BOARD MEETING AGENDA*
March 17, 2021

President Bernice Bagnall    Treasurer Jim Duggan
Vice President Dick Schmidt   Secretary Todd Sanders
Acting Secretary Jim Doane

*To slow the spread of COVID-19, this meeting is only available via phone or the web. It will not be held at a physical location. If you wish to attend, please email debbie.carper@tvwd.org or call 503-848-3014 by 4:30 p.m. on March 17, 2021.

The meeting is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made at least 48 hours before the meeting to the contact listed above.

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
REGULAR SESSION – 6:00 PM – MICROSOFT TEAMS MEETING

CALL TO ORDER

REPORTS BY THE CHIEF EXECUTIVE OFFICER AND MANAGEMENT STAFF

COMMISSIONER COMMUNICATIONS

A. Reports of meetings attended
B. Topics to be raised by the Commissioners

PUBLIC COMMENT
This time is set aside for persons wishing to address the Board on items on the Consent Agenda and matters not on the agenda. Additional public comment will be invited on agenda items as they are presented. Each person is limited to five minutes, unless an extension is granted by the Board. Should three or more people testify on the same topic, each person will be limited to three minutes.

1. CONSENT AGENDA
These items are considered to be routine and may be approved in one motion without separate discussion. Any Board members may request that an item be removed by motion for discussion and separate action. Any items requested to be removed from the Consent Agenda for separate discussion will be considered immediately after the Board has approved those items which do not require discussion.

   A. Approve the February 17, 2021 regular meeting minutes.
   B. Approve the March 2, 2021 work session minutes.

2. BUSINESS AGENDA

   A. Consider approving the Tualatin Valley Water District’s 2022-23 Financial Strategy. 
      Staff Report – Paul Matthews

3. INFORMATIONAL PRESENTATION

   A. Draft Plan to Enhance Collections from Customers Affected by COVID-19. Staff Report – Andrew Carlstrom

ADJOURNMENT
REGULAR SESSION – 6:04 PM

CALL TO ORDER

Commissioners Present: Bernice Bagnall; Jim Doane, PE; Jim Duggan, PE; Todd Sanders; Dick Schmidt

Staff Present: Tom Hickmann, PE, Chief Executive Officer; Paul Matthews, Chief Financial Officer; Carrie Pak, PE, Chief Engineer; Dave Kraska, PE, Water Supply Program Director; Andrew Carlstrom, Customer Service Manager; Tim Boylan, IT Services Director; Andrea Watson, Communications and Public Affairs Supervisor; Clark Balfour, General Counsel; Debbie Carper, District Recorder

REPORTS BY THE CHIEF EXECUTIVE OFFICER AND MANAGEMENT STAFF

Mr. Hickmann reported on recent Cryptosporidium detections in Bull Run water, TVWD’s COVID-19 response efforts, announced the next virtual forum and conveyed that Chief Financial Officer Paul Matthews will be featured in an upcoming virtual discussion panel with the Environmental Protection Agency (see attached memo).

Mr. Balfour presented the safety moment on IRS scams. He also provided the department report on his current work tasks as well as potential state legislation of interest (see attached presentation).

COMMISSIONER COMMUNICATIONS

A. Reports of meetings attended

Commissioners described and submitted a list of recently attended meetings (see attached forms).

B. Topics to be raised by the Commissioners

There were none.

PUBLIC COMMENT

There was none.
1. **CONSENT AGENDA**
   
   A. Approve the January 20, 2021 regular meeting minutes.
   
   B. Approve the February 2, 2021 work session minutes.
   
   C. Approve the District’s *Corrective Action Plan* for the Fiscal Year Ended June 30, 2020 Audit.

   Motion was made by Doane, seconded by Schmidt, to approve the Consent Agenda as presented. The motion passed unanimously with Bagnall, Doane, Duggan, Sanders and Schmidt voting in favor.

2. **BUSINESS AGENDA**
   
   A. None.

3. **INFORMATIONAL PRESENTATION**
   
   A. Update on the District’s Financial Performance. *Staff Report – Paul Matthews*

   Mr. Matthews provided information on local unemployment trends before detailing the District’s financial situation in terms of revenue, collections and expenses (see attached presentation).

   Mr. Hickmann said staff is investigating potential options regarding restarting the shutoff process for the Board to consider in March. Once the Board provides input, staff will reach out to agency partners. He said staff is reaching out to customers who did not take advantage of available federal funding to pay their water bills to better strategize on outreach efforts if another round of federal funding is approved. Staff is advocating for additional state and federal funding. There is concern funding legislation will be tied to a shutoff moratorium.

   Commissioners were interested in considering restarting shutoffs at the conclusion of the eviction moratorium as well as potential outreach to landlords.

   Mr. Balfour highlighted potential funding bills at the state level as well as others that could be broadened to influence how the District supports low income customers.

**ADJOURNMENT**

There being no further business, President Bagnall adjourned the meeting at 7:17 p.m.

______________________________  ______________________________
Bernice Bagnall, President       Todd Sanders, Secretary
MEMO

Date: February 17, 2021
To: Tualatin Valley Water District Board of Commissioners
From: Tom Hickmann, CEO
Re: Chief Executive Officer and Management Staff Report

The following items will be covered during the report by the CEO:

1. Portland Cryptosporidium Results – For the month of January 2021, the Portland Water Bureau reported a total of 14 Cryptosporidium oocyst detections in water samples collected from the Bull Run Headworks. The Oregon Health Authority has determined that the public does not need to take additional protections at this time. Portland Water Bureau will continue increased sampling four times per week until there are at least three weeks without any detections. Complete results of Portland’s Cryptosporidium monitoring are posted on the Water Bureau’s website.

2. COVID-19 Response – TVWD Risk Management and Communications staff continue to educate employees about the COVID-19 vaccine and share information. Those staff who are required to report to the office will take priority and be offered the vaccine once it is available.

3. TVWD Virtual Forum – The next TVWD virtual forum is scheduled for February 24, 12:00-1:00 p.m., and will consist of a discussion with the CEO. To register for this event, please refer to the District’s website.

4. TVWD’s CFO to Participate in EPA Panel – TVWD’s esteemed Chief Financial Officer, Paul Matthews, is one of two water utility managers featured on a virtual discussion panel with the Environmental Protection Agency on March 5. The event titled, “WIFIA: Why Drinking Water Utilities Aren’t Participating and What to Do About It,” is provided by AWWA and highlights how this long-term loan program can assist water utilities with managing the costs of infrastructure.

5. Safety Minute and Department Report – Clark Balfour, General Counsel, will present the safety minute and department report this evening.
Legal Department Report

Clark Balfour, General Counsel

February 17, 2021

SINCE OUR LAST ENCOUNTER

- Completion of:
  - Customer Information System Project Agreement
  - Bradley Corners Water Main Transfer
  - Bradley Corners Emergency Intertie Agreement (TVWD, Beaverton, Tigard)
  - Walker Road Emergency Connection IGA (Beaverton)
  - Close Sale with Trammell Crow (WWSS Water Treatment Plant)
  - Farmington Road Pump/Fluoridation Station Land Use Approval
CURRENT EFFORTS

- CIS Project Implementation Questions
- Bradley Corners Intertie
  - Land Use Permit (Beaverton)
  - Land Acquisition Negotiations for PRV Station
- Portland Contract MOU
- Cooper Mountain Reservoir Intertie
- Metzger Transmission Line

CURRENT EFFORTS

- WWSS Support
  - Land Acquisition
  - Support for Cable Huston
- Legislative Review
- COVID-19
LEGISLATIVE

- Willamette Reallocation (HB 3103)
- SDCs (HB 3040)
- Plastic Pipe (HB 2310)
- Public Places (HB 3111/3115)
- Public Records (Numerous)
- Utility Assistance (HB 2739/3089)
- Water Quality (Numerous)
- County ROW Fees (HB 3049)

COVID

Ongoing Assistance in:

- Emergency Declaration and Response
- Return to Work Policies
- Work at Home Policies/Equipment
- Vaccinations
- Customer Service Issues
- Employee Work Management
Questions?

Update on Financial Performance

Paul L. Matthews
Chief Financial Officer
Overview of Tonight’s Presentation

Updates on:

• Update on unemployment rates
• TVWD’s Financial Performance
  ▪ Revenue
  ▪ Collections
  ▪ Expenses

Slight Reversal in Unemployment Trends

Percentage

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Monitoring TVWD’s Financial Performance

**Revenue**
- Impact on future water sales

**Collections**
- Capacity for customers to pay their water bills

**Expenses**
- Effect on budget to respond to COVID-19

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**Comparison of Water Deliveries**

- Daily Average by Month
- Historical Avg (5-yr rolling)
Comparison of Gallons Per Capital Per Day

Water Sales Revenue Variances
January Reversal in Volume Water Sales Revenue

January Has Corresponding Reduction in Fixed Charge Revenue
System Development Charges Remain Weak

![Graph showing System Development Charges Remain Weak]

Revenue Trends by Customer Class

- **Fixed Charge Revenue**
  - Average about $70,000 favorable variance per month
  - Unfavorable variance in January offsets favorable variance in December

- **Volume-based Revenue**
  - Greater volatility
  - January’s performance remains uncertain
  - May be due to reading cycles and impact on UB system

- **Challenges**
  - Bimonthly billing cycles
  - Unbalanced billing cycles by month
Metric to Assess Trends

Approach

- Volume-based revenue per dollar of fixed charges
- Reduces the impact of seasonal variability in revenue
- Addresses the challenges of unbalanced billing cycles
- Provides meaningful trend data over time

Volume Revenue per Dollar of Fixed Charges
Multifamily Residential Volume Revenue per Dollar of Fixed Charges

- January 2017: $14
- January 2018: $15
- January 2019: $16
- January 2020: $17
- January 2021: $18

Vol/ Fixed Multifamily Linear (Multifamily)

Delivering the Best Water • Service • Value
Commercial Volume Revenue per Dollar of Fixed Charges

$\text{Vol} / \$ \text{Fixed}$


Commercial | Linear (Commercial)

Delivering the Best Water • Service • Value

January 2020 | April 2020 | July 2020 | October 2020 | January 2021

Commercial | Linear (Commercial)
Irrigation Volume Revenue per Dollar of Fixed Charges

$\text{Vol/}\$\text{Fixed}$


$\text{Vol/}\$\text{Fixed}$

Delivering the Best Water  Service  Value

Irrigation  Linear (Irrigation)
**What We’ve Learned This Month**

**Revenue for January**

- Water sales in recent months seem to stabilized
- Commercial class remains down – future sales may be affected by return to economic shutdown
- Single-family and multifamily residential sales seem to have stabilized
- Production class remains strong

**Monitoring TVWD’s Financial Performance**

**Revenue**

- Impact on future water sales

**Collections**

- Capacity for customers to pay their water bills

**Expenses**

- Effect on budget to respond to COVID-19
**Days Sales Outstanding**

- Measures average number of days to collect on sales

\[
Days Sales Outstanding = \frac{Account\ Receivable}{Total\ Sales} \times 365
\]

- Increases in Days Sales Outstanding could indicate collections challenges
- Proposed basis is years of sales to account for seasonality of water sales
Days Sales Outstanding

Number of Customers in Shutoff
Locations of Struggling Customers

- Based on District’s GIS
- Shows density of dollar balances of bills by location
- Areas of most concern are bluer in color

Monitoring TVWD’s Financial Performance

- Revenue:
  - Impact on future water sales

- Collections:
  - Capacity for customers to pay their water bills

- Expenses:
  - Effect on budget to respond to COVID-19
Update on Bad Debt Expense

Definitions
- Bad debt expense (expense account)
- Allowance for doubtful accounts (contra asset account)

Recent Adjustments
- Allowance for doubtful accounts from 0.11% to 0.85% of revenue (historical rate has been about 0.2%)
- One-time bad debt expense of about $247 thousand to bring allowance to about $497 thousand

Future Adjustments
- Staff will continue to monitor collections and allowance for doubtful accounts

Cumulative Operating Expenditures

Note: These graphs are based on unaudited estimates.
Final Thoughts

- Revenue seems to have stabilized at lower levels
- Likely to close the biennium with $8 to $12 million in unfavorable variance
- Taking actions to manage allowance for doubtful accounts

Questions and Comments

Update on Financial Performance

Paul L. Matthews
Chief Financial Officer
Report of Meetings Attended

**Commissioner Bernice Bagnall**

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$200 OK to pay

DCarper

□ Yes □ No

□ Yes □ No

□ Yes □ No

□ Yes □ No

□ Yes □ No

□ Yes □ No

□ Yes □ No

□ Yes □ No

□ Yes □ No

□ Yes □ No

ORS 198.190, “A member of the governing body of a district may receive, not to exceed $50.00 for each day or portion thereof as compensation for services performed as a member of the governing body. Such compensation shall not be deemed lucrative. The governing body may provide for reimbursement of a member for actual and reasonable traveling and other expenses necessarily incurred by a member in performing official duties.” Please note that in accordance with ORS 294.331 (3) members of the budget committee shall receive no compensation for their services as members of such committee.

By Board Resolution 02-14, an amount equal to the unclaimed funds for services will be transferred to the District’s Customer Emergency Assistance Program.
Debbie Carper

From: Todd Sanders
Sent: Wednesday, February 17, 2021 3:50 PM
To: Debbie Carper
Subject: Re: Commissioner Bagnall meetings attended form

I approve Commissioner Bagnall's Meeting's Attended form for February 2021.

Debbie Carper, MMC
District Recorder
1850 SW 170th Avenue, Beaverton, OR 97003
direct 503-848-3014
debbie.carper@tvwd.org
www.tvwd.org

Tualatin Valley Water District
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Report of Meetings Attended

**Commissioner Jim Doane**

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<td>Business Mtg</td>
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By Board Resolution 02-14, an amount equal to the unclaimed funds for services will be transferred to the District’s Customer Emergency Assistance Program.
Report of Meetings Attended

**Commissioner Jim Duggan**

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<td>Attend sessions</td>
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Report of Meetings Attended

Commissioner Todd Sanders

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<td>Willamette Water Supply System Construction Update Virtual Forum</td>
<td>Public forum on WWSS status</td>
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<td>Board work session</td>
<td>WWSP; RWPC; Strategic plan</td>
<td>50.00</td>
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<td>Annual SDAO meeting</td>
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<td>2/9/2021</td>
<td>Willamette River Water Coalition Meeting</td>
<td>Update on USACE Allocation plan, Financial Update</td>
<td>50.00</td>
<td>X Yes</td>
</tr>
<tr>
<td>2/17/2021</td>
<td>Regular Board meeting</td>
<td>District Business</td>
<td>50.00</td>
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Report of Meetings Attended

**Commissioner Dick Schmidt**

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<td>TP update, Financial forecast</td>
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<td>02092021</td>
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By Board Resolution 02-14, an amount equal to the unclaimed funds for services will be transferred to the District’s Customer Emergency Assistance Program.
Debbie Carper

From: Bernice Bagnall
Sent: Thursday, February 18, 2021 8:20 AM
To: Debbie Carper
Subject: Re: Approval of meetings attended forms

Good morning:

I approve the meetings attended forms for Commissioners Doane, Duggan, Sanders, and Schmidt.

Thanks, Bernice Bagnall

From: Debbie Carper <Debbie.Carper@tvwd.org>
Sent: Thursday, February 18, 2021 7:00 AM
To: Bernice Bagnall <bernice.bagnall@tvwd.org>
Subject: Approval of meetings attended forms

Hi Commissioner Bagnall,

Could you please send me your approval of the attached forms?

Debbie Carper, MMC
District Recorder
1850 SW 170th Avenue, Beaverton, OR 97003
direct 503-848-3014
debbie.carper@tvwd.org
www.tvwd.org

Tualatin Valley Water District
Delivering the Best Water • Service • Value
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WORK SESSION – 6:03 PM

CALL TO ORDER

Commissioners Present: Bernice Bagnall; Jim Doane, PE; Jim Duggan, PE; Todd Sanders; Dick Schmidt

Staff Present: Tom Hickmann, PE, Chief Executive Officer; Paul Matthews, Chief Financial Officer; Carrie Pak, PE, Chief Engineer; Dave Kraska, PE, Water Supply Program Director; Clark Balfour, General Counsel; Tim Boylan, IT Services Director; Andrea Watson, Communications and Public Affairs Supervisor; Andrew Carlstrom, Customer Service Manager; Joel Cary, Water Resources Division Manager; Pete Boone, PE, Water Operation Division Manager; Debbie Carper, District Recorder

Other Attendees: Norm Eder, CFM Strategic Communications

ANNOUNCEMENTS

Mr. Hickmann announced staff’s forthcoming development of a debt collection plan and gave an update on the customer emergency assistance program (see attached memo). He said staff learned of an additional funding source for customers and will provide outreach when more information is known. Mr. Hickmann also included the latest update to the Board communications log with his memo.

Mr. Kraska gave the safety moment on calling 811 before digging.

1. DISCUSSION ITEMS

   A. Willamette Water Supply System Commission Update. Staff Report – Dave Kraska

Mr. Kraska reviewed the WWSS Commission March agenda, the current approvals and procurement forecast and recent Willamette Water Supply Program (WWSP) activities (see attached presentation).
After Mr. Kraska described possible cost reduction alternatives, Commissioners said they have appreciated staff analyses in developing the alternatives and staff time in keeping the Board updated.

In response to Commissioner questions, staff said:

- Rate projections based on the viable cost reduction alternatives will be available during the March 17 Board meeting consideration of financial strategy adoption.
- Each project within the WWSP has a cost share amongst partners that will enable staff to determine what the District’s savings would be for each of the alternatives.
- Partners will all be contractually obligated to complete WWSP construction projects in the near future; therefore all parties want to select the most appropriate alternatives and move forward together.

B. Potential Impacts to TVWD from the Final Revisions to the Lead and Copper Rule (LCR). Staff Report – Joel Cary

Mr. Cary gave an overview of the current LCR and described revisions, the associated compliance timeline and staff’s plans to approach development of the District’s short- and long-term responses (see attached presentation).

In response to questions, staff said:

- There is a higher concentration of lead pipes in the Midwest and East Coast.
- The District will work with private property owners on location and replacement of lead service lines on the customer side of the water system.
- Galvanized pipe is exempt from the LCR updates if it is not downstream from a lead pipe.
- Staff hopes to start reviewing publicly available data to start the inventory process. Once that work has been completed, there will be a need to conduct digging and potholing to identify pipe materials unable to be identified in records.
- There are some provisions in the updated rule regarding requirements that utilities assist customers with replacement of pipes on the private property side of the system.

C. District Cyber Security Update. Staff Report – Tim Boylan

Mr. Boylan described some of the major cyber security incidents in the prior year, highlighting two attacks with most relevance to District operations (see attached presentation). He laid out the District’s security framework, listed potential threats and presented a side-by-side comparison of how a recent water utility’s security framework, which failed during a cyberattack, was not as robust as the District’s.
ADJOURNMENT

There being no further business, President Bagnall adjourned the meeting at 8:07 p.m.

________________________________________  __________________________________________
Bernice Bagnall, President                     Todd Sanders, Secretary
MEMO

Date: March 2, 2021
To: TVWD Board of Commissioners
From: Tom Hickmann, CEO
Re: CEO Announcements

The following Announcements will be covered during the work session:

1. Be Sure to Unmute and Mute – Just a reminder to please be sure to unmute whenever you are speaking and mute yourself when you are done during the work session this evening.

2. Collections Plan – TVWD is developing a COVID debt collection plan, as we see a growing number of customers with unpaid balances. The pandemic continues to be an active health issue, and we are aware that many customers are experiencing an extended financial hardship.

   We will present information to you at the March 17 Board Meeting, explaining what we have done to date and outlining the plan to move forward in our collection efforts. At the April 6 work session, we will present a progress report on our actions taken and a draft plan; guidance will also be sought from the Board.

   The plan will focus on our most delinquent customers who, to date, have not responded to TVWD outreach efforts. It will include recommendations for temporary changes to our collections and customer assistance program until we can return to normal business operations.

3. Customer Emergency Assistance – TVWD is working to strengthen our customer assistance program. Community Action of Oregon is a valuable partner, making heroic efforts to process the requests for CARES Utility Assistance Program from August through December 2020. Our staff worked seamlessly with the employees at Community Action to serve 27% of our customers who were in shutoff status. Community Action is the regional leader in serving vulnerable community members, and TVWD hopes to transition our assistance program processing to this partner.
4. **Board Communications Log** – There was one update to the Board communications log this month. Please see the attached, updated log and the February 16, Finance Committee meeting notes.

5. **Safety Minute** – WWSP Director, Dave Kraska, will present tonight’s safety minute.
### 2021 Board Communications Log

**Commissioner Questions/Topics:** (includes research requests directed to staff via email or at Board meeting)
- Initial request sent to Tom (copy Board President)
- Tom responds with projected timeframe for response and any other logistical info
- Answer shared with the full Board during work sessions

<table>
<thead>
<tr>
<th>Item Number</th>
<th>Requestor</th>
<th>Subject</th>
<th>Date Submitted</th>
<th>Response Date</th>
<th>Date Information Shared with Full Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-21</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

**Board Committee Information:**
- Meeting notes/handouts shared with the full Board during work sessions

<table>
<thead>
<tr>
<th>Meeting Date</th>
<th>Notes</th>
<th>Date Information Shared with the Full Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance Committee</td>
<td>Meeting synopsis prepared by Debbie Carper</td>
<td>March 2</td>
</tr>
<tr>
<td>Policy and Board Development Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Planning Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Supply Committee</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Last updated February 16, 2021
Meeting Notes

The meeting started at 4:37 p.m.

Attendees: Commissioners Bagnall and Duggan

Staff Present: Tom Hickmann, PE, Chief Executive Officer; Dave Kraska, PE, Water Supply Program Director; Paul Matthews, Chief Financial Officer; Joe Healy, Senior Management Analyst; Debbie Carper, District Recorder

1. Identifying Financial Planning Strategies

Mr. Hickmann gave an overview of the meeting discussion topics and highlighted financial risks and recommendations based on a District management perspective (see attached presentation). Mr. Kraska added that Willamette Water Supply Program (WWSP) partner agencies are experiencing financial constraints.

Mr. Hickmann highlighted the interdependent components of the financial management process. He noted the WWSP is at a turning point and financial management options will become limited soon. Next, he described some of the challenges inherent in large public works projects in the current environment and acknowledged the inherent unpredictability of future projections.

Mr. Hickmann listed specific issues the District faces regarding revenues and costs. Mr. Matthews said the greater concern is on the revenue side.

Mr. Hickmann highlighted three strategies that staff analyzed in greater detail and said management staff recommends the third strategy. Mr. Matthews reiterated the uncertainties the District may face in future years.

Mr. Hickmann asked for feedback, including if Commissioners are ready to consider adopting the financial strategy at the March 17 regular Board meeting.

Commissioners expressed support with the recommended strategy, especially as it allows the District to be a responsive partner amidst partner agency concerns. There is a desire to see what WWSP projects would be delayed within this strategy and to consider the possibility that if the financial situation improves, if feasible, there could be a restoration of the original schedules to affected projects. Mr. Hickmann said all partners support the goal of overall system functionality in 2026. Until staff conducts more detailed financial analyses, he said it is
unclear if shorter WWSP project delays of a few years will make a great difference in the financial situation.

Mr. Kraska said the WWSP is operating under a deadline of having the baseline budget approved by May at the latest. Twelve WWSP construction projects will be bid this year, which is nearly all of the remaining projects.

Mr. Hickmann concluded the presentation by listing the proposed schedule and asking Commissioners if there is a need for a future work session discussion on potential candidates for WWSP project postponement. The Commissioners said the schedule looks good, and they would like a more in-depth discussion regarding WWSP projects.

The meeting adjourned at 6:21 p.m.
Development of Financial Strategies

Board Finance Committee

February 16, 2021
Identifying Financial Planning Strategies

- Evaluate the financial implications of alternative financial strategies
- Identify an approach that matches District’s current financial situation with inherent risks
- Present the results of those strategies to the Board at its March 17, 2021 regular meeting
- Provide a basis for the requested CIP and rates for 2021-23 biennium
- Review schedule to complete the budget and financial planning
Management’s Concern

Risks
• Significant risk that future rate increases will be higher than planned
• Economy may not recover to pre-COVID levels for water sales
• Significant construction risk remains

Recommendation
• Build financial capacity
• Adopt rates that provide financial resources in advance of need
• Enhance the customer emergency assistance program
• Pursue federal and state assistance
District Financial Management Process Interdependencies

Deliver

Financial Plan

Rates

Budget
Challenges Facing Major Public Works Projects

The Environment

• Higher expectations of the accuracy of cost estimates
• Increasing sensitivity to public investments
• Customers’ expectations of future costs
• COVID-19
Nature of Knowledge

Donald Rumsfeld on Knowledge:

- Things you know
- Things you know you don’t know
- Things you don’t know you don’t know
Nature of Knowledge

Donald Rumsfeld on Knowledge:

Things you know

Things you know you don’t know

Things you don’t know you don’t know

Things you thought you knew but didn’t
## Limitation on Cost Details

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

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

<table>
<thead>
<tr>
<th>Revenues</th>
<th>Costs</th>
</tr>
</thead>
</table>
| • Declines began in summer of 2019  
• Commercial declines became more pronounced during COVID  
• Residential (both single-family and multifamily) have stabilized at a lower level  
• Lower sales and collection challenges could reduce effective revenue by over $12 million in the biennium | • Actual costs are higher than planned  
• Within the normal range for projects of this type and complexity  
• We’re still early in the program, a lot of construction risk is still to come |
## Strategies Analyzed

<table>
<thead>
<tr>
<th>#</th>
<th>Risk Level</th>
<th>Description</th>
<th>Fiscal Year Ending[1]</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Most Risk</td>
<td>Scenario presented at January Board Mtg.</td>
<td>7.5%</td>
</tr>
<tr>
<td>2</td>
<td>Less Risk</td>
<td>Same costs as #1; build financial capacity in next biennium.</td>
<td>9.5%</td>
</tr>
<tr>
<td>3</td>
<td>Least Risk</td>
<td>Same rates as #2 and reduce WWSP outlays.</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

What if remaining WWSP costs come in 10% greater than in Baseline:

1b More Risk 21-23 rates from #1; remaining WWSP costs increase 10%. 7.5% 7.5% 15.1% 7.5% 3.3% 3.3% $80.55 $5.32

3b Less Risk Scenario #3 with remaining WWSP costs increasing 10%. 9.5% 9.5% 5.7% 5.7% 3.6% 3.6% $75.46 $0.23

---

[1] Rate adjustments projected for Nov. 1 of each fiscal year (i.e., rates adjusted on 11/1/2021 for FY2022).

[2] Scenarios 1b and 3b do not meet TVWD’s net leverage target in FY2024 and FY2025, respectively.
Financial Strategies

Strategy 1 – Baseline
- Forecast of even rate increases funding capital program
- Does not provide additional financial capacity
- Presented at the January Board meeting
- Less likely to achieve rate stability

Strategy 2 – Higher Rate Increases Now
- Baseline funding of capital program
- Requires higher rate increases this year
- Increases financial capacity
- More likely to achieve rate stability

Strategy 3 – Higher Rate Increases with Reduced Capital
- Higher near-term rate increases
- Reduce WWSP capital outlays by deferring some beyond 2030
- Increases financial capacity the most
- Most likely to achieve rate stability
But Uncertainty Persists

Things you know

Things you know you don’t know

Things you don’t know you don’t know

Things you thought you knew but didn’t
Discussion of Strategies

Identifying Financial Strategies

Board Finance Committee
February 16, 2021
## Proposed Schedule

### Financial Plan Adoption
- Preparation of Financial Strategies
- February 16 – Board Finance Committee
- February 17 to March 1 – Brief Other Board Members
- March 17 – Selection of Financial Strategy by Board
- Preparation of Financial Plan
  - March 18 to April 13 – Prepare draft Financial Plan
  - April 18 – Board Adopts Financial Plan

### Budget Adoption
- Budget Committee Actions
  - March 23 – Workshop #1
  - April 8 – Workshop #2
  - April 22 – Workshop #3
  - May 25 – Budget Committee Formal Meeting
- Board Adoption
  - June 16 – Board Adoption
Willamette Water Supply Commission Update
TVWD Work Session
March 2, 2021

Outline

- Review March WWSS Commission Board Meeting Agenda
- Review Approvals and Procurements Forecast
- Update on WWSP Activities
Willamette Water Supply System Commission
March 4, 2021 Board Meeting Agenda

1. General Manager’s Report
2. Public Comment
3. Consent Agenda
   A. Approve the February 4, 2021 meeting minutes
4. Business Agenda
   A. Adopt MPE_1.1/COB_1.1 City of Beaverton Construction IGA
   B. Adopt MPE_1.2/COB_1.2 City of Beaverton Construction IGA Amendment 1
   C. Approve Amendment to Permitting Services Contract for Next One-Year Period
   D. Approve (as Local Contract Review Board, or LCRB) Special Procurement for DCS_1.0 Panel Fabrication Services
5. Information Items
   A. Planned April Business Agenda items
REVIEW APPROVALS AND PROCUREMENTS FORECAST

Approvals and Procurement Forecast for February 2021 – April 2021
Program Baseline or Related Plans

<table>
<thead>
<tr>
<th>Description</th>
<th>Program Director</th>
<th>WWSS Management Committee</th>
<th>WWSS Commission Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>WWSP Annual Baseline Schedule and Budget</td>
<td>NA</td>
<td>3/18/2021</td>
<td>4/1/2021</td>
</tr>
<tr>
<td>WWSS Fiscal Year 2021-2022 Work Plan and Budget</td>
<td>NA</td>
<td>3/18/2021</td>
<td>4/1/2021</td>
</tr>
</tbody>
</table>
Background and Drivers for Considering Alternatives to Reduce WWSP Cost

- Response to COVID-19 impacts on Partners’ revenue
- Partners’ desire to limit potential for inter-annual variations in Baseline cost estimates
- Need to address drivers before extensive construction procurements throughout 2021

Why now? How much cost uncertainty exists?

<table>
<thead>
<tr>
<th>Planned Construction Procurements during 2021</th>
<th>Underlying Estimate Uncertainty Based on AACEI Expected Accuracy Range</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Calendar Quarter</strong></td>
<td><strong>Quantity of Planned Procurements</strong></td>
</tr>
<tr>
<td>Q1 2021</td>
<td>4</td>
</tr>
<tr>
<td>Q2 2021</td>
<td>3</td>
</tr>
<tr>
<td>Q3 2021</td>
<td>2</td>
</tr>
<tr>
<td>Q4 2021</td>
<td>2</td>
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</tbody>
</table>

Baseline 6.0
### Alternatives Summary
(approximate cost reduction through FY2026)

<table>
<thead>
<tr>
<th>Alt. 1 ($29.4M)</th>
<th>Alt. 2.1 ($55.7M)</th>
<th>Alt. 2 ($73.6M)</th>
<th>Alt. 3 ($121.1M)</th>
<th>Alt. 4 ($152.7M)</th>
<th>Alt. 5 ($171.3M)</th>
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<tbody>
<tr>
<td>• In service 6/30/26 (no float)</td>
<td>• In service 6/30/26 (no float)</td>
<td>• In service 6/30/26 (no float)</td>
<td>• In service 6/30/26 (float preserved)</td>
<td>• In service 12/31/27 (no float)</td>
<td>• In service 12/31/27 (no float)</td>
</tr>
<tr>
<td>• WTP delayed 6 months</td>
<td>• WTP delayed 6 months</td>
<td>• WTP delayed 6 months</td>
<td>• WTP delayed 21 months</td>
<td>• WTP delayed 24 months</td>
<td>• WTP delayed 24 months</td>
</tr>
<tr>
<td>• PLW_2.0 COH turnouts &amp; TVWD PRV facility deferred</td>
<td>• PLW_2.0 (except OWP &amp; Berm) delayed 45 months (1/31/28)</td>
<td>• PLW_2.0 (except OWP &amp; Berm) delayed 45 months (1/31/28)</td>
<td>• PLW_2.0 (except OWP &amp; Berm) delayed 54 months (10/31/28)</td>
<td>• PLW_2.0 (except OWP &amp; Berm) delayed 54 months (10/31/28)</td>
<td>• PLW_2.0 (except OWP &amp; Berm) delayed 54 months (10/31/28)</td>
</tr>
<tr>
<td>• Fiber cable deferred</td>
<td>• Fiber cable deferred</td>
<td>• Fiber cable deferred</td>
<td>• Fiber cable deferred</td>
<td>• Fiber cable deferred</td>
<td>• Fiber cable deferred</td>
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<tr>
<td>• Staffing modifications</td>
<td>• Staffing modifications</td>
<td>• Staffing modifications</td>
<td>• Staffing modifications</td>
<td>• Staffing modifications</td>
<td>• Staffing modifications</td>
</tr>
</tbody>
</table>

**Notes:**
1. Lists shown are not comprehensive
2. Deferred means to post-FY2026

### Next Steps

- Complete Baseline 6.1 and FY2022 Annual Work Plan/Budget
  - Feb. 26 – Distribute draft for Management and Finance Committee review
  - Mar. 1 – Collect Operations Committee input
  - Mar. 4 – Management Committee to make preliminary selection
  - Mar. 15 – Submit final draft in Management Committee packet
  - Mar. 18 – Request Management Committee approval
  - Apr. 1 – Request WWSS Board approval
- Develop implementation plan for Preferred Alternative/Baseline 6.1
  - Throughout Q2 2021
Approvals and Procurement Forecast for February 2021 – April 2021

Real Estate

<table>
<thead>
<tr>
<th>Description</th>
<th>Program Director</th>
<th>WWSS Management Committee</th>
<th>WWSS Commission Board</th>
</tr>
</thead>
<tbody>
<tr>
<td>MPE_1.2 Resolution of Need (3rd supplemental)</td>
<td>NA</td>
<td>3/18/2021</td>
<td>4/1/2021</td>
</tr>
<tr>
<td>PLM_1.3 Resolution of Need</td>
<td>NA</td>
<td>4/22/21</td>
<td>5/6/2021</td>
</tr>
</tbody>
</table>

Approvals and Procurement Forecast for February 2021 – April 2021

IGAs, MOUs, Permit Commitments

Metro and City of Hillsboro
- Settlement Agreement For Easement Through the Orenco Woods Nature Park (April)

City of Beaverton
- MPE_1.1/COB_1.1 Construction IGA (March)
- MPE_1.2/COB_1.2 Construction IGA Amendment 1 (April)

City of Sherwood
- DCS_1.0 Broadband Services IGA (April)

Washington County Land Use & Trans
- PLM_4.2 Design IGA Amendment 2 (November)
- Master IGA Amendment 1 (April)
- RES_1.0 Grabhorn Road Realignment IGA (April)
- PLM_4.1 Construction IGA (April)
- PLM_4.4 Construction IGA (May)
- PLM_4.2 Construction IGA (May)
### Approvals and Procurement Forecast for February 2021 – April 2021

#### Contracts

<table>
<thead>
<tr>
<th>Title</th>
<th>Goal</th>
<th>Value</th>
<th>Key Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>--</td>
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</table>

#### Contract Amendments and Change Orders*

<table>
<thead>
<tr>
<th>Title</th>
<th>Goal</th>
<th>Value</th>
<th>Key Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Services</td>
<td>Updated scope to address revised property counts and staffing</td>
<td>$707k</td>
<td>WWSS Board Approval: 2/4/2021</td>
</tr>
<tr>
<td>WTP_1.0 Design Contract Amendment</td>
<td>Amend contract to reflect Sherwood land use requirements in 100% design</td>
<td>$705k</td>
<td>WWSS Board Approval: 2/4/2021</td>
</tr>
<tr>
<td>Water Supply Integration</td>
<td>Add integration plans</td>
<td>~$300k</td>
<td>WWSS Board Approval: 3/4/2021</td>
</tr>
<tr>
<td>Permitting Services</td>
<td>Extend DEA’s contract through February 2022 and add budget to cover continued services during this period</td>
<td>~$2M</td>
<td>WWSS Board Approval: 3/4/2021</td>
</tr>
</tbody>
</table>

*having values higher than the Program Director’s authority
Local Contract Review Board Rule Exemption

<table>
<thead>
<tr>
<th>Title</th>
<th>WWSS Management Committee Approval</th>
<th>WWSS Board Informational Item</th>
<th>WWSS Board Consider Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCS_1.0 Panel Fabrication Services</td>
<td>2/18/2021</td>
<td></td>
<td>3/4/2021</td>
</tr>
</tbody>
</table>

Special procurement for panel fabrication services
**Project Delivery Progress**

<table>
<thead>
<tr>
<th>Work Package</th>
<th>Design</th>
<th>Construction</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Conceptual/ Preliminary</td>
<td>30%/50%</td>
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<tr>
<td>RWF_1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PLM_1.1</td>
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<td></td>
</tr>
<tr>
<td>PLM_1.2</td>
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<td>PLM_1.3</td>
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<td>PLW_1.1</td>
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<tr>
<td>PLW_1.3</td>
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<tr>
<td>PLW_2.0/COH_1.0</td>
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<td>MPE_1.1/COB_1.1</td>
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<tr>
<td>MPE_1.3</td>
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**Estimated Construction Physical Percent Complete**

<table>
<thead>
<tr>
<th>Raw Water Facility</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
<th>90%</th>
<th>100%</th>
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<tbody>
<tr>
<td>RWF_1.0 (Phase 1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>Raw Water Pipelines</td>
<td>PIM_1.1</td>
<td></td>
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*Estimate is an opinion based on (1) actual costs paid, (2) pay applications in development, and (3) field staff observations. Refer to published reports for fully vetted information.*

**Willamette Water Supply**

Our Reliable Water
Construction Update
Projects currently in construction

PLM_5.1 (Roy Rogers Rd.)
PLM_5.2 (Scholls Ferry/Tile Flat)
PLM_1.2 (Garden Acres Rd.)
PLM_1.1 (S. of Wilsonville Rd.)
RWF_1.0 (Phase 1)
RWF_1.0 (South Hillsboro)

Current and Planned Activities:
• Completed Deep Soil Mixing (DSM) at Caisson Zone.
• Began work on DSM elements at Transition Zone.
• Jet Grouting began.
• Began excavation at trenchless launch shaft.
• Began excavation at trenchless receiving shaft.
• Removed existing Raw Water Pump #2 and sent to shop for inspection and rehabilitation if necessary.

Contractor: Kiewit Infrastructure West Co.
Designer: Black & Veatch
Removing Raw Water Pump #2 to send for evaluation and rehabilitation.

Excavation of pipe ram sending shaft after secant pile rework.
Construction Photos – RWF_1.0

Pipe Ram Receiving Shaft

RWF_1.0 Notable Topics

• External Coordination
  – Continued coordination w/City of Wilsonville and Veolia Operations staff.
  – Continued coordination with nearby neighbors and public. Neighbor complaints about damage caused by vibration.

• Potential Claims
  – Differing site condition claim from Condon-Johnson on soil properties at DSM and jet grouting areas
  – Differing site condition notice from JW Fowler on hydraulic conductivity of soils at tunnel

• Delivery Challenges
  – Rework required at the trenchless launch shaft
  – DSM and Jet Grout issues impacting schedule
PLM_1.1

Contractor: James W. Fowler Co.
Designer: HDR

Current and Planned Activities:
• Project complete. Punch list items complete.
• Final paving striping completed on Kinsman
• Cathodic Protection system activated and tested.
• Potential additional work required in drainage swale by City.
• Final paperwork and project closeout in progress.

Construction Photos – PLM_1.1

Final roadway striping repair on Kinsman
Construction Photos – PLM_1.1

Design Engineer performing corrosion protection testing and gathering baseline readings

PLM_1.1 Notable Topics

• External Coordination
  – None
• Potential Claims
  – None
• Delivery Challenges
  – Settlement of Boulder PCO
PLM_1.2

Partner: City of Wilsonville
Contractor: Moore Excavation Inc.
Designer: HDR

Current and Planned Activities:
• Completed activation of cathodic protection system
• PLM_1.2 to PLM_3.0 final tie-in
• Finish grading and restoration north of Day Rd.
• Setting WWSS appurtenances after completion of Schedule A sitework and landscaping

Construction Photos – PLM_1.2

PLM_1.2 tie-in to PLM_3.0
Construction Photos – PLM_1.2

Welding interior of tie-in spool for connection to PLM_3.0

Construction Photos – PLM_1.2

Garden Acres Rd.
Schedule A work remaining
PLM_1.2 Notable Topics

- Partner Coordination
  - Ongoing coordination with City of Wilsonville
- Potential Claims
  - None
- Delivery Challenges
  - Contractor requested time extension

PLM_5.1

Partner: Washington Co.
Contractor: Tapani, Inc.
(Moore Excavation Inc. – Waterline Sub)
Designer: Jacobs

Current and Planned Activities:
- Completed installation of all 66” pipe.
- Continued installation of CP systems, air vault assemblies and access vaults.
- 18” Tigard Turnout piping and associated vault construction upcoming.
- Interior joint grouting for all 66” pipe
Construction Photos – PLM_5.1

Final two pieces of 66” pipe to be installed
(Project ends at UGB)

Completion of air valve vault in foreground.
Tigard turnout (Friendly Lane) in distance.
PLM_5.1 Notable Topics

- Partner Coordination
  - Continued developer coordination
  - No issues with Washington County coordination

- Potential Claims
  - None

- Delivery Challenges
  - None

PLM_5.2

Contractor: Emery & Sons
Designer: Jacobs

Current and Planned Activities:
- Complete property restoration
- Close project permits
- Complete Punch List
- Satisfy Final Completion Requirements
Construction Photos – PLM_5.2

Erosion Control at Project End

PLM_5.2 Progress Status

- Construction Cost (Emery & Sons)
  - Total contractor price $15,056,518
  - Total cost to date (Jan) $14,627,745
  - Percent complete 97.15%
- Construction Schedule
  - Construction NTP June 28, 2019
  - Substantial completion date December 11, 2020
  - Final completion date March 4, 2021
- Change Orders
  - Change orders to date $192,686
  - Percent of original price 1.0%
PLM_5.2 Notable Topics

• External Coordination
  – Permitting
    • DEQ 1200C permit closeout 12/15/2020 (pending confirmation)
    • City of Beaverton permit closeout

• Potential Claims
  – Property owner requesting restoration of private road.

• Delivery Challenges
  – PCO issued for pipeline markers. Lead time may delay final completion.

PLW_1.3

Contractor: Tapani, Inc.
Designer: Kennedy/Jenks

Current and Planned Activities:
• Approximately 700 feet of 30-inch TVWD Turnout pipe installed
• Microtunnel launch shaft secant pile construction complete, excavation ongoing
• Microtunnel receiving shaft secant pile ongoing
Construction Photos – PLW_1.3

Microtunnel receiving shaft north of Butternut Creek. Looking south.

Construction Photos – PLW_1.3

Microtunnel launch shaft excavation.
Construction Photos – PLW_1.3

30-inch ductile iron pipe on Rosedale Rd.

PLW_1.3 Notable Topics

• External Coordination
  – Neighborhood / Resident outreach
  – PGE and OR-OSHA Consultation on Overhead Wires

• Potential Claims
  – None

• Delivery Challenges
  – Unmarked / Poorly Marked utility crossings
Final Lead and Copper Rule (LCR) Revisions

Potential Impacts to TVWD

Joel Cary & Carrie Pak, PE
Water Resources Division Manager & Chief Engineer
Informational Presentation Outline

- Lead and Copper Rule (LCR) recap
- Final LCR Revisions – major components
- Timeline for implementation and compliance
- Shorter-term response: lead service line inventory
- Longer-term impacts
- Potential next steps
- Q&A

Current LCR Highlights

- Sampling occurs at customer homes based on copper plumbing with lead soldering (Tier 1 sites, 1982-1985)
- TVWD collects 100+ samples annually and 100+ twice annually in 2022 due to PWB changes
- Compliance based on 90th percentile value of sample set + 15 ppb Action Level (AL)
- Optimized Corrosion Control Treatment (OCCT)
Final LCR Revisions – What’s Changing?

- A lot, actually – newly required elements:
  - Lead service line (LSL) inventory
  - Sampling no longer based on Tier 1 Homes (shifts to LSL focus)
  - Requires sampling of schools and childcare by water systems
  - “Find and fix” provisions
  - Notification timelines changes (e.g., 24 hours for AL exceedance)
  - Trigger level added below current action level (10 parts per billion)

Timeline – Important Milestones

- Jan 15, 2021: Published
- March 1, 2021: Petition Deadline
- Jan 16, 2023: State Primacy Packages Due
- Jan 16, 2024:
  - LSL Inventory Submitted
  - LSL Replacement Plan Submitted
  - Requirements following Action Level Exceedance
  - Trigger Level Requirements Apply
  - Find-and-Fix Assessments Required
  - Public Notice Required
  - Notifications Required
  - Consumer Confidence Report Changes
  - School Monitoring Starts
- Jan 16, 2025:
  - End of Primacy Package Extension
  - Sample Plan Ready for Use
  - Revised Monitoring Pool and Protocol Use Starts
Short-Term Response: What Do We Need To Start Now?

- Service line inventory within three (3) years
- Must include:
  - Lead service lines (LSL), partially galvanized, unknown, non-lead*
  - Both public and private side (see example graphic)

*Note: Multiple definitions in LCR Revisions

Short-Term Response: Continued

What Else Happen First?

- Data publicly available (online) for large systems
- Updated annually unless no LSLs identified
- Develop replacement plan for LSLs/unknowns
- Notice to all customers with LSL, partial galvanized, or unknowns within 30 days of inventory completion (Jan 2024)
- Information included in Consumer Confidence Report

Initial Inventory Approaches

- Water system records, such as distribution system maps and drawings, installation and maintenance records
- Plumbing codes, permits, and tax records
- Key historical dates to define materials:
  - 1985 lead ban
  - Post TVWD Design Standards
- Direct investigation if necessary (e.g., dig-up, potholing)

Potential Opportunities

- During water main repair or replacement
- During meter reading or replacement*
- In-home inspection, where possible, by customer or utility
- Options TBD

*See next slide, some progress already made in this area
Next Steps – Where Do Go From Here?

- Drafting roadmap/plan for initial service line inventory work (within next month)
- Already have “private service line material” field in meter assessment process within GIS (COVID-19 workload planning)*
- Developing add package for Board consideration in draft 21-23 Budget (now)
- Considering consulting and outreach services to assist over next three (3) years (now through 21-23 Budget adoption)

Longer-Term Elements

- The Final LCR Revisions are complex. Staff are continuing to review details and communicate with industry peers and experts. TVWD Board will be updated again.
  - Oregon Health Authority guidance needed, but we can’t wait
  - School sampling, “find and fix” provision, new notification steps, etc., all likely to have an impact on resources needed
  - OCCT changes in the revisions already being evaluated and addressed as part of the WWSS and Water Supply Integration project
Conclusion: This is a Big Deal

- LCR already complex given unique customer-utility interface
- One of the largest rule changes under EPA’s Safe Drinking Water Act in nearly 30 years
- Aimed at providing further public health protection from lead exposure
- Will require both short-term and long-term resource needs for TVWD (staffing priorities, outreach, IT, etc)
- All industry guidance to-date is “don’t wait,” developing an LSL inventory will take time and resources

Questions and Answers

Thank-you!
District Cybersecurity Update

March 2, 2021

Tim Boylan
Director of IT Services

2020 In Cyber Security

A transformational year....

- Working from home
- Online classes
- Surge in online commerce
- Delivery-based businesses

....saw an accompanying increase in cyber security incidents.
Local and Industry Attacks

- Government systems infected with malware.
- Computers and phones were taken offline.
- County paid $300,000 in ransom.
- Systems were offline for around two weeks.
- Unauthorized access to treatment plant SCADA.
- Settings changed to allow increased level of sodium hydroxide into the system.
- Operators watching the application saw the change and corrected the situation.

TVWD Security Framework

- Standards as Guide
  - ISO 27000
  - NIST Cybersecurity Framework
  - AWWA Cybersecurity Tool/Guide
- Layered Security Elements
  - Perimeter Security (Firewalls)
  - Access Controls (User ID/Password)
- Monitoring
  - Penetration Testing
  - Auditing
  - Alerting
The CIA Triad Philosophy

- **Confidentiality**
  - Data is protected
  - Only authorized users

- **Integrity**
  - Data is maintained
  - No improper modification

- **Availability**
  - Data is available when needed

Current and Emerging Threats

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<tr>
<td>Phishing</td>
<td>Fakes / Deep Fakes</td>
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<td>Malware/Ransomware</td>
<td>Smartphones Attacks</td>
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<td>Data Leakage</td>
<td>Supply Chain Attacks</td>
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**Countermeasures**

- Education & Awareness
- MFA / Password Changes
- Scanning / Detection Software
- Perimeter Security
### TVWD vs Oldsmar

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<th>Oldsmar</th>
<th>TVWD</th>
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<td>Network</td>
<td>• Direct connection</td>
<td>• Dedicated, protected network for SCADA</td>
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<td>Firewall(s)</td>
<td>• None</td>
<td>• Perimeter – VPN and public filter</td>
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<td>• Internal – Zone/network filter</td>
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<td>VPN for Remote Access</td>
<td>• None</td>
<td>• Encrypted</td>
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<td>• Multifactor Authentication</td>
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<td>• MFA Logging / Auditing</td>
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<td>Target PC (HMI)</td>
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<td>• Directly connected to Internet</td>
<td>• Behind firewall</td>
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<td>Password Security</td>
<td>• Shared TeamViewer Password</td>
<td>• Individual IDs/passwords for HMI</td>
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<td>• Not regularly changed</td>
<td>• Limited access to Server</td>
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<td>• Role-based access</td>
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<td>• No enforced Change frequency w/in SCADA</td>
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<td>Operator</td>
<td>• Operator noticed mouse movement indicating intruder</td>
<td>• Limited “eyes on”</td>
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### Layered Security Model In Action

1. Laptop ID/Password
2. VPN Initiated
3. VPN ID/Password Validated
4. Multifactor Authentication
5. SCADA System ID/Passwords x2
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To: Board of Commissioners  
From: Paul L. Matthews, Chief Financial Officer  
Date: March 17, 2021  
Subject: 2022-23 Financial Strategy for the Tualatin Valley Water District

Requested Board Action:  
Consider approving the Tualatin Valley Water District’s 2022-23 Financial Strategy.

Key Concepts:  
- As part of its financial management process, the District produces a Financial Plan to guide its long-term investments in infrastructure. The District’s Financial Management Policies requires the District to prepare its Financial Plan at least biennially.  
- The District’s Financial Plan aligns management’s activities with the Board’s guidance on risks (operational, infrastructure and financial), investments and future rate impacts.  
- As a step in preparing the Financial Plan, staff has prepared a financial strategy that it believes aligns with the Board’s guidance.  
- Management requests guidance from the Board on the proposed financial strategy to develop the District’s 2022-23 Financial Plan.

Background:  
The District’s Financial Management Policies requires management to prepare a Financial Plan that aligns the District’s long-term capital improvements plans and near-term budgets with guidance from the Board. The Financial Plan provides a framework for evaluating the long-term effects that the District’s capital and operating plans have on water rates, the District’s cash flow and borrowing needs. The financial planning process is intended to align the policy direction from the Board with the spending and funding plans of the District.

Although the District has a long history of developing long-term financial plans, this year’s planning efforts are somewhat more complicated. Specifically, the District’s revenues are significantly below forecast. This reduction in revenues is largely related to the economic effects of the COVID-19 pandemic. This shortfall in revenue has adversely affected the District’s financial performance and prudence requires significant changes to the District’s financial planning assumptions.

Considering the District’s financial condition, management developed a variety of financial strategies to manage the impacts on the District’s customers. These financial strategies serve as a basis for developing the alignment of the Financial Plan with policy direction from the Board.

1 Section 2.3.1 of the Financial Management Policies, adopted by the Board of Commissioners by Resolution 08-19 on March 20, 2019.
In February, management presented various financial strategies to the Board’s Finance Committee for its consideration and comment. In addition, management presented the same information to other members of the Board of Commissioners. Based on these consultations with Board members, management has developed a recommended financial strategy that strives to reduce future rate uncertainty for the District’s customers by taking proactive measures now. Management proposes this financial strategy be the basis for the District’s Financial Plan.

The recommended financial strategy includes:

1. Build financial capacity to reduce future rate uncertainty for customers.

2. Adopt higher rate increases in this biennium to proactively reduce the risk to the District’s financial health considering revenue and collection impacts of COVID-19.

3. Work with the District’s regional partners to identify opportunities to delay certain projects within the Willamette Water Supply System (WWSS).

4. Develop a plan to implement the proposed delays in identified projects within the WWSS. This implementation plan will include validating the feasibility of delaying the identified projects considering the requirements of the District’s Water Infrastructure Finance and Innovation Act (WIFIA) loan agreement and other important project delivery requirements. The findings from the implementation plan will be presented to the Board as information becomes available.

5. Enhance the District’s Customer Emergency Assistance Program to assist customers affected by COVID-19 and the proposed changes in water rates.

6. Pursue federal and state resources to fund, or lower the cost of funding, portions of the necessary investments in the District’s infrastructure. This strategy also includes pursuing federal and state assistance to assist customers affected by COVID-19 and/or the proposed changes in water rates.

As part of this agenda item, management will present the identified benefits and risks of the proposed financial strategy to the Board. Management will also describe how the development of the financial strategy, financial plan and requested budget will be managed together.

Management will request the Board approve the recommended financial strategy by motion. Once approved, management will prepare the District’s Financial Plan for approval by the Board of Commissioners at a future regular meeting.

**Budget Impact:**

The cost of preparing the District's financial strategy and Financial Plan is within the District's biennial budget. However, the guidance provided by the Board will provide management direction in developing the 2021-23 biennial budget.

**Staff Contact Information:**

Paul L. Matthews; Chief Financial Officer; (503) 848-3017; paul.matthews@tvwd.org
March 17, 2021
2022-23 Financial Strategy for TVWD

**Attachments:**
None

**Management Staff Initials:**

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To: Board of Commissioners

From: Andrew Carlstrom, Customer Service Manager

Date: March 17, 2021

Subject: Draft Plan to Enhance Collections from Customers Affected by COVID-19

Key Concepts:
- Since the onset of the COVID-19 pandemic, the District has temporarily stopped shutting off water service for non-payment.
- As of February 28, 2021, 2,094 water customers that would otherwise have their water service shut off are currently receiving services and owe outstanding water utility bills totaling $914,432.
- Staff has prepared a draft plan to increase collections from customers.

Background:
Utilities have long relied on shutoffs as the primary lever to collect utility payments quickly. Shutoffs have been suspended since March 2020 due to the COVID-19 pandemic.

The District plans to implement approaches to collections that help customers become current by reducing their outstanding balances. These approaches may include the reinstatement of shutoffs for customers who do not participate in District’s new collections process.

The collections plan includes the following components:
1. Communication and outreach.
2. Program offers discounts for customers who pay their outstanding balances
3. Increased customer emergency assistance by increasing the current $65 once a year cap.
4. Revised business processes designed to reduce the past due account balances.
5. Revised business practices aimed at preventing customers from entering shutoff status.

The plan will begin by focusing on the customers with the largest and oldest balances. These customers will be offered payment plans with discounts. Customers who do not respond to outreach efforts will be moved through a systematic process resulting in shutoff notices.

These are unprecedented times for the District because of COVID and the suspension of shutoffs. To ensure success, the District will engage in a continuous improvement process which will include periodic reporting of outcomes to the Board.

A more detailed discussion of the collections plan will be scheduled at the April 6 work session.
Budget Impact:
This item is informational only. The District has incurred greater bad debt expense during the current biennium than budgeted. Currently the District is estimating bad debt expense could be over $1.3 million in the 2021-23 biennium compared to approximately $161,000 appropriated for the 2019-21 biennial budget.

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

Attachments:
None

Management Staff Initials:

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<td>N/A</td>
</tr>
<tr>
<td>General Counsel</td>
<td>CB</td>
</tr>
<tr>
<td>Water Supply Program Director</td>
<td>N/A</td>
</tr>
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