

CANBY UTILITY
REGULAR BOARD MEETING
MAY 11, 2021
7:00 P.M.

AGENDA

Due to COVID-19 Pandemic, the Board of Directors and staff will be attending the meeting virtually. The public is invited to attend the meeting virtually or in person at Canby Utility's office, with measures in place to comply with the Governor's Executive Order regarding social distancing.

- 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 April 13, 2021 (pp. 1-4)
 - Approval of Write-Offs
 - Approval of Payment of Water and Electric Bills
- IV. CITIZEN INPUT ON NON-AGENDA ITEMS
- V. BOARD REPORT
 - Chair Comments
 - Board Member Comments
- VI. STAFF REPORTS

General Manager Updates
- VII. ADJOURN

CANBY UTILITY REGULAR BOARD MEETING MINUTES APRIL 13, 2021

Due to COVID-19 Pandemic, the Board of Directors and staff attended the meeting virtually. The public was invited to attend the meeting in person at Canby Utility's office, with measures in place to comply with the Governor's Executive Order regarding social distancing.

Board Present: Chair Thompson; Members Hill, Wagner, Horrax, and Gustafson

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 Doug Erkson, Operations Manager

Others Present: Mike Greene and Brian Hutchins, Veolia Water North America-West; and Jennifer Joly, Oregon Municipal Electric Utilities

Chair Thompson called the Regular Board Meeting to order at 7:01 p.m.

Chair Thompson presented the meeting agenda for consideration. She asked for any additions, deletions, or corrections to the meeting agenda, and there were none.

Chair Thompson presented the consent agenda for approval. Member Hill made the *MOTION to approve the consent agenda, consisting of the meeting agenda, regular and executive session meeting minutes of March 9, 2021, write-offs in the amount of \$740.43, payment of the electric and water department bills in the amount of \$1,607,664.41. Member Gustafson seconded, and the motion passed unanimously.

Chair Thompson asked for citizen input on non-agenda items, and there was none.

General Manager Dan Murphy recommended that the board ratify an extension of the operations, maintenance, and management services agreement between Canby Utility and Veolia Water North America-West (Veolia). Murphy introduced Veolia's representatives Mike Greene, General Manager of Northwest Water Projects, and Brian Hutchins, Canby Utility's water treatment plant Project Manager. The agreement had an expiration date of April 1; however, he approved the extension pending ratification of the Board. Mike Greene gave a PowerPoint presentation that provided the Board with an overview of Veolia and its relationship with Canby Utility. Greene stated that the contractual agreement between Canby Utility and Veolia started on April 1, 2006. He talked about their staff's qualifications and experience, community and professional involvement, corporate support and purchasing, the scope of their operations for Canby Utility, and their asset and maintenance management programs. Murphy said that Brian Hutchins is Canby Utility's registered Direct Responsible Charge with the Oregon Health Authority's drinking water program and has been a valuable resource. Hutchins extended an

invitation to tour the water treatment plant and facilities. Murphy anticipated that we would be scheduling a tour within the coming months.

Member Hill asked Veolia if Molalla's new agreement with DEQ amending their wastewater discharge permit standards would impact Canby Utility? Greene stated that the City of Molalla is negotiating an NPDES permit now. Although Molalla has had compliance challenges, it has never affected our water quality. Greene added that the taste and odor issues in our drinking water are entirely unrelated to Molalla's discharges. The algae (Geosmin and Methylisoborneol "MIB") causing our taste and odor challenges are not regulated or enforceable. They are considered a nuisance in drinking water. Chair Thompson commented on an article stating that Molalla's permit holds the city to a much higher standard than what the EPA and DEQ guidelines require, thereby making it more challenging for Molalla to achieve compliance. A brief discussion then ensued. Murphy asked the board to consider the recommendation to extend the contract with Veolia. Member Hill made the *MOTION that the Board approve Resolution No. 307, extending the contract with Veolia to the year 2026. Member Horrax seconded, and the motion passed unanimously. The Board thanked Greene and Hutchins for their presentation.

Finance Manager Carol Sullivan presented the second-quarter Executive Financial Summary. Sullivan reviewed the profit resulting from operations and capital contributions year-to-date three months ending December 31, 2020. The electric operating profit was \$432,481, plus the capital contributions of \$339,892 for a net income of \$772,373. The water operating profit was \$423,416, plus the capital contributions of \$613,689 for a net income of \$1,037,105.

Sullivan then compared the operations with capital contributions to the budget. The electric fund's net income was under budget \$2,472,545. Sullivan noted that the reason for the significant variance is the timing of the land sale to the water department, which was budgeted to happen in October. She said staff is currently working with a consultant to determine the land's fair value. The year-to-date operating revenue is 3.83% or \$256,240 under budget, mainly due to lower small commercial sales. The operating expenses are 9.37% or \$631,597 under budget, mainly due to more labor being capitalized and vacant positions. The capital contributions are 34.92% or \$87,970 over budget, mainly due to more hook-up fees than budgeted. The change in net assets is 76.20% or \$2,472,545 under budget, mainly due to the land sale to the water fund.

The water fund was under budget \$209,600. The year-to-date operating revenue is 10.46% or \$200,595 over budget, mainly due to higher residential sales. The total operating expenses are 7.12% or \$131,965 under budget, mainly due to the timing of rate studies and a vacant position that won't be filled. The capital contributions are 47.80% or \$562,002 under budget, mainly due to the timing of contributions of infrastructure from developers. The change in net assets is 16.81% or \$209,600 under budget, mainly due to the timing of capital contributions.

Sullivan then reviewed the cash reserves summary. This summary compares Canby Utility's current cash reserves to the targeted amount for June 30, 2021. The electric reserves are over the year-end target by \$5,964,139 and over the minimum threshold by \$6,135,166. Sullivan noted that funds are still being used for the cost of the Combined Service Center Phase 2 construction.

The water reserves are over the year-end target by \$4,305,286 and over the minimum threshold by \$4,334,775. Sullivan noted that this was due to the timing for purchasing the future water treatment plant site from the electric department. Chair Thompson clarified that the land is currently an electric department asset that will be transferred to the water department for fair value in cash. General Manager Dan Murphy explained that once the valuation analysis of the land is completed and he has a proposed sale price, he will bring the asset transfer recommendation to the board for approval. Member Hill asked about the water department job vacancy that will not be filled. Sullivan explained that this position was eliminated as a result of retirement. Management obtained board approval to recruit additional department resources in preparation for that retirement.

Sullivan gave an update on the fiscal year 2022 operating and capital budget process timeline. The board will receive a copy of the proposed budgets on June 4. The proposed budgets will be presented for approval on June 8 during the regular board meeting.

Customer Service Supervisor Dee Anne Wunder presented the COVID-19 bill comparison through March 2021. Wunder stated that they stopped sending out disconnect notices at the end of March, which is reflective in the numbers and does not present a true comparison of March 2020 to March 2021. The payments have increased this month in which she contributes to the recent federal stimulus payments. She also noted that there is approximately \$100,000 in new construction payments included in the report. Murphy said that the most significant financial impact from COVID-19 had been the commercial revenue due to businesses having to close.

General Manager Dan Murphy reported that the office had reopened to walk-in customers on April 5. Staff continues to follow all the COVID-19 guidelines to keep employees and the public safe as we reopened.

Murphy reported on the progress of the Combined Service Center Phase 2 construction project. He said that the framework for Building B (warehouse and vehicle maintenance building) and Building C (covered truck and equipment parking) is complete. Essex is now working on both structures' metal siding and roofing. Murphy said that the costs continue to be within our budget, and the change orders to date are only 3.7% of the original contract price.

Murphy reported that the board received a copy of the Water Quality Report in their packets. This report, prepared by Veolia, represents all of their water testing throughout all of 2020. This report is issued to our customers in the June bills and then posted on our website. Murphy noted that the report verifies the water is safe to drink.

Chair Thompson reported that during the last City Council meeting, there was a discussion on relocating powerlines as part of the S. Ivy Street project. Clackamas County has requested a decision from the city on whether or not the powerlines will be moved to underground when they are relocated. The Council talked about the \$300,000 cost estimate provided by Canby Utility to move the existing overhead services to accommodate the project and our commitment to credit the city for that cost. That leaves approximately \$1 million that the city needs to pay if it prefers

the conversion to underground. The city is dealing with trying to keep their commitments to projects identified in their Transportation Capital Improvement Plan and having enough money to pay for this project. The Council indicated that they would like Canby Utility to cover any project cost overruns in addition to the \$300,000 commitment. Thompson anticipates the city will make a formal request to Canby Utility. Murphy said that he continues to work closely with the city staff on this project and that the \$300,000 contribution he has committed to a possible underground construction option represents Canby Utility's avoided costs for the re-situation of the existing overhead line. Any requests beyond that would exceed policy provisions and would require board approval.

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

There being no further business, the meeting adjourned at 7:55 p.m.

Melody Thompson, Chairman

David Horrax, Member

Tim Gustafson, Member

Robert Hill, Member

Todd Wagner, Member

Barbara Benson, Board Secretary