

Tualatin Valley Water District



Delivering the Best Water • Service • Value



BOARD WORK SESSION AGENDA

September 4, 2018

President Bernice Bagnall

Treasurer Jim Duggan

Vice President Dick Schmidt

Secretary Todd Sanders

Acting Secretary Jim Doane

Assistive listening devices are available upon request 48 hours prior to the day of the meeting by calling (503) 848-3000. For additional questions or assistance, see the District Recorder seated near the windows.

For online meeting information, Commissioner bios and more, visit www.tvwd.org.

VISION

Delivering the best water • service • value

MISSION STATEMENT

To provide our community quality water and customer service

VALUES

Reliability • Integrity • Stewardship • Excellence • Safety

WORK SESSION – 6:00 PM

CALL TO ORDER

ANNOUNCEMENTS

1. DISCUSSION ITEMS

- A. Overview of Options for Development Fees
- B. Evaluation of Changing Customer Classification of Duplex Customers
- C. TVWD Capacity Share in the Willamette Water Supply System
- D. Draft Board Action Plan for 2018-19

ADJOURNMENT

Tualatin Valley Water District



Delivering the Best Water 💧 Service 💧 Value

To: Board of Commissioners

From: Paul L. Matthews, Chief Financial Officer
Carrie Pak, PE, Chief Engineer

Date: September 4, 2018

Subject: Overview of Options for Development Fees

Key Concepts:

- The District reviews engineering plans for proposed new developments and conducts inspections of the local assets to make sure they comply with the District's *Water System Design and Construction Standards*.
- Currently, the District assesses a fee for reviewing plans; however, the District does not assess fees to recover the full cost of design review or for inspecting the new local assets.
- Other neighboring utilities charge for both the plan review and inspection of local assets.
- Staff wants to review this long-standing policy with the Board.

Background:

Most municipal water utilities like the District require new development to donate the local distribution systems (pipes, fire hydrants and appurtenances) that serve new customers. For the purposes of this staff report, these donated assets are referred to as "local assets". In cases where existing development is connecting to the system, a local improvement district is sometimes used to fund the local assets.

Prior to accepting these local assets, the District reviews the engineering plans produced by the developer for consistency with the District's *Water System Design and Construction Standards*. Also, the District verifies it has sufficient system capacity to meet the service requirements at the location of the development.

During construction of the local assets and before accepting them, the District's staff inspects the local assets and conducts water quality testing to make sure the local assets will provide quality water to the District's customers. These activities are often referred to as "development review and inspection" by the District.

Most local utilities charge fees that recover the costs of reviewing the engineering plans for the new local assets and inspecting their construction. The District's long-standing policy is to recover only the plan review costs.

The District engaged a consultant to review the District's current plan review fees and propose plan review and inspection fees that fully recover the District's costs. The consultant's study suggests the following:

1. In fiscal year 2018 (FY2018), the District recovered approximately 41.5% of the costs of reviewing developer plans for new infrastructure through the District’s existing plan review fees.
2. In FY2018, the District spent approximately \$260,717 to inspect the new local assets donated by development. None of that cost was recovered.

Furthermore, a survey of other local water providers indicates that the District is somewhat unique in not recovering inspection fees. Table 1 presents a comparison of the fees that would be collected by neighboring jurisdictions for similar services.

Table 1: Comparison of Fees

Engineering Development Fee	TVWD		Beaverton	Hillsboro ¹	Tigard ¹
	Current Fee	Alternative			
Plan Review & Inspection - 1-10 lots	\$185	\$2,647	\$10,066	\$2,720	\$8,160
Plan Review & Inspection - 11-50 lots	\$265	\$4,414	\$33,929	\$11,900	\$40,800
Plan Review & Inspection - 51-100 lots	\$420	\$5,747	\$58,459	\$23,800	\$81,600
Plan Review & Inspection - More than 100 lots	\$475	\$8,710			
Plan Review & Inspection - Commercial Development, Meter smaller than 2"	\$340	\$1,002			
Plan Reivew & Inspection - Commercial Development, Meter 2" or larger	\$475	\$6,363			

¹Inspections are paid on an hourly basis.

Staff believes this long-standing policy should be reviewed by the Board to verify its consistency with current Board direction. Depending on the questions and comments by the Board, staff plans to communicate with the development community options to recover these costs. Staff plans to report back to the Board in the future on those discussions.

Budget Impact:

This item is informational only and has no direct budget impact. However, if the Board were to adopt new fees to recover the cost of development review and inspections of new local assets, the District may realize \$289,752 per biennium in additional revenue.

Staff Contact Information:

Paul Matthews; Chief Financial Officer; 503-848-3017; paul.matthews@tvwd.org
 Carrie Pak, PE; Chief Engineer; 503-848-3045; carrie.pak@tvwd.org

Attachments:

None.

Management Staff Initials:

Chief Executive Officer	ME	Customer Service Manager	N/A
Chief Engineer	CEP	IT Services Director	N/A
Chief Financial Officer	POW	Human Resources Director	N/A
General Counsel	CS	Water Supply Program Director	N/A

Tualatin Valley Water District



Delivering the Best Water 💧 Service 💧 Value

This page intentionally left blank

Tualatin Valley Water District



Delivering the Best Water 💧 Service 💧 Value

To: Board of Commissioners

From: Andrew Carlstrom, Customer Service Manager
Paul L. Matthews, Chief Financial Officer

Date: September 4, 2018

Subject: Evaluation of Changing Customer Classification of Duplex Customers

Key Concepts:

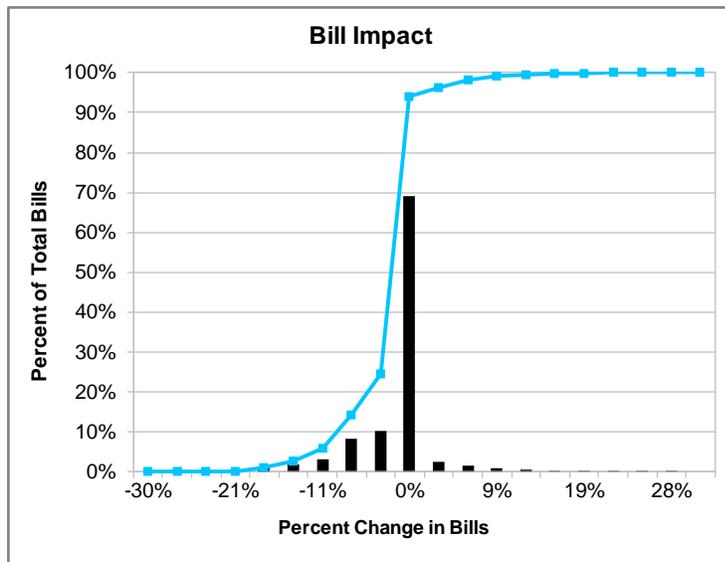
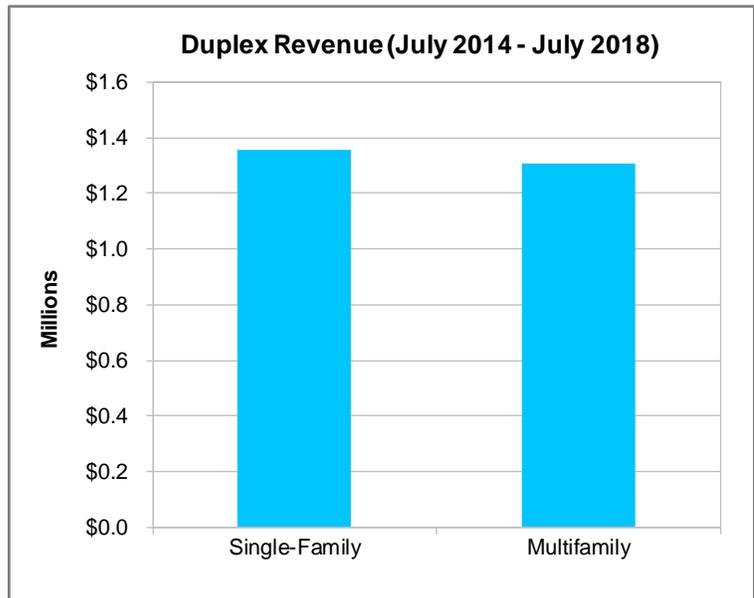
- Customers with two dwelling units served by a common water meter are called duplex customers. Consistent with water industry standards, the District classifies duplex customers as single-family customers.
- Single-family customers (including duplex customers) currently have a different block rate threshold as compared to multifamily customers.
- The District tasked its Rate Advisory Committee (RAC) to review the existing classification of duplex customers. The RAC recommended changing the classification of duplex customers from single-family residential to multifamily.
- Staff requests the Board provide input on the proposed change in classification of duplex customers and the suggested communication plan for implementing this change.

Background:

The District's Rate Advisory Committee (RAC) examined the issues associated with changing the classification of duplex customers from single-family residential to multifamily residential. The Finance Department conducted a detailed economic and rate analysis to better understand the effects such a reclassification would have on both the District and duplex customers. In addition to the technical analysis, the Customer Service Department has developed a communications strategy to communicate with affected customers.

Evaluation of Changing Customer Classification of Duplex Customers

The District serves an estimated 441 duplex customers. Under current rates and customer classification (i.e., single-family), the total calculated revenue of the 441 duplexes over the time period analyzed was \$1,355,920. If the duplexes were classified as multifamily over the same period, total revenue would have been approximately \$1,307,890 under current rates. This equates to a 3.5% decrease in revenue from the same total consumption. The adjacent graph compares the total dollar amounts under each duplex classification.



Finance staff recalculated the bills as if duplexes had been multifamily customers over the past four years. When treated as multifamily customers, 69.2% of the duplex bills would not change. Approximately 24.7% of the bills for duplex customers would have been lower. Finally, approximately 6.2% of the duplex bills would have been higher. A bill impact graph is provided on the left. This and the previous graph illustrate that if duplex customers were classified as multifamily, more of their consumption would have fallen within Block 1.

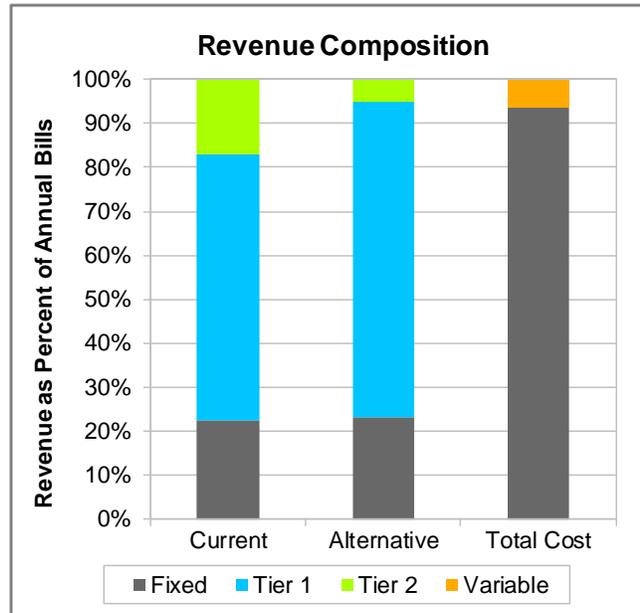
Table 1 presents the rounded consumption numbers under both treatments of duplex customers (i.e., classified as single-family residential and multifamily residential).

Table 1: Consumption (CCF) by Block Under the Alternatives

Block	Single-Family	Multifamily
Block 2	34,750	10,250
Block 1	178,750	203,250
Total CCF	213,500	213,500

These differing consumption profiles generate alternative revenue composition profiles. The graph on the right presents revenue composition under each alternative, plotted next to the District's estimated fixed/variable cost structure.

Although total duplex revenue under the multifamily scenario would have been less, the amount earned from fixed charges and Block 1 consumption would have been greater. When treated as single-family, the calculated duplex revenue from fixed charges and Block 1 was \$1,126,820. When treated as multifamily, the fixed charge plus Block 1 revenue totaled \$1,239,800 over the same time period. This leaves less revenue to be considered Block 2, or "discretionary" revenue.



The analysis suggests the following findings:

1. The District's overall financial impact from the proposed change to the customer classification for duplexes is estimated to be minimal.
2. Of all bills issued to the District's duplex customers, approximately 69% would remain unchanged, approximately 25% would decrease, while 6% would actually increase if duplexes were classified as multifamily. Under the new classification, it is likely that some duplexes would receive bills at differing times of the year that would be lower, stay the same and/or increase from the bills they will receive as single-family customers.

Staff has developed a proposed communication plan to make duplex customers aware of the proposed change in customer classification. The communications plan includes:

- Develop talking points for Customer Service staff.
- Place the proposal and analysis on the website.
- Mail a letter to the duplex owners which outlines the proposal and opportunities to provide feedback via email/computer and/or in person meetings.
- Set up an email notification system for duplex owners who want to receive follow up.
- Mail duplex owners notifying them of the official rate change, if approved.

Budget Impact:

This item is informational only and has no direct budget impact. However, if the Board were to reclassify duplex customers as single-family customers, the District may see a reduction in rate revenue of approximately \$12,000 per year.

September 4, 2018

Evaluation of Changing Customer Classification of Duplex Customers

Staff Contact Information:

Andrew Carlstrom; Customer Service Manager; 503-848-3024; andrew.carlstrom@tvwd.org

Paul L. Matthews; Chief Financial Officer; 503-848-3017; paul.matthews@tvwd.org

Attachments:

None.

Management Staff Initials:

Chief Executive Officer	<i>ME</i>	Customer Service Manager	<i>AC</i>
Chief Engineer	N/A	IT Services Director	N/A
Chief Financial Officer	<i>PM</i>	Human Resources Director	N/A
General Counsel	<i>CB</i>	Water Supply Program Director	N/A

Tualatin Valley Water DistrictDelivering the Best Water  Service  Value

To: Board of Commissioners

From: Mark Knudson, PE, Chief Executive Officer

Date: September 4, 2018

Subject: TVWD Capacity Share in the Willamette Water Supply System

Key Concepts:

- TVWD has a unique opportunity to determine its ownership share of the capacity in the WWSS.
- Three different bases for establishing TVWD's capacity share have been identified; original demand forecast, updated demand forecast and intake ownership.
- No changes in physical infrastructure are required to accommodate the three different shares in the WWSS capacity; however, there are various benefits and limitations associated with each approach to establishing TVWD's ownership position.
- This agenda item will include a staff presentation and Board discussion on the three approaches to establish TVWD's ownership position in the WWSS.

Background:

In preparing the final design of the Willamette Water Supply System (WWSS) and negotiating the WWSS intergovernmental agreement (IGA) with Hillsboro, three different bases for establishing TVWD's capacity share have been identified:

1. **Original demand forecast.** The District's peak-day demand forecast, prepared as part of the District's 2015 Water Master Plan, would be met by supplying about 56.5 million gallons per day (MGD) from the WWSS in 2066. In addition, this forecast assumes 14 MGD would be supplied from TVWD's ownership interest in the Joint Water Commission in 2066. This original TVWD forecast of 56.5 MGD supplied from the WWSS has been the basis of all planning, design and financial planning for the WWSS to date.
2. **Updated demand forecast.** Given the withdrawals of TVWD service area by the City of Beaverton in 2018, the resulting updated TVWD forecast of peak-day supply from the WWSS in 2066 is now 52.6 MGD. The difference of 3.9 MGD will be met by the City of Beaverton to supply these withdrawn service areas.
3. **Intake ownership.** During negotiation of the Willamette Intake Facility (WIF) IGA, TVWD's resulting capacity share in the WIF was established as 59.1 MGD.

The District currently has a unique opportunity to finalize its preferred ownership position and associated capacity share in the entire WWSS, considering the changes that have occurred since planning for the WWSS started five years ago. This decision does not result in a change in resulting infrastructure or total program cost since all three capacities are accommodated by the same infrastructure. However, this decision will affect cost allocations between partners in the WWSS.

This agenda item will consist of an overview of the three options and the relative benefits and limitations of the benefits will be presented. The Board will be given an opportunity to ask questions, provide comments and discuss the three options.

Depending on Board comments and feedback, it is recommended the Board formally adopt a preferred capacity share in the WWSS at the next Board meeting on September 19, 2018.

Budget Impact:

Costs associated with the original demand forecast are included in the District's current budget for the Willamette Water Supply Program. Costs of the other two options will be presented at the work session.

Staff Contact Information:

Mark Knudson; CEO; 503-848-3027; mark.knudson@tvwd.org

Attachments:

None

Management Staff Initials:

Chief Executive Officer	<i>mk</i>	Customer Service Manager	N/A
Chief Engineer	<i>CEP</i>	IT Services Director	N/A
Chief Financial Officer	<i>PSM</i>	Human Resources Director	N/A
General Counsel	<i>CS</i>	Water Supply Program Director	<i>(Signature)</i>

Tualatin Valley Water District



Delivering the Best Water 💧 Service 💧 Value

To: Board of Commissioners

From: Mark Knudson, PE, Chief Executive Officer

Date: September 4, 2018

Subject: Draft Board Action Plan for 2018-19

Key Concepts:

- The Tualatin Valley Water District Commissioners identified several high priority goals at their recent Board retreat on July 23, 2018. The Draft Board Action Plan for 2018-19 summarizes the Board's goals and proposed next steps.
- Staff suggests the Commissioners provide comments and discuss the Draft Board Action Plan at the September 4, 2018 work session.
- Depending on Board feedback and comments, it is recommended that the Board formally adopt the Board's Action Plan at the next Board meeting on September 19, 2018.

Background:

The Board identified several high priority goals at their recent Board retreat on July 23, 2018. The Board expressed a desire to act on these goals during the next 18 months.

The following Draft Board Action Plan for 2018-19 summarizes the Board's goals and proposed next steps. Staff suggests the Commissioners review the draft goals and next steps at the September 4, 2018 work session. Depending on Commissioner feedback and comments, it is recommended that the Board formally adopt the Board's Action Plan at the next Board meeting on September 19, 2018.

It is further recommended that progress toward achieving these goals be reviewed by the Board every six months, for the next 18 months, and to further refine the goals as needed. These reviews can be coordinated with the Board's periodic review of District initiatives and key projects.

Budget Impact:

Costs associated with implementation of the Board Action Plan for 2018-19 are anticipated to be minimal and are included in the adopted 2017-19 budget.

Staff Contact Information:

Mark Knudson, PE, Chief Executive Officer; 503-848-3027; mark.knudson@tvwd.org

Attachments:

Draft Board Action Plan for 2018-19

Management Staff Initials:

Chief Executive Officer	<i>hjk</i>	Customer Service Manager	N/A
Chief Engineer	N/A	IT Services Director	N/A
Chief Financial Officer	N/A	Human Resources Director	N/A
General Counsel	N/A	Water Supply Program Director	N/A



MEMO

Date: August 27, 2018

To: Tualatin Valley Water District Board of Commissioners

From: Mark Knudson, CEO

Re: Draft Board Action Plan for 2018-19

The Tualatin Valley Water District Commissioners identified several high-priority goals at their recent Board retreat on July 23, 2018. The Board expressed a desire to act on these goals during the next 18 months.

The following draft Board Action Plan for 2018-19 summarizes the Board's goals and proposed next steps. Staff suggests the Commissioners review the draft goals and next steps at their next work session on September 4, 2018. Depending on Board feedback and comments, it is recommended the Board formally adopt the Board's Action Plan at the next Board meeting on September 19, 2018.

It is further recommended that progress toward achieving these goals be reviewed by the Board every six months, for the next 18 months, and to further refine the goals, as needed. These reviews can be coordinated with the Board's periodic review of District initiatives and key projects.

1. Rates and Affordability

- a. Goal: By December 31, 2019, implement at least two additional measures related to affordability of District water rates and support these measures through the District's public information program.
- b. Discussion: In 2017, the District established a Rate Advisory Committee (RAC) which made specific and general recommendations to address questions related to District rates. Since that time, the District has implemented, on recommendation of the RAC, biennial rate increases. In addition, the District continues to support a Customer Emergency Assistance program, and staff has provided the Board with routine status updates on various affordability activities under consideration. District staff is also currently working on the following measures:
 - i. Duplex billing (single family versus multi-family rate schedule)
 - ii. New Customer Information System (CIS) with the goal of implementing monthly billing and levelized billing
 - iii. Consideration of an affordability rate or discount for low-income households.

Draft TVWD Board Action Plan for 2018-19

August 27, 2018

Page 2

Implementation of some affordability measures, such as a low-income rate, monthly billing and levelized billing, will be delayed until after implementation of the new CIS, which is scheduled to be completed in 2021. However, it may be possible to implement other affordability measures before 2021, such as:

- i. Duplex billing
 - ii. Outreach to increase awareness of availability of the Customer Emergency Assistance Program
 - iii. Outreach to increase contributions to the Customer Emergency Assistance Program, including outreach to Clean Water Services
 - iv. Outreach to increase use of conservation as a cost saving strategy (may include possible refinements and/or targeting of the conservation program to low-income customers)
 - v. Data gathering on affordability indices and/or comparisons of TVWD affordability metrics to other communities
- c. Approach, Tasks: By January 31, 2019, District staff will bring to the Board at least three proposals related to affordability strategies for Board consideration.
- d. Next Steps: Staff to further develop and present three affordability measures for consideration by the Board and possible implementation in 2019.

2. District Regional Leadership, Relationships and Reputation

- a. Goal: By December 31, 2019, implement at least six activities that will further reinforce the District's role as a leading water supplier in the Portland metropolitan region.
- b. Discussion: By 2026, the District will be responsible for managing the second largest water supply system in Oregon. This is a new responsibility for TVWD. The Board wishes to engage in activities that further demonstrate TVWD's regional leadership as a water supply system manager.
- c. Approach, Tasks: There are a range of possible activities the Board and District can conduct to help achieve the intended goal. Examples include:
 - i. Board member(s) participate in a presentation on the WWSS to the Regional Water Providers Consortium.
 - ii. Board member(s) participate in briefing to community group(s).
 - iii. Board member(s) participate in a planned media interview and/or Op-Ed story.
 - iv. Develop and implement a public affairs strategy, which may include:
 1. Increased engagement in state and federal water policy.

Draft TVWD Board Action Plan for 2018-19

August 27, 2018

Page 3

2. Increased engagement in state and federal legislative issues related to water policy, regulatory policies and/or water quality.
 - v. Engage Commissioners in open houses related to capital projects (especially projects in Commissioners' neighborhoods).
 - vi. Complete development and implementation of District branding strategy.
 - vii. Complete development and implementation of TVWD website update with new content (?) related to future water supply.
 - viii. Create a forum of west-side regional leaders (mayors and council members; large industries; large institutions) to provide update on WWSS – include Board role.
 - ix. Provide media announcements – with Board quotes/contacts – related to WWSS IGA and/or related progress.
 - x. Individual 'meet and greet' coffee meetings with Board members and local elected officials and/or County Commissioners.
 - xi. Board member participation in a District Update at the Washington County Public Affairs Forum and Westside Economic Alliance.
 - xii. Continue to implement and update the District strategic communication plan and ratepayer communication initiative.
 - xiii. Continue enhancing the District's social media presence.
 - xiv. Consider the role and strategies for customer feedback including surveys and biennial customer satisfaction survey.
- d. Next Steps: Communications staff to conduct a Board work session topic to further identify objectives, develop potential activities, establish priorities, and prepare work plan (schedule, assignments, resource requirements).

3. Board Engagement with the Community

- a. Goal: By December 31, 2019, each TVWD Commissioner will participate in at least three community meetings. These meetings would be in addition to routine meetings such as TVWD Board meetings and external committee assignments such as JWC or Aloha Business Association meetings.
 - b. Discussion: The Board wishes to improve scheduling and assignments to enhance participation in District's demonstration of regional leadership, reinforce regional relationships and reputation (see Item #2 above), and increase opportunities to connect with customers.
 - c. Approach, Tasks: Provide TVWD Commissioners with specific assignments and/or scheduling for activities identified as part of Item #2. Provide Commissioners with background briefing and/or one-page talking points in preparation for assignment(s).
-

- d. Next Steps: Complete work plan for Item #2 and provide Commissioners with suggested assignments, support and schedules.

4. The 2019-21 Budget Process

- a. Goal: While meeting Oregon statutory requirements for budget processes, enhance the District's 2019-21 budget development process to demonstrate and effectively communicate fiscal restraint, cost sensitivity and heighten public understanding of the District's fiscal challenges.
- b. Discussion: The Board wishes to build on the effectiveness of recent budget processes to further demonstrate to District customers a commitment to controlling costs and addressing public concerns related to the District budget and future rate increases.
- c. Approach, Tasks: Develop and present for formal Board approval a work plan and schedule for the 2019-21 District budget process. Include specific outreach activities such as:
 - i. Schedule for public work sessions
 - ii. Schedule for Budget committee meeting
 - iii. Notification of members of the public who have previously testified at rate hearings
 - iv. Prepare one-page summarized communication materials including:
 - 1. Budget drivers
 - 2. Cost saving strategies
 - 3. Budget requests that were not funded
 - v. Public communications plan related to budget development and approval
- d. Next Steps: TVWD Finance team to prepare 2019-21 Budget Work Plan and present to Board at the November 2018 Board meeting.

5. Strategy for Board Legacy

- a. Goal: By December 31, 2019, complete at least two strategic activities to enhance continuity of the Board's leadership of the District.
 - b. Discussion: The Board wishes to preserve continuity of Board leadership of the District by providing opportunities for potential future Board members to become familiar with the District.
 - c. Approach, Tasks: A variety of possible activities have been identified by the Board, including:
 - i. Further cultivate possible candidates for the Budget Committee.
 - ii. Fill vacancies on the Budget Committee.
 - iii. Enhance outreach and information provided to the Budget Committee (e.g., provide the Thursday Memo and/or the Month In Review to Budget Committee members).
-

- iv. Invite and encourage attendance of Budget Committee members at work sessions and/or Board meetings where relevant topics are presented.
 - v. Consider establishing new, short term topic-specific advisory committee(s) to assist the board to examine issues as appropriate.
 - vi. Identify and encourage potentially effective candidates for committees and make appointments to same.
 - vii. Don't underestimate the importance of a direct request from a Board member.
- d. Next Steps: Finance staff to work with the Board to fill any vacancies on the Budget Committee. CEO to begin forwarding the Thursday Memo and Month in Review to Budget Committee members. CEO to identify Board work sessions and/or Budget meetings where attendance by Budget Committee may be desirable; invitations to come from Board President.

6. District Leadership Planning

- a. Goal: By December 31, 2018, identify a plan to facilitate continuity of District leadership by management staff.
- b. Discussion: The Board wishes to reduce risks associated with possible unplanned changes in District staff leadership. The Board is especially concerned about potential changes in PERS that may result in unplanned changes in senior management staff. The Board also wishes to be consistent in providing incentives and/or work back opportunities to other staff.
- c. Approach, Tasks: The Board has established a Leadership Planning Committee, consisting of two Board Members, to work with the CEO and develop possible strategies to achieve the intended goal. Any recommendations for action will be brought to the full Board for consideration and action.
- d. Next Steps: Conduct research to identify what other organizations are doing related to workforce planning and groups of retirements. Work with the CEO to develop comprehensive action plans for possible retirements and departures by managers. Closely monitor legislative agendas and state strategies related to PERS and schedule Board updates and/or work sessions, as appropriate.

c: TVWD Management Team
Andrea Wilson
Norm Eder
