



Clean Water Services Board of Directors Learning

April 7, 2022



CITY OF FOREST GROVE



SW Fern Hill Rd

Taylor Way

VISITOR STATION
VOLUNTEER STATION

FOREST GROVE
WATER RESOURCE
RECOVERY FACILITY



RESEARCH
WETLANDS

NUTRIENT
FILTER

WATER
GARDEN

RIPL
BUILDING

Meeting Spot:
ripl (former TTM Building)
1585 Poplar Street, Forest Grove

DABBLERS
MARSH

FERNHILL MARSH

FERNHILL LAKE

0.25 MILES

0.40 MILES

0.7 MILES

0.25 MILES



Clean Water Services Board of Directors Learning

Thursday, April 7, 2022

9:00 a.m. to 2:30 p.m.

ripl (Research+Innovation+Partners+Labs)

1585 Poplar Street, Forest Grove

9:00 a.m. **Welcome**, introductions, overview of learning

9:10 a.m. **Culture, Equity & Learning Program**

In March, CWS launched a new Culture, Equity & Learning program to bring together equity work, organizational development and learning to build a culture where every employee can learn, grow and thrive. CEL staff will provide an overview of the new program and provide an update on CWS' equity journey.

9:50 a.m. **Local/Regional Partnerships**

At the October 2021 Board Learning, Victoria Lara presented findings from the CWS 2021 Stakeholder Engagement Survey. Staff will update the Board on activities initiated in response to last year's input and provide updates on:

- Intergovernmental Agreement discussions with the cities of Hillsboro and Beaverton
- Asset maintenance/ownership dashboard
- Cost of Services Analysis

11:00 a.m. **Quarterly Financial Report & Rate Projections**

11:30 a.m. **BREAK**

11:45 am. **Lunch** with Tualatin Soil & Water Conservation District (TSWCD) Board of Directors, staff and guests (See list below)

12:45 p.m. **Vans depart** for Nick Duyck's Valley Blue Farms outside Cornelius

- 1:00 p.m. **Site Tour** of Valley Blue Farms to learn how a transformational partnership between CWS and TSWCD supports clean water, healthy soil, carbon sequestration and sustainable agricultural practices.
- 2:00 p.m. **Return to ripl**
- 2:30 p.m. **Adjourn**

Tualatin Soil and Water Conservation District participants

[Board of Directors](#)

Jerry Ward – Zone 1 (Chair)
Eldon Jossi – Zone 2 (unable to attend)
Thomas Dierickx – Zone 3
Anne Jesse – Zone 4 (Treasurer, joining for the tour only)
Matt Pihl – Zone 5 (Secretary)
Steve VanGrunsven – At-Large #1 (Vice Chair)
Dean Moberg – At-Large #2

Staff

Lacey Townsend – Executive Director
Aaron Shaw – Director of Natural Resources
Mike Conroy – Habitat Conservation Specialist

Additional guests

Jessica Wells – District Conservationist with USDA-Natural Resources Conservation Service
Rebecca Gómez Chuck – Tualatin River National Wildlife Refuge manager
Larry Klimek – Tualatin River National Wildlife Refuge former manager

OVERVIEW: CULTURE, EQUITY & LEARNING PROGRAM

Chris White, Culture, Equity & Learning Manager



CULTURE, EQUITY & LEARNING PROGRAM: AN EVOLVING APPROACH

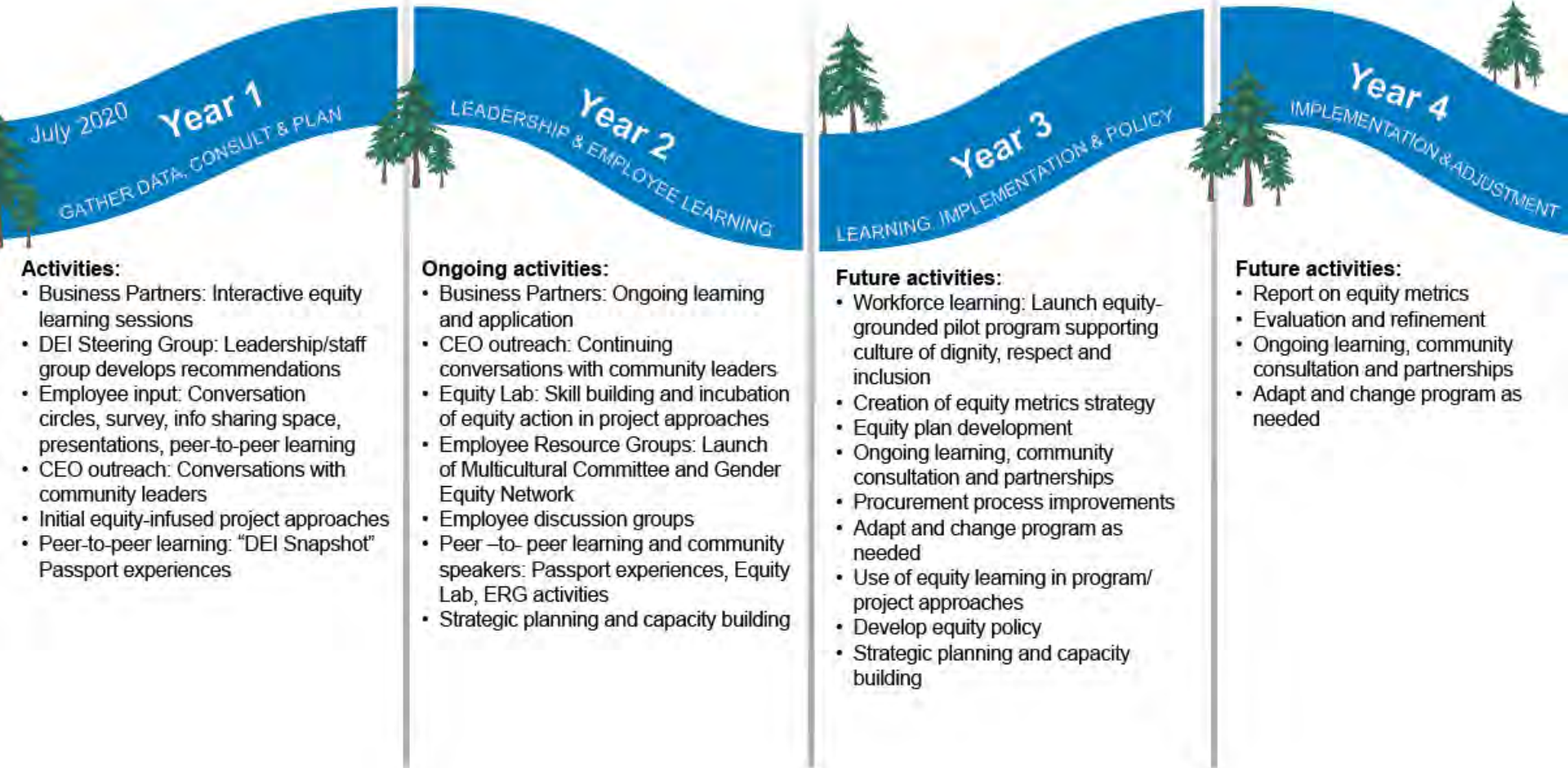
- Board and executive leadership priority
- Unique historical moment
- Leading with race
- Intersectional perspective
- Initial focus on equity — with culture and learning intertwined



PROGRAM PILLARS

- Business integration and accountability
- Shared ownership
- Executive learning and leadership
- Employee dialogue and learning
- Flexibility
- Consulting with community
- Creating change that matters





YEAR 1 HIGHLIGHTS

- Learning at all levels: CEO, Business Partners, staff
- DEI Steering Group identified four key outcomes
- COVID disruption created opportunities to strengthen culture and engagement
- Laid groundwork, gathered data



STEERING GROUP PRODUCT: FOUR DESIRED OUTCOMES

Workforce Development: Hiring/Recruiting

CWS recruits, develops and retains a diverse and talented workforce throughout the organization. Our approach involves ongoing action to remove bias and institutional barriers; collaborating with external partners, career fairs and other methods; and analytics and data.

Workforce Development: Internships/Apprenticeships

The CWS workforce includes diverse employees throughout the organization who have come to us through existing and/or new internship/apprenticeship programs that provide a wide range of work experiences which prepare them for multiple career development pathways.

Procurement

CWS contributes to the increase of generational wealth in underrepresented communities by providing opportunities for diverse vendors and contractors across the organization who compete for CWS opportunities.

Culture/Equity Action

CWS' inclusive organizational culture and programs help employees learn, grow and thrive. Staff apply an equity lens internally and externally, and access meaningful pathways for learning and leadership. Strong external partnerships with diverse organizations contribute to organizational work and culture.



STEERING GROUP PRODUCT: PRINCIPLES OF LEARNING



YEAR 2 HIGHLIGHTS TO DATE

- Employee resource groups
- Equity Lab
- Equity discussion group
- Cultural heritage celebrations
- Executive/Business Partner equity learning
- De-escalation Unit
- Strategic planning, capacity building



NEAR FUTURE ACTIVITIES

- Organizational culture assessment
- Expand equity learning opportunities
- “Together Again” change management
- Program roadmap and metrics
- Equity policy statement
- Refresh organizational values
- Incubate future program and needed resources



SNAPSHOT: HIRING/RECRUITING

- Racial diversity greater among new hires:
 - Staff hired since 2019: 24% people of color.
 - All staff: 13% people of color.
- Gender diversity – similar trend:
 - Staff hired since 2019: 40% female and nonbinary.
 - All staff: 30% female and nonbinary.
- Implications for CWS workforce of the future:
 - Possible drivers: Recruitment practices, labor market.
 - More data and analysis needed.



SNAPSHOT: WORKFORCE DEVELOPMENT

- Creating low barrier training and career opportunities
 - Collaborative effort across disciplines, starting in WRRD
 - New training materials
 - Includes exposure to opportunities across CWS
 - Will be working with community organizations
- Raising profile of water sector careers for educators and students
 - Active partner in BIPOC STEAM Ecosystem project
 - Outreach through career fairs, teacher externships and communication about water sector career paths



SNAPSHOT: PROCUREMENT

- New procurement group created five-year EDI plan
- In Year 1:
 - Updated tracking of COBID usage. CWS spent approx. \$2.9 million (FY 21)
 - Created database of COBID-certified contractors for staff.
 - Evaluating B2Gnow software to track percentage goals.
 - Created pilot project using Request for Quote process to provide opportunities for COBID-certified contractors.



ON THE JOURNEY

- Culture, Equity & Learning support each other as we evolve to serve our region
- Business integration and accountability are essential
- Employee engagement and leadership action are driving change that matters



QUESTIONS?



Local and Regional Partnerships

Joe Gall, Chief Utility Relations Officer

Jack Liang, Chief Strategy Officer



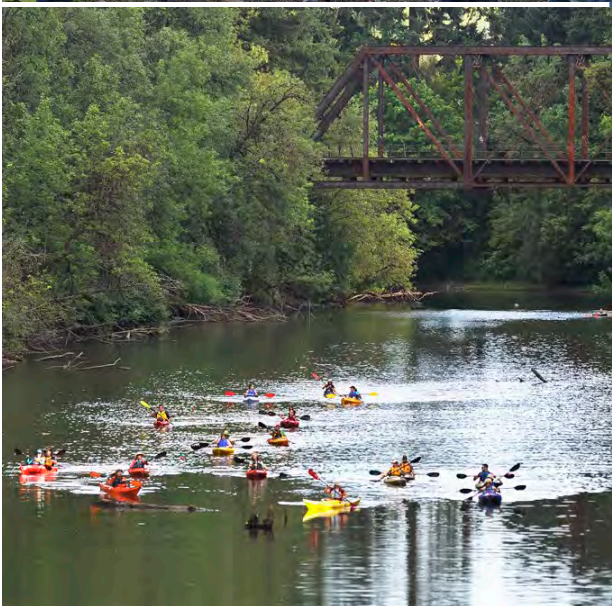
PRESENTATION AGENDA

- Enhanced engagement activities
- Hillsboro and Beaverton IGA updates
- Asset maintenance/ownership dashboard tool
- COSA- Cost of Service Analysis



ENHANCED ENGAGEMENT ACTIVITIES

- Stakeholder Research Report (Lara Media, Summer 2021)
 - Community Connections newsletter
 - Broader communication with partner cities
 - Educational opportunities
 - ❖ New city managers (December 2021)
 - ❖ Upper watershed tour (June 3)



HILLSBORO AND BEAVERTON IGA UPDATE

- Current IGAs from 2004, amended multiple times
- Both cities asked for re-examination of relationship and new IGAs – June 2021
- Key issues
 - Additional flexibility/autonomy in a variety of areas (e.g., plan review, performance-based operations and maintenance)
 - Improved clarity around rates (local vs regional)
 - Improved clarity around asset ownership and annexation process
 - Improved lines of communication between staff
 - Flexibility on hydromodification approaches on redevelopment sites



IGA SCHEDULE

Three primary phases:

- 1. Educational framing
- 2. Create new IGA language
- 3. Governing bodies approve IGAs

Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022	Aug 2022	Sep 2022	Oct 2022	Nov 2022	Dec 2022
Phase 1								Phase 2				Phase 3		
					Phase 1					Phase 2		Phase 3		



ASSET MAINTENANCE/OWNERSHIP DASHBOARD TOOL

- CWS and Cities will have a shared understanding of our respective assets, including ownership and maintenance responsibilities.
- Allows CWS to coordinate across District to optimize service and ensure compliance
- Understanding asset ownership and maintenance provides an important foundation for the Cost of Service Analysis (COSA)



ArcGIS

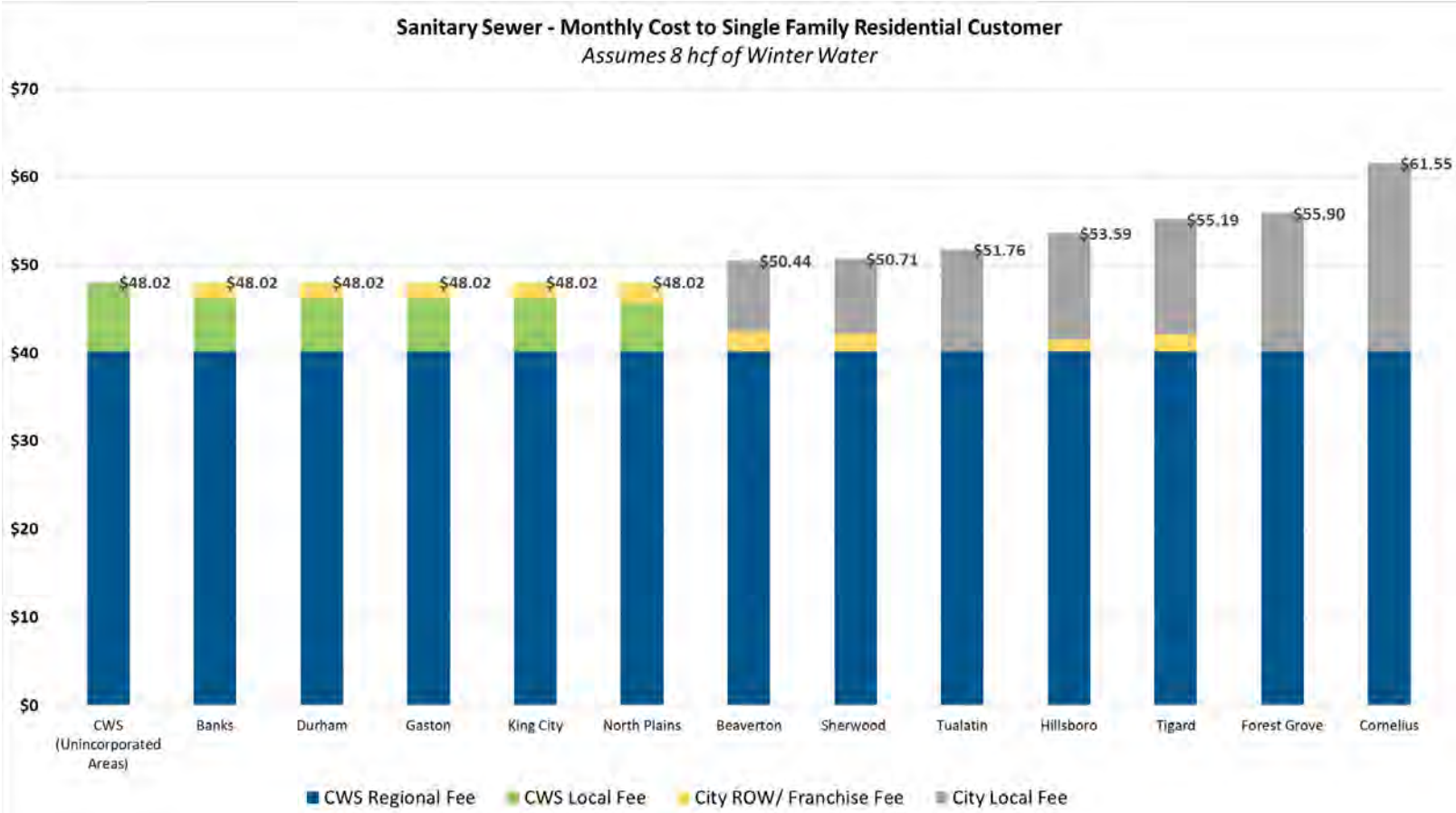


Cost of Service Analysis (COSA)

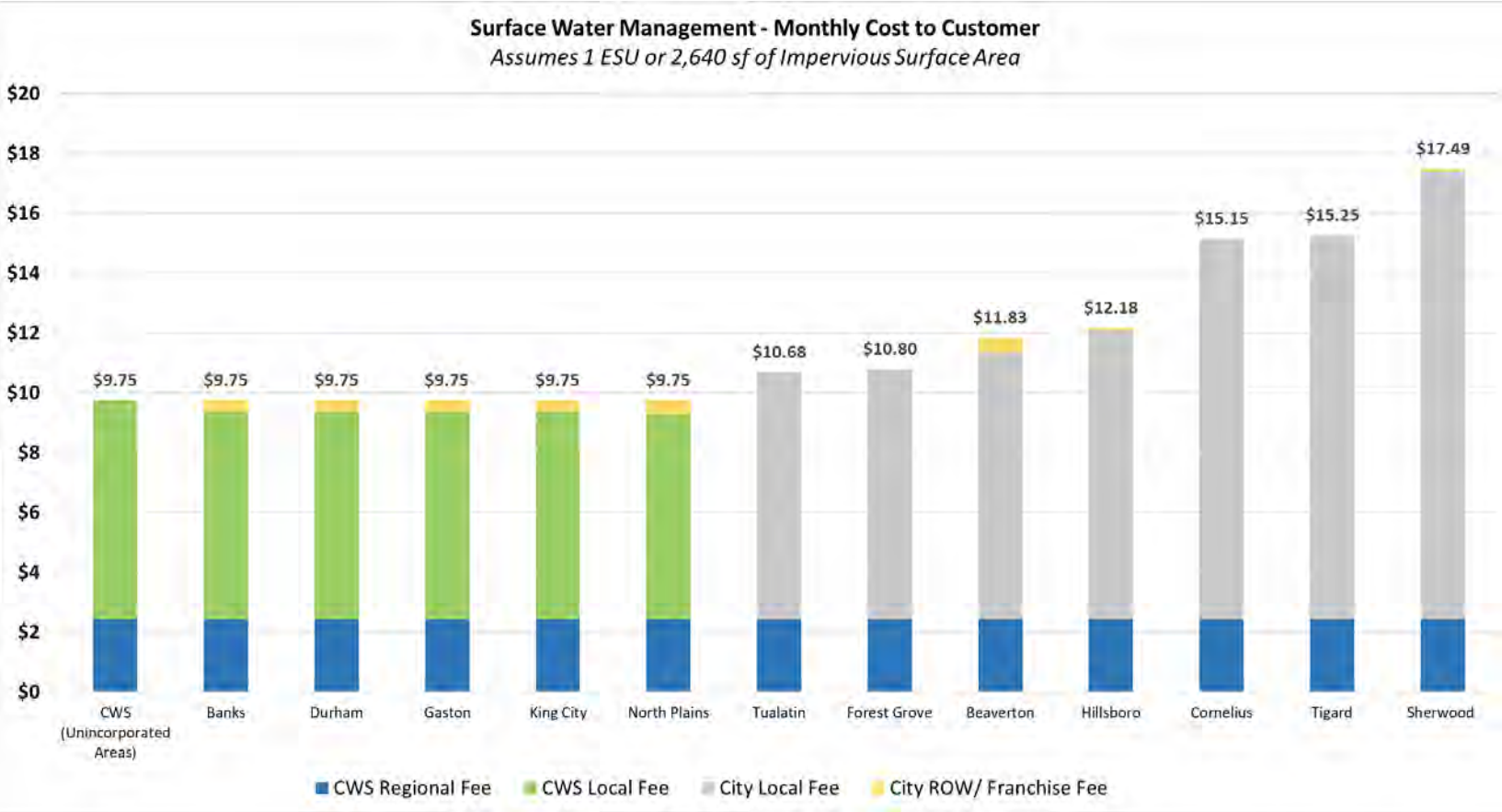
- Last analysis conducted in 2008
- Results were implemented to shape our current rate structure
 - CWS sets:
 - ❖ Regional rate for accounts across service areas
 - ❖ Local rate for accounts within unincorporated areas and CWS service Cities
 - ❖ Industrial service and fees (with 3% rate revenue to the Cities and the Cities' right-of-way fee)
 - Seven large Cities provide local services and set:
 - ❖ Local rate for accounts within City service areas
 - ❖ Right-of-way fee for accounts within City service areas
 - CWS service cities:
 - ❖ Franchise fee for accounts within City service areas



COSA – HISTORY



COSA – HISTORY



COSA – PURPOSE

- An evaluation of our current cost structure and how that relates to the services we provide:
 - Sanitary sewer vs. stormwater management
 - Regional vs. local
- A reasonable basis to plan and set our future rates
- Inform future IGA discussions
- A transparent process of sharing information with our community



CURRENT STUDY PROGRESS

Task	Status	Additional Notes
1 - Study Preparation and Planning		
Review 2008 Cost Allocation Study	Complete	
City Partner Customer Data Collection	Initial data received Analysis 90% Complete	Q&A in progress
Internal CWS Data Collection & Development	In progress - 70% complete	
2 - Financial Plan		
O&M Cost Projection	In progress - need FY 22/23 Budget	
CIP Cost Projection	In progress - need FY 22/23 Budget	
Reserve Fund Analysis & Targets	In progress Reserve policy in development	Fall 2022 proposed adoption



CURRENT STUDY PROGRESS (cont.)

Task		Status	Additional Notes
3- Cost of Service Analysis			
Departmental Data for Cost Allocation		In progress - about 50% complete	
Customer Data Analysis		In progress - about 60% complete	
4 - Outreach and Engagement			
City Communication - Intro to Study Process and Gather Input		Complete	
Develop Plan for Outreach & Engagement w/ Stakeholders		In progress	



PROJECT TIMELINE – 2022

Cost of Service Study Tasks	2022									
	April	May	June	July	August	September	October	November	December	
<u>CWS & City Staff Review Items</u>										
Customer Data Analysis										
Cost Allocations to Sewer vs. SWM and Regional vs. Local, by Division										
Financial Plan and Planned Rate Adjustments										
Review Financial Plan & Rate Increase - Intro & Overview										
Review Financial Plan & Rate Increase - Discussion										
Cost Allocation to Customer Classes										
Proposed Rates - FY 2023/24										
Sewer & SWM Proposed Rates - Intro & Overview										
Sewer & SWM Rates - Discussion										
<u>Board Engagement Activities</u>										
Financial Plan and Reserve Policy										
Cost of Service Analysis										
Proposed Rate Review - FY 2023/24										
Rate Adoption - FY 2023/24										
<u>Public Outreach & Implementation</u>										
Customer noticing										
Customer outreach										
New Rate Implementation										

- Review w/ SAG, ELT, and/or other CWS internal review group
- Review w/ City staff group
- Review w/ Board of Directors
- Development of work product



PROJECT TIMELINE – 2023

Cost of Service Study Tasks	2023							
	January	February	March	April	May	June	July	August
CWS & City Staff Review Items								
Customer Data Analysis								
Cost Allocations to Sewer vs. SWM and Regional vs. Local, by Division								
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- Review w/ SAG, ELT, and/or other CWS internal review group
- Review w/ City staff group
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- Development of work product

Develop customer notice & mail

Customer outreach period

UB Implementation Period



BOARD ENGAGEMENT TOPICS

Discussion Topics	Description	Timeframe
Financial Plan and Reserve Policy	<ul style="list-style-type: none">• Establish formal reserve targets and policies• Revenue and expense projections• Rate adjustment strategy	October 2022
Cost of Service Analysis	<p>Allocation of costs to:</p> <ul style="list-style-type: none">• Regional vs. local• Sewer vs. SWM• Customer classes	November 2022



BOARD ENGAGEMENT TOPICS (cont.)

Discussion Topics	Description	Timeframe
Proposed Rate Review	<ul style="list-style-type: none">• Proposed rate schedules for sewer and SWM, regional and local customers• Monthly bill impacts and cost to ratepayers	March 2023
Rate Adoption	<ul style="list-style-type: none">• Adopt proposed rates for FY 2023-24	June 2023



FUTURE POLICY CONSIDERATIONS

- Future policy considerations as relates to rates
 - Regional rate
 - Local rates
 - ❖ Unincorporated and CWS service cities local rates
 - ❖ Franchise fees relating to the CWS service cities
- After Cost of Service Analysis
 - System Development Charges analysis
 - Industrial rate structure analysis



QUESTIONS?



CWS BUDGET VS ACTUAL REPORT FISCAL YEAR 2021-22: Q2 (JUL - DEC)

Kathy Leader, Chief Financial Officer

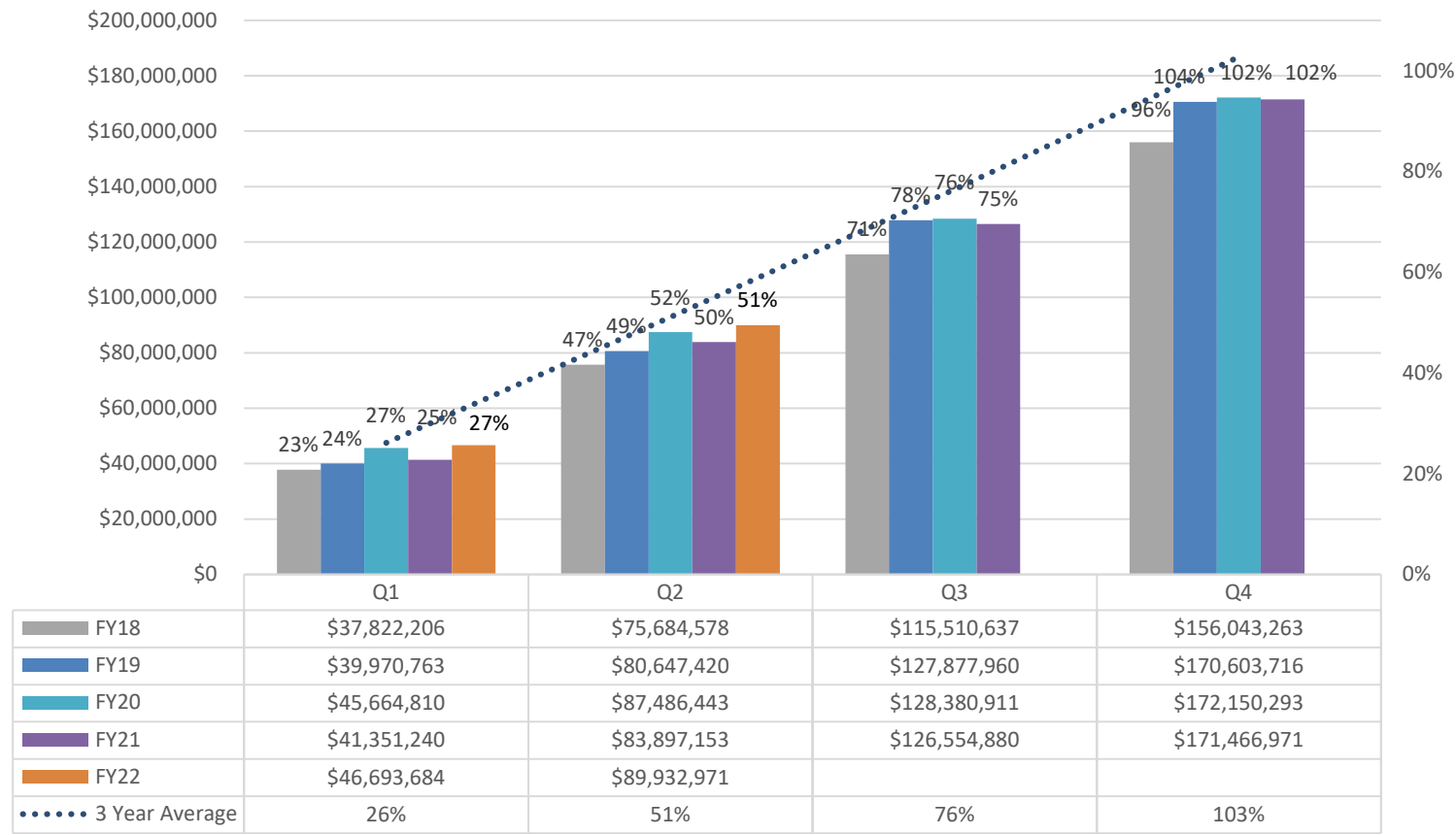


PRESENTATION AGENDA

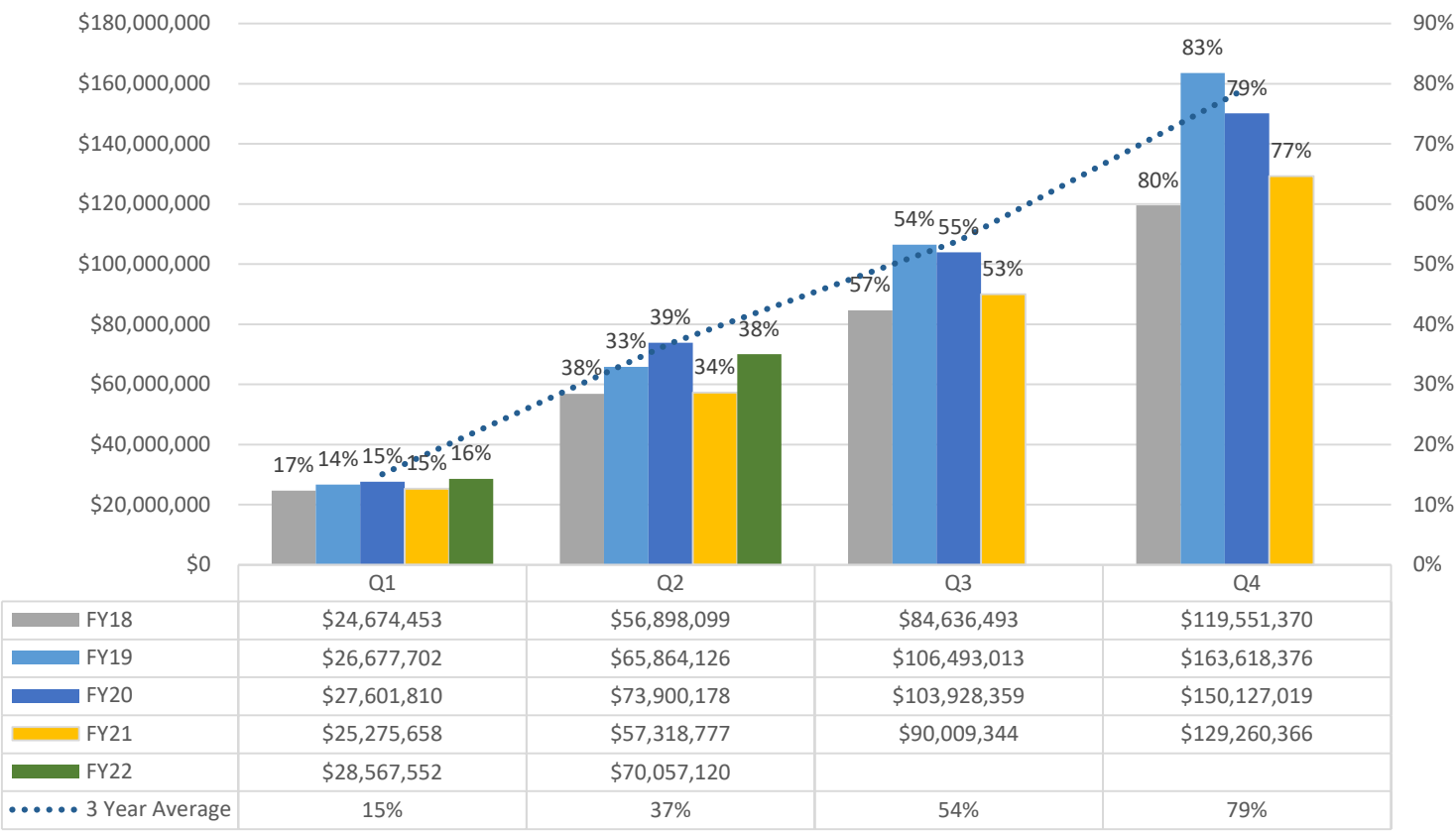
- Q2 percentage of annual budgeted revenue collected
- Q2 percentage of budget spent
- Q2 results of operation
- Planned rate increases FY 23



% OF BUDGETED REVENUE COLLECTED BY QUARTER



% OF BUDGET SPENT BY QUARTER



Q2 RESULTS OF OPERATIONS

- Strong ending operations for FY 21
 - Revenue collections at 102% of budget
 - Expenditures at 77% of budget
 - \$35 million net increase in unrestricted reserves
- Revenue collections are in line with budget
 - Service fee revenues increased \$3.8 million (5.7%) compared to prior year (PY) Q2, reflecting 4.6% rate increase and 1% growth
 - Industrial revenues increased \$0.8 million (11%) compared to PY Q2
 - SDCs increased \$1.4 million (15%) compared to PY Q2



Q2 RESULTS OF OPERATIONS

- Operating and capital spending are in line with budget
 - Labor costs increased \$0.5 million (2%) and reflect our continued effort to prioritize and sequence hiring for current vacancies and new positions and challenges filling positions in recruitment
 - Materials & Services increased \$0.9 million (6%) compared to PY Q2 and relates to increased software licenses/support and insurance costs identified as drivers as part of the budget process
 - Capital costs increased \$11.3 million (56%) compared to PY Q2

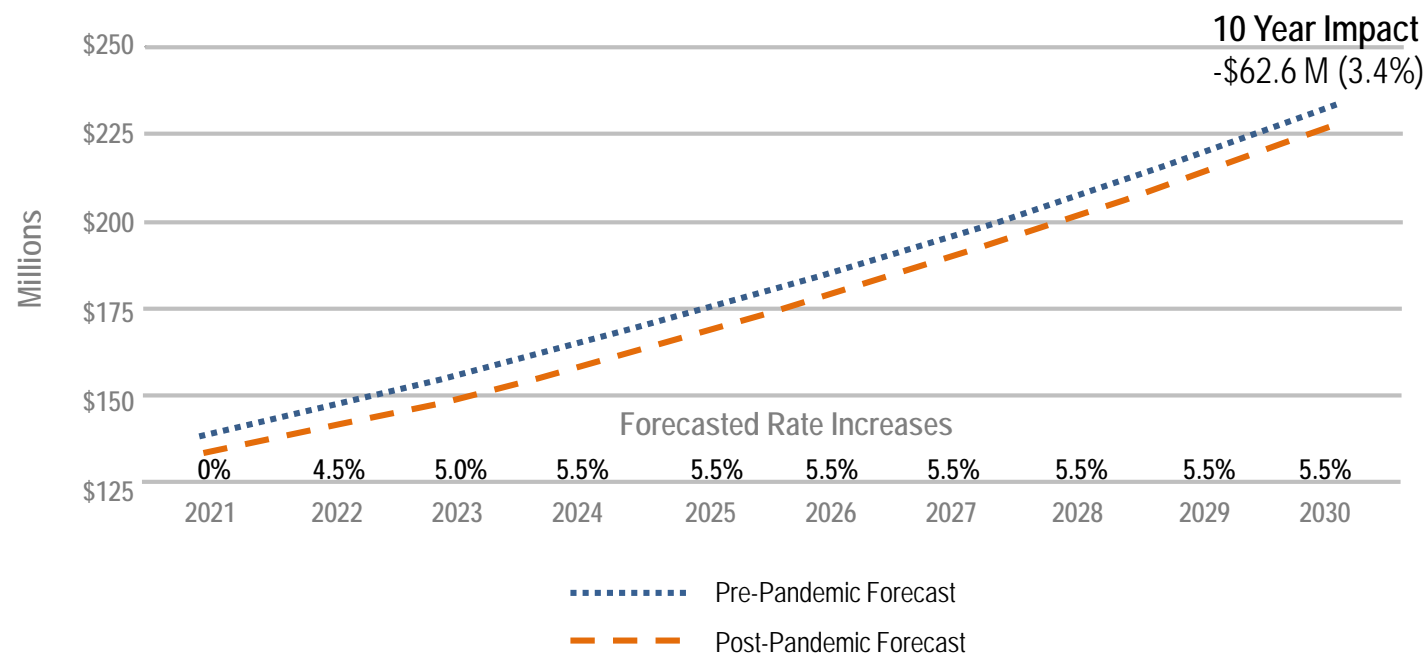


PLANNED RATE INCREASES FY 23

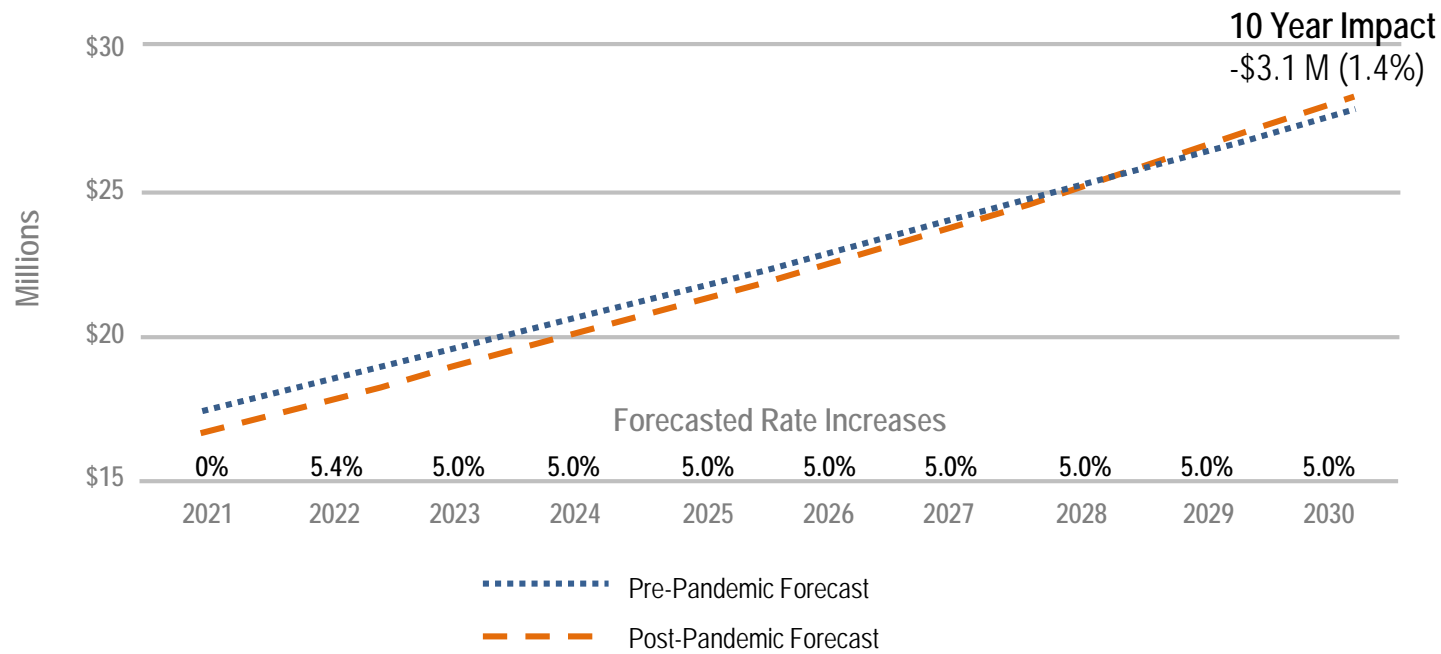
- 4% increase to regional and local sanitary sewer rate
- 4% increase to regional and local SWM fees
 - Increases will add an estimated \$2.29 per month to typical residential customer's combined bill
- Sanitary SDC increase of \$540 to \$6,625 per Equivalent Dwelling Unit
- SWM SDC increase of \$56 to \$641 per Equivalent Service Unit
 - Increase based on ENR Construction Cost index of 8.9% for March 2022



SANITARY SEWER FISCAL IMPACT OF DEFERRING RATE INCREASES FY 21



SWM FISCAL IMPACT OF DEFERRING RATE INCREASES FY 21



OPERATIONAL IMPACTS

- Strong ending operations for FY 21 and FY 22 will result in a net increase in unrestricted reserves of approximately \$45 million
- Continued financial stewardship through prioritizing capital investments and sequencing hiring for current vacancies and new positions
- Focus on innovation to reduce costs and increase operational efficiencies
- Adequate unrestricted reserves to meet operational needs



QUESTIONS?

