

Tualatin Valley Water District



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BOARD WORK SESSION AGENDA

October 2, 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

EXECUTIVE SESSION – 5:00 PM – MAIN CONFERENCE ROOM

An executive session of the Board is called under ORS 192.660(2)(f) to consider information or records that are exempt by law from public inspection and ORS 192.660(2)(i) to review and evaluate the employment-related performance of the chief executive officer who does not request an open hearing.

WORK SESSION – 6:00 PM

CALL TO ORDER

ANNOUNCEMENTS

1. DISCUSSION ITEMS

- A. Status Update on District Initiatives for 2017-19 and Goal Setting Process for 2019-21
- B. Public Employee Retirement System (PERS) Update
- C. Development Fees Update
- D. Branding Update

ADJOURNMENT



To: Board of Commissioners

From: Mark Knudson, Chief Executive Officer

Date: October 2, 2018

Subject: Status Update on District Initiatives for 2017-19 and Goal Setting Process for 2019-21

Key Concepts:

Staff will present:

- A status update for District Initiatives and Key Projects for the 2017-19 biennium, and
- A proposed process and schedule for TVWD goal setting for the 2019-21 biennium.

Background:

Beyond the essential day-to-day operations of the District, staff works on *Strategic Projects* (i.e., District Initiatives and Key Projects) that are based on the District’s vision, mission, values and strategic direction. An update on these *Strategic Projects* is presented at Board work sessions every six months.

For the 2017-19 biennium, seven initiatives were established and helped to inform the District’s adopted budget. Additionally, several carryover projects were brought forward from the prior biennium, and several more were identified earlier in the current biennium. In total, District staff is tracking 15 *Strategic Projects*. A report summarizing the status of these projects is attached.

District initiatives also aid in the Board’s planning of District goals for the coming biennium as well as providing a basis for the Board’s evaluation of the CEO’s performance during the past year.

At the October work session, staff will review the status of select initiatives and projects. In addition, the following proposed process and schedule for TVWD goal setting for the 2019-21 biennium will be reviewed:

Meeting Date	Meeting	Activity
October 2, 2018	Work Session	<ul style="list-style-type: none"> • Review status of 17-19 District Initiatives & Key Projects • Review process and schedule for goal setting for 2019-21
November 6, 2018	Work Session	<ul style="list-style-type: none"> • Board reviews District Initiatives for 2019-21 and relationship to Board goals developed in retreat and Board Action Plan
November 28, 2018	Regular Meeting	<ul style="list-style-type: none"> • Board considers approval of District Initiatives for 2019-21

Historically, the proposed schedule for the CEO annual performance review has been reviewed at the October work session. Based on preliminary feedback, Commissioners have suggested staff consider a

Status Update on District Initiatives for 2017-19 and Goal Setting Process for 2019-21

simplified approach and condensed schedule for conducting the CEO annual performance evaluation process in 2018. A proposed simplified process and schedule for evaluating the CEO's performance in 2018 may be reviewed with the Board at the November 6 work session.

Budget Impact:

There is no budget impact at this time. All projects are being executed within current budgets.

Staff Contact Information:

Mark Knudson, P.E.; Chief Executive Officer; (503) 848-3027; mark.knudson@tvwd.org

Amy Blue; Human Resources Director; (503) 848-3015; amy.blue@tvwd.org

Joe Healy; Senior Management Analyst; (503) 848-3085; joe.healy@tvwd.org

Attachments:

Status Summary of 2017-19 Strategic Projects

Management Staff Initials:

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

Status Summary of 2017-19 Strategic Projects

#	Description	Department	Target Date	Status	Status
KP1	Finalize Urban Service Agreement	Admin	Completed	C	✓
KP2	Legal/Legislative Strategy for Rights Of Way Fees	Admin	Jun-19	B	●
KP3	Establish District-wide Records Management Program	Admin	Jun-19	G	●
KP4	Evaluate Regional Land Mobile Radio System	HR	Completed	C	✓
KP5	Improve Project Management	Engineering	Ongoing	R	●
KP6	Implement Key Findings from IT Master Plan	IT	Ongoing	Y	●
KP7	Revenue Bond Debt Program	Finance	Ongoing	G	●
KP8	Implement Results of Rate Study	Finance	Jul-20	Y	●
DI1	Develop Management and Operating Resources for WWSS	Admin	Jun-19	G	●
DI2	Resource & Implement Strategic Communications Plan	Customer Svc.	Jun-19	Y	●
DI3	Ratepayer Communication Strategy	Customer Svc.	Jun-19	Y	●
DI4	Review of Organizational Staffing Requirements & Effectiveness	HR	Completed	C	✓
DI5	Development and Start Implementation of CIS Strategy	Customer Svc.	Feb-21	G	●
DI6	Asset Management / Maintenance Management Strategy	Engineering	4Q2018	Y	●
DI7	Develop & Implement District Resiliency Policy & Program	Engineering	Jul-19	Y	●

KP Key Project
DI District Initiative

On Schedule	G	●
Some issues slowing this down	Y	●
Significantly off schedule	R	●
Not yet begun / not yet reported	B	●
Completed	C	✓

Tualatin Valley Water District



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Tualatin Valley Water District



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To: Board of Commissioners

From: Paul L. Matthews, Chief Financial Officer

Date: October 2, 2018

Subject: Public Employee Retirement System (PERS) Update

Key Concepts:

- The Oregon legislature passed Senate Bills 1529 and 1566 to encourage PERS employers to use cash balances to fund side accounts.
- Side accounts are accounts funded by PERS employers to offset pension liabilities held within the PERS system and reduce future PERS rates of employers having side accounts.
- TVWD currently has a side account and should consider the benefits to the District's customers of funding a future side account.

Background:

The District's employees are provided pensions through the Oregon Public Employee Retirement System (PERS). The retirement benefits that employees receive from PERS are established by the Oregon legislature in Oregon Revised Statutes (ORS) Chapters 238 and 238A. The state legislature has sole authority to set the benefits of PERS subject to judicial review by Oregon courts. As a PERS employer, the District funds the pension obligations by paying rates that are set on a biennial basis by the PERS Board of Trustees.

For many years, the funding for PERS has been the topic of public concern. To comply with various court rulings, past reforms created differing retirement benefits for employees depending on the date an employee became an eligible PERS member. These benefit groupings are often referred to as "Tier 1" and "Tier 2". In 2003, the Oregon legislature created a new retirement plan for employees hired after August 29, 2003. This retirement plan is referred to as the Oregon Public Service Retirement Plan (OPSRP).

In 2018, the legislature passed Senate Bills 1529 and 1566 with the intent of reducing the unfunded actuarial liabilities (UAL) of the PERS system by encouraging employers to fund side accounts with their cash balances. In addition to simplifying the administrative process for creating side accounts, the legislature, following the initiative of the Governor, plans to fund a matching incentive for PERS employers to fund side accounts. The proposed incentive is estimated to be \$0.25 per \$1.00 of side account funded with cash up to a maximum of 5% of the employers UAL or \$300,000, whichever is greater. As reported in its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017, the District's UAL is reported to be \$15.2 million.

Side accounts funded with pension obligation bonds (POBs) would not be eligible for the matching incentive.

Funding a side account is not without financial risk. When a side account is funded by a PERS employer, the money in the side account is transferred by the employer to the PERS system and earns the returns that PERS earns on its portfolio. On a periodic basis, the balance of the side account is used to reduce the PERS employer's rate over a 20-year period. In other words, funding a PERS side account is a way PERS employers can pre-fund future pension expenses with current cash balances.

PERS invests its portfolio consistent with the long-term needs of a retirement system. That means PERS invests in many assets that the District would not be able to otherwise invest in. Over the long term, this strategy reduces the costs of PERS pensions, but in the short run, it means that a side account can lose value. Depending on the timing of economic cycles, it is possible that a side account loses more value in the early years and proves to be an inferior financial decision as compared to maintaining funds within the District's relatively low-risk investment portfolio.

One element of this financial risk is the potential lump-sum nature of funding a side account. However, the recent reforms in PERS allows PERS employers to make contributions to existing side accounts while maintaining the same amortization period. Although technical in nature, this means the District could deposit money in a side account over time to mimic the risk-reduction strategies that many people use in their personal portfolios often referred to as "dollar-cost averaging".

Side accounts have a special appeal to the District. First, as the District embarks on its revenue bond debt program, rating agencies and the bond market consider an issuer's UAL as part of its credit evaluation. A side account can help address these considerations.

Secondly, by definition, a UAL is an unfunded liability that was incurred to fund pension benefits earned by employees over the years. Similarly, the District's cash balances were contributed by customers over the years. Reducing the District's UAL with cash balances helps the District maintain the intergenerational equity that current customers pay their cost of services vis-a-vis past and future customers. A side account helps clear the books of past underfunding of PERS.

During this work session, staff will present information on the status of PERS, the likely affects PERS will have on the District's finances, and the implications for future incentives to fund side accounts. Staff will also present information on strategies to reduce risks of using side accounts.

Budget Impact:

This agenda item is for informational purposes only and has no direct budget impact. The payments to PERS for retirement benefits of District employees are included in the District's 2017-19 biennial budget. Depending on the direction of the Board, a side account could be funded with a supplemental budget by using general operating contingency or appropriated as part of the District's 2019-21 biennial budget.

Staff Contact Information:

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	N/A
Chief Engineer	N/A	IT Services Director	N/A
Chief Financial Officer	<i>PO</i>	Human Resources Director	<i>AB</i>
General Counsel	<i>CS</i>	Water Supply Program Director	N/A

Tualatin Valley Water District



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To: Board of Commissioners

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

Date: October 2, 2018

Subject: Development Fees Update

Key Concepts:

- At the September 4, 2018 board work session, staff presented policy options regarding the recovery of development-related costs. Staff was asked to report back to the Board, at a work session, after staff conferred with the development community.
- Staff convened an open house for the development community on September 26, 2018. Staff gathered comments from the development community, at the open house and will present them to the board at this work session.

Background:

At the September 4, 2018 Board Work Session, staff presented information on the District's current approach to cost recovery related to development services. Like most municipal water utilities, the District requires new development to donate the local distribution system assets (pipes, fire hydrants and appurtenances) that serve new customers to the District as a condition of extending service. For the purposes of this staff report, these donated assets are referred to as "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.

As reported in September, the District engaged FCS Group, a consulting firm, 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 Review & Inspection - Commercial Development, Meter 2" or larger	\$475	\$6,363			

¹Inspections are paid on an hourly basis.

At the September Board Work Session, the District’s long-standing cost-recovery policy for development services was discussed. Based on the discussion at the Work Session, staff contacted various members of the development community and encouraged them to attend an open house on September 26, 2018. Staff will share the development community’s comments with the Board at this Work Session with the goal of crafting necessary resolutions to implement a new Board policy on recovery of development-related costs.

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

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To: Board of Commissioners

From: Andrea Watson, Communications and Public Affairs Supervisor

Date: October 2, 2018

Subject: Branding Update

Key Concepts:

The Branding Committee has deployed crowdsourcing for graphic design of an updated Tualatin Valley Water District logo.

- The Branding Committee, with President Bernice Bagnall serving as a Board representative, polled staff and management about seven design options. Based on input received, three designs have been shortlisted for further consideration.
- The Branding Committee recommends that customers be polled for input on the remaining three designs to advise the Board of Commissioners in making a final logo selection.
- Commissioner feedback is requested on the three shortlisted designs and a process for making a final logo decision, including a customer poll. This feedback will help the Branding Committee bring a final recommendation to the Board for consideration at the October 24 meeting.

Background:

TVWD has a logo that has been in use for several decades. The logo was hand-drawn and is presenting challenges in a digital world. For example, the shape is very wide compared to height. A brand visioning process commenced mid-2017; however, the initiative was paused due to staffing changes. In May 2018, the TVWD Board of Commissioners received an update on the plan to re-start the initiative. At that time, Commissioners provided input on preferences related to a name change as well as logo design considerations.

At the work session, staff will review work to date and present the three final designs. Commissioner feedback will be requested on the shortlisted designs and a process for making a final logo decision. This feedback will help the Branding Committee bring a final recommendation to the Board for consideration at the October 24 meeting.

Budget Impact: To be determined, based on implementation method. As of September 27, 2018, \$1,320 has been spent on crowdsourcing.

Staff Contact Information:

Andrea Watson; Communications and Public Affairs Supervisor; 503-848-3012;
andrea.watson@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	N/A	Human Resources Director	N/A
General Counsel	N/A	Water Supply Program Director	N/A