

***CANBY UTILITY
REGULAR BOARD MEETING
NOVEMBER 14, 2017
7:00 P.M.***

AGENDA

I. CALL TO ORDER

I. AGENDA

- Additions, Deletions or Corrections to the Meeting Agenda

II. CONSENT AGENDA

- Approval of the November 14, 2017 Agenda
- Approval of Regular Board Meeting Minutes of October 10, 2017 (pp. 1-4)
- Approval of Write-Offs
- Approval of Payment of Water and Electric Bills

III. CITIZEN INPUT ON NON-AGENDA ITEMS

IV. BOARD REPORT

- Chairman Comments
- Board Member Comments

V. STAFF REPORTS

Finance Manager:

- Revised Fourth Quarter Financials (pp. 5-8)

Customer Service Supervisor:

- Red Flag Rules Update (pg. 9)

Board Secretary-Clerk/HR-Admin Manager:

- Annual Employee Recognition Event

General Manager Updates:

VI. EXECUTIVE SESSION The Canby Utility Board will adjourn its regular meeting to go into executive session pursuant to ORS 192.660(2)(d) to discuss labor negotiations. Upon completion of the executive session the Board will return to its regular meeting.

VII. ADJOURN

***CANBY UTILITY
REGULAR BOARD MEETING MINUTES
OCTOBER 10, 2017***

Board Present: Chairman Potter; Members Maxwell, Daniels, and Wagner

Board Absent: Member Brito

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 ; and Jim Stuart, Operations Manager

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 and there were none.

Chairman Potter presented the consent agenda for approval. Member Wagner made the *MOTION to Approve the Consent Agenda, Consisting of the Meeting Agenda, Regular Meeting Minutes of September 12, 2017, Write-Offs in the Amount of \$1,367.94, Payment of the Electric and Water Department Bills in the Amount of \$1,193,984.46. Member Daniels seconded, and the motion passed unanimously.

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

Chairman Potter began the public hearing proceedings for increasing retail electric rates at 7:02 p.m. and reviewed the hearing process and legal standards. Finance Manager Carol Sullivan reviewed the activities involved in developing the proposed retail electric rate increase. Rate Consultant Bob Brooks of Brooks and Associates conducted a cost of service and rates study and presented the results of the study at the Board's September 8, 2017 meeting. Sullivan stated that staff recommended a 2.0 percent overall increase. The majority of the revenue generated from the rate adjustment would go towards increased power cost, maintaining electric reserves, and increased operating expenses. Following the completion of the cost of service analysis and rate study, Brooks presented the board with three different rate adjustment scenarios that would generate various levels of revenue for each, as well as three different options for applying the adjustment to the various customer rate classes.

Chairman Potter announced that the Board received one written comment on the proposed rate increase. This comment, submitted by email from Mark O'Shea dated October 3, 2017, was in opposition to the rate increase. Potter read O'Shea's comment for the record. There was no one from the public in attendance. Having not received any additional public testimony, Potter closed the public testimony portion of the hearing. Member Maxwell asked if there are any programs available to assist customers with their utility bill. General Manager Dan Murphy

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Regular Board Meeting Minutes
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stated that Canby Utility's Share the Warmth program is available to customers in need. The Share the Warmth program will open on November 14. Customer Service Supervisor Dee Anne Wunder added that customers may also receive assistance from Clackamas County and local churches. Potter encouraged staff to reach out to Mr. O'Shea to inform him of these programs. Member Maxwell made the *MOTION to Close the Public Hearing. Member Daniels seconded, and the motion passed unanimously. The public hearing was closed at 7:08 p.m.

Murphy presented the electric rate resolution for consideration. Murphy briefly reviewed the rate proposals for the residential and general services customer classifications. The resolution incorporates Brooks' Rate Study Option II for residential customers and Option III for General Service customers. Murphy stated that Canby Utility's electric rates will continue to be very competitive after the increase. Potter stated that the rate proposal will give customers a way to help control the impact to their bill since the increase is applied to the energy charge. Murphy agreed. Member Daniels made the *MOTION to adopt Resolution No. 295, a resolution revising Canby Utility's electric rate schedules and repealing Resolution No. 278. Member Maxwell seconded the motion and the roll call ballot was as follows: Member Wagner, aye; Member Daniels, aye; Member Maxwell, aye; and Chairman Potter, aye. The motion passed 4-0.

Finance Manager Carol Sullivan presented a recommendation to refund the 2007 water revenue bonds. Sullivan explained that refunding the bonds at a new fixed interest rate of 2.09% will result in a net present value savings of \$148,468 over 10 years. The original issue had an interest rate that varied from 3.625% to 4.15%. Sullivan reviewed the key documents of the bond packet that she plans to present to the City Council on October 18. Member Maxwell asked about the debt service reserve fund. Sullivan stated that Chase Bank doesn't require Canby Utility to have a reserve fund, however, Columbia State Bank does. Columbia State Bank is the issuing bank for the refunding of the 2004 water revenue bonds. Maxwell also asked about additional proceeds totaling \$609.92. Sullivan explained that those funds are the amount left over at the completion of the bond refunding. Member Maxwell made the *MOTION to adopt Resolution No. 294, a resolution approving the issuance of water revenue refunding bonds and authorizing related actions. Member Daniels seconded the motion and the roll call ballot was as follows: Member Wagner, aye; Member Daniels, aye; Member Maxwell, aye; and Chairman Potter, aye. The motion passed 4-0.

Member Daniels commented on the site preparations for the new Canby Utility building site. The perimeter security fence is in place and excavation work has begun.

Operations Manager Jim Stuart reported on two recent power outages. September 17, we had a pole fire on N. Grant Street that was caused by a breakdown of a fuse cut-out. The rain was a contributing factor. The majority of customers were instantaneously restored through breaker operations. A total of 997 customers were without power while the crew worked to re-frame the pole. The second outage occurred on September 23 as a result of a bird getting into substation causing 2,845 customers to be without power for 36 minutes. Stuart circulated photographs from the surveillance cameras that caught the moment a bird walked along the lower bus causing the outage. Chairman Potter asked about the post incident coordination efforts with Canby Fire

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related to the pole fire. Murphy shared that when the pole fire occurred, Canby Fire had no way of knowing if Canby Utility personnel were contacted. After the event, staff met with the Fire Chief and provided alternative contact phone numbers to improve communications and dispatch response, discussion ensued.

Stuart presented the quarterly reliability report for the past 12 months. The month of September experienced a significant number of customer outage minutes as a result of the two power outages. There was a total of 249,925 outage minutes, 1,006 customers affected for 5 hours and 33 minutes.

Carol Sullivan presented the year-ending Executive Financial Summary through June 30, 2017. She noted the financials do not include the GASB 68 adjustment, which adds approximately \$300,000 to expenses. Including the adjustment would distort the budget to actual comparisons. Sullivan added that the audit report, scheduled for next month, will include the GASB 68 adjustment. Sullivan reviewed the profit resulting from operations and capital contributions year end. The electric operating profit was \$2,215,161 and the capital contributions were \$244,119, for a total net income for the electric department of \$2,459,280. The water operating profit was \$449,643 and the capital contributions were \$880,443, for a total net income for the water department of \$1,330,086.

Sullivan then compared the operations with capital contributions to budget. The electric fund net income was over budget \$1,534,453. Sullivan noted the reasons for this budget variance. The operating revenue is slightly over budget and the non-operating revenue is over budget due to the sale of the office building. The operation expenses are under budget due to more labor being capitalized, the vacancy of the Operations Manager and Journeyman Lineman positions, lower purchase power and transmission costs, and lower customer conservation payments. The water fund was over budget \$980,985. Sullivan noted the reasons for this budget variance. The operating revenue is above budget due to higher water consumption than what was budgeted. The operating expenses are under budget mainly due to more distribution labor being capitalized and the vacancy of the Operations Manager and Utility Worker positions. The capital contributions are over budget mainly due to more water system development charges being collected due to construction of a large multi-family apartment complex. Member Wagner asked what the over budget net income would be if she removed the sale of the building. Sullivan stated the gain on disposition of property was \$752,121, most of which was the sale of the building. Sullivan stated that the electric fund reserves are over target by \$1,969,938 and the water fund reserves are over target by \$1,176,514, she then provided a brief explanation for the reason each fund is over target. Murphy noted that having healthy water reserves will enable staff to address continuing maintenance needs and aging infrastructure on the distribution system.

General Manager Dan Murphy reported on the construction timeline for the new office building. The preconstruction meeting was held on September 29 with Mackenzie and 2KG Contractors, the general contractor in charge of the project. 2KG Contractors provided Murphy and Mackenzie with a preliminary project schedule. Murphy noted that the surface grading for the

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project has already begun. The weekly walk-through inspection meetings will be held every Wednesday at 9:00 a.m. Board members were encouraged to contact Murphy if they have any questions throughout the construction of the project.

Member Daniels made the *MOTION to Adjourn the Meeting. Member Maxwell seconded, and the motion passed unanimously.

There being no further business, the meeting was adjourned at 7:38 p.m.

Gary Potter, Chairman

Robert Maxwell, Member

Absent 10/10/17

Jack Brito, Member

Walt Daniels, Member

Todd Wagner, Member

Barbara Benson, Board Secretary



Memorandum

November 8, 2017

To: Chairperson Potter, Member Maxwell, Member Daniels, Member Brito, and Member Wagner

From: Carol Sullivan, Finance Manager

Subject: Revised Quarterly Financial Update as of June 30, 2017 Fiscal Year End 2017

Please find attached the Executive Financial Summary through June 30, 2017, the Utility's whole fiscal year 2017. This report does not include the adjustment for the Governmental Accounting Standards Board Statement 68, accounting and financial reporting for pensions, when included it will significantly increase expenses and the comparison to budget will be distorted. The report is cumulative to date and gives a quick overview of profit and loss resulting from operations and capital contributions, a comparison to budget with notes, and cash reserves compared to the budget target and minimum. For monthly information refer to the financial packet sent via e-mail.

The change on this report from the last board packet is the sale of the office building; the basis of the land was not included in the gain on sale of property. This is classified with other income. Details of the sale:

Sale price of the three lots	\$ 900,000
Basis of the building	172,640
Basis of the land	41,000

Gain on disposition of property	\$ 686,360
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I will review the sale of the office building at the next board meeting and will be available for comments or to answer any questions.

Canby Utility Executive Financial Summary
Profit (Loss) Resulting From Operations and Capital Contributions***
Year To Date Twelve Months Ending June 2017

Legend	
	= Electric
	=Water

Electric

Profit (Loss) From Operations

	Revenue		Expense		Operating Profit (Loss)
\$	13,127,401	\$	10,953,249	\$	2,174,152

Operations And Capital Contributions***

	Operating Profit (Loss)		Capital Contributions		Net Income (Loss)
\$	2,174,152	\$	244,119	\$	2,418,271

Water

Profit (Loss) From Operations

	Revenue		Expense		Operating Profit (Loss)
\$	3,164,505	\$	2,714,971	\$	449,534

Operations And Capital Contributions ***

	Operating Profit (Loss)		Capital Contributions		Net Income (Loss)
\$	449,534	\$	880,443	\$	1,329,977

*****Capital Contributions** are contributions of capital, in the form of money or assets/infrastructure to Canby Utility from a customer or a vendor.

Canby Utility Executive Financial Summary
Profit (Loss) Resulting From Operations With Capital Contributions Compared To Budget
Year To Date Twelve Months Ending June 2017

Electric

Net Income (Loss)	Budget	Over (Under) Budget
\$ 2,418,271	\$ 924,827	\$ 1,493,444

Notes : The net income year to date is over budget.

Operating revenue is slightly over budget. Non operating revenue is over budget due to the sale of the building.

Operating expenses are under budget due to more labor being capitalized, the vacancy of the operations superintendent and a lineman, lower purchased power and transmission costs, and lower customer conservation payments.

Capital contributions are over budget due to more customer funded projects.

Water

Net Income (Loss)	Budget	Over (Under) Budget
\$ 1,329,977	\$ 349,101	\$ 980,876

Notes : The net income year to date is over budget.

Operating revenue is above budget due to higher water consumption than budgeted.

Operating expenses are under budget mainly due to more distribution labor being capitalized and the vacancy of the operations superintendent and a water worker.

Capital contributions are over budget mainly due to more SDC's being collected due to a large multi-family apartment complex.

**Canby Utility Executive Financial Summary
Cash Reserves
Year To Date Twelve Months Ending June 2017**

Electric

<u>Budget Target 6/30/17</u>	Current Cash Reserves		FYE 2017 Target		Over (Under) Target
	\$ 11,497,710	\$	9,527,772	\$	1,969,938

<u>MINIMUM</u>	Current Cash Reserves		Minimum		Over (Under) Minimum
	\$ 11,497,710	\$	4,000,000	\$	7,497,710

Water

<u>Budget Target 6/30/17</u>	Current Cash Reserves		FYE 2017 Target		Over (Under) Target
	\$ 4,041,427	\$	2,864,913	\$	1,176,514

<u>MINIMUM</u>	Current Cash Reserves		Minimum		Over (Under) Minimum
	\$ 4,041,427	\$	2,000,000	\$	2,041,427



MEMORANDUM

November 6, 2017

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

FROM: Dee Anne Wunder, Customer Service Supervisor

SUBJECT: Annual Red Flag Rules Update

Overview: The Federal Trade Commission requires every creditor to establish an “Identity Theft Prevention Program” that is defined by the Red Flag Rules. Canby Utility established this program in November 2008.

Staff follows the current policy which is in compliance with the Federal rules. We are pleased to report that there have not been any incidents over the past year. All customer service staff has received the annual Red Flag Rules training on October 12, 2017.

I wanted to share a couple of quick notes about some recent statistics pertaining to Identity Theft/Fraud. Telephone and Utility fraud are number three on the list for identity theft; at 13%. Tax and wage related incidents are number one with credit card theft being number two. The Equifax breach that was reported on July 29, 2017 affected over 143 million consumers. Based on the company’s investigation, the unauthorized access occurred from mid-May through July 2017.

A copy of the Identity Theft Prevention Program is attached for your review.

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