



**BOARD OF DIRECTORS  
[REMOTE] SPECIAL MEETING MINUTES – 1:00 P.M.  
MARCH 26, 2020**

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Board of Directors – Members Present via Zoom:

Kevin Williams	President
Paul Gornick	Secretary/Vice President
Mark Knudson	Treasurer
Susan Keil	Director
Ginny Van Loo	Director

Board of Directors – Members Absent:

None

Oak Lodge Water Services Staff – Present via Zoom:

Sarah Jo Chaplen	General Manager
Laural Casey	District Recorder
Jason Rice	District Engineer

Visitors and Consultants – Present via Zoom:

Rob Moody	Merina & Company, LLP
Tommy Brooks	Cable Huston, LLP

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### **1. Call to Order**

President Williams called the meeting to order at 1:00 p.m.

### **2. Meeting Facilitation Protocols**

General Manager Chaplen asked District Recorder Casey to facilitate a roll call. District Recorder Casey facilitated the roll call of Board members, staff, and consultants; confirming a Board quorum.

General Manager Chaplen overviewed the general protocols of a virtual meeting due to the current COVID-19 pandemic. She asked Secretary/Vice President Gornick to share his experience attending a virtual meeting as the Board Liaison for Sunrise Water Authority. Secretary/Vice President Gornick relayed the events of the virtual meeting and lessons learned to address the potential for participants to talk over each other.

General Manager Chaplen requested questions and comments from the Board regarding the general protocols. Director Keil asked about muting oneself during the meeting. General Manager Chaplen explained the process of muting the microphone in the Zoom application and District Recorder Casey's ability to mute participants should the need arise.

### **3. Call for Public Comment**

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President Williams asked District Recorder Casey if there were any members of the public in attendance. District Recorder Casey confirmed there were none. President Williams reserved the right for members of the public to speak at the end of the meeting.

#### **4. Audit Review**

Financial Consultant Moody overviewed the purpose for the Corrective Action Plan Matrix stating that the fiscal year 2018/2019 audit report was positive overall. He noted the opportunities given by the auditors to improve internal processes as the items within the Corrective Action Plan Matrix.

President Williams asked if the presentation materials were understood. Directors Van Loo and Keil replied affirmatively. Treasurer Knudson replied affirmatively and asked if the Corrective Action Plan Matrix was consistent with the letter sent to the Secretary of State. Financial Consultant Moody replied that the letter was less detailed but addressed the same items. Secretary/Vice President Gornick Paul replied that the Corrective Action Plan Matrix was understood.

President Williams asked General Manager Chaplen, District Engineer Rice, and District legal counsel if the materials were understood. All replied affirmatively.

President Williams also understood the materials and inquired about the potential for these items to be included in the next financial audit and the effect it would have on the District's position with the Secretary of State. Financial Consultant Moody explained that the Corrective Action Plan Matrix includes dates that allowed for most of the items to be completed before the next financial audit.

Financial Consultant Moody continued a general overview of the items addressed on the Corrective Action Plan Matrix before requesting questions from the Board regarding specific items.

Director Van Loo inquired about the Labor and Overhead Costs and asked for proper identification of internal labor. Financial Consultant Moody explained how internal labor costs are calculated and spoke to the inclusion of such in the Corrective Action Plan to correctly and efficiently account for those costs in the future.

Director Van Loo inquired about the Physical Inventory of Wastewater Inventory asking why a report would only be generated annually. Financial Consultant Moody stated that the report need only be generated once a year for the purpose of the financial audit but confirmed that internal staff could generate reports on a more frequent basis should they be necessary.

Director Van Loo inquired about Inventory Costs stating that most businesses update inventory instantaneously. Financial Consultant Moody agreed emphasizing the auditor's concern specifically in how the District valued the inventory at the end of the year. Historically the methodology for capturing costs was not consistent and the Corrective Action Plan would

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resolve the issue.

Director Van Loo inquired about Obsolete Inventory reporting on the procedures followed by the General Manager during the Director's time on Sanitary Board of Directors. Financial Consultant Moody clarified that this item is regarding materials and not capital assets, all of which are tracked and reported in various ways.

Director Van Loo inquired about Listing of Public Procurement Contracts and whether there was a current tracking system. Financial Consultant Moody confirmed that the District is currently tracking contracts and procurement in each department but stated that there is no standardized system or central location. Director Van Loo asked how staff manages the varied completion dates of District contracts. Financial Consultant Moody explained the auditor's concerns regarding District contracts and relayed District Recorder Casey's responsibility to manage and retain documents based on the state retention schedule.

Director Van Loo inquired about Purchase Orders, specifically why the District only maintains purchase orders for inventory items over \$500. Financial Consultant Moody stated that the balance between time and effort is key in the reasoning behind not requiring purchase orders for items under \$500. He explained that financial best practice usually does not require an approval process for purchases under \$500 and therefore the audit does not review them.

Director Keil inquired about Exceptions and whether there were indications that the District may have currently unknown problems. Financial Consultant Moody explained an auditor's perspective on documentation, that if it is not documented, the action did not occur, and the proposed process that will align District procedures with audit documentation requirements. Director Keil commented that the absence of split control is what results in process inaccuracy. She asked if the current software has the capability to route documents through the sign-off process. Financial Consultant Moody detailed the capabilities of Springbrook, the current financial software noting that many of the issues the District has had are due to quick implementation and inadequate training. He stated that the District has several policy and procedures in place, but that they have not been enforced. Financial Consultant Moody also indicated that the item is on the Corrective Action Plan for process clarity and that there is no evidence of misspending or wrongdoing.

Director Keil commented that she is interested in monitoring the District's progression through these items. Financial Consultant Moody agreed.

Treasurer Knudson remarked on the astounding number of items that have not been addressed by past audits and Boards. He acknowledged Financial Consultant Moody's effort to construct the Corrective Action Plan. Treasurer Knudson spoke to the overall District improvement needed. He suggested another column be added to the Corrective Action Plan Matrix to indicate the status of each item in a simple red, yellow, green pattern for monthly or quarterly Board reports.

Secretary/Vice President Gornick inquired to the reporting capabilities of Springbrook. Financial

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Consultant Moody explained how workflows were routed through Springbrook. He overviewed the different types of controls within Springbrook and necessary financial reporting from a Finance Director. Secretary/Vice President Gornick noted his preference would be for reporting to be done automatically.

Secretary/Vice President Gornick asked whether manual adjustments would be accounted for in exception reporting. Financial Consultant Moody affirmed. Secretary/Vice President Gornick stated his belief that the proposed Corrective Action Plan will work.

President Williams commented on the robust financial audit delivered by the new audit firm noting Financial Consultant Moody's detailed report.

Director Keil remarked on the unfortunate lack of automatic reporting capabilities with the current financial software and suggested researching additional modules. Financial Consultant Moody agreed and explained that staff will certainly be expanding the scope of use within the Springbrook modules utilized at the District.

General Manager Chaplen also noted appreciation for Moss Adams and updated the Board on the Junior Accounting Specialist position, which has been offered to the temporary employee. She stated that there has been preparation to maintain forward momentum in the financial department as the new Finance Director is hired, noting that Financial Consultant Moody will continue to facilitate the completion of the Corrective Action Plan.

### **5. Utility Billing System**

Financial Consultant Moody detailed the staff report and outlined the current efforts to gather water meter data for cross referencing with the billing system. He proceeded to define the next steps in the non-revenue water verification plan.

Director Van Loo asked what testing one hundred percent of the District water meters would cost in time and resources. Financial Consultant Moody and General Manager Chaplen answered that the process would take a dedicated team of two staff one calendar year to complete.

Director Keil asked why the water meter testing was not conducted based on class of service. Financial Consultant Moody confirmed the current plan is to start with field verification of large water meters before moving on to verification of the billing system.

Treasurer Knudson verified the method by which the district is testing the physical performance of the water meters noting concern regarding the testing of the large water meters. Financial Consultant Moody stated that flow testing of the large water meters is outside of the current approach. District Engineer Rice confirmed discussion surrounding the testing of large water meters noting that General Manager Chaplen and Field Operations Manager Knapp would supervise the implementation of a plan. He stated that there have been reports of large water meters needing to be taken offline in order to be tested. Treasurer Knudson noted having received inconclusive responses from Field Operations Manager Knapp and reiterated the importance of regular testing of large water meters.

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Treasurer Knudson requested that the Board receive regular updates on the status of projects pertaining to water meter testing.

General Manager Chaplen confirmed that Tory Wagoner, the non-revenue water auditor from Cavanaugh and Associates, believes the large water meters need to be tested regularly. She stated that the plan to do so is two-fold: how to begin testing as a regular practice and how to test what has been previously neglected. General Manager Chaplen discussed the decision process surrounding which large water meters are “testable” and “not testable.” District Engineer Rice clarified that even the “not testable” water meters are able to be tested, but they must be taken out of service to do so. Treasurer Knudson agreed and does not see a problem in coordinating and implementing a large water meter testing process.

Secretary/Vice President Gornick asked about the new standards making some water meters able to be tested and inquired if there was a bypass being used. District Engineer Rice confirmed.

Secretary/Vice President Gornick inquired about the costs of approving the staff suggested approach to mitigating the non-revenue water. General Manager Chaplen explained that a full analysis of cost has not been obtained but stated that there are staff suggestions that will need to be corrected even if there is no effect on non-revenue water. She cited verification of the billing system and District assets as examples of said staff suggestions. Secretary/Vice President Gornick outlined the advantages of knowing the cost-benefit analysis regarding staff suggestions and recuperated non-revenue water.

President Williams commented that the cost of a dedicated team of two to test water meters for one calendar year would be well over two-hundred thousand dollars noting that it would be worth the time and money if the outcome is recuperation of non-revenue water.

Director Keil stated that there is nothing that is a larger issue for the District than narrowing the revenue gap as we begin the budget process. She indicated that the non-revenue water will never disappear but that the District needs to focus on returning to the median range regardless of whether every residential water meter is tested or not. Director Keil placed an emphasis on understanding the non-revenue water before deliberating any rate increases in the budget process. Financial Consultant Moody conveyed staff awareness of Board concerns and noted the preliminary status of any budgetary rate impacts. Director Keil stated that the District has not addressed an issue that may have impacted the customer financially and hoped the District would not project a substantial rate increase before implementing a more robust financial model.

District Engineer Rice added that Tory Wagoner, from Cavanaugh and Associates, is currently developing a plan to minimize non-revenue water and identify the small amount of leakage that will always exist. Meanwhile staff are working on water meter projects to not duplicate the work that will be done upon the finalization of Tory Wagoner’s report.

President Williams commented that field staff have knowledge of problematic water mains and could potentially identify what areas in which to spend time and money. District Engineer Rice confirmed the inclusion of field staff during the planning process and the areas identified have been accounted for.

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## **6. Sewer Lateral Ownership**

District Engineer Rice began his report regarding sanitary sewer lateral maintenance using a PowerPoint presentation.

*Director Keil experienced technical difficulties. President Williams paused the meeting until Director Keil had reconnected to the meeting.*

Secretary/Vice President Gornick inquired about the purpose of the sewer cleanout that is located closer to the sewer main line and whether it was for District benefit. District Engineer Rice confirmed. Secretary/Vice President Gornick asked who is responsible for the sewer cleanout. District Engineer Rice stated that the District is responsible for the sewer cleanouts between the property line and the sewer main.

Director Van Loo asked if every home has a sewer cleanout at the property line. District Engineer Rice answered that it is not common and is generally found on sewer laterals installed after the 1980s. He noted the arguments for and against mandating the construction of sewer cleanouts at the property line.

President Williams inquired about the inflow and infiltration opportunities between the different types of pipe materials. District Engineer noted the various cases of inflow and infiltration at a sewer clean out regardless of pipe material.

Secretary/Vice President Gornick inquired about the process of the lateral inspection asking if entry would be made from the sewer cleanout or from the sewer main. District Engineer Rice stated that the preference would be to use the sewer cleanout but reiterated that not every property has a sewer cleanout. He also discussed the various obstacles concerning TVing a sewer lateral from the sewer main.

Treasurer Knudson verified that sewer laterals could be replaced while replacing connecting sewer main lines at a significant cost reduction. District Engineer Rice confirmed and explained the current operating plan versus the proposed plan.

Director Keil asked how much money is currently spent per year on failed lateral repair. District Engineer Rice replied that the District currently budgets about one-hundred thousand dollars each year for lateral repair. He noted that the budget had been recently increased and that before fiscal year 2019/2020 there was only about thirty thousand dollars appropriated for sewer lateral repair or replacement.

President Williams inquired to whether other alternatives to dig and replace have been researched noting cure in place liners as an option. District Engineer Rice confirmed current and historical research of other alternatives and each would be addressed on a case-by-case basis.

Secretary/Vice President Gornick inquired about the number of municipalities that maintain the entire sewer lateral and whether there are any municipalities requiring the property owner to maintain the sewer lateral. District Engineer Rice confirmed that across Oregon there is about fifty percent of collections providers that maintained the sewer lateral all the way to the sewer main and fifty percent that required the property owner to do so.

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Director Keil noted that this is the same issue as before but that the bigger priorities are currently emergency water interties and the non-revenue water audit. She stated that the District cannot afford to begin a project like this. President Williams agreed noting that identification of this project was made before the water maintenance deferrals came to the Board's attention. Director Van Loo agreed. Treasurer Knudson agreed but inquired to how the District could gather information to populate the asset database and in turn make smarter decisions when this project does become a priority. Director Keil agreed. District Engineer Rice confirmed the need for continuing training and collaboration with the sewer crew to identify sewer lateral issues. Treasurer Knudson agreed for the need of simplified information gathering. Director Keil suggested a standard operating procedure for the process. District Engineer Rice offered a plan to extend sewer lateral maintenance opportunities to property owners while the District is completing sewer main repairs. Director Keil asked how many property owners know that their lateral needs to be replaced. District Engineer Rice replied that at least ninety-five percent do not know.

General Manager Chaplen asked District legal counsel Brooks and District Engineer Rice how the Board would revoke a previously made decision. District Engineer Rice stated that the Rules and regulations would need to be revised before presentation to the Board as an ordinance with a public hearing. District legal counsel Brooks framed the presentation as having two solutions: to programmatically address the issue or to respond to issues on an as-needed basis each year. He clarified that the decision is a separate discussion from whether to take on the maintenance of sewer laterals at all. District legal counsel Brooks outlined that historically the District has owned and maintained the sewer lateral within the public right-of-way. He stated that the question is whether the Board would like to shift the ownership and maintenance obligation to the adjacent property owner.

Director Keil clarified the options are to own and maintain the sewer lateral programmatically or to own and not address the maintenance. District Engineer Rice stated that the intent was for the District to either own and maintain the sewer laterals or to not own or maintain the sewer laterals at all. District legal counsel Brooks identified a third option in which the District owns the sewer laterals and maintains them on an as-needed basis.

Director Keil inquired whether the two hundred sewer laterals that have been replaced were owned by the District. District Engineer Rice confirmed that even before the District consolidation the District owned and maintained the sewer laterals in the right-of-way. He outlined the lifespan of a sewer lateral and reiterated the fact that some of the District's sewer laterals have reached the point of failure and the number will only continue to grow.

Director Keil inquired whether there could simply be a continuation of the current program to repair failed or problematic sewer laterals. District Engineer Rice confirmed that the District would continue to pay for conflicts created by the District that impacted a sewer lateral. Treasurer Knudson agreed with Director Keil to continue the ownership model with a possible increase in the budget and approach the situation from an asset management strategy.

Director Van Loo asked who installs the sewer laterals in new home connections. District Engineer Rice explained that each new home pays a System Development Charge and installs a sewer lateral that is inspected by District staff. Director Van Loo clarified that the District owns the laterals that the property owner installed. District Engineer Rice confirmed and explained the development process. Director Van Loo inquired about who maintains the forty-year-old sewer

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laterals for established homes and properties. District Engineer Rice explained that the District claims ownership the sewer laterals within the right-of-way but that there is currently no asset management or robust maintenance plan for them. Director Van Loo voiced agreement to not take on a sewer lateral maintenance plan. She asked if the Sanitary District had always owned and maintained the sewer laterals. District Engineer Rice stated that the Sanitary District had always claimed ownership but had essentially ignored the sewer laterals and never maintained them.

General Manager Chaplen explained that if the District were to include the sewer laterals as an asset that there would be yearly rates and repairs. She added that the proposed plan is to not include the sewer laterals as an asset or repair them in a systematic manner noting that if the decision is made to keep the sewer laterals as an asset but not regularly maintain and repair them it could lead to higher rate increases in the future as there would be fewer years left to mitigate the problem.

President Williams proffered that payment on the Treatment Plant bonds will be complete in ten years at which time the District would be in a better financial standing to implement a project of this magnitude. He cautioned that if the sewer laterals are wearing out that the sewer mains are as well and stated that there should be a policy to replace sewer laterals when sewer mains are replaced under the same project expenditures. Director Keil agreed. District Engineer Rice stated that the District could potentially have mass failure of sewer laterals with no replacement mechanism in place if action is not taken early. He added that replacing any sewer laterals at the same time as the attached sewer mains were being replaced would cause project costs to rise and noted the need to standardize how information is gathered on the sewer laterals.

Secretary/Vice President Gornick inquired whether the recent sewer lateral failures are in certain topographical areas. District Engineer Rice had not seen a pattern to indicate that.

Secretary/Vice President Gornick asked if there are currently any funds being allocated to this project. District Engineer Rice confirmed that at least sixty thousand dollars has been allocated directly to capital planning noting that there is also some money set aside for emergency maintenance of sewer laterals. Secretary/Vice President Gornick supported allocating more than sixty thousand dollars and less than nine hundred thousand dollars to deal with possible sewer lateral issues.

Director Keil equated the issue to a homeowner's responsibilities noting that often not every project can be completed at the same time. She stated that if the project is not more important than another capital improvement project than it will need to be put on hold or split up into a multi-year solution. General Manager Chaplen clarified that projects will be budgeted for with a buffer for potentialities and that staff would keep the Board informed on an increase of sewer lateral issues. She agreed that sewer mains or other capital projects may be more important at this time and clarified that this presentation was in response to an earlier discussion on sewer laterals that needed more data information in the form of costs. District Engineer Rice explained the calculation behind a one hundred-year sewer lateral maintenance plan and the need for a discussion on what amount of money will fit District needs and ideologies.

### **7. Recess to Executive Session**

President Williams convened the Executive Session at 3:35 p.m. under ORS 192.660(2)(e) to



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conduct deliberations with persons designated by the governing body to negotiate real property transactions and ORS 192.660(2)(f) to consider information or records that are exempt by law from public inspection.

**8. Adjourned Executive Session**

President Williams adjourned the Executive Session at 3:43 p.m.

No decisions were made as a result of the Executive Session.

**9. Adjourn Regular Board Meeting**

Treasurer Knudson remarked on the success of the meeting and then noted that the format seemed to be a viable option for meetings during the COVID-19 pandemic. General Manager Chaplen thanked the Board for their patience and willingness to participate.

President Williams adjourned the meeting at 3:44 p.m.

Respectfully submitted,

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Kevin Williams  
President, Board of Directors

Date: 4/24/2020

DocuSigned by:  
  
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Paul Gornick  
Secretary/Vice President, Board of Directors

Date: 4/24/2020