

Board of Directors Learning

New Clean Water Services Building

July 19, 2024



Clean Water Services Board of Directors Learning

Friday, July 19, 2024

9 a.m. to 3:45 p.m.
New CWS Building
15195 NW Greenbrier Parkway

- 9:00 a.m. **Welcome**, introductions, and overview of learning
- Diane Taniguchi-Dennis, CEO
- 9:15 a.m. **2024 Board Initiatives Review**
- Diane Taniguchi-Dennis, CEO
- 9:30 a.m. **Workforce Culture, Equity & Learning: Annual Report**
Culture, Equity & Learning staff have provided the Board with an annual report of our work to strengthen employee engagement, belonging, and learning during the prior fiscal year. This presentation is an overview of how we support employees as they learn, grow, and thrive and includes a summary of metrics in equity outcome areas.
- Chris White, Culture, Equity & Learning Manager
 - Holly Dober, Human Resources & Risk Management Director
 - Christina Gangle, Procurement Supervisor
- 10:15 a.m. **Break**
- 10:30 a.m. **Affordable Housing SDC Financing Tools**
Staff will discuss current practices for financing private property owners' connections to the CWS sanitary sewer system and requests to support affordable housing needs.
- Kathleen Leader, Chief Financial Officer
- 11:30 a.m. **Lunch with Onboarding Cohorts**

- 1:00 p.m. **New Building Tour and Building Naming Discussion**
CWS purchased a new building this spring. Staff will provide an update on space planning and naming the building.
- Jamie Waltz, Business Practice Leader 2
 - Perry Sunderland, Treatment Plant Services Division Manager
 - Marc Franck, Building & Facilities Services Manager
 - Ely O'Connor, Education & Outreach Manager
 - Jessica Bucciarelli, Employee Engagement Coordinator
- 2:00 p.m. **Governance 201: Financial Reporting**
CWS has evolved since its inception in 1970 as a county service district organized under Oregon Revised Statute 451 (county service facilities). Staff will discuss the question of whether CWS should be financially defined as a “component unit” of Washington County and the legal implications of CWS being defined as such.
- Kathleen Leader, Chief Financial Officer
 - Diane Taniguchi-Dennis, Chief Executive Officer
 - Caroline Lobdell, General Counsel & Chief Compliance Officer
 - Elizabeth Edwards, Chief of Staff
- 3:30 p.m. **Wrap Up**
- 3:45 p.m. **Adjourn**

Agenda

- 2024 Board Initiatives Review
- Workforce Culture, Equity & Learning: Annual Report
- Affordable Housing SDC Financing Tools
- Lunch with Onboarding Cohorts
- New Building Tour and Building Naming Discussion
- Governance 201



Board Initiatives Review

- Diane Taniguchi-Dennis,
Chief Executive Officer



Clean Water Services Board of Directors DRAFT Initiatives

Board Ownership: Initiatives for which a significant investment by the Board itself will be required for success.

Influence/Attention: Initiatives for which Board action will be required to develop or progress.

Inform/Awareness: Initiatives implemented by CWS management or committees for Board awareness and occasional Board action.

**07/19/2024
Board Learning**

2024	Status
Ownership	
Equity, Diversity & Inclusion Policies & Metrics	Q4
Federal and State Legislative Agenda (2025)	Q4
CEO Evaluation (2024)	8/6/2024
Influence / Attention	
FY25 Budget	
• Budget Committee Appointments	3/5/2024
• Budget Committee Meeting	5/9/2024
• FY25 Budget, Rates & Charges	6/18/2024
Review of Current Policies, Level of Service, and Potential Policy Options	
• Provision of Service Business Model & Governance 101	2/8/2024
• Governance 201	7/19/2024
• Customer Assistance	Q4-(Q2)
• Cost of Service Study (COSS) Update	Q4-(Q2)
• SDC Financing	7/19/2024
• UUA Stormwater Infrastructure & Policy Tools	Q4-(Q3)
Review of Clean Water Services Ordinances	Q3
Receive West Basin Masterplan Recommendations from CWAC	Q4
Rates and Charges	TBD
SDC Update	TBD
Intergovernmental Agreement Updates	Hillsboro completed Beaverton in process Washington County in process
CWAC Appointments (positions: District 1 and Environment 1)	9/17/2024
Inform / Awareness	
Organizational Development Updates	
• Workforce Culture, Learning and Development	7/19/2024
• Strategic Planning and Performance Excellence (PENW input)	2/8/2024
Regulatory Compliance Strategies Discussion	2/8/2024 & TBD
Strategic Roadmap Updates and Accomplishments	

• Long Term Regulatory Compliance	Q4
• Climate Action Roadmap	Q4
• Water Reuse Roadmap	Q4
ripl Business Plan	Q4
Research & Innovation Business Plan	Q4
Districtwide Facility Planning & Properties (ABC update; Springer, ripl)	Q3
CWIC - Annual Performance Reporting (written report)	Q4
Scoggins Dam Status & Briefing (written report)	Q3 (Q2)
Board Learning	
• February	2/8/2024
• Summer	7/19/2024
• Fall	11/1/2024
Potential Board Travel Opportunities	
• US Water Partnership Laos Exchange/Singapore International Water Week	June 2024
• NACWA Utility Leadership Conference, Buffalo, NY	7/23-26/2024
• International Water Association World Water Congress & Exhibition, Toronto, Canada	8/11-15/2024
• WEFTEC, New Orleans	10/5-9/2024

Culture, Equity & Learning Annual Report

July 2023 - June 2024





One of the biggest investments Clean Water Services makes is in its people. The Culture, Equity & Learning program, now entering its third fiscal year, is a focal point of that investment. The CEL program develops, manages, and consults on strategies that make CWS a place where every employee can learn, grow, and thrive, and that enhances the organization's positive impact in the community. Working closely with internal teams and external partners, the program increases employee inclusion and engagement, integrates equity considerations into our business practices, and grows CWS as a learning organization.

The CEL program launched in spring 2022 after an 18-month incubation period and is today part of the Business Operations & Strategy (BO&S) department. This FY 2023/24 report follows the format of the CEL program roadmap, which links to the BO&S department roadmap and is organized into three categories: Organizational culture; equity, diversity, and inclusion;

and organizational learning. Each category includes several objectives, and each objective includes initiatives. The roadmap offers clarity and accountability to the human interactions that are key to employee engagement, growth, and learning. Through selective narrative, metrics, and photographs, this report tells the story of the shifts and improvements that CEL is catalyzing.

Impact over time

Culture enhancement and change is an evolving journey. Over time, we are fueling what drives our excellence with improved, measurable employee engagement, learning opportunities, and shared values that we use as a unifying touchstone. Employees now have structured opportunities to talk with leadership and more ways to provide their opinions to inform decisions.

We are cultivating leadership with formal, informal, and peer learning and improving knowledge as we learn new skills. Aspiring leaders can now apply to be part of a

leadership cohort offered twice a year and new employees receive six months of onboarding learning to create a solid foundation for their time at CWS. There are multiple places and opportunities to learn and connect that did not exist two years ago. And we are increasing belonging – to create a welcoming culture for new employees and a safe space for current staff. With employee resource groups, speakers, equity learning, and cultural heritage celebrations, CWS employees can see and feel the organization's commitment to belonging.

As the fiscal year closes, we have reflected on lessons learned this year. We see how important each personal interaction is, the critical focus on measuring what we want to achieve, and the value of transparency. Although we have many new employees, it is important to hear and honor the wisdom of experienced staff. These are values that we will bring into our future work.



ORGANIZATIONAL CULTURE

EMPLOYEE ENGAGEMENT

Employee Advisory Council

The Employee Advisory Council (EAC) was launched in February 2023 to promote improvements in communication, connection, and culture at CWS. There are 21 members, representing all facilities and each employee resource group (ERG). Its quarterly meetings are high-energy and well-attended. The council receives requests for information and advice from leadership, connects with a SAGE (Strategic Advisory Group to the Executive) member at each meeting, and provides an annual report to SAGE. In their quarterly and subcommittee meetings, the EAC has planned and managed the annual all-employee event, researched employee sentiment, provided feedback to leadership, and served as a focus group for organizational values. Current EAC projects include reviewing our Principles of Respect, clarifying what increased career development programming could look like, and helping create activities that promote connections among employees.

EAC members evaluate each meeting; the scores are consistently over our 60% satisfaction target. For the three meetings that occurred before this report was created, we have 98% of the attendees ranking the meetings as Good, Very Good, or Excellent. We hear from EAC members how much they value the opportunity to gather with and learn from people they don't typically work with closely, how much they appreciate the informal discussion time with a SAGE member, and how much they enjoy authentic conversations about topics of interest.

Gallup employee engagement survey

In FY 2021/22, CWS began partnering with the Gallup organization to measure and improve employee engagement. High levels of engagement are tied to employee satisfaction, retention, and continuous innovation within an organization. CWS measures participation in the survey and overall employee engagement. For the past three years, CWS has exceeded the 80% participation target. The employee engagement average has risen



steadily each year. The grand mean, or average of the 12 core questions, has risen steadily, from 3.56 (16th percentile, compared to other employers, in a very competitive five-year rolling database) in FY 2021/22, to 3.77 (26th percentile) in FY 2022/23, to 3.92 in FY 2023/24 (38th percentile).

The increase in engagement may be a result of a combination of things: required midyear check-ins with managers, new methods and structures to engage with other staff, more places for discussion, and additional learning opportunities. An engaged workforce is more resilient and will be able to manage change better as we experience challenges in the future.

Once survey results are reviewed, each manager discusses the results with their team and creates an action plan to address areas the team identifies. Gallup also supplies managers with learning tools linked to specific topics. CWS hosted an employee engagement seminar for managers and created other training opportunities and resources. Last year, 100% of CWS teams completed action plans that were created by managers and their teams.

Values Integration

In 2022, Clean Water Services embarked on a process to refresh our organizational values. After a series of eight focus groups with over 90 employees and an all-staff survey with half of all employees participating, we created three short, resonant values statements that reflect the core culture of CWS. Last year, those values were tested by our leadership group and the Employee Advisory Council and approved by SAGE.

The values, and an associated launch campaign with a fun graphic identity, were rolled out at all-staff events in fall 2023 and with smaller facility-based events and messaging. The result is widespread acceptance, an evolving use in internal messaging, and some initial steps to weave the values into systems.

We ended the last fiscal year with five employee focus groups to learn more about what creates a best day at work for employees and how best to use the new values. We continue to discuss further use and integration of the values into our culture.

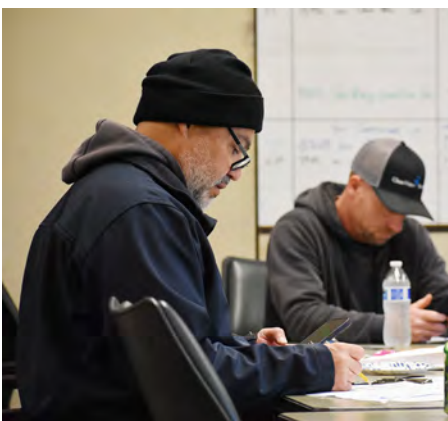


Passport experiences

CWS Passport experiences are peer learning sessions that create opportunities to connect with coworkers and the CWS mission by learning how people in other work groups are working for the river every day. Passport experiences are employee-led and bring together employees from multiple work groups to share work-related knowledge. These learning sessions can take place online or in person, in a conference room, or in the field. Formats include panel discussions, presentations, tours, and experiential learning.

When employees get to know each other's work, we build an organizational culture of open communication and connection to our mission and vision. We see more clearly how our individual contributions fit into the larger picture and help fulfill the roadmaps' strategic approach.

Passport experiences in FY 2023/24 included Customer Research: Results of Biannual Customer Awareness & Satisfaction Survey; Indigenous





Engagement and Learning; Overview of Research & Innovation; Education program overview; and facility tours.

More than 108 employees engaged with these Passport experiences in FY 2023-24 at the writing of this report. Future Passport experiences on the calendar or in development include tours of the Durham, Forest Grove, and Fernhill facilities and employee-facing versions of the CWS Essential presentations.

EMPLOYEE COMMUNICATION

Strengthen employee communication

Clean Water Services employees are spread out over multiple facilities with diverse job duties, hours of work, and subcultures. 50% of our employees have been here for less than five years. Communication and connection can be fragmented. One of the goals of the CEL program is to strengthen and align communication for the workforce. With that in mind, we have:

Created a monthly email called Business Partners Connection, which is sent by managers to all staff with high-level news from each division or department.

- Restructured the Business Partners meetings to include long-term planning and opportunities for leadership conversation.
- Begun the process for employee engagement and change management communication surrounding moving out of the Administrative Building Complex to new locations.
- Supported Human Resources' management of quarterly retreats for supervisors, called "All Leaders" meetings.
- With our communication colleagues, continued to build engaging content improvements in our e-newsletter, Pipeline. We are collaborating across the organization to plan for the creation of an employee communications digital portal.



- Supported and helped shape executive communications. This includes CEO and SAGE messaging and online All-Staff Conversations with the CEO on July 20 and Oct 19.
- Supported EAC members as they gathered and synthesized information about how employees prefer to receive information, to provide to SAGE.

EMPLOYEE EXPERIENCE

Organizational Onboarding

In April 2024, CEL launched a new organizational onboarding program consisting of six sessions over six months, each at a different location. CEL worked closely with Human Resources to ensure that organizational onboarding is part of a seamless, aligned new employee experience that includes remote experiences near the end of the hiring process, first-day orientation, and onboarding and orientation at the program and department level. A new cohort will begin every three months. The next cohort starts in July 2024.

The learning content combines classroom learning, experiential learning, and relationship-building in the cohort. Staff not involved in the cohort can access the same reference materials online and through conversations with CEL. With higher levels of retirement and new employees entering the workforce, a consistent onboarding experience will help stabilize culture, create a welcoming environment, and provide important information to new staff.

All-Staff event

A variety of all-staff events have occurred at CWS in past years. After the pandemic, the Employee Advisory Council researched employee opinion and recommended that an inclusive event focused on connecting, food, and activities be held in fall 2023. The EAC organized and implemented Harvest Huddles, two three-hour events on Oct 5 and 18. Over half of the organization attended the events and evaluations showed high levels of employee satisfaction. The excitement and buzz created by these events helped solidify our post-pandemic togetherness. The next all-staff event, created with CEL leadership and a cross-departmental planning team, will be August 21, 2024.



EQUITY, DIVERSITY, AND INCLUSION

The CEL roadmap contains three objectives that guide our work on equity topics. These include:

- Create and elevate spaces for belonging.
- Create processes to embed equitable strategies into CWS projects and programs.
- Co-create and report on equity metrics that align with four areas of focus.

While equity is a separate topic in this report, CWS' goal is to integrate equity into programs and projects as a regular part of doing business. Examples of our equity initiatives and metrics are below.





CREATE AND ELEVATE SPACES FOR BELONGING IN CWS CULTURE

Employee Resource Groups

Clean Water Services has two employee resource groups: The Gender Equity Network (GEN) and the Multicultural Committee (MCC). These groups are supported by CEL staff, have charters to clarify roles and responsibilities, individual budgets, and meet regularly throughout the year. They provide a safe affinity space, a place for discussion and learning, and a resource for leadership.



The groups also sponsor educational opportunities and speakers for employees. In FY 2023/24, this included: “Unconscious Bias is Everyone’s Business,” presented twice by Dr. Isaac Dixon; “Kalapuyans of the Tualatin Valley,” presented by Dr. David G. Lewis; “Active Listening Skills for Effective Teams” presented twice by Dr. Isaac Dixon and “Trans 101” and “Universal Design,” each presented twice by Trans Affirming Spaces. Speakers are recorded when possible to increase employee access.

Shortly after the GEN and MCC launched, their leadership teams began to gather regularly to consider joint intersectional activities. In FY 2023/24, this collaboration bore fruit in two open houses, on November 7 and April 10. These events, open to all staff and at different facilities, were very well attended and well received. They included remarks by ERG leadership and SAGE members, food, and a popular sticky-note station for raising questions and suggestions. A new employee resource group for veterans is being created for activities in the next fiscal year.



Cultural heritage events

The ERGs have sponsored dynamic employee panels on Lunar New Year; Asian American, Native Hawaiian, and Pacific Islander Heritage Month;



Black History Month; Hispanic Heritage Month; Indigenous Peoples Day; and LGBTQ+ Pride. These panels provoke meaningful discussions about cultural heritage and belonging at work, which boosts retention and brings an important perspective to our work. Staff have also participated in events sponsored by Washington County.

Equity Learning

When the CEL program began, we created a learning survey that documented significant interest and need for equity, diversity, and inclusion learning. As the program progressed, CEL grew and now has the resources and momentum to scale up that learning.

At the beginning of calendar year 2024, CEL created a new measurement tool to track participation in equity-themed activities. From January to June 2024, there were approximately 500 instances of participation and 34 activities, including an estimated 75 occasions when an employee participated for the first time ever, or the first time in more than a year.

“Equity activities” tracked for this purpose include panels, speakers, ERG meetings and open houses, participation in conferences and external partner events (Partners in Diversity, Northwest Public Employees Diversity Conference, Oregon Latinos in Local Government, Five Oaks Museum), discussions led by staff and cohort equity learning (The Intertwine Alliance). Employees also learned about equity, diversity, and inclusion in department-led activities, such as discussions and reflections on equity topics at staff meetings. Equity Labs and cultural heritage events also boosted learning.



CREATE PROCESSES TO EMBED EQUITABLE STRATEGIES INTO CWS PROJECTS AND PROGRAMS

Equity Lab

The Equity Lab is a peer learning space with the goals of aligning staff on equity strategy, building skills around the use of an equity perspective in projects and programs, and inspiring staff with stories of successful equity integration that improved outcomes. Meetings are open to all interested staff and take place approximately three times per year. A typical meeting includes a pair of presentations – one from CWS staff, and one from an outside expert – and time for open discussion.

In the first three quarters of FY 2023/24, the Equity Lab gathered twice to discuss the Onsite Septic Assistance Program and Language Access. An Equity Lab on Procurement is in the works.



Support and advise on equitable community and partner engagement

CEL staff support strategies to integrate equity into CWS external engagement. These involve collaboration with partners on projects such as the Portland Community College Rock Creek Oaks Partners, which includes collaboration with the Indigenous community, or input into external stakeholder public opinion interviews. We also focus a larger part of our budget on supporting events of culturally specific community organizations, such as Centro Cultural, the Oregon Native American Chamber, and



the Coalition for Communities of Color. We sponsored the Northwest Environmental Justice Center event, Community Action events, Northwest Public Employees Diversity Conference, and exhibits featuring an Indigenous perspective at the Five Oaks Museum. We have begun a process to look at GIS equity mapping in our service district to assist with outreach and other project activities.

Equity metrics that align with areas of focus

In fall 2020, CWS formed a cross-departmental group to study equity, diversity, and inclusion. Over eight months, the group discussed relevant topics and created four areas to track equity progress with a goal of continual improvement. CEL works with different areas of the organization to collect their metrics. The focus areas are:

- **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, attending career fairs, and other methods; and analytics and data.

Metrics: Three years ago, we standardized our measurement of progress. We now measure annually, using 2019 as our baseline year. We are tracking two metrics—the percentage of female employees and the percentage of employees of color. We are also tracking the percentage of nonbinary employees, but the number is not yet statistically significant. The data reflects all active regular employees (no temporary employees) as of March 1 each year. We've included categories where we see increases.

In March FY 2023/24 our results showed that since 2019, the number of female employees increased 7.7%; the number of employees of color increased 7.3%. For supervisors, female employees increased by 6.8% and supervisors of color have grown by 5%. Senior leadership





(representing the CEO, chiefs, directors, and service managers) diversity grew for both female leaders (19%) and employees of color (14%), respectively. These numbers all represent sustaining or increasing the percentage from FY 2023/23.

- **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.

Metrics: We created a method to calculate our total available baseline spending, so the method is consistent every year moving forward.

In FY 2022/23, CWS spent approximately \$6.8 million with firms certified by the Certification Office for Business Inclusion and Diversity (COBID). This was 15% of the baseline amount (\$44 million in FY2023/23).

In FY 2021/22, CWS spent approximately \$3.5 million with COBID-certified firms. This was 5% of the baseline amount.

CWS is also conducting a study with revegetation management contractors to build relationships and understand how to use more COBID-certified firms in this area. Our Procurement team has created a procedure that requires projects of a certain size to contact COBID-certified firms as part of the procurement process, and they have added new equity criteria to most Request for Proposals.

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

Update: Internships

CWS offers a wide range of internship opportunities for candidates with a high school or general equivalency diploma to those who are engaged in undergraduate and graduate studies. The interns represent a variety of backgrounds and cultural identities. Some interns have progressed to working full time at CWS. The following are the internship categories offered at CWS.

- Multiple Engineering Cooperative Program (MECOP) and Civil Engineering Cooperative Program (CECOP): Fully paid engineering internship for six months, hired from undergraduate engineering programs in local colleges. CWS currently has three interns from this program.
- Research & Innovation: Fully paid 6-18-month internship. On average, CWS hires four to six interns into this program a year. CWS currently has five interns.
- Technical Trade: Fully paid six-month internship in this new program. On average, CWS will hire four to six interns into this program a year. CWS currently has one intern and is recruiting for three positions in plant maintenance.



Update: Apprenticeships

In FY 2022/23, CWS began operating a Joint Apprenticeship Training Committee that manages an apprentice program approved by the Bureau of Labor and Industries (BOLI) under BOLI's Apprenticeship and Training Council. This allows CWS to offer an apprenticeship program for Instrumentation Technicians to gain on-the-job training and classroom instruction toward attaining the Limited Energy Class B Electrician license required for an Instrumentation Technician position. These union-represented positions are difficult to fill due to the license requirement in the state of Oregon. Three apprentice positions are available for candidates 18 and over who have completed high school or a GED program. Once the apprentice completes the approximately two-year apprenticeship program and passes the state exam, career pathways and opportunities open at CWS.

This year, one employee completed the program and passed the state test; they were then promoted to an Instrumentation Technician 2 position. We opened a new recruitment for the apprenticeship in December 2023, received 104 applications, and hired three apprentices. As part of the recruitment process, Human Resources posts job opportunities on a variety of job boards to attract a wide range of applicants including those of diverse backgrounds, cultural heritage, and gender identities.

Update: Career-connected learning for youth

The CWS Communications & Community Engagement program delivers career-connected learning in the community to inspire youth about careers at Clean Water Services. These include teacher externships (STEM (science, technology, engineering, and math) teachers spending the day with CWS staff to learn about careers in our



industry); career expos at Tigard, Sherwood, Glencoe, and Forest Grove high schools; presentations at the Community Alternative Learning Center; facility tours for PCC and Pacific University students; and presentations to college classes.

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

Progress: Programs to increase inclusivity and belonging are detailed throughout this report. Each year has seen an increase in program offerings and specific metrics for different offerings.



ORGANIZATIONAL LEARNING

At CWS, our best days involve learning – together, from each other, and as an organization. Through learning of all kinds, we support the Tualatin River, our communities, and each other. We encourage learning for every employee, embedding it in our practices, and celebrating it in our communication and culture.

The CEL roadmap contains two broad objectives that guide the evolution of our learning program. These include:

- Develop an organizational learning program.
- Build staff knowledge of best people management processes.

We are growing our learning culture with these initiatives and metrics.



DEVELOP ORGANIZATIONAL LEARNING PROGRAM

Create a leadership development program

The Clean Water LEADERS program began in 2023, based on a pilot effort. Employees from across the organization are invited to apply, and a cohort of 15 participants is selected for the nine-session, five-month program. Topics include leadership and strategy; working with a team; equity, diversity, and belonging; providing outstanding public service; building alignment with colleagues; employee relations and conflict management; and personal resilience.

The sessions include internal and external speakers, using presentations, discussions, and participatory methods to build skills and a mentorship framework to add experiential learning. Participants evaluated the program in writing and via discussion and showed a high rate of satisfaction. Results will be used to improve the next cohort, which will begin in September 2024. The first cohort built strong personal bonds and has had two reunions since program completion. We plan to offer the program twice a year.

Identify and expand organizational learning priorities including project management, supervisor skills, onboarding, and leadership development.



CEL has convened an internal learning team to align and identify our learning priorities across the organization. This team identified four priorities for learning in 2023-24: project management, supervisor learning, organizational onboarding, and leadership development. These priorities have been implemented.

- Project Management Essentials Part 1 and Part 2 were offered to staff and were well-attended. Project decision-making tools workshops were offered in multiple sessions during the winter and spring. CWS also is convening a Project Management Hub for more in-depth learning and collaboration.
- Participants in the second Clean Water LEADERS cohort (the first cohort was the pilot) have completed all nine sessions and we are planning for the next cohort.
- Organizational Onboarding began its first session in April.
- Human Resources implemented some supervisor learning in parts of the organization, and a larger and more holistic program will be developed in collaboration with the new learning coordinator in the next fiscal year.

The learning coordinator has assessed the learning needs of the organization, which will help focus and grow the program. Through communication, visual representation, and integration, we will continue to celebrate learning and embed it as a defining element of our culture.

Build staff knowledge of best people management practices

The Gallup Employee Engagement survey platform provides a variety of learning tools (videos, tips, brief documents, questions) for managers that are linked with specific topics, so each manager has resources linked to their team's action plan and needs. The resources are also promoted and provided to managers by the CEL team. Leadership and supervisor learning will also build management skills.

Offer Core Values Index talent assessment training to new employees.

The Core Values assessment and training were offered twice to new employees. This talent assessment and learning helps managers better understand how to work with different styles and preferences on their teams. We are currently evaluating the assessment tool and exploring other options.



CONCLUSION

The CEL program supports a talented and diverse workforce that plays a pivotal role in our community.

As the program enters its third fiscal year, CEL focuses on enhancing organizational culture; creating more connection and dialogue among employees; supporting and welcoming the multiplicity of races, genders, generations, and cultures that we work with and serve; and making sure every employee feels they belong. We are also creating new ways to invest in staff professional growth and learning.

With the use of a roadmap and metrics, we can see progress and change. Employee engagement has risen steadily in the past two years, a framework of support exists for employee belonging, and learning programs are in place. We have maintained workforce diversity gains from last year and COBID spending has increased. We are onboarding new employees to provide a foundation for their success and creating ways to connect when they are in the organization. CEL staff members are grateful for the energy, vision, and resources that the Board of Directors has invested in this work and look forward to continued accomplishments and evolution in FY 2024/25 and beyond.

Workforce Culture, Equity & Learning: Annual Report

Chris White, Culture, Equity & Learning Manager

Holly Dober, Human Resources & Risk Management Director

Christina Gangle, Procurement Supervisor



Presentation Overview

- CEL program
- Roadmap as our guide
- Outcomes
- Next steps



Culture, Equity & Learning Program

- The CEL program develops, manages, and consults on strategies that make CWS a place where every employee can learn, grow, and thrive, and that enhance the organization's positive impact in the community.
- Working closely with internal teams and external partners, the CEL program:
 - Increases employee inclusion and engagement
 - Integrates equity considerations into our business practices
 - Grows CWS as a learning organization



Culture, Equity & Learning Program Strategy

- Reasons to focus on Culture, Equity & Learning
 - Performance Excellence: workforce capability and capacity
 - Fuel what makes us excellent
 - Retain our talented workforce
 - Recruit the best candidates
 - Reinforces our mission-driven commitment



CEL Roadmap

Program Roadmap

Organizational Excellence



FY23-25



Culture, Equity & Learning

The CEL program develops, manages, and consults on strategies that make CWS a place where every employee can learn, grow, and thrive, and that enhance the organization's positive impact in the community. Working closely with internal teams and external partners, the program increases employee inclusion and engagement, helps remove CWS barriers to community prosperity, integrates equity considerations into our business practices, and grows CWS as a learning organization.

Goal

- Provide timely, efficient, and effective services that meet the needs of stakeholders
- Align with identified metrics

Advantage

- Executive leadership engagement and board support
- Employee interest in learning, especially in relation to career advancement and to equity,
- Strong relationships between program staff and CWS employees

Scope

- CWS workforce, board, community partners, and consultants

Value - Added

- Sustain and improve employee engagement
- Equity integration:
 - Recruitment, hiring, and retention
 - Apprenticeships and internships
 - Procurement opportunities
 - Culture and equity action
- Grow CWS as a learning organization

CWS Values

We're dedicated to the river, our communities, and each other.

We're guided by science.

We make great things happen by working and solving problems together.

Table 1: Objectives & Initiatives

Objective	Initiatives		
	FY 22-23	FY 23-24	FY 24-25
CULTURE			
Increase employee engagement	Assessment: Implement employee engagement survey		
	Create & help manage Employee Advisory Council (successor to DU)	Define the Employee Advisory Council work plan, forward action recommendations to the SAGE for implementation consideration	Implement work plan focused on building connections among individuals and groups
	Continue & enhance Passport peer-to-peer learning		
	Conduct employee engagement process to refresh CWS values	Refine Values & integrate into existing policies & programs	
Improve organization-wide employee communications	In partnership with CCE, collaborate on improved process for Pipeline content & implementation. With CCE & Digital Solutions, plan for transition to organizational intranet site		Continue planning & implementation to create organizational intranet site.
	Develop framework for employee communication plan		Support Pipeline content development
			Develop & implement strategic employee communication plan that emphasizes intentionality & proactivity
			Strengthen cascading systems of communication through Business Partners and other channels
Improve employee experience	Provide outline of organization-wide onboarding program		Complete & systemize organization-wide onboarding
			Implement and evaluate organization-wide onboarding experience
Increase organization development capacity, in partnership with HR			Working with HR, assess OD needs & plan for added capacity as needed

Culture: Investing in Employees

- Culture thrives with engagement
 - Employee Advisory Council
 - Gallup employee engagement survey
 - Values integration
 - Passport experiences
 - Employee communication enhancements
 - Organizational onboarding
 - All-staff event

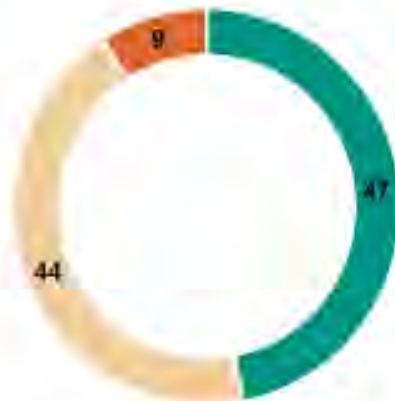


Outcomes: Gallup Engagement Survey

Team Distribution Across Percentile Ranges

Movement of Teams Based on Change in Engagement Score

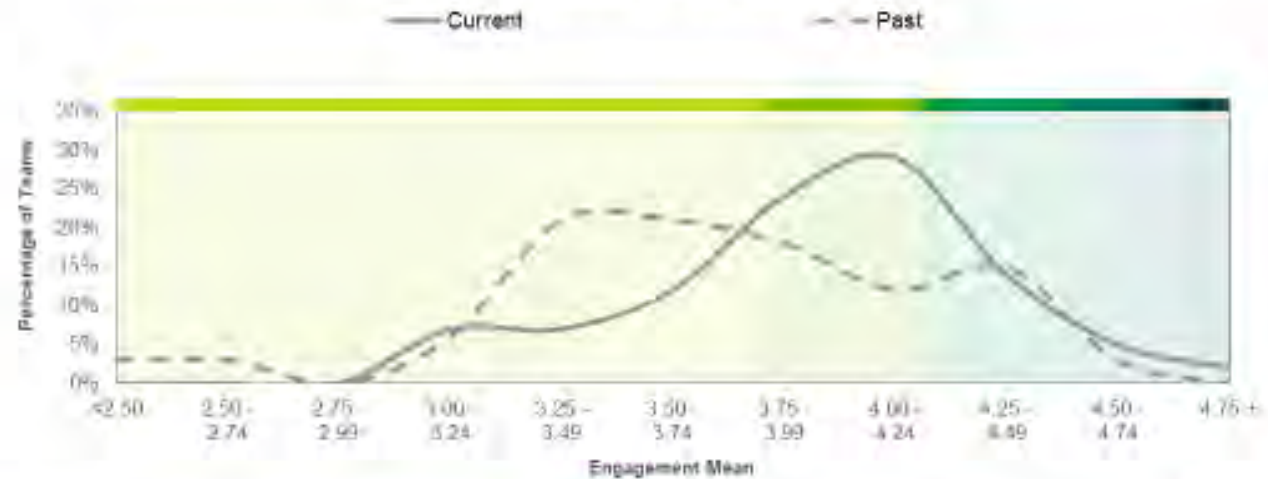
- % Meaningful Improvement (n-size=16)
- % Not a Meaningful Change (n-size=15)
- % Meaningful Decrease (n-size=3)



Meaningful improvement and decrease represents a change of +0.20.

Team counts of teams are based on every representative representative; suppression rule of n-size = 4.

Engagement Distribution Curve



YEAR OF MEASUREMENT	1st-24th	25th-49th	50th-74th	75th-89th	≥90th	TOTAL TEAMS
CURRENT	26% - 11 Teams	36% - 15 Teams	29% - 12 Teams	2% - 1 Teams	7% - 3 Teams	42
PAST	53% - 18 Teams	26% - 9 Teams	15% - 5 Teams	6% - 2 Teams	0% - 0 Teams	34

Percentile ranges are based on mean scores and ranked independently against the Workgroup Used_Oursell_Devel. Q4 Database (2019/2023)

EDI: Equity, Diversity & Inclusion Integration

- Create and elevate spaces for belonging
 - Employee resource groups
 - Cultural heritage events
 - Equity learning: conferences, training, speakers, discussion groups
- Equity integration
 - Equity lab
 - Community and partner engagement



Learning: Growing the Program

- Develop organizational learning program
 - Clean Water LEADERS
 - Project management learning
 - Supervisor training
 - Onboarding
- Build staff knowledge of best people management processes
- Learning culture strategy: continued collaborative cross-departmental design



Four Identified Equity Outcomes

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.

Internships/Apprenticeships

The CWS workforce includes diverse employees throughout the organization who have come to us through existing or new internship and apprenticeship programs that provide a wide range of work experiences that 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

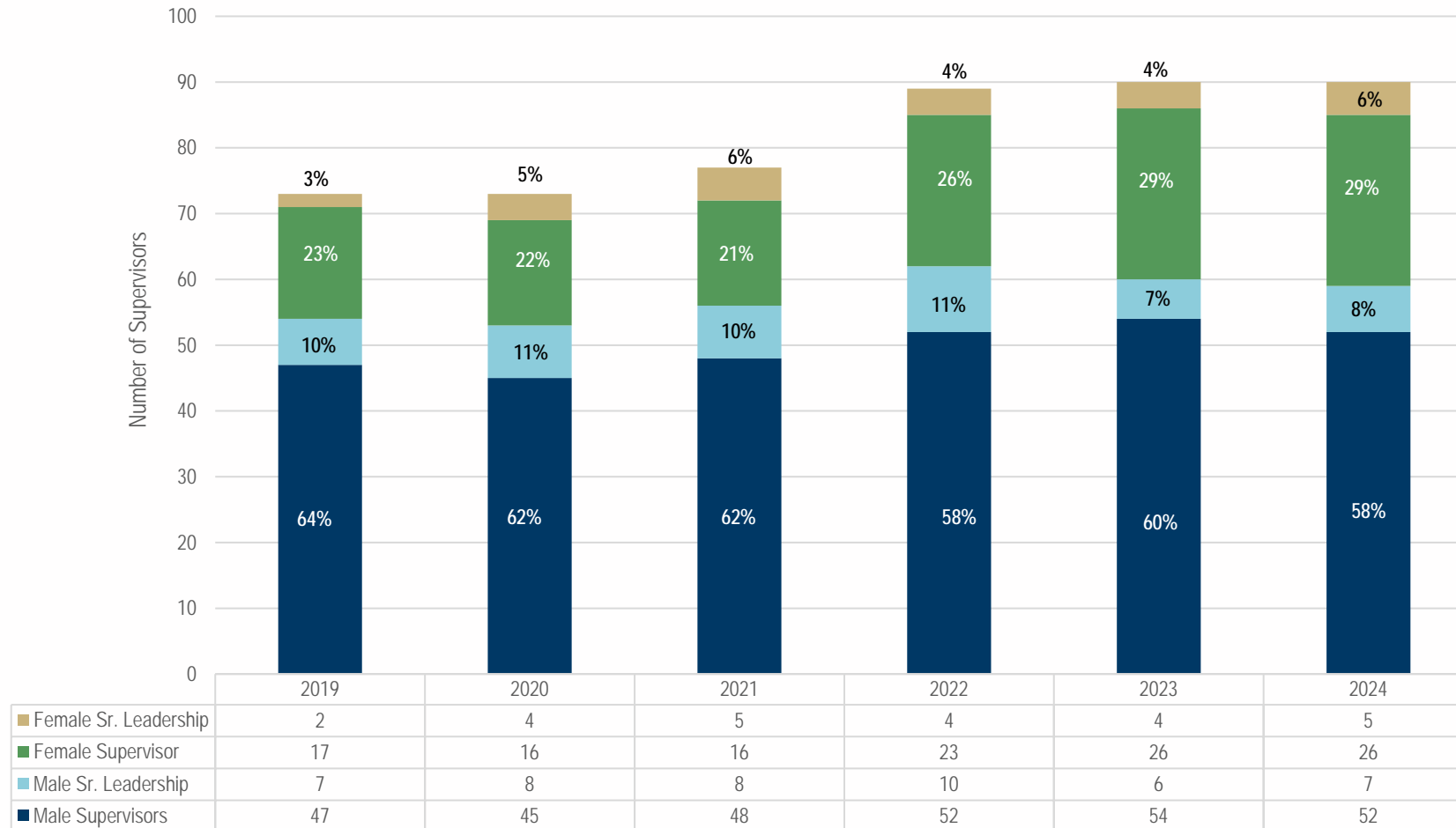
CWS' inclusive organizational culture and programs help employees learn, grow, and thrive. Staff apply an equity lens internally and externally, and access meaningful pathways for learning and leadership. Strong external partnerships with diverse organizations contribute to organizational work and culture.

Workforce Demographics

* March 1, 2024

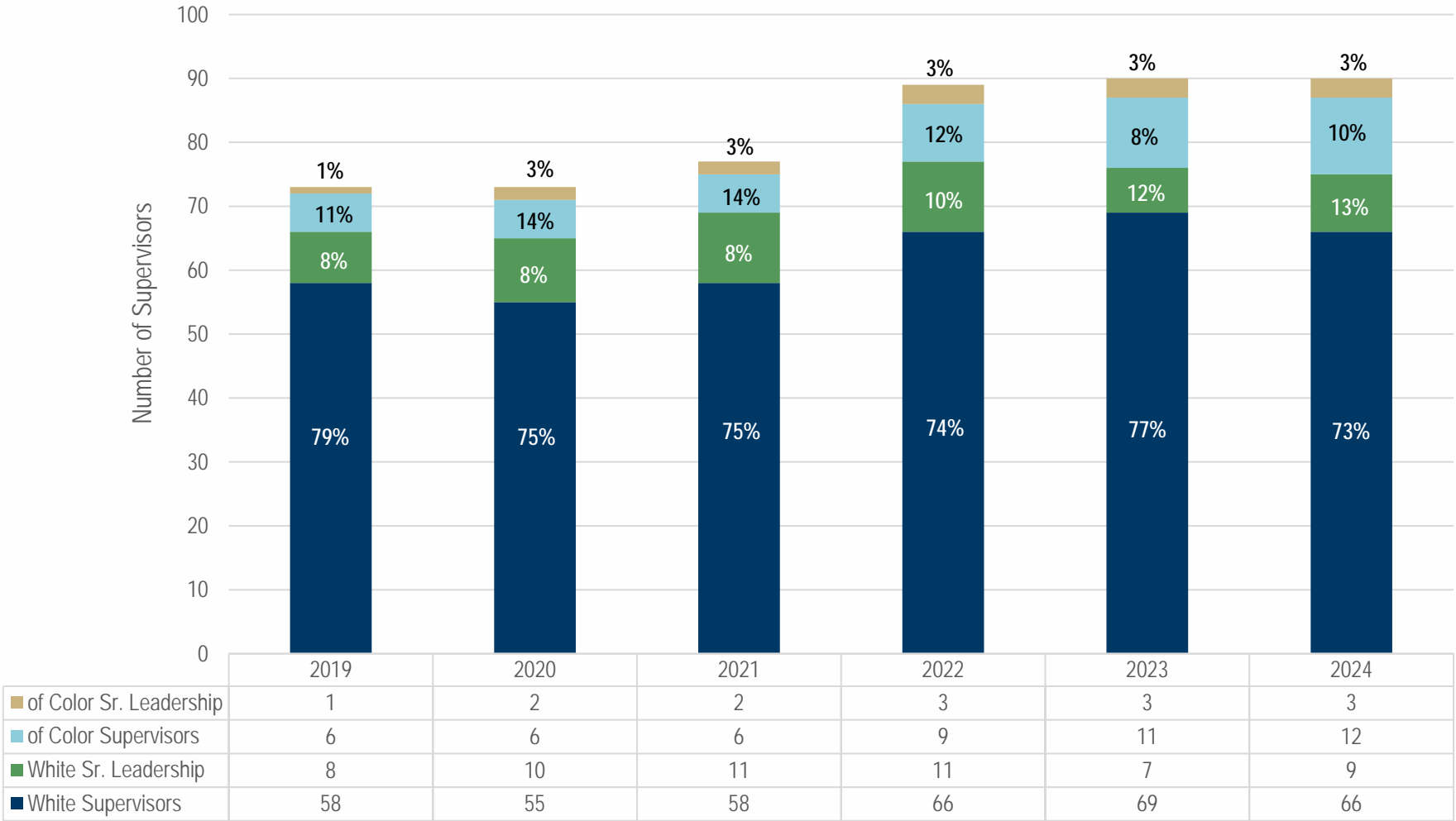
	Business Services	Utility Operations	Total	
All Regular FTE	163	242	405	
Nonrepresented FTE	118	94	212	52%
Represented FTE	45	148	193	48%
Non-Exempt FTE	107	199	306	76%
Exempt FTE	56	43	99	24%
0-5 years	105	105	210	52%
6-15 years	32	85	117	29%
16-25 years	17	40	57	14%
26+ years	9	12	21	5%
Female	105	27	132	33%
Male	57	214	271	67%
Non-Binary	1	1	2	0%
American Indian or Alaskan Native	1	2	3	1%
Asian	10	9	19	5%
Black or African American	2	0	2	0%
Hispanic or Latino of any race	12	12	24	6%
Native Hawaiian or Other Pacific	1	1	2	0%
Two or More Races	6	8	14	3%
White	131	210	341	84%

Hiring and Recruiting: Supervisor Gender



- 42% of senior leadership identify as female
- Since 2019:
 - Female supervisors increased by 7%
 - Female senior leadership increased by 19%

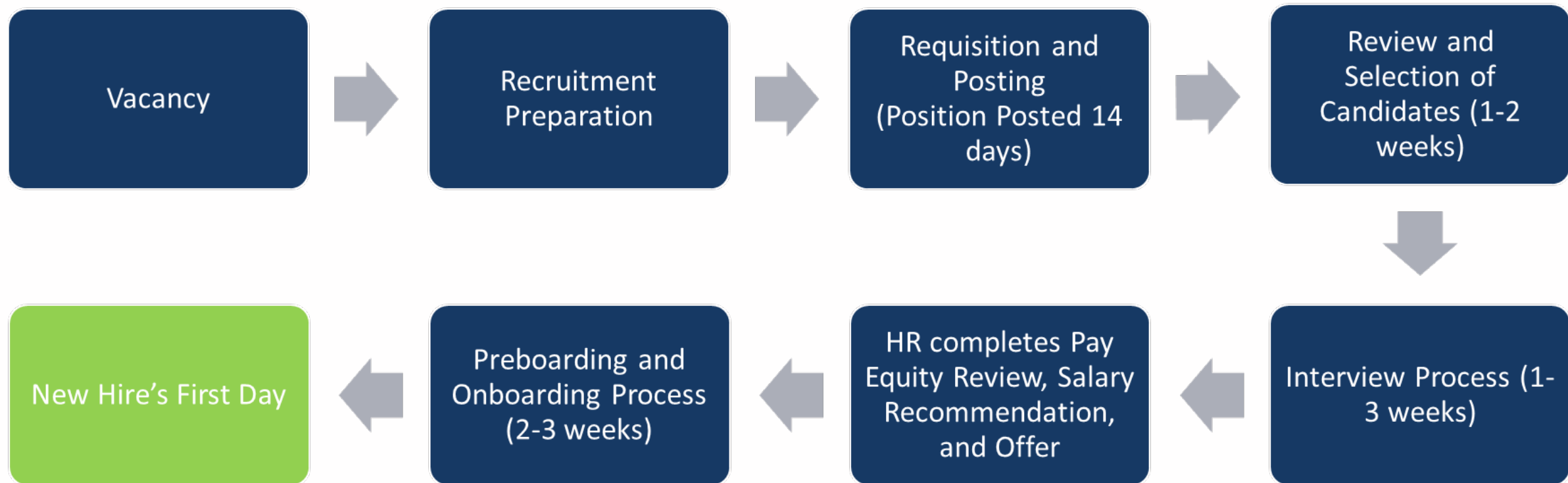
Hiring and Recruiting: Supervisor Diversity



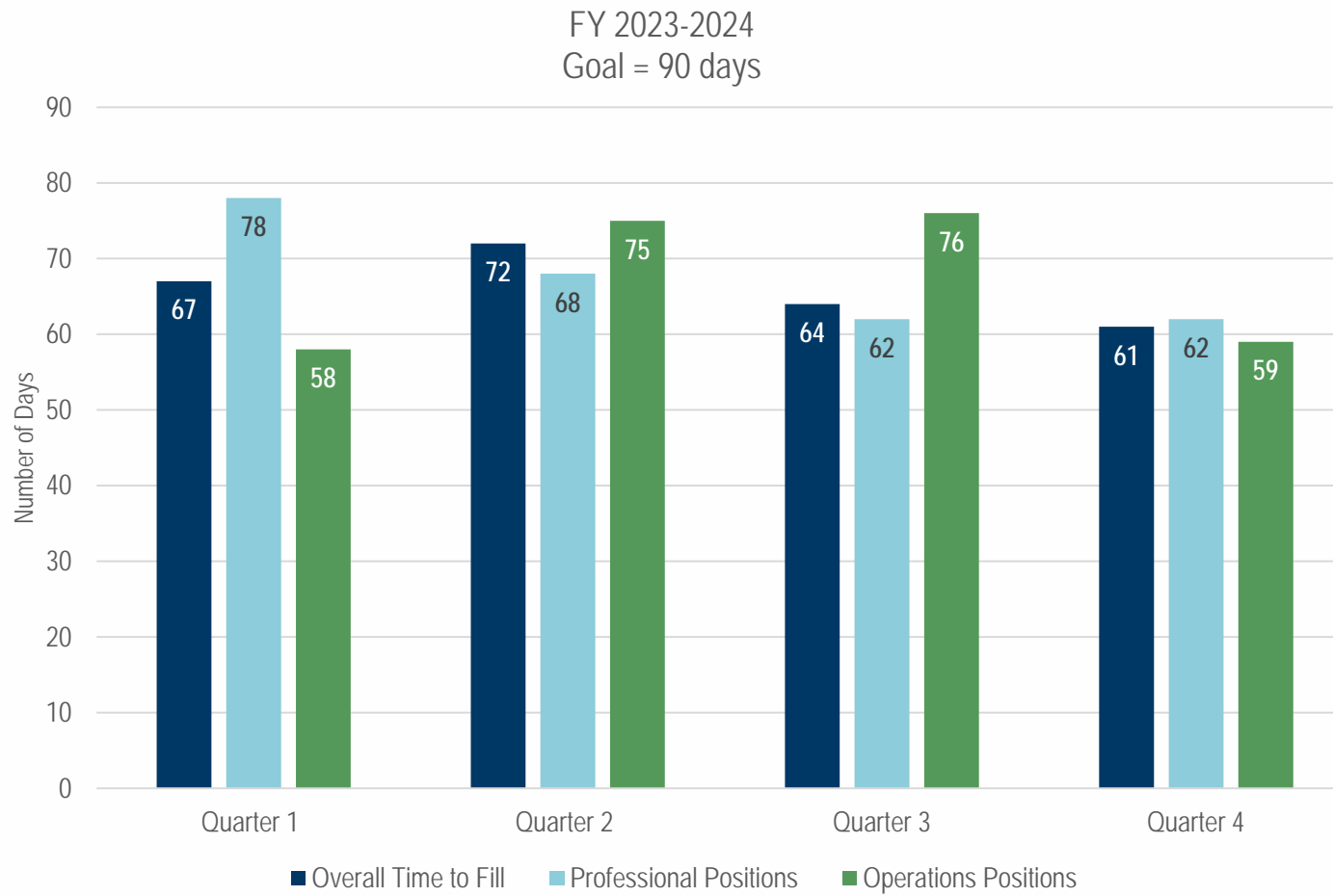
- 25% of senior leaders identify as employees of color
- Since 2019:
 - Added 17 career opportunities into supervisory positions
 - 7% increase overall, employees of color in supervisory and senior leadership positions

Recruitment Process

- The recruitment timeline takes approximately 90 days depending on many factors. Below is an example of a typical timeline:



Hiring and Recruiting: Time to Fill



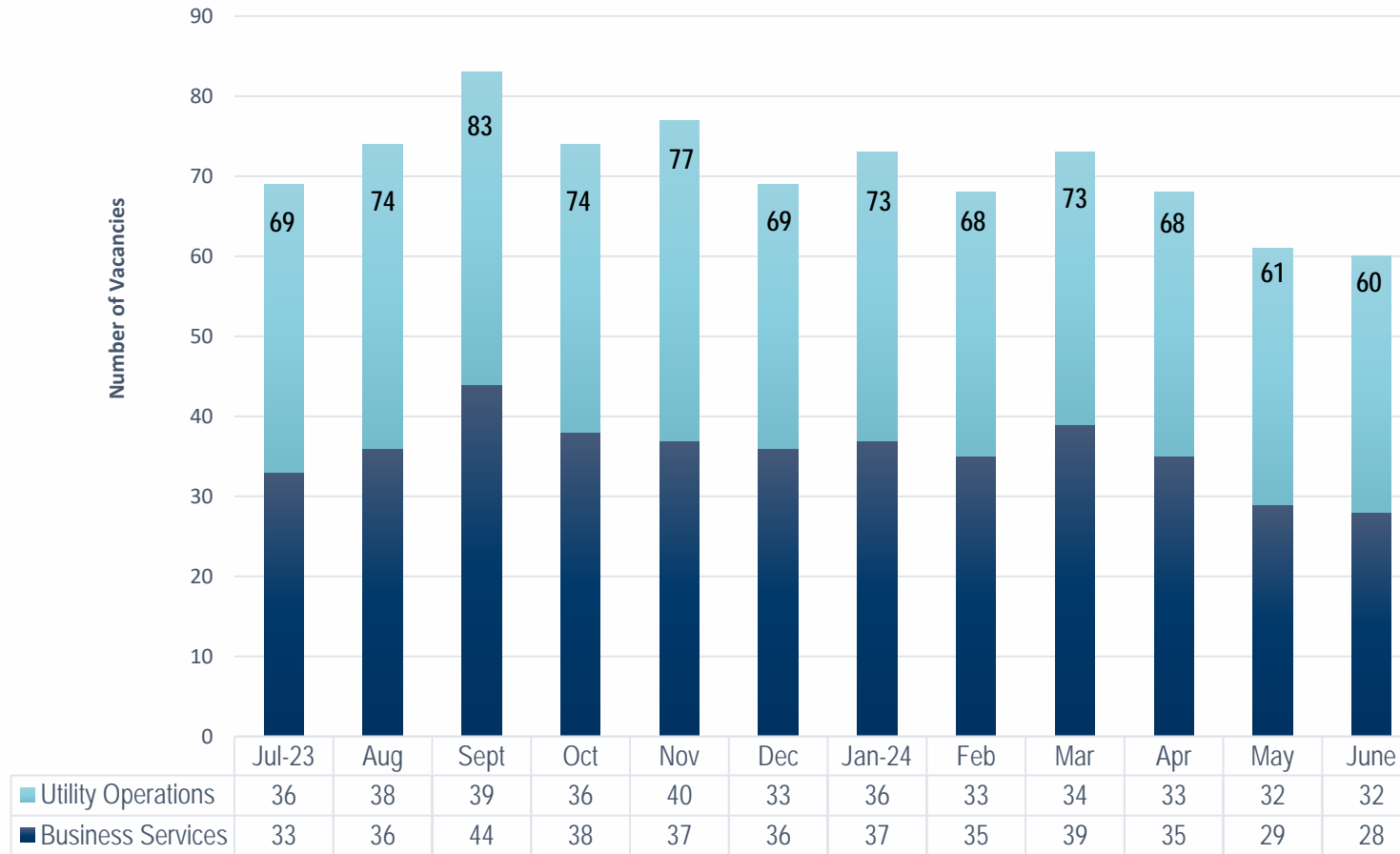
- Total applications received

- FY 2019-2021 = 1,583
- FY 2020-2021 = 1,397
- FY 2021-2022 = 1,031
- FY 2022-2023 = 1,867
- FY 2023-2024 = 2,732

- Application job boards

- Clean Water Services website
- Partners in Diversity
- US Military Pipeline
- Community college, university
- Friend
- Indeed
- LinkedIn
- Oregon Employment Department
- Community event, job fair
- Professional publications, list serv
- Other

Hiring and Recruitment: Vacant Positions

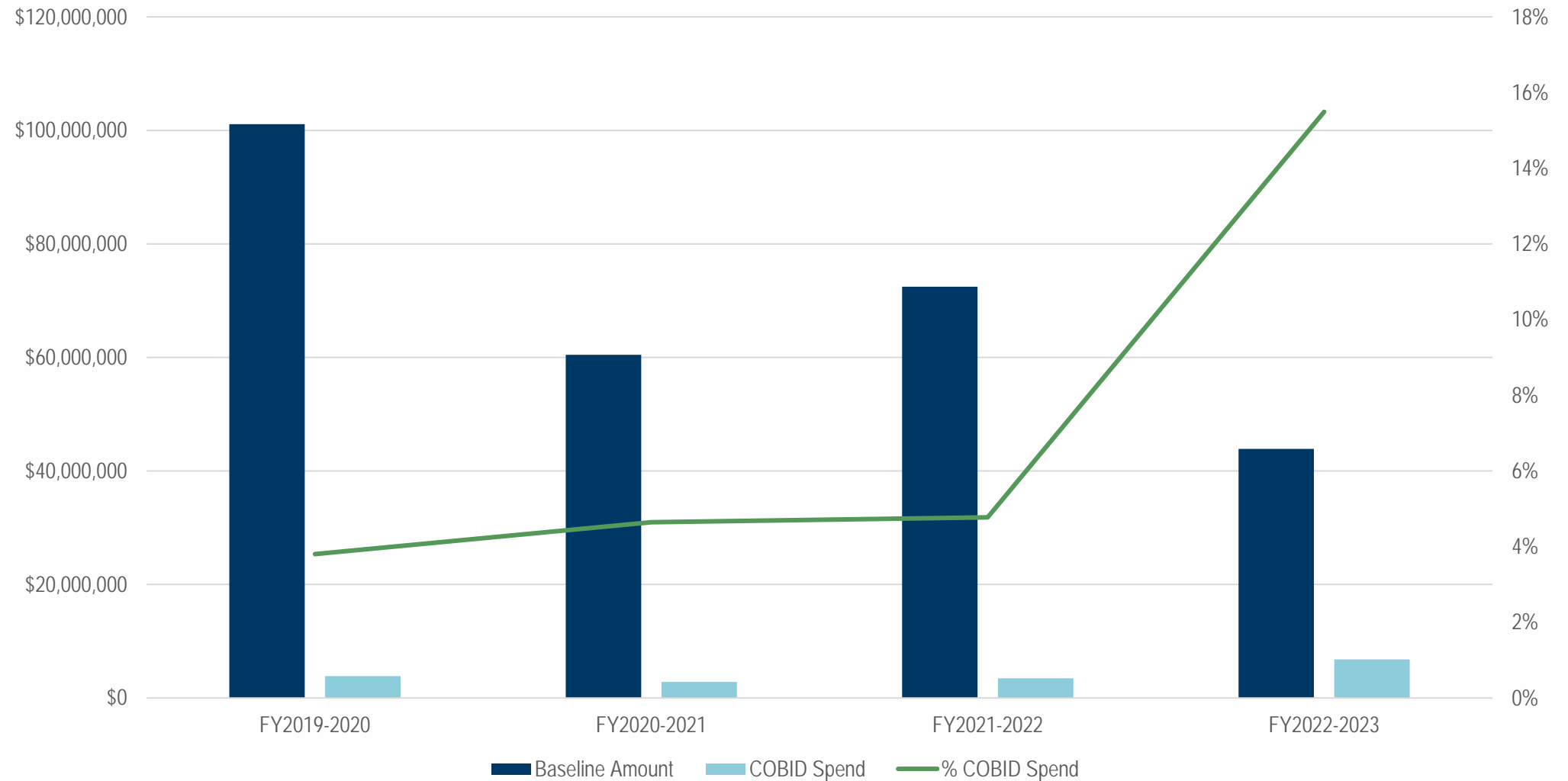


- Total hires FY23-2024
 - Regular FTE = 81
 - Temporary = 21
- Staffing level goal = 90%
 - June 2024
 - ❖ HR vacancy fill rate = 94%
 - ❖ Total staffing level = 87.6%
- Turnover
 - June 2024
 - ❖ 9.5%, 46 employees

Equity Outcome: Internships and Apprenticeships

- Pilot low-barrier training and career opportunities
 - New apprenticeship program for instrumentation technicians
 - Three positions available with supported training and career opportunities
 - Recruiting on variety of job boards
- Three types of paid internships for engineering, research, and technical trade students
- Raising profile of water sector careers for educators and students
 - Active partner in BIPOC STEAM Ecosystem project
 - ❖ (STEAM = Science, Technology, Engineering, Arts, and Math)
 - Outreach: Career fairs, teacher externships, communication about water sector career paths

Equity Outcome: Procurement



Equity Outcome: Procurement

- Fiscal Year 2023-24 highlights:
 - Learning: Revegetation management contractor engagement and research survey
 - New standard operating procedure requiring direct selection of or participation by COBID-certified businesses in Request for Quotes process
 - Continued implementation of the two-year equitable procurement plan



Next Steps

- In Fiscal Year 2024-25:
 - Support engagement work of Employee Advisory Council, employee resource groups, and other employee groups
 - Refine learning strategy; continue and develop new offerings
 - Continue to support increased vendor and employee diversity, employee belonging, equity integration
 - Provide expanded guidance for managers using Gallup tools
 - Create employee engagement around ABC relocation
- Leverage higher engagement levels to make CWS an even better place to work

Questions?





FY23-25



Culture, Equity & Learning

The CEL program develops, manages, and consults on strategies that make CWS a place where every employee can learn, grow, and thrive, and that enhance the organization's positive impact in the community. Working closely with internal teams and external partners, the program increases employee inclusion and engagement, helps remove CWS barriers to community prosperity, integrates equity considerations into our business practices, and grows CWS as a learning organization.

Goal

- Provide timely, efficient, and effective services that meet the needs of stakeholders
- Align with identified metrics

Advantage

- Executive leadership engagement and board support
- Employee interest in learning, especially in relation to career advancement and to equity,
- Strong relationships between program staff and CWS employees

Scope

- CWS workforce, board, community partners, and consultants

Value - Added

- Sustain and improve employee engagement
- Equity integration:
 - Recruitment, hiring, and retention
 - Apprenticeships and internships
 - Procurement opportunities
 - Culture and equity action
- Grow CWS as a learning organization

CWS Values

We're dedicated to the river, our communities, and each other.

We're guided by science.

We make great things happen by working and solving problems together.

Table 1: Objectives & Initiatives

Objective	Initiatives		
	FY 22-23	FY 23-24	FY 24-25
CULTURE			
	Assessment: Implement employee engagement survey		
Increase employee engagement	Create & help manage Employee Advisory Council (successor to DU)	Define the Employee Advisory Council work plan, forward action recommendations to the SAGE for implementation consideration	Implement work plan focused on building connections among individuals and groups
	Continue & enhance Passport peer-to-peer learning		
	Conduct employee engagement process to refresh CWS values	Refine Values & integrate into existing policies & programs	
Improve organization-wide employee communications	In partnership with CCE, collaborate on improved process for Pipeline content & implementation. With CCE & Digital Solutions, plan for transition to organizational intranet site	Continue planning & implementation to create organizational intranet site.	
		Support Pipeline content development	
	Develop framework for employee communication plan	Develop & implement strategic employee communication plan that emphasizes intentionality & proactivity	
		Strengthen cascading systems of communication through Business Partners and other channels	
		Create pilot process for Business Partners and supervisors' access to information for employees	
	Develop and implement tactics for CEO and SAGE connection with employees, including written messages, all-staff conversations, and more		
Improve employee experience	Provide outline of organization-wide onboarding program	Complete & systemize organization-wide onboarding	
		Implement and evaluate organization-wide onboarding experience	
Increase organization development capacity, in partnership with HR			Working with HR, assess OD needs & plan for added capacity as needed

Objective	Initiatives		
	FY 22-23	FY 23-24	FY 24-25
EQUITY			
Create & elevate spaces for belonging in CWS culture	Support initial employee resource groups (GEN and MCC)		
	Support ERG-sponsored activities		
	Conduct equity learning for staff		
			Support additional employee resource groups that form
Create processes to embed equitable strategies into CWS projects & programs	Manage Equity Lab		Evaluate and adjust equity lab
	Support & advise on equitable community & partner engagement		
		Develop equity language for incorporation into Principles of Respect	With HR, obtain EAC input and incorporate equity language into Principles of Respect
			Co-manage equity mapping process to provide evidence-based GIS data to inform projects and programs
			Co-manage naming conventions project to provide a standard equitable naming process for projects
Co-create & help report on equity metrics that align with four desired focus areas	Procurement		
	Culture, equity lens (managed by CEL)		
	Internships, apprenticeships (managed by departments)		
	Hiring, recruitment, retention (managed by HR)		
LEARNING			
Develop organizational learning program	Convene Learning Hub to design learning approach recommendation	Manage learning program development as an integrated project, weaving in different learning curriculum content as it develops	
			Develop strategy to embed, celebrate & integrate learning into CWS culture
	Offer equity learning program as the first organizational learning priority	Refine & continue equity learning program	Continue equity learning program
		Create leadership development program	Refine and continue Clean Water LEADERS program
	Align & integrate internal learning initiatives	Identify, learn & expand organizational learning priorities including project management, supervisor skills, onboarding, and leadership	

Objective	Initiatives		
	FY 22-23	FY 23-24	FY 24-25
Build staff knowledge of best people management practices	Promote supervisor use of Gallup Access tools, track action plans & work with SAGE to support		
	Launch Core Values Index tool	Offer CVI and other talent assessment trainings to new staff	

Table 2: Service Level & Performance Measures

Objective	Metric	Measure	Actual FY 22-23	Target FY 23-24	Target FY 24-25
Increase employee engagement	Performance measure	Participation in employee engagement survey	86%	80%	80%
	Performance measure	Overall employee engagement	Grandmean of 3.77	Grandmean of 3.92	TBD
	Performance measure	EAC meetings and coordinating committee meetings; EAC evaluation responses	2 EAC meetings and 2 coordinating committee meetings	60% positive evaluation responses for EAC meetings	<ul style="list-style-type: none"> • 70% positive evaluation responses for EAC meetings. • Completed annual report for SAGE.
	Performance measure	Org. Values focus groups and participation	8 focus groups, over 90 employees participate. 50% of employees respond to all staff survey	* Values approved by SAGE, tested with BP and EAC * Values roll out to employees occurs in Fall * Values integration plan discussion occurs with SAGE	Values used in four significant ways in ongoing CWS culture
	Performance measure	Improve new employee experience			Implement three cohorts for organizational onboarding

Objective	Metric	Measure	Actual FY 22-23	Target FY 23-24	Target FY 24-25
Create & elevate spaces for belonging in CWS culture	Performance measure	Number of ERG- sponsored events in fiscal year	4	4	5
	Performance measure	Equity Lab meetings	4	4	3
	Service level	Equity learning: Workforce participation	50%	*Equity learning offered to supervisors at All Leaders meeting *Equity learning incorporated into SAGE learning agendas	• Three optional equity learning workshops offered to all staff. • One equity learning session provided as part of Clean Water LEADERS program.
Build staff knowledge of best people management practices	Performance measure	Gallup access utilization	80% of teams create action plans	90% of teams create action plans	Gallup survey results included as key discussion topic in one Business Partners meeting and one All Leaders meeting
	Performance measure	Core Values Index utilization	90% of workforce completes assessment and workshop training	2 workshops offered for new employees	• 2 workshops offered to new employees about self-assessment. • Evaluate employee sentiment related to CVI learning. Include alternate talent assessment tool if needed.

Objective	Metric	Measure	Actual FY 22-23	Target FY 23-24	Target FY 24-25
Develop organizational learning program	Service level	Learning Hub recommendation	SAGE approves Learning Hub recommendations & endorses next steps	CWS staff implements Learning Hub recommendations by offering: *Leadership development cohort (1-multiple months) *Project management basic training (1- Laura Porter) *Supervisor training-designed/ offered by HR *Onboarding experience (1-multiple months)	2 Clean Water LEADERS cohorts completed in calendar year. Strategy developed and approved by learning team and sponsors for future learning priorities.

DISCUSSION PAPER

Financing Options for Private Property Owners to Connect to Clean Water Services' Sanitary Sewer System

This discussion paper provides background and current practices for financing private property owners' connections to the Clean Water Services (CWS) sanitary sewer system for housing projects.

HISTORY

At the request of residential property owners, CWS will finance the cost of connecting to the sanitary sewer system. State regulations allow CWS to bond fund these projects and fund the debt principal and interest payments through payment agreements with the property owner.

CWS finances these agreements instead of selling Bancroft bonds. By financing internally, property owners can finance loans with better terms and interest rates and CWS receives interest and administrative fees when processing the loan. CWS does not have to issue debt or be responsible for principal and interest payments on debt if the property owner defaults on the loan.

CWS does not offer any program to waive System Development Charges (SDCs).

DEFINITIONS

Bancroft Bonding Act: Statutory requirement that allows buyers of homes or multifamily dwellings to finance SDCs as an alternative to absorbing those charges into the long-term permanent financing of the homes.

Benefited property owners: Residents who own land adjacent to a local improvement and can connect to, or be served by, the improvement.

Local Improvement District (LID): At the request of interested property owners, CWS will help construct local sanitary sewer system improvements by forming Local Improvement Districts. Assessments paid by benefited property owners ultimately fund the costs of construction.

Private Lateral Connection: CWS may finance the cost of private plumbing modifications necessary to convert from an onsite septic system to public sewer service. The property owner contracts for the work to be completed and pays the contractor directly. Upon proof of payment, CWS will reimburse up to a limit defined in the Rates & Charges and enter into a financing agreement with the property owner to repay the costs.

Reimbursement District (RD): Establishes the means to reimburse CWS or a developer who finances the construction of a sanitary sewer improvement in whole or in part for the cost of those improvements that benefit other parties.

Assessments paid by benefited property owners ultimately fund the costs of construction.

System Development Charge (SDC): New customers must pay an SDC when connecting for the first time to CWS wastewater collection and treatment systems.

LEGAL AUTHORITY

CWS allows private property owners to finance residential property connections under the following regulatory authority:

- Oregon Revised Statute (ORS) 223.205 to 223.295: Financing local improvements (Bancroft Bonding Act)
 - Residential property owners
 - Also allowed (ORS.223.212): Educational, religious, fraternal, or charitable organizations and public corporations.
- ORS 223.505 to ORS 223.650: Methods of enforcing liens and collecting assessments.
- CWS Ordinance 28: Sanitary sewer System Development Charges
- CWS Ordinance 35 & 44: Private plumbing connections
- CWS Ordinance 35 & 44: Local Improvement Districts
- CWS Ordinance 41 & 43: Reimbursement Districts

TYPES OF PROPERTY ALLOWED TO FINANCE

CWS' ordinances allow it to finance housing for private residential properties. CWS allows financing for single-family, multifamily, and transitional housing residential uses.

LOAN TERMS EXTENDED BY CWS

- 10-year loans
- Paid semiannually
- Interest rate based on Oregon bond index + 2% administration fee

CWS FINANCIAL IMPACTS

The private property owner enters into a financing agreement with CWS. When a financing agreement is signed, CWS puts a lien on the property to secure payment of principal and accrued interest if the title transfers on the property.

CWS bills the customer twice a year for principal and interest payments due. Payments are received by CWS and applied to the property owner's account.

CWS has 26 active financing agreements. The schedule of principal receivable and accrued interest as of June 30, 2023, is summarized as follows:

LID	\$185,640.79
SDC	\$311,594.82
Private plumbing connection	\$1,091.95
Total	\$498,327.56

Figure 1 shows the trend of the finance agreements for 2009 through 2023. The average balance financed over this period is \$351,200. Historically CWS has mainly financed LID projects. LID assessments tend to be large dollar investments for the property owner. Since the passage of the Metro Affordable Housing levy in 2021, the Metro area has seen an increase in affordable housing construction. In 2023 CWS saw an increase in SDC financing agreements with low-income, multiunit, transitional housing.

FIGURE 1: TREND OF FINANCED CONNECTIONS

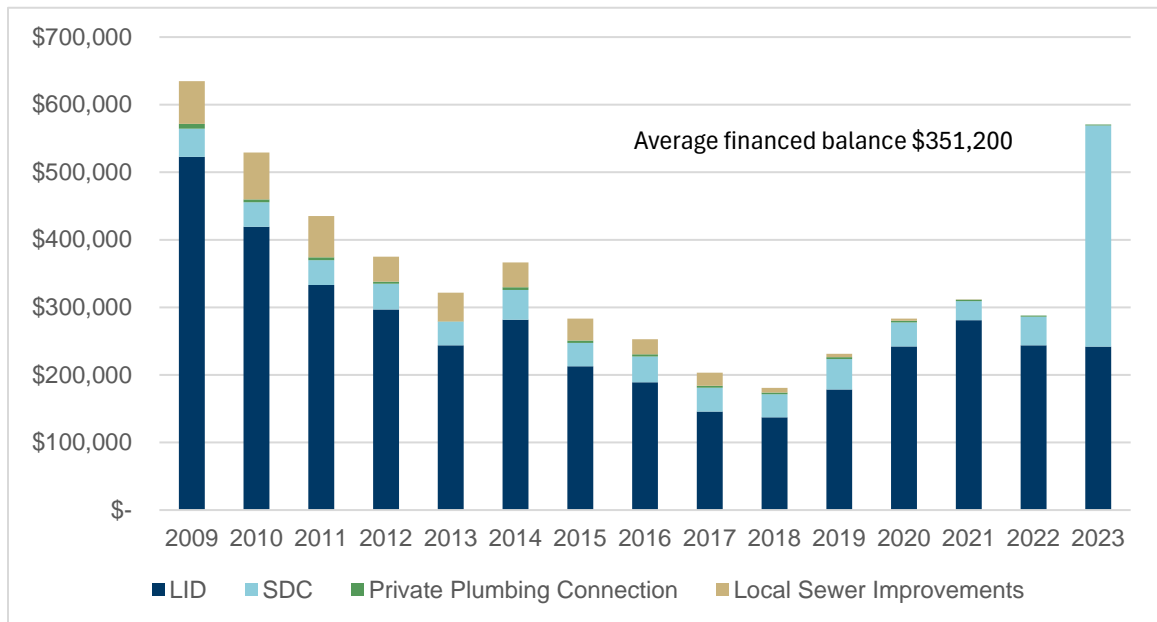


Figure 2 shows the historical trend of the interest and administrative fees charged by CWS under these financing agreements. The average annual finance charge is 4.79%. This yield is favorable to CWS when compared to the Local Government Investment Pool average yield earned by CWS over the past 10 years at 1.54%.

FIGURE 2: TREND OF INTEREST RATES & ADMIN FEES ASSESSED

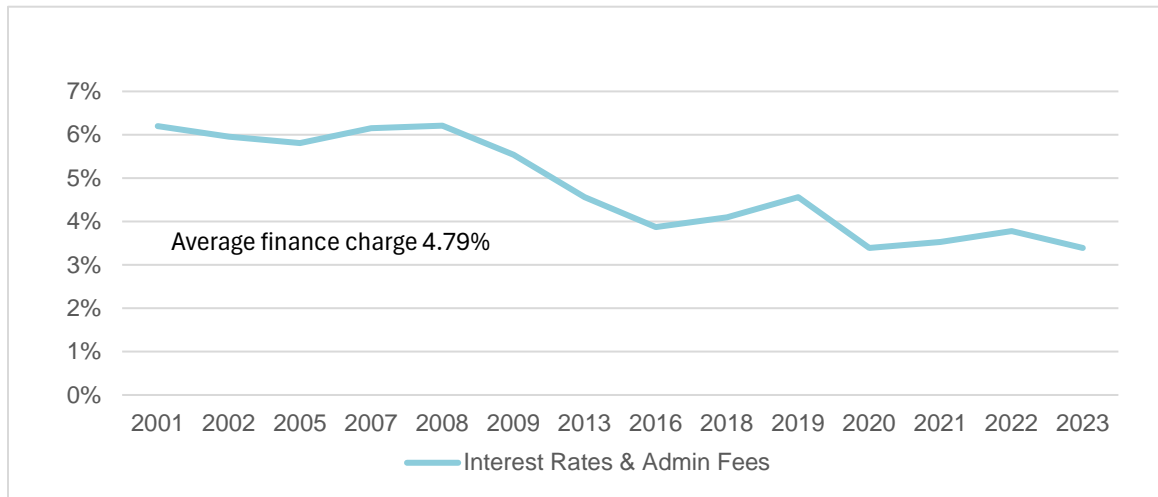
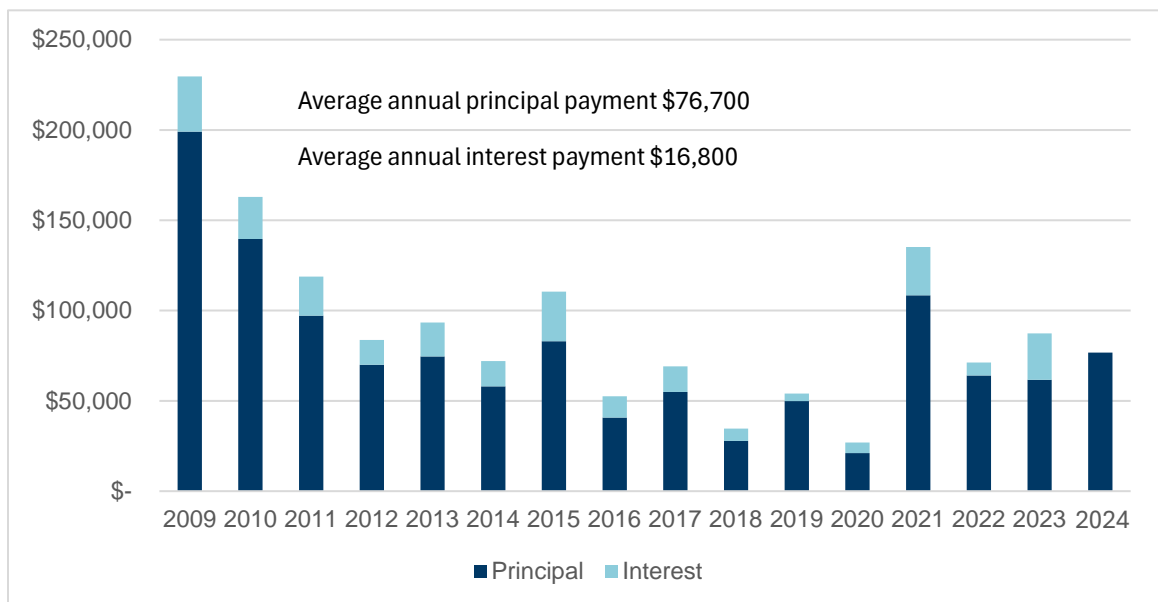


Figure 3 shows the trend of principal and interest payments. The average annual principal payment totals \$76,700 and the average interest payment totals \$16,800.

FIGURE 3: TREND OF PRINCIPAL & INTEREST PAYMENTS



DEVELOPER REQUESTS OF CWS

With the passage of the Metro Affordable Housing levy, the Metro area has seen an increase in affordable housing construction. Nonprofit developers have asked local governments — including CWS — for help funding affordable housing projects and options to reduce the cost of financing SDC fees during construction. CWS has been asked to defer the payment of connection fees until occupancy, to enter into financing agreements, and to waive a portion or all fees for affordable housing development. The Affordable Housing levy expires in 2030.

PROGRAMS FOR OTHER AGENCIES

Other agencies are considering similar requests. Table 1 compares the terms used by CWS with the seven cities in the CWS service area that receive regional-only services; Table 2 compares the metrics against four nearby cities. Not all cities have provided current data.

TABLE 1: CWS AND CITIES THAT RECEIVE REGIONAL-ONLY SERVICES

	Allow sanitary SDC installment	Customer class	Term	Annual interest rate	First lien	Application fee	% prepaid	Current balance financed
Clean Water Services	Y	SF, MF	10 years / 20 payments	Oregon 10-year bond rate AA + 2%	Y	N	N	\$498,300
Hillsboro	Y	SF, MF	10 years / 20 payments	10-year avg T-note + 2%	Y	N	15%	\$230,500
Beaverton	-	-	-	-	-	-	-	-
Tigard	Y	SF	10 years/ 20 payments	Prime + 4%	Y	N	N	\$15,000
Tualatin	Y	SF, MF	10 years / 20 payments	Set by City Council	Y	N	5-15%	\$0
Forest Grove	Y	SF, MF	10 year / 20 payments (shorter options available)	10-year T-bill rate + 2%	Y	N	15%	\$137,918 (may include some City sewer connection charges)
Cornelius	Y	SF, MF	10 years / 20 payments	N/A	Y	N	N	\$0
Sherwood	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SF = single family, MF = multifamily, COM = commercial, IND = industrial

TABLE 2: CWS AND NEARBY CITIES

	Allow sanitary SDC installment	Customer class	Term	Annual interest rate	First lien	Application fee	% prepaid	Current balance financed
Clean Water Services	Y	SF, MF	10 years / 20 payments	Oregon 10-year bond rate AA + 2%	Y	N	N	\$498,300
Salem	Y	SF, MF, COM, IND	10 years/ 20 payments	9.5%	Y	\$103	N	\$1,477,900
Bend	-	-	-	-	-	-	-	-
Gresham	-	-	-	-	-	-	-	-
Portland	Y	SF, MF, COM, IND	5/10/20 years	6.2%	Y	N	N	-

SF = single family, MF = multifamily, COM = commercial, IND = industrial

MONITORING NEED FOR AFFORDABLE HOUSING FINANCING

The state Housing Production Advisory Council developed recommendations to facilitate and promote affordable housing development and sent them to the governor. SDC reform could be a topic in the next legislative session. CWS will monitor these and related legislative items in the upcoming session and look for ways to support adequate funding of infrastructure investments to bolster new affordable housing development.

CWS will monitor the demand to use affordable housing financing tools and report the metrics to the Board.

BOARD CONSIDERATIONS

- Would the Board like to receive regular updates on financing and potential affordable housing needs and requests to support those needs?
- Are there any other considerations you would like CWS to research?

Affordable Housing SDC Financing Tools

Kathleen Leader, Chief Financial Officer



Presentation Overview

- History
- Legal authority
- Financial impacts
- Developer requests
- Risk and exposure
- Board considerations



History of Financing

- CWS finances the cost to connect to sanitary sewer system for residential properties
 - At request of property owner
 - CWS finances instead of selling Bancroft bonds
 - ❖ Property owners get better terms and interest rates
 - ❖ CWS receives interest and administrative fees
 - ❖ CWS not responsible for payments on debt if property owner is in default on loan
 - Fund debt principal and interest payments through agreements with property owner
 - Administer finance agreements internally
- No current program to waive System Development Charges (SDC)

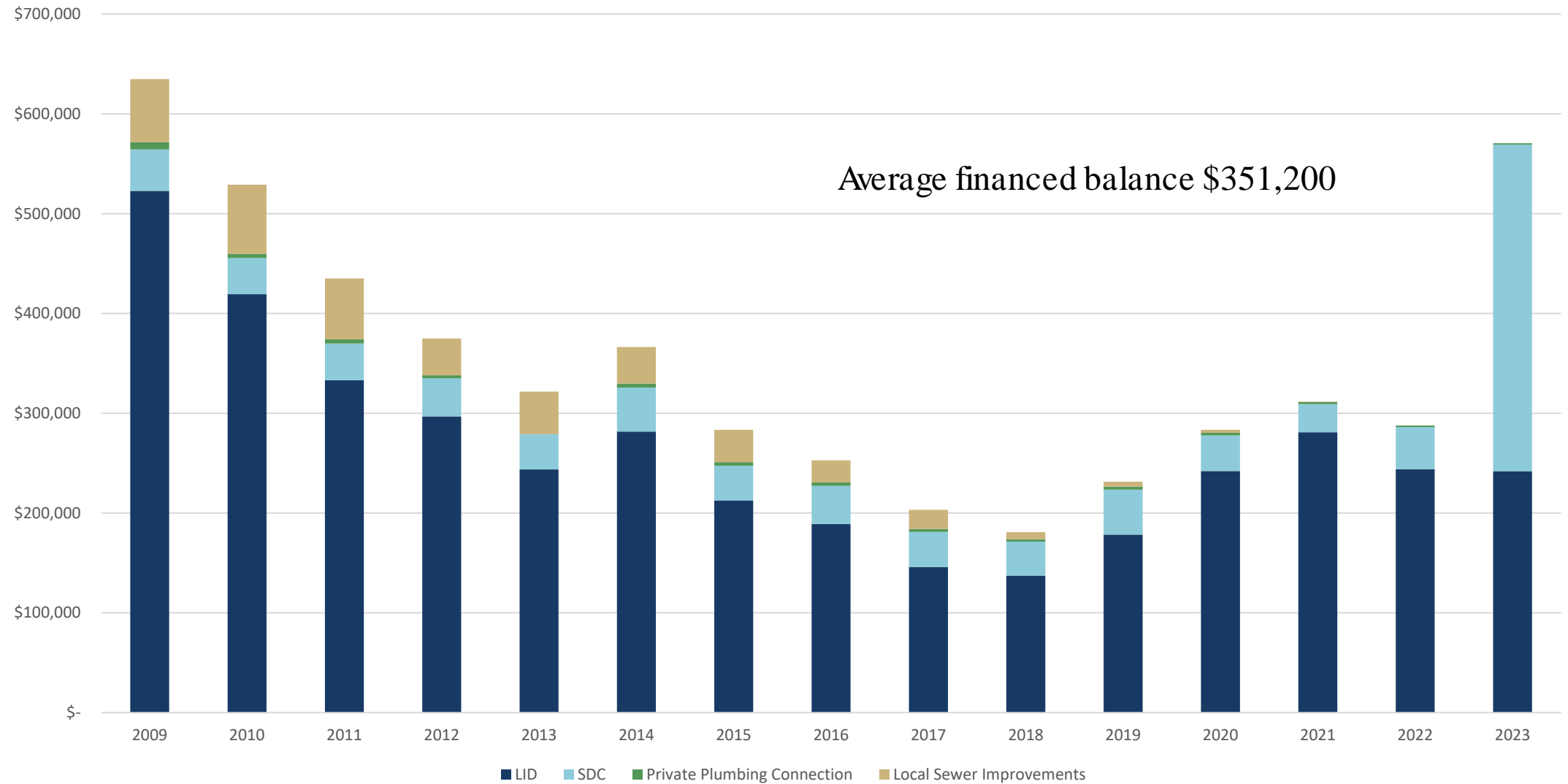


Legal Authority

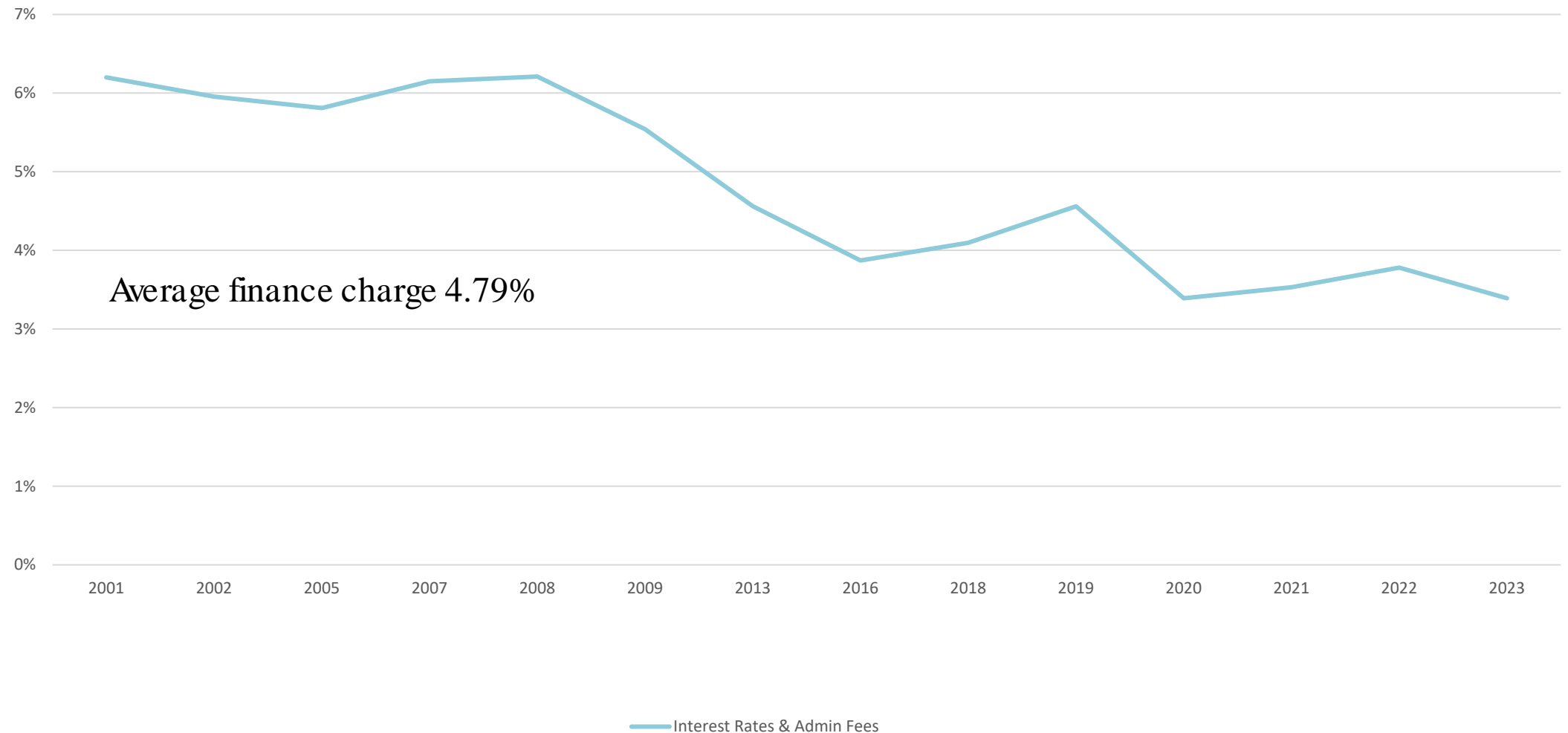
- CWS can allow property owners to finance residential property connections under regulatory authority
 - Oregon Revised Statute (ORS) 223.205 to 223.295: Financing local improvements (Bancroft Bonding Act)
 - ORS 223.505 to ORS 223.650: Methods of enforcing liens and collecting assessments
 - CWS ordinances
 - ❖ 28: Sanitary sewer SDCs
 - ❖ 35 & 44: Private plumbing connections
 - ❖ 35 & 44: Local Improvement Districts
 - ❖ 41 & 43: Reimbursement Districts



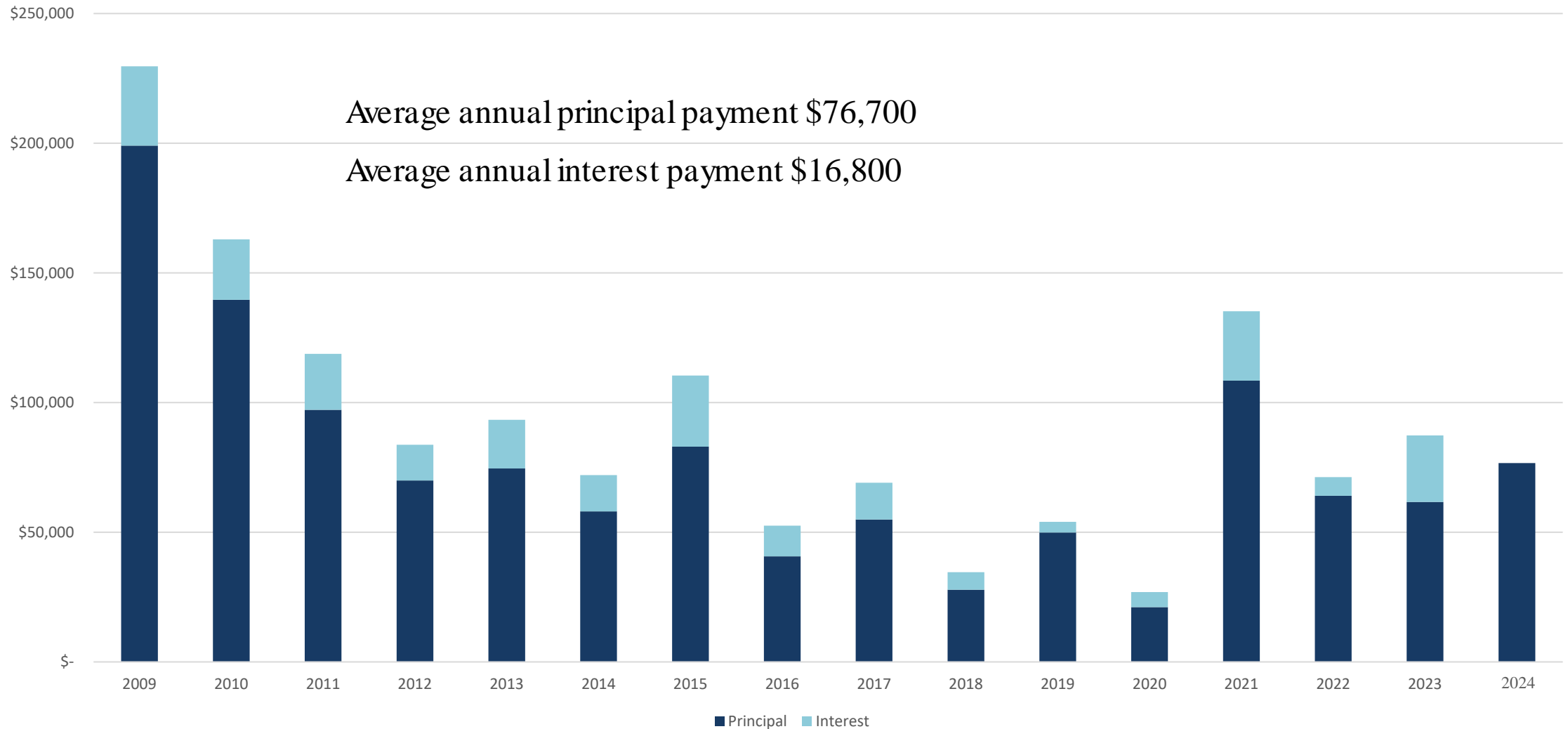
Trend of Financed Connections



Trend of Interest Rates & Administrative Fees Assessed



Trend of Principal and Interest Payments



Compared to Cities That Receive Regional-Only Services

	Sanitary SDC installment	Customer class	Term	Annual interest rate	First lien	Application fee	% prepaid	Current balance financed
Clean Water Services	Y	SF, MF	10 years / 20 payments	Oregon 10-year bond rate AA + 2%	Y	N	N	\$498,300
Hillsboro	Y	SF, MF	10 years / 20 payments	10-year avg T-note + 2%	Y	N	15%	\$230,500
Beaverton	-	-	-	-	-	-	-	-
Tigard	Y	SF	10 years / 20 payments	Prime + 4%	Y	N	N	\$15,000
Tualatin	Y	SF, MF	10 years / 20 payments	Set by City Council	Y	N	5-15%	\$0
Forest Grove	Y	SF, MF	10 year / 20 payments (shorter available)	10-year T-bill rate + 2%	Y	N	15%	\$137,918 (may include City sewer connection charges)
Cornelius	Y	SF, MF	10 years / 20 payments	N/A	Y	N	N	\$0
Sherwood	N	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SF = single family, MF = multifamily, COM = commercial, IND = industrial

Compared to Nearby Cities

	Sanitary SDC installment	Customer class	Term	Annual interest rate	First lien	Application fee	% prepaid	Current balance financed
Clean Water Services	Y	SF, MF	10 years / 20 payments	Oregon 10-year bond rate AA + 2%	Y	N	N	\$498,300
Salem	Y	SF, MF, COM, IND	10 years / 20 payments	9.5%	Y	\$103	N	\$1,477,900
Bend	-	-	-	-	-	-	-	-
Gresham	-	-	-	-	-	-	-	-
Portland	Y	SF, MF, COM, IND	5/10/20 years	6.2%	Y	N	N	-

SF = single family, MF = multifamily, COM = commercial, IND = industrial

Affordable Housing SDC Financing Tools

- CWS supports affordable housing projects by financing utility connection fees
 - Upon request, provide financing agreements for utility development fees
 - Option to defer the first payment for financing agreement until occupancy (interest accrues)



The Opal Apartments

Monitoring Need for Affordable Housing Financing

- Metro Affordable Housing levy increased demand to construct affordable housing
- Nonprofit developers are asking for help to develop projects at lower cost
- State Housing Production Advisory Council sent recommendations to governor
 - SDC reform could be topic in next legislative session
- CWS will monitor demand to use affordable housing financing tools and report metrics to Board



Total Regulated Affordable Units

Units Permitted

City	2018	2019	2020	2021	2022	2023
Beaverton	6	0	54	0	0	825
Cornelius	0	0	0	0	113	81
F. Grove	0	0	0	39	0	71
Hillsboro *	120	0	0	8	150	n/a
Sherwood	0	0	0	0	0	80
Tigard *	0	312	81	144	58	n/a
Tualatin	0	0	0	0	0	90
Wash Co.	n/a	n/a	n/a	n/a	n/a	n/a
Total	126	312	135	191	321	1,147

Units Produced

City	2018	2019	2020	2021	2022	2023	2024
Beaverton	3	0	0	0	75	725	-
Cornelius	0	45	0	0	0	71	-
F. Grove	0	0	0	0	36	102	-
Hillsboro *	52	0	0	8	0	n/a	-
Sherwood	0	0	0	0	0	53	-
Tigard *	0	0	0	264	81	n/a	-
Tualatin	0	0	0	0	0	26	-
Wash Co.	n/a	6	0	0	0	0	136
Total	55	45	0	264	192	977	136

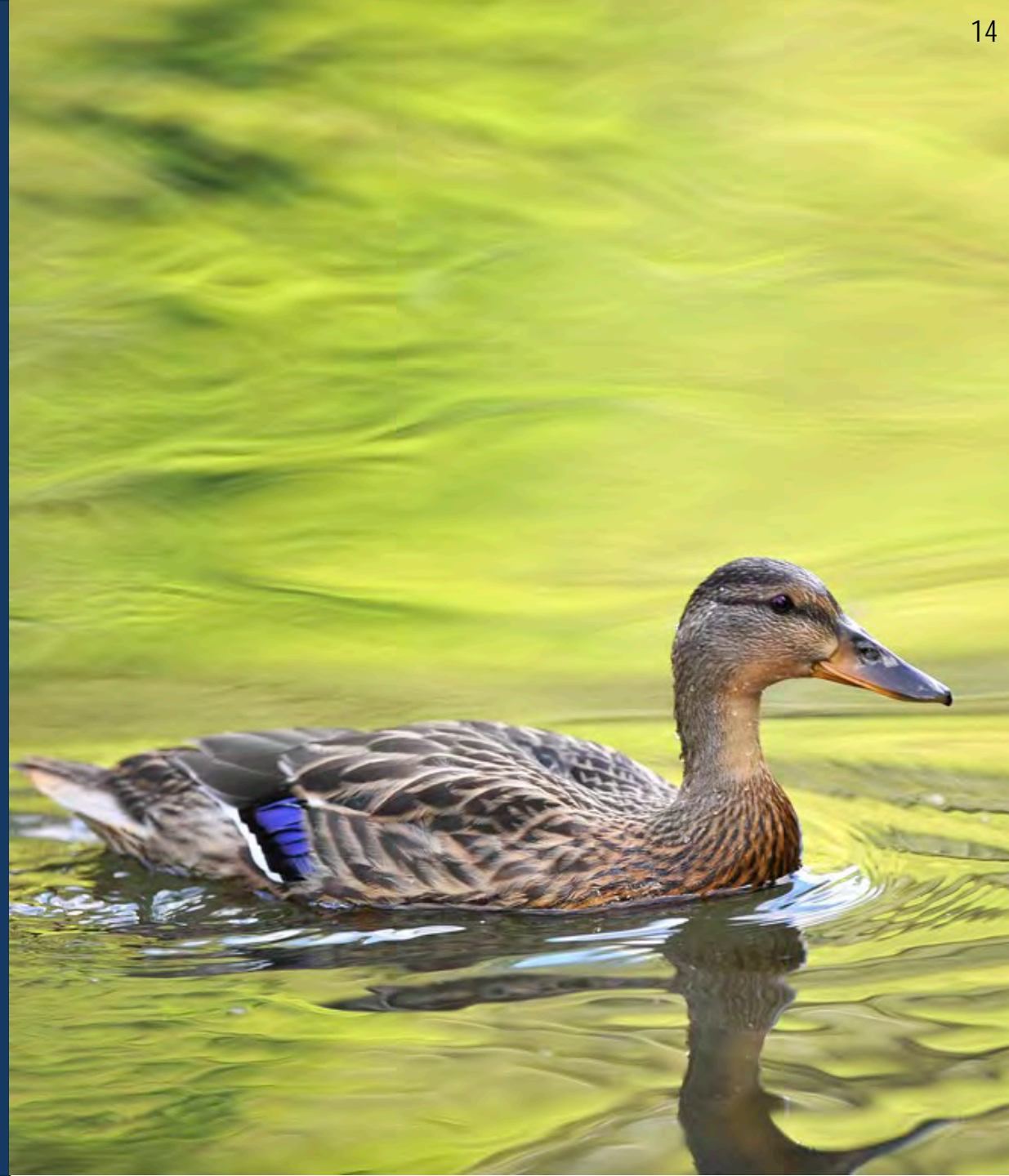
* City has not submitted report for 2023

Board Considerations

- Would the Board like to receive regular updates on financing and potential affordable housing needs and requests to support those needs?
- Are there any other considerations you would like CWS to research?



Questions?



Building Tour and Naming Discussion

- Jamie Waltz,
Business Practice Leader 2
- Perry Sunderland,
Treatment Plant Services Division
Manager
- Marc Franck,
Building & Facilities Services Manager
- Ely O'Connor,
Education & Outreach Manager
- Jessica Bucciarelli,
Employee Engagement Coordinator



DISCUSSION PAPER

CLEAN WATER SERVICES GOVERNANCE 201: FINANCIAL REPORTING

During the Board Learning session on February 8, 2024, Clean Water Services (CWS) staff presented Governance 101 and provided an overview of Oregon Revised Statute (ORS) Chapter 451 establishing the creation and requirements for county service districts. At that presentation, CWS staff also described the services provided by the Unified Sewage Agency (USA) starting in 1970 and evolving to the current programs provided as CWS, in accordance with ORS 451.

In summary, pursuant to ORS 451, CWS performs its duties as a county service district for master planning and construction of critical water and stormwater infrastructure (pumps, pipes, and treatment facilities), and operates and maintains the associated infrastructure. CWS also has the additional responsibility to meet federal Clean Water Act and state environmental water quality regulations.

This paper expands the governance discussion on whether CWS should continue to be financially defined as a “component unit” of Washington County and the legal implications of CWS being defined as such.

LEGAL CONTROL

Generally, an organization has separate legal standing if it is created as a “body corporate” or a “body corporate and politic,” or if it otherwise possesses the corporate powers that would distinguish it as being legally separate from the primary government. Corporate powers give an organization the capacity to have a name; the right to sue and be sued in its own name without recourse to a state or local governmental unit; and the right to buy, sell, lease, and mortgage property in its own name. The corporate powers granted to a separate organization are enumerated in its corporate charter or the legislation authorizing its creation.

CWS and Washington County are legally separate, fiscally independent entities. Legal counsel, executive, and finance staff for both organizations agree:

1. Neither organization can legally take the assets or cash reserves of the other to meet its own financial obligations.
2. Neither organization is legally responsible for covering the liabilities or losses of the other governmental entity.
3. Neither organization can set the rates and fees or budget appropriation for the other governmental entity.

4. The Board of County Commissioners is elected by constituents of Washington County and serves independently on the Board of County Commissioners and the Board of Clean Water Services. Board members have independent fiduciary obligations to each entity.

OVERVIEW OF THE BOARD OF CLEAN WATER SERVICES

CWS is a county special district formed under/by ORS 451. The elected Washington County Board members are automatically appointed to the CWS Board of Directors by holding the elected office of Washington County Commissioner.

Of significance, however, the actions taken and policies implemented by the Board of Clean Water Services are distinct from the Washington County Commissioners. Board members are obligated to meet their respective independent fiduciary duties when acting on behalf of Washington County and/or on behalf of CWS as separate entities.

When USA was established, Washington County provided most if not all administrative business services to USA, including:

- Legal services
- Human resource services
- Financial services (including all banking and treasury services, as well as issuing loans for residential customers to finance assessments and Systems Development Charges through Washington County Department of Assessment and Taxation)
- Motor pool and building maintenance
- Office space

As CWS matured, it gradually provided all its own business services. Currently, CWS coordinates with Washington County on the following joint business processes:

1. **Work sessions and Board meetings.**
For Board meeting efficiency, joint meetings are convened for the Board work session and business meeting as the Board of County Commissioners and as the Board of Clean Water Services with separate resolutions, public hearings, and actions.
2. **Coordinated legislative agendas.**
CWS has a separate legislative agenda and works in collaboration with

the Washington County Government Relations team for coordinated government relations representation at the Oregon Legislature.

3. Financial Reporting and Audit Committee.

CWS is currently designated as a “component unit” of Washington County and is discretely presented in the Annual Comprehensive Financial Report for Washington County. The County convenes an audit committee meeting and CWS participates in the audit committee meeting as a “component unit.”

Washington County no longer provides the treasury services for CWS, and it is timely to discuss item 3 - Financial Reporting, specifically the component unit designation and whether CWS should have its own audit committee. ¹

FINANCIAL REPORTING AND COMPONENT UNIT DESIGNATION

The applicable standards governing when one government is a component unit of another government are: Governmental Accounting Standards Board (GASB) codification of pronouncements (Statement No. 14, The Financial Reporting Entity; Statement No. 39, Determining Whether Certain Organizations Are Component Units; and Statement No. 61, The Financial Reporting Entity: Omnibus), implementation guides, and nonauthoritative discussions. Appendix A has the definitions related to GASB terminology. Appendix B has the specific applicable GASB pronouncements.

CWS has been reported in the Annual Comprehensive Financial Report for Washington County as a discretely presented component unit since its inception. Previously, Washington County provided all treasury services for CWS and the funds of CWS were intertwined with Washington County’s funds in a singly managed investment pool. This is no longer the case. CWS operates an independent treasury and all funds previously held by Washington County treasury were transferred to CWS.

¹ For Board business efficiency, under items 1 and 2, the Board convenes as the Board of Washington County Commissioners and as the Board of Clean Water Services. During the joint meeting, the Board of Clean Water Services makes independent approvals and adopts actions on the legislative agenda, CWS budget, fees and charges, assessments, pay plan, union negotiation ratification, risk and insurance, service territory annexation, procurements, and other policies specific to CWS operations.

GASB 39, paragraph 40a, states that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if **all** of the following criteria are met:

1. The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to or has the ability otherwise access, are significant to that primary government.

GASB states that a primary government's ability to "otherwise access a majority of the economic resources received" may be demonstrated by the primary government or its other component units historically receiving, directly or indirectly, a majority of the economic resources provided by the organization. Other examples of "otherwise accessing" include when an organization previously may have received and honored requests to provide resources to the primary government, or the organization is a financially interrelated organization as defined by FASB Statement No. 136, Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others.

As of June 30, 2022, CWS operates an independent treasury and Washington County does not hold any CWS economic resources. The resources benefit the service area, which includes the constituents of Washington County and constituents of Multnomah and Clackamas counties by intergovernmental agreement.

GASB states that organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. Since Washington County no longer provides treasury services for CWS, there is no financial integration. Washington County is not entitled to access CWS resources. All the required GASB financial criterion are not met, so the current practice of reporting CWS as a discretely presented component unit in the Washington County financial statements should be examined. It is a matter of professional judgment to determine whether the nature and

significance of a potential component unit's relationship with the primary government warrants inclusion in the reporting entity.

REVIEW OF COMPONENT UNIT DESIGNATION

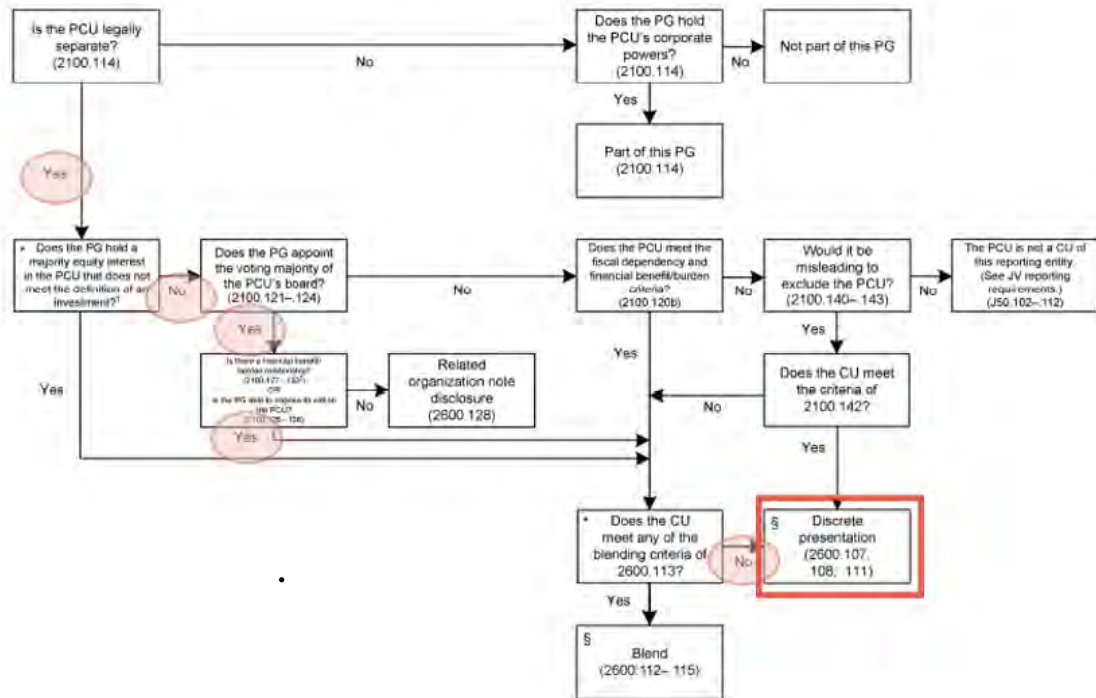
Since inception, CWS has been audited as a separate entity. Through 2008, CWS used the same auditor as Washington County. In 2009, CWS and Washington County did a joint Request for Proposal (RFP) with CWS selecting a different audit firm (Merina & Company) than the County (TKW). After the five-year contract ended with Merina & Company, CWS issued a separate RFP and selected Moss Adams. This firm is the current independent financial auditor for CWS. TKW is the independent financial auditor for Washington County and has different requirements for Washington County based on the County operations.

Currently, the financial reporting of CWS' assets and liabilities is discretely presented in Washington County's overall financial reporting. Financial reporting should provide an accurate representation for the public, elected officials and Boards, financial institutions, and bond rating agencies to understand the financial condition of an organization. Inclusion of CWS assets and liabilities in the County's financial reporting is not a valid impression of the County economic resources because CWS is separately managed and operated with rates and fees specifically for wastewater and stormwater services. The fact that CWS operates an independent treasury and the funds of CWS are no longer held by and intertwined in an investment pool or managed by Washington County is significant.

TKW concluded that CWS is a component unit of Washington County based on the flow chart below (Figure 1). The critical decision on whether CWS is a related organization or a component unit for purposes of GASB rests on whether (1) Washington County has a relationship of financial benefit or burden with CWS, and (2) that the primary government (Washington County Board) can impose its will on CWS. Neither decision can be answered in the affirmative regarding Washington County and CWS, therefore CWS respectfully disagrees with TKW's conclusion.

Figure 1: Is There a Financial Benefit/Burden Relationship?

TRK Determination: Yes



Statement No. 14, The Financial Reporting Entity: Appendix B4-6

RELATED ORGANIZATION DETERMINATION

CWS does not qualify as a primary government because it does not have a separately elected governing body. Rather, election as a Washington County Commissioner also determines service on the Board of Clean Water Services. While this likely satisfies the definition of primary government “appoints voting majority of the organization’s governing body,” the two significant financial accountability tests related to imposition of will and financial benefit/burden are not met for the following reasons:

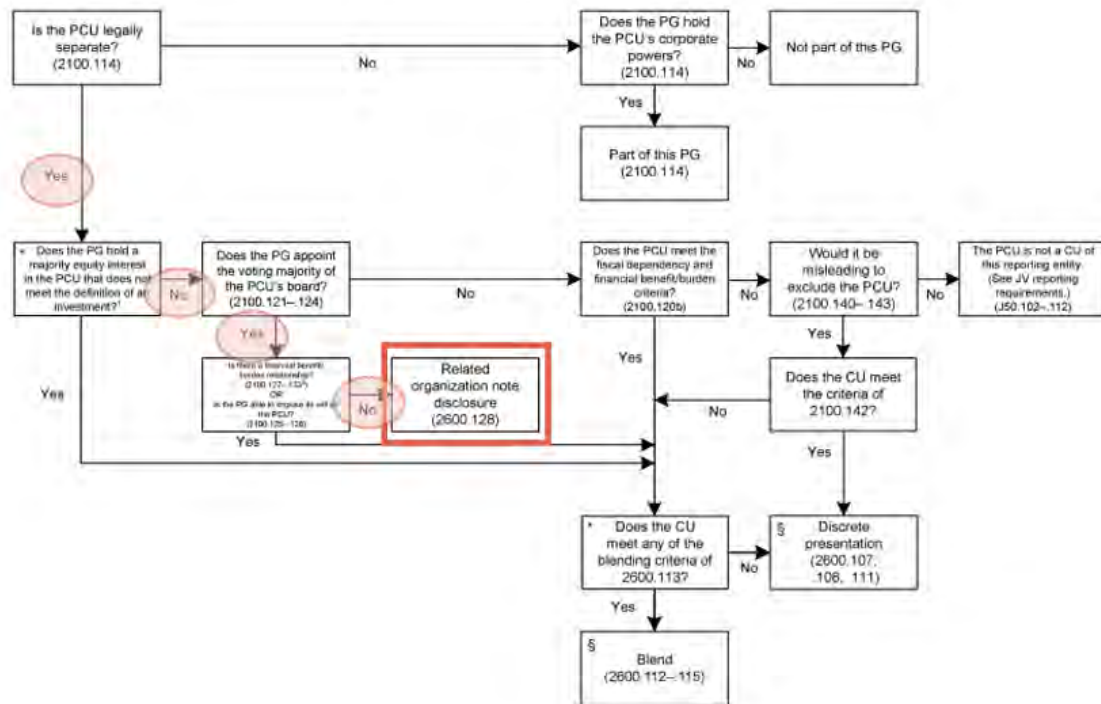
1. Washington County as the primary government is not financially accountable because it cannot impose its will or have a financial benefit or burden relationship with CWS.
2. The elected officials are financially accountable and have separate fiduciary responsibility to each agency independently. They do not have authority to approve actions that would inappropriately transfer resources from one government entity to the other.

3. The mission, leadership, and management of the two organizations underneath the Board are separate.
4. All transactions between Washington County and CWS are implemented through intergovernmental agreements independently approved by the Washington County Board of Commissioners and the Board of Clean Water Services.
5. CWS provides services outside of Washington County by intergovernmental agreement for customers in Multnomah and Clackamas counties.
6. CWS has two component units, Clean Water Insurance Company and Clean Water Institute, that have no relationship to Washington County and have separate Boards.

CWS believes that reporting CWS' financial information in Washington County's Annual Comprehensive Financial Report misrepresents the available assets and liabilities for the County. CWS is best defined as **a related organization** to Washington County. Related organizations (as defined by GASB 14, paragraph 68) are organizations for which the agency is accountable because the agency appoints a voting majority of the board but is not financially accountable because the relationship does not meet the financial accountability criterion. The financial activities of related organizations are not included in the agency's financial statements. Rather, the primary government should disclose in its notes to the financial statement the nature of its accountability for the related organization. In the case of CWS, the elected Washington County Commissioners also serve as the Board of Clean Water Services and disclosure in the notes is appropriate.

The flowchart in the GASB codification of pronouncements **does not** document a single decision point where if the board of the potential component unit and the primary government are the same elected board that the potential component unit must **automatically** be considered a component unit to the primary government. Instead, the flowchart leads to the question of a financial benefit or burden relationship or ability to impose its will. This is an important distinction that GASB contemplated in the decision between a component unit versus related organization as shown in Figure 2.

Figure 2: Is There a Financial Benefit/Burden Relationship?
CWS Determination: No



Statement No. 14, The Financial Reporting Entity: Appendix B4-6

BOARD CONSIDERATIONS

Governance is a complex and multifaceted subject that may shift over time given organizational and legal changes. The CWS service provision model has evolved beyond the grey infrastructure governance model defined and contemplated by ORS 451, with additional watershed-based services to meet the increasingly complex water quality regulatory compliance challenges with the Tualatin River. The watershed-based services include watershed restoration and enhancement (creekside shade, riparian zone setbacks, and restoration) and water resource recovery services to manage the residuals produced from wastewater treatment (biosolids, biogas, nutrients, and clean water). This creates the opportunity for nonrate revenue and intellectual property and expansion of the business model to incorporate entrepreneurial business strategies. These strategies can help CWS manage and potentially offset operational expenses with diversification to additional revenue sources beyond rates and charges.

As the regulatory and environmental landscapes have evolved, it is prudent to review the governance model created by ORS 451 and consider if it continues to empower CWS to cost-effectively and efficiently meet the needs of urban

unincorporated Washington County, the urbanized cities, customers it serves in Multnomah and Clackamas counties by IGA, and the Tualatin River and tributaries, while increasing the value of the services CWS provides.

Clarifying the designation of CWS as a related organization, and not a component unit, is an important financial reporting distinction to resolve as part of ongoing governance considerations. Some next steps for CWS:

1. **Develop a Joint Memorandum of Understanding** with separate and distinct approval from both the Washington County Board of Commissioners and the Clean Water Services Board of Directors. This Memorandum of Understanding would document the findings of fact for CWS to be classified as a **related organization** for purposes of GASB.
2. Management of the primary government **may exercise its professional judgment and determine that CWS is a related organization** based on the Memorandum of Understanding.
3. **CWS will establish a separate financial audit committee for Fiscal Year 2024/25** to provide specific review and guidance to CWS.
4. **Continue the discussion on the governance structure** for CWS.

APPENDIX A: DEFINITIONS

component unit: Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statement to be misleading.

other stand-alone government: Legally separate governmental organizations that (a) do not have a separately elected governing body and (b) do not meet the definition of a component unit. Other stand-alone governments include some special-purpose governments, joint ventures jointly governed organizations, and pools. A stand-alone government should apply accounting standards as if it were a primary government.

primary government: The foundation of a primary government is a separately elected governing body – one that is elected by citizens in a general, popular election. As the nucleus of the financial reporting entity, the primary government generally is the focal point for the users of the financial statements. Thus, it is important to define the primary government and determine what it comprises. A primary government is any state government or general-purpose local government (municipal or county). A primary government is also a special-purpose government that meets all of the following criteria:

- a. It has a separately elected governing body
- b. It is legally separate
- c. It is fiscally independent of other state and local governments

related organization: An organization for which a primary government is not financially accountable (because it does not impose will or have a financial benefit or burden relationship) even though the primary government appoints a voting majority of the organization's governing board.

APPENDIX B: APPLICABLE GASB GUIDANCE

Financial Accountability: GASB Statement No. 14 and Amended by GASB Statement No. 61, paragraph 21:

The primary government is financially accountable if it appoints a voting majority of the organization's governing body **and** (1) is able to impose its will on that organization **or** (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The primary government is financially accountable if an organization is fiscally dependent on and there is a potential for the organizations to provide specific financial benefits to, or impose specific financial burdens on, the primary government regardless of whether the organization has (1) a separately elected governing board, (2) governing board appointed by a higher level of government, or (3) a jointly appointed board.

Related Organization: GASB Statement No.14 paragraph 68:

Organizations for which a primary government is accountable because that government appoints a voting majority of the board, but is not financially accountable, are related organizations. The primary government should disclose in the notes to the financial statements the nature of its accountability for related organizations. Groups of related organizations with similar relationships with the primary government may be summarized for purposes of the disclosure. In addition, the primary government should disclose any other information required by Codification Section 2300, "Notes to Financial Statements," paragraph .105f. The financial statements of a related governmental organization should disclose the primary government that is accountable for it and describe its relationship with that primary government.

Appointment of a Voting Majority

Financial Accountability: GASB Statement No. 14 and Amended by GASB Statement No. 61, paragraph 22:

The primary government appoints a simple majority of the organization's governing board.

Imposition of Will

Financial Accountability: GASB Statement No. 14 and Amended by GASB Statement No. 61, paragraph 25:

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. The existence of any one of the following conditions clearly indicate that a primary government has the ability to impose its will on the organization:

- The ability to remove appointed members of the organization's governing board at will.
- The ability to modify or approve the budget of the organization.
- The ability to modify or approve rate or fee changes affecting revenues.
- The ability to veto, overrule, or modify the decisions of the organizations governing body.
- The ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations of the organization.

Financial Benefit to or Burden of a Primary Government

Financial Accountability: GASB Statement No. 14 and Amended by GASB Statement No. 61, paragraph 27:

An organization has a financial benefit or burden relationship with primary government if any one of these conditions exists:

- The primary government is legally entitled to or can otherwise access the organization's resources.
- The primary government is legally obligated or has otherwise assumed the obligations to finance the deficits of, or provide financial support to, the organization.
- The primary government is obligated in some manner for the debt of the organization.

GASB Statement No. 39: paragraph 40a:

Certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. A legally separate, tax-exempt organization should be reported

as a component unit of a reporting entity if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

GASB Implementation Guide No. 2015-1 Q&A 4.2.3:

Q: Is every governmental organization required to be included in a reporting entity governed by elected officials?

A: No. Although most governmental organizations would be included in a reporting entity governed by elected officials, some will not. Those organizations that are not included generally are referred to as *other stand-alone governments*. Paragraph 66 of Statement 14 defines *other stand-alone governments* as those that (a) do not have a separately elected governing body and (b) do not meet the definition of a component unit.

GASB Implementation Guide No. 2015-1 Q&A 4.7.2:

Q: Officials are simultaneously elected to serve on the governing boards of two legally separate organizations. For example, county commissioners are elected to serve on the county board of commissioners and, as a result of that election, also serve as the county parks and recreation board. Would both governing boards be considered separately elected?

A: No. There would be no difference between a board that is serving in a dual capacity based on a single election and a board consisting of primary government officials serving “ex officio,” or as required by law. In this example¹, only the county board of commissioners would be considered separately elected.

GASB Implementation Guide No. 2015-1 Q&A 4.2.3:

Q: Does the fact that the primary government appoints a voting majority of an organization’s governing board mean that the primary government is also able to impose its will on the organization through this voting majority

A: Normally, the appointment of a voting majority is accompanied by the conditions or circumstances that result in the appointing government's having the ability to impose its will on an organization. However, there are circumstances in which the primary government has little influence over the organization's operations based on the provision of the law or contract (are there any legal avenues here based on the defined organization/governance).

GASB Implementation Guide No. 2015-1 Q&A 4.17.2

Q: Can a primary government be accountable for an organization because it appoints a voting majority of the board, but not be financially accountable for the organization because it does not have the ability to impose its will on the organization and there is not a potential financial benefit or burden relationship?

A: Yes. The organization would be classified as a related organization.

GASB Implementation Guide No. 2015-1 Q&A 4.46.1

Q: What is a related organization?

A: For example, a port authority was established by the city for the purpose of stimulating commerce and promoting the shipment of goods and cargoes. Its governing board consists of five members appointed by the mayor of the city; however, the city does not appoint the port authority's management. The board members may not be removed except for cause. The port authority determines the budget, issues bonded debt, levies taxes, and sets it rates without the approval of the city. The port authority does not provide a financial benefit or, nor does it impose a financial burden on the city. Because the city is unable to impose its will on the authority and there is no financial burden or benefit relationship between the city and the authority, the port authority is not a component unit of the city. However, because the city appoints the voting majority of the authority's board, the port authority should be disclosed as a related organization.

Governance 201: Financial Reporting

Kathleen Leader, Chief Financial Officer

Diane Taniguchi-Dennis, Chief Executive Officer

Caroline Lobdell, General Counsel & Chief Compliance Officer

Elizabeth Edwards, Chief of Staff



Purpose

- Review legal control
- Background on shift in business services program provision
- Discussion on whether Clean Water Services should be financially defined as a “component unit” of Washington County and the legal implications of being defined as such



Legal Control

- Washington County and Clean Water Services are legally separate fiscally independent entities
 - Neither organization can legally take the assets or cash reserves of the other to meet its own financial obligations.
 - Neither organization is legally responsible for covering the liabilities or losses of the other governmental entity.
 - Neither organization can set the rates and fees or budget appropriation for the other governmental entity.
 - The Board of County Commissioners is elected by constituents of Washington County and serves independently on the Board of County Commissioners and the Board of Clean Water Services. Board members have independent fiduciary obligations to each entity.

Business Services

- When Unified Sewerage Agency was established, Washington County provided most administrative business services to USA, including:
 - Legal services.
 - Human resource services.
 - Financial services (including all banking and treasury services, issuing loans to residential customers to finance assessments and Systems Development Charges through Washington County Department of Assessment and Taxation).
 - Motor pool and building maintenance.
 - Office space.
- CWS gradually assumed most of services with these exceptions:
 - Joint work sessions and Board meetings.
 - Coordinated legislative agendas.
 - Component unit designation and joint audit committee.

Component Unit Designation

- According to the Governmental Accounting Standards Board, a legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if **all** the following criteria are met:
 - Economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
 - Primary government, or its component units, is entitled to or can access, a majority of the economic resources received or held by the separate organization.
 - Economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to or has the ability otherwise access, are significant to that primary government.

Independent Treasury

- CWS has been reported in the Annual Comprehensive Financial Statement for Washington County as a discreetly presented component unit since its inception.
 - Washington County provided all treasury services for CWS and the funds of CWS were intertwined with County funds.
- In 2021, Board authorized CWS to establish and maintain financial accounts separate from County.
 - Treasury transfer completed by June 30, 2022.
- CWS has been audited as a separate entity since inception.
 - Same auditor as County through 2008.
 - Different auditors since 2009.
 - ❖ Currently, Clean Water Services uses Moss Adams.
 - ❖ Washington County uses TKW.

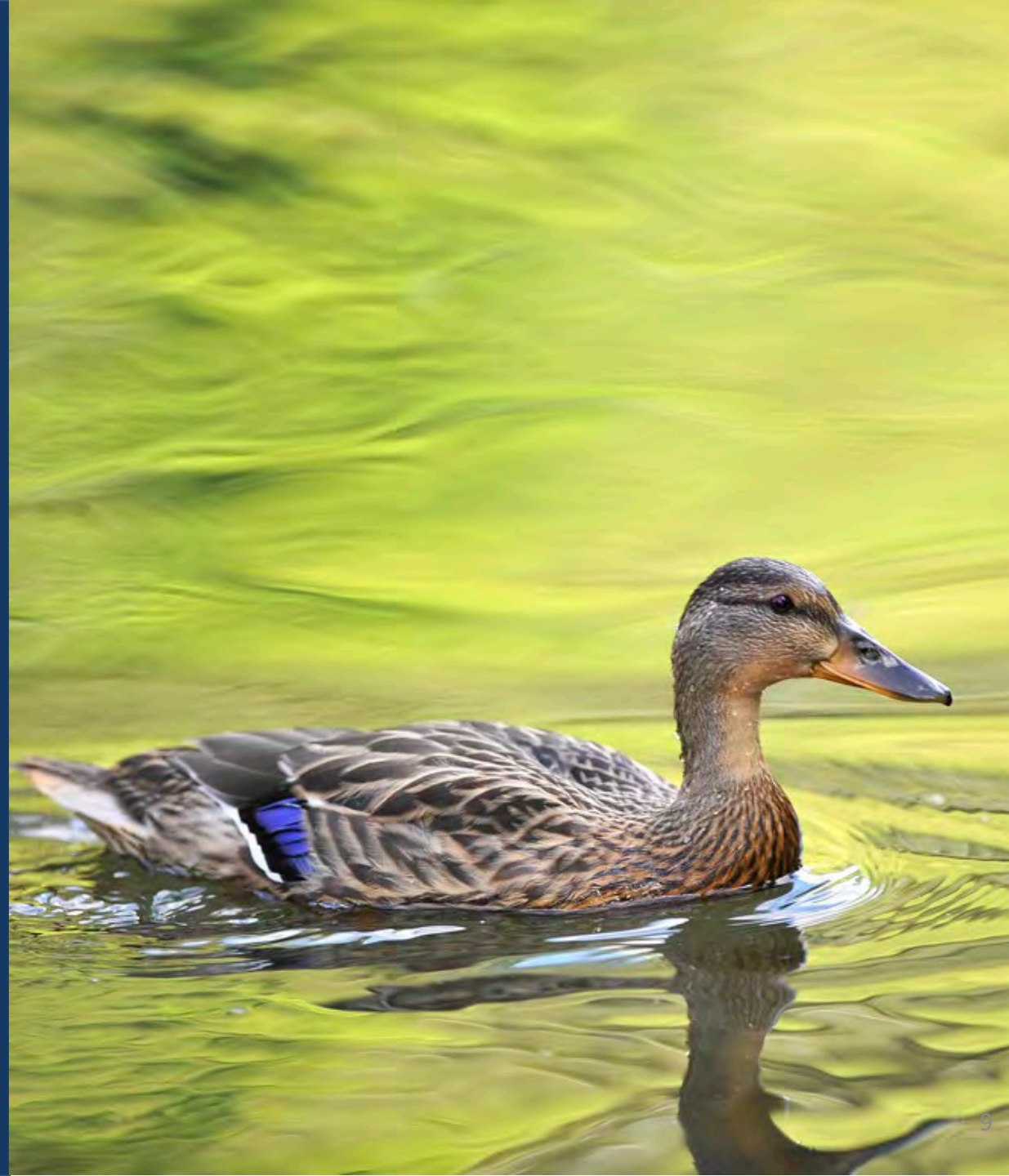
Related Organization Determination

- Washington County is not financially accountable even though the County appoints a voting majority of the organization's governing Board.
 - Washington County cannot impose its will or have a financial benefit or burden relationship with CWS.
 - Elected officials are financially accountable to each agency independently. They do not have authority to approve actions that would inappropriately transfer resources from one government entity to the other.
 - All transactions between Washington County and CWS are implemented through intergovernmental agreements independently approved by Washington County Board of Commissioners and the Board of Clean Water Services.
 - Clean Water Services provides services outside of Washington County by IGA for customers in Multnomah and Clackamas counties.
 - CWS has two component units, Clean Water Insurance Company and Clean Water Institute, that have no relationship to Washington County.

Next Steps

1. **Develop a Joint Memorandum of Understanding** with separate and distinct approval from both the Washington County Board of Commissioners and the Clean Water Services Board of Directors. This Memorandum of Understanding would document the findings of fact for CWS to be classified as a **related organization** for purposes of the Governmental Accounting Standards Board (GASB).
2. Management of the primary government **may exercise its professional judgment and determine that CWS is a related organization** based on the Memorandum of Understanding.
3. **CWS will establish a separate financial audit committee for Fiscal Year 2024/25** to provide specific review and guidance to CWS.
4. **Continue the discussion on the governance structure for CWS.**

Questions?



Wrap Up



Thank You

