

***CANBY UTILITY
REGULAR BOARD MEETING
AUGUST 10, 2021
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 July 13, 2021, and Work Session and Executive Session Minutes of July 27, 2021 (pp. 1-7)
- Approval of Write-Offs
- Approval of Payment of Water and Electric Bills

IV. CITIZEN INPUT ON NON-AGENDA ITEMS

V. BOARD REPORT

- Chairman Comments
- Board Member Comments

VI. STAFF REPORTS

Finance Manager:

- Third Quarter Financials (pp. 8-11)

General Manager Updates

VII. ADJOURN

CANBY UTILITY REGULAR BOARD MEETING MINUTES JULY 13, 2021

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 Jason Berning, Operations Manager

Others Present: Laurie Grenya and Jennifer Schoorl, HR Answers, Inc.

Chair Thompson called the Regular Board Meeting to order at 7:02 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 meeting minutes of June 8, 2021, write-offs in the amount of \$1,569.49, payment of the electric and water department bills in the amount of \$2,234,406.06. Member Horrax seconded, and the motion passed unanimously.

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

Laurie Grenya, Co-president of HR Answers, Inc., presented a compensation study for the exempt management positions. Grenya provided the Board with the background on the HR Answers team members who worked on this project. The direct market study is just one of several considerations for an entity to use in determining compensation. The entity needs to rely upon its compensation philosophy that is unique to them. The best practice to comparing jobs is to match the job duties to 70%, noting that it is more of an art than a science to support the job match percentage.

Grenya gave an overview of their best practices approach to the direct market study. She explained how they determine that jobs are a match with comparing content, not job titles. They look at why the job exists, independent decision-making authority, supervisory responsibilities over other employees in the organization, and recruiting criteria. She also explained her approach used for a mixed-duty position. She recommended the Board consider implementing a tiered-structure compensation system that has positions in the lower level of the compensation plan having a narrower wage spread than a position at the top of the organization with a much wider wage spread. This structure provides upward mobility, as well as promotes growth progression and longevity. Grenya noted that the tiered rate structure is not common practice in the

government pay structures. However, with a decreasing gap between compensation and benefits, tiered rate structures are growing. Chair Thompson asked about the study excluding benefits, and General Manager Dan Murphy stated that the scope of work was only to compare compensation data.

The method used in this study included direct market research and published research. HR Answers sent survey requests to 26 utilities. There were 11 responses, and only six of those participated previously. The published research provided data from the Milliman Survey and the Economic Research Institute. Grenya talked about the work they performed to obtain the data from the survey participants. As a third-party vendor, they require five comparators for a job match. One of the best practices approaches to compensation is for pay to be at 15% of the market. Another consideration is pay compression when a supervisor's compensation is close to a subordinate employee's pay level. Member Horrax commented on the percentages above and below the market average. Grenya said it is important for the board to look at the comparators used in the study, knowing that they are significantly different from those who previously participated, and asking if those entities are a 70% match to Canby Utility's position size, scope, and job complexity. She added that it is not uncommon for a utility to conduct a survey based on the number of customers or the number of billables the entity has. Narrowing the comparable agencies down based on size may limit the number of entities that can respond due to our small size.

Member Hill commented on the utilities used in the study being much larger than Canby Utility and gave examples. He also asked why other utilities did not participate, who are also municipalities and closer in size to Canby Utility. Grenya said that they reached out to the same 26 entities used in the 2014 study. Hill noted that out of the 11 respondents, only one was similar to Canby Utility in customer accounts, budget, service area, and employees. Grenya reviewed the entire list of utilities they approached to participate in the study. She discussed the need for consideration to balance the competition for work. Member Wagner added that the survey data is just one source of compensation data the Board can use in their review of management pay. Chair Thompson asked about other available options for the Board with concerns about the number of larger utilities used in this study. Grenya replied that a factoring method could be applied to the data using a tool available through the Economic Research Institute to cut data and apply variances by the organization's size. They use this tool frequently to balance out the differences. Member Wagner asked about the weighted averages in the survey. The study used a 1:1 comparison because most agencies have only one person in each role.

Chair Thompson talked about Canby Utility's tiered approach that is currently a 30% wage spread. She expressed concern about treating people differently unless there is a compression issue. HR Answers views this approach as an incentive to move up in the organization. Discussion ensued regarding the Operations Field Supervisor position having pay compression issues with the line foreman pay rate. Chair Thompson expressed that the board may want to give the recommendation for variable tiers more thought.

Chair Thompson commented on the recommendations and concerns for the ability to get good comparable positions for the Human Resources/Administration Manager's job description and asked what changes are needed to get good comparables? Grenya replied that due to the comparators being who they are, their positions have isolated HR functions that do not blend roles. Canby Utility's position also has the Board Secretary-Clerk role incorporated into that position. Therefore, this is not a good match for other positions. Chair Thompson noted that the comparator data was received but not used because it did not meet the 70% match based on the job description. The information provided in the survey offers an indicator but does not answer the question, what is the appropriate pay level for this position? Based on the discussion, Grenya will work with Murphy to refine the study and come back to the Board in a couple of months. Grenya and Schoorl departed the meeting at 7:54 p.m.

General Manager Dan Murphy recommended adjusting an employee's pay following Procedure 405 per the packet's memorandum. Murphy stated that the position's pay is below market according to the 2014 and the recent survey data. He added that it is purely coincidental that the incumbent has received a job offer at another utility. Member Hill asked about the several key projects mentioned. Murphy replied that the critical project is converting the financial accounting system, noting that the RFIs were issued. The conversion will take approximately nine months to one year to complete. Chair Thompson talked about concerns for increasing the person's salary above the range when HR Answers will be refining the compensation study results. Murphy asked the board to trust his discretion in negotiating a pay rate per the procedure, and discussion ensued. Member Horrax made the *MOTION that the General Manager be authorized, pursuant to Procedure 405, to adjust the Customer Service Supervisor's salary. Member Hill seconded, and the motion passed unanimously.

Member Hill asked if there will be an open house when Phase 2 is complete. Murphy stated that staff discussed having an event in October. Board Secretary Barb Benson said that Canby Utility's 50th Anniversary event and the Phase 2 project open house will be held together and is planned for early October. She talked about the various activities planned for that event.

General Manager Dan Murphy introduced our Interim Operations Manager Jason Berning, who presented the quarterly reliability report. Berning stated that except for the February storm-related outage and a transformer-related outage in June, Canby Utility's numbers are exceptional. The 2,919 interruption minutes (SAIDI) reporting, equating to 48 hours, is approximately the same length of time that Portland General Electric was unable to provide power to Canby's substations due to the ice storm. The June outage event was related to a transformer during the historical excessive heat event. Berning said that the indices indicate that Canby Utility's electric system is strong and reliable. Member Hill asked how the extreme heat event affected our power usage. Berning said that the usage was up significantly with the increase in air conditioning use and discussion ensued.

General Manager Dan Murphy reported on the summer water consumption. In June, our average daily water use was 3.637 million gallons per day (mgd) compared to 2.4 mgd in June 2020, or 50.8% greater usage. The average high temperature was 82 degrees compared to 73 degrees in

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June 2020. Murphy stated that Canby Utility continues to have an ample supply of drinking water. The peak day in June was 6,172,380 gallons, with nine days exceeding 4.0 mgd. The water treatment plant can treat up to 8 mgd, so there were no issues with meeting the peak demand.

Murphy said that with the higher temperatures, algae could proliferate on the river. With temperatures reaching above 80 degrees, the likelihood of having the presence of MIB and Geosmin in the source water increases. The earthy taste in the water has been noticeable recently. The presence of harmless compounds in the water is an intermittent problem for Canby Utility. It does not happen except at certain times of the year. The taste and odor issues are not regulated by the state and federal government and are considered to be an aesthetic quality of water. Despite the water not tasting good, it has been confirmed safe to drink through regular testing. We continue to conduct mandatory testing for the harmful blue algae as required by the state. Murphy reported that the 2020 water quality report has been mailed to our customers and posted on our website. The report has been filed with the state as required.

Murphy is scheduling tours of the water treatment plant and still needed to schedule a tour time for Chair Thompson and Member Gustafson.

Chair Thompson asked about the Molalla River's water levels and its capacity to continue to serve Canby with the drought conditions. Murphy said that there has only been a concern for protecting the watershed from contaminants, and no alarms have been sent out on the river's ability to meet Canby's needs. Operations Manager Jason Berning reached out to Veolia Water, asking if there were any capacity concerns, and Plant Manager Brian Hutchins stated that there are no concerns. Discussion ensued regarding Canby Utility's peak usage. Murphy added that we just completed a budgeted capital improvement that consisted of adding a small supplemental transmission line. This new line will enable us to achieve higher water quality by not moving water around as much and filling the reservoirs fuller for higher reserve capacity.

Chair Thompson asked about water reservoir maintenance. Murphy stated that the reservoirs are inspected, and the state conducts a sanitary survey to check all the measures we have taken. Berning added that divers were in the 13th Avenue reservoirs doing inspections recently. Purchasing Agent Sue Arthur said that in addition to adding the 2-million-gallon steel-bolted reservoir on the 13th Avenue site, the existing concrete tank was refurbished to add 25+ years of life to the structural integrity of the older reservoir.

General Manager Murphy reported on the progress of the Combined Service Center Phase 2 construction project. The future employee parking lot is asphalted and striped, and the warehouse construction is progressing, although slower due to material delivery delays. The anticipated completion date is August 30. Murphy predicts the board could tour the completion of the back portion of the office building next month. Murphy noted that change orders to date are 5.6% of the contract price.

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Board Secretary Barbara Benson presented the board planning calendar for the new fiscal year. This calendar provides information such as board meeting dates, holidays, special events, and other items of interest that staff anticipates will come up over the year. Benson encouraged feedback from board members, noting that the planning calendar can be updated throughout the year. The board members confirmed that they are available July 27th to attend board training with Board Attorney David Doughman.

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

There being no further business, the meeting adjourned at 8:32 p.m.

Melody Thompson, Chair

David Horrax, Member

Tim Gustafson, Member

Robert Hill, Member

Todd Wagner, Member

Barbara Benson, Board Secretary

***CANBY UTILITY
WORK SESSION MEETING MINUTES
JULY 27, 2021***

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

Staff Present: Daniel P. Murphy, General Manager; Barbara Benson, Board Secretary

Others Present: David Doughman and Ashley Driscoll, Board Attorneys

Chair Thompson called the Work Session to order at 7:00 p.m.

David Doughman, Board Attorney, with Beery, Elsner & Hammond, provided training for board members that included background on the City of Canby's Charter, board roles and responsibilities, public meetings, public records, and ethics. Copy of the work session presentation is attached for reference.

Member Wagner joined the meeting at 7:48 p.m., Board Attorney Ashley Driscoll joined the meeting at 7:50 p.m.

The public meeting recessed at 8:22 p.m. Board Attorney David Doughman, General Manager Dan Murphy, and Board Secretary-Clerk Barbara Benson left the meeting.

Member Hill made the *MOTION to go into Executive Session according to ORS 192.660(2)(f) to discuss exempt public records. Member Gustafson seconded, and the motion passed unanimously.

The public meeting reconvened at 8:55 p.m.

Member Horrax 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 8:56 p.m.

Melody Thompson, Chair

David Horrax, Member

Tim Gustafson, Member

Robert Hill, Member

Todd Wagner, Member

Barbara Benson, Board Secretary

***CANBY UTILITY
EXECUTIVE SESSION MINUTES
JULY 27, 2021***

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

Board Absent: Member Wagner

Others Present: Ashley Driscoll, Board Attorney

The Executive Session was opened at 8:32 p.m. by Chair Thompson, in the Conference Room of the Canby Utility Board office, pursuant to ORS 192.660(2) (f) for the purpose of discussing exempt public records. There were no staff members present during the meeting.

There being no further business, the Executive Session was adjourned at 8:55 p.m.

Melody Thompson, Chair

David Horrax, Member

Tim Gustafson, Member

Robert Hill, Member

Todd Wagner, Member

Barbara Benson, Board Secretary



Memorandum

July 22, 2021

To: Chair Thompson, Member Wagner, Member Hill, Member Horrax, and Member Gustafson

From: Carol Sullivan, Finance Manager

Subject: Quarterly Financial Update as of March 31, 2021 Fiscal Year 2021

Please find attached the Executive Financial Summary through March 31, 2021, the Utility's first nine months of fiscal year 2021. 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.

I will present these 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 (YTD) Nine Months Ending March 31, 2021

Legend	
	= Electric
	=Water

Electric

Profit (Loss) From Operations

Revenue	Expense	Operating Profit (Loss)
\$ 10,232,598	\$ 9,303,035	\$ 929,563

Operations And Capital Contributions***

Operating Profit (Loss)	Capital Contributions	Net Income (Loss)
\$ 929,563	\$ 536,333	\$ 1,465,896

Water

Profit (Loss) From Operations

Revenue	Expense	Operating Profit (Loss)
\$ 2,936,836	\$ 2,603,015	\$ 333,821

Operations And Capital Contributions ***

Operating Profit (Loss)	Capital Contributions	Net Income (Loss)
\$ 333,821	\$ 774,331	\$ 1,108,152

*****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 (YTD) Nine Months Ending March 31, 2021

Electric

Net Income (Loss)		Budget		Over (Under) Budget	
\$	1,465,896	\$	3,643,688	\$	(2,177,792)

Notes : YTD total operating revenue is 3.65% or \$381,143 under budget mainly due to lower small commercial sales.

YTD operating expenses are 9.81% or \$1,006,728 under budget mainly due to more labor capitalized, vacant positions, and lower purchased power .

YTD Capital contributions are 41.93% or \$158,450 over budget due to more hook-up fees than budgeted for.

YTD Change in Net Assets is 59.77% or \$2,177,792 under budget mainly due to the timing of the land sale to the water fund.

Water

Net Income (Loss)		Budget		Over (Under) Budget	
\$	1,108,152	\$	1,160,335	\$	(52,183)

Notes : YTD operating revenue is 9.43% or \$243,292 over budget mainly due to higher residential sales.

YTD Operating expenses are 7.01% or \$191,458 under budget mainly due to vacant positions, capitalized labor, no rate study, and depreciation expense.

YTD Capital contributions are 40.48% or \$526,631 under budget mainly due to the timing of contributions of infrastructure from developers.

YTD Change in Net Assets is 4.50% or \$52,183 under budget due to the timing of capital contributions.

Canby Utility Executive Financial Summary
Cash Reserves
Year To Date (YTD) Nine Months Ending March 31, 2021

Electric

<u>Budget Target 6/30/2021</u>	Current Cash Reserves		FYE 2021 Target		Over (Under) Target
	\$ 9,012,841	\$	4,171,027	\$	4,841,814

<u>MINIMUM</u>	Current Cash Reserves		Minimum		Over (Under) Minimum
	\$ 9,012,841	\$	4,000,000	\$	5,012,841

Water

<u>Budget Target 6/30/2021</u>	Current Cash Reserves		FYE 2021 Target		Over (Under) Target
	\$ 6,452,440	\$	2,029,489	\$	4,422,951

<u>MINIMUM</u>	Current Cash Reserves		Minimum		Over (Under) Minimum
	\$ 6,452,440	\$	2,000,000	\$	4,452,440