

***CANBY UTILITY
REGULAR BOARD MEETING
JANUARY 8, 2019
7:00 P.M.***

AGENDA

- I. CALL TO ORDER
- II. AGENDA
 - Additions, Deletions or Corrections to the Meeting Agenda
- III. CONSENT AGENDA
 - Approval of Agenda
 - Approval of Regular Board Meeting Minutes of December 11, 2018 (pp. 1-5)
 - Approval of Write-Offs
 - Approval of Payment of Water and Electric Bills
- IV. NOMINATIONS FOR 2019 BOARD CHAIRPERSON – Chairman Potter
- V. CITIZEN INPUT ON NON-AGENDA ITEMS
- VI. RECOMMENDATION Green Power Donation for City Parks and Transit Mall – Dee Anne Wunder, Customer Service Supervisor (pg. 6)
- VII. BOARD REPORT
 - Chairman Comments
- VIII. STAFF REPORTS

Operations Superintendent:

 - Quarterly Reliability Update (pg. 7)

Customer Service Supervisor:

 - Share the Warmth (pg. 8)

General Manager Updates
- IX. EXECUTIVE SESSION The Canby Utility Board will adjourn its regular meeting to go into executive session pursuant to ORS 192.660(2)(i) to discuss performance of public employee. Upon completion of the executive session the Board will return to its regular meeting.
- X. ADJOURN

***CANBY UTILITY
REGULAR BOARD MEETING MINUTES
DECEMBER 11, 2018***

Board Present: Chairman Potter; Members Daniels, Brito, Wagner, and Hill

Staff Present: Daniel P. Murphy, General Manager; Barbara Benson, Board Secretary; Carol Sullivan, Finance Manager; Sue Arthur, Purchasing Agent; Dee Anne Wunder, Customer Service Supervisor ; Jim Stuart, Operations Manager; and Doug Erkson, Operations Field Supervisor

Others Present: Keith Simovic, Moss Adams; and Adam Olsen and Jeff Humphreys, Mackenzie Architects

Chairman Potter called the Regular Board Meeting to order at 7:00 p.m.

Chairman Potter presented the meeting agenda for consideration. He asked for any additions, deletions or corrections to the meeting agenda. Board Secretary Barbara Benson noted that an updated agenda was distributed by email and hard copy reflecting the correct date.

Chairman Potter presented the consent agenda for approval. Member Brito made the *MOTION to approve the consent agenda, consisting of the meeting agenda, regular meeting minutes of November 13, 2018, write-offs in the amount of \$1,270.68, and payment of the electric and water department bills in the amount of \$813,077.61. Member Wagner seconded, and the motion passed unanimously.

Chairman Potter asked for citizen input on non-agenda items and there was none.

Finance Manager Carol Sullivan introduced Keith Simovic, Senior Manager and Auditor with Moss Adams. Sullivan stated that Moss Adams has been conducting Canby Utility's annual audit since 2015. This year our auditors found misclassification in the roll-up depreciation accounts. The reclassification did not affect the utility financial statements.

Keith Simovic presented the 2018 fiscal year financial audit and reviewed the nature of services they provided, the critical audit areas, the auditor's opinion and reports, the required communications, the best practices, and upcoming accounting standards. Their firm performed tests on balances and transactions to make sure there was a fair and accurate reporting. Simovic stated that one critical area of focus this year was public contracting. The auditors sampled contracts and verified procedures to ensure RFP requirements are met. Another focus area was the GASB 75, the accounting and financial reporting for postemployment benefits other than pensions, implementation. This new standard shows on the financial statements as a liability and is directly related to Canby Utility making its health insurance plan available to retirees. Simovic noted that although Canby Utility does not pay those premiums for retirees, the retirees would

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otherwise be forced to purchase their insurance on the market at a higher price resulting in an implicit rate subsidy.

Canby Utility received an unmodified, or clean, opinion, which is the highest audit rating possible. There was no reportable findings for the Oregon Minimum Standards and no material weaknesses. Staff was open and transparent throughout the process with their staff.

Simovic presented recommendations as a result of the most significant findings from the audit. Two of their recommendations related to materials, supplies, and inventory and ensuring these items are recorded properly. The third finding was correcting accumulated depreciation classification between two categories, treatment plant and plant assets. Simovic noted there were no passed adjustments, no disagreements with management, no difficulties in performing the audit, and no scope exceptions.

The best practices recommendations included: formalizing documentation of approval to close work orders; ensuring proper recording of inventory in the correct period, and reviewing shipping terms to gain an understanding of when the inventory is property of the utility; establishing controls to document review of new meter setup to ensure that billing information is setup correctly; and establish controls to ensure journal entries are prepared and reviewed by separate individuals. Simovic noted that last year there was an internal control issue related to customer billing. Through testing this year, no issues were found and additional controls are in place to prevent errors in the future.

Simovic reviewed two accounting standards changes that will impact Canby Utility, GASB 84 and 87. GASB 84 relates to fiduciary activities and GASB 87 relates to operating leases. Simovic recommends Canby Utility prepare and plan for the upcoming changes.

Upon conclusion of the audit presentation, the Board had no questions. Chairman Potter expressed appreciation for staff and Moss Adams in their partnership in the audit review and the results of the audit. Simovic departed the meeting at 7:28 p.m.

General Manager Dan Murphy introduced Adam Olsen and Jeff Humphreys, of Mackenzie Architect who were attending to give a presentation on the combined service center phase 1 project completion. Olsen shared a video that was given to Canby Utility by Hawksoft that shows pictures of building construction progression from their view across the street. Olsen showed a comparison between rendering drawings and the finished building. In May 2017, Mackenzie's estimator projected a cost estimate for phase 1 at \$5.2 million and \$6.4 million for phase 2. Upon completion of phase 1, actual project costs came in at \$4.5 million, significantly under budget. Olsen attributes the cost savings to the active bidding climate and competitive environment. The project came in at nearly \$1 million under budget. The base bid from 2KG Contractors was \$4.3 million, plus \$167,000 in change orders. Change orders were 3.9% of the total project budget, whereas industry-standard is about 5%. Olsen shared a couple of the change order items that occurred. Chairman Potter complemented Mackenzie on their effort to design a

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building that blends in well with the various surrounding residential, commercial, and industrial type properties.

Murphy presented a recommendation to begin planning for phase 2. The first phase of the project was completed at nearly \$700,000 under budget, and the reserve funds have held up very well. Current reserves are nearly sufficient to build out phase 2, using the 2016 estimated cost projections. Murphy stated that there is a good chance we will have all the financing we need if we start the planning stage now using a target April 2020 groundbreaking. Murphy asked the board to authorize the planning process and described what that work would entail. Murphy noted we will have two options for construction when we reach that point in time. The first option would be to negotiate with the existing general contractor, 2KG Contractors, to arrive at a satisfactory price. The alternative would be to completely rebid the project. Murphy explained some of the cost savings advantages with negotiating with existing contractors. Once the planning phase is complete and a firm budget is known, management will bring a recommendation to the Board for approval to begin construction. Murphy added that if utility reserves are not at 100% to complete the project as we near the targeted groundbreaking, the amount of financing needed to bridge the gap should be manageable. Chairman Potter asked for a copy of the presentation slide showing costs. Murphy agreed to send that out to the board the next day.

Olsen reviewed the proposed schedule, beginning with pre-design in July 2019. The permitting process would begin in December 2019. Olsen anticipates Board approval in February 2020 with construction commencing April 2020. The construction would last about 10 months, with the first two months being site and foundation preparation, followed by eight months of construction. Projected completion would be March 2021. Olsen explained they established the project schedule in a way to ensure the best weather scenario for construction. Olsen suggested adding another presentation near the end of 2019 to provide the Board with an updated cost estimate.

Murphy stated that this project will take approximately three years to complete. He shared reasons for moving forward now with completing the project. His reasons included a strong economy, low unemployment rates, and inflation beginning to creep up. The likelihood of a cyclical recession in the future could make funding the project challenging if we waited to build. Murphy believes that 2KG Contractors would be interested in building out phase 2. Murphy had Board Attorney David Doughman review his strategy, including negotiations with 2KG Contractors. Doughman has provided a written legal opinion in support of Murphy's proposal. Member Daniels made the *MOTION that management be authorized to begin necessary work toward groundbreaking for phase 2 of the Canby Utility combined service center. Member Brito seconded the motion and the roll call ballot was as follows: Member Brito, aye; Member Daniels, aye; Member Wagner, aye; Member Hill, aye; and Chairman Potter, aye. The motion passed 5 to 0.

Chairman Potter reported that in preparation for evaluating the Board Secretary-Clerk's performance for the year, they received documents in their packet. Potter gave instructions to

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board members on completing the documents within the next week. He will then have the evaluation information ready for the January meeting.

Adam Olsen and Jeff Humphreys departed the meeting at 8:08 p.m.

Operations Manager Jim Stuart reported a power outage that occurred on October 30, 2018, at 6:26 p.m. as a result of an automobile accident in Hubbard. The automobile struck a transmission power pole on the PGE North Marion 57 KV line that provides power to Canby Utility's Westcott substation. The momentary interruption of power lasted between 30 and 45 seconds. During that event, Canby Utility's smart switches on the distribution system had a communication failure. Stuart noted that the current fiscal year budget includes communication and software upgrades for the smart switches. The communication issues have been resolved and should not happen in the future. Power was restored at 7:38 p.m.

Stuart introduced Doug Erkson who filled the position of Operations Field Supervisor. Erkson has approximately 30 years of experience in the electrical utility industry. He was previously employed at Canby Utility as a Journeyman Lineman in 2007-2008. Since leaving Canby Utility, Erkson has worked as an inspector, a general foreman, a trainer, earned his degree, and most recently was a compliance officer for Oregon OSHA. He brings a broad range of experience to this position.

Stuart also announced that we have hired Eric Douglas to fill a vacant Utility Worker position in the water department. Douglas began on December 3. Douglas has 20 years of experience in the water industry. He will be eligible to sit for the Water Distribution II certification very soon. Stuart feels Douglas will be an asset to Canby Utility.

Stuart reported that we have extended an offer of employment to fill the remaining Utility Worker position in the water department. Once this individual has completed the background screening process, he will begin work within two weeks. This individual is eligible to sit for the Water Distribution I certification after acquiring some additional work experience.

Murphy reminded the Board that the office will be closed Christmas Eve and Christmas Day in observance of Christmas.

Member Hill thanked Board Secretary Barb Benson for the employee recognition event that was held at the Willamette Valley Country Club. The event was well organized and a lot of fun. Benson noted that she plans to survey staff to see if the annual event should be moved to the weekend after hearing a couple comments regarding it being difficult to make it there after work.

Member Daniels made the *MOTION to adjourn the meeting. Member Hill seconded, and the motion passed unanimously.

There being no further business, the meeting was adjourned at 8:17 p.m.

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Gary Potter, Chairman

Walt Daniels, Member

Jack Brito, Member

Bob Hill, Member

Todd Wagner, Member

Barbara Benson, Board Secretary



MEMORANDUM

January 3, 2019

TO: Chairperson Potter, Member Daniels, Member Brito and Member Wagner,
and Member Hill

FROM: Dee Anne Wunder, Customer Service Supervisor

SUBJECT: Continue Green Power Donation for City Parks and Transit Mall

Recommendation: Continue to make a monthly donation of Green Power on behalf of the city parks and transit mall.

Background: Canby Utility has made a monthly donation of Green Power since January 2008 to the City of Canby. We donate 45 blocks (1 block = 100 kWh) of environmentally preferred power (EPP) to “green-up” the parks and transit mall each month. The cost is \$0.92 per block or a monthly cost of \$41.40. The Board authorized donations through December 31, 2018; however, staff is requesting approval to extend the donation an additional year.

Canby Utility used the donation to the city parks and transit mall as a way to promote Green Power. In December we had 193 customers purchase \$998.20 for 1,085 blocks of green power. The number of customers that purchase green power remains fairly consistent over the course of the year.

I will be available at the meeting to answer any questions the Board may have.

OUTAGE AVERAGES Jan. 2018 THROUGH Dec. 2018

MONTH	YEAR	NUMBER OF OUTAGES	NUMBER OF CUSTOMERS AFFECTED	TOTAL CUSTOMER MINUTES OFF	MONTHLY NUMBER OF CUSTOMERS IN THE SYSTEM	NUMBER OF MOMENTARY INTERRUPTIONS
Jan.	2018	0	0	0	7261	0
Feb	2018	0	0	0	7268	0
March	2018	0	0	0	7278	0
April	2018	0	0	0	7290	1
May	2018	2	1254	114146	7294	5
June	2018	4	1062	99254	7301	8
July	2018	2	1949	75943	7318	10
Aug	2018	1	93	651	7325	2
Sep	2018	1	36	14652	7331	2
Oct	2018	2	22	600	7444	2
Nov	2018	0	0	0	7460	1
Dec	2018	2	30	8277	7462	2
12 MONTH TOTALS		14	4,446	313,523	88,032	33
12 MONTH AVERAGE		1.17	371	26,127	7,336	2.8

			<u>C.U.</u>	<u>Industry Typical Value</u>
SAIDI =	$\frac{\text{Sum of all customer interruption minutes}}{\text{Total number of customers}}$	= $\frac{313,523}{7,336}$	= 42.7376	97.0
SAIFI =	$\frac{\text{Total number of customer interruptions}}{\text{Total number of customers}}$	= $\frac{4446}{7,336}$	= 0.61	0.9
MAIFI=	$\frac{\text{Total number of cust. momentary interruptions}}{\text{Total number of customers}}$	= $\frac{30,261}{7,336}$	= 4.125	N/A
CAIDI =	$\frac{\text{Sum of all customer interruption minutes}}{\text{Total number of customer interruptions}}$	= $\frac{313,523}{4,446}$	= 71	96.00



Memorandum

DATE: January 2, 2019

TO: Chairman Potter, Member Daniels, Member Brito, Member Wagner, and Member Hill

FROM: Dee Anne Wunder, Customer Service Supervisor

SUBJECT: Share the Warmth Update

The table below is a yearly accounting of funds disbursed, customers assisted, intakes fee paid, customer donations and the number of customer donations for calendar year 2014-2018. Please note that the program is based upon a calendar year while funding is for Canby Utility’s fiscal year July 1 through June 30. The Canby Adult Center (CAC) receives \$5 for each intake and is paid on a quarterly basis.

Calendar Year	Disbursed to Customer Accounts	Number of Customers Assisted	Number of Intakes Paid During Calendar Year	Intake Fees Paid to CAC	Total of Customer Donations	Number of Customer Donations
2014	\$47,670	247	236	\$1,180	\$7,047	80
2015	\$40,758	205	226	\$1,130	\$8,427	161
2016	\$40,758	274	436	\$2,180	\$7,549	118
2017	\$54,389	205	191	\$ 955	\$7,054	120
2018	\$49,698	246	246	\$1,230	\$6,435	117

We have enough funds to help approximately 55 additional customers. This includes fees that will be paid to the CAC; however it does not include any donations that may come in during the year. With the Boards annual donation of \$40,000 the program is a big success and allows us to help many customers.