

SPRINGFIELD UTILITY BOARD

223 A STREET, SUITE F
SPRINGFIELD, OR 97477

MINUTES

April 11, 2018

The regular session of the Springfield Utility Board was called to order by Chair Willis at 6:06 p.m.

ATTENDANCE: Board: David Willis, Chair; John DeWenter, Vice Chair; Pat Riggs-Henson; Mike Eyster; Virginia Lauritsen. Staff: Jeff Nelson; Bob Fondren; Sanjeev King; Greg Miller; Dave Embleton; Gen Parker; Cindy Flaherty; Joe Leahy, Attorney for the Board. Others: Bill Belcher, SUB Budget Committee; Michael Smoot, Moss Adams, LLC; Matt Matthews, SUB Customer.

ACTION ITEMS:

CONSENT AGENDA

MINUTES: March 14 Regular Board Meeting

ACCOUNTS PAID: March 2018

BIDS/PROPOSALS:

- a. Award of Bid No. 2018-03 Well Rehabilitations: The Water Division staff recommended award of agreement to Schneider Water Services, for well rehabilitations for Willamette Well #8 and Weyerhaeuser Well #1, in the amount of \$87,200.00, (Exhibit A).
- b. Approval of Purchase of Fuel Truck Replacement / 5-Year Vehicle Replacement: The Electric Division staff recommended purchase to Eugene Water & Electric Board, for the purchase of their mobile fuel truck, in the amount of \$63,000.00, according to SUB's 5-year vehicle replacement plan, (Exhibit B).
- c. Award of Bid No. 2018-07 Stock Material for the North System Transmission Project: The Water Division recently solicited bids for stock material. Four bids were received. Staff recommended awarding this bid to H. D. Fowler Co. in the amount of \$72,471.16, and to Consolidated Supply in the amount of \$10,559.47, for a grand total of \$83,030.63. By splitting up the bid it saves SUB \$1,311.06, (Exhibit C).

- * Pat Riggs-Henson motioned, and Mike Eyster seconded, to approve the consent agenda, as presented. This motion **CARRIED** unanimously.

BUSINESS FROM THE AUDIENCE:

Matt Matthews, 347 64th Street, Springfield, spoke in support of Accessory Dwelling Units (ADUs) in Springfield, however he

advocated for the option for ADUs to be able to access utility service via the primary dwelling unit without separate water and electric service metering. He claimed that this approach would still ensure safe, reliable, and cost effective service. He emphasized that it would be an important aspect to the City's intent to simplify the requirements and encourage ADU development.

**BUSINESS FROM
THE BOARD:**

**Additional Item –
Board Policy Related to
Board's Self Evaluation**

Jeff Nelson noted that the Board may use this time to discuss the Board's process for its upcoming self-evaluation of its performance for 2017.

Vice Chair DeWenter noted that the Board policy related to its own performance evaluation was adopted at the January Board meeting. He explained that the policy states that during the second quarter of each calendar year, the Board shall evaluate its own job performance for the preceding year and is to be completed by June 30, each year.

He explained that the Board should send the completed self-evaluation form to SUB Executive Assistant Cindy Flaherty by Friday, April 27, 2018, in order to compile all the Board's comments into one document for review in May.

After discussion related to confidentiality of the Board's performance evaluation, Joe Leahy offered to investigate options for the Board and get back to them with his findings.

**Proposed Electric Rate
Increase, Effective
May 1, 2018**

Referring to his overheads (Exhibit D), Jeff Nelson noted this presentation will be similar to the one given in March for the first public hearing. There were two public hearings: the first was held on March 14; and the second, tonight, April 11. The Board provided direction, based on guidance from the Budget Committee, to recommend smaller rate increases in the future. The 2018 Budget assumed a 2 percent increase in electric rates effective May 1, 2018. Bonneville's transmission and power

rates are increasing and SUB's 10-Year Plan contains increased capital costs due to investments in infrastructure. The rate proposed is consistent with the Budget Committee recommendations. Based on those recommendations, SUB plans to have smaller rate increases every year as opposed to larger rate increases every other year, unless SUB's Budget Committee and Board give staff different direction.

To achieve rate revenue of 2 percent, explained Mr. Nelson, SUB is proposing a 2 percent increase in overall charges across the board for all customer classes. He then referred to his overhead showing rate changes by year, by customer class.

Regarding the residential rate, as an example, the base charge is proposed to increase from \$12.60 to \$12.90, with no change to the seasonality or tiers for that rate class, but we are proposing to make increases in the energy charges. As an example, what the base charges are with the \$12.90 proposed, we are still below some of the sample local utilities base charges. This 30-cent increase to the base charge is expected to reflect about half of the increase in revenue associated with a 2 percent rate increase for that class. Increases in usage charges are expected to reflect 50 percent from the residential class.

Mr. Nelson said that with the increase we are still below our neighboring utilities and we remain very competitive, based on average residential rates profile of the region.

He reviewed the increase in base charges and usage charges for the General Service 1 (GS-1) for Non-residential customers for usage less than 35 kilowatts of demand; General Service 2 (GS-2) for Industrial/Commercial customers for usage over 35 kilowatts and under \$3,000 kilowatts; and the largest group, General Service 3 (GS-3) for Industrial/Commercial customers for usage equal to or more than 3,000 kilowatts.

Energy charge for all lighting customers is proposed to increase by 2 percent. Combined, the infrastructure charge and the increase in energy charge results in an overall increase of 2 percent.

In conclusion, Mr. Nelson said, the new rates are to be on customer bills rendered on or after May 1, 2018. He explained that the Board had previously implemented a practice, through adoption of policy, and that this is again proposed in this resolution; where the rates in the first billing cycle after May 1, 2018, would be pro-rated. This remains consistent with Board direction.

Second Public Hearing
to Gather Comment
on a Proposed Electric
Rate Increase

Chair Willis opened the public hearing at 6:23 p.m. for public comment.

As there were no public comments, Chair Willis closed the public hearing at 6:24 p.m.

Consideration of Resolution
2018-2 Approving Electric
Rate Increase

Chair Willis asked the Board if they would like to now consider Resolution 2018-2.

- * John DeWenter motioned, and Pat Riggs-Henson seconded, that the Board adopt Resolution 2018-2, approving electric rate increase, as presented. (Exhibit E). This motion **CARRIED** unanimously.

BUSINESS FROM THE
GENERAL MANAGER:

Presentation on SUB's
2017 Annual Audit

Jeff Nelson shared a brief introduction of Michael Smoot with Moss Adams. Mr. Smoot will be giving an update on the findings of their audit for the prior calendar year. He explained that Moss Adams has a defined scope of work when performing the audit. He added that SUB Finance Director Bob Fondren will be providing a presentation to the Board at the May Board meeting that looks at SUB's financial parameters and compares those to other utilities. Mr. Nelson asked Mr. Fondren to update the Board on what the process is, from SUB's accounting perspective, and how the audit flows from working with Moss Adams, and if he'd like to recognize the folks that make all that happen. Mr. Fondren shared that every employee at SUB

participates in the process, somewhat. The Executive Management Team (EMT) is supportive with the acknowledgement that the accounting process and accounting controls are important. The bottom line is, they cost money and they take effort; and the EMT has embraced that and that's what makes it all happen. Mr. Fondren also wanted to recognize SUB Accounting Manager Gen Parker, and thanked her for an amazing job, along with all of her staff.

Michael Smoot then began his presentation by referring to his overheads (Exhibit F) and the audit report distributed to the Board at tonight's meeting (Exhibit G). They pulled out five consistent questions that they get from Boards and will review those with the Board tonight.

Question 1 – What does an audit of the Board entail?

He explained that when they plan their audit, they start with evaluating the effectiveness of internal controls by review of key control structure in all significant account cycles, test for operational effectiveness, and look at significant business risk areas or weaknesses. The audit includes looking at source documentation, confirming balances with third parties such as a bank. Fortunately SUB has no debt so they don't have to confirm with debt holders, as that's a common process in a municipal environment where they usually see lots of debt.

Also, with the way the industry works, they are able to do a lot of analytical review and inquiry procedures, and so they form their own independent expectations over what they would expect SUB's balances to be and then check that against what it actually is. Any anomalies are discussed with management. Then they take that explanation and ultimately test against it, as they need to trace it to some form of documentation/transaction that they can audit. The last piece that they look at is compliance with Federal and State laws.

After the audit process, explained Mr. Smoot, what they end up with is the financial statements. This is when they do a thorough technical review to make sure financial statements meet all applicable governmental accounting standards, and all reporting requirements; to ensure that the financial statements are clear, accurate, and materially stated. The last step of the audit process is to meet with the Board to present the final audit.

They also touch base with management during the process to make sure everyone is updated throughout the audit process.

Question 2 – Are the financial statements accurate?

Mr. Smoot assured the Board that they are. They perform a full risk assessment and various testing procedures. Ultimately, the result they end up with in SUB's financial statements is an unmodified (clean) opinion. Unmodified opinion means there is no modifications to the numbers. He then referred to his other handout, Communication with Those Charged with Governance (Exhibit H), which goes over the required communication auditors are to have with those charged with governance. There were no disagreements, and the audit was performed within the scope of what was planned.

Question 3 – Did the Board comply with applicable State laws and regulations?

Moss Adams is required in the state of Oregon to follow Minimum Standards for audits of Oregon municipal corporations. Risk assessments are performed by Moss Adams to identify significant compliance risk areas, and they perform compliance testing over several areas including local budget law and public contracting. This year, said Mr. Smoot, no issues or instances of noncompliance were noted in SUB's audit for 2017.

Question #4 – Did the audit identify any fraud, waste, or abuse?

Mr. Smoot reviewed Moss Adams' audit procedures with the Board. He said when the auditors arrive on-site, they give SUB management a robust request list of surprise procedures and also interview individuals throughout SUB. Best practice recommendations are made to management, as -and if- they arise. This year, they looked over refunds and adjustments to customer accounts and they were very happy with the findings, as there were no issues. Overall, management is able to design and implement controls that are appropriate and help protect the Board's resources. Controls were found to be effective with no exceptions; no instances of fraud, waste, or abuse were identified throughout the audit; and there were no issues identified with the surprise procedures. There also were no internal control recommendations to report.

Question \$5 – What the audit does not directly answer – the Board's financial condition.

They do not report on the financial condition of the Board, Mr. Smoot noted, they strictly report on what happened within the financial statement. He added that they see no significant risks that have not been identified by the Board and management.

Mr. Smoot thanked the accounting staff and said that management is very supportive of the audit and thanked everyone for the excellent facilitation of the audit process.

After brief discussion, the Board thanked Mr. Smoot for his presentation.

Future Board Topics

Mr. Nelson shared that the City's Emergency Manager Ken Vogeney will be presenting at the June Board meeting on the City's Emergency Response Plan and how that integrates with SUB.

Accessory Dwelling Units

General Manager Nelson asked the Board if they would like to take this time for further discussion on Accessory Dwelling Units.

After brief discussion, the Board consensus was to have the general manager address the ADU meter issue addressed by Matt Matthews during tonight's meeting, and later update the Board.

Update on Springfield Telecommunications Enhancement Project

Mr. Nelson shared that he's been having conversations with the City, internet providers, and that he may have an update at the next Board meeting on a potential project. Conceptually, it may involve using some of SUB's existing, unutilized conduit. It may mean having additional conduits that would connect any gaps in currently installed conduit, and allow some sort of localized area to have some ability to have additional opportunity for telecommunication service. SUB is not providing the end use service, we would just be allowing and using SUB's infrastructure to enhance competition.

Team Springfield Update:

Jeff Nelson noted there is a Team Springfield meeting for Chief Administrative Officials and Chief Elected Officials on April 18.

Additional Items

- The Volunteer of the Year event, Mr. Nelson said, will be held on April 19, 11:30 a.m. – 1:30 p.m. SUB's sponsorship level allows four tickets for this event. If any Board member is interested in attending, let Cindy Flaherty know, as soon as possible.
- Jeff Nelson shared that the Board is planning a tour of Seneca's Cogeneration Power Plant.
- Based on the Glenwood discussion during the Special Session earlier tonight, Mr. Nelson said that the Board gave direction for the general manager to share Glenwood updates with them, as needed.
- Team Springfield recently put a calendar of events in the Eugene Weekly, Mr. Nelson noted, detailing summer events happening in Springfield.
- Chair Willis shared that the Board needs to reschedule the upcoming Board tour of the Seneca Cogeneration Power Plant.

After brief discussion, the Board consensus was to reschedule this tour for Friday, June 1, at 9:30 a.m.

- Virginia Lauritsen suggested a tour of the Paisley Geothermal Project. She will find out further details and update the Board with more information at a later date.

ADJOURNMENT:

The meeting was adjourned by consensus at 6:57 p.m.

David Willis, Board Chair

ATTEST:

Jeff Nelson, Board Secretary