

SPRINGFIELD UTILITY BOARD
223 A STREET, SUITE F, SPRINGFIELD, OR 97477
MINUTES
November 14, 2018

The regular session of the Springfield Utility Board was called to order by Chair Willis at 6:05 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; Bart McKee; Cindy Flaherty; Joe Leahy and Matt Dahlstrom, Attorneys for the Board. Others: Jeff Griffin, WHA Insurance; Ken Vogeney, City of Springfield; and Bill Belcher, SUB's Budget Committee Chair.

CONSENT AGENDA:

1. MINUTES: October 10 Regular & Special Session Board Meetings
2. ACCOUNTS PAID: October 2018
3. AWARD of BID:
 - 3.a. Bid No 2018-17, Purchase of 2019 Diesel Powered Sand Cleaner, awarded to USG-Umweltservice GmbH & Co. KG for their 2019 Puma 2400eco Sand Cleaner in the amount of \$289,602.00 for the base machine, plus \$42,895.00 in additional equipment, for a total of \$332,497.00. (Exhibit A).

Jeff Nelson noted that the diesel powered sand cleaner is presented to the Board to be authorized for purchase this year, but is one of those long lead time items and will be received and paid for in 2019.

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

BUSINESS FROM
THE AUDIENCE:

None.

BUSINESS FROM
THE BOARD:

Presentation on Proposed
Water Rate Increase

Jeff Nelson shared that the Board has reviewed proposed water rate increases to be effective January 1, 2019, and the proposed 2019 budget, with two separate public processes. He explained that tonight we have alternated what happens in the sequence of the presentations. Currently, there's no Board preference with regards to whether the presentation on the water rate increase comes before the presentation on the proposed budget or vice versa. He has heard from customers that they're displeased with the water rate increase process before the budget process; and then he's also heard from

customers that they're displeased that the budget process has come before the water rate increase process. He then asked the Board to let him know if the Board has direction on which sequence they would prefer in the future.

Mr. Nelson noted that the proposed water rate increase is 4% - 9 %, and explained that this is different from what was talked about previously, which was focused on the 4% proposed water rate increase; and said he will go into the reason why later in the presentation.

He then referred to his overheads (Exhibit B), and explained that the 10-Year Plan was reviewed by the SUB ratepayer budget committee and the budget committee also met to review the draft proposed 2019 budget. That draft proposed Water Utility budget was to assume \$10 million in third party borrowing. And the draft proposed Electric Utility budget uses the Electric Utility reserves to mitigate rate impacts or shortfalls for the 2019 year.

He shared a slide on Budget Committee Feedback and information on Board reserve policy. The Budget Committee raised concerns regarding the amount of proposed third party borrowing in 2019. There was also discussion regarding the reserve target and the methodology used for the reserve target. It was determined that in order to address the minimum reserve target, borrowing or rate increases are needed. Based on the outcome of those discussions, the Budget Committee is recommending a 7% - 9% water rate increase, effective on bills rendered on or after January 1, 2019. That is to assume there would be no third party borrowing, and if the Board wishes to adopt a rate lower than that 7% - 9% water rate increase, it would be his recommendation that the Board reconsider borrowing at a later date, in 2019.

Mr. Nelson then reviewed slides on in-city and out-of-city proposed water usage rates and base charges at both 4% and 9%. He also discussed proposed water rates on upper level charges, meter station charges, and the water usage charge related to the hydrant use permit fee. He then reviewed scenarios on water reserves and debt scenarios, and discussed the Board minimum reserve target projection over time, for the years 2019 – 2028. He shared a chart that showed rate increases by customer class, by year, for the years 2003 through 2018; a chart on the average residential customer's bill, broke down by electric, water, and sewer, by year, for the years 2004 through 2019. A comparison of water and electric service for eight regional cities, assuming certain

usage of water and electric. These eight regional cities are also used in the water rate comparison that SUB does every year.

Mr. Nelson said that the Board will take no action at this time. There is a second budget committee meeting schedule on December 5, and if there is any Board direction on potential changes or additional questions, we would like that prior to any future budget committee meeting. He noted that the second public hearing is scheduled for during the December 12 regular board meeting, where the Board is expected to take action.

After discussion, Mr. Nelson said if there is any public comment, he would be happy to comment.

Public Hearing to Gather Input on SUB's Proposed Water Rate Increase

Chair Willis opened the public hearing at 6:30 p.m. and asked if anyone would like to make public comment regarding the proposed water rate increase and charges.

As there was no public comment, Chair Willis closed the public hearing at 6:31 p.m.

Presentation on Proposed 2019 Budget

Jeff Nelson explained that his presentation tonight is identical to what he presented at the November 1 Budget Committee Meeting, and referred to his overheads (Exhibit C) to begin his presentation. He noted that what was just discussed earlier with rate options is not reflected in this proposed budget, as this is an evolving discussion. He shared that he will talk about the budget and rates planned process, 10-Year Plan highlights, reserve levels and debt schedule, 10-Year Plan assumed rate increases, power cost overview, energy efficiency, and water supply and infrastructure overview.

He reviewed the budget process, and said that it started with a presentation on the 10-Year Plan to the Budget Committee, and the Budget Committee reviewed the draft 2019 budget on November 1, 2018. The proposed 2019 budget is being presented to the Board at tonight's meeting, along with a public hearing on the proposed budget (customers were notified on their bill statements, and there was also information posted on SUB's website). No Board action will be taken at tonight's meeting.

A second Budget Committee meeting is scheduled to meet on Wednesday, December 5, at 6:00 p.m. for further deliberations

on the proposed 2019 budget and to provide recommendation to the Board.

The second and final public hearing on the proposed 2019 budget will be held at the regular board meeting on Wednesday, December 12. Following the public hearing in December, the Board will consider adoption of the proposed 2019 budget. He said there are also public hearings planned for 2019 for potential Board action on electric and dark fiber/telecommunications rate increases.

He then noted that the rate process includes two public hearings in 2018 (one during tonight's meeting, and the second is scheduled in December 2018) for the proposed 2019 water rate increase, effective January 1, 2019. Public hearings are also planned to be held in March and April of 2019 for a proposed electric rate increase, effective May 1, 2019, and a proposed dark fiber/telecommunications rate increase, also effective May 1, 2019.

The 10-Year Plan highlights include a proposed \$10 million in third party loan for the Water Utility in 2019, and \$17 million loan planned in 2024. He shared data on historic and proposed capital spending per year from 2006 to 2028 and how that is evolving over time. There is also proposed commitment of \$1 million spending in 2018 and 2019 for additional telecommunication infrastructure.

An analysis of reserve levels revealed \$15,500,000 as the combined minimum reserve target for both the Electric utility and Water Utility for the 2018 budget. He explained that if we used three months of operating budget to come up with the minimum reserve levels for a combined total for Electric and Water, it would be closer to \$19 million.

Mr. Nelson then shared a graph on the 10-Year Plan Assumed Electric Rate Increases, and for Dark Fiber Rate Increases, both for May of each year from 2019 to 2028; and the 10-Year Plan Assumed Water Rate Increases for January of each year from 2019 to 2028. He also shared a slide with pie charts that showed where each dollar expensed goes for the Electric Utility and a slide for the Water Utility. He also shared a graph that detailed the total bill by year for the average residential customer for the years 2004 to 2019 (2019 projected); and a graph that detailed the monthly electric and water bill by city, projected for 2019.

The Bonneville power and cost represents a significant component of the Electric Utility costs. Bonneville adjusts rates every two years, and we are considering some proposed rate increases to absorb those expected rate increases from Bonneville. SUB received Energy Efficiency (EE) funding from Bonneville each rate period (SUB always uses 100 percent).

Mr. Nelson reviewed a chart on the annual incentive dollars spent as a percent, and energy savings in kilowatt hours achieved; and a chart on the EE program activity for the past three fiscal years. We are seeing more heating, ventilation, and air conditioning efficiency projects for commercial customers; continued support for industrial projects; more weatherization and ductless heat pumps for residential customers; lower incentives for commercial lighting, as well as change in lighting incentives for residential which likely may be gone due to federal standards.

He then shared information on SUB's water supply and infrastructure. SUB's water sources are from wells and surface water from the Willamette River; SUB continues to move forward with investments to develop its water rights on the McKenzie River with a new surface water treatment facility; SUB has developed and continues to develop new upper level pump stations and storage reservoirs; new water mains are planned for further integration of SUB's systems; and water main replacement continues to be implemented.

Public Hearing to Gather Input on SUB's Proposed 2019 Budget

Chair Willis opened the public hearing at 6:46 p.m. and asked if anyone wanted to make public comment.

As there was no public comment, Chair Willis closed the public hearing at 6:47 p.m.

Discussion on Board Committees and Board Tasks and Priorities

Jeff Nelson referenced reports from Board Committees for potential action by the Board to adopt; Report to the Board from the Environmental Costs/Columbia River Treaty Committee, and a draft outline for the Board to use when orienting new Board members, from the Board Orientations Committee. He also referenced the Status Report Regarding 2018 Board Tasks for the Board's consideration.

- * John DeWenter motioned, and Virginia Lauritsen seconded, to adopt the Report to the Board from the Environmental

Costs/Columbia River Treaty Committee, with its recommendations, as presented (Exhibit D). This motion **CARRIED** unanimously.

- * Mike Eyster motioned, and Pat Riggs-Henson seconded, to adopt the SUB Board Orientation outline presented by the Board Orientations Committee, as modified per John DeWenter's suggestion to add "20 Year Strategic Vision" as a bullet under "Materials for New Board Member Packet" on page one of the SUB Board Orientation outline (Exhibit E). This motion **CARRIED** unanimously.

After discussion of the Status Report Regarding 2018 Board Tasks (Exhibit F), Board consensus regarding item 6 on page one was to continue work on SUB's Emergency/Disaster Response Plan to try to identify sites in SUB's service area that would be most appropriate, from the standpoint of providing power and water, and for communicating and working with the City during a disaster such as in a Cascadia event or "black sky" situation. Once sites are identified, SUB would then present this information to the City for their consideration and recommendation.

**BUSINESS FROM THE
GENERAL MANAGER:**

Consideration to Adopt
Resolution 2018-8,
Approval of Special
Procurement to Re-Sand
One Filter Bed at Slow
Sand Filtration Facility

Jeff Nelson shared that the Water Division requests approval to apply the provisions contained in ORS 279B.085 Special Procurements for hiring of a contractor to re-sand one filter bed at SUB's Slow Sand Filtration Plant. The Water Division also requested the approval to enter into an Independent Contractor Agreement with Just Bucket Excavation, Inc. Reasons for the justification were provided to the Board.

- * John DeWenter motioned, and Pat Riggs-Henson seconded, to exempt from the competitive bidding requirements for maintenance contracts pursuant to ORS 279B.085(4)(a), for the reasons set forth in the Examination and Findings in the staff report. Public notice of such Special Procurement request has occurred in conformance with applicable statutory requirements ORS 279B.085(5); and the Springfield Utility Board has thoroughly reviewed and considered the staff report and proposed Findings in conformance with ORS

279B.085(4)(a), in support of this request for Special Procurement, as presented (Exhibit G). This motion **CARRIED** unanimously.

- * Pat Riggs-Henson motioned, and Virginia Lauritsen seconded, to adopt Resolution 2018-8, authorizing the General Manager to implement Special Procurement for Just Bucket Excavating, Inc., based on the Findings in the previous motion, for a total cost of \$60,625.71, to re-sand one filter bed at SUB's Slow Sand Filtration Plant. The General Manager, in consultation with SUB's Water Division Director Greg Miller, may make further refinements and adjustments to the Special Procurement, as may be necessary, to implement the Special Procurement (Exhibit H). This motion **CARRIED** unanimously.

Additional Items:

Update on the City's Underground Street Light Feeds

The City has indicated that they are close to meeting the initial round of identifying underground street light feeds that have failed. The City is requesting another \$50,000 for the calendar year 2019. Mr. Nelson noted that there are opportunity funds within the 2019 budget, as proposed, but not yet adopted, for this type of request. Mr. Nelson wanted to present this to the Board at this time for Board consideration to move forward with the City's request.

- * Pat Riggs-Henson motioned, and John DeWenter seconded, to authorize the City's request for \$50,000 for the calendar year 2019, for additional failed underground street light feeds, and to be applied to the opportunity funds through the 2019 budget. This motion **CARRIED** unanimously.

XS Media Update

The Board previously authorized the General Manager to move forward with \$300,000 for XS Media's initial Ambleside connected cluster. Further discussion with XS Media is that they have been further refining the numbers, and they are concerned that the final cost may be higher than originally expected. They are asking the Board to have some flexibility to authorize up to \$400,000 for the project, which would be included in the previously Board authorized \$1 million for telecommunications infrastructure. The way that this would be structured, XS Media would reimburse SUB for a good portion of that overall cost over a 10 year period. SUB is receiving a revenue stream, he explained, to recover a good portion of that expense, and SUB would ultimately own that infrastructure, so

in the case that XS Media couldn't make it work out, SUB would be able to provide that infrastructure to another third party.

David Willis recused himself for Board discussion and potential motion.

After brief discussion, the Board made the following motion.

- * Mike Eyster motioned, and Pat Riggs-Henson seconded, to authorize the General Manager to move forward with the XS Media connected cluster in an amount not to exceed \$400,000. This motion **CARRIED** unanimously.

South Hills Discussion

Jeff Griffin from Wilson-Heirgood Associates shared an update on the process going forward related to review of management, monitoring, and maintenance of SUB infrastructure in the South Hills and possible customer communication. Mr. Griffin wanted to emphasize that when Jens Jensen with Special Districts Association of Oregon (SDAO), SUB's insurance carrier, advised the Board regarding their investigation of the South Hills waterline break, it was absolutely appropriate for SUB to follow that advice and to follow legal counsel's advice.

It's time to look forward and plan for the future, said Mr. Griffin; to seek knowledge and information, gather data, and analyze the South Hills, from a risk management perspective. Once we've done this, we can look at it to see if there's an approach or plan that makes sense for the Board and legal counsel to look at and analyze how we look in the future and plan. The South Hills obviously has some challenges, and it's appropriate for us to be focused.

Joe Leahy added that he spoke with Special Districts counsel today, and depending on the type of review staff does going forward, and looking at what's going on in the South Hills, staff may come back with a variety of ideas of what we could or should do. Each of those ideas will have a cost related to it, and he said it's important that we make decisions a little more diligently, in anticipation that if there's another event down the road, that we have done our best job to address the potential of that event, within what you can afford. That, in itself, is a process that a lot of other municipalities don't do a good job on. Mr. Leahy discussed discretionary decisions, and noted that to be a discretionary decision, you have to have a thorough discussion so that if there's a problem down the road and you haven't addressed it, at least we have 1) insurance and 2) the insurance company has another reason that you

have conducted yourself in a manner of discretion and a thoughtful decision was made. The General Manager, legal counsel, and Special Districts should all be involved in the process.

Mr. Griffin explained that this is a time that we learn that knowledge will allow us to plan. What is important tonight, is that after last month, you didn't assume that it's done. The coaching that Jens Jensen and Joe Leahy shared with you was spot on. Now it's time to gather more information and plan for the future.

Jeff Nelson made note that City of Springfield's Emergency Manager Ken Vogeney is in the audience tonight, and said that Mr. Vogeney has been helping with gathering information that SUB may have with regards to its infrastructure and system. He said that the anticipated evolution of how we work together, going forward, particularly in the South Hills, and how we gather information and plan around that information in a structured way, will be better coordinated with both he and Mr. Vogeney working together on this issue.

Mr. Vogeney shared that some of the work that he and staff are currently doing is to research the number of breaks in this particular type of pipe in the South Hills over the last 40 years. This information will include how many, where were they, what months of the year have they occurred. They will then correlate that information with the slope of the hillside, rainfall records, soil conditions, housing construction, and see what kind of correlations they can build off of data they already have readily accessible to them, and any additional data/information that SUB would be able to provide them. They'll then be able to use this information to see if they can identify what might be triggers for the particular type of pipes that are breaking, if there have been other breaks, and where do we go beyond that. They are also anticipating the Oregon Department of Geology and Mineral Industries (DOGAMI) to release a new landslide vulnerability assessment in the near future. That study would be of the greater Eugene/Springfield area. As inventory more than doubled the number of landslides that have occurred in our region, he had asked for some specific focus work on the South Hills area for additional analysis. This information will overlay with the work that the City is doing in-house, and the work that's being done with SUB staff. There have been multiple historic landslides on the South Hills, and they are currently investigating that.

In response to the Board, Mr. Vogeney said that he's heard a lot of anecdotal stories or reports of houses in the South Hills area where doors always stuck and foundations cracked, due to earth movement occurring. Part of the work the City wants to do is to figure out what some of those triggers are. With data provided by SUB staff, the great majority of the breaks occur in August and September, during the dry months. One of DOGAMI's criteria is that if a landslide has occurred in the past that area is highly susceptible to future landslides.

The Board thanked Mr. Vogeney for his time and information.

Property Update

Jeff Nelson shared that the Board previously authorized him to move forward with some property acquisitions and those are proceeding. The MountainGate property acquisition has been fully executed. They met with a potential property purchaser and let them know what the status is and all the conditions related to the current owner/developer have been met with their obligations. We now have 19 lots and have provided notice to the City that these lots can be served with water.

TEAM Springfield Update

Mr. Nelson shared that at the October 8 Joint Elected Officials (JEO) meeting, comments were raised that TEAM Springfield needed to "get back to its roots," and there were some other things that indicated to him that there was some concern, at the elected official level, that TEAM Springfield was not operating in a way that they had hoped. He is asking the Board to individually give feedback to Chair Willis, with regards to how they would like TEAM Springfield to be, so that at the January 16 CAO/CEO meeting, they can discuss the collective feedback.

He also noted that TEAM Springfield has held two JEO meetings each year in the past, but will move forward with just one Annual JEO Update Meeting.

ADJOURNMENT:

The meeting was adjourned by consensus at 7:27 p.m.

David Willis, Board Chair

ATTEST:

Jeff Nelson, Board Secretary