

OAK LODGE

WATER SERVICES

OAK LODGE WATER SERVICES
Minutes
Board of Directors – Special Meeting
December 05, 2017

Board of Directors - Members Present:

Jim Martin, Chair
Susan Keil, Vice Chair
Lynn Fisher, Director
Nancy Gibson, Director
Kevin Williams, Director,

Board of Directors - Members Absent:

None,

Oak Lodge Water Services Staff Present:

Sarah Jo Chaplen, General Manager
Jason Rice, District Engineer
Kelly Stacey, Finance Director
Todd Knapp, Field Operations Superintendent
Tommy Brooks, Cable Huston LLP, District Counsel,

Visitors Present:

Dave Phelps, Local Resident
Kieu-Oanh Nguyen, OLWS Financial Consultant
Terry Gibson, OLWS Budget Committee
Paul Gornick, OLWS Budget Committee
Thelma Haggemiller, Local Resident
Greg Jones, Former OLWS Contract Staff.

REGULAR MEETING

1. Call to Order and Flag Salute

Board Chair Jim Martin called the special meeting to order at 6:00 p.m. and Director Nancy Gibson led the pledge of allegiance.

2. Call for Public Testimony

After the pledge, Chair Martin called for public testimony. There was none.

3. Bond Advanced Refunding:

Finance Director Kelly Stacey introduced Kieu-Oanh Nguyen, OLWS Financial Consultant, to share information about the proposed Bond Advanced Refunding, including the expiration of the advanced refunding possibility at the federal legislature. If OLWS does not act on refunding before the end of 2017, it will have to wait to refund until after May 2020. The District's Request for Proposals brought in three applications, the best one was from

Chase Bank. The interest rate is around 2.5% (replacing bonds with a 4% rate), and the overall savings would be over \$800,000, which will be held in an escrow account too as part of the debt servicing process. The refinancing would be as a revenue bond, not a general obligation bond, secured by the net revenues of the wastewater fund – not the water fund or the stormwater fund. Through approval, the Board would delegate the responsibility of carrying out the process/payments of the revenue bond to the General Manager or to the Finance Director.

Board asked for clarification of the term “separate utility system” in the Declaration document: page 15. Kieu-Oanh responded that the revenue bond provides a pledge of revenues by the sewer system, and if you have property within under the system that the District wants to sell out of the system then it would have to meet those specifications. The water fund/system and the surface water fund/system would be excluded from the bond. The Board asked what would happened to the bond/repayment if the District experienced an overwhelming natural disaster. Kieu-Oanh responded that in the event of default there are certain remedies that you could take, within a cure period of 90 days, or to commence action to remedy the default. There is no “catastrophic” clause – the district would only be able to repay only through revenues from the wastewater system (not a property tax levy, as OLWS could do currently). The Board asked about the change from holding a reserve amount from 1.05% (required by DEQ for the overall debt) to 1.20% (applies only to parity bonds for these funds in particular) of the total on page 11, 6.2. Kieu-Oanh responded that we would need to have 1.18% coverage because Chase includes a provision that the net revenues would be 1.1 times the annual debt service of the parity bond and the subordinated bonds added together. Using the 2018 estimated coverage should be 1.18%. Finance Director Kelly Stacey added that OLWS would have to budget accordingly in order to ensure the amount be available. The Board ensured that the term “City” was changed to “District” on the final resolution form. The Board asked for clarification of the term “District” on the Resolution with regards to requiring RMV of 3 billion+. Kieu-Oanh clarified this number is there because of a rule limiting outstanding District bonds of all types to no more than 13% of overall taxable Real Market Value property, of all property within the District.

Director Fisher moved that the Board approve the attached Resolution 17-15 authorizing the General Manager or the Finance Director to refund the General Obligation Bonds. Vice Chair Keil seconded the motion.

Ayes: 5

Nays: None

Motion carried: 5-0

4. Sanitary Lateral Ownership Conversation

District Engineer Jason Rice clarified the following conversation would not constitute a public hearing concerning the District Rules and Regulations. He shared information about ownership of public laterals, in particular, “Ownership of sanitary sewer laterals within the right-of-way (ROW) tends to be a 50/50 split.” In the last 5 years OLWS has been notified of 77 potential failures, 30 repairs were made by the District and 47 were put off until later. There are 7,280 laterals in the District and at a cost of \$6,000 OLWS would need \$43,800,000 to replace them all. With a goal of replacing all within 100 years, the District will need \$438,000 per year. He recommended that if the District wants to maintain laterals

in the ROW it must intensify its inspection and replacement program. In order to inspect all laterals within the scheduled inspection cycle, the 5-year cycle needs to be increased to 8-10 years with current staffing levels. He described how the District could tackle Infiltration and Inflow (I & I) in order to help keep costs down over time.

District Engineer Jason Rice requested a decision about ownership this evening in order to move forward with the public hearings in January and February.

Board discussion ensued: Board asked whether the District has adequate equipment to conduct an inspection process for the laterals so as to not derail the regularly scheduled inspection process. District Engineer Jason Rice responded we do have a lateral launch camera but it would take more time to complete. Director Williams commented that with so much concrete mainline sewer pipe in the district we might move forward with replacing the laterals along with the main. Without ownership the District would not be able to do this. Director Fisher asked what the advantage of owning the laterals would be and Jason Rice recommended that OLWS not own laterals in the Right-of-Way. Director Williams commented that ownership of the laterals allows access to the laterals as well as some amount of oversight on what comes out of them (prohibitive substances). Jason Rice stated the provision in the updated District Rules and Regulations giving the District access to the lateral if needed. Director Williams stated the City of Portland owned laterals in part because their Council considered it good customer service, as a philosophical principle. Director Gibson asked whether shared ownership might incentivize reduction of I & I to the benefit of the District. Jason Rice stated there would likely be other ways of supporting reduction of I & I through District authority and code enforcement. The Board asked about how often the District used insurance to cover lateral repair/replacement and Jason Rice responded it has been infrequent and often the failure has happened right on the property line. The Board asked about whether most people know they have a lateral and who has responsibility for it. Jason Rice commented that most people do not think about it until it fails, then they call OLWS to ask. Director Williams stated the high cost for replacement/repair of laterals, and how difficult the cost would likely be for the average property owner in the District. Vice Chair Keil stated the District has been paying for the cost of repairs and that if we continue we will need to also put into place a proactive program. Jason Rice clarified the District does not have a pot of money set aside for lateral replacement and his suggestion would be to not own the laterals. Director Williams commented if the District has not been conducting preventative maintenance on the laterals all along, it is the District's problem and folds into the Capital Program. Director Fisher commented on the small size of OLWS and compared the District with other small jurisdictions, suggesting it does not own the laterals based in part on cost of the program. Director Williams reminded the Board that rates will rise based on replacement of mains and manholes, and system maintenance in general. Director Gibson asked if rate rises would remain stable and Jason Rice responded that rates would likely remain in line with projected goals but would have to be recalculated into the Capital Program costs, which will increase. Vice Chair Keil recommended a proactive systematic program approach for budgeting and to keep up the permit requirements. General Manager Sarah Jo described the decision in two parts: who owns the laterals; and if the District owns the laterals then what should the Capital Plan to cover costs? Former OLWS Contractor Staff Greg Jones commented the Water lines are currently co-owned by the property owner and the District.

5. Call for Public Comment

There was no public comment.

No action taken on Item #4, but the Board recommended the following:

Directors Williams and Gibson recommended the District retain ownership of the laterals from the main to the property line within the Right of Way. Director Gibson noted originally that she thought otherwise but now she agreed with Director Williams. Vice Chair Keil concurred and recommended the District put together a proactive replacement program and financial reserve for replacements/repairs. Director Fisher stated that currently OLWS owns the lateral up to the Right of Way and that he would like to review a change to this policy from a legal perspective. He requested the District to track lateral replacement/repair financial records and keep them separate from the replacement/repair of sewer mains. He recommended to begin a reserve fund quickly. Chair Martin agreed and suggested a reserve fund be built up from savings generated by the bond refunding.

6. Business of the Board

Director Williams updated the group on his submitted report focused on the Jennings Lodge Community Planning Organization meeting and an exercise prioritizing requirements for urban zoning. Stormwater approvals would be based in part on public comments. Stormwater is a big issue and this places more importance on the whitepaper. Director Gibson recommended the District charges System Development Charges for stormwater. Short discussion about the District's private stormwater facility program and the need for educating the public about the responsibility of individuals for the stormwater facilities.

Director Gibson will be attending the Consortium meeting and the C4 meeting this week. She described the agenda items for both meetings.

7. Adjourn

Chair Martin adjourned the regular meeting at 7:32 p.m.

Respectfully submitted,

Sarah Jo Chaplen
General Manager

Jim Martin
Chair, Board of Directors

Date: _____

Date: _____