

SPRINGFIELD UTILITY BOARD
223 A STREET, SUITE F, SPRINGFIELD, OR 97477
MINUTES
January 9, 2019

The regular session of the Springfield Utility Board was called to order by Chair Willis at 5:55 p.m.

ATTENDANCE: Board of Directors: David Willis, Chair; John DeWenter, Vice Chair; Virginia Lauritsen; Mike Eyster; Pat Riggs-Henson. Staff: Jeff Nelson; Bob Fondren; Sanjeev King; Nick Amann; Greg Miller; Tracy Richardson; Cindy Flaherty; Joe Leahy and Matt Dahlstrom, Attorneys for the Board. Others: Bill Belcher, Former SUB Budget Committee member; Jeff Griffin, WHA Insurance.

CONSENT AGENDA:

1. MINUTES: November 14 Regular Board Meeting
2. ACCOUNTS PAID: December 2018
3. AWARD of BID:

3.a. Bid No. 2019-01, Statements of Qualification Architect/Engineer. The Water Division has a number of projects planned in 2019 that require Engineering, Surveying, Architectural, and other related services. To facilitate the design and construction of these projects, SUB Water Division used a "Statements of Qualification" (SOQ) process of Architectural/Engineering related services to select a number of consultants for specific services through the term of the contract. Water Division staff recommended the Board award this bid for a total amount of \$629,000, for SOQ capital projects in 2019 for the Water Division. (Exhibit A).

- * 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:

Swearing in of Re-elected
Board Members

Matt Dahlstrom, attorney for the Board, administered the Oath of Office to John DeWenter, re-elected to Board Position No. 3; Virginia Lauritsen, re-elected to Board Position No. 2; and Mike Eyster, re-elected to Board Position No. 4; Each Board member then signed an Oath of Office (Exhibit B). Board members' terms are four years, and all have the same term, running from January 1, 2019, through December 31, 2022.

Election of Board Officers
and Appointments

Chair Willis opened the election for the 2019 officers and appointments and asked for nominations for the position of Board Chair.

- * Virginia Lauritsen nominated John DeWenter as Board Chair for 2019, and Mike Eyster seconded the nomination.

As there were no other nominations, Chair Willis called for a vote. John DeWenter was unanimously elected to serve as Board Chair for 2019.

Chair Willis asked for nominations for Board Vice-Chair.

- * Virginia Lauritsen nominated Mike Eyster as Board Vice-Chair for 2019, and Pat Riggs-Henson seconded the nomination.

As there were no other nominations, Chair Willis called for a vote. Mike Eyster was unanimously elected to serve as Board Vice-Chair for 2019.

Chair Willis then turned the meeting over to John DeWenter, who then asked for one motion that would cover the election of officers.

- * Virginia Lauritsen motioned, and Mike Eyster seconded, that the Board make the following appointments:
 - Mike Eyster to serve as Liaison to the Springfield City Council.
 - David Willis to serve as SUB's Voting Delegate at the APPA Legislative & Resolutions Committee meetings for 2019.
 - Jeff Nelson, Virginia Lauritsen, Shawn Madison, Robin Musgrove, Amy Schaaf, Janis Brew, and Bob Fondren (Plan Administrator), to SUB's 2019 Retirement Plan Review Committee.
 - Jeff Nelson to serve as Secretary-Treasurer for 2019.

This motion for appointments **CARRIED** unanimously.

Authorization of Retainer
Agreement and Appointment
of Leahy Cox, LLP as Legal
Counsel to the Board:

Jeff Nelson shared that the Board has reviewed the proposed Retainer Agreement with Leahy Cox, LLP. He noted that they have been SUB's representation for many years, and with Mr. Nelson's more direct experience, based on his current role as general manager, he has always been pleased with their response; and added that their counsel has been consistently excellent. Mr. Nelson said it was with his strong endorsement that he ask for

Board action to appoint Leahy Cox, LLP, as legal counsel and to authorize the proposed Retainer Agreement with Leahy Cox, LLP, as presented.

- * Virginia Lauritsen motioned, and Mike Eyster seconded, that the Board appoint Leahy Cox, LLP, as legal counsel to the SUB Board of Directors. This motion **CARRIED** unanimously.
- * Mike Eyster motioned, and Virginia Lauritsen seconded, that the Board authorize the General Manager to execute the Retainer Agreement with Leahy Cox, LLP, as presented. This motion **CARRIED** unanimously.

Additional Item

Chair DeWenter shared that the General Manager Performance Evaluation form will be sent to the Board members, along with the General Manager Job Description. Deadline to complete the form will be February 1, 2019. The General Manager Performance Evaluation will be for the term from July 1, 2017 through December 31, 2018, and an executive session will be scheduled prior to the February Board meeting for the review.

Budget Committee Member Resignation

Chair DeWenter announced that Bill Belcher submitted his letter of resignation from SUB's Budget Committee. Board members expressed their deep appreciation for Mr. Belcher's service on the Budget Committee and wished him the very best with his new endeavors.

BUSINESS FROM THE GENERAL MANAGER:

Update on SUB's Property and Liability Insurance

Jeff Griffin, WHA Insurance, began his presentation by handing out a pamphlet to the Board on SUB's Renewal Summary for January 1, 2019 to January 1, 2020, (Exhibit C). He explained that they look at SUB's longevity credit, which will be \$15,995.50, and is based on how long SUB has been with Special Districts Insurance Services (SDIS). The other is loss ratio. SUB's loss ratio is at 18 percent, noting that this is unheard of in the industry. Insurance companies like to hit in the 90's for loss ratios. In the insurance world, SUB is considered the "darling" of public entities. He added that SUB has awesome rates, as there really is nothing else it could do to reduce its rates.

Mr. Griffin briefly discussed equipment schedules and automotive schedules with the Board. He then noted that there are hidden costs and they make sure they have mitigated those as best they

possibly can. This policy has what is called a Debris Removal, i.e. asbestos removal, and has a sublimit up to \$5 million or 25 percent of the loss, whichever is less. He also discussed details and options of the Public Entity Liability coverage, and reviewed WHA's Renewal Proposal for SUB with the Board.

Mr. Griffin emphasized that the health of SUB, in an insurance perspective, is outstanding. SUB staff are doing a great job, however, we do want to continue to watch the limits, because values are changing radically.

After brief discussion, the Board thanked Jeff Griffin for his presentation and extended compliments to WHA staff for their valuable service.

SUB's 2018 Utility Rate Comparison and Summary of Electric and Water Productivity Incentives:

Jeff Nelson shared that SUB Utility Analyst Marc lePine compiled SUB's 2018 Rate Comparison Binder (Exhibit D). Mr. Nelson then began his presentation by referring to his overheads (Exhibit E) and explained that the productivity incentive program was adopted by the Board in 1987. SUB was addressing significant issues with Bonneville, and SUB's water rates were higher than comparable utilities. The incentive program was intended to promote long term fiscal responsibility for the Utility. In the 1990's electric rates were comparable to other local utilities and water rates were competitive. A number of positions were not filled and responsibilities were allocated to existing employees. Electric rates continued to trend lower than comparable utilities, and the Water capital and operations costs were increasing, and SUB's "Pay as you go" philosophy pointed to debt being the lowest priority to finance capital improvements.

The existing incentive program was revisited. In 2015 the Board reviewed the program and modified it for 2016. There are now two thresholds: Threshold #1 is the combined Electric and Water Utility bill savings and financial health (E/R Ratio) which is the Net Equity to Rate Revenue Ratio. If rate revenue increases, and equity increases, the E/R Ratio can remain high, which means rate revenue is increasing plant investment or other increase in equity. If rate revenues increase and equity declines, this points to increased revenues going more toward operating costs.

Threshold #2 is divisional goals, which must be met. New Divisional Goals are established each year with approval from the General Manager and formal agreement with Divisions.

Mr. Nelson reviewed his graph on residential electric rate comparison for 1500 kilowatt hours billed in the month of December 2018. SUB is still the lowest in the region. He then shared his graph on residential water rate comparison for 14,960 gallons per month, for a monthly bill based on 20 units per month for the month of December 2018. Mr. Nelson shared a graph on residential customer bill savings that showed bill savings overtime, from 1993 and projected out to 2025, and shows the trend for the future of electric and water bill savings. He then reviewed a chart on the 2018 Incentive Program and explained how the point system weighs in with the two thresholds. Mr. Nelson reviewed a graph on SUB compared to EWEB residential average monthly bill savings projections for the years 2018 to 2028. All the divisions met their goals for 2018. He explained that the 5 percent incentive consists of 4 percent of SUB's payroll, which translates to a per-person flat incentive amount, and then the 1 percent is based on the individual employee's salary.

SUB's Emergency Response Activities

SUB Utility Planner Tracy Richardson referred to her overheads (Exhibit F) and shared that she will discuss the following resiliency efforts: Emergency Operations Plan, Vulnerability and Risk Assessments, FEMA Reimbursement, and FEMA Grant Opportunities. She noted that each of these efforts parallel each other, under the umbrella of resiliency. The Emergency Operations Plan is complete and includes; the Basic Plan, which satisfies the requirements of FEMA; Appendices, which are phone lists, forms, and templates, and Board Priorities; Functional Annexes which consists of working documents, such as the Electric Service Center Large Outage Document, Water Service Center Standard Operating Procedures, and the Safety Manual.

In response to the Board, Ms. Richardson explained, the Board Priorities will be a new piece. Since the Board is setting new priorities related to emergency response, this piece will allow it to be transparent to those participating in the emergency operations activities, and said that the Board Priorities will actually be listed in the Appendices for them to access.

The Vulnerability and Risk Assessments are still in draft form and are based on FEMA's National Preparedness System. She explained that Central Lincoln PUD has a good Vulnerability and Risk Assessment and she is modeling what that template is, and will fill in the blanks with SUB's own utility specific information.

Ms. Richardson reviewed FEMA Reimbursement and Grant

Opportunities with the Board. She explained that when submitting anything for reimbursement, the requirements of the National Incident Management System (NIMS) are: to have a revised emergency operations plan that incorporates NIMS requirements, which SUB has demonstrated in its Basic Plan; that we designate a NIMS point of contact, which she has identified; and the completion of NIMS training objectives, which she has met. She added that SUB Human Resources Manager Janis Brew, and SUB Safety and Environmental Coordinator Todd Roberts have completed some levels of training also, but not to the extent that would meet the full NIMS training requirements. NIMS only requires that one person has the full training.

Ms. Richardson shared that the Lane County Natural Hazard Mitigation Plan (NHMP) is a multi-partner hazards mitigation planning effort by Lane County, the City of Eugene, and the City of Springfield. They each have their own basic mitigation plans, but then they invited special districts such as SUB to submit an Annex. She submitted a draft Annex on the due date of December 28, 2018, which is currently under review. She listed information, much of what the insurance information is, which includes what SUB's ownership is, what SUB's values are, and what SUB's mitigation efforts are. The main projects she listed are: the backup generation study for the Electric Utility, the backup generation study for the Water Utility; and she also listed backup generation procurement for Electric and Water, as wish list items. There has been no feedback at this time.

She then noted that the Oregon Department of Geology and Mineral Industries (DOGAMI) performed a Landslide Study which identifies areas in Springfield, Eugene, and Lane County where landslides are more likely to happen, and how many people and buildings are at risk when they do. The study was paid for by FEMA grant money and the results were published December 12, 2018. She shared the link on her overhead slide. She added that it is her understanding this will be a future Board meeting topic.

After brief discussion, the Board thanked Ms. Richardson for her presentation.

Pay Equity Update

Janis Brew referred to information that was distributed to the Board, which includes a copy of the Oregon Pay Equity "How To" Manual, along with other related regulatory materials (Exhibit G). On the recommendation of Special Districts of Oregon (SDAO), SUB decided to obtain advice on how to manage this issue from a qualified and highly experienced consulting firm, HR Answers. She explained that the Pay Equity Law passed in 2017 and there were

two components to the law. The first component was to stop asking for salary history from candidates when hiring for a position. In October 2017, SUB removed prior salary history information from all of SUB's recruitment process. The second component was effective as of January 1, 2019, however, the Oregon Administrative Rules (OAR) didn't get passed until October 2018. This meant that the consultants had a quick turn-around to complete their Tool Kit that SUB purchased to help manage the rest of the process. There were only about five job descriptions that needed to be revised. One was a major revision due to the fact that the job had evolved to the point where the job description was no longer reflective of the duties of that job. There were a few other job descriptions that had been written in somewhat vague terms and were difficult to tell exactly what the details of those jobs, and level of responsibility, were. SUB staff worked diligently on these so that they were clear, and had enough detail in them to be more meaningful.

Ms. Brew then discussed the five factors that can be used to evaluate the characteristics for each job. The law allows us to look at knowledge, skill, effort, responsibility, and working conditions. There was then the arduous task of going through every job description and outlining where each job fit for each specific level and for each specific factor. Once that process was complete, we found we had 91 discreet active job descriptions for 141 employees, with very few comparable character jobs that were not in the same job description. The next step was to look at all the staff that are in a particular job description or a profile group, and review what individuals were making. As an example, we looked at all of SUB's Customer Service Representatives and made sure that it was equitable on the basis of the factors that we can use to differentiate pay. She explained that because we have a system that is partially merit based, and partially longevity based, those are two things that we can use to differentiate pay. She said we didn't find any factors where we had any lack of equity between jobs. Ultimately, we didn't have any financial fixes that we needed to make. Due to the short timeline to complete the process, we haven't had a chance to communicate this to employees. This will be the next big step. Over the next couple of months, we'll be giving employees more information on the details, as well as information on their own job and how the factors played out in their job. We want to ensure employees have an informed opportunity to ask questions and voice any concerns they may have.

After brief discussion, the Board thanked Ms. Brew for her presentation.

South 57th Street Water
Reservoir Project Update

Jeff Nelson stated that he recently had an opportunity to tour the work being done on the water reservoirs at the South 57th Street project. SUB Water Division Director Greg Miller then shared a brief update on the seismic retrofit work that's happening at this site, as well as the rest of our reservoir sites. This particular site, however, has two water reservoirs; one is a 1 million gallon water tank and the other is a 1.5 million gallon water tank that sit side by side, for a combined storage of 2.5 million gallons of water at that site. The work for this site is phased out into three phases, over three budget years. The Water Division has completed all the engineering design work last year (2018); we are beginning construction work on reservoir #2 this year (2019) which is presently progressing; and we will begin reservoir #1 the end of this year (2019), and will be complete next year (2020). The project costs for all three phases will total \$3.75 million. Mr. Miller discussed the work being done and structural modifications being made to the tanks, internally and externally, as well as future work and modifications to be completed. Work is also being completed to provide more stability for each of the reservoirs. He noted that they emptied the water tanks to cut holes into each tank, large enough to drive a small truck through, in order to give contractors access to the inside to complete the work they need to do. He emphasized that this is a rare thing to see, and extended an invitation to the Board to tour the site next week, before the work is completed and before the reservoir has to be closed back up.

After brief discussion, the Board thanked Mr. Miller for his invitation to tour the site. The Board also thanked him for his presentation and all the exciting work that the Water Division is accomplishing.

Future Agenda Items

Jeff Nelson shared that he will work on scheduling future agenda items so that the Board will be able to have a clear picture of when items will be presented at future Board meetings.

John DeWenter added that Commissioner John Brown with EWEB will provide a presentation at a future Board meeting, related to their proposal on collaborations involving the water systems of both utilities.

TEAM Springfield Update

Mr. Nelson updated the Board that he and Tamara Pitman had an opportunity to meet with Gino Grimaldi and Councilor VanGordon to discuss the history of the substation site in Glenwood. He also has a meeting scheduled to meet with Councilor Pishioneri next Monday, and is waiting to hear back from Mayor Lundberg if the meeting time will fit into her schedule. Outreach has been made and progress is being made on those presentations.

At the request of Councilor VanGordon, and conversations with Board member Eyster, a meeting has been scheduled tomorrow, with the folks at the City behind the concept for limited income housing at the 16th and Q Street property. The City has a strong interest to try to move that forward; and we have given presentations to the SUB Board regarding the issues we've identified and some of the timelines associated with larger issues that are affecting the property; primarily we have the redelineation of SUB's groundwater issues, and also the issue that we have a transmission line easement that runs through the property. We are hoping to get feedback from the City with regards to timing that they are hoping for, as well as how they are approaching their design with the constraints that are already identified.

ADJOURNMENT: The meeting was adjourned by consensus at 7:31 p.m.

John DeWenter, Board Chair

ATTEST:

Jeff Nelson, Board Secretary