

SPRINGFIELD UTILITY BOARD
223 A STREET, SUITE F, SPRINGFIELD, OR 97477
MINUTES
August 8, 2018

The regular session of the Springfield Utility Board was called to order by Chair Willis at 6:08 p.m.

ATTENDANCE: Board of Directors: David Willis, Chair; John DeWenter, Vice Chair; Pat Riggs-Henson; Virginia Lauritsen; Mike Eyster. Staff: Jeff Nelson; Sanjeev King; Greg Miller; Tracy Richardson; Jerri Bour; Cindy Flaherty; Joe Leahy, Matt Dahlstrom, Attorneys for the Board. Others: Bill Belcher, SUB Budget Committee Chair; Vonnie Mikkelsen, Springfield Chamber of Commerce; Courtney Griesel, City of Springfield; Matt Sayre, Technology Association of Oregon; Larry and Caroline Ruhe.

ACTION ITEMS:

CONSENT AGENDA

A. MINUTES: July 11 Regular Board Meeting

B. ACCOUNTS PAID: July 2018

C. BIDS/PROPOSALS:

- C.1. Award of Bid #2018-09 Cedar Creek Mitigation Temporary Intake & Waterline: The Water Division staff recommended award of Bid 2018-09 to Pacific Automation for the amount of \$309,525.00, for lowest bid meeting specifications (Exhibit A).
- C.2. Approval of Statements of Qualification for River Heights RR Bore: The Water Division staff recommended approval of contract to Murraysmith for design, permitting, and bidding of the River Heights RR Bore at 37th Place & Marcola Road in the amount of \$52,182.00 (Exhibit B).
- C.3. Award of Bid #19.18 for purchase of a Digger Derrick: The Electric Division staff recommended award of Bid 19.18 to Altec Industries for the amount of \$331,960.70, for lowest bid meeting specifications (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: None.

BUSINESS FROM THE BOARD:

Update on New Board Member Orientation Board Orientation Committee members Mike Eyster and Pat Riggs-Henson met with SUB Human Resource Manager Janis Brew to discuss a potential new orientation process for any new

SUB Board member. Mr. Eyster said he and Ms. Riggs-Henson will continue to work together with Ms. Brew on a comprehensive orientation process so that new board members will be properly oriented.

Mr. Eyster explained that the current process is done well, especially in regards to orientation from legal counsel on ethics and public meetings. However, he feels there is opportunity for more ways to connect to the larger organization by providing new board members with a more comprehensive financial emphasis of the organization.

BPA/Columbia River Treaty Update

Board Positions Committee members John DeWenter and Virginia Lauritsen provided an update related to Bonneville Power Association (BPA) and the Columbia River Treaty. Mr. DeWenter said he and Ms. Lauritsen met with the Northwest Power and Conservation Council's (NWPPCC) general council in Portland last June.

Mr. DeWenter added that they've realized this is a huge task and suggests the best way is to work through the organizations to which we belong, such as Oregon Municipal Electric Utilities (OMEU), and particularly with the Public Power Council (PPC) on issues related to the Columbia River Treaty, as well as work with the American Public Power Association (APPA) as related to the Columbia River Treaty and the environmental cost issues to begin pushing those organizations to address these issues.

Specifically, this committee will be recommending that SUB's Board urge these organizations to identify the various parties who are benefitting from the Columbia River Treaty, and identify the proportional benefit they're receiving and then determine if there's a way to spread the cost more fairly. In addition, to encourage some type of requirement that the allocation be reviewed within a certain number of years, say every 10 years, and adjusted accordingly.

BUSINESS FROM THE GENERAL MANAGER:

Refinement of Business Practice
Associated from Tapping
Existing Water Service on
the same Tax Lot

Jeff Nelson shared that this topic is related to Accessory Dwelling Units (ADUs) and referred to his memo to the board (Exhibit D). He explained that because of the issue that was presented at last month's board meeting related to some

customers being on the other side of the street from the water main, discussion developed regarding an option to refine management practice associated with the potential ability to tap a water line that is serving an existing service.

Greg Miller explained that engineering staff recently looked at options of what SUB could do, in terms of tapping in to an existing water line across the street from the water main of a potential ADU project. Initially it was thought that it would require saw cutting and trenching across the street and then street restoration. However, after further discussion with staff and engineering, they came up with some options that could be done to tap the existing service line on the property side of the street and tee off of the existing water line to provide a second metered connection to that tax lot for an ADU service request.

Mr. Miller then referred to his overheads (Exhibit E) and reviewed those options. In the scenario of where a request is received for water service on the same side of the street as the water main for an ADU (what is called a “short service”) then SUB would follow normal protocol and install a separate tap for an additional water meter on the existing water main, as there would be no need to cross the street.

In the scenario of construction of a new primary residence with a secondary ADU, SUB will follow normal protocol and install two separate water meters off the water main, at time of construction.

Mr. Miller added that in a typical installation for additional water service, it would be almost \$2,600 for a normal second service request. If the request was for service that required installation across the street and entailed cutting, trenching, and street restoration, the cost would be closer to \$7,000 - \$10, 000 for that type of second service.

Interpretation of Board
Policy Related to
System Development
Charges for ADUs

Bart McKee referred to his memo to the board (Exhibit F) and shared that under current SUB Board policy when SUB installs water service, there are five charges. One is an existing water line charge and SUB doesn't charge for that on ADUs. The other four charges are: connection charge, installation of meter charge, storage improvement charge, and transmission charge. In reviewing Board policy and the actual impact to the system, the conclusion reached was that the connection charge for source and the installation of the service are directly impacted

by the addition of an ADU. One is a physical construction charge and the connection charge is when SUB adds a dwelling unit, it adds demand on SUB's source facilities in that we have to produce some additional water for that additional service. Essentially, these two charges are applicable to an ADU.

The primary purpose for storage charge, and transmission to fill storage charge, is fire protection. The bulk of a reservoir is taken up for fire protection and emergency service. The addition of an ADU on the tax lot potentially places little additional demand on the transmission system over and above the requirements for transmission for the primary dwelling on the tax lot. The premise is that storage and transmission are paid for by the primary dwelling unit, and in the case of the addition of an ADU, it doesn't warrant additional storage and transmission charges. Basically the only costs for ADUs are in providing water and the cost of installing service. The current cost for the connection charge and the meter charge for an ADU would be \$1,962. This would be a reduction of \$625 in the base level service area and \$1,997 in the 2nd and 3rd service levels with little or no impact to the level of service in the water system.

Jeff Nelson noted that the Board direction he received at the last Board meeting was to look at policies and practices surrounding System Development Charges (SDCs) and Development/Redevelopment Charges (DRCs). Staff is not recommending to change SUB Board policy. However, after thorough review of Board policy, staff came back with an interpretation of existing Board policy and how SDCs should be appropriately applied to ADUs. This results in lower SDCs for ADUs, relative to the primary dwelling on a tax lot.

After brief discussion, the Board complimented SUB staff for doing such a good job on this.

Mr. Nelson said that as the Board has no further questions or concerns on this interpretation, SUB will move forward to implement this interpretation of existing Board policy.

Discussion on Potential
Waiver of System
Development Charges
for ADUs

Jeff Nelson explained that, going forward, SUB's SDC/DRC fees would be approximately \$2,000 for fees related to an additional ADU. He then asked the Board for direction; does the Board want to consider waiving these ADU fees?

After discussion, consensus of the Board was to not waive fees related to ADUs. However, the Board remains open to individual cases and formal requests for waiver.

Audience Comment

Larry Ruhe, 739 South 70th Street, Springfield, commented regarding the use of master meters to tap off for water service for both a primary dwelling and a secondary ADU. He wondered if SUB had looked into these to replace the existing water meter so that SUB wouldn't have to install an additional water meter, but that the master meter would be able to serve both dwellings with separate metering for each dwelling.

Greg Miller responded by explaining that master meters are approved for installation; however in most situations, these are used for apartments or commercial installations.

Presentation on
Ambleside
Connected Cluster

Jeff Nelson said that Board Chair David Willis would recuse himself from tonight's Ambleside Connected Cluster discussion, as he resides within the Ambleside residential area.

SUB's Utility Planner Tracy Richardson began her presentation by referring to her overheads (Exhibit G) and said that last month at the July 11 board meeting, the Board approved the Exception Process for the procurement of Connected Cluster Agreements, outside the Request for Proposal (RFP) process. She explained that the RFP process is still available if, at a future date, SUB identifies neighborhoods (clusters) where it prefers to use the RFP process.

On July 13, SUB received its first public procurement for connected cluster application to serve Ambleside, and was posted on SUB's website that same day, which triggered SUB's 30-day wait process. As of today, no other applications for Ambleside have been received. SUB allows for other applications for the same or similar cluster to be considered within 30-days of receipt of an application. The 30-days will end on August 12, 2018.

Ms. Richardson said that SUB received an application from XSMedia, and noted that they have experience with last mile deployment, and SUB staff continues to have productive conversations with them related to fiber to the premises (home or business). The area served is bordered by Ambleside Drive North to Watermark Drive and 33rd Street East to 37th Street, and will include 161 connections.

She then explained that the proposed rate of return would be at ten years, and at the end of the ten years, SUB may change the price to use its infrastructure. The proposed payback reflects a 17-year breakeven analysis, which includes an assumption that SUB could earn 3% interest (if funds were left in reserves).

In addition to the connected cluster agreement, there will be draft exhibits, and as an example, Exhibit A is for a description of the area and design detail on a map; Exhibit B is for itemized construction costs; Board authorization is based on estimated cost; SUB's final cost is based on actual cost of installation (not to exceed GM authorization in accordance with Board policy). Exhibit C is related to the payment and minimum take rate. The quarterly payments will be from XSMedia to SUB, and in the case with Ambleside, if the new construction cost is \$300,000, the quarterly payment would be \$5,350 quarterly or \$21,400 per year. The minimum take rate for years 1-3 would be 0%, and for years 4-10 would be 10-20% take rate (at least 10-20% of connected homes must be served by the provider in this period – otherwise the connected cluster may be served by another internet service provider).

Connected Cluster
Application – Request
Conditional Board
Authorization for SUB's
General Manager to
Execute Connected
Cluster Exhibits

Ms. Richardson noted that it is requested that the Board authorize the general manager to execute exhibits for the Ambleside connected cluster with XSMedia (Exhibit H) in an amount for new passive network construction cost not to exceed \$285,000, after August 12; providing no other applications are received by 5 p.m. on August 12.

Vice Chair DeWenter suggested a revision to the application and agreement template, as referred to in Jeff Nelson's August 13 memo to the board (Exhibit I). He noted on page 12, section 12.13.6, it is referencing paragraphs that are not there. Joe Leahy made note to review and revise as needed.

- * Mike Eyster motioned, and Pat Riggs-Henson seconded, to approve conditional Board authorization for SUB's general manager, Jeff Nelson, to execute exhibits for the Ambleside connected cluster with XSMedia, as presented. Prior to execution, exhibits and the connected cluster agreement may change but are subject to review by legal counsel. This motion **CARRIED** unanimously.

Additional Item

Jeff Nelson noted that he and Mike Eyster recently met with Courtney Griesel - Economic Development Manager with the City of Springfield, Vonnie Mikkelsen - President and CEO with the Springfield Chamber of Commerce, and Matt Sayre - Vice President for Technology Association of Oregon. Mr. Nelson invited them to be here tonight to share their perspective of where they see things, in terms of the progress made today, and the momentum for the future.

Mr. Eyster added that it's been apparent for some years now that there's advantage to our community to provide high speed, low cost fiber, both to attract business, as well as residents. He was encouraged that all agencies seemed to be on the same page, in that this is a good goal for the community; and all agencies were in agreeance that SUB was taking a unique approach with implementing connected clusters. Mr. Eyster added that the objective is to maximize the use of public infrastructure to promote competition in the private sector to result in enhanced services of high speed fiber at a lower cost in our community.

Courtney Griesel expressed that she is honored to work in a community that's served by SUB, especially after this sanction. There are not a lot of communities that have tried this idea or been bold in executing it. We're talking about high quality service that's affordable for all families in the community, even for those that aren't able to afford a slow internet service. It's important for children to be able to complete their homework in their own home and not wait for a library to open for access to the internet. She expressed her gratitude in being able to work in a community where there is the benefit of a partner like SUB who sees the importance of this and continues to move forward with it. She also shared that, as related to economic development, this means a lot for our employers too. She feels there is going to be a lot of impressive next steps in how this begins to look and how we serve businesses in the community, as well as businesses yet to come.

Matt Sayre stated that this is an exciting time. He grew up in Springfield, moved away after he graduated from Thurston High School, then found himself drawn back to Springfield; and its moments like these that he's reminded just how great this community is. He's excited, as a resident, when local government is doing progressive things like this.

Springfield deserves only the best for its community, said Vonnie Mikkelsen, and she's seen how hard SUB has worked to

make this happen. She emphasized this is a milestone for the community. The other key thing she recognized is that larger employers who have a larger amount of resources, high speed fiber connections may not be too far out; but for the small to medium size businesses, this is going to make a big difference for them. She looks forward to the partnership with her colleagues, particularly SUB, in educating the small to medium sized businesses about this opportunity, and thanked the Board and SUB's staff for their diligence.

After brief discussion, the Board expressed their appreciation for Mr. Nelson's involvement in order to bring this about and thanked everyone for their comments.

Additional Item

General Manager Nelson wanted to take this time to discuss SDC funds for upper level service, earmarked for expenses associated with the recent construction SUB has done for upper level facilities. Mr. Nelson asked SUB's Senior Civil Engineer Bart McKee to address this issue with the Board.

Mr. McKee said that every service connected in the upper levels pays a pumping charge and storage charge for construction of reservoirs and pump stations to get the water up to those upper levels. These funds are set aside in an upper level fund. He explained that the last time SUB took action to utilize those funds was in 2006. Adjustments were made to the upper level SDCs for storage and pumping and zeroed those funds out; applied them primarily to the construction of the South Hills reservoir. At that time, there was an outstanding balance for the South Hills reservoir for \$314,000, which is still sitting out there on paper, but as of the end of last month, there is \$700,000 in that upper level fund.

In order to clear the books before we go into any future construction, we need to transfer money to, essentially, pay off the customer's interest in the remaining \$314,000 for the South Hills reservoir. Then, apply the balance to SUB's investment in the new South 57th Street 3rd level pump station, then we'll start accruing funds as more development occurs. He noted that there's quite a number of homes being constructed in the MountainGate subdivision, and they will be paying into that fund, and the balance will start accruing again – to be applied in the future.

Future Agenda Items

Mr. Nelson said when he met with SUB's Board Chair and Vice Chair, the Board expressed that they would like to reengage regarding Rainbow Water District (RWD) and the strategy around water service and planning. He noted there will be a

discussion in September, which would most likely need to be during an executive session.

He noted that we have yet to be able to schedule Linda Cook with the County to address the County's perspective on emergency response, but this is still on our radar for a future board meeting.

TEAM Springfield Update

Jeff Nelson shared that one of the key presentation items for the October 8 Joint Elected Officials Update Meeting is emergency response. Ken Vogeney with the City will be presenting.

Mr. Nelson then asked the Board if there were any other agenda items they'd like to address. Vice Chair DeWenter suggested to list Board Committee updates on future agendas. Joe Leahy asked for time on the September agenda for an ethics review related to conflicts, tort claims, and defamation.

ADJOURNMENT:

The meeting was adjourned by consensus at 7:08 p.m.

David Willis, Board Chair

ATTEST:

Jeff Nelson, Board Secretary