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MINUTES

A regular meeting of the Sunrise Water Authority Board of Commissioners was held on Wednesday, October 24, 2012 at Sunrise Water Authority, 10602 SE 129th Avenue, Happy Valley, Oregon, 97086.

Board Present: Ernie Platt, Chair; Ron Blake, Vice Chair; Terry Roskey, Secretary; Keith Miller; Judy Grycko; Mike Kuenzi.

Staff Present: Wade Hathhorn, General Manager; Lin Rigutto, Finance Director; Dan Fraijo, Operations Supervisor; Tim Jannsen, District Engineer; Christin House, Customer Service & Billing Supervisor; Kim Anderson, Government Relations Manager; Cindy Richards, Administrative Assistant.

Visitors Present: Barbara Kemper, CRW; Fenner Brownell; Matthew Hall; Catherine Albrecht.

1. CALL MEETING TO ORDER

The meeting was called to order at 6:01PM.

2. INTRODUCTIONS & WELCOME OF VISITORS

Platt asked if Kemper had any comments to make. Kemper stated that she hoped that the actions taken by some of the CRW board members would help to ensure that the 190 agreement moves forward.

3. FLAG SALUTE

4. PUBLIC COMMENT

5. APPROVAL OF AGENDA

6. CONSENT CALENDAR

Roskey pulled Agenda Item 6.2 for individual consideration.

A motion to approve the consent calendar consisting of the items listed below was made by Roskey and seconded by Blake. Motion carried unanimously.

- 6.1 Approval of Minutes of September 26, 2012 Meeting
- 6.3 Adoption of Resolution 2012-09, Repeal of Policy 5-01, Rental Property Water Deposit Policy
- 6.4 Approval of Resolution 2012-08, Dissolution of the General Obligation Bond Fund (Sinking Fund)

6.2 Approval of Expense Report for September 2012

Roskey asked for more information regarding the payment to MP Plumbing on page 4 of item 6.2. Fraijo stated that Staff hired MP Plumbing in order to remove debris from a water line in a customer's home after meter work completed by Sunrise introduced debris into the line.

A motion to approve Agenda Item 6.2, Approval of Expense Report for September 2012, was made by Roskey and seconded by Miller. Motion carried unanimously.

6:09 PM House joined the meeting.

7. DISCUSSION

7.2 Reservoir Evaluation

Hathhorn stated that the budget had included funds to re-coat reservoirs 3 and 5, but after discussion with the Engineering Department, the decision was made to take a broader look at the condition of all of the reservoirs before moving forward with work on 3 and 5. Funds budgeted for legal services related to the 190 agreement that will not be spent this fiscal year could be reallocated to complete this work. It was proposed that Staff solicit bids from a few engineering firms to complete a condition assessment of at least ten reservoirs as part of Sunrise's 20-year capital improvement plan.

Roskey asked if engineering studies would be done again for Sunridge. Hathhorn replied that the report on that reservoir was eleven years old and the overall condition has not been improved further evaluation wouldn't change the fact that it would cost as much to rebuild the current reservoir as it would to build a new one, so in the long term that reservoir is slated to be removed from service.

Blake asked about plans for reservoir two. Hathhorn stated that the plan continues to be that it will be removed from service, so it would not be part of the evaluation. He added that the report completed earlier in the year indicated that there wasn't a lot of contamination beneath the reservoir so removal would not pose a problem.

A motion to approve the Staff recommendation to select Murray Smith and Associates to conduct a planning-level assessments for recommended improvements at a budget

not-to-exceed \$25,000, was made by Blake and seconded by Kuenzi. Motion carried unanimously.

7.3 Proposed SDC Credit to City of Happy Valley for Downsizing

Jannsen said that Sunrise does not have a policy related to meter downsizing. He stated that a factor to be considered is that the City is a public agency and that any benefit to the City is also a benefit to our customers since they are one and the same. He posed the question that if a credit was given, what would the value of the credit be and who would be allowed to use the credit?

Platt stated that he had heard of SDC credits granted by other agencies being restricted to a specific owner for use on a specific property. Grycko asked for clarification as to whether or not an SDC charge was collected when the meter was originally purchased. Rigutto replied that the meter was purchased in 1980 and that she would have to review the budget from that year to determine if an SDC was collected. Blake requested that the issue be tabled pending more information from staff, such as if an SDC was paid, if so how much was it, and if the tables were turned what consideration would the City give Sunrise. Platt responded that the collection of SDCs by the City is on behalf of other agencies so he did not believe that they would have the authority to make a similar concession. Miller added that the meter was purchased 32-years ago and he didn't believe that in a theoretical scenario an individual would be eligible for a refund under similar circumstances.

A motion to table the discussion pending a request for further information was made by Blake and seconded by Miller. Motion approved unanimously.

7.4 NCCWC Issues

Blake stated that the request before the Board was made by the manager of the NCCWC. He indicated that he didn't see any purpose for the time changes; stating that changing the meeting time to the afternoon would limit public access to the meeting. He added that the stated purpose of the time change is to save some overtime expense, but since meeting overtime only amounts to eight to ten hours of overtime per year he doesn't believe that the budget was so tight that it was worth the tradeoff for public accessibility.

Hathhorn stated that currently the COLA is given automatically to employees. Miller commented that circumstances with the budget and the economy as well as other factors need to be considered when contemplating a cost of living increase. Platt summarized that the consensus of the Board was that the meeting time should remain in the evening and that any cost of living increase should be a part of the budget process rather than an automatic increase.

8. BUSINESS FROM THE BOARD

8.1 Calendar of Meetings

8.2 Liaison Reports

Roskey stated that he was at the last Boring Water District meeting but that he had nothing to report.

Blake said that Clackamas River Basin Council reported a total of 3.52 tons of trash was removed from the Clackamas as part of their annual river clean up, and that it was the second largest total.

Miller stated that he didn't have anything to report from CRW outside of the emails and news articles that everyone had already seen.

Platt reported that he had attended a couple of Damascus City Council meetings, which were moderately productive. He informed the group that the City Manager and Mayor are not on speaking terms so the Council President has had to step in and coordinate production of the agendas. He added that there would be a work session the following night and that amendments to the council rules were to be considered. Platt stated that further business would be discussed after Board interviews.

7. DISCUSSION

7.1 Interview of Candidates for Vacant Zone 1 Commissioner Position

At 6:23 PM Brownell, Board Candidate for Zone 1, arrived. The Board introduced themselves. Platt explained that it was an informal process and asked Brownell for a summary of who he is and why he wants to be on the Board. Brownell explained that as president of a Homeowner's Association (HOA) he liked to get involved in his community and that he was on the third year of his two year term. He provided his credentials; specifically that he had been involved in the sale of software products for water and wastewater utilities. Brownell informed the Board that on a personal level he was a father of four and recently became a grandfather. He said that he is currently working outside the water industry.

Platt asked how many properties are in the HOA and Brownell stated that there are currently 23 and that an influx of new people had moved into the community. Roskey asked if the candidate traveled a lot. Brownell replied that he works out of his house part-time and is basically retired. Aside from camping for a couple days at a time Brownell said that is he available.

Platt informed him that the Board meets once a month, but there are occasional meetings in addition to those regularly scheduled. Brownell asked if there were any subcommittee meetings the members are involved in. Platt replied that there aren't usually, but they sometimes arise. Brownell mentioned the 190 Agreement between CRW and Sunrise, and Platt informed him conversations were currently on hiatus. Platt added that each Board member is responsible for monitoring meetings of other entities such as the two cities in Sunrise's service area.

Platt asked the others how much time was left in the Zone 1 Commissioner's term. Miller stated that the term was the same as his and would be up for re-election on June 30, 2013. Platt went on to say that the new Commissioner would have to then run in the general election. Kuenzi asked if Brownell had any areas of special interest that he

believed might serve the Board. Brownell commented that he has a variety of interests including security and operations, but that it would be difficult to say as the first year would primarily be a learning curve. Blake explained that the role of the Board is not to get involved in the day to day operations of Sunrise, but that they do set policies. Brownell stated that he had no preconceptions about the Board partaking in day to day operations.

Platt asked if Brownell was aware of any issues as to water or water service in the area that he has wondering about or had heard about. Brownell responded that rates are always an interest even though they had not jumped up in the last five or six years, and that water quality was an interest for him. He stated that he was impressed with Sunrise's Water Quality Report.

Platt stated that the Board would come to a decision during the meeting and Staff would contact applicants the following day so that the new Commissioner would start at the November meeting. Brownell concluded that he would be available and would love to be a part of the Board. Platt asked if the Board had further questions for Brownell and stated that it had been a pleasure meeting the applicant. He reiterated that he could expect a phone call tomorrow.

Brownell exited the Board Room at 6:40PM.

Platt stated that the next interview was not due until 7:00 PM so there would be time to take care of more business beforehand, but wanted to know if anyone had any comments. Roskey stated that he'd rather reserve comments until the end.

Platt asked if further comment was needed on the Consent Calendar. Rigutto stated that the Board would need to discuss changing the December meeting. Platt asked if holding the November meeting a week after Thanksgiving presented a problem to anyone. He stated that the December meeting was the day after Christmas and asked for proposals for an alternate time, unless that date was acceptable to everyone. Miller suggested Wednesday, December 19th, which would be the third Wednesday of the month. Blake stated that the date coincided with the CRBC meeting but he could miss it. Staff agreed to the new date. Platt confirmed December 19th would be the revised meeting date.

9. BUSINESS FROM THE MANAGER

9.1 Financial Reports

Platt asked the group if there were any questions or points of note. Blake asked if no water meters were sold. Rigutto said that there weren't very many sold and House added that Sunrise had made up for the lack of sales in the current month. Rigutto stated that there were 17 ERUs for the month of September and 27 so far for October.

A motion to accept the Financial Reports as presented was made by Blake and seconded by Miller. Motion approved unanimously.

9.2 Cash Flow Projections

Platt stated that this item was for information only and asked if there were any questions.

9.3 Manager Updates

Hathhorn stated that he had not come to an agreement with Emmert as of yet.

He stated that Leo Gentry had remained current throughout the summertime, and that as part of the agreement a deposit was collected which would have to be returned to Gentry next spring and then renegotiated. Roskey asked Hathhorn to clarify what he meant by "current." Hathhorn replied that Gentry does not have to pay on his past balances due to the bankruptcy. Hathhorn summarized that Gentry had approximately 30 million dollars in debt, which included substantial unsecured debts such as his Sunrise Water bill. Hathhorn believes the bankruptcy court is proposing Gentry pay a nickel on the dollar on the unsecured debts.

Blake asked for clarification if Gentry was current. Hathhorn stated that Sunrise was required to forgo collecting on balances accumulated prior to the date of bankruptcy until negotiations were concluded by the court. He added that Sunrise has been reading and billing Gentry twice a month for current charges and Gentry has paid on time and in full. Moreover, Gentry's usage is down to around 20 units a months and Sunrise has \$18,500 sitting on Gentry's account as a deposit. Blake asked if Sunrise was required to return the \$18,500, and Hathhorn said yes. Platt asked if Sunrise had the authority to turn Gentry's water off, and Hathhorn said that according to Sunrise's attorney, Gentry can continue running his business, but if he does not pay his current charges Sunrise will turn the water off.

Platt stated that Gentry would not be needing water over the next few months and asked how Sunrise would assure that he does not use water during the upcoming months without Sunrise charging a deposit? Hathhorn replied that there would be no need for it, as Gentry shows no history of needing water during these months. Platt commented that Sunrise would just have to monitor the meter and act as quickly as possible if Gentry were to start using water again.

Matthew Hall arrived at 6:52 PM.

Miller asked what amount Sunrise would have to write off. Hathhorn informed him that the balance was \$148,000 and explained that because of a long history of billing errors, Gentry had been under-billed for over seven years. Hathhorn informed that the account would be renegotiated in February at which point biweekly billing would most likely resume.

Hathhorn provided an update regarding the 190 agreement with CRW, stating that with three positions open for appointments on the CRW Board, discussion related to the 190 agreement would be on hold. He added that Sunrise is still discussing operational logistics with CRW staff, such as sharing a billing system and other data.

Hathhorn stated that Sunrise has engaged two new hires, so three of the four offers that were made have come on staff to date. The newest hire was from DM Excavation and Hathhorn commented that Sunrise was pretty happy to have him on staff.

Miller asked if Lee Moore, CRW General Manager, had said anything about a rate study. Hathhorn responded that he didn't think it had been approved. Kemper added that the Board could not agree on where to head with it.

Hathhorn stated that Sunrise was considering installing a shower at some point at the request of Staff. He informed the Board that Sunrise is one of the few public agencies with a field crew that did not have showers available.

Hathhorn offered to provide upon request a copy of the brief by Water Watch pertaining to the appellate court's decision on the water right extensions. He said that the brief didn't focus as much on climate change as he expected, rather on the rights of fish with regard to the extensions.

7. DISCUSSION

7.1 Interview of Candidates for Vacant Zone 1 Commissioner Position

Platt welcomed Hall and the Board introduced themselves. Platt asked Hall to provide an introduction. Hall stated that he had been an Oregon business owner for eleven years and that he loved business. He stated that he recently moved to Happy Valley with his family and that he would like to have an opportunity to be part of the community. He added that he would like to work on his leadership.

Kuenzi asked Hall to talk about his thoughts and what he views as challenges with regard to conducting business publically rather than privately as he is accustomed to. Hall responded that you must be cautious in what you say whether doing business publically or privately, so the idea of business being conducted in a public forum did not make him uncomfortable. Miller requested that Hall talk about his skills and how they may be a complement to the current Board members skills. Hall responded that from running a company he has gained a balanced perspective. He gave the example that in his current role he has to oversee a budget for both short and long term gains. Hall added that he didn't know all the challenges he would come against so he was unable to provide specifics, but that he had a balanced perspective running and starting a business.

Kuenzi commented that the investment timeline at Sunrise is a lot longer and that changes the perspective. Miller added that investments made today affect the public and the staff in the future even if they don't reflect now.

Platt asked what interests and concerns Hall had in respect to his expectations from a water utility, giving the specific examples of rates and delivery of water. Hall replied that there were not any issues he was aware of, but that he had the skills to learn, aggressively correct and move forward.

Platt informed Hall that the term for the Zone 1 Commissioner runs through June 30, 2013, so for him to continue as Commissioner beyond that point would require running for election. Hall responded that he didn't know what to expect but that he would make a commitment and stick to it. Blake summarized the time commitments of Board members, and asked if the demands worked with Hall's schedule. Hall commented that the middle of the day would be more difficult to accommodate, but that he has a flexible enough schedule.

Blake asked what Hall understood to be the role of the Board. Hall stated that his general understanding is an elevated view of the organization, but that the Board does not get involved in day-to-day activities. Blake commented that Hall was fairly accurate and summarized that the Board meets, sets policy and gives direction to staff. Hathorn chimed in that the public sector Board has more fiscal responsibility than a private Board. Blake added that the Board also helps put the Authority's budget together annually.

Hall asked what types of issues come up in Board meetings. Platt responded that the agenda for the night was a pretty brief example, but that the content fluctuates throughout the year. He stated that, for example, spring is often busier due to budgets, but issues pretty much run the gamut from political issues between cities and agencies, water rights, and the occasional financial or personnel issue. Platt thanked Hall for his time and informed him that the Board hoped to make a decision that night so that the new member could participate in the November meeting. Hall returned the thanks and exited at 7:14 PM.

10. MONTHLY REPORTS

10.1 Operational Reports

10.2 Engineering and Construction Reports

Platt asked if there were any general comments. Miller asked for an update on any proposal from the City of Happy Valley on a Franchise Fee. Hathorn said there was a draft agreement urban services agreement that is being discussed that addresses how service will be provided for those areas annexed into the city. He commented that given the political climate, the City is not interested in including a franchise fee at the moment, but that if it did happen in the future, the City has been told explicitly that the tax would be included as a separate line item on Sunrise bills. Hathorn said that an alternate way for the City to collect a franchise fee would be for them to institute a one-time payment on each street opening permit.

Blake stated that in a recent meeting a conversation ensued about whether or not to annex Clackamas High School into Happy Valley.

7. DISCUSSION

7.1 Interview of Candidates for Vacant Zone 1 Commissioner Position

Albrecht arrived at 7:37 PM. The Board gave introductions and Platt asked Albrecht to introduce herself and provide a summary of her interests. Albrecht said that she is the Chair of the Traffic and Public Safety Committee. She added that she is on the Traffic Safety Commission for the County and Crime Prevention Specialist for the City of Happy Valley. Albrecht stated that she has won several awards for her volunteer work. She said she applied after speaking to Anderson about it and that she would like to expand on what she has been doing, and to help her community. Platt commented that Albrecht is a very busy person and he admired her for taking on so much. He summarized the time commitments of the Board, including being a liaison between Sunrise and another agency. Kuenzi asked if Albrecht had any other questions. Albrecht stated that she was proud to be considered. Platt said that Sunrise was blessed with a congenial Board and staff.

Miller asked what strengths Albrecht would bring to complement the current Board membership. She replied that she was public service oriented; she liked working with people and is enthusiastic. Platt summarized that the Board's intention was to come to a decision at the end of the night. He stated that the term for the position would end in June and asked if she had intentions to formally run at that time. Albrecht responded affirmatively.

Blake asked if Albrecht had any experiencing with budgeting. She replied that she had some experience with the Crime Prevention position, although she did not have to develop a budget but rather would have to make requests for funds through the Director of Community Services and Public Safety. She added that she was experienced at locating free resources particularly through the government. Platt and Albrecht exchanged thanks and Albrecht exited at 7:52 PM.

Platt asked for feedback about the applicants and stated that they were all very different and he understood why all three candidates were sent to the Board. Grycko stated that she liked Albrecht but she didn't think her background matched up with Sunrise's needs. She commented that Hall might not have enough experience with public business as his experiences mostly centered on the private sector. She believed that Brownell understood the business, but she was not as impressed with him.

Platt asked which candidate, outside of their qualifications and experience, would be the best fit with the current members of the Board. Grycko commented that she thought they would all fit well. Blake commented that they all have a learning curve and Miller added that the candidates offer three distinct personalities. Blake stated that Albrecht was outgoing and had a good sense of humor. He found Hall subdued and professional, and Brownell outgoing. Blake commented that he could not say any one would be a better fit than another. Roskey stated that Brownell was well-spoken. Miller stated that the appeal with Hall is that he adds a new perspective. Roskey added that Hall has youth on his side which would be a benefit to the board, as this is a demographic of the Sunrise ratepayers that isn't currently represented on the Board. Kuenzi commented that the demographic of the area had shifted over the last ten-years

and Hall would be a good representation of that. Kuenzi expressed concern that Hall may get bored with the slow pace of the Board, since the pace of change and decision making in the private sector is so much faster. Miller stated that Roskey made a good point about Hall being a good representation of the agencies demographics. Grycko said that even if Hall gets bored, he does have something to bring to the Board.

Platt stated that he had concerns with Albrecht's connections with the City of Happy Valley and whether she could be completely impartial while on this Board with such close ties to the City. Blake echoed Platt's concerns, and added that she is collecting a salary which concerns him.

Platt asked for comment from Staff. Hathhorn stated that any one of the applicants were capable of doing the job, while Albrecht may potentially present a conflict of interest. He believed that Hall had the right energy and insights, and added that his demographic representation was in his favor. Hathhorn commented on the concern about Hall becoming bored, saying that he did not think that was important and may just be the nature of the beast, but that it should not count against Hall. Hathhorn summarized that the Board was lucky to have three good candidates.

Blake asked for perspectives on whether Brownell's experience with computer programming would be a valuable asset when Sunrise looks into new software. Hathhorn replied that Brownell's sells analysis software, and explained that he may be familiar with the language of water supply, but that he has not lived it.

Platt asked if the candidates had been verified as residents and registered voters, or if the plan was to verify once a candidate was selected. Anderson commented that voter registration had not been verified in the past but that it easily could be. Platt asked if anyone was ready to proceed with a motion, and if not who would the Board be willing to remove from consideration. The group agreed to remove Albrecht.

Blake stated that he agreed with Roskey's previous comment about Hall being younger and having the ability to look at issues from a different perspective. A motion to offer the Commissioner Zone 1 position to Hall was made by Miller and seconded by Roskey. Motion approved unanimously.

Hathhorn made the suggestion that Brownell would be a good appointee for the Budget Committee as there would be opening. All members of the Board agreed. Platt asked who would be leaving. Hathhorn stated that Mike Schaufler was not longer eligible to serve on the budget committee as he no longer resides in the Sunrise service area.

Platt asked that Staff follow up with phone calls regarding the selection of Hall as Zone 1 Commissioner the following day.

Grycko moved to adjourn at 8:14 PM. The motion was seconded by Roskey. Motion carried unanimously.

ERNIE PLATT, CHAIR

TERRY ROSKEY, SECRETARY