



Board Work Session Minutes
July 5, 2016

WORK SESSION – 6:00 PM

CALL TO ORDER

Commissioners Present: Richard Burke, Jim Doane, Jim Duggan, Marilyn McWilliams and Dick Schmidt

Staff Present: Mark Knudson, P.E., Chief Executive Officer; Paul Matthews, Chief Financial Officer; Alex Cousins, Communications and Public Affairs Supervisor; Tod Burton, Financial Planning Debt Project Manager; Cheri Maki, Administrative Assistant

Others Present: Doug Zenn, HDR, Inc. consultant

ANNOUNCEMENTS

Mr. Burton presented the Safety Minute on exercising in hot weather.

Mr. Knudson made announcements regarding the District's Consumer Confidence Report, Board communication log, lead community forum and a KGW news story on the District's conservation demonstration garden (see attached memo).

1. DISCUSSION ITEMS

A. Financial Forecast Update and 2016-17 Water Rates

Mr. Matthews described key financial results for the current fiscal year, the long-term financial forecast and potential customer impacts, including a comparison of typical bills (see attached presentation).

In response to questions, he and Mr. Knudson said:

- Franchise fees were not included in the forecast since they will be passed through to the customers living in the jurisdiction imposing the fees and will not be included in the rate paid by all customers.
- There will be additional analysis and discussion regarding how the Willamette Water Supply Program will affect the Metzger area.
- Imminent South Hillsboro construction will not speed up the proposed timeline for issuing bonds.
- The Rate Advisory Committee will determine how rates are structured but will not set rates or advise the Board on the District's budget.
- The 16.4% rate increase last year was driven by the 16.9% rate increase from the City of Portland.
- Staff will engage customers affected by the City of Beaverton franchise fee in a separate communication likely in September.

Commissioner comments included:

- A desire to consider how a potential rate increase may impact customers affected by franchise fees.
- A desire to have a higher increase this year rather than later.
- A desire to be more proactive in engaging major stakeholders regarding the proposed increase.
- Consensus that staff should present a 14.5% proposed increase at the August 17 rate hearing.

B. Update on the Rate Advisory Committee for the 2016-17 Water Rate Study

Mr. Cousins introduced HDR, Inc. consultant Doug Zenn, described staff communication methods to solicit interest in serving on the committee as well as proposed membership affiliations and next steps (see attached presentation). He reviewed the list of prospective committee members.

Commissioners said they would like to see a nonprofit agency on the committee as well as more residents of the District, minorities and youth.

Commissioners Burke and Doane expressed interest in serving as the Board liaisons to the committee.

C. Board Officer and Committee Appointments

The Board reached consensus on the appointments that will be made at the July 20 regular meeting. Mr. Knudson advised, based on Board policy regarding the powers of the President, that there be one action to appoint Board officers and a separate action to appoint committee representatives.

D. Draft Strategic Communications Plan for the District

Mr. Cousins gave an overview of the draft plan and discussed next steps (see attached presentation).

The Board provided general feedback on possible rebranding efforts and different forms of communication.

ADJOURNMENT

There being no further business, President McWilliams adjourned the meeting at 8:25 p.m.

Marilyn McWilliams, President

Jim Duggan, Secretary



MEMO

Date: July 5, 2016
To: TVWD Board of Commissioners
From: Mark Knudson, CEO
Re: CEO Announcements

I will cover the following items during the CEO's Announcements at the Work Session:

1. **Safety Minute** – Tod Burton.
2. **CCR** – Late last week, staff from TVWD's Water Quality and Communications teams posted the District's Consumer Confidence Report (CCR) on the District website. As a reminder, the CCR - otherwise known as the annual water quality report – is not being printed and mailed; instead, a postcard alerting customers it is available has been sent to all mailing addresses in the District's service area. The report can be found at: www.tvwd.org/wqreport
3. **Board Communications Log.** Per our new practice, the Board Communications Log has been distributed as an attachment to this memo and will be attached to the minutes for this meeting.
4. **Lead Community Forum.** The District's Lead Task Force, in partnership with Washington County Public Health Department, will be holding a Lead and Water Quality Community Forum next Thursday, July 14, at 6:00 p.m. at District headquarters.
5. **TVWD Demonstration Garden Featured by Regional Water Providers Consortium.** Steve Carper and the TVWD demonstration garden were featured in a recent KGW story on water conservation. As usual, Steve did a great job communicating the importance of using water wisely. And it doesn't hurt that the TVWD garden is beautiful this time of year (show video clip).

2016 Board Communications Log

Commissioner Questions/Topics: (includes research requests directed to staff via email or at Board meeting)

- Initial request sent to Mark (copy Board President)
- Mark responds with projected timeframe for response and any other logistical info
- Answer shared with the full Board during work sessions

| Item Number | Requestor | Subject | Date Submitted | Response Date | Date Information Shared with Full Board |
|-------------|-----------------------|---|----------------|---------------|--|
| 01-16 | Doane | WWSP pipeline analysis | April 4 | April 5 | June 7 |
| 02-16 | Doane | Date of bond sale | April 5 | April 6 | April 14 (email) |
| 03-16 | Doane | Micro-hydro | April 19 | April 21 | June 7 |
| 04-16 | Gary Burns (customer) | Billing duplexes served by a single meter | March 16 | April 20 | April 20, June 7 Ongoing issue (RAC responsibility) |
| 05-16 | Doane | Various questions on Month-in-Review report for April | May 17 | May 23 | June 7 |
| 06-16 | Doane | Metallic vs. PVC mains and grounding concerns | May 20 | May 31 | June 7 |
| 07-16 | Doane | Customer call answering time | May 26 | May 30 | June 7 |
| 08-16 | Doane | Various questions on Month-in-Review report for May | June 14 | June 14 | July 5 |

Board Committee Information:

- Meeting notes/handouts shared with the full Board during work sessions

| Finance Committee | | |
|-------------------|--|---|
| Meeting Date | Notes | Date Information Shared with the Full Board |
| January 11 | No records created to send to the full Board | N/A |
| April 6 | Jim Doane shared via email | April 14 |
| | | |

Last updated June 30, 2016

| | | |
|--|---|-----------------------|
| Policy and Board Development Committee | | |
| May 18 | Staff finalized Board Policies Revision Plan and Board briefed at June 7 work session | June 7 |
| July 5 | Review of phase one policies of the Board Policies Revision Plan | To be shared August 2 |
| Strategic Planning Committee | | |
| | | |
| | | |
| Water Supply Committee | | |
| January 27 | No records created to send to the full Board | N/A |
| | | |
| | | |

Debbie Werner

From: Jim Doane
Sent: Tuesday, June 14, 2016 7:03 PM
To: Mark Knudson
Cc: Debbie Werner; Marilyn McWilliams; Management Team; Joe Healy; Jim Doane
Subject: Re: Questions Concerning June Meeting Materials

Mark,

Thanks. I looked at the USGS website which shows #1 at 1039 as of 6pm (Dick would say 1800). So we could probably say mostly full.

Just to be clear, in the future if I have questions about the reservoir levels, I will look at the USGS site until Portland publishes the data at first withdrawal. There is no reason to have someone at TVWD do this for me.

Jim

From: Mark Knudson
Sent: Tuesday, June 14, 2016 6:35 PM
To: Jim Doane
Cc: Debbie Werner; Marilyn McWilliams; Management Team; Joe Healy
Subject: RE: Questions Concerning June Meeting Materials

Quick Answers:

1. UB = Utility Billing System ... we will spell it out next time.
2. SCADA Interference from NIKE: radio interference was detected on Tualatin's SCADA system, not TVWD's. TVWD was contacted by Tualatin thinking we might know somebody at NIKE since they are our customer.
3. Customer Emergency Assistance Projections ... the projections shown are what had been assumed in the budget. The graph reflects that actual donations are far below what had been assumed in the budget.
4. Bull Run refill curve ... yes, this is last year's data because Portland doesn't publish updates after refill or before a month into drawdown; hence the footnote below the chart: "Bull Run Chart updated June through October."

I hope this helps ... let me know if you need additional information.

Thanks,

Mark

From: Jim Doane

Sent: Tuesday, June 14, 2016 6:27 PM

To: Mark Knudson

Cc: Debbie Werner; Marilyn McWilliams; Jim Doane

Subject: Questions Concerning June Meeting Materials

Mark,

I have attached a scan of four pages from the summary. I have written question or comments on the scans. There is no reason these need answers before the meeting but in the next month or so would be fine.

Thanks,

Jim Doane

OPERATIONAL OPTIMIZATION

INFORMATION TECHNOLOGY

The IT Steering Committee (ITSC) prioritized work status:

- The IT team projects in progress include both infrastructure and applications projects. The team continues to provide on-going support and assistance, as needed.
- The WWSP phone system was installed and is now operational. The headquarter phone system was upgraded and is now operational. Final issues are being resolved.
- The NetApp project implementer was selected and the contract is being completed. The project is expected to start in June.
- The Communication Study implementer was selected and the contract is being completed. The project is expected to start in June or July.
- The ROW License Fee project is the team's top priority project. Changes to UB to accommodate the fee collection and reporting are being put in place. Customer Service testing is expected to begin in June for a go-live date of October 1, 2016.
- The HR Performance Review automation (PES – Performance Evaluation System) is in production and currently being used by supervisors and managers to enter annual performance review comments.
- The new CIS system project will be delayed until the Customer Service Manager has been hired and is available to participate.

? what is UB?

OPERATIONAL RESILIENCY

RISK MANAGEMENT

- A request for proposal (RFP) is out for contracted security services. These services include alarm monitoring, alarm response and deterrent security patrols.
- Preparing for the July 1 renewal of the District's workers' compensation program.

CUSTOMER SATISFACTION

MAJOR EVENTS IMPACTING THE COMMUNITY

Nothing to report this month.

KEY CUSTOMER HIGHLIGHTS

5/16/16- Engineering staff worked with Reser's Fine Foods to address concerns regarding pressure fluctuations during evening operations. Internal operations at Reser's were determined to be the cause of the issue.

5/17/16- Staff provided NIKE with information regarding meters that were being acquired from a Tektronix site.

5/24/16- City of Tualatin's Public Works Director was provided with Key Customer Contact information for NIKE in regards to apparent SCADA signal disruption coming from a NIKE site with the TVWD service area.

OUR SYSTEM? TUALATIN'S SYSTEM?

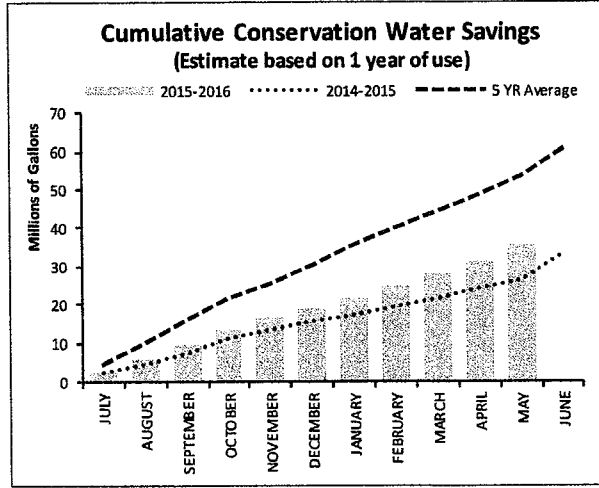
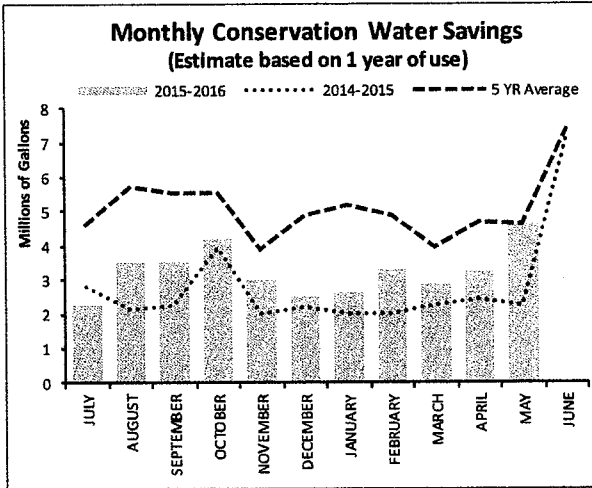
CUSTOMER AND PARTNER FEEDBACK

Pats on the Back:

Several employees received "Pats on the Back" last month: Brock Williams (2), Mike Etienne, Fortino Izquierdo, Steve Carper and Bill Richmond.

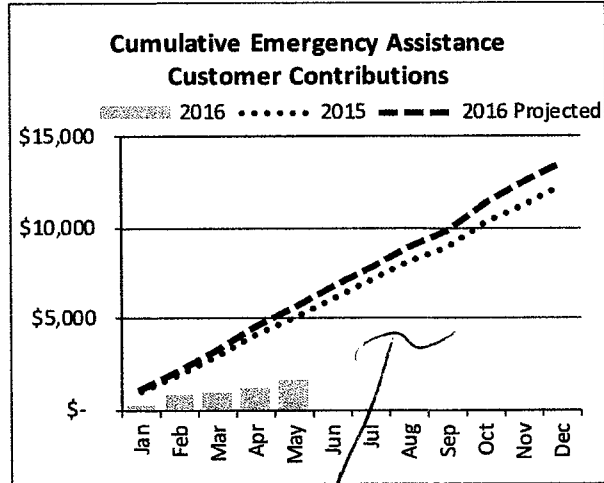
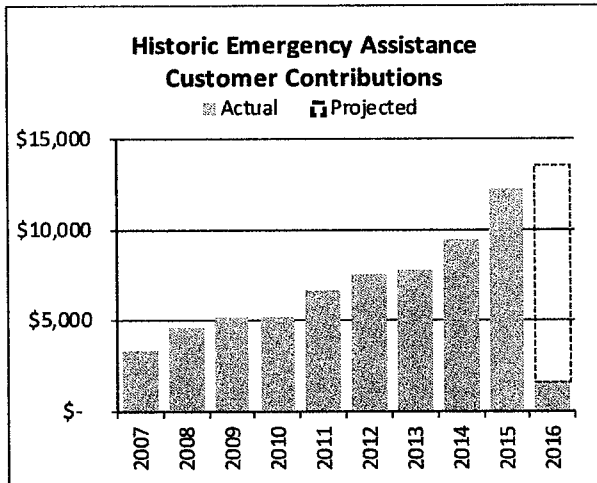
Chief Financial Officer Paul Matthews received a "Green Back" award last month for recommending that staff traveling on District business be encouraged to "opt out" of discretionary linen and towel service when staying in a hotel.

CONSERVATION PROGRAM



EMERGENCY ASSISTANCE PROGRAM

Emergency Assistance Donations for the month of May were just over \$400. This is a slight improvement as compared to April 2016 but less than half the donations in May 2015. The complexity of the new payment site where online donations are made may be contributing to the low numbers.



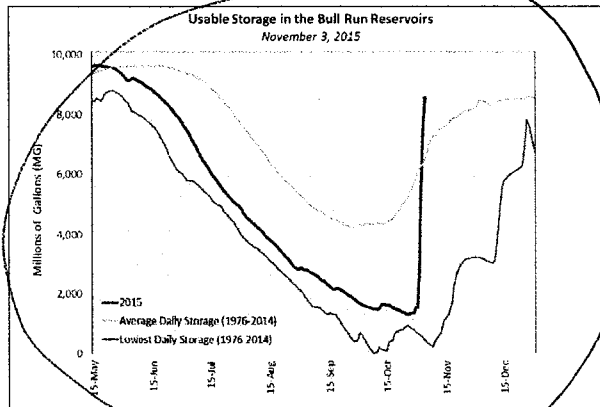
I think the 2016 projections are off.

NATURAL RESOURCES

COMMUNITY SUSTAINABILITY

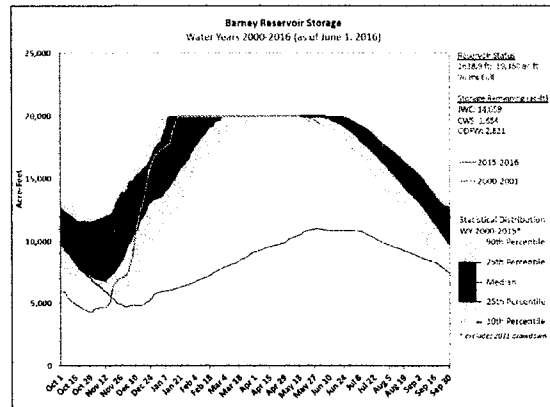
RESERVOIR LEVELS

Bull Run Reservoirs:



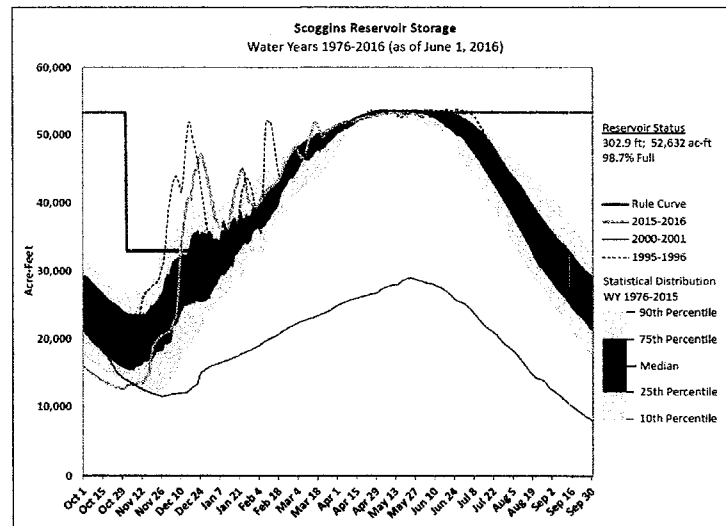
Bull Run Chart updated June through October

Barney Reservoir:



Scoggins Reservoir:

This is 7 month old data.



SUSTAINABILITY NEWS

The Sustainability Committee held another successful Spring Plant Sale last month. The event generated \$104 that the Committee will use to fund employee rewards for various sustainability events.

Financial Forecast Update and 2016-17 Water Rates

Paul L. Matthews
Chief Financial Officer



Tonight's Presentation

- Key financial results for FY2016
- Review of long-term financial forecast
- Overview of water rate increase scenarios and customer impacts
- Rate comparisons with other agencies
- Board discussion/next steps

Key Financial Results for FY2016

- Operating expenditures are under budget
- Capital expenditures are also below budget
- Water sales revenue exceeded projections – Strong sales in July 2015 and August 2015
- System development charges far exceeded plan
- Projected ending fund balances higher than expected
- Debt free
- Starting FY2017 in a strong financial position

Long-Term Financial Forecast

Financial Forecast Update and 2016-17 Water Rates

Paul L. Matthews

Chief Financial Officer

Tualatin Valley Water District



Delivering the Best Water  Service  Value

Long-Term Financial Plan

Key Issues

- New cash flow for the Willamette Water Supply Program
- Includes infrastructure to serve Metzger area from WWSP
- Higher cash balance affects the timing of debt
- Cost of purchased water from City of Portland

Planned Capital Expenditures (\$ millions)

| Type | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|-------------------|--------|--------|--------|--------|--------|---------|---------|--------|---------|--------|--------|
| In-District | \$18.8 | \$10.1 | \$9.0 | \$8.0 | \$8.8 | \$17.2 | \$12.7 | \$13.2 | \$22.4 | \$35.3 | \$14.6 |
| JWC | 1.0 | 0.6 | 1.6 | 3.9 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| WWSP ¹ | 7.9 | 26.5 | 26.7 | 45.9 | 85.8 | 161.1 | 135.2 | 68.8 | 144.7 | 50.5 | 12.4 |
| Other | 3.0 | 2.8 | 4.6 | 4.4 | 3.5 | 3.6 | 4.0 | 4.2 | 4.3 | 4.5 | 4.7 |
| Totals | \$30.6 | \$39.9 | \$41.8 | \$62.3 | \$98.3 | \$182.2 | \$152.2 | \$86.4 | \$171.7 | \$90.6 | \$31.9 |

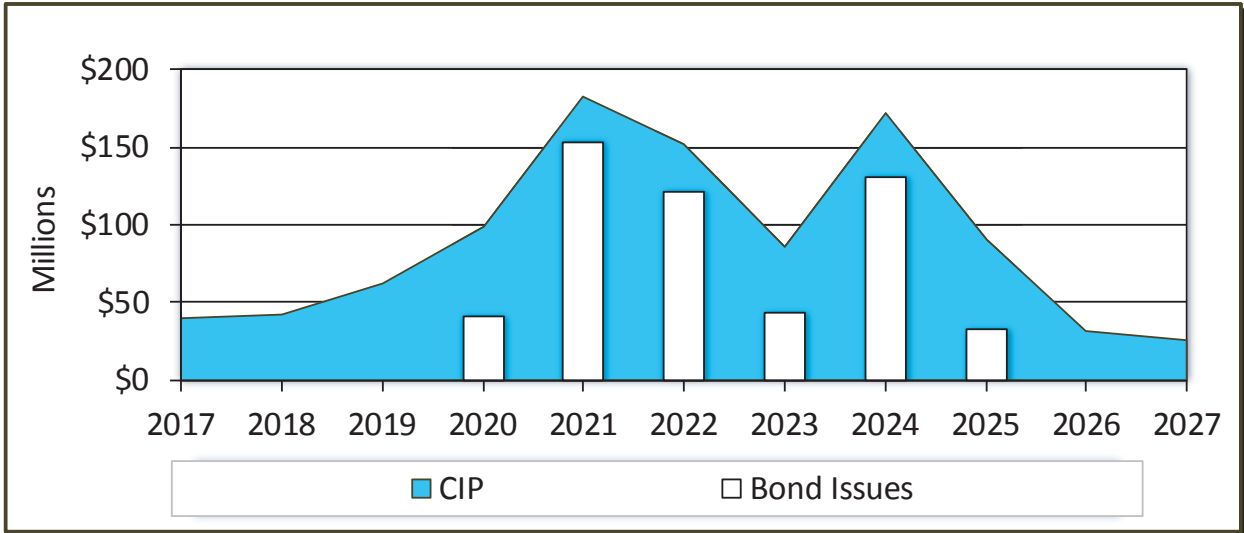
¹Represents District's share of WWSP costs.

Limitation on Cost Details

| Estimate Class | Expected Accuracy Range | Level of Project Definition | Typical Purpose |
|----------------|--|-----------------------------|-----------------------------------|
| Class 5 | Low: -20% to -50% High: +30% to +100% | 0% to 2% | Concept Screening |
| Class 4 | Low: -15% to -30% High: +20% to +50% | 1% to 15% | Study or Feasibility |
| Class 3 | Low: -10% to -20% High: +10% to +30% | 10% to 40% | Budget, Authorization, or Control |
| Class 2 | Low: -5% to -15% High: +5% to +20% | 30% to 70% | Control or Bid/ Tender |
| Class 1 | Low: -3% to -10% High: +3% to +15% | 50% to 100% | Check Estimate or Bid/Tender |

Source: The Association for the Advancement of Cost Engineering (AACE) International Recommended Practice No. 18R-97.

Potential Capital Financing Scenario¹



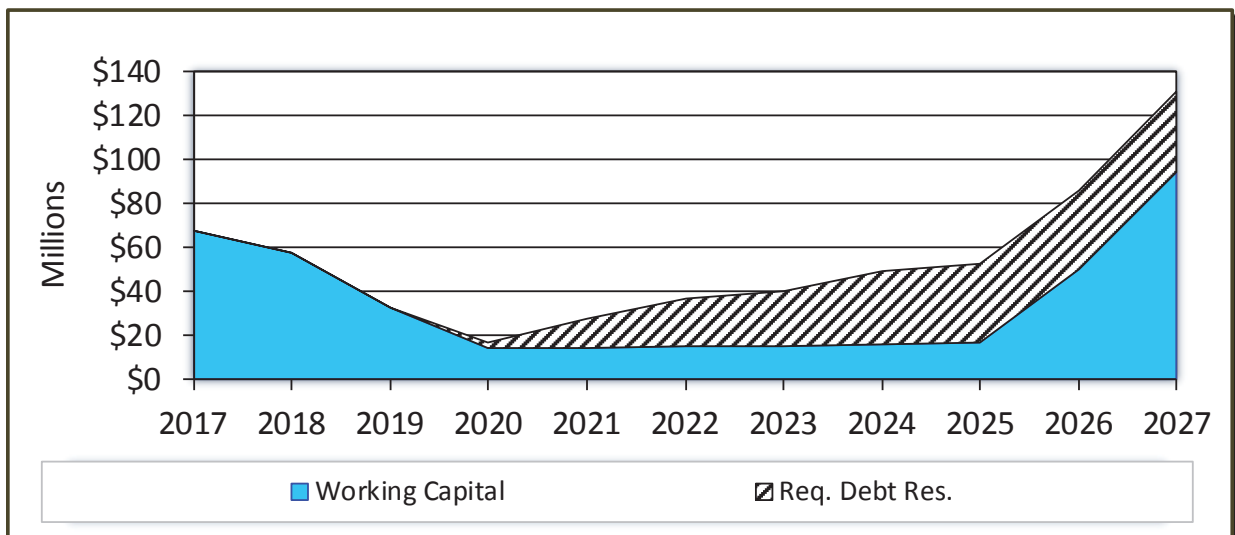
¹Assumes 13.5% rate increases.

CIP and Funding

Key Findings

- WWSP dominates District's capital expenditures
- Details of future bonding depends on timing and cost of the WWSP
- Benefit of pushing capital expenditures past 2027

Projected Reserves and Fund Balances¹



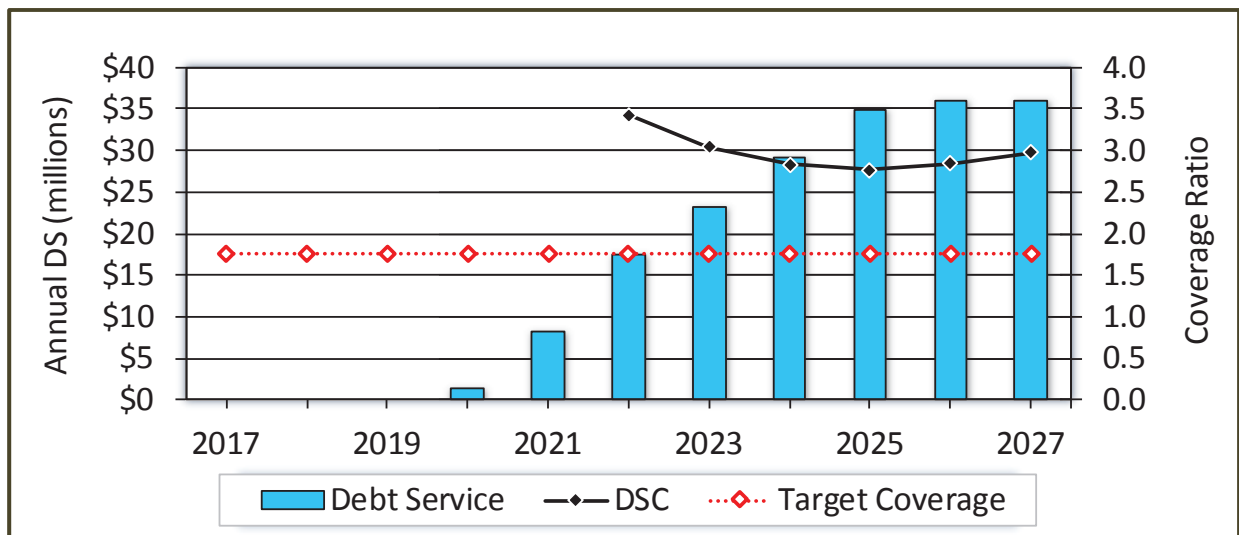
¹Assumes 13.5% rate increases.

Projected Reserves and Fund Balances

Key Findings

- Timing of WWSP expenditures may affect capital reserve balances over time
- Debt service coverage provides additional capacity for capital projects after 2027

Projected Annual Debt Service and Coverage Ratio¹



¹Assumes 13.5% rate increases.

Projected Debt Service

Key Findings

- Timing of WWSP expenditures will determine timing of bond issues
- Annual debt service likely to exceed \$35 million by 2026
- Long-term debt strategy continues to be refined based on WWSP cost and timing
- Ultimate mix of long-term debt and cash determined by District's capacity to issue debt

Long-Term Financial Plan Results

Rate Options

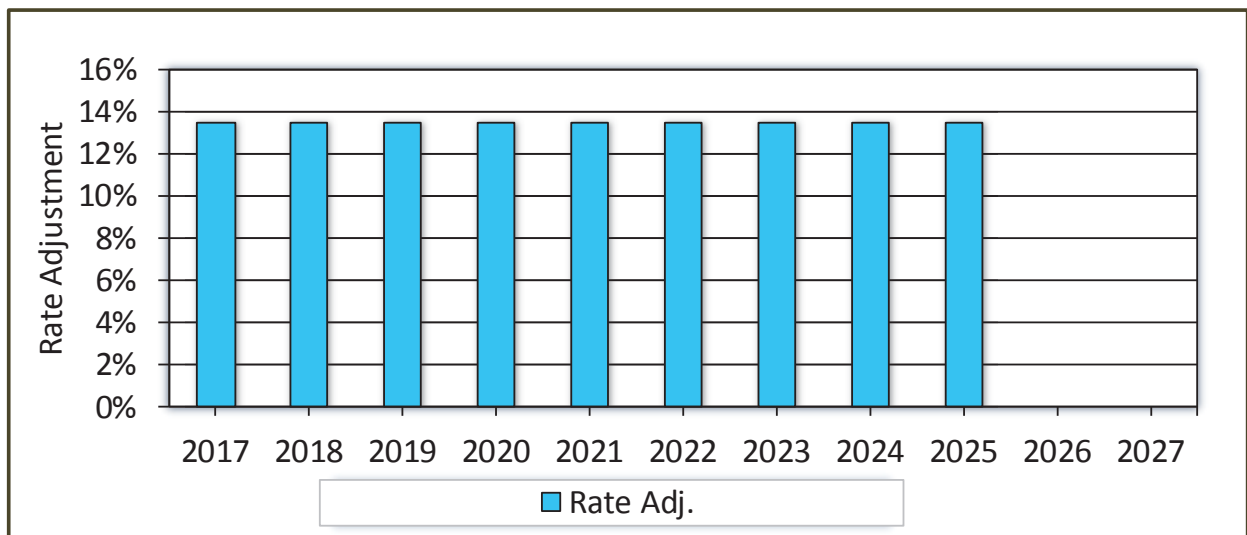
- Scenario 1: 13.5% increases in FY2017-FY2025
- Scenario 2: FY2017 16.4% increase followed by smooth increases through FY2025
- Scenario 3: FY2017 9.9% increase followed by smooth increases through FY2025

Long-Term Financial Plan Results

What Changed from Last Year?

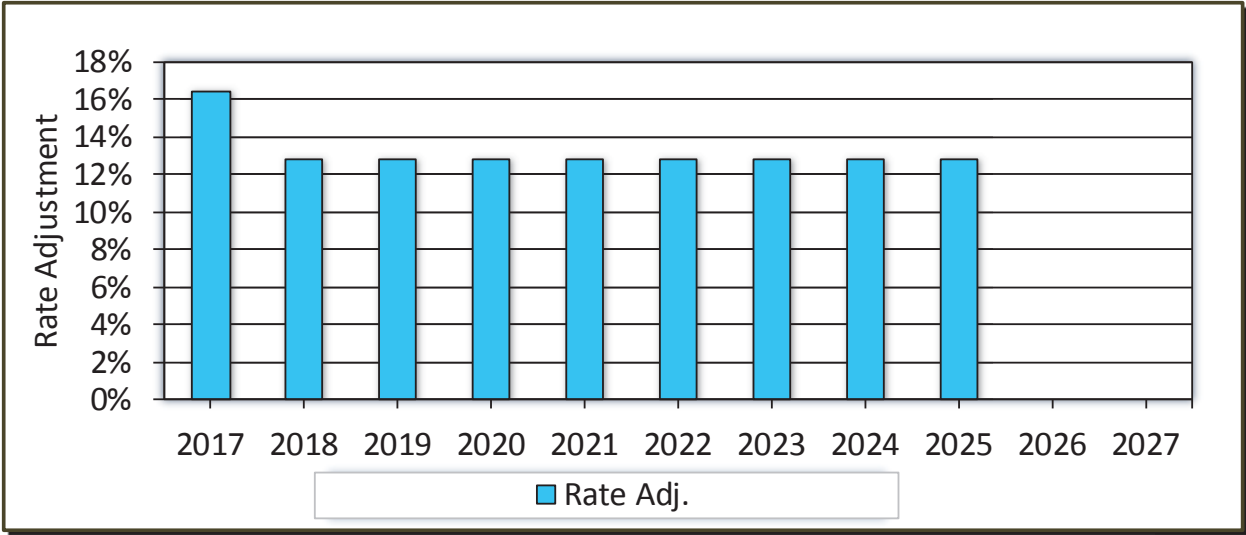
- Updated WWSP cash flow spring 2016
- Portland wholesale water increase higher than budgeted

Scenario 1 13.5% Annual Increases



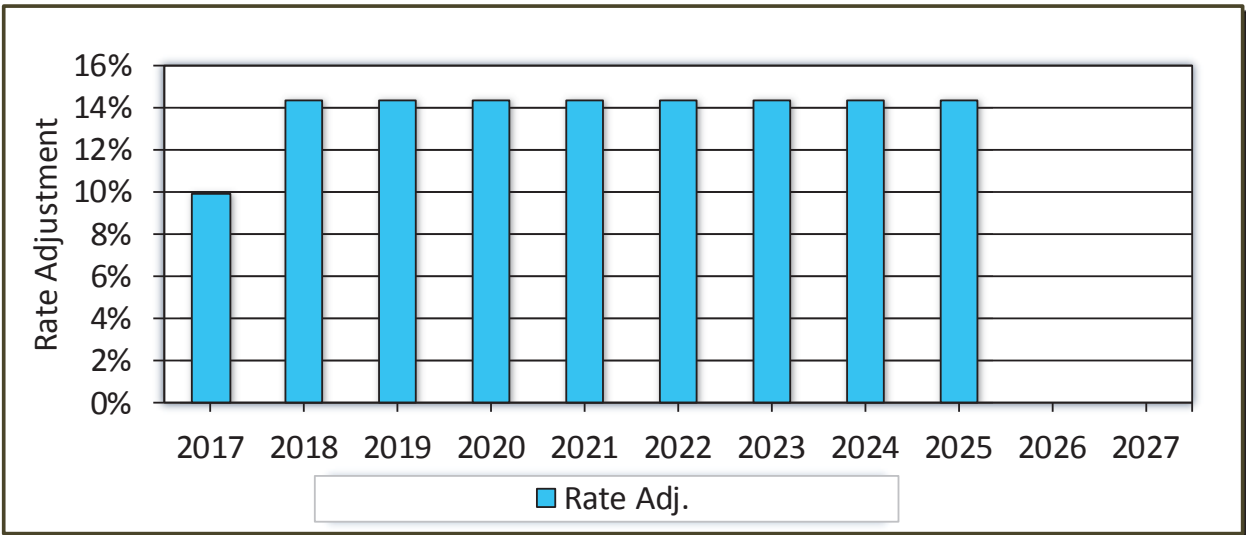
Scenario 2

First Year 16.4%

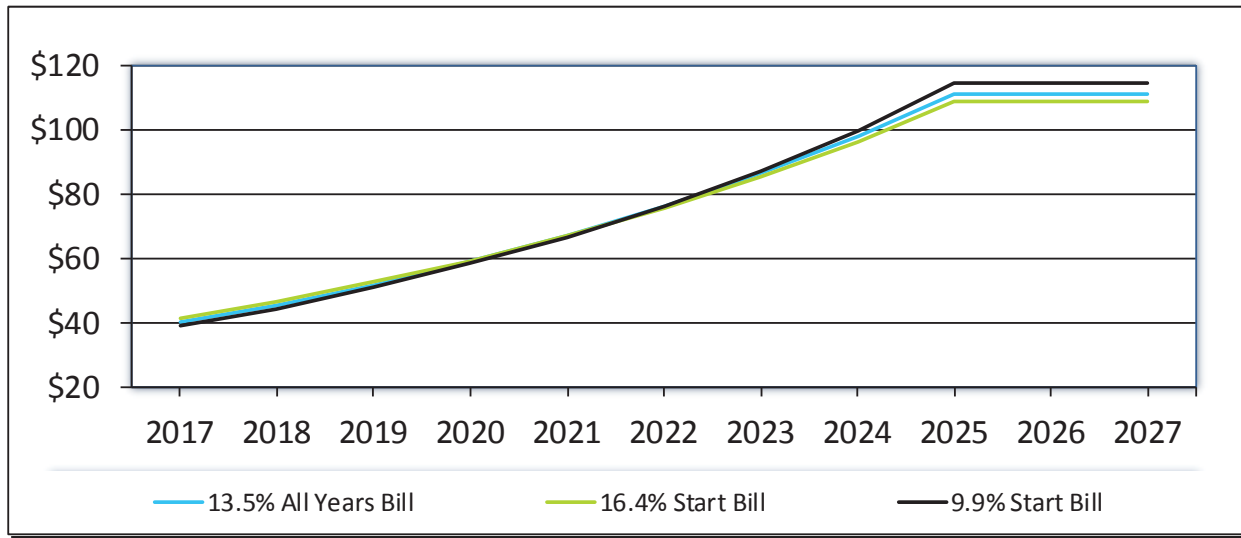


Scenario 3

First Year 9.9%



Comparison of Typical Monthly Bills



Risks to the Forecast

| Higher Costs from Portland | Interest Rates | WWSP | Other Concerns |
|---|--|---|---|
| <ul style="list-style-type: none"> Allocation of Powell Butte II Changes to peaking factors Contract difficulties Other O&M and CIP | <ul style="list-style-type: none"> Loss of tax-exempt bonds Reduction in credit rating General increase in interest rates | <ul style="list-style-type: none"> Timing Project definition Construction costs Loss of a partner | <ul style="list-style-type: none"> Economic downturn Changes in water demands Annexations with withdrawals Imposition of rights-of-way fees Other unplanned cost increases |

Positive Risks (Opportunities) to the Forecast

WWSP

- Value engineering
- Project definition
- Construction costs
- Opportunity projects
- Gaining partners

Other Opportunities

- Economic growth
- Urban services agreement
- Favorable financing programs
- Other unplanned savings

Customer Impacts

Financial Forecast Update and 2016-17 Water Rates

Paul L. Matthews

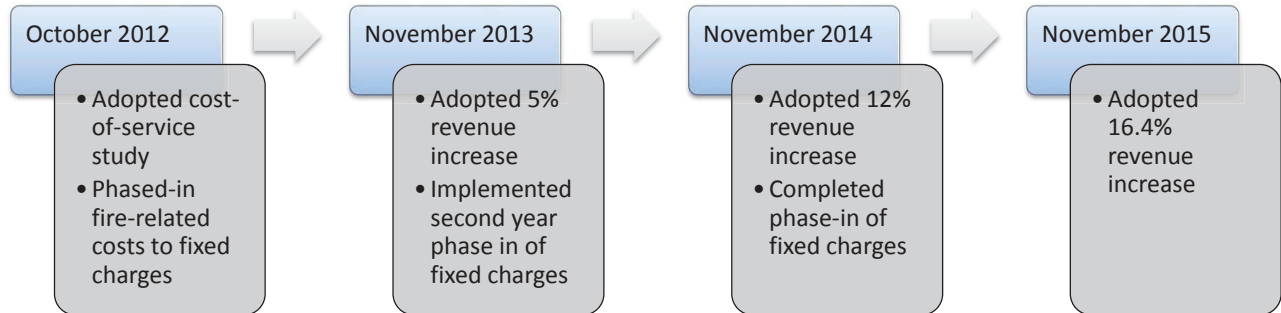
Chief Financial Officer

Tualatin Valley Water District



Delivering the Best Water  Service  Value

Recap of Recent History

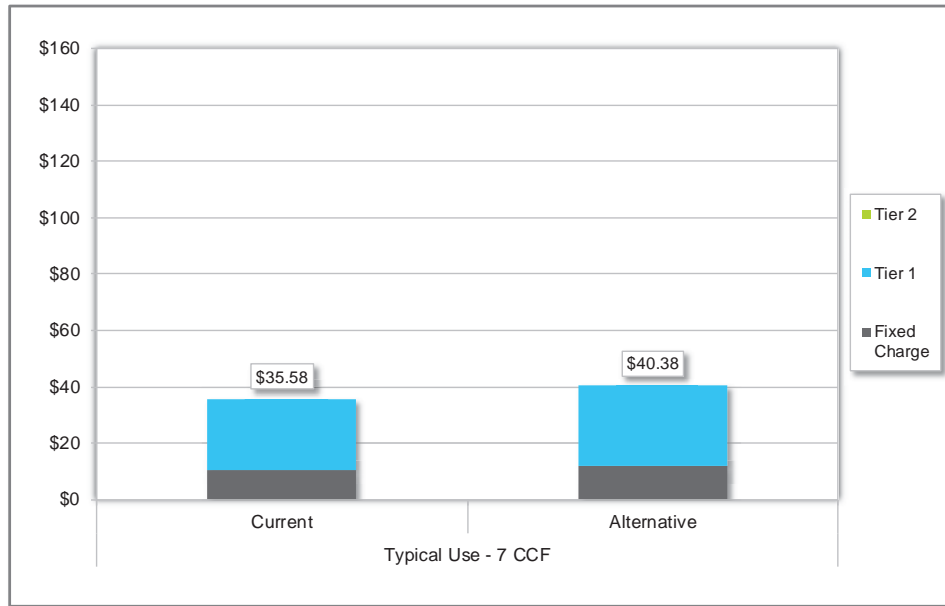


Typical Household Monthly Bill* (13.5% increase effective November 1, 2016)

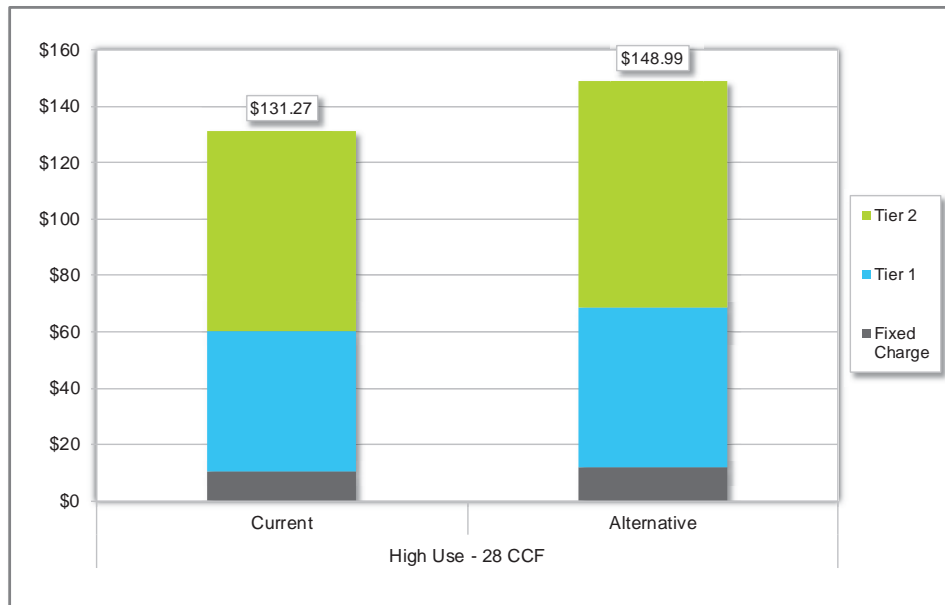
| Typical Single-Family Residential Bill | | |
|--|---------|---------------|
| 5/8-Inch Meter | Current | Proposed |
| Fixed Charge | \$10.73 | \$12.18 |
| Volume Charge | \$24.85 | \$28.21 |
| Total | \$35.58 | \$40.38 |
| Monthly Increase | | \$4.80 |

*Using 7 CCF per month.

Monthly Bill Impact: 13.5% Increase Typical Single-Family Residential Customer



Monthly Bill Impact: 13.5% Increase High Use Single-Family Residential Customer



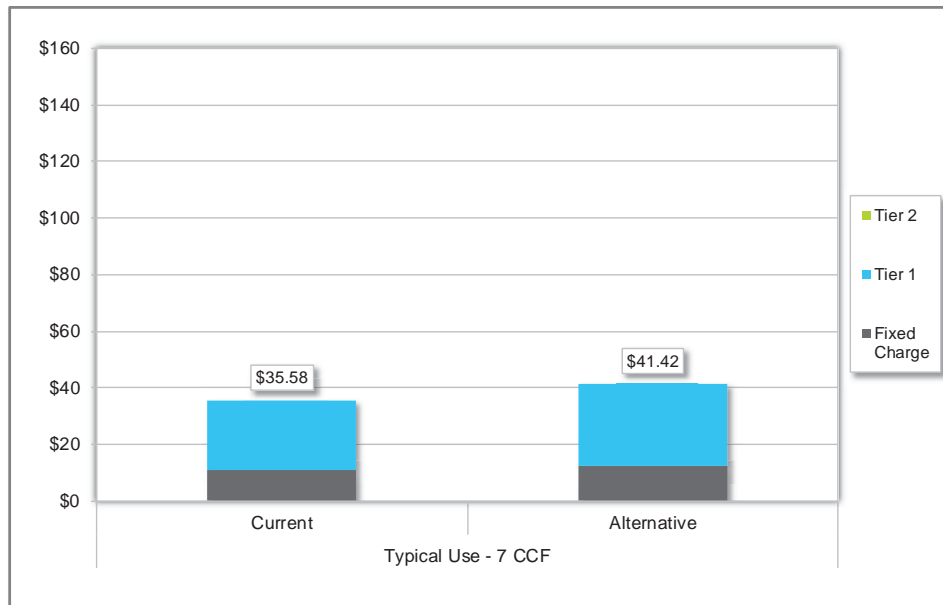
Typical Household Monthly Bill*

(16.4% increase effective November 1, 2016)

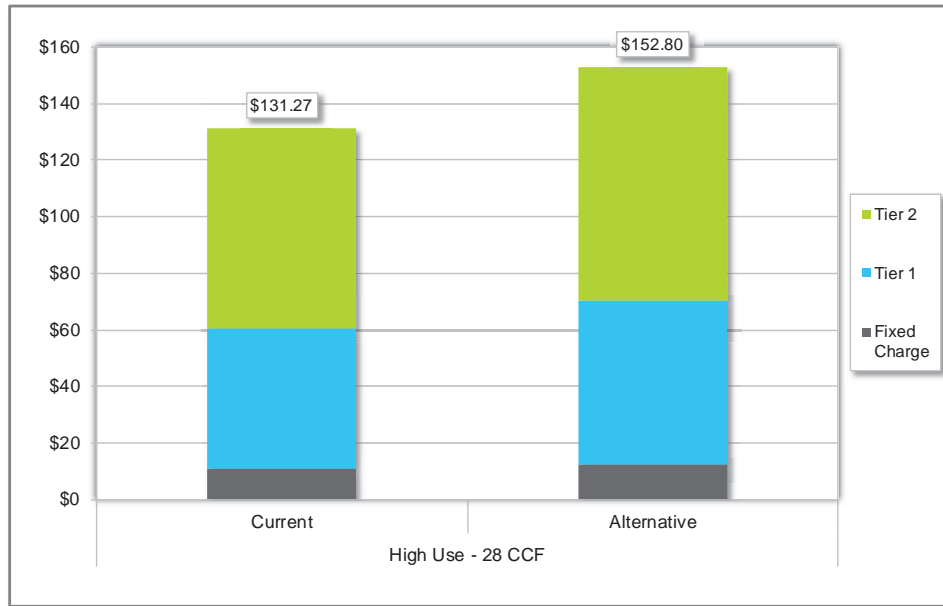
| Typical Single-Family Residential Bill | | |
|--|---------|----------|
| 5/8-Inch Meter | Current | Proposed |
| Fixed Charge | \$10.73 | \$12.49 |
| Volume Charge | \$24.85 | \$28.93 |
| Total | \$35.58 | \$41.42 |
| Monthly Increase | | \$5.84 |

*Using 7 CCF per month.

Monthly Bill Impact: 16.4% Increase Typical Single-Family Residential Customer



Monthly Bill Impact: 16.4% Increase High Use Single-Family Residential Customer

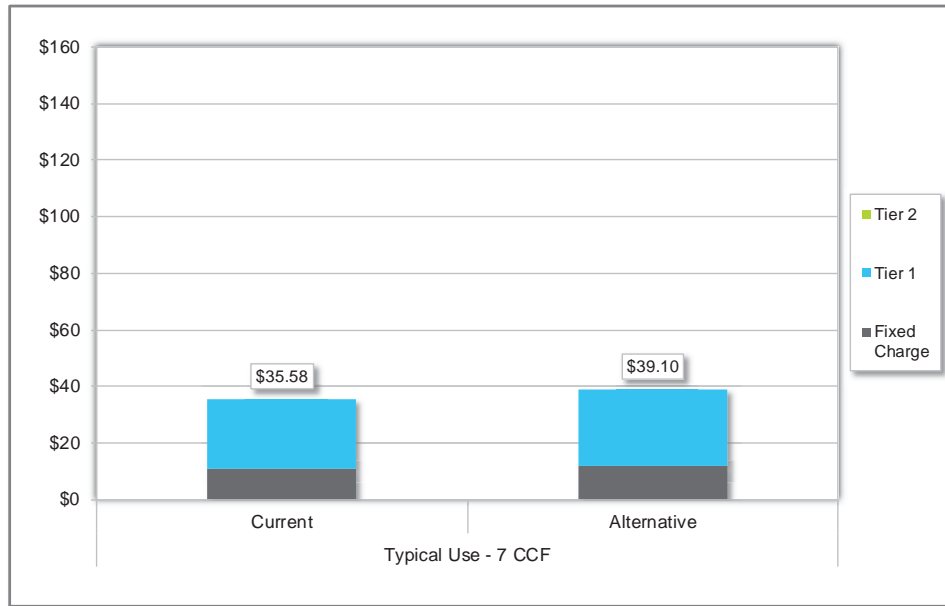


Typical Household Monthly Bill* (9.9% increase effective November 1, 2016)

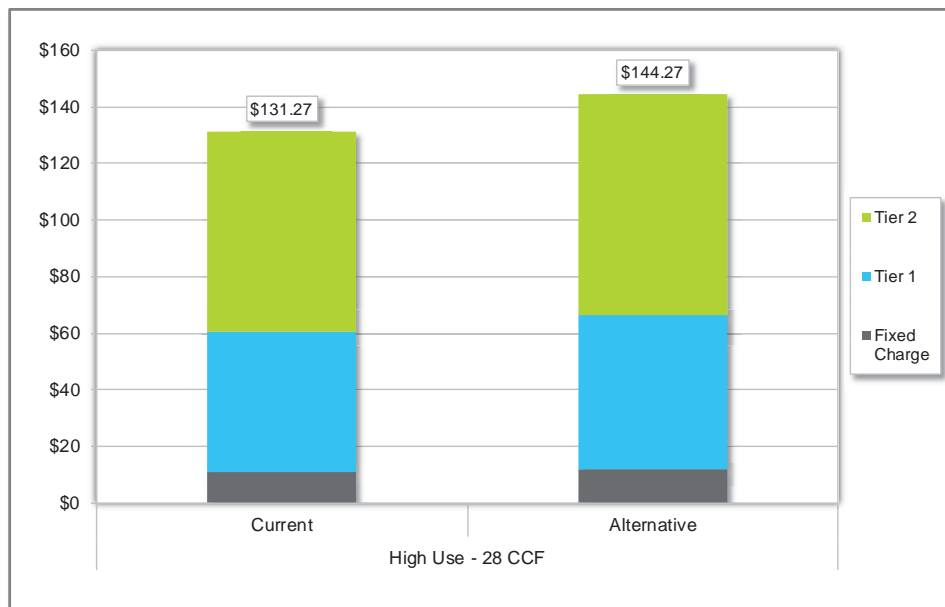
| Typical Single-Family Residential Bill | | |
|--|---------|---------------|
| 5/8-Inch Meter | Current | Proposed |
| Fixed Charge | \$10.73 | \$11.79 |
| Volume Charge | \$24.85 | \$27.31 |
| Total | \$35.58 | \$39.10 |
| Monthly Increase | | \$3.52 |

*Using 7 CCF per month.

Monthly Bill Impact: 9.9% Increase Typical Single-Family Residential Customer



Monthly Bill Impact: 9.9% Increase High Use Single-Family Residential Customer



Comparison of Fixed Monthly Charges

| Fixed Charges | | Proposed | | |
|---------------|---------|----------|---------|---------|
| Meter Size | Current | 13.5% | 16.4% | 9.9% |
| 5/8 Inch | \$10.73 | \$12.18 | \$12.49 | \$11.79 |
| 3/4 Inch | 11.82 | 13.42 | 13.76 | 12.99 |
| 1 Inch | 14.57 | 16.54 | 16.96 | 16.01 |
| 1.5 Inch | 19.57 | 22.21 | 22.78 | 21.51 |
| 2 Inch | 28.87 | 32.77 | 33.60 | 31.73 |
| 3 Inch | 80.39 | 91.24 | 93.57 | 88.35 |
| 4 Inch | 107.71 | 122.25 | 125.37 | 118.37 |
| 6 Inch | 173.60 | 197.04 | 202.07 | 190.79 |
| 8 Inch | 250.76 | 284.62 | 291.88 | 275.59 |
| 10 Inch | 412.42 | 468.11 | 480.06 | 453.25 |

Comparison of Typical Bills

Financial Forecast Update and 2016-17 Water Rates

Paul L. Matthews

Chief Financial Officer

Tualatin Valley Water District



Delivering the Best Water  Service  Value

Residential Monthly Comparisons¹

| City/Agency | Average Commodity Rate/CCF | Fixed Charge | Total Bill 7ccf/month |
|---|----------------------------|----------------|-----------------------|
| Tigard | \$3.68 | \$26.67 | \$52.41 |
| Sherwood | \$4.13 | \$19.88 | \$48.76 |
| Lake Oswego | \$2.74 | \$26.08 | \$45.26 |
| West Slope | \$4.31 | \$14.07 | \$44.24 |
| Portland | \$4.22 | \$12.75 | \$42.26 |
| Hillsboro - Outside | \$2.73 | \$22.41 | \$41.52 |
| Tualatin Valley - Scenario 2 (16.4%) | \$4.13 | \$12.49 | \$41.42 |
| Tualatin Valley - Scenario 1 (13.5%) | \$4.03 | \$12.18 | \$40.38 |
| Tualatin Valley - Scenario 3 (9.9%) | \$3.90 | \$11.79 | \$39.10 |
| Clackamas River Water | \$2.22 | \$22.25 | \$37.80 |
| Gresham | \$2.33 | \$21.32 | \$37.63 |
| Wilsonville | \$2.41 | \$20.00 | \$36.85 |
| Forest Grove | \$1.77 | \$23.50 | \$35.89 |
| Tualatin Valley - Current | \$3.55 | \$10.73 | \$35.58 |
| Beaverton | \$2.97 | \$13.00 | \$33.79 |
| Sunrise Water Authority | \$2.07 | \$14.00 | \$28.50 |
| Hillsboro - Inside | \$1.82 | \$14.94 | \$27.68 |
| City of Tualatin | \$2.71 | \$7.65 | \$26.62 |
| Rockwood Water PUD | \$2.30 | \$7.73 | \$23.83 |

¹Based on monthly bill for typical customer using 7 CCF of water per month.

Water Remains a Good Value

- High-quality water available on-demand in quantities as needed
- Cost per gallon under all three scenarios is less than 1¢
- About \$0.54 per person per day based on current District per capita daily water use¹

¹Assumes 13.5% rate increase. The District averaged 69.8 gallons per capita per day for residential customer demands in the past 12 months through May 2016

Board Discussion



Next Steps

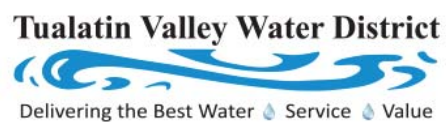
- Prepare required notification
- Present rate resolution at August 17th Board Meeting
- Rates and charges effective November 1st

Thank You



2017 Rate Study and Rate Advisory Committee

Alex Cousins
Communications & Public Affairs Supervisor



Proposed Membership Affiliations

- Business
- Residential
- Community advocates
- Latino/multicultural
- Institutional
- TVWD Budget Committee member
- Citizens of jurisdictions TVWD serves
- TVWD Board of Commissioner Liaisons

Next Steps

- Continue identifying prospective RAC members if needed.
- Prepare resolution appointing RAC members and adopting RAC Charter at July 20, 2016 regular meeting
- Proposed RAC meeting dates:
 - August 10
 - September 7
 - October 5
 - November 2
 - December 7

Draft Strategic Communications Plan

Alex Cousins

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Next Steps

- Month of July: Board and staff feedback on draft Strategic Communications Plan
- August 2nd work session: draft Strategic Communications Plan Board discussion and comments
 - Plan revisions -
- August 17th Board meeting: revised draft Strategic Communications Plan adoption