$ 14,107,700	\$ 14,486,190	\$ 14,486,190	\$ 14,486,190
Other County Services	2,077,615	2,399,235	2,679,919	2,577,324	2,351,321	2,351,321	2,351,321
Professional Services	1,628,177	1,436,131	1,734,780	1,319,870	1,454,975	1,454,975	1,454,975
Administrative	1,733,790	1,103,079	1,930,410	1,599,234	2,064,150	2,064,150	2,064,150
Supplies	2,576,536	2,829,779	3,074,550	3,075,690	3,171,445	3,171,445	3,171,445
Utilities	1,930,717	2,107,141	2,274,480	2,254,080	2,411,400	2,411,400	2,411,400
Repair & Maintenance	765,335	1,078,915	994,370	969,350	1,253,790	1,253,790	1,253,790
Rents & Leases	342,366	270,407	283,072	276,886	309,184	309,184	309,184
Subtotal - Materials & Services	22,564,628	24,101,064	26,429,691	26,180,134	27,502,455	27,502,455	27,502,455
Special Payments	1,149,866	1,212,298	1,327,900	1,284,700	1,364,200	1,364,200	1,364,200
Interfund Transfers Out -							
To Sewer Construction Fund	21,863,302	18,518,877	16,289,035	16,500,000	15,000,000	15,000,000	15,000,000
To Debt Service Fund	1,636,698	4,880,423	4,513,749	4,302,784	6,172,936	6,172,936	6,172,936
Contingency	-	-	4,405,000	-	4,584,000	4,584,000	4,584,000
Ending Fund Balance / Reserves for Future Expenditure	10,106,032	7,762,351	1,506,624	7,091,153	1,511,982	1,511,982	1,511,982
TOTAL REQUIREMENTS	\$ 57,320,526	\$ 56,475,013	\$ 54,471,999	\$ 55,358,771	\$ 56,135,573	\$ 56,135,573	\$ 56,135,573



## 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 2025-26 budgeted resources total approximately \$46.0 million and include SDCs of \$7.9 million, interest income of \$1.3 million, and beginning fund balance of \$36.8 million.

The primary resources in this fund are SDC revenues for new connections to the system. The largest portion of SDC revenue in FY 2025-26 of \$5.6 million is expected from retail connections within Rate Zone 2. Wholesale SDC revenues of approximately \$2.3 million are anticipated in Rate Zone 1 with \$1.9 million from the City of Oregon City; \$342 thousand from the City of West Linn, and \$83 thousand from the City of Gladstone. These revenues are based on an SDC improvement fee of \$9,245 per EDU, which reflects an inflationary adjustment of \$145 or 1.6% from the \$9,100 fee per EDU effective during FY 2024-25.

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 2025-26 in this fund is \$8.3 million and directed towards the SDC-eligible portions of various projects. Significant SDC-eligible projects include: Intertie 2 Pump Station Expansion and 30-inch Force Main, the Regional Inflow & Infiltration Reduction Program, Tri-City Water Resource Recovery Facility (TCWRRF) Influent Pump Station Expansion, Willamette Pump Station and Force Main Capacity, and TCWRRF Wet Weather Outfall. Descriptions of all major projects are provided in the separate Capital section.

The FY 2025-26 budget includes an interfund transfer to the Debt Service Fund of approximately \$7.9 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 2025-26 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 \$2.1 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 \$27.8 million. The \$9.0 million decrease from the projected FY 2025-26 beginning fund balance reflects the budgeted use of resources for capital outlay and interfund transfers out for debt service. The \$27.8 million ending fund balance will be used in future years for SDC-eligible capital expenditures and debt service.

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 AMENDED BUDGET	2024-25 ESTIMATE	2025-26 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 51,215,688	\$ 52,339,171	\$ 50,509,900	\$ 50,880,971	\$ 36,843,788	\$ 36,843,788	\$ 36,843,788
System Development Charges	6,797,056	4,191,045	7,589,400	4,845,400	7,858,300	7,858,300	7,858,300
Interest Income	760,688	1,699,836	1,515,300	2,035,200	1,289,500	1,289,500	1,289,500
<b>TOTAL RESOURCES</b>	<b>\$ 58,773,432</b>	<b>\$ 58,230,052</b>	<b>\$ 59,614,600</b>	<b>\$ 57,761,571</b>	<b>\$ 45,991,588</b>	<b>\$ 45,991,588</b>	<b>\$ 45,991,588</b>
<b>REQUIREMENTS</b>							
Capital Outlay	\$ 170,367	\$ 270,630	\$ 12,375,000	\$ 12,375,000	\$ 8,305,000	\$ 8,305,000	\$ 8,305,000
Interfund Transfers Out – To Debt Service Fund	6,263,894	7,078,451	8,542,783	8,542,783	7,815,443	7,815,443	7,815,443
Contingency	-	-	3,093,750	-	2,076,300	2,076,300	2,076,300
Ending Fund Balance / Reserves for Future Expenditure	52,339,171	50,880,971	35,603,067	36,843,788	27,794,845	27,794,845	27,794,845
<b>TOTAL REQUIREMENTS</b>	<b>\$ 58,773,432</b>	<b>\$ 58,230,052</b>	<b>\$ 59,614,600</b>	<b>\$ 57,761,571</b>	<b>\$ 45,991,588</b>	<b>\$ 45,991,588</b>	<b>\$ 45,991,588</b>

## 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 2025-26 are \$93.5 million and include interfund transfers in from the Sewer Operating Fund of \$15.0 million, interest income of approximately \$2.6 million, an Environmental Protection Agency (EPA) Community grant of \$2.0 million for the Boring WRRF capital project, and beginning fund balance of \$73.9 million.

FY 2025-26 requirements include capital outlay of approximately \$35.6 million. Major projects include: the Intertie 2 Pump Station Expansion and 30-inch Force Main, TCWRRF Outfall, TCWRRF Influent Pump Station Expansion, TCWRRF Primary Clarifier Rehabilitation, and Kellogg Creek WRRF Administration Building Remodel. Descriptions of all major projects are provided in the separate Capital section.

The FY 2025-26 budget includes a contingency of approximately \$8.9 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 \$49.1 million and will provide funding for capital projects in future years. The decrease of \$24.9 million from the projected FY 2025-26 beginning fund balance reflects the budgeted use of resources for capital outlay.

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 AMENDED BUDGET <sup>1</sup>	2024-25 ESTIMATE	2025-26 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 97,396,842	\$ 107,717,807	\$ 92,012,857	\$ 99,962,657	\$ 73,945,728	\$ 73,945,728	\$ 73,945,728
Interest Income	1,562,074	5,947,790	2,760,400	3,998,500	2,588,100	2,588,100	2,588,100
Federal Operating Grants	-	-	2,000,000	-	2,000,000	2,000,000	2,000,000
Capital Project Contribution	1,046,111	44,146	-	-	-	-	-
Revenue from Bonds & Other Debts							
SRF Loan Proceeds	2,114,616	-	-	-	-	-	-
Interfund Transfers In – From Sewer Operating Fund	21,863,302	18,518,877	16,289,035	16,500,000	15,000,000	15,000,000	15,000,000
From Debt Service Fund	-	-	4,419,411	4,419,411	-	-	-
<b>TOTAL RESOURCES</b>	<b>\$ 123,982,945</b>	<b>\$ 132,228,620</b>	<b>\$ 117,481,703</b>	<b>\$ 124,880,568</b>	<b>\$ 93,533,828</b>	<b>\$ 93,533,828</b>	<b>\$ 93,533,828</b>
<b>REQUIREMENTS</b>							
Capital Outlay	\$ 16,265,138	\$ 32,265,963	\$ 62,811,500	\$ 50,934,840	\$ 35,570,000	\$ 35,570,000	\$ 35,570,000
Contingency	-	-	15,702,875	-	8,892,500	8,892,500	8,892,500
Ending Fund Balance / Reserves for Future Expenditure	107,717,807	99,962,657	38,967,328	73,945,728	49,071,328	49,071,328	49,071,328
<b>TOTAL REQUIREMENTS</b>	<b>\$ 123,982,945</b>	<b>\$ 132,228,620</b>	<b>\$ 117,481,703</b>	<b>\$ 124,880,568</b>	<b>\$ 93,533,828</b>	<b>\$ 93,533,828</b>	<b>\$ 93,533,828</b>

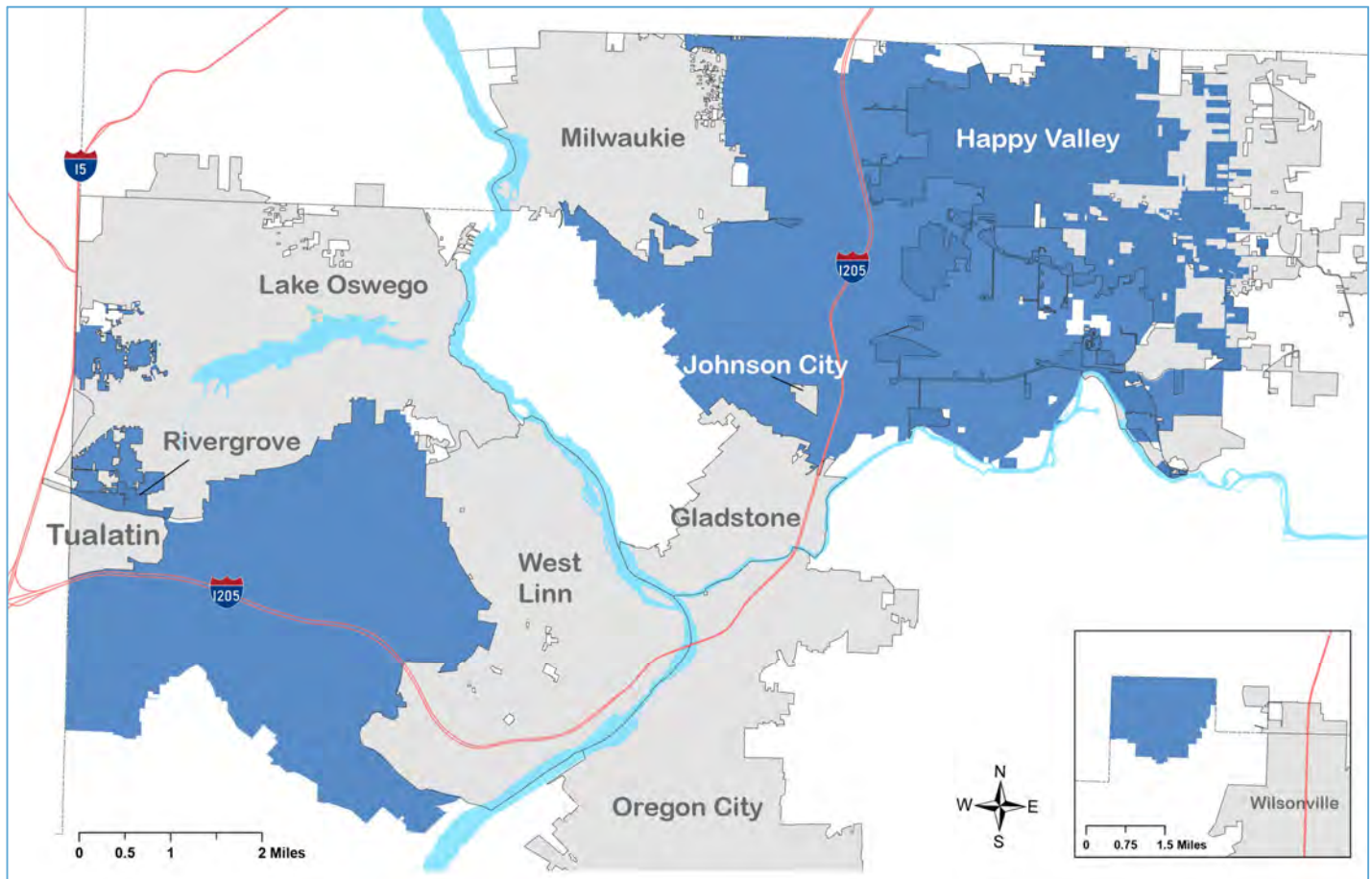
<sup>1</sup> The FY 2024-25 Amended Budget includes a supplemental budget for an interfund transfer of an additional \$2,769,200 in remaining unspent Series 2021 debt proceeds, from the Debt Service Fund to the Sanitary Sewer Construction Fund, where the resources were directed towards project expenditures.

## SURFACE WATER FUND DETAIL

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 2025-26 resources in the Surface Water Operating Fund are \$12.8 million. These resources consist of beginning fund balance of \$5.3 million, monthly service charges of \$7.3 million, miscellaneous income of \$130 thousand, and interest earnings of \$184 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.

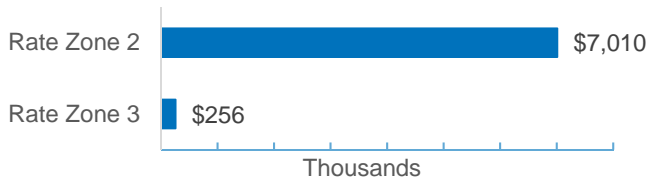


## SURFACE WATER FUND DETAIL

### Surface Water Charges

Budgeted service charge revenues for FY 2025-26 amount to approximately \$7.3 million, including \$7.0 million from Rate Zone 2 and \$256 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 2025-26 Budget
<b>Surface Water Charges</b>	
Rate Zone 2	\$ 7,009,600
Rate Zone 3	255,900
<b>TOTAL SURFACE WATER CHARGES</b>	<b>\$ 7,265,500</b>

#### Rate Zone 2

Within Rate Zone 2's total surface water charges of \$7.0 million, \$6.6 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 \$9.10 per ESU per month to \$9.55 per ESU per month. The monthly rate for customers in the City of Happy Valley is proposed to be approximately \$10.03 per ESU per month in order to cover the City's 5% Right-of-Way fee.

#### Rate Zone 3

For Rate Zone 3, \$256 thousand is budgeted for monthly user fees from residents and businesses within the service area boundaries. The FY 2024-25 fee of \$5.45 per month per single-family dwelling is proposed to increase \$0.25 or approximately 5% to \$5.70 for FY 2025-26. 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 3,741 accounts.

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

	WES Total	City Right-of-Way Fee Surcharge*	Estimated Monthly Total	Projected FY 2025-26 ESUs
<b>Rate Zone 2</b>	\$ 9.55	\$ 0.48	\$10.03	57,614
<b>Rate Zone 3</b>	\$ 5.70	\$ -	\$ 5.70	3,741

\*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 \$12.8 million and include operating and maintenance expenses of \$6.1 million, contingency and reserves of \$3.1 million, and interfund transfers to the Surface Water Construction Fund of \$3.5 million and to the Debt Service Fund of \$125 thousand.

#### SURFACE WATER OPERATING FUND MATERIALS & SERVICES (THOUSANDS)



## SURFACE WATER FUND DETAIL

Operating and maintenance expenses for FY 2025-26 are budgeted at approximately \$6.1 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 \$1.0 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 \$2.1 million, a decrease of \$3.2 million or approximately 60% 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 Surface Water Construction Fund.

### SURFACE WATER OPERATING FUND DETAIL

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 AMENDED BUDGET	2024-25 ESTIMATE	2025-26 BUDGET		
					PROPOSED	APPROVED	ADOPTED
RESOURCES							
Beginning Fund Balance	\$ 5,276,402	\$ 5,032,994	\$ 5,262,466	\$ 5,191,498	\$ 5,258,583	\$ 5,258,583	\$ 5,258,583
Revenues							
Sales and Services							
Surface Water Charges	6,033,587	6,440,253	6,906,100	6,880,500	7,265,500	7,265,500	7,265,500
Charges for Services – All Other	211,471	237,797	100,000	66,000	80,000	80,000	80,000
Interest Income	95,231	199,457	157,900	207,700	184,100	184,100	184,100
Permits	34,105	34,715	30,000	31,000	35,000	35,000	35,000
Miscellaneous Income	22,783	2,648	25,000	92,050	14,830	14,830	14,830
Subtotal - Revenues	6,397,177	6,914,870	7,219,000	7,277,250	7,579,430	7,579,430	7,579,430
TOTAL RESOURCES	\$ 11,673,579	\$ 11,947,864	\$ 12,481,466	\$ 12,468,748	\$ 12,838,013	\$ 12,838,013	\$ 12,838,013
REQUIREMENTS							
Materials & Services							
WES Labor	\$ 2,441,833	\$ 2,691,041	\$ 3,399,780	\$ 2,974,480	\$ 3,679,580	\$ 3,679,580	\$ 3,679,580
Other County Services	590,811	685,052	846,910	668,559	669,360	669,360	669,360
Professional Services	568,017	461,314	704,840	552,170	495,875	495,875	495,875
Administrative	395,840	385,428	451,860	412,490	472,780	472,780	472,780
Supplies	9,919	29,742	53,350	61,190	70,055	70,055	70,055
Utilities	10,025	9,334	11,700	12,300	12,300	12,300	12,300
Repair & Maintenance	438,776	441,739	593,840	477,410	632,260	632,260	632,260
Rents & Leases	52,864	52,716	59,120	51,566	62,810	62,810	62,810
Subtotal - Materials & Services	4,508,085	4,756,366	6,121,400	5,210,165	6,095,020	6,095,020	6,095,020
Interfund Transfers Out- To Surface Water Construction Fund	2,132,500	2,000,000	2,000,000	2,000,000	3,500,000	3,500,000	3,500,000
To Debt Service Fund	-	-	82,600	-	125,280	125,280	125,280
Contingency	-	-	1,020,000	-	1,016,000	1,016,000	1,016,000
Ending Fund Balance / Reserves for Future Expenditure	5,032,994	5,191,498	3,257,466	5,258,583	2,101,713	2,101,713	2,101,713
TOTAL REQUIREMENTS	\$ 11,673,579	\$ 11,947,864	\$ 12,481,466	\$ 12,468,748	\$ 12,838,013	\$ 12,838,013	\$ 12,838,013

## 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 2025-26 budget includes resources of \$3.3 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 \$140 thousand for FY 2025-26. The current surface water SDC improvement fee of \$246.50 per ESU is proposed to increase by an inflationary amount of \$4.00 or 1.6% to \$250.50 per ESU for FY 2025-26.

Requirements total approximately \$3.3 million and are comprised solely of ending fund balance for FY 2025-26. Expenditures of SDC funds collected from improvement fees are restricted to capacity-improving capital outlay by Oregon Revised Statutes and there are no surface water capacity-improving projects budgeted for FY 2025-26. Therefore, the budgeted capital outlay is \$0. WES' FY 2025/26-2029/30 Capital Improvement Plan (CIP) includes SDC-eligible stormwater capital projects totaling \$3.8 million over 5 years, with projects commencing in FY 2027-28.

The increase in the fund balance from the beginning fund balance of \$248 thousand is due to budgeted revenues exceeding budgeted expenses.

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 AMENDED BUDGET	2024-25 ESTIMATE	2025-26 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 2,620,151	\$ 2,733,465	\$ 2,882,265	\$ 2,883,946	\$ 3,075,746	\$ 3,075,746	\$ 3,075,746
System Development Charges	72,658	56,700	134,800	76,400	140,000	140,000	140,000
Interest Income	40,656	93,781	86,500	115,400	107,700	107,700	107,700
<b>TOTAL RESOURCES</b>	<b>\$ 2,733,465</b>	<b>\$ 2,883,946</b>	<b>\$ 3,103,565</b>	<b>\$ 3,075,746</b>	<b>\$ 3,323,446</b>	<b>\$ 3,323,446</b>	<b>\$ 3,323,446</b>
<b>REQUIREMENTS</b>							
Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contingency	-	-	-	-	-	-	-
Ending Fund Balance / Reserves for Future Expenditure	\$ 2,733,465	\$ 2,883,946	\$ 3,103,565	\$ 3,075,746	\$ 3,323,446	\$ 3,323,446	\$ 3,323,446
<b>TOTAL REQUIREMENTS</b>	<b>\$ 2,733,465</b>	<b>\$ 2,883,946</b>	<b>\$ 3,103,565</b>	<b>\$ 3,075,746</b>	<b>\$ 3,323,446</b>	<b>\$ 3,323,446</b>	<b>\$ 3,323,446</b>



## 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 2025-26 total \$18.9 million and include interest income of \$469 thousand, a transfer from the Surface Water Operating Fund of \$3.5 million, federal operating grants of \$1.0 million, a Metro Nature in the Neighborhood grant of \$560 thousand, and beginning fund balance of \$13.4 million.

In October 2022, the Board of County Commissioners allocated \$2.4 million of the County's American Rescue Plan Act (ARPA) funding towards WES' Aldercrest Culvert and Kellogg Creek Restoration and SE Clackamas Road Drainage stormwater infrastructure projects. These two projects will reduce flooding and improve fish and wildlife habitat through culvert replacement and drainage improvement. The \$1.0 million in budgeted federal grant revenue reflects the anticipated remaining disbursements of these funds in FY 2025-26.

Requirements for FY 2025-26 include contingency of approximately \$1.9 million for unforeseen capital expenditures, based on 25% of budgeted capital outlay; reserves of \$9.4 million; and capital outlay of approximately \$7.6 million. Of the total \$7.6 million in budgeted capital outlay, \$3.8 million will support the 3-Creeks Water Quality Project, which will be entering the construction phase in mid-2025. 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 \$4.0 million or 30% is due to the use of existing reserves for budgeted capital outlay.

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 AMENDED BUDGET	2024-25 ESTIMATE	2025-26 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 7,964,622	\$ 9,482,588	\$ 11,695,718	\$ 11,283,218	\$ 13,384,629	\$ 13,384,629	\$ 13,384,629
Interest Income	119,745	321,253	350,900	451,300	468,500	468,500	468,500
Operating Grants	-	-	38,940	59,900	560,100	560,100	560,100
Revenue from Bonds & Other Debts							
SRF Loan Proceeds	530,111	296,268	162,400	623,621	-	-	-
Federal Grants (ARPA)	-	169,415	471,000	1,185,000	1,018,998	1,018,998	1,018,998
Interfund Transfers In – From Surface Water Operating Fund	2,132,500	2,000,000	2,000,000	2,000,000	3,500,000	3,500,000	3,500,000
<b>TOTAL RESOURCES</b>	<b>\$ 10,746,978</b>	<b>\$ 12,269,524</b>	<b>\$ 14,718,958</b>	<b>\$ 15,603,039</b>	<b>\$ 18,932,227</b>	<b>\$ 18,932,227</b>	<b>\$ 18,932,227</b>
<b>REQUIREMENTS</b>							
Capital Outlay	\$ 1,264,390	\$ 986,306	\$ 4,359,500	\$ 2,218,410	\$ 7,603,350	\$ 7,603,350	\$ 7,603,350
Contingency	-	-	1,089,875	-	1,900,800	1,900,800	1,900,800
Ending Fund Balance / Reserves for Future Expenditure	9,482,588	11,283,218	9,269,583	13,384,629	9,428,077	9,428,077	9,428,077
<b>TOTAL REQUIREMENTS</b>	<b>\$ 10,746,978</b>	<b>\$ 12,269,524</b>	<b>\$ 14,718,958</b>	<b>\$ 15,603,039</b>	<b>\$ 18,932,227</b>	<b>\$ 18,932,227</b>	<b>\$ 18,932,227</b>

## 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 2025-26 includes resources of \$16.8 million, consisting of beginning fund balance of \$2.4 million, interfund transfers in from the Sewer SDC Fund of \$7.8 million, from the Sewer Operating Fund of \$6.2 million and from the Surface Water Operating Fund of \$125 thousand, assessment principal and interest collections of \$185 thousand, and interest income of \$86 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 2025-26 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 \$13.1 million, a special payment for an arbitrage rebate liability of \$1.7 million due to excess interest earnings on the proceeds of the Series 2021 debt issuance, designated reserves of approximately \$0.8 million, and other reserves of \$1.3 million.

FY 2025-26 debt service in this fund consists of \$10.6 million for principal and interest on sewer revenue obligations and \$2.5 million for principal and interest on state loans. Of the \$2.5 million related to state loan repayments, \$2.3 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.

The remaining \$10.6 million of debt service for FY 2024-25 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 all of 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 2024-25 at \$0.8 million.

Ending fund balance and reserves for future expenditures for FY 2025-26 are budgeted at \$1.3 million, approximately equal to the FY 2025-26 beginning fund balance, exclusive of designated reserves.

## DEBT SERVICE FUND DETAIL

	2022-23 ACTUAL	2023-24 ACTUAL	2024-25 AMENDED BUDGET <sup>1</sup>	2024-25 ESTIMATE	2025-26 BUDGET		
					PROPOSED	APPROVED	ADOPTED
<b>RESOURCES</b>							
Beginning Fund Balance	\$ 10,296,117	\$ 6,941,816	\$ 6,400,000	\$ 6,528,295	\$ 2,444,529	\$ 2,444,529	\$ 2,444,529
Assessment Collections	295,532	179,273	170,000	185,000	185,000	185,000	185,000
Interest Income	142,435	219,318	108,900	261,100	85,600	85,600	85,600
Interfund Transfers In							
From Sewer Operating Fund	1,636,697	4,880,423	4,513,749	4,302,784	6,172,936	6,172,936	6,172,936
From Surface Water Operating Fund	-	-	82,600	-	125,280	125,280	125,280
From Sewer SDC Fund	6,263,894	7,078,451	8,542,783	8,542,783	7,815,443	7,815,443	7,815,443
<b>TOTAL RESOURCES</b>	<b>\$ 18,634,675</b>	<b>\$ 19,299,281</b>	<b>\$ 19,818,032</b>	<b>\$ 19,819,962</b>	<b>\$ 16,828,788</b>	<b>\$ 16,828,788</b>	<b>\$ 16,828,788</b>
<b>REQUIREMENTS</b>							
Principal Payments							
R06224	\$ 106,208	\$ 106,208	\$ 106,208	\$ 106,208	\$ 106,208	\$ 106,208	\$ 106,208
R95030	861,585	1,736,115	1,753,519	1,753,519	1,771,099	1,771,099	1,771,099
R95031	-	-	32,600	-	65,280	65,280	65,280
2016	4,345,000	4,705,000	4,945,000	4,945,000	5,200,000	5,200,000	5,200,000
2021	2,170,000	2,280,000	2,395,000	2,395,000	2,515,000	2,515,000	2,515,000
Total Principal	7,482,793	8,827,323	9,232,327	9,199,727	9,657,587	9,657,587	9,657,587
Interest Payments							
R06224	5,310	4,779	4,248	4,248	3,717	3,717	3,717
R95030	270,000	338,878	507,290	507,290	480,898	480,898	480,898
R95031	-	-	50,000	-	60,000	60,000	60,000
2016	2,424,006	2,197,756	1,956,507	1,956,507	1,702,882	1,702,882	1,702,882
2021	1,510,750	1,402,250	1,288,250	1,288,250	1,168,500	1,168,500	1,168,500
Total Interest	4,210,066	3,943,663	3,806,295	3,756,295	3,415,997	3,415,997	3,415,997
<b>Total Debt Service</b>	<b>11,692,859</b>	<b>12,770,986</b>	<b>13,038,622</b>	<b>12,956,022</b>	<b>13,073,584</b>	<b>13,073,584</b>	<b>13,073,584</b>
<b>RESERVES</b>							
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	28,500	28,500
2021	5,121,076	4,419,411	-	-	-	-	-
<b>TOTAL RESERVES</b>	<b>5,870,034</b>	<b>5,168,369</b>	<b>748,958</b>	<b>748,958</b>	<b>777,458</b>	<b>777,458</b>	<b>777,458</b>
Reserves - Designated	5,870,034	5,168,369	748,958	748,958	777,458	777,458	777,458
Special Payments	-	-	-	-	1,700,000	1,700,000	1,700,000
Interfund Transfers Out- To Sewer Construction Fund	-	-	4,419,411	4,419,411	-	-	-
Ending Fund Balance / Reserves for Future Expenditure	1,071,782	1,359,926	1,611,041	1,695,571	1,277,746	1,277,746	1,277,746
<b>TOTAL REQUIREMENTS</b>	<b>\$ 18,634,675</b>	<b>\$ 19,299,281</b>	<b>\$ 19,818,032</b>	<b>\$ 19,819,962</b>	<b>\$ 16,828,788</b>	<b>\$ 16,828,788</b>	<b>\$ 16,828,788</b>

<sup>1</sup> The FY 2024-25 Amended Budget includes a supplemental budget for an interfund transfer of an additional \$2,769,200 in remaining unspent Series 2021 debt proceeds, from the Debt Service Fund to the Sanitary Sewer Construction Fund, where the resources were directed towards project expenditures.



# 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 cash, System Development Charges, and long-term debt.

All long-term debt issued prior to WES' formation was originally incurred by WES' member district CCSD No. 1. Consequently, in order 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 service 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, 2025, WES' long-term indebtedness consists of the following:

					June 30, 2025	FY 2025-26 Debt Service	
Issue Date	Date of Maturity	Amount Issued	Interest Rate	Principal Outstanding	Principal	Interest	
Revenue Bonds							
2016 Ref.	08/30/2016	12/01/2035	\$ 83,250,000	2.20%	\$ 58,960,000	\$ 5,200,000	\$ 1,702,882
2021	02/24/2021	06/01/2035	40,000,000	0.84%	31,090,000	2,515,000	1,168,500
Revenue Bonds Subtotal					90,050,000	7,715,000	2,871,382
State Loans							
R06224 <sup>1</sup>	10/26/2009	09/01/2032	4,142,142	0%	796,575	106,208	3,717
R95030	01/15/2019	03/01/2042	37,000,000	1.00%	32,648,781	1,771,099	480,898
R95031 <sup>2</sup>	09/24/2020	-	-	1.38%	1,450,000	65,280	60,000
State Loans Subtotal					34,895,356	1,942,587	544,615
Total Outstanding Debt					\$ 124,945,356	\$ 9,657,587	\$ 3,415,997

<sup>1</sup> 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..

<sup>2</sup> R95031 amount of principal outstanding included in the table above is an **estimate only**, based on anticipated disbursements.

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 future debt service for the \$1.45 million 3-Creeks design loan. The debt service for the Tri-City Solids Handling Improvement project loan is allocated 36% to Rate Zone 1 and 64% to Rate Zone 2 in accordance with the ORS 190 formation agreement for WES.

In the table above, the June 30, 2025 Principal Outstanding amount of \$1,450,000 for Loan R95031 is an estimate based on the expected disbursements received through the end of FY 2024-25. As loan disbursements are dependent on actual project costs and scheduling, the exact amount and timing of this borrowing is not yet determined; the future debt service repayment schedule on page 93 assumes the full \$1.45 million is borrowed and that the first and second payments are made during 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 2025-26.

**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, 2024 is \$40,361,057,250 which calculates to a legal debt limit of approximately \$5.247 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**

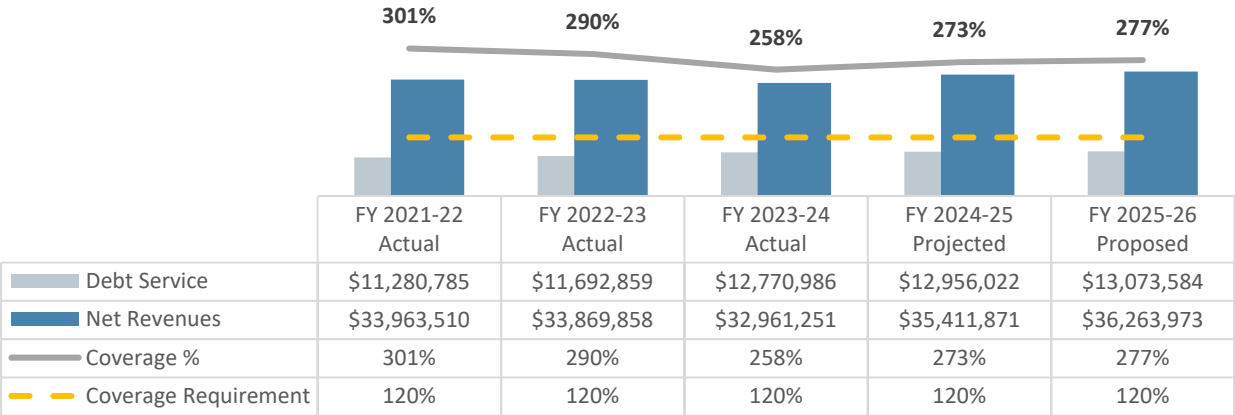
Rate Zone 2 sanitary sewer rates include a legacy debt service component for the Series 2016 debt incurred before WES was formed. This component is calculated for each budget year based on the total legacy debt service for the coming fiscal year and the projected number of EDUs in Rate Zone 2. In FY 2022-23, WES began implementing a plan to phase-out this component by FY 2030-31. To accommodate the phase out, existing reserves of Rate Zone 2 SDC revenues are being used to fund the SDC-eligible portion of legacy debt service. For FY 2025-26, the legacy debt service component of Rate Zone 2’s rate is \$7.20 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 bond principal and interest due in that fiscal year. The following chart shows WES’ bond coverage for the prior three fiscal years, the projected coverage for FY 2024-25, and the proposed coverage for FY 2025-26. Actual coverage for the prior three fiscal years has ranged from 301% to 258%, respectively. The decrease in coverage ratios from FY 2021-22 through 2023-24 reflects the impact of debt issued in FY 2020-21.

**Bond Debt Service Coverage**



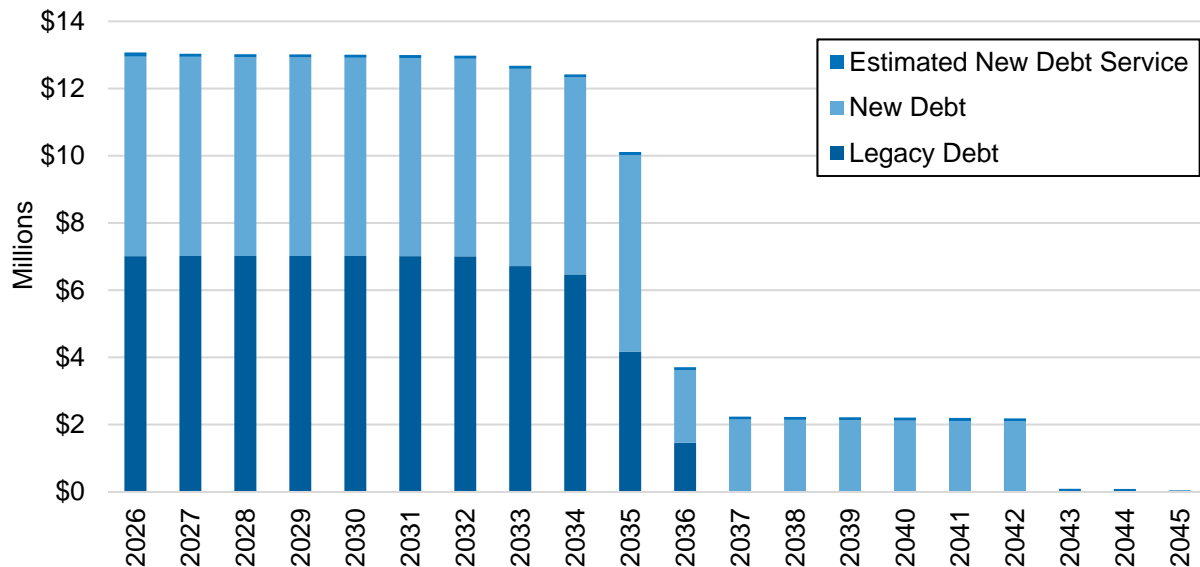
Source: WES Financial Records

## 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)	Estimated Debt Service for SRF Borrowings	Total Estimated Annual Debt Service
2026	\$ 7,012,807	\$ 5,935,497	\$ 125,280	\$ 13,073,584
2027	7,015,525	5,925,847	91,990	13,033,362
2028	7,013,844	5,914,858	91,659	13,020,361
2029	7,015,038	5,907,279	91,323	13,013,640
2030	7,014,882	5,897,609	90,983	13,003,474
2031	7,012,726	5,890,597	90,638	12,993,961
2032	7,006,092	5,880,742	90,289	12,977,123
2033	6,718,194	5,870,194	89,934	12,678,322
2034	6,467,963	5,861,250	89,575	12,418,788
2035	4,171,350	5,850,811	89,210	10,111,371
2036-2040	1,458,900	10,695,053	440,407	12,594,360
2041-2045		4,207,075	387,997	4,595,072
Totals	\$ 67,907,321	\$ 73,836,812	\$ 1,769,285	\$ 143,513,418

## Existing and Estimated Debt Service by Fiscal Year, FY 2026 through FY 2045







Capital





Tri-City Water Resource Recovery Facility

## CAPITAL

### INTRODUCTION

The FY 2025-26 Capital Budget is based upon WES' FY 2025-26 – 2029-30 Capital Improvement Plan (CIP), which was approved by the Board of County Commissioners in February 2025. 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 (2022)
- 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 \$5,000 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.

### 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.

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

# 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 Construction Cost Index as of July 2024.

In addition to escalating the project costs to the construction index, WES' CIP reflects the most recent costs 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 Remodel 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 2025-26 Sewer Capital Budget is approximately \$43.9 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 2025-26's budgeted capital spending.

FY 2025-26's capital budget anticipates utilizing approximately \$8.3 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.



# WES Sewer System

## FY 2025-26 Sewer Capital Budget

### KELLOGG CREEK WRRF – \$2.75 M



- Administration Building Remodel
- UV Replacement

### TRI-CITY WRRF - \$15.9 M



- Influent Pump Station Expansion
- Wet Weather Outfall
- Primary Clarifier Rehabilitation
- Headworks Rehabilitation
- Rossman Landfill Mitigation
- Aeration Basin Improvements

### HOODLAND WRRF - \$0.3 M

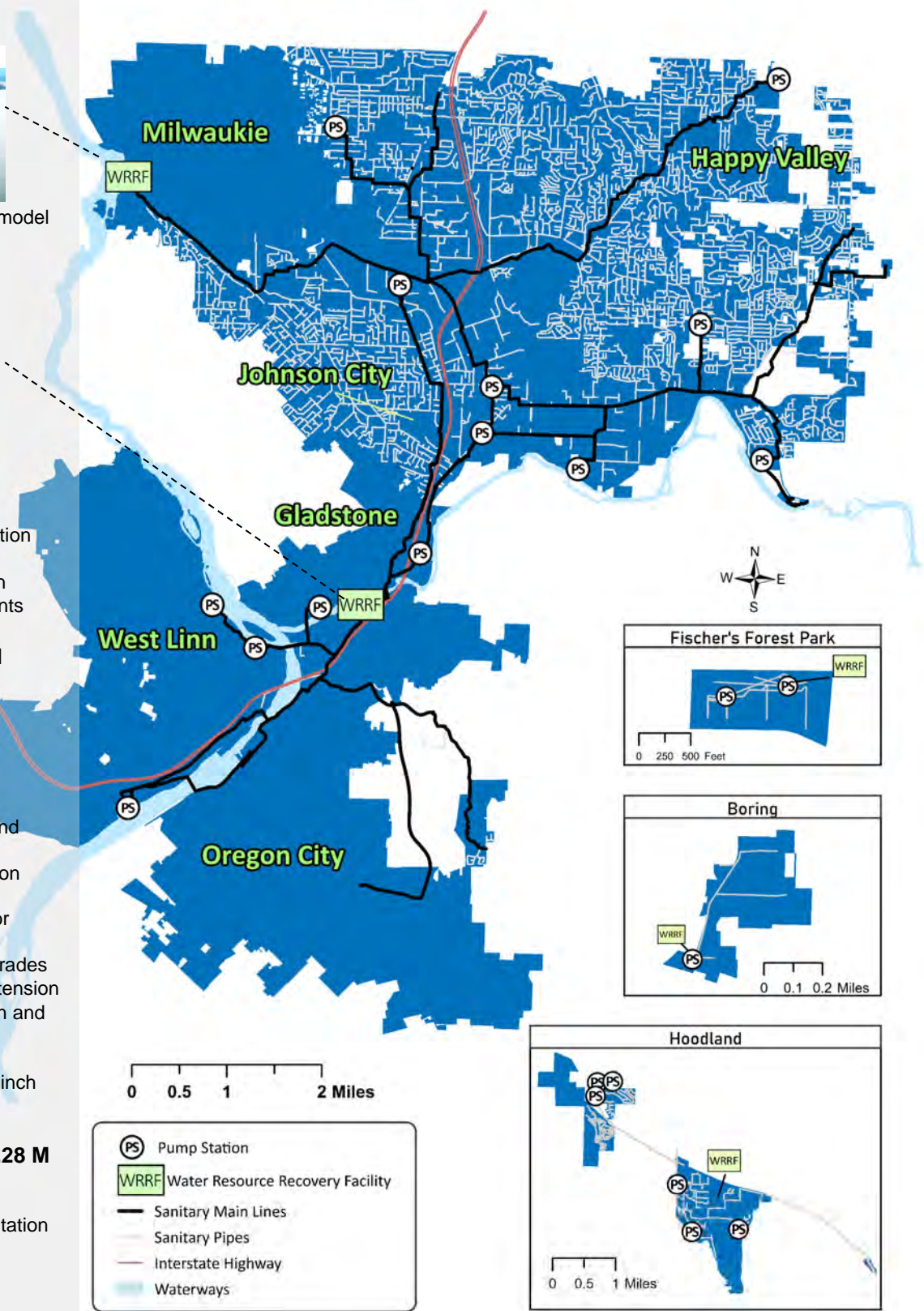
### COLLECTION SYSTEM – \$20.45 M

- Intertie 2 Pump Station Expansion and 30-inch Force Main
- Willamette Pump Station and Force Main Capacity
- Inflow & Infiltration Reduction Program
- Clackamas Area Interceptor Improvements
- Multiple Pump Station Upgrades
- Rock Creek Interceptor Extension
- Linwood Ave. Pump Station and Force Main
- Mt. Talbert Realignment
- Clackamas Force Main 10-inch Upsize

### WATER QUALITY LAB - \$1.28 M

### RECURRING - \$3.2 M

- Pipe and Manhole Rehabilitation and Replacement
- WRRF Small Projects
- 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/capprojects.html>



FY 2025-26 PROJECT SUMMARIES

Of the \$43.9 million in the FY 2025-26 Sewer Capital Budget, \$43.6 million is expected to be spent on the following projects:

PROJECT	FY 2025-26 BUDGET								
<b>Intertie 2 Pump Station Expansion and 30-inch Force Main</b>  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 capital project cost is estimated at \$23.1M. The pump station is scheduled for a second expansion beyond 2030.	<b>Project Category: Collection System</b>  <table><tr><th>Funding Sources</th><th>Amount</th></tr><tr><td>Sewer Construction</td><td>\$ 6,750,000</td></tr><tr><td>Sewer SDC</td><td>\$ 2,250,000</td></tr><tr><td><b>2025-26 Budget</b></td><td><b>\$ 9,000,000</b></td></tr></table>	Funding Sources	Amount	Sewer Construction	\$ 6,750,000	Sewer SDC	\$ 2,250,000	<b>2025-26 Budget</b>	<b>\$ 9,000,000</b>
Funding Sources	Amount								
Sewer Construction	\$ 6,750,000								
Sewer SDC	\$ 2,250,000								
<b>2025-26 Budget</b>	<b>\$ 9,000,000</b>								
<b>Tri-City WRRF Outfall</b>  Projected flows to the Tri-City WRRF were developed as part of the Sanitary Sewer Master Plan (SSMP) and are expected to be approximately 176 MGD under build-out (2080) conditions and assuming inflow and infiltration (I&I) is reduced to levels recommended in the SSMP. The capacity of the existing Tri-City WRRF outfall is approximately 75 MGD. The capacity of the new outfall alone will be sufficient for decades to come. The new outfall, along with the existing outfall, will provide capacity for build-out flows. Total capital project cost is estimated at \$64.0M.	<b>Project Category: Tri-City WRRF</b>  <table><tr><th>Funding Sources</th><th>Amount</th></tr><tr><td>Sewer Construction</td><td>\$ 4,895,000</td></tr><tr><td>Sewer SDC</td><td>\$ 605,000</td></tr><tr><td><b>2025-26 Budget</b></td><td><b>\$ 5,500,000</b></td></tr></table>	Funding Sources	Amount	Sewer Construction	\$ 4,895,000	Sewer SDC	\$ 605,000	<b>2025-26 Budget</b>	<b>\$ 5,500,000</b>
Funding Sources	Amount								
Sewer Construction	\$ 4,895,000								
Sewer SDC	\$ 605,000								
<b>2025-26 Budget</b>	<b>\$ 5,500,000</b>								

Tri-City WRRF Outfall Project



The tunnel boring machine “Clack-A-Mole” is lowered into the launch shaft.



Close-up view of the Hydraulic Microtunnel Boring Machine (MTBM) Jack.

**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. Estimated total capital project cost is \$18.4M.

**Project Category: Tri-City WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 3,375,000
Sewer SDC	\$ 1,125,000
<b>2025-26 Budget</b>	<b>\$ 4,500,000</b>

**Tri-City WRRF Primary Clarifier Rehabilitation**

This project replaces the mechanical equipment associated with the primary clarifier basins and rehabilitates the concrete basin walls, which have deteriorated following exposure to continuous wear from grit and hydrogen sulfide. The mortar repair will help maintain the integrity of the structure and the mechanical rehab will replace equipment that is original to the plant. There are six primary sedimentation basins, two of which can be off-line at a time. This work is required to be completed during the dry season when basins can be taken out of service. This spreads the construction over three years. The total project cost is estimated to be \$14.4M.

**Project Category: Tri-City WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 4,000,000
Sewer SDC	\$ -
<b>2025-26 Budget</b>	<b>\$ 4,000,000</b>

**Tri-City WRRF Outfall Project**

*Sections of pipe are added as Clack-A-Mole continues digging the half-mile-long tunnel.*



*WES staff perform a final walk-through inspection of the completed tunnel.*

**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 \$13.7M.

**Project Category: Collection System**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 1,350,000
Sewer SDC	\$ 1,350,000
<b>2025-26 Budget</b>	<b>\$ 2,700,000</b>

**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. A conceptual design has been completed. 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. There will be multiple construction packages constructed over the next 10+ years. The anticipated cost for the program is \$33.5M over the 5-year CIP with future phases scheduled for FYs 29-31. Total capital program cost is estimated at \$63.7M.

**Project Category: Collection System**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 1,875,000
Sewer SDC	\$ 625,000
<b>2025-26 Budget</b>	<b>\$ 2,500,000</b>

**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 \$4.2M.

**Project Category: KC WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 2,000,000
Sewer SDC	\$ -
<b>2025-26 Budget</b>	<b>\$ 2,000,000</b>

**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 are in design and will be constructed in 2025. The full lab remodel will be constructed along with the Tri-City Administration remodel project, which is expected to be completed in 2029. Funding for this project is proportionately split between the Sanitary Sewer and Surface Water Construction funds based on the relative benefit to each program.

**Project Category: Water Quality Lab**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 1,275,000
Sewer SDC	\$ -
Surface Water Construction	\$ 225,000
Surface Water SDC	\$ -
<b>2025-26 Budget</b>	<b>\$ 1,500,000</b>



### 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 an annual budget item.

#### Project Category: Recurring / Programmatic – Collection System

Funding Sources	Amount
Sewer Construction	\$ 1,125,000
Sewer SDC	\$ 375,000
<b>2025-26 Budget</b>	<b>\$ 1,500,000</b>

### Multiple Pump Station Upgrades

Several pump stations are in need of rehabilitation. The type of upgrades include, 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 \$12.0M.

#### Project Category: Collection System

Funding Sources	Amount
Sewer Construction	\$ 1,300,000
Sewer SDC	\$ -
<b>2025-26 Budget</b>	<b>\$ 1,300,000</b>

### 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 \$12.2M.

#### Project Category: Collection System

Funding Sources	Amount
Sewer Construction	\$ 500,000
Sewer SDC	\$ 500,000
<b>2025-26 Budget</b>	<b>\$ 1,000,000</b>

### Headworks Rehabilitation

The Willamette Facilities Plan identified the need to refurbish the existing headworks at the Tri-City Water Resource Recovery Facility. The refurbishments identified in the plan to be further refined during the design phase include: replacing existing mechanical bar screens, rehabilitating piping and gates, repairing channel concrete, and rehabilitating the headworks structural building to be up to current code. Total project cost is estimated at \$3.2M.

#### Project Category: Tri-City WRRF

Funding Sources	Amount
Sewer Construction	\$ 1,000,000
Sewer SDC	\$ -
<b>2025-26 Budget</b>	<b>\$ 1,000,000</b>

**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 an annual budget item.

**Project Category: Recurring / Programmatic**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 800,000
Sewer SDC	\$ -
<b>2025-26 Budget</b>	<b>\$ 800,000</b>

**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. The total project cost is estimated at \$2.3M.

**Project Category: KC WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 750,000
Sewer SDC	\$ -
<b>2025-26 Budget</b>	<b>\$ 750,000</b>

**Fleet**

This project pool funds the replacement of aging equipment and fleet used in administrative functions, environmental monitoring, and field operations and maintenance. One of the purchases is a carryover from the prior budget cycle due to continued global manufacturing delays. FY 2025-26 is highlighted by the purchase of a new tanker truck for transporting sanitation by-product, a dump truck for operational maintenance, and an electric pool vehicle to work toward a greener fleet to achieve the county's climate action goals. This is an annual budget item.

**Project Category: Recurring / Programmatic**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 700,000
Sewer SDC	\$ -
<b>2025-26 Budget</b>	<b>\$ 700,000</b>

**Linwood Pump Station and Force Main**

The Linwood Ave Pump Station and Force Main project consists of building a new pump station and associated force main in the vicinity of the intersection of Linwood Ave and SE Johnson Creek Boulevard. WES is allowed limited flows to the City of Portland through an existing agreement, and this project allows continued growth in the area without sending additional flows to Portland.

**Project Category: Collection System**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 300,000
Sewer SDC	\$ 300,000
<b>2025-26 Budget</b>	<b>\$ 600,000</b>

The Sanitary Sewer System Master Plan (2019) identified the construction of a new pump station that would replace the existing Lower Phillips Pump Station which was last modified in 1993. The new Linwood Ave Pump Station would have a 2.0 MGD capacity, allowing for modeled future flows.

WES has been collaborating with Clackamas County Development Agency to install portions of future 12" force main as roadway improvements are constructed in the project vicinity. Total project capital cost is estimated at \$6.8M.

**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. The total project cost is estimated at \$7.5M.

**Project Category: Tri-City WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 250,000
Sewer SDC	\$ 250,000
<b>2025-26 Budget</b>	<b>\$ 500,000</b>

**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 will begin in FY 2025-26 and construction will follow. The total project cost is estimated at \$4.0M.

**Project Category: Tri-City WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 400,000
Sewer SDC	\$ -
<b>2025-26 Budget</b>	<b>\$ 400,000</b>

**Hoodland Facility Plan**

The Hoodland Water Resource Recovery Facility (WRRF) was originally constructed in 1982 and provides treatment of wastewater from the Hoodland service area prior to discharge into the Sandy River. The 2017 Hoodland Master Plan provided system-wide recommendations for the service area, including the recommendation to develop a Facility Plan to address condition and capacity issues at the WRRF. The Facility Plan will develop a projection of future flows and loads into the WRRF, evaluate the condition of existing infrastructure, document existing and potential new regulatory considerations, and make recommendations for necessary improvements to the facility. Total project cost is estimated at \$0.3M.

**Project Category: Hoodland WRRF**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 150,000
Sewer SDC	\$ 150,000
<b>2025-26 Budget</b>	<b>\$ 300,000</b>

**Mt. Talbert Realignment**

An 8-inch sewer that connects to the Mount Talbert Interceptor and serves properties south of Sunnybrook Boulevard in the vicinity of SE 97th Avenue in Clackamas had a failure in August of 2022. This project will reroute the existing sewer to eliminate a creek crossing and establish a more reliable sewer alignment. Total project cost is estimated at \$0.9M.

**Project Category: Collection System**

<b>Funding Sources</b>	<b>Amount</b>
Sewer Construction	\$ 250,000
Sewer SDC	\$ -
<b>2025-26 Budget</b>	<b>\$ 250,000</b>





## 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 2025-26 by funding source.

Project Category	FY 2025-26 Stormwater Capital Budget			
	Stormwater Construction Fund	Stormwater SDC Fund	American Rescue Plan Act (ARPA) Grant	Total FY 2025-26 Budget
3-Creeks Water Quality Project	\$ 3,811,357	\$ -	\$ -	\$ 3,811,357
Aldercrest Culvert Replacement & Kellogg Creek Restoration	274,062	-	525,938	800,000
SE Clackamas Rd Drainage Infrastructure	256,940	-	493,060	750,000
Valley View	350,000	-	-	350,000
SE Wildlife Estates Dr Ditch Inlet and Upstream Detention	306,000	-	-	306,000
Water Quality Lab	225,000	-	-	225,000
Recurring / Programmatic Projects	-	-	-	-
Restoration and Property Acquisition	650,000	-	-	650,000
Stormwater Pond Repair and Rehabilitation Program	411,000	-	-	411,000
Small Drainage Projects Program	100,000	-	-	100,000
Small Storm System Emergency Repairs	100,000	-	-	100,000
Water Quality Retrofit Program	100,000	-	-	100,000
<b>Total</b>	<b>\$ 6,584,359</b>	<b>\$ -</b>	<b>\$ 1,018,998</b>	<b>\$ 7,603,357</b>

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

## FY 2025-26 PROJECT SUMMARIES

The FY 2025-26 Stormwater Capital Budget includes the following projects:

PROJECT	FY 2025-26 BUDGET														
<p><b>3-Creeks Water Quality Project</b></p> <p>WES owns the 3-Creeks Natural Area where Mt. Scott, Phillips and Deer (Dean) Creeks come together on 89 acres in Northern Clackamas County. WES is working on the final plans to enhance floodplain processes and the existing natural floodplain area, construct wetlands and floodplain terraces to increase flood storage, improve fish and wildlife habitat, restore wetlands, and restore natural floodplain function. The project will improve the creek's water quality by allowing sediments in high water to settle onto the floodplain, and by restoring floodplain processes such as filtration and infiltration. Pre-design work has been completed and is being financed through the Oregon Department of Environmental Quality's (DEQ) State Revolving Loan Fund program. Permits have been submitted, and construction is anticipated to begin in 2025. Total project cost is estimated at \$5.6M.</p>	<p><b>Project Category: Stormwater</b></p> <table> <tr> <th>Funding Sources</th><th>Amount</th></tr> <tr> <td>Surface Water Construction</td><td>\$ 3,811,357</td></tr> <tr> <td>Surface Water SDC</td><td>\$ -</td></tr> <tr> <td>American Rescue Plan Act (ARPA) Grant</td><td>\$ -</td></tr> <tr> <td><b>2025-26 Budget</b></td><td><b>\$ 3,811,357</b></td></tr> </table>	Funding Sources	Amount	Surface Water Construction	\$ 3,811,357	Surface Water SDC	\$ -	American Rescue Plan Act (ARPA) Grant	\$ -	<b>2025-26 Budget</b>	<b>\$ 3,811,357</b>				
Funding Sources	Amount														
Surface Water Construction	\$ 3,811,357														
Surface Water SDC	\$ -														
American Rescue Plan Act (ARPA) Grant	\$ -														
<b>2025-26 Budget</b>	<b>\$ 3,811,357</b>														
<p><b>Tri-City Lab Remodel</b></p> <p>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 are in design and will be constructed in 2025. The full lab remodel will be constructed along with the Tri-City Administration remodel project anticipated to be completed in 2029. Funding for this project is proportionately split between the Sanitary Sewer and Stormwater Construction funds based on the relative benefit to each program.</p>	<p><b>Project Category: Water Quality Lab</b></p> <table> <tr> <th>Funding Sources</th><th>Amount</th></tr> <tr> <td>Surface Water Construction</td><td>\$ 225,000</td></tr> <tr> <td>Surface Water SDC</td><td>\$ -</td></tr> <tr> <td>Sewer Construction</td><td>\$ 1,275,000</td></tr> <tr> <td>Sewer SDC</td><td>\$ -</td></tr> <tr> <td>American Rescue Plan Act (ARPA) Grant</td><td>\$ -</td></tr> <tr> <td><b>2025-26 Budget</b></td><td><b>\$ 1,500,000</b></td></tr> </table>	Funding Sources	Amount	Surface Water Construction	\$ 225,000	Surface Water SDC	\$ -	Sewer Construction	\$ 1,275,000	Sewer SDC	\$ -	American Rescue Plan Act (ARPA) Grant	\$ -	<b>2025-26 Budget</b>	<b>\$ 1,500,000</b>
Funding Sources	Amount														
Surface Water Construction	\$ 225,000														
Surface Water SDC	\$ -														
Sewer Construction	\$ 1,275,000														
Sewer SDC	\$ -														
American Rescue Plan Act (ARPA) Grant	\$ -														
<b>2025-26 Budget</b>	<b>\$ 1,500,000</b>														
<p><b>Aldercrest Culvert Replacement &amp; Kellogg Creek Restoration</b></p> <p>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.</p> <p>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 a 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.</p> <p>The benefits of this project include reducing flooding and improving fish and wildlife habitat.</p> <p>This project will be 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 cost is estimated at \$1.9M.</p>	<p><b>Project Category: Stormwater</b></p> <table> <tr> <th>Funding Sources</th><th>Amount</th></tr> <tr> <td>Surface Water Construction</td><td>\$ 274,062</td></tr> <tr> <td>Surface Water SDC</td><td>\$ -</td></tr> <tr> <td>American Rescue Plan Act (ARPA) Grant</td><td>\$ 525,938</td></tr> <tr> <td><b>2025-26 Budget</b></td><td><b>\$ 800,000</b></td></tr> </table>	Funding Sources	Amount	Surface Water Construction	\$ 274,062	Surface Water SDC	\$ -	American Rescue Plan Act (ARPA) Grant	\$ 525,938	<b>2025-26 Budget</b>	<b>\$ 800,000</b>				
Funding Sources	Amount														
Surface Water Construction	\$ 274,062														
Surface Water SDC	\$ -														
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<b>2025-26 Budget</b>	<b>\$ 800,000</b>														

For additional capital project information and WES' currently adopted CIP, please refer to WES' website:  
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**SE Clackamas Rd Drainage Infrastructure****Project Category: Stormwater**

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 will be 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 cost is estimated at \$1.7M.

<b>Funding Sources</b>	<b>Amount</b>
Surface Water Construction	\$ 256,940
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ 493,060
<b>2025-26 Budget</b>	<b>\$ 750,000</b>

**Restoration and Property Acquisition****Project Category: Recurring / Programmatic**

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 put toward 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 an annual budget item.

<b>Funding Sources</b>	<b>Amount</b>
Surface Water Construction	\$ 650,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2025-26 Budget</b>	<b>\$ 650,000</b>



### 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 an annual budget item.

### Project Category: Recurring / Programmatic

Funding Sources	Amount
Surface Water Construction	\$ 411,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2025-26 Budget</b>	<b>\$ 411,000</b>

### Valley View

The Valley View Terrace storm system (age of construction range 1970s – 2005) is within the Mt. Scott Creek area, bounded in the north by SE Charview Ct and SE Valley View Terrace, and extends roughly 2,700 feet to the south. This section of storm drainage piping is in extremely poor condition, with known failures and issues, such as blockages, cracking/holes, failed seals, collapsed pipe segments, and sink holes. WES completed a Stormwater System Capacity & System Analysis of SE Valley View Terrace in February 2022 in which existing conditions were analyzed and conceptual system improvements were provided for the storm network. This project would build upon that study to develop and construct a new storm system. This project would require coordination with the Department of Transportation and Development (DTD) for road replacement. WES will coordinate with DTD to address the drainage issues in the lower section of Valley View, between Spruce View and Sunnyside, in FY 2025-26. Total project cost is estimated at \$3.7M.

### Project Category: Stormwater

Funding Sources	Amount
Surface Water Construction	\$ 350,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2025-26 Budget</b>	<b>\$ 350,000</b>

### SE Wildlife Estates Dr Ditch Inlet and Upstream Detention

The purpose of this project is to prevent flooding and reduce maintenance requirements by decreasing the volume of sediment eroded and deposited at the ditch inlet. The project will involve improvements at the top of the bluff, along the stream, and at the inlet location where debris is deposited. The project will reduce erosion by detaining stormwater runoff from the neighborhood in a pond at the top of the hill and stabilizing the creek through enhancement actions at the bottom of the hill, a settling basin will remove sediment before it reaches the ditch inlet. The inlet will also be improved to reduce the potential for clogging. Total project cost is estimated at \$1.7M.

### Project Category: Stormwater

Funding Sources	Amount
Surface Water Construction	\$ 306,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2025-26 Budget</b>	<b>\$ 306,000</b>

**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 an annual budget item.

**Project Category: Recurring / Programmatic**

<b>Funding Sources</b>	<b>Amount</b>
Surface Water Construction	\$ 100,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2025-26 Budget</b>	<b>\$ 100,000</b>

**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 an annual budget item.

**Project Category: Recurring / Programmatic**

<b>Funding Sources</b>	<b>Amount</b>
Surface Water Construction	\$ 100,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2025-26 Budget</b>	<b>\$ 100,000</b>

**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 an annual 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**

<b>Funding Sources</b>	<b>Amount</b>
Surface Water Construction	\$ 100,000
Surface Water SDC	\$ -
American Rescue Plan Act (ARPA) Grant	\$ -
<b>2025-26 Budget</b>	<b>\$ 100,000</b>

## SEWER CAPITAL PROJECT LIST

LOCATION/ FUNCTION	PROJECT DESCRIPTION	Budget	Estimate	Budget	BASED ON FY 2025-26 - 2029-30 CIP			
		FY 2024-25	FY 2024-25	FY 2025-26	PROJECTED			
					FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
<b>Tri-City Water Resource Recovery Facility</b>								
	Wet Weather Outfall	\$ 30,000,000	\$ 46,000,000	\$ 5,500,000	\$ -	\$ -	\$ -	\$ -
	Influent Pump Station (IPS) Expansion	1,500,000	450,000	4,500,000	6,100,000	6,000,000		
	Primary Clarifier Rehabilitation	5,000,000	3,982,000	4,000,000				
	Headworks Rehabilitation		12,100	1,000,000				
	Rossman Landfill Mitigation Project			500,000	3,500,000	3,500,000		
	Aeration Basin Improvements	250,000	200,000	400,000	800,000	800,000	800,000	800,000
	Wet Weather Expansion				500,000	2,500,000	13,000,000	16,000,000
	Maintenance Building Relocation (15% split with SW)					255,000	850,000	
	Administration Building Remodel (15% split with SW)		19,400			212,500	1,700,000	1,487,500
	Chlorine Contact Basin Gate Placement		103,000					
	Ferric Addition		40,000					
	Data Management Software		27,000					
	Rehabilitate Chlorine Contact Basins and Replace Gates	200,000						
	<b>TOTAL</b>	<b>36,950,000</b>	<b>50,833,500</b>	<b>15,900,000</b>	<b>10,900,000</b>	<b>13,267,500</b>	<b>16,350,000</b>	<b>18,287,500</b>
<b>Water Quality Laboratory</b>								
	Lab Remodel (15% Split with SW)	425,000		1,275,000		425,000	1,275,000	
	<b>TOTAL</b>	<b>425,000</b>	<b>-</b>	<b>1,275,000</b>	<b>-</b>	<b>425,000</b>	<b>1,275,000</b>	<b>-</b>
<b>Kellogg Creek Water Resource Recovery Facility</b>								
	Administration Building Remodel	1,900,000	375,000	2,000,000				
	UV Replacement	560,000	180,000	750,000	1,200,000			
	Primary Clarifier Rehabilitation				300,000	500,000	500,000	
	Headworks and Grit Loading Improvements				250,000	1,250,000		
	Digester Improvements and Dewatering						500,000	3,000,000
	Influent Pump Station - Pumps 2 and 4		171,900					
	Cogen Engine Rebuild		125,000					
	Aeration Basin Add-on Programming		119,900					
	Secondary Clarifier - Mechanisms and Weirs		65,000					
	<b>TOTAL</b>	<b>2,460,000</b>	<b>1,036,800</b>	<b>2,750,000</b>	<b>1,750,000</b>	<b>1,750,000</b>	<b>1,000,000</b>	<b>3,000,000</b>
<b>Hoodland Water Resource Recovery Facility</b>								
	Secondary Treatment Upgrade							500,000
	Facility Plan			300,000				
	<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500,000</b>
<b>Boring Water Resource Recovery Facility</b>								
	Upgrades	2,000,000	75,000					
	<b>TOTAL</b>	<b>2,000,000</b>	<b>75,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



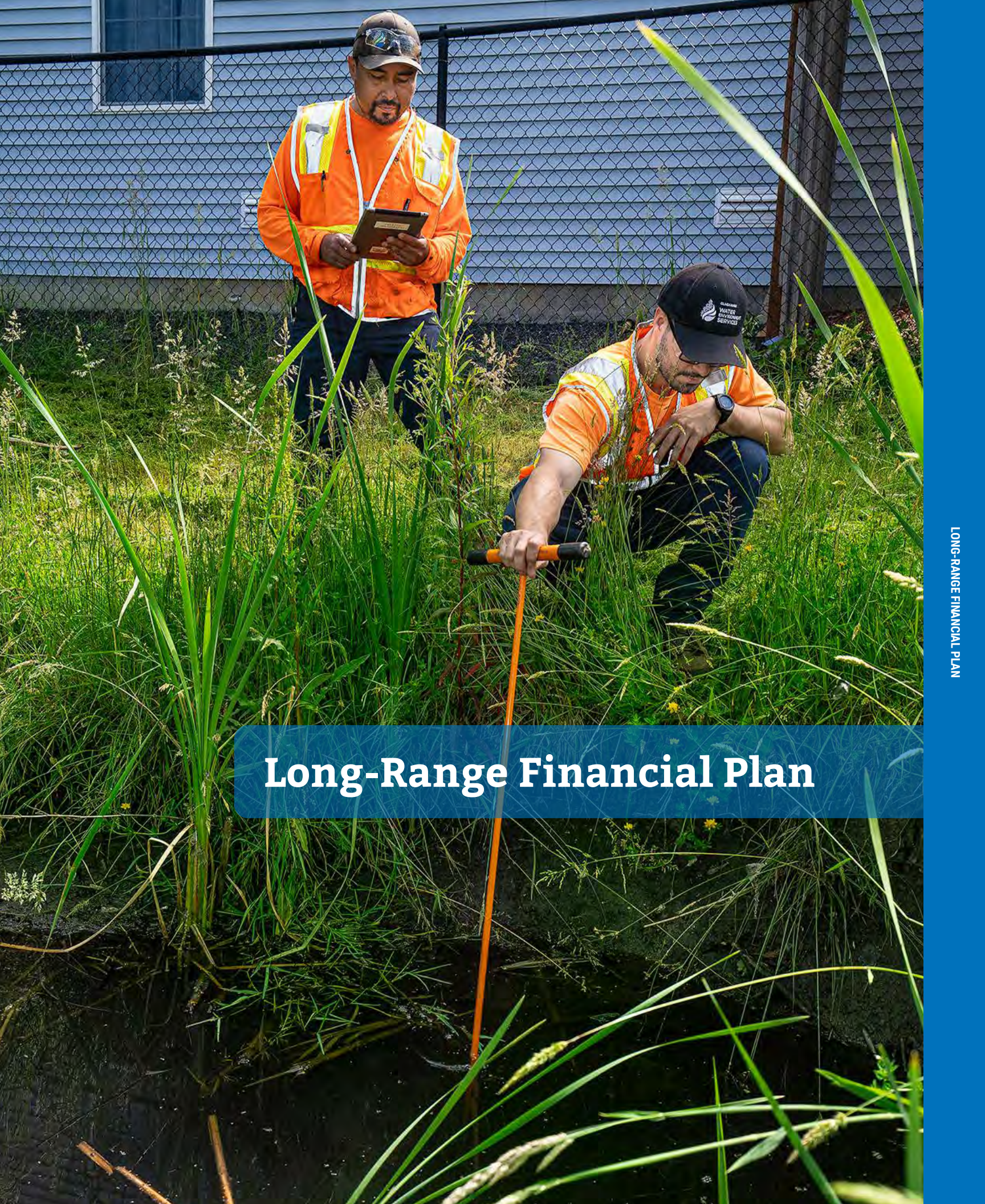
## SEWER CAPITAL PROJECT LIST

LOCATION/ FUNCTION	PROJECT DESCRIPTION	Budget	Estimate	Budget FY 2025-26	BASED ON FY 2025-26 - 2029-30 CIP			
		FY 2024-25	FY 2024-25		PROJECTED			
					FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
<b>Fischer's Forest Park (FFP)</b>		200,000	120,000					
	<b>TOTAL</b>	200,000	120,000	-	-	-	-	-
<b>Collection System</b>								
	Intertie 2 Pump Station Expansion and 30-inch Force Main	8,000,000	1,000,000	<b>9,000,000</b>	4,000,000			
	Willamette Pump Station and Force Main Capacity	9,200,000	455,000	<b>3,000,000</b>	11,000,000	3,000,000	8,000,000	3,000,000
	Inflow & Infiltration (I&I) Reduction Program	5,600,000	1,600,000	<b>2,700,000</b>	3,975,000	3,000,000	2,000,000	2,000,000
	Clackamas Area Interceptor Improvements	3,400,000	1,338,000	<b>2,500,000</b>	12,500,000	14,000,000	4,000,000	500,000
	Multiple Pump Station Upgrades	2,350,000	2,860,000	<b>1,300,000</b>	2,000,000			
	Rock Creek Interceptor Extension	1,000,000	775,000	<b>1,000,000</b>	5,050,000	5,050,000		
	Linwood Ave Pump Station and Force Main		180,000	<b>600,000</b>				
	Mt. Talbert Realignment	1,000,000	50,000	<b>250,000</b>				
	Clackamas Force Main 10-inch Upsize		110,000	<b>100,000</b>	1,000,000			
	Bolton Force Main Evaluation and Replacement	100,000	140,000		1,180,000	2,600,000	2,600,000	
	Timberline Rim and Sandy River Lane Pump Station with Force Main					500,000	2,000,000	
	Oregon City Interceptor Rehabilitation							300,000
	Clackamas Pump Replacement		95,000					
	Lower Phillips Pump Replace		54,800					
	Bioxide Station Upstream Capps Rd Industrial Area Pump Station		30,000					
	<b>TOTAL</b>	30,650,000	8,687,800	<b>20,450,000</b>	40,705,000	28,150,000	18,600,000	5,800,000
<b>Recurring / Programmatic Capital Project Costs</b>								
	Collection System: Pipe and Manhole Rehabilitation and Replacement	1,000,000	1,075,000	<b>1,500,000</b>	1,000,000	1,000,000	1,000,000	1,000,000
	Water Resource Recovery Facilities: Small Projects	800,000	670,460	<b>800,000</b>	800,000	800,000	800,000	800,000
	Fleet: Heavy Equipment	250,000	632,000	<b>490,000</b>	210,000		500,000	
	Fleet: Vehicle Replacement	259,000		<b>210,000</b>	260,000	605,000	165,000	515,000
	Collection System: Developer-Installed Assets	100,000		<b>100,000</b>	100,000	100,000	100,000	100,000
	Collection System: Pump Station Improvements	50,000	35,060	<b>100,000</b>	100,000	100,000	100,000	100,000
	Water Quality Lab: Equipment (15% split with SW)	42,500	122,960		42,500		42,500	
	Collection System: Permanent Flow Metering Program		21,260			50,000		
	<b>TOTAL</b>	2,501,500	2,556,740	<b>3,200,000</b>	2,512,500	2,655,000	2,707,500	2,515,000
<b>TOTAL - ALL SEWER PROJECTS</b>		<b>\$ 75,186,500</b>	<b>\$ 63,309,840</b>	<b>\$ 43,875,000</b>	<b>\$ 55,867,500</b>	<b>\$ 46,247,500</b>	<b>\$ 39,932,500</b>	<b>\$ 30,102,500</b>

# STORMWATER CAPITAL PROJECT LIST

LOCATION/ FUNCTION	PROJECT DESCRIPTION	Budget FY 2024-25	Estimate FY 2024-25	Budget FY 2025-26	BASED ON FY 2025-26 - 2029-30 CIP			
					PROJECTED			
					FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
<b>Stormwater Capital Projects</b>								
	3-Creeks Water Quality Project	\$ 3,000,000	\$ 350,000	\$ 3,811,357	\$ 40,000	\$ 20,000	\$ 20,000	\$ 20,000
	Aldercrest Culvert Replacement & Kellogg Creek Restoration	390,000	435,000	800,000	800,000			
	SE Clackamas Rd Drainage Infrastructure	81,000	750,000	750,000	100,000	-	-	-
	Valley View (Storm Costs Only)		20,000	350,000	-	-	250,000	750,000
	SE Wildlife Estates Dr Ditch Inlet and Upstream Detention	306,000	25,000	306,000	1,035,000	396,000		
	Rose Creek New Detention Pond and Instream Restoration			-	349,000	1,522,000	1,522,000	-
	Regional Stormwater Pond - Happy Valley					\$ 1,750,000	\$ 1,750,000	
	NCRA Stormwater Plan			-	-	150,000	-	450,000
	Sunnyside Place Culvert Replacement & Stream Restoration			-	-	-	670,000	-
	Idleman Conveyance			-	-	-	-	820,000
	SE 172nd Ditch Conveyance Improvement			-	-	-	-	100,000
	SE 108th Ave. and SE Azar Drainage		222,400					
	<b>TOTAL</b>	<b>3,777,000</b>	<b>1,802,400</b>	<b>6,017,357</b>	<b>2,324,000</b>	<b>3,838,000</b>	<b>4,212,000</b>	<b>2,140,000</b>
<b>Tri-City Water Resource Recovery Facility</b>								
	Maintenance Building Relocation (85% split with SS)					45,000	150,000	
	Administration Building Remodel (85% split with SS)		3,410			37,500	300,000	262,500
	<b>TOTAL</b>	<b>-</b>	<b>3,410</b>	<b>-</b>	<b>-</b>	<b>82,500</b>	<b>450,000</b>	<b>262,500</b>
<b>Water Quality Laboratory</b>								
	Lab Remodel (85% split with SS)	75,000		225,000		75,000	225,000	
	<b>TOTAL</b>	<b>75,000</b>	<b>-</b>	<b>225,000</b>	<b>-</b>	<b>75,000</b>	<b>225,000</b>	<b>-</b>
<b>Recurring / Programmatic Capital Project Costs</b>								
	Restoration and Property Acquisition			650,000	650,000	823,200	823,200	823,200
	Stormwater Pond Repair and Rehabilitation Program	200,000	31,400	411,000	411,000	411,000	411,000	411,000
	Small Drainage Projects Program	200,000	212,700	100,000	100,000	100,000	100,000	100,000
	Small Storm System Emergency Repairs	100,000	168,500	100,000	100,000	100,000	100,000	100,000
	Water Quality Retrofit Program			100,000	198,300	198,300	198,300	151,000
	UIC Decommissioning/Retrofit Program				53,000	53,000	53,000	53,000
	Water Quality Lab: Equipment (85% split with SS)	7,500			7,500		7,500	
	<b>TOTAL</b>	<b>507,500</b>	<b>412,600</b>	<b>1,361,000</b>	<b>1,519,800</b>	<b>1,685,500</b>	<b>1,693,000</b>	<b>1,638,200</b>
<b>TOTAL - ALL STORMWATER PROJECTS</b>		<b>\$ 4,359,500</b>	<b>\$ 2,218,410</b>	<b>\$ 7,603,357</b>	<b>\$ 3,843,800</b>	<b>\$ 5,681,000</b>	<b>\$ 6,580,000</b>	<b>\$ 4,040,700</b>





# Long-Range Financial Plan





## **LONG-RANGE FINANCIAL PLAN**

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### **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 in 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 2025-26 through 2029-30 reflect the adopted CIP, as detailed in the Capital Section of this document. For FYs 2030-31 through FY 2034-35, 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 Milwaukee), 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 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 utility sales; Operating Expenses consist primarily of operations and maintenance expenses; 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 26/27 – 27/28 5.0% annual increase for FYs 28/29 – 34/35
Operating Expenses – Utilities	5.0% annual increase
Operating Expenses – Chemicals and Supplies	4.5% annual increase for FYs 26/27 – 27/28 4.0% annual increase for FYs 28/29 – 34/35
Operating Expenses – Other Materials & 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 26/27 2.0% on fund balance for FY 27/28 1.0% on fund balance for FYs 28/29 – 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. 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	70 – 110 days
Debt Service Coverage - All (includes State Revolving Fund Loans)	≥ 130% (110% required)	183% - 257%
Debt Service Coverage - Senior Lien (excludes State Revolving Fund Loans)	≥ 140% (120% required)	207% - 316%
Annual Monthly Rate Increases	≤ 5%	≤ 5%



## Water Environment Services Forecast (Fcst) FY 25-26 through FY 34-35

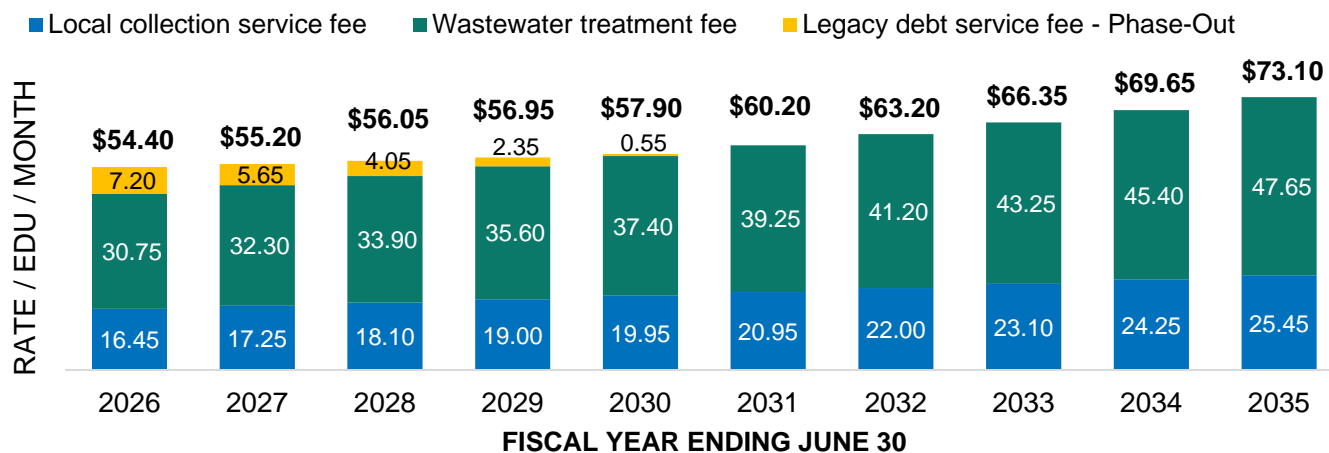
	Budget									
	Fcst Yr 1 FY 25-26	Fcst Yr 2 FY 26-27	Fcst Yr 3 FY 27-28	Fcst Yr 4 FY 28-29	Fcst Yr 5 FY 29-30	Fcst Yr 6 FY 30-31	Fcst Yr 7 FY 31-32	Fcst Yr 8 FY 32-33	Fcst Yr 9 FY 33-34	Fcst Yr 10 FY 34-35
<b>Beginning Fund Balance</b>	<b>\$ 142,044,156</b>	<b>\$ 113,756,195</b>	<b>\$ 72,803,209</b>	<b>\$ 43,131,872</b>	<b>\$ 33,369,509</b>	<b>\$ 29,316,618</b>	<b>\$ 27,114,505</b>	<b>\$ 27,944,917</b>	<b>\$ 31,103,122</b>	<b>\$ 34,670,401</b>
Sewer and Surface Water Charges	54,614,200	56,501,048	58,562,705	60,768,565	63,086,536	66,475,398	70,478,762	74,747,668	79,290,119	84,075,633
System Development Charges	8,048,300	8,485,158	8,867,018	9,266,306	9,684,050	10,121,065	10,578,468	11,056,893	11,557,546	12,081,419
Interest Income	4,971,700	3,572,898	1,759,040	813,547	720,140	681,357	661,003	670,889	702,195	736,505
All Other Revenues	1,712,350	1,670,412	1,704,436	1,739,375	1,775,254	1,812,101	1,849,942	1,835,717	1,823,046	1,864,578
<b>Operating Revenues</b>	<b>69,346,550</b>	<b>70,229,516</b>	<b>70,893,199</b>	<b>72,587,793</b>	<b>75,265,980</b>	<b>79,089,921</b>	<b>83,568,175</b>	<b>88,311,167</b>	<b>93,372,906</b>	<b>98,758,135</b>
% Change from prior year		1.3%	0.9%	2.4%	3.7%	5.1%	5.7%	5.7%	5.7%	5.8%
Materials & Services - WES Labor	18,165,770	19,255,716	20,411,059	21,431,612	22,503,193	23,628,352	24,809,770	26,050,258	27,352,771	28,720,410
Materials & Services - Other	15,431,705	15,985,659	16,560,570	17,141,791	17,744,360	18,369,100	19,016,868	19,688,555	20,385,089	21,107,437
<b>Operating Expenses</b>	<b>33,597,475</b>	<b>35,241,375</b>	<b>36,971,629</b>	<b>38,573,403</b>	<b>40,247,553</b>	<b>41,997,452</b>	<b>43,826,638</b>	<b>45,738,813</b>	<b>47,737,860</b>	<b>49,827,847</b>
% Change from prior year		4.9%	4.9%	4.3%	4.3%	4.3%	4.4%	4.4%	4.4%	4.4%
<b>Net Operating Income</b>	<b>35,749,075</b>	<b>34,988,141</b>	<b>33,921,570</b>	<b>34,014,390</b>	<b>35,018,427</b>	<b>37,092,469</b>	<b>39,741,537</b>	<b>42,572,354</b>	<b>45,635,046</b>	<b>48,930,288</b>
Grants and Project Contributions	3,579,098	-	-	-	-	-	-	-	-	-
Revenue from Bonds & Other Debts	-	-	6,335,848	23,283,542	16,596,158	49,190,876	37,012,346	5,978,663	8,402,129	2,984,268
<b>Other Financing Sources</b>	<b>3,579,098</b>	<b>-</b>	<b>6,335,848</b>	<b>23,283,542</b>	<b>16,596,158</b>	<b>49,190,876</b>	<b>37,012,346</b>	<b>5,978,663</b>	<b>8,402,129</b>	<b>2,984,268</b>
Special Payments	3,064,200	1,405,126	1,447,280	1,490,698	1,535,419	1,581,482	1,628,926	1,677,794	1,728,128	1,779,972
Capital Outlay	51,478,350	61,502,639	55,090,946	50,825,465	38,428,472	68,335,961	53,580,948	22,950,922	27,746,318	24,775,294
Debt Service	13,073,584	13,033,362	13,390,529	14,744,132	15,703,585	18,568,015	20,713,597	20,764,096	20,995,450	18,862,387
<b>Other Financing Uses</b>	<b>67,616,134</b>	<b>75,941,127</b>	<b>69,928,755</b>	<b>67,060,295</b>	<b>55,667,476</b>	<b>88,485,458</b>	<b>75,923,471</b>	<b>45,392,812</b>	<b>50,469,896</b>	<b>45,417,653</b>
<b>Ending Fund Balance / Reserves</b>	<b>\$ 113,756,195</b>	<b>\$ 72,803,209</b>	<b>\$ 43,131,872</b>	<b>\$ 33,369,509</b>	<b>\$ 29,316,618</b>	<b>\$ 27,114,505</b>	<b>\$ 27,944,917</b>	<b>\$ 31,103,122</b>	<b>\$ 34,670,401</b>	<b>\$ 41,167,304</b>
<b>TEST OF COVERAGE REQUIREMENTS</b>										
Total Gross Operating Revenues	\$ 69,346,550	\$ 70,229,516	\$ 70,893,199	\$ 72,587,793	\$ 75,265,980	\$ 79,089,921	\$ 83,568,175	\$ 88,311,167	\$ 93,372,906	\$ 98,758,135
Operating Expenses & Special Pmts	36,661,675	36,646,501	38,418,909	40,064,101	41,782,972	43,578,934	45,455,564	47,416,607	49,465,988	51,607,819
<b>Net revenues</b>	<b>\$ 32,684,875</b>	<b>\$ 33,583,015</b>	<b>\$ 32,474,290</b>	<b>\$ 32,523,692</b>	<b>\$ 33,483,008</b>	<b>\$ 35,510,987</b>	<b>\$ 38,112,611</b>	<b>\$ 40,894,560</b>	<b>\$ 43,906,918</b>	<b>\$ 47,150,316</b>
All Debt Service (incl. State Loans)	\$ 13,073,584	\$ 13,033,362	\$ 13,390,529	\$ 14,744,132	\$ 15,703,585	\$ 18,568,015	\$ 20,713,597	\$ 20,764,096	\$ 20,995,450	\$ 18,862,387
Projected Coverage - All Debt	250%	258%	243%	221%	213%	191%	184%	197%	209%	250%
Senior Lien Debt Service	\$ 10,586,382	\$ 10,588,881	\$ 10,955,899	\$ 12,319,448	\$ 13,288,942	\$ 16,163,510	\$ 18,319,327	\$ 18,433,249	\$ 18,727,625	\$ 16,604,566
<b>Projected Coverage - Senior Lien</b>	<b>309%</b>	<b>317%</b>	<b>296%</b>	<b>264%</b>	<b>252%</b>	<b>220%</b>	<b>208%</b>	<b>222%</b>	<b>234%</b>	<b>284%</b>
Debt Coverage Required	120%	120%	120%	120%	120%	120%	120%	120%	120%	120%

## FORECASTED MONTHLY RATES UNDER THE 10-YEAR PLAN

WES sets rates and collects fees for sewer and surface water services to achieve full cost recovery. For full-cost recovery, rates must be at least sufficient to pay the operating and maintenance expenses for WES' system, and meet the principal, interest and coverage requirements and other bond covenants of all debt issued by WES. 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 2025-26, 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

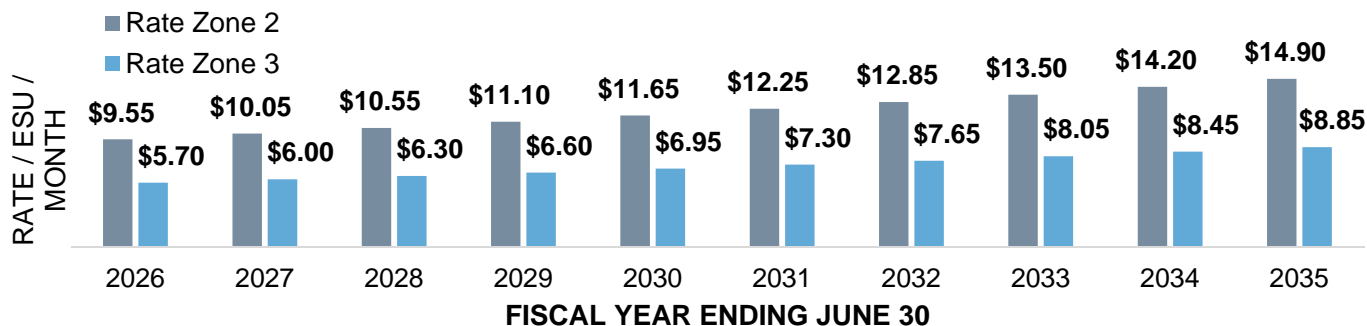
The chart below shows the projected wastewater treatment, wastewater collection, and Rate Zone 2 legacy debt service rates over the ten-year forecast horizon, along with the total monthly rate expressed in dollars per Equivalent Dwelling Unit (EDU) for retail Rate Zone 2 customers. The table below shows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



Rates and % Increase by Service Type and Rate Zone		Fiscal Year										
		2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Wholesale	Rate Zone 1 Rate	\$29.30	\$30.75	\$32.30	\$33.90	\$35.60	\$37.40	\$39.25	\$41.20	\$43.25	\$45.40	\$47.65
	% Increase		4.9%	5.0%	5.0%	5.0%	5.1%	4.9%	5.0%	5.0%	5.0%	5.0%
	Rate Zone 2 Rate	\$37.95	\$37.95	\$37.95	\$37.95	\$37.95	\$37.95	\$39.25	\$41.20	\$43.25	\$45.40	\$47.65
	% Increase		0.0%	0.0%	0.0%	0.0%	0.0%	3.4%	5.0%	5.0%	5.0%	5.0%
Retail	Rate Zone 1 Rate	\$44.95	\$47.20	\$49.55	\$52.00	\$54.60	\$57.35	\$60.20	\$63.20	\$66.35	\$69.65	\$73.10
	% Increase		5.0%	5.0%	4.9%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
	Rate Zone 2 Rate	\$53.60	\$54.40	\$55.20	\$56.05	\$56.95	\$57.90	\$60.20	\$63.20	\$66.35	\$69.65	\$73.10
	% Increase		1.5%	1.5%	1.5%	1.6%	1.7%	4.0%	5.0%	5.0%	5.0%	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.





# Appendix





## Clackamas Water Environment Services Department Position Summary Schedules

Full-time Equivalent (FTEs) By Performance Clackamas Program	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Budget	FY 2025-26 Budget
Account Services	4.40	4.17	2.68	2.81	2.69	2.65	2.72	3.93	4.76	5.16
Administrative Services	13.64	11.35	12.60	12.60	14.49	12.86	11.61	12.42	12.21	13.16
Asset Management	8.03	7.04	7.27	6.83	6.99	7.05	7.48	7.04	8.17	8.20
Capital Delivery <sup>(1)</sup>	4.69	6.39	5.98	7.09	7.79	7.28	6.40	8.59	9.85	10.55
Environmental Monitoring	9.33	6.64	6.29	5.99	5.61	6.07	5.58	5.74	5.95	6.20
Field Operations and Maintenance <sup>(2,4)</sup>	20.96	13.24	12.92	12.33	13.90	12.62	14.15	15.48	14.30	17.40
Financial Management	6.56	5.93	6.03	5.98	6.18	6.56	6.58	6.49	7.10	6.79
Permit Services <sup>(3)</sup>	6.69	10.05	8.21	8.64	7.77	8.01	7.73	7.66	5.88	6.04
Plant Operations and Maintenance <sup>(2)</sup>	15.64	28.81	32.56	33.50	32.74	31.29	32.08	33.21	36.03	37.95
Resource Recovery <sup>(5)</sup>	9.82	8.29	8.68	7.76	6.35	5.77	4.99	4.84	5.40	1.95
Watershed Protection <sup>(3)</sup>	6.24	4.09	5.43	5.37	5.11	4.69	4.27	4.05	7.10	6.35
Vacancies - All Programs <sup>(6)</sup>	0.00	0.00	1.35	3.10	2.38	11.15	12.41	8.55	1.25	1.25
<b>Totals</b>	<b>106.00</b>	<b>106.00</b>	<b>110.00</b>	<b>112.00</b>	<b>112.00</b>	<b>116.00</b>	<b>116.00</b>	<b>118.00</b>	<b>118.00</b>	<b>121.00</b>

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) Significant shifts in FTEs between the Field Operations and Maintenance Program and the Plant Operations and Maintenance Program from FY 2016-17 to FY 2017-18 were due to changes in the Performance Clackamas program structure  
(3) FY 2024-25 increase in the Watershed Protection Program due to source control position shifts from the Permit Services Program  
(4) FY 2025-26 increase in Field Operations and Maintenance Program due to the conversion of seasonal staff and Technician activity shift from Resource Recovery  
(5) 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  
(6) Vacancies for FY 2024-25 forward periods reflect planned unfilled/partial vacancies and excludes frictional vacancy assumptions

Full-time Equivalent (FTEs) By Work Division	FY 2016-17 Actual	FY 2017-18 Actual	FY 2018-19 Actual	FY 2019-20 Actual	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual <sup>(1,2)</sup>	FY 2024-25 Budget <sup>(3)</sup>	FY 2025-26 Budget <sup>(4)</sup>
Director	2.00	3.00	5.00	3.00	4.00	4.00	4.00	1.00	2.00	2.00
Business Services	16.00	17.00	19.00	21.00	22.00	23.00	21.00	24.00	28.00	28.00
Capital Planning and Management	15.00	16.00	14.00	16.00	14.00	14.00	15.00	17.00	9.00	12.00
Environmental Services	24.00	21.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	18.00
Operations	49.00	49.00	52.00	52.00	52.00	55.00	56.00	56.00	59.00	61.00
<b>Totals</b>	<b>106.00</b>	<b>106.00</b>	<b>110.00</b>	<b>112.00</b>	<b>112.00</b>	<b>116.00</b>	<b>116.00</b>	<b>118.00</b>	<b>118.00</b>	<b>121.00</b>

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

## ACRONYMS AND INITIALISMS

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

## GLOSSARY

**Accrual Basis** - The basis of accounting whereby revenues are recognized when they are earned and measurable regardless of when collected, and expenses are recorded on a matching basis when incurred.

**Adopted Budget** – The final version of the budget formally adopted by the governing body of the local government unit. After considering the approved budget, the governing body may make further revisions. The adopted budget is legally enacted through a budget resolution or ordinance and authorizes the legal spending limits (e.g., makes appropriations) for the fiscal year.

**Appropriation** - Authorization for spending a specific amount of money for a specific purpose during a specific period of time. It is based on 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** - Within a fund, the total amount of revenues, including interfund transfers from other funds and the use of fund balance equals the total amount of expenditures, including interfund transfers to other funds and contribution to fund balance.

**Beginning Fund Balance** - Amounts of unexpended funds carried forward from the previous fiscal year.

**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 tracks the removal of BOD as a performance measure.

**Budget** - The local government's financial plan 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** - Written explanation of the budget and the local government's financial priorities. It is prepared and presented by the executive officer or chairperson of the governing body (ORS 294.391).

**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 \$5,000 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 years. WES' CIP uses a 5-fiscal year planning horizon.

**Capital Outlays** - Expenditures that result in the acquisition of, or improvement to, an existing fixed asset(s).

**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).

**Collection System** - The pipes, pumping stations, and other infrastructure associated with the collection and transportation of wastewater.

**Compliance** - Alignment with guidelines, regulations and legislation set by outside parties such as EPA, DEQ and industry organizations.

**Component Unit** - A legally separate entity for which a primary government is financially accountable. WES is a component unit of Clackamas County.

**Contingency** - A budgetary requirement category which provides funds for emergencies and unforeseen circumstances. Amounts budgeted as contingencies may only be expended through special action of the governing body.

**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.

**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 difference between the resources (beginning fund balance, revenues, and other resources) and requirements (operations and maintenance expense, capital outlay, debt service, interfund transfers, contingencies and reserves), which is carried forward as beginning fund balance to the next fiscal year.

**Enterprise Fund** - A fund used to account for a business activity for which a customer pays a fee or charge for a service or product.

**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 incurrence of a liability or the payment of cash for the acquisition of a good or service.

**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 1<sup>st</sup> and runs through June 30<sup>th</sup>.

**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** - Any manmade surface that does not allow water to penetrate into the ground. This category includes roads, rooftops, sidewalks, 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 large-scale public systems, services, and facilities of a region that are necessary for economic and community activity, including power, water, sewer and stormwater services, public transportation, telecommunications, roads and schools.

**Interfund Transfers** - 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). Synonymous with 'transfers' on some budget schedules.

**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.

**Long-Range Financial Plan** – The long-range financial plan aims to balance the requirements for capital project investments while ensuring resources are sufficient to provide for ongoing operating and maintenance needs. The long-range plan also includes projections for the timing of borrowing to ensure adequate revenue capacity is available to issue debt when needed. 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 20<sup>th</sup> 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 the progress towards achieving objectives. Measures provide a quantifiable means to assess performance and link staff's work to organization goals. WES' FY 2025-26 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 that is performed on a piece of equipment before failures occur. Consumables are replenished, and assets refurbished on a set time scale in order to fully utilize the usable life of an asset.

**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** - Financial and operating plan prepared by the Budget Officer. It is submitted to the public and 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 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.

**Rates** - The amount of money charged per unit of service provided.

**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 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** - A formal process through which departments analyze, align and explain what they do in terms of achieving results for their customers. Each department articulates its Mission and then organizes itself into Programs and Activities designed to carry out that mission, facilitate decision making and resource allocation, and report progress.

**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.

**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.

**TSS** - Total Suspended Solids or TSS is 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.

**W3** - Plant re-use water; also referred to as non-potable water, used for seal water, spray chemical carrier water, etc.

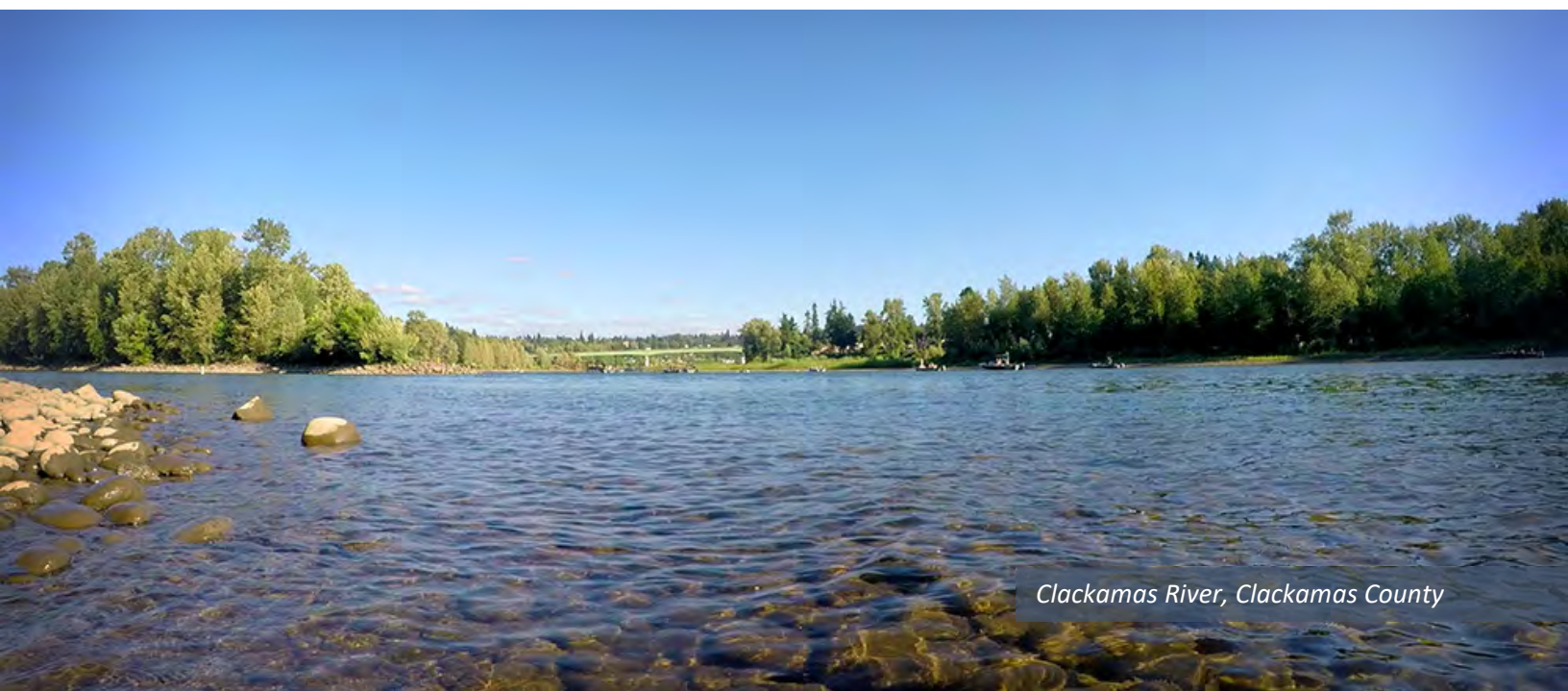
**Wastewater** - The used water from homes and businesses, which may be a combination of liquid and water-carried domestic or industrial wastes from buildings, together with any groundwater and stormwater that may be present.

**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.



*Clackamas River, Clackamas County*





CLACKAMAS  
WATER  
ENVIRONMENT  
SERVICES

