

Budget & Audit Committee Minutes

Monday, May 4, 3:00 p.m. | Zoom Meeting

Members: Melanie Lewis, Nate Rivera, Alba Vogland, Josh Thomas, and Kitty O'Keefe

Guests: none

1. Announcements and Introductions

- a. Melanie called the meeting to order at 3:03 p.m. and introductions were made.
- b. A motion from Nate was made to approve minutes from 4.11.22 and 2nd by Melanie. Kitty to post on website.

2. New Business

- a. Executive Directors Communication Plan for Tariff
 - i. Proposed Service Tariff Rate Increase memo (See attachment 1)
 - ii. Josh suggested not to rush this Tariff in 2022. He feels we can get through 2022 with current budget.
 - iii. Melanie suggested push it out a month. Testimony in July – August.
 - iv. Nate agrees with July or August for public testimony.
 - v. Josh will present to full board in June
 - vi. Melanie will recommend to full board we move our board meeting from Baker City to Portland. Kitty will research to site; most likely Sheraton -Portland Airport Hotel.
 - vii. Members suggested ways to promote the announcement: include in invoices going out, Facebook posts and post on OUNC website.
- b. Financial Audit Process
 - i. Letter to CPA Firms (See attachment 2)
 - ii. Members reviewed letter that Josh will email to 3 qualified firms.
 - iii. May 30, 2022, deadline for submitting a bid to the OUNC from these firms.
 - iv. Discuss outcome at next meeting prior to board meeting June 8, 2022

3. Old Business

4. For the Good of the Order

5. Next Meeting

- i. Schedule for June 2, 2022

6. For the Good of the Order

Motion to adjourn by Nate and 2nd by Melanie at 4pm. Minutes submitted by Kitty O'Keefe 5.13.22



OUNC BOARD BRIEF

#22-05-0009

SUBJECT: Proposed Service Tariff Rate Increase
DATE: May 4, 2022
PREPARED BY: Josh Thomas, Executive Director

SUMMARY

The OUNC Board has determined that a phased adjustment to the Tariff rate will be necessary to meet the current and future financial obligations of the Oregon Utility Notification Center. This would be implemented alongside other considerations such as reducing costs and reconsidering exemptions to ensure equitable rates moving forward.

Facing decreased revenue and increased expenses, this proposed solution will provide the stability needed to support one-call center operations alongside ongoing proactive efforts to reduce damages to underground facilities and to promote public safety related to excavation issues.

The board is committed to ensuring this is an open and transparent process. Before implementing an increase on the proposed date of August 1, the board will seek feedback from ratepayers in a variety of ways that are detailed in this document. Based on the comments and testimony received from stakeholders, the board may withdraw, adjust or proceed with the proposal.

BACKGROUND

The Oregon Utility Notification Center is a public benefit nonprofit corporation with powers of a state agency. It receives no tax money from state or federal government, and all operations are funded through a service tariff paid for by underground facility members on a per ticket/notification basis.

As stated in ORS 757.552, the Oregon Utility Notification Center is required to, "... establish rates, on a per call basis, under which subscribers shall pay to fund all of the activities of the Oregon Utility Notification Center."

Effective July 1, 2019, the rate increased from \$1.05 to \$1.20, and there have been no changes since then. The prior rate increase to \$1.05 was approved in 2004. The charges are designed to compensate for the expenses incurred in notifying subscribers of requests for the location of underground facilities and promoting damage prevention in Oregon.

To date, there has been no set schedule for escalation of the service tariff rate, and it has been adjusted on an as-needed basis.

BUDGETARY CONSTRAINTS

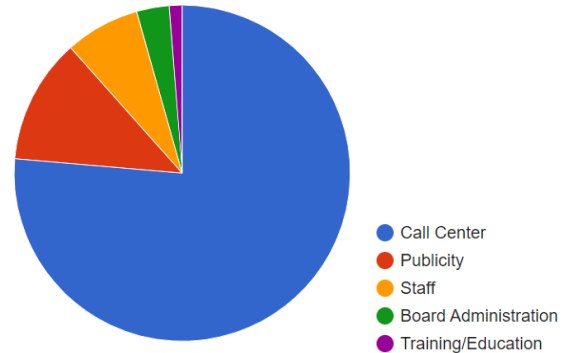
As context, the Oregon Utility Notification Center’s budget consists of the following (*using 2021 actuals*):

TOTAL REVENUE: \$2,324,254

- 99.93% - Call Center Receipts (Service Tariff)
- .07% - Interest, fines, other

TOTAL EXPENSES: \$2,394,785

- 76.36% - Call Center Operations/Contract
- 12.07% - Publicity
- 7.18% - Staff pay and benefits
- 3.13% - Board Administration, other administrative costs
- 1.25% - Training and education



Almost the entirety of the OUNC’s revenue comes from the Service Tariff, while more than 3/4 of all expenditures are contractually obligated for continued call center operations.

ISSUE ANALYSIS

There are three primary factors that are impacting the OUNC’s budget in the near term: declining revenue relating to the in/out ratio, increased personnel costs, and rising costs due to inflation.

Because the OUNC pays its call center contractor based on outgoing tickets and receives revenue from incoming tickets, the in/out ratio is a key consideration for the budget. Over the back half of 2021, the in/out ratio was 3-4% lower than the five-year average. As a result, OUNC ended the year with a \$70,531 loss in 2021. This trend has continued in 2022, which reduces the projected revenue available to cover costs. As such, the organization will be required to utilize reserve funds to balance the budget.

In 2021, the OUNC hired its first Executive Director. During the selection process, there was some uncertainty around the total costs of salary and benefits, and it was anticipated that a tariff rate increase may be necessary to account for that change. He started in May 2021, so the personnel costs did not reflect a full year of expenses. Additionally, the organization hired an Executive Assistant & Outreach Coordinator who had supported the board as a temporary employee for more than 9 years. Personnel costs are expected to increase from 7.18% to 9.93% of total expenses this year.

Lastly, the call center contract has annual increases built in based upon the Consumer Price Index (CPI), while the service tariff has no such mechanism. With increased costs due to inflation, we expect the cost of the contract will be increasing at a higher rate than in recent years.

Combined, these factors are contributing to an estimated \$194,281 shortfall, based upon the adopted budget. To minimize the impact on reserves, this can be addressed through reducing costs with ITICnxt implementation, adjusting program area spending and the proposed phased increase of the service tariff.

The organization will also achieve greater returns from interest revenue, but this yields a relatively minor impact on the overall budget.

Longer term, the board may revisit statutory exemptions, as there are several groups identified in ORS 757.552 (4) that are only limited to \$500 annually or are charged no fees whatsoever. This would be a long-range solution, however, as the process would take years before seeing any impacts on the budget.

PROPOSED INCREASE

The board is proposing a phased increase of the service tariff of 11% from \$1.20 to \$1.35 starting in August 2022 and an increase of another 3.7% to \$1.40 per ticket starting January of 2023. Because the board has approved the use of reserve funds to balance to budget in 2022, this plan would allow the agency to maintain reserves equal to three months of operating revenue as required in the OUNC Policy and Procedures Manual.

Another consideration is whether to institute a regularly scheduled increase for future years (or every two years), starting in 2024. The call center contract includes increases tied to the Consumer Price Index, which could be used to determine a rate that is equitable, factors in inflation and sustains OUNC's operations moving forward. This would also provide predictability with smaller, regular increases rather than large, infrequent increases that are more difficult to absorb if not budgeted.

As stated previously, this service tariff increase is being considered alongside cost cutting and increased efficiency to address the challenge in a variety of possible ways rather than a single solution.

COMMUNICATIONS

While the Oregon Utility Notification Center has the authority to increase the service tariff as it did in 2004 and 2019, the board has prioritized outreach to subscribers before implementing a change.

To proceed with the August 1 implementation plan, OUNC will start immediately after the May Board Meeting with notification to all subscribers (printed and electronic). This notification will include a description of the proposal with opportunities to present testimony at the June or July Board Meetings or to submit testimony via email by July 12. The notices will provide contact information for questions or comments (see attached).

Notices will be sent to all members of the one-call center in email distributions and included with invoices. The same information will also be posted on the OUNC website along with a possible FAQ section. Additionally, the opportunities for testimony will be included in all public notices related to the June and July board meetings. After this period, the board would discuss and vote on the proposal at the July meeting for implementation on August 1.

Staff will provide board members with this brief as background as well as talking points to help address questions that may arise. Board members are encouraged to share it with their respective organizations if impacted by the increase, especially if they represent one of the top ten members in ticket volumes.

OREGON UTILITY NOTIFICATION CENTER

SCHEDULE 1 SERVICE TARIFF

NOTICE:

The Oregon Utility Notification Center Board of Directors will discuss adjustments to the Schedule 1 Service Tariff at its **DATE** meeting at **LOCATION**.

Listed below are the proposed changes related to the Schedule 1 Service Tariff.

Change the per ticket rate from \$1.20 to \$1.35 on August 1, 2022, and to \$1.40 in January 2023.

Change the Voice transmitted ticket rate from \$6.50 to ???.

Change the maximum payment in section three (3) from \$500 to \$1,000. *(see note below)*

Implement an annual increase for future years starting in January 2024 tied to the Consumer Price Index, not to exceed 3%.

A portion of the meeting will allow public testimony related to the proposed changes. Subscribers can also provide feedback to the OUNC Board of Directors via its website at <https://digsafelyoregon.com> or email at info@digsafelyoregon.com.

APPLICABLE:

All subscribers of the Oregon Utility Notification Center.

PURPOSE:

The purpose of this schedule is to establish a charge per ticket (i.e., notification). The charges are designed to compensate the Oregon Utility Notification Center for the expenses it incurs in notifying subscribers of requests for the location of underground facilities at specified sites and promoting damage prevention in Oregon.

RATES AS OF JULY 1, 2019:

Subscribers will be invoiced, on a monthly basis, at the rate of \$1.20 per ticket transmitted, with the following exceptions:

1. Any subscriber receiving fewer than fifty (50) locate requests in the calendar year shall pay no fees,
2. Locate requests transmitted to subscribers by Voice will be billed at the rate of \$??? per ticket.
3. Per ORS 757.552 (4), the following subscribers shall not pay more than \$500 in annual payments for locate requests:
 - a. Cities with a population of less than 15,000;
 - b. Telecommunications utilities serving fewer than 15,000 access lines and regulated by the Public Utility Commission under ORS Chapter 759;

- c. Cable system operators serving fewer than 15,000 customers;
- d. Utilities, special districts, people's utility districts or authorities providing electricity, water or sanitary sewer services to fewer than 15,000 residential customers; and
- e. Telecommunications cooperatives.

NOTE: Changing the maximum payment in section three (3) from \$500 to \$1,000 requires legislative change to ORS 757.552 (4). Was it attempted previously (this is from the 2019 document)? In the short term, we could review the members to ensure those receiving exemptions/capped tickets still qualify.



Oregon

Kate Brown, Governor

Oregon Utility Notification Center
305 NE 102nd Avenue, Suite 300
Portland, OR 97220-4170
503-232-1987

April 11, 2022

TO: Qualified CPA firms

RE: Invitation to bid on Oregon Utility Notification Center Financial Audit

The Oregon Utility Notification Center (OUNC) is seeking the services of a qualified vendor to perform a financial audit in accordance with generally accepted auditing standards for not-for-profit organizations. OUNC is soliciting bids from not fewer than three Certified Public Accounting firms. Under the board's direction, the agency intends to proceed with this audit in 2022, reporting on the 2021 fiscal year.

ABOUT THE OREGON UTILITY NOTIFICATION CENTER

Created by the 1995 Oregon Legislature, the Oregon Utility Notification Center is the state agency that administers Oregon's excavation laws and statewide locate requests. Its mission is to operate and maintain a state-of-the-art one-call system for the State of Oregon to reduce damages to underground facilities and to promote public safety related to excavation issues.

The "One-Call Center" is located in Portland and is staffed by about 50 operators. It is currently operated under contract with [One Call Concepts](#). The Center is available to process locate requests seven days a week, 24 hours a day.

Through its one-call service, training, education, publicity, and industry relations, OUNC is committed to helping people avoid serious damage, injuries and expenses. The free service is available by calling 811 or going to [Oregon811.com](#) or [www.digsafelyoregon.com](#). By requesting a locate, homeowners and businesses can have their underground utilities marked before digging.

The Oregon Utility Notification Center (dba Oregon 811) is a public benefit nonprofit corporation with the powers of an Oregon state agency, per [ORS 757.547](#). OUNC has a 21-member Board of Directors, appointed by the Governor, and a staff of two. The organization hired its first Executive Director in May 2021. Prior to that, the organization was administered by a working board and contracted service providers.

BACKGROUND

According to the OUNC Policy and Procedures Manual, section 3.10.1., "Oregon Utility Notification Center should contract for an independent review to be performed by a Certified Public Accountant (CPA) at the conclusion of every three (3) years but should not exceed five (5) years." Per 3.10.2., "The auditor(s) will test accounting mechanisms in accordance with generally accepted auditing standards for not-for-profit organizations and as contractually required by funding sources."

The last financial review was conducted by Aldrich in 2019 for the 2018 fiscal year (see attachment). Based on the policy, a review or audit must be completed by the end of 2023.

OUNC has not previously conducted a financial audit, opting for the more affordable but less involved financial review process. With substantial changes to the organization over the past year, the board has committed to proceed with the deeper dive that a financial audit provides. Beyond meeting the terms of internal policy, the audit process will provide assurances to the board, staff and stakeholders that the right systems and controls are in place moving forward.

SCOPE OF SERVICES

The purpose of this financial audit will be to perform a full and unbiased examination of the OUNC's finances and accounting practices to provide actionable guidance and advice for areas of compliance or improvement. The process will culminate in a report and presentation to the board at the conclusion of the audit to share findings, recommendations and to answer questions.

Since the OUNC operates on a calendar fiscal year, this audit will focus on 2021. The OUNC Interim Treasurer, Melanie Lewis, and Executive Director, Josh Thomas, will lead this initiative on behalf of OUNC. The successful vendor will work with the organization's bookkeeper, The Bookkeeping Company, and will be granted access to financial and banking records needed to complete the audit.

The vendor will work with OUNC and The Bookkeeping Company on a proposed timeline for the project with deadlines for deliverables, completion of the project and reporting at a future OUNC board meeting.

COMPETITIVE SELECTION PROCESS

Per ORS 279A.025(3)(j) the Oregon Utility Notification Center is among the agencies exempted from following the Public Contracting Code, and is not required to open a formal RFP for services besides the call center contract. However, in this competitive process, OUNC will maintain transparency and document objective reasons/analysis for selecting the vendor and how they provide the best value against comparisons.

Criteria will include, but is not limited to: cost, qualifications/experience, timeliness, understanding of public benefit nonprofit corporations, familiarity with the Oregon Accounting Manual, and completeness of response to this invitation to bid. Responses will be used as a tool to evaluate vendors as to their ability to perform the financial audit and to select the successful vendor.

SUBMITTING A BID

Bids must be emailed by no later than **May 30, 2022** to Josh Thomas, OUNC Executive Director at josh.thomas@digsafelyoregon.com. Your bid should include the following elements:

- Proposed cost of services, including details on flat fee/hourly elements
- Qualifications of your firm to perform this financial audit
- Proposed timeline for completion
- Expected deliverables for final product and presentation
- Optional: References or examples of relevant/comparable audits performed previously

An authorized representative of the vendor shall sign the response and show the name and address of the vendor. Email subject shall be plainly marked "Proposal – Financial Audit."

Any questions about the submission process can be directed to Josh Thomas at 503-317-5007 or josh.thomas@digsafelyoregon.com.

ATTACHMENTS

- 2018 Financial Review
- OUNC Standards Manual