CANBY UTILITY
REGULAR BOARD MEETING
DECEMBER 11, 2012
7:30 P.M.

REVISED AGENDA

I. CALL TO ORDER

II. AGENDA
- Additions, Deletions or Corrections to the Meeting Agenda

III. CONSENT AGENDA
- Approval of December 11, 2012 Agenda
- Approval of Regular Board Meeting Minutes of November 13, 2012
- Approval of Write-Offs
- Approval of Payment of Water and Electric Bills

IV. CITIZEN INPUT ON NON-AGENDA ITEMS

V. AUDIT REPORT for Fiscal Year Ended June 30, 2012 – Introduction by Carol Sullivan, Finance Manager. Presentation and Review by Scott Daniels and Lindsay Godfrey, Aldrich Kilbride & Tatone, LLC (pp. 1-25)

VI. RECOMMENDATION Adopt Procedure 260, Fleet Safety Program – Barbara Benson, Administration/HR Manager (pp. 26-37)

VII. RECOMMENDATION Adopt Procedure 497, Violence in the Workplace-Hostile Customer Policy – Dee Anne Stockton, Customer Service Supervisor (pp. 38-46)

VIII. POLICY DISCUSSION Cash Reserves Policy – Carol Sullivan, Finance Manager (pp. 47-53)

IX. RESOLUTION NO. 256 Water Hook-Up Fee Schedule Corrections – Larry Hepler, Operations Superintendent (pp. 54-58)

X. ACTION ITEM Schedule Special Meeting for Knights Bridge Substation Site Development Bid Award – Matt Michel, General Manager Cornelius (pg. 59)

XI. ACTION ITEM Sign Congressional Delegation Letter in Support of Tax Exempt Financing – Matt Michel, General Manager

XII. BOARD REPORT Knights Bridge Substation Project – Member Maxwell

XIII. STAFF REPORTS

Operations Superintendent:
- 13th Avenue Reservoir Project Update

General Manager Updates:

XIV. EXECUTIVE SESSION The Canby Utility Board will adjourn its regular meeting to go into executive session pursuant to ORS 192.660(2)(h), (i) to discuss litigation and performance of public employee. Upon completion of the executive session the Board will return to its regular meeting.

XV. ADJOURN

Barbara Benson

From: Northwest Public Power Association [mailto:nwppa@nwppa.org]
Sent: Tuesday, December 04, 2012 4:16 PM
To: Matt Michel
Subject: Action Requested on Tax Exempt Financing

Attention GRC Members:
The American Public Power Association (APPA) is calling on its members to take **immediate action** in support of tax exempt financing as Congress considers options to address the "fiscal cliff." Although the final shape of a deal is still far from certain, both parties have voiced support for proposals that would effectively eliminate tax-exempt financing in order to raise revenue. Please see the attached APPA talking points for additional details.
Morgan Meguire, NWPPA's DC lobbying firm, is strongly encouraging us to let our respective Members of Congress know **we support tax exempt financing** to prevent those proposals from being included in a larger tax compromise~~.~~ since it would be nearly impossible to remove tax exempt bonds from such a deal once it is struck.
Please fill out and send the attached sample letter to your Members of Congress. If possible, please keep us informed of any contacts made by emailing Scott Lindsay at Scott@SMLConsulting.com. You may also want to consider meeting with Senators and Representatives (or staff) in their district offices, preferably over holiday recess.
In 2013, we will be revisiting NWPPA's policy position on this issue by updating the archived resolution we have in Support for Tax-Exempt Financing. This will update our position to reflect the latest actions in Congress.
Please let us know if you have questions; we hope you will reach out to your Members of Congress and weigh in on this important issue.
Regards,

Elizabeth W. Hadley
NWPPA GRC Chair

American Public Power Association

Municipal Bonds and Public Power

Municipal bond interest is, and has always been, exempt from federal tax. Proposals to replace or repeal this federal tax exemption—none of which propose allowing state and local governments to tax federal bond interest—are misguided, will make critical infrastructure investments more costly, and in the case of public power utility customers, will force a regressive tax increase in the form of higher rates.

- **The income exemption for interest on municipal bonds prevents a federal tax on infrastructure financing that would increase capital costs for public power utilities.**
  - Interest paid on taxable bonds is historically higher than is paid on municipal bonds;
    - Historically by 150 to 200 basis points; and
    - More recently by 50 basis points.
  - Increased costs would be passed on to customers through increased rates or reduced investments in power generation, distribution, security, and efficiency.
    - Taxing investments in safe, affordable, and reliable power would hurt economic competition for communities and the nation.

- **Municipal bonds are stable financing tools that free state and local governments from dependence on the annual federal appropriations and budget process.**
  - The federal government is facing huge deficits and cutting its budget: tax-exempt financing gives state and local governments the power to meet their responsibilities.
  - Other types of municipal securities are vulnerable to the federal budget process.
    - In 2013, federal payments to issuers of Build America Bonds (a taxable direct payment bond) will be cut 7.6%, as part of the Budget Control Act of 2010.

- **The exemption for municipal bond interest is not a gift from the federal government.**
  - Just as interest on *$3 trillion* in municipal bonds is exempt from federal tax, so *$11 trillion* in federal bond, bill, and note interest is exempt from state and local taxation.
    - This system of reciprocal immunity is more than a century old.
  - The exemption matters at the margin, reducing borrowing costs, but the issuer is still fully responsible for paying principle and interest on those loans.

- **The municipal bond market gives small municipalities access to investors they could never reach in the taxable bond market.**
  - There are roughly 13,000 municipal bond issuances annually (median size: $7 million).
  - By comparison, there are 2,500 corporate bond issues (median size: $210 million).

- **Municipal bonds are a time-tested financing tool, valued in the market for their stability.**
  - The default rate on investment grade municipal bonds is less than 0.1%.
  - Nearly 85% of taxpayers with exempt interest had income of less than $250,000.

- **The market provides a natural project viability test to all bonds.**
  - Investors purchase bonds based on the terms of the loan, the strength of the asset, the likelihood of repayment, *and* the projected after-tax return.
  - These market forces encourage responsible projects and penalize, through higher interest rates, profligacy.