

## SPRINGFIELD UTILITY BOARD

223 A STREET, SUITE F  
SPRINGFIELD, OR 97477

### MINUTES

January 9, 2008

The regular session of the Springfield Utility Board was called to order by Chair Adams at 7 p.m.

**ATTENDANCE:** Board: Bobbie Adams, Chair; Virginia Lauritsen, Vice Chair; Ken Boyst; Theodore L. Johnson; Joe Mathieu. Staff: Bob Linahan; Bob Fondren; Jeff Nelson; Ray Meduna; Chuck Arrera; Steve Counard; Judy Berra; Matt Cox and Bill Van Vactor, Attorneys for the Board. Others: Ken Vogeney.

**MINUTES:** \* Joe Mathieu motioned, and Ted Johnson seconded, to accept the December 11 regular Board minutes, as presented. This motion **CARRIED** unanimously.

**ACCOUNTS PAID:** \* Ted Johnson motioned, and Joe Mathieu seconded, to approve the accounts paid listing, as presented. This motion **CARRIED** unanimously.

**BUSINESS FROM THE AUDIENCE:** None.

**BUSINESS FROM THE BOARD:** Matt Cox introduced a new attorney, Bill Van Vactor, who had recently joined the firm and announced that Leahy & Cox will now be known as Leahy, Van Vactor & Cox.

The Board welcomed Mr. Van Vactor and said they looked forward to working with him.

**Election of Officers and Appointments** Prior to the election of officers and appointments, Bob Linahan made a clarification that Board Member Virginia Lauritsen is eligible this year to serve as the Board's chair or vice chair.

Chair Adams opened the election for the 2008 officers and appointments and called for nominations for the Board Chair.

Joe Mathieu nominated Bobbie Adams as Board Chair and Virginia Lauritsen as Vice Chair for 2008.

As there were no further nominations for Board Chair or Vice Chair, Chair Adams closed the nominations and the vote was taken. Bobbie Adams was unanimously elected as Board Chair

for 2008. Virginia Lauritsen was unanimously elected as Vice Chair for 2008.

Chair Adams called for nominations for the appointment of Secretary-Treasurer to the Board.

Ted Johnson motioned, and Joe Mathieu seconded, to appoint Bob Linahan as Secretary-Treasurer for 2008. This motion **CARRIED** unanimously.

Chair Adams called for nominations for the appointment of Leahy, Van Vactor & Cox as legal counsel to the Board for 2008.

- \* Joe Mathieu motioned, and Virginia Lauritsen seconded, to appoint Leahy, Van Vactor & Cox as SUB's legal counsel for 2008. This motion **CARRIED** unanimously.

Chair Adams next called for nominations for the appointment of Liaison to the City Council. Noting that Joe Mathieu has filled this position since 2000, she asked if he would like to continue.

Joe Mathieu indicated that he would like to continue to be Liaison to the City Council.

- \* Virginia Lauritsen motioned, and Ken Boyst seconded, to appoint Joe Mathieu as Liaison to the City Council for 2008. This motion **CARRIED** unanimously.

Chair Adams next called for a motion for the following people to be appointed to SUB's 2008 Retirement Plan Review Committee: Bob Linahan, Virginia Lauritsen, Greg Miller, Arlie Johnson, Bob Fondren, Marilyn Barker and Rose Blomberg.

- \* Ken Boyst motioned, and Ted Johnson seconded, to appoint Bob Linahan, Virginia Lauritsen, Greg Miller, Arlie Johnson, Bob Fondren, Marilyn Barker and Rose Blomberg to SUB's 2008 Retirement Plan Review Committee. This motion **CARRIED** unanimously.

Regarding appointment of the Auditor to the Board, Virginia Lauritsen commented that it is prudent for SUB to go out for bid

every three years for its auditor. Since the current auditor will complete its third year at SUB with the 2007 audit, she recommended that the Board should not automatically reappoint, but that staff should obtain bids from auditors for the years 2008 through 2010 and bring the results back to the Board later this year. At that time, the Board should take action on the appointment of the auditor, based on the bid results.

- \* Virginia Lauritsen motioned, and Ken Boyst seconded, to have staff solicit bids for auditors for the years 2008 through 2010 and bring the bid results back to the Board later in the year for review and appointment. This motion **CARRIED** unanimously.

Chair Adams called for nominations for the appointment of Voting Delegate at the APPA Legislative & Resolutions Committee meetings for 2008. Noting that Virginia Lauritsen has been SUB's APPA Voting Delegate for the past several years, she asked if she would like to continue.

Virginia Lauritsen indicated that she would like to continue as SUB's Voting Delegate at APPA's Legislative & Resolutions Committee meetings during 2008.

- \* Joe Mathieu motioned, and Ted Johnson seconded, to appoint Virginia Lauritsen to continue as SUB's Voting Delegate at APPA's Legislative & Resolutions Committee meetings in 2008. This motion **CARRIED** unanimously.

Bob Linahan announced that Joe Mathieu has been reappointed by APPA to its Policy Makers Council.

Board members congratulated Mr. Mathieu on his appointment.

#### BUSINESS FROM THE GENERAL MANAGER:

Water Utility Ending Working  
Capital and Borrowing  
Scenarios

Mr. Linahan said that during the 2008 Budget Committee meeting, there was a discussion about working capital and borrowing scenarios. He introduced Jeff Nelson to review some information compiled in Mr. Nelson's staff memo of December 6

(Exhibit A) regarding Water Utility Ending Working Capital and Borrowing Scenarios. He noted that the Board received a copy of this memo with last week's Board Report.

Mr. Nelson, referring to his overhead presentation (Exhibit B), began with an overview of how staff does multi-year utility forecasting. Staff reviews both short- and long-term financial forecasts regularly, he said, and noted that long-term forecasts are done using the best information available at the time.

Long-term forecasts that are used for the Budget Committee's mid-year review are conducted in August/September, incorporating the 10-year utility capital plans, said Mr. Nelson. Many of the assumptions from those forecasts are carried over in the budget process for the remainder of the year. The Water Utility's long-term forecast generated a lot of discussion around reserve and borrowing scenarios.

Mr. Nelson said that the purpose of this presentation was not to recommend a specific scenario or a specific level of reserves, but rather to provide the Board with information based on issues raised during the presentations to the Budget Committee.

He listed the key issues that were raised during and after the Budget Committee process and then responded to them:

*Are borrowed funds paying for operations and maintenance (O&M) of the system, or for new capital construction?*

Response: No—with modest rate increases over the next ten years, SUB's reserves rise significantly in the out years, which indicates that no new debt is needed to cover O&M expenses.

*What is the impact of delaying the construction of the new treatment plants by one year compared to the scenario modeled for last year's Budget Committee meetings?* Response: The Water Utility has Ending Working Capital in excess of \$1.6 million in 8 of the 10 years forecasted. Based on an updated usage forecast of the North, East and West water systems, staff's assessment is that the construction of the water treatment facilities can be delayed by at least one year. By moving construction out one year, the start of debt service

payments is delayed. The funds that would have paid debt service can go toward Ending Working Capital instead.

*What is the impact of changes in net margin using updated information as of December 2007:* Response: Ending Working Capital is expected to improve by about \$500,000, which has the impact of adding an additional \$500,000, plus associated interest earnings, for the 10-year forecast period. The reasons for this are that rate revenues, labor and operating costs are close to year-end budget forecast; capital expenditures are less than previously forecast; and DRCs/SDCs are above prior forecast.

We are expecting a healthier 2008 compared to what we had in the 2008 budget, said Mr. Nelson.

In summary, borrowing is not intended to cover O&M costs, Mr. Nelson said. Delaying the two water treatment plant projects by one year substantially improves the financial picture of the Water Utility. And improvements on the 2007 net margin results in an expected Ending Working Capital in 2008 in excess of \$1.2 million.

Staff will continue to model the 10-year financial forecast in the fall of 2008 and provide the Board with updated information at that time, he said.

The Board thanked Mr. Nelson for his presentation.

#### Water Utility Working Capital Reserves

Mr. Linahan referred to his January 4 memo to the Board (Exhibit C) that he and Jeff had prepared, giving examples of what classifications of reserves other utilities/organizations look at and, based upon this information, staff has come up with some different reserve levels for the Board to consider. SUB's current working capital reserves in the Water Utility are at \$400,000. He would like the Board to give staff direction on whether \$400,000 is good, or whether they would like to see a higher level for the Water Utility and staff will add that amount into the model for the upcoming year, he said.

Mr. Linahan said that 2007 was an excellent year. SUB's development/redevelopment charges and system development charges were twice what was expected and our construction costs were down.

After some discussion, Chair Adams suggested the Board have at least \$1 million in working capital reserves for the Water Utility budget next year.

Virginia Lauritsen felt the reserves would need to be increased but she felt that the Board needed to see more numbers before making any decisions. She suggested that staff give the Board a report at the mid-year Budget Committee update meeting, and include some scenarios of what-ifs.

Mr. Linahan said there was no urgency at this time to make a decision on reserve levels. The Water Utility currently has \$2.7 million available, which is considerably more than the \$400,000 reserve level. He suggested the Board look at the reserves again in August when they hold their mid-year Budget Committee update meeting. They will have better information by that date and staff will prepare some scenarios and an updated cash-flow model.

Vice Chair Lauritsen asked that staff give the Board a report in July on the reserves as of that date and whether they anticipate that the Board will need to make a decision at the August meeting.

Board consensus was to not take any action at this time and look at the Water Utility's working capital reserves again at the August 2008 Budget Committee update meeting.

#### Presentation on Utility Rate Comparisons

Mr. Linahan introduced Jeff Nelson to review the 2007 Rate Comparison Binder.

Ken Boyst thanked staff for the Rate Comparison Binder that was sent out to the Board. The information in the binder is very informative, he said, and he hoped that SUB's rate information

can be made available to assist with bringing new business to Springfield.

Mr. Nelson began by first acknowledging Marc lePine for his great work in putting together the Rate Comparison Binder again this year.

Jeff Nelson referred to his overhead presentation (Exhibit D). He noted that the graphs in this presentation were similar to last year's. The National Average rate for residential electric rates is 11.05 cents per kilowatt hour and the Oregon average rate is 8.68 cents per kilowatt hour, he said. SUB's average rate is 5.14 cents per kilowatt hour, which is 41 percent below Oregon's average and 54 percent below the National Average.

Mr. Nelson then referred to his graph comparing the residential electric rate, as of December 2007, for an average customer bill of 1,500 kilowatt hours per month among 25 other Oregon utilities. He noted that SUB's rates were the lowest at \$78.45 compared to EPUD's at \$109.80, Lane Electric Coop's at \$119.40, EWEB's at \$120.46, and Blachly-Lane Coop's at \$141.33.

Under SUB's Productivity Incentive Program, our employees' incentives are tied to the Electric and Water Incentives, Mr. Nelson explained.

In order for SUB employees to achieve the Electric Incentive, SUB's electricity rates must be at least 23.5 percent below the comparable electric utilities, he said. Referring to his graph for the Electric Incentive, he pointed out that in December 2007 SUB's electric rates were 28.75 percentage below the average of the utilities used in the comparison, so we met that incentive for 2007.

Mr. Nelson reviewed the point-in-time water rate comparison graph for 20 units of water billed during the month of December 2007. SUB's water rates were the second lowest, with Medford still having the lowest water rates.

To achieve the Water Incentive, employees needed to meet three criteria relating to (1) the water rates comparison to other

utilities, (2) the equity to rate ratio, and (3) the percentage of water losses, he explained. Employees needed a minimum of 20 points to achieve the incentive and they earned 58 points, he said. So we achieved the water incentive for 2007.

As a result of these accomplishments, SUB's employees earned their Electric and Water Productivity Incentives for 2007, Mr. Nelson concluded.

Authorization for General  
Manager to Sign BPA  
Interim Agreement, Subject  
to Resolution of Residential  
Exchange Program Benefits

Mr. Linahan reported that on May 3, 2007, the U.S. Ninth Circuit Court of Appeals held that the settlements relating to the Residential Exchange were invalid and the cost of the settlement should not be borne by the preference customers, i.e., the public utilities. So in May, Bonneville stopped paying the IOUs \$28 million each month and at the same time they continued to collect money from their preference customers, which they had to do because of how they filed their rate case. Bonneville is conducting the necessary processes at this time to address the residential exchange benefits paid since fiscal year 2002 and is also looking at the methodology and benefits for fiscal year 2009 and beyond. The Bonneville processes should be completed by October 1, 2008. Bonneville would like to give the preference customers an interim payment with a stipulation that the public utilities will abstain from litigation activities until after the formal rate processes have concluded. All that SUB would be obligated to do would be to not go out tomorrow and start a lawsuit.

If the Utility does not want to agree to this stipulation, then it will receive a payment at the time of the true-up payment, which would be around October 1<sup>st</sup>, Mr. Linahan said. Bonneville wants to give SUB a check for about \$2.8 million probably sometime during the first part of February 2008. That would be considered an interim amount, he explained. Then in October they will have a true-up and SUB might receive more money, and then Bonneville will be looking at changing their rates for the next operating year, which they call 2009 that starts

October 1 of 2008. This appears to be a good agreement, he said. If we sign BPA's Interim Agreement, we can put the money in the bank and start accumulating interest. Staff is requesting that the Board give the General Manager approval to sign the contract with Bonneville when they get it finished.

After a discussion, the Board made the following motion:

- \* Virginia Lauritsen motioned, and Ted Johnson seconded, to authorize the General Manager to sign the Interim Agreement with BPA to allow for payment back to SUB of approximately \$2.8 million, subject to the resolution of the Residential Exchange Program benefits. This motion **CARRIED** unanimously.

Board's Position on  
Climate Change

Mr. Linahan said that he has been invited by the University of Oregon to participate in a talk about Global Warming. They are communicating with members of the local community to see what they are currently doing and what their future plans are to mitigate global warming. They are inviting members of the community to join in a talk about what they can do, as a community, and so they are asking for general managers and one or two of their board members to join them for this discussion.

He asked if the Board felt that SUB needed to participate in this event and would any members of the Board like to attend this event and what guidance would the Board give to staff on discussing SUB's view of Global Warming.

The Board's consensus was that neither Board members, nor the General Manager, needed to attend this event.

Award of Purchase under  
State Purchase Contract  
No. 7585 for Two Vehicles

Mr. Linahan said the Management Information Services Division recently secured pricing under Oregon State Contract No. 7585 for two 2008 Ford Escape sport utility vehicles for the meter reading fleet. The two vehicles would be purchased from

Northside Trucks and Equipment, the State of Oregon awarded vendor. The cost for each vehicle is \$18,892. These two vehicles will replace the current two Ford Aspires, he said. The Aspires are ten years old and replacement parts are no longer available. Staff recommends the Board award purchase of the two Ford Escapes from Northside Trucks and Equipment under State Purchase Contract No. 7585 for a total cost of \$37,784.

- \* Ken Boyst motioned, and Joe Mathieu seconded, to award the purchase of two 2008 Ford Escape sport utility vehicles for the meter reading fleet under State of Oregon Purchase Contract No. 7585 to Northside Trucks and Equipment for a total cost of \$37,784 (Exhibit E). This motion **CARRIED** unanimously.

Award of Purchase of Mobile Lifts under WSCA Purchase Contract No. 06405

Mr. Linahan said that SUB, as a member of the Oregon Cooperative Procurement Program (ORCPP), can use competitive quotes performed and awarded through the State of Oregon to make purchases, including those available through the Western States Contracting Alliance (WSCA). At this time, the Electric Division would like to purchase six mobile lifts under WSCA Contract No. 06405. These lifts meet SUB's specifications and are the least cost available through the ORCPP. Staff recommends the Board award this purchase of six Steril-Koni mobile lifts from Liftlogic, Incorporated, under WSCA Contract No. 06405 for a total cost of \$50,446.50.

- \* Joe Mathieu motioned, and Ted Johnson seconded, to award the purchase of six Steril-Koni mobile lifts for use in the Electric Division, under WSCA Contract No. 06405, to Liftlogic, Incorporated, for a total cost of \$50,446.50 (Exhibit F). This motion **CARRIED** unanimously.

Award of Bid No. 2-07925 for Water Pipe

Mr. Linahan said the Water Division recently solicited bids for water pipe to be installed as part of the 69<sup>th</sup> Street Waterline Reconstruction Project. Three bids were received. Staff recommends the bid be awarded to H. D. Fowler for the lowest bid meeting specification in the amount of \$45,639.72.

- \* Virginia Lauritsen motioned, and Ken Boyst seconded, to award Bid No. 2-07925 for the purchase of water pipe to be installed as part of the 69<sup>th</sup> Street Waterline Reconstruction Project to H. D. Fowler for the lowest bid meeting specification in the amount of \$45,639.72 (Exhibit G). This motion **CARRIED** unanimously.

Award of Bid No. 2-07925TD  
for Trucks and Drivers

Mr. Linahan said the Water Division recently solicited bids for the rental of five trucks and drivers for approximately 800 hours at the 69<sup>th</sup> Street Waterline Reconstruction Project. Four bids were received. Staff recommends the bid be awarded to Migson Contracting, LLC, for the lowest bid meeting specification in the amount of \$51,160.

- \* Ted Johnson motioned, and Joe Mathieu seconded, to award Bid No. 2-07925TD for the rental of five trucks and drivers for approximately 800 hours as part of the 69<sup>th</sup> Street Waterline Reconstruction Project to Migson Contracting, LLC, for the lowest bid meeting specification in the amount of \$51,160 (Exhibit H). This motion **CARRIED** unanimously.

Award of Bid No. 2-07957 for  
Water Construction Fittings

Mr. Linahan said the Water Division recently solicited bids for water construction fittings to be installed as part of the 4<sup>th</sup> Street Waterline Reconstruction Project. Three bids were received. Staff recommends the bid be awarded to Ferguson Enterprises, Inc., for the lowest bid meeting specification in the amount of \$32,027.14.

- \* Virginia Lauritsen motioned, and Ted Johnson seconded, to award Bid No. 2-07957 for water construction fittings to be installed as part of the 4<sup>th</sup> Street Waterline Reconstruction Project to Ferguson Enterprises, Inc., for the lowest bid meeting specification in the amount of \$32,027.14 (Exhibit I). This motion **CARRIED** unanimously.

Award of Purchase under  
State Purchase Contract  
No. PA 5188 for a Vehicle

Mr. Linahan said the Water Division recently secured pricing under Oregon State Contract No. PA 5188 for a 2008 Ford F-

550 chassis to be purchased from Northside Trucks and Equipment, the awarded State of Oregon vendor. This vehicle replaces vehicle No. 264 and will be used by the Water Utility's production crew. Staff recommends the Board award purchase of the 2008 Ford F-550 chassis from Northside Trucks and Equipment under State Purchase Contract No. PA 5188 for a total cost of \$34,712.74.

- \* Ted Johnson motioned, and Joe Mathieu seconded, to award the purchase of a 2008 Ford F-550 chassis to replace existing Water Division vehicle No. 264, under State of Oregon Purchase Contract No. PA 5188, to Northside Trucks and Equipment for a total cost of \$34,712.74 (Exhibit J). This motion **CARRIED** unanimously.

Award of Purchase under  
State Purchase Contract  
No. 3018 for a Vehicle

Mr. Linahan said the Water Division recently secured pricing under Oregon State Contract No. 3018 for a 2009 Cab Chassis for use by the Water Division's maintenance and repair crew. Staff recommends the Board award the purchase of the 2009 Cab Chassis from Brattain International Trucks, the awarded State of Oregon vendor, under State Purchase Contract No. 3018 for a total cost of \$62,982.

- \* Ken Boyst motioned, and Ted Johnson seconded, to award the purchase of a 2009 Cab Chassis for use by the Water Division's maintenance and repair crew, under State of Oregon Purchase Contract No. 3018, to Brattain International Trucks for a total cost of \$62,982 (Exhibit K). This motion **CARRIED** unanimously.

Presentation at TEAM  
Springfield Joint Elected  
Officials' Meeting

Mr. Linahan said that TEAM Springfield's Annual Joint Elected Officials' Meeting is scheduled for February 2 and is being hosted by Willamalane. The format of this year's meeting includes a time allotment for a representative from each agency to give a presentation on how their agency is doing. He asked if

a Board member would like to give the presentation or if they would like for the General Manager to give the presentation.

Board consensus was that the General Manager would give the presentation on how SUB is doing at the TEAM Springfield Joint Elected Officials' Meeting on February 2.

ADJOURNMENT: The meeting was adjourned by consensus at 8:30 p.m.

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Bobbie Adams, Board Chair

ATTEST:

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Robert C. Linahan, Board Secretary