

SOUTH FORK WATER BOARD
MINUTES OF BOARD MEETING
March 22, 2023

Board Members Present: Denyse McGriff, Chair, Oregon City Mayor
Rory Bialostosky, Vice Chair, West Linn Mayor
Bill Relyea, West Linn Councilor
Frank O'Donnell, Oregon City Commissioner
Mary Baumgardner, West Linn Councilor

Board Members Excused: Rocky Smith, Oregon City Commissioner

Staff Present: Wyatt Parno, CEO
Chris Crean, Legal Counsel (via Zoom)
Matt Zook, Finance Director

Others Present: Alice Richmond, Citizen of West Linn
Patty Nelson, Senior Engineer, Oregon City (via Zoom)

General Board Meeting

(1) **Call to Order**

Chair McGriff called the meeting of the South Fork Water Board to order at 7:09 pm.

(2) **Roll Call**

(3) **Public Comments**

Alice Richmond, West Linn Resident, stated there are things the Board does not remember to talk about and share with the shareholders. She would like to see better connections with the water customers. At Safeway, she overheard people talking about how good the water is. The water is so good because of the South Fork CEO, and Staff, whom she commended. West Linn residents need to know that the water service does not come from Lake Oswego, but that it comes from South Fork. She believes the Board should discuss how to get this information out. She stated the same issue was a problem 10 to 12 years ago, but the population migration has caused it to return. West Linn residents need to know that the water comes from the SFWB, they own it, it is shared with Oregon City, and it has been this way for a long time.

(4) **Consent Agenda**

(A) Approval of the Minutes of the February 8, 2023, Board Meeting.

Board Member Bialostosky moved to approve the Consent Agenda. Board Member Baumgardner seconded the motion, which passed unanimously.

(5) **Review of Annual Comprehensive Financial Report**

Matt Zook, OC/SFWB Finance Director, presented the 2022 financial audit report, which had been distributed at the February meeting. This was the first year that Aldrich CPAs + Advisors had audited SFWB. The Board received a clean opinion and SFWB had a strong financial position. He highlighted the net position, the unrestricted categorization of the net position, and operational revenues and expenses. He confirmed that current assets are mainly cash from revenue flow, which goes into the unrestricted position. He also confirmed the Board has very low long-term debt, the liabilities currently on the books are pension liabilities that are required to be reported.

Board Member O'Donnell commented that despite the decrease in water sales and interest income, the main contribution in South Fork's strong position was keeping the personnel cost minimal, at almost \$.5 million less than the previous year.

Wyatt Parno, CEO, responded that in 2021, there was a transition period between John Collins and himself. He makes a bit less than Mr. Collins because of the differences in experience. Mr. Parno also kept three positions open. He intended to fill the operator and technical writer positions and was still assessing whether to fill the third position. He confirmed for Chair McGriff that he had been doing two jobs and was able to continue doing that for a little while, but he needed to bring in a technical writer/office manager, which would help with their interfacing with Oregon City as well as helping him avoid burn out. A maintenance operator left. He was still evaluating how many employees he needed on maintenance and was aware that succession planning was an important factor to consider, as the current operations manager would be retiring in about six years. They were doing more to train new staff, but the State required certain certification levels to run a plant. He also confirmed that the ideal full-time equivalent (FTE) was 11 to 12 personnel. Previously there were 12 employees, and he was determining whether they could live with 11 and still meet succession planning and scheduling needs so that more money could be put into the maintenance budget.

Board Member O'Donnell commented that despite the savings in personnel, preventative maintenance has not suffered. He asked what the Miscellaneous category on Page 6 under Operating Revenues encompassed.

CEO Parno explained that category was savings from energy recovery program with PGE, in which the plant shuts down when PGE is at peak capacity. Shut down literally means shutting down the pumps and motors. One of the biggest expenditures is electricity because of the big pumps and motors. PGE watches how much electricity is being used over a 7-day rolling average and offers a cash back credit when energy is not used during select time periods, so South Fork shuts down the pumps and motors during these periods. He clarified the inflow of energy to restart everything was not very high. The program saves PGE money because instead of building expensive new facilities to create power that would be dormant most of the time, PGE asks consumers to reduce usage at certain times.

Board Member Relyea asked when the new water treatment plant would come online and if operating costs would be lower due to new efficiencies with the new plant. Would there be an initial spike because both plants are in use?

CEO Parno replied the Chemical Feed building will come online in 2025. The final proposals for the bid documents should go out in two months, and it takes about 18 months to complete construction. The costs will probably remain the same even though there will be new efficiencies in the new plant. There may be some savings if some of the chemicals can be purchased in bulk, but it would not be substantial.

Board Member Relyea confirmed the current plant is at the end of its useful life, and the new plant is being built in anticipation of and to compensate for that end-of-life cycle. He asked if South Fork could build and operate its own hydroelectric plant on the Clackamas River in order to decrease electrical costs.

CEO Parno responded the main issue to doing that would be the cost of building the infrastructure and the facility. He will talk with the representative from PGE about the idea. He thanked Mr. Zook for his excellent work with the Finance Department for SFWB/Oregon City, in particular with the new auditors coming in this year. New auditors usually require a new set of permanent files and ask lots of questions to get to know the audit. He barely noticed there were new auditors this year because of the work by Mr. Zook and his staff.

(6) **Appointment of Budget Officer**

Chair McGriff noted that Mr. Zook gave an excellent presentation last night on Budgeting 101. She learned that Oregon's revised statutes (ORS) require cities to appoint a budget officer, which is generally the city manager or a city administrator. However, ORS does not specify this for special districts.

Wyatt Parno, CEO, confirmed that SFWB, as a partnership between West Linn and Oregon City that does not levy property taxes, is specifically exempted from the State's local budget law. However, the Board is diligent and good stewards of the public's finances and does follow Oregon budget law for best practices. He recommended the Board appoint the CEO, Mr. Parno, as the Budget Officer to prepare the 2023-2025 budget.

Chair McGriff stated that there would be people other than Board members looking at everything that Mr. Parno does.

Board Member Relyea noted Mr. Parno has a strong financial background, as he was the Finance Director in Oregon City prior to coming to SFWB. He asked Mr. Parno to share his experience.

CEO Parno explained that usually the City Administrator or CEO puts together the budget because they know what needs to be done on capital and materials. He and Mr. Zook work closely together, and he has already met with Mr. Zook and his staff. He joked that it is a joint effort, but somebody must be responsible when things go wrong. Although he is no longer a practicing CPA, he was a CPA and consultant for national firms before working as Finance Director for several cities and City Manager for a small city.

Vice Chair Bialostosky moved to appoint Wyatt Parno as the Budget Officer
The motion was seconded by Board Member Relyea and passed unanimously.

(7) **Appointment of Citizen Representatives to the Budget Committee**

Wyatt Parno, CEO, briefly explained that to follow State budget laws, the Budget Committee is comprised of the six Board members and an equal number of citizen members. He has talked to Budget Committee members from Oregon City and West Linn because they have already been vetted. Laurie Ariniello, Julie Hernandez, and Nikki Kobliha agreed to join the Budget Committee for SFWB. They would replace some people who are no longer on the Committee. He requested the Board's approval of the appointments to the Budget Committee.

Chair McGriff asked if that is the usual process because she is used to going out and soliciting members. Oregon City recently appointed new members for the Budget Committee and Urban Renewal Commission, and everybody was interviewed.

CEO Parno responded South Fork is not a large organization, so things are done more simply. Using vetted Budget Committee members from the cities was an efficient way to appoint members without having to call a special meeting of the Board.

Chair McGriff commented that when the cities are assembling their budget committees, they can also do SFWB's Budget Committee at the same time.

CEO Parno responded he would prefer not to because of the additional effort for the much smaller budget. Using members of the cities' budget committees was an efficient way of performing the process, since they have already been interviewed by city elected officials. He said, if the Board voted to change the process, he would support it.

Chair McGriff suggested that CEO Parno ask for volunteers from the jurisdictions when they both do their appointments. She would like to have processes in place to avoid accusations of using just "the insiders" and being insular. If she had known there would be appointed Budget Committee members, she would have asked in the community because there are more people interested in South Fork than the Board realizes.

CEO Parno responded that he is very comfortable that there were no insiders in the process. If Board members are asked, they can assure their constituents that South Fork is following a process, which is using Budget Committee members that have already been vetted by each of the cities.

Chair McGriff asked if anyone from West Linn was being nominated.

Vice Chair Bialostosky replied that Nikki Kobliha, a West Linn Budget Committee member, is very qualified, as she is the CFO for PacificCorp.

Board Member Relyea asked why Chair McGriff was concerned about the cities' selection process since the cities vetted the candidates.

Chair McGriff replied she was not concerned about the people that have been contacted. She would like to see more process, adding that both cities, while advertising for their own Budget Committee members, could also advertise for SFWB.

Board Member Relyea asked if the CEO should notify the Board, so they have an opportunity to comment and ensure there is an open selection process.

Chair McGriff recommended that SFWB utilize the Cities' processes if there are any vacancies in the future so that potential members are vetted through the application and interview process.

Board Member Relyea confirmed each city would then go through its own selection process and then nominate those it feels should serve. He asked if that was something CEO Parno would entertain as a process or procedure going forward.

CEO Parno said he appreciated the sentiment. He noted that SFWB is its own separate entity, so the Board would need to interview the candidates. The positions were taken from a vetted process from each of the cities. The new process would add unnecessary effort and energy. He believes if someone were to say there is an insider process, the response should be no, new Budget Committee members were selected who had already been vetted by each of the cities. He did not think there is a need for a new process, but he would do so if directed by the Board.

Chair McGriff said she was concerned, as it was not clear in the memorandum that he had actually called each of the jurisdictions' committee members. She asked that the process be clear, understandable, and laid out so that there is more transparency and no questions about it. She explained the difference between the two approaches, his calling the members versus the cities recommending members they had vetted, reiterating that there needs to be more process. She asked CEO Parno to explain the process.

CEO Parno explained the process that he followed. He first contacted the Finance Director at each City and asked for a list of names and phone numbers of that City's Budget Committee members. He called them in the order presented and asked about their interest in SFWB. Basically, he contacted the Cities' appointed Budget Committee members based on the Finance Directors' recommendations, and then he took them on a first come, first served basis. He imagined it could be possible he might make selections based on whether someone was experienced with water or finances, but he didn't consider that in this process. He has emails that he sent to two Oregon City members where he explained that he took them in the order of response, but they would be next in line should the previous responder not join the Committee

Board Member O'Donnell asked if the selection was made from citizen members who are already approved by the City's own Finance Committee.

CEO Parno confirmed that Oregon City appointees had been vetted by the mayor, but he was not as familiar with how West Linn's process works.

Chair McGriff confirmed that Oregon City's Budget Committee members were appointed by the Commission after they had filed an application and had been interviewed.

Board Member O'Donnell confirmed that each of the members that CEO Parno had selected were from the approved list that Mayor McGriff and Mr. Zook had interviewed for Oregon City.

Chair McGriff commented that the position should be posted because there might be somebody outside of current Budget Committee members who might be interested in South Fork.

Board Member O'Donnell commented that from his experience, having sat on Budget Committees, the selection of citizen participants can either be very contributing or very chaotic, and he had seen some real chaos from making wrong choices. He confirmed with CEO Parno that this had been a two-step process, with the initial vetting and then a selection from that list. He was comfortable with the process.

Chair McGriff responded that when they were vetting their Budget Committee members, they also put out a notice for Urban Renewal Budget Advisory Committee, so candidates were asked if they were interested in being on both during the interview. If she had known there was a third choice, she would have asked about South Fork. The jurisdictions could have done the vetting and made recommendations so that CEO Parno would not have had to make the phone calls.

Vice Chair Bialostosky commented that he was comfortable with the process the CEO followed because it was just choosing from people that had already been vetted. He had no concerns about the process because they were getting members who are qualified and eager to serve.

Chair McGriff reiterated the vacancies should be posted because there could be somebody who wants to be on the Committee. She would make a note to the Finance Director to add any upcoming vacancies to the City of Oregon City's process.

CEO Parno asked that Chair McGriff work with him, adding if there is a process South Fork needs to follow and that the Board wants to vote to institute it, he is happy to oblige. He noted the Chair should work with him on issues related to the Board.

Board Member Relyea confirmed that the Budget Committee positions are for two years.

Board Member Relyea moved to approve Laurie Ariniello, Julie Hernandez, and Nikki Koblaha as citizen representatives to serve on the Budget Committee. The motion was seconded by Board Member Baumgardner. The motion passed, 4-0-1, with Chair McGriff abstaining.

(8) Approval of Biennial 2023-2025 Budget Schedule

CEO Parno noted the schedule was included in the packet, and follows State statutes, including the required publication notices. The fourth Wednesday in April, April 26, is a regularly scheduled meeting and does not conflict with any other business meetings in the two cities. He wanted to ensure the April date worked for the Board members.

Chair McGriff and **Vice Chair Bialostosky** said they would both be attending the League of Oregon Cities Spring Conference on April 26th. **Chair McGriff** noted they could attend via Zoom. She asked if there was a contingency meeting.

CEO Parno confirmed they would move forward with the April date for the approval of the proposed budget. Adoption of the proposed budget would be at the May 24th meeting. He also confirmed that the June meeting would be the contingency meeting.

Board Member Relyea noted that the schedule needs to be amended to reflect that Budget Committee members were approved at the March meeting instead of February.

Board Member Bialostosky moved to approve the South Fork Water Board Budget Preparation Schedule with amendments to reflect the updated meeting dates. **Board Member Baumgardner** seconded the motion, which passed unanimously.

(9) **Approval of Purchase for Clackamas River Intake Pump #5 Rebuild**

Chair McGriff noted that pictures were not very clear in the email printout she brought for the operations update.

Wyatt Parno, CEO, confirmed that it looked like the pictures included in her report printout were not as clear in printed format as they were online.

Board Member Baumgardner noted the pictures were fine in her copy.

CEO Parno reminded that his spending authority is up to \$50,000, and that a bid process was conducted for the pump replacement, which was included in the budget as part of the planned maintenance. The work needs to be done as there is an issue with the shaft. He asked the Board to approve the expenditure of \$156,937.25.

Board Member O'Donnell commented that the vendor is qualified, as demonstrated by their past experience, noting they do not test the pump until it is put back in place; though that did not really matter. The bid was about \$100,000 less than the next vendor.

CEO Parno explained the rattling in the shaft was tested and South Fork sought three bids on it. He noted he had reviewed the three-bid process and currently had a question outstanding to the attorney to make sure the proper procurement process was followed because the repair could fall under construction or materials and services. Staff believed it would be under construction, but it is routine maintenance. Ashley Driscoll, SFWB Legal Counsel, is looking into it. Ms. Driscoll and Mr. Crean are putting together a procurement training course that will be attended by South Fork's staff.

Board Member Relyea noted the only difference between the bids is Pump Dynamics stated their assumption that the motor coupling seals, and other fittings associated with the shaft, are in good, reusable condition. The other bid stated the seals and O-rings would be replaced as part of the rebuild. He did not believe seals would cost \$100,000. He would personally ask for

the seals and O-rings to be replaced, even if it is not in the bid. The discretionary spending limit should cover that if there are any additional costs. He added everything needs time to seat properly, and if all the parts are not new, it does not do that. It also would cost a lot of money to pull the shaft back out and replace it.

Board Member O'Donnell and **CEO Parno** agreed with Board Member Relyea.

Board Member O'Donnell added that because of wear, it might generate a different profile on the meeting surface, so he agreed CEO Parno should explore the cost of new seals and O-rings.

Chair McGriff confirmed that with an additional \$50,000 being used, the total cost would still be less than the other bid.

Board Member Relyea moved to approve the purchase of rebuilding and related costs for Clackamas River Intake Station Pump #5 in the amount of \$156,937.25, amending to authorize CEO Parno to execute a change order using his discretionary spending authority if needed to replace the seals and O-rings. The motion was seconded by Board Member Baumgardner.

The amended motion passed unanimously.

(10) **Business from the CEO**

1) Operations Update (Pump #5 Rebuild, Basins Cleaning and Sealing, Fallen Tree)

CEO Parno described the thorough inspection and cleaning of the north and south basins, as well as the subsequent sealing of some cracks discovered in the troughs, which cost about \$5,000. The south basin was being drained to patch some fist-sized holes that were discovered. Some boards would also be replaced on the serpentine for the slow-mix water process. Pictures were included in his written report. Filtering processes in place meant water users did not have to worry about water quality.

He also reported a neighbor's tree fell onto one of the fences on the lot. Since the fallen tree is considered an "act of God," there is no liability claim from the insurance company. The maintenance crew can replace the fence for about \$500. South Fork has a good relationship with the neighbor. He believes the neighbor would agree to cover the costs of the materials if asked.

2) Emergency Preparedness Coordination (Clackamas River Water Providers)

CEO Parno, reminded that SFWB is a member of the Clackamas River Water Providers Consortium with other water providers on the basin. The Consortium has discussed hiring an Emergency Operations Coordinator to support water within the basin. Originally, the position was going to be full-time, but it was agreed to do a trial run of a 0.2 position. This person will implement a grant that they achieve and also coordinate the emergency response plans among the providers. The objective is to have representation with County Emergency Management,

specifically for water. He had agreed that South Fork would pay a bit extra into the Consortium to cover the budget increase for the position, which is a good idea.

3) Joint Operations Meeting (Oregon City, West Linn, and South Fork Water Board)

CEO Parno, reported on the recent meeting, reminding that the joint meetings are held to coordinate the three agencies providing the distribution systems and SFWB, which is the treatment system. He was impressed with the staff from Oregon City. Kevin Hanks, Water Supervisor for Oregon City, reported on the current development within that city, which had CEO Parno thinking about the golf course development. Matt Kaatz, Water Supervisor for West Linn, reported there may already be a construction delay on the I-205 Bridge widening, which will factor into how South Fork puts together the budgeted revenue. There was also talk about Water Environment Services, the sewer agency, putting a force main in that might be available for SFWB to run water to West Linn until it is used for sewer. It is also possible that Oregon Department of Transportation (ODOT) Engineering is working on a different solution where they could keep the existing main for a while and still have some water go through, but he is still verifying that. The revenue loss to South Fork would be between \$700,000 to \$1 million for the shutdown period, if an alternative is not used. He was grateful West Linn Counselors and staff are pushing back with ODOT to find some engineering solutions so that revenue might not be lost.

Vice Chair Bialostosky said he was unaware of these developments, so he would follow up with Mr. Kaatz and Lance.

Chair McGriff asked to be kept informed as well because she suspected there would be some impact to Oregon City without West Linn on the system. One thing discussed with ODOT early in the process was that they did not take into consideration that two jurisdictions share a water service, and it is not as simple as just taking the line off and the water will magically appear someplace else. ODOT has been indifferent to the problem.

Board Member O'Donnell understood the SFWB/Oregon City Commission had given direction at its last meeting to seek compensation from ODOT for lost revenue, adding the subject has come up at two prior meetings.

Chair McGriff replied the subject has not yet been formally broached with ODOT. She did bring it up in a general meeting with ODOT but has not received a response yet, though she was not expecting a quick response. The City of West Linn has requested funding from the legislature, but she was not aware of where they were in that process. This question was part of a larger list of not anticipating the unintended consequences of the project, and ODOT has not felt obligated to consider the consequences. She agreed they need to talk to the decision maker at ODOT and has said as much to their legislators. ODOT confirmed that no risk assessment was part of the bill authorizing the work. They did not look beyond fixing and widening the bridge and receiving toll money for the bridge.

Board Member Relyea suggested inviting ODOT to a meeting and ask them to bring a schedule, knowing that they would be asking about the issue of the water line transition, how long it will be down for and if there is a possibility of running a temporary line or leaving the

existing one in place and operational until the new one is installed. Since ODOT is the building it, they are the ones that should answer that question.

Vice Chair Bialostosky reported that ODOT is coming to West Linn's April 3rd City Council meeting.

Chair McGriff suggested giving ODOT a head's up about the question, otherwise they would come with the same PowerPoint.

Board Member Relyea said the purpose of inviting ODOT to a SFWB meeting is to make sure they know what the questions are going to be so that they come prepared to answer. ODOT should provide a schedule and inform South Fork of the technical issues. SFWB needs to be able to predict the volume of chemical consumption at the water treatment plant.

4) American Water Works Association (AWWA), Annual Conference & Exposition (ACE)

Wyatt Parno, CEO, stated the AWWA Conference will be held in Toronto, Canada, June 11-14, 2023. He asked the Board to confirm the four members who will attend so he can book rooms.

Chair McGriff confirmed that she would attend. **Vice Chair Bialostosky** and **Board Member Baumgardner** confirmed their interest in attending.

CEO Parno explained that who attends from the Board Members is left up to the Board's discretion. He did not have a specific recommendation on the benefits.

Board Member O'Donnell stated he had attended the last conference and is in the final two years of his tenure on the Board, so he would step aside to allow someone else to attend. Perhaps someone else from Oregon City would like to go.

Chair McGriff noted Board Member Smith had already said he probably could not attend.

5) Budget Committee Next Month (April 26)

Wyatt Parno, CEO, reminded Chair McGriff would confirm whether April 26th would work for the Budget Committee meeting.

(11) **Business from the Board**

Vice Chair Bialostosky confirmed he had not received an update from ODOT, but they will be at the West Linn City Council meeting on April 3rd.

Chair McGriff stated her main concern with the ODOT project regarded the revenue as mentioned. She suggested getting some South Fork news in the next issue of Trail News, and the deadline for that summer issue is coming soon. She would get those dates to the Board and Staff. Although it comes out quarterly, the citizen survey showed that a lot of people read Trail News. She asked if SFWB had done anything with regard to developing or

implementing or continuing to implement a water conservation program. She believed South fork should encourage people to conserve water, citing the hot, dry summer last year and that people were watering their lawns when it was 100 degrees.

CEO Parno replied Clackamas River Water Providers (CRWP) has an entire section of its budget dedicated to conservation and messaging, and the Board saves costs by sharing in that work through CRWP. SFWB is very careful to watch water levels during a drought. The water that comes down the Clackamas River goes by and never comes back. It's not a finite source, so South Fork makes revenue as that water is used. If there is enough of it, South Fork is happy to make the revenue to keep rates lower. However, when the river is low, that is when the conservation plans are implemented. State law requires SFWB to have a conservation plan, which they do have.

Chair McGriff suggested writing about the conservation plan for Trail News. She believes people forget because they are accustomed to water being there when they turn on the faucet. She recalled times of rationing not only gas but also water consumption.

CEO Parno agreed, adding that last summer, there was a lot of rain in June, and there were no problems. However, the prior summer there were big droughts and they wanted people to conserve.

(12) **Executive Session – Adjourn regular meeting and convene Executive Session if needed.**
The March 22, 2023, regular meeting was recessed at 8:34 pm.

- A. To consider information or records that are exempt by law from public inspection pursuant to ORS 192.660 (2)(f).
- B. To consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed pursuant to ORS 192.660 (2)(h).

(13) **Reconvene Regular Meeting if needed to take any action necessary as determined in Executive Session.**

Chair McGriff reconvened the regular meeting at 9:09 pm.

Board Member Relyea moved to release the letter prepared by Chris Crean regarding WaterWatch versus OWRD at the Court of Appeals, dated March 1, 2023. Chair McGriff seconded the motion, which passed unanimously.

Chair McGriff noted the letter would be released back to the Cities of Oregon City and West Linn so it could be transmitted to the news media as needed.

Chair McGriff adjourned the regular meeting of the SFWB at 9:11 pm.

Respectfully Submitted,

By Paula Pinyerd, ABC Transcription Services, LLC.
for Wyatt Parno, SFWB CEO