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MINUTES

A regular meeting of the Sunrise Water Authority Board of Commissioners was held on Wednesday, July 25, 2012 at 6:00 PM at Sunrise Water Authority, 10602 SE 129th Avenue, Happy Valley, Oregon, 97086.

Board Present: Ernie Platt, Chair; Ron Blake, Vice Chair; Terry Roskey, Secretary; Bob Garbarino, Judy Grycko, and Keith Miller.

Staff Present: Wade Hathhorn, General Manager; Lin Rigutto, Finance Director; Christin House, Customer Service Supervisor; Tim Janssen, Staff Engineer, and Kim Anderson, Government Relations Manager.

Visitors Present: Barbara Kemper and Patricia Holloway, CRW, and Myron Martwick, Oak Lodge Water.

1. CALL MEETING TO ORDER

The meeting was called to order at 6:01 p.m.

2. INTRODUCTIONS & WELCOME OF VISITORS

3. FLAG SALUTE

4. PUBLIC COMMENT

Hathhorn commented that a customer has an outstanding bill that dates back to the spring and had requested that he bring the customer's concerns to the Board on his behalf. The customer told the Manager that his assets and accounts have been frozen in the process of a very contentious divorce. He is requesting a waiver of the shut off policy until August 15th in order to allow him to access funds from another source. Staff commented that the customer's payment history shows that he has been shut off five times in the past three years.

The Board expressed reservations about continuing to provide water for an additional three weeks, which could result in \$100 or more of additional charges. Hathhorn informed the Board that the customer did show him legal papers confirming that his assets have indeed been frozen.

Blake indicated that he was inclined to permit the three weeks extension with the understanding that if the bill is not paid in full on the 15th the water will be shut off and

stay off until such time as the charges are paid in full. The Board concurred with this approach.

5. APPROVAL OF AGENDA

Platt commented that an update on the Lawnfield Gardens issue will be added to the agenda as Item 7.7

6. CONSENT CALENDAR

Roskey pulled agenda Items 6.2, Approval of Expense Report for June 2012 and 6.3, Valve Can Replacement, for individual consideration.

A motion to approve the Consent Calendar consisting of the agenda Item listed below was made by Grycko and seconded by Roskey. Motion carried unanimously.

6.1 Approval of Minutes of June 27, 2012 Meeting

6.2 Approval of Expense Report for June 2012

Roskey noted the expense related to rental of a lawn mower and asked if there was going to be an ongoing need for a mower. Fraijo indicated that it was a one-time situation related to a pause in the services delivered by the Inmate work crews while operation of that program was transitioned to a new program manager. Roskey also asked about the purchase of a CD player for a Ford Explorer. Fraijo explained that the radio had been stolen out of the on-call vehicle and that purchase was to replace the stolen unit.

A motion to approve agenda item 6.2 was made by Roskey and seconded by Blake. Motion carried unanimously.

6.3 Valve Can Replacement

Roskey commented that it was standard practice when he was an employee to install a riser rather than replacing the entire valve can after paving projects. Fraijo commented that in the case of this stretch of roadway, some of the valve cans are the old style aluminum cans and that they have become somewhat like cheese, almost melted looking. In addition he discussed the problems of keeping some cans of a certain design in place. He indicated that the bid made the assumption that all of the valve cans in the designated stretch of road would require replacement, but if some of the older cast iron versions that are in place are viable they will be left, so there is a strong possibility that the price of the overall project may come down.

A motion to approve the use of DM Excavating Company for the valve can replacement project on Sunnyside Road at a cost not-to-exceed \$14,000 was made by Roskey and seconded by Miller. Motion carried unanimously.

7. DISCUSSION

7.1 Election of Officers and Liaison Appointments

A motion to nominate Platt for the Office of Chair of the Board was made by Garbarino.

A motion to close the nominations for the office of Chair of the Board and cast a unanimous ballot for Platt was made by Blake and seconded by Roskey. Motion carried unanimously.

Roskey nominated Blake for the office of Vice Chair. A motion to close the nominations for Vice Chair and cast a unanimous ballot for Blake was made by Grycko and seconded by Roskey. Motion carried unanimously

Grycko nominated Roskey for the office of Secretary. A motion to close the nominations for the office of Secretary and cast a unanimous ballot for Roskey was made by Blake and seconded by Miller. Motion carried unanimously.

Grycko, Blake, and Roskey volunteered to retain their role with the North Clackamas County Water Commission.

Blake will retain his role as liaison with Oak Lodge.

Miller volunteered to be the liaison for CRW, as Garbarino will be leaving Sunrise in a couple of months.

Roskey will keep his role with Boring.

City of Happy Valley was covered by Garbarino. Kuenzi has volunteered to cover the Happy Valley council meetings.

Platt offered that he is willing to continue as the liaison with the City of Damascus.

Blake will continue his work with the Clackamas River Basin Council.

Regional Water Providers Consortium has been assigned to Platt and he is willing to continue in that capacity.

The Board discussed the need for alternates for the North Clackamas County Water Commission positions. Miller commented that he would be willing to be the alternate, subject to his travel schedule, with Kuenzi as a possible second alternate.

Roskey volunteered to be the alternate liaison for the Oak Lodge meeting.

Platt volunteered to be the alternate for the CRW liaison.

Roskey commented that normally staff fills in at the Boring meeting if he is unable to attend. The status quo was maintained for this alternate position.

Platt offered to put his name in as the alternate for the City of Happy Valley meetings.

Blake offered to be the alternate for the Damascus City Council meetings.

Blake commented that CRBC meets the third Thursday and due to his position on the Executive Council he also meets on the fourth Thursday. Grycko offered to be the alternate for this group.

After a short explanation of the function of the Regional Water Providers Consortium and their meeting schedule Miller offered to be the alternate for the Regional Water Providers Consortium.

7.2 Landlord/Tenant Account Ownership Policy

Hathorn commented that the Board had previously discussed the issue and directed Staff to return to the Board with a proposed agreement and policy. Hathorn discussed the types of situations where the change in policy would apply. He reminded the Board of the options that are available to address the issue. He indicated that Staff had developed a form of an agreement and policy that have been presented to the Board for their consideration.

House indicated that the easiest process for the Staff would be to have no tenant accounts and keep all accounts in the name of the landlord.

The Board engaged in a discussion of the options before them. The Board discussed the options of increasing deposit amounts and permitting tenant accounts with the landlord receiving bills when the account goes past due. Miller asked for a refresher on the losses that we are attempting to collect. He asked if the cost of installing a billing system that produces duplicate bills. Hathorn commented that the current billing system can accommodate that, so the increase cost would be postage. Grycko asked if we charged deposits to renters only. Staff stated that was the case.

Blake asked if there was a mechanism to allow the landlords to be billed only if the tenant goes past due. House stated that she was investigating that possibility. Miller commented that, having been a landlord in the past, he would want to be notified if a tenant was in a delinquent situation for two reasons. First, it becomes a tip off that there may be larger problems relating to rents later on, but also because if the tenant does allow the water to be shut off it can cause damage to the water heater, which he would then have to pay to repair. Miller asked how often the customers were billed. Staff stated that the majority of customers are billed bi-monthly. Miller commented that billing monthly would reduce the amount that a customer could be behind. Staff explained the complications related to monthly billing on rentals, or for that matter all customers.

Grycko indicated that she preferred the tenant accounts, subject to an agreement with the landlord and indicated that there was an error in #10 on the backside of the agreement.

Platt asked if there was a need to increase the deposit amounts. Grycko and Miller felt that increasing the deposit would discourage rentals in this area or make it more difficult for tenants to access rental housing in our service area. Blake commented that if the landlord would ultimately be held responsible then there's the potential to eliminate deposits entirely. Staff indicated that this process is adopted then they would foresee eliminating rental deposits.

A motion to adopt the procedure of allowing tenant accounts subject to an agreement between the landlord and Sunrise Water Authority that assigns final responsibility for

payment to the landlord for the water service was made by Grycko and seconded by Garbarino.

Blake asked if that included double billing. Hathhorn indicated that the intent would be to get it down to just duplicates of past due notices if possible.

Motion approved unanimously.

7.3 2011-12 Performance Review – General Manager

The Board discussed the results that came out of the process. Five of the Board members submitted their responses; Miller chose not to participate in the process due to his recent appointment to the Board. Hathhorn commented that he understands that this business is not always conducted in a public process, but that he believes fully in complete transparency.

Miller commented that the 360 degree review process was useful, but wondered if we might get more candid responses if it was conducted by a neutral party. Platt stated that he is pleased with both the process that has been established and the results that have been produced.

The Board members expressed appreciation for Hathhorn's willingness to unearth and deal with billing errors that have been carried on for a substantial period and is willing to put himself in harm's way dealing with disgruntled people.

Hathhorn asked the Board for suggestions on what they would like to see him address more in the coming year. He stated that he intends to spend more time out in the community in the coming year. Platt commented that those types of activities don't fall solely on Hathhorn, but he does see an opportunity for he and Hathhorn to establish a relationship with the new City Manager at Damascus.

Roskey proposed that the salary be increased by 2.5% and an additional one week of vacation.

Blake asked if Hathhorn had a preference in the options presented. Hathhorn indicated that he would prefer the additional time off. Grycko asked what other types of remuneration he would consider. Hathhorn explained the potential of a bonus system and the benefit to the organization of not having a continuing increasing base salary versus a performance based system where they have the option of not awarding the bonus if they are not pleased with his performance in any given year. Platt commented that the one potential downfall to a bonus system is that it becomes an expectation that those bonuses will be paid. Miller commented that if a bonus is considered there needs to be very specific benchmarks and goals associated with them. He suggested that if that is a direction the Board chooses to go, they need to be very deliberate in how they establish and benchmark those bonuses.

Roskey commented that his concern with bonuses is that the constituents are not very receptive to the idea of bonuses right now. Platt suggested that the Board consider an appropriate solution to address the Manager's compensation this year, but having the

Manager start the process for looking at establishing those benchmarks and standards and a process to move that direction for the organization.

A motion that the Board increase the General Manager's salary by 2% and increase his vacation by two working weeks was made by Grycko and seconded by Blake. Motion carried unanimously.

7.4 2012-13 Goals for General Manager/Agency

Grycko asked what he had in mind for increased participation. She asked if Hathhorn was involved in Water Utility Council (WUC). Hathhorn indicated that is one that he may get involved in.

Blake suggested that this issue, along with the performance indicators, are going to require some time to address and should more appropriately be addressed in a work session. Grycko commented that the goals and initiatives had been outlined in a reporting matrix already.

Hathhorn commented that the items in the matrix are more tactical and strategic for the organization, but he is also looking for things that the Board wants the General Manager to specifically achieve. Miller commented that part of the process is to determine what it means to achieve the goals; define what success looks like.

Platt asked if it would be appropriate to send that matrix out to the Board and then have a conversation about if the right stuff is on the matrix and if the right items are on the matrix and if the timelines are appropriate.

The Board suggested that a work session be held on August 15th to discuss goals.

7.5 Agency Benchmarking (Balanced Scorecard)

Hathhorn commented that this issue goes back to earlier conversations about agency benchmarking and five major areas within the strategic plan: staff, assets, internal processes, customers, and finances. He discussed that the next step in development of the balanced scorecard is determining the correct measures to use to determine if we are doing well in these areas. He indicated that the document before the Board is simply an opening salvo in establishing what some of the measurements should be. He reviewed the measures he had proposed.

Under the financial category he elaborated on the indicator of cash on hand, debt service ratio, quick ratio, and operating margin. For the category related to Staff he proposed and explained the indicators of FTE/1000 customers, average tenure, and training hours. He proposed that internal controls might be measured based on annual write-offs, staff loss or injury days, and operating cost as dollars per CCF. In relation to the strategic area of customers, Hathhorn proposed the performance measured include resolution of complaints on first call, the number of complaints, and the number of billing errors. The measurements proposed for the category of infrastructure included service disruptions, annual renewal and replacement expenditures in relation to the amount of annual depreciation, and hours of maintenance per 100 miles of pipe. He indicated that

a lot of the criteria are related to those shown in the Effective Utility Management site if the Board is interested in looking at these.

Roskey commented that the category of maintenance per mile of pipe should be subdivided to differentiate between cast and ductile iron because of the significant differences between the maintenance on the two types. Hathhorn commented that it is a valid point, but that the types of maintenance included would include all types, not just on the pipes themselves. Platt suggested that the Board should consider any other measures to include.

7.5 SWA-CRW 190 Agreement

Platt stated that there isn't a lot to report. He commented that Mike Cardwell has resigned and suspects that it leaves the CRW Board in gridlock on the issue. Hathhorn commented that he and Lee Moore have sat down with the City Manager of Oregon City and that Moore was pleasantly surprised that he was open to the discussion of repayment for the unaccounted for depreciation related to infrastructure upon annexation. Miller asked if this is an imminent issue for CRW. Hathhorn explained the history of the situation regarding special districts and cities related to provision of water service and annexation and explained why this was a current issue for CRW.

Holloway indicated that there are approximately 600 residents that are already in the City of Oregon City that have not been de-annexed from CRW because Oregon City is required to initiate that process under state law.

Hathhorn commented that there was an op-ed piece on the 190 agreement that was authored by a CRW commissioner. He commented that he had no issues related to discourse on the structure of the agreement, but that he was disturbed that the piece implied that the discussions to this point have been carried on in secret or in an improper manner and impugned the representation that came from Sunrise and cast aspersions on the intentions of the participants in the process, while the intention of the parties has always been to solve problems that face both organizations and look to the benefit of the customers. He expressed the wish that instead of the undermining language being used that the focus should be on solving the very real problems that are coming down the road. Holloway indicated that she was the author of the piece in question. Miller commented that he became involved in the Board to look for solutions to these problems.

7.6 Lawnfield Gardens

Platt recapped the situation that led to the billing of one apartment complex for the use of another. The process has begun to refund the money once a receiving party is identified for that refund, which has been complicated due to bankruptcy. The General Manager met with the under billed party and then the General Manager and Platt met with him again.

Platt stated that the upshot of a rather long and convoluted conversation that included many extraneous issues is that if an offer of a settlement is made for the amount due, less \$20,000, there may be a possibility that he will be willing to pay. Hathhorn and Platt indicated that they were under the impression that the owner was willing to pay

some amount. Hathhorn commented that that there is also an acknowledgement that Sunrise has some culpability in the issue.

Blake proposed that Sunrise split the difference on the \$20,000. Roskey commented that he would be willing to go up to \$20,000, but that the negotiations need to start lower. Platt commented that he believes that the customer knows that he does owe some part of the bill.

Holloway commented that when she looked up this information on cmap and this address still shows as being within CRW. Anderson stated that the de-annexation from CRW has been completed and it is likely that the mapping information has not been updated appropriately and that she will look into it.

8. BUSINESS FROM THE BOARD

8.1 Calendar of Meetings

Platt reminded the Board that the Company picnic is on Saturday the 28th at 3:30 p.m. at the Happy Valley Park.

8.2 Liaison Reports

Blake reported that Oak Lodge is still debating potential salary increases for staff.

Blake commented that the Clackamas River Basin Council has vacant seats on the Board and are looking for Board members. The Board members are categorized by the type of property that they own (tributary side, river side, etc.). He discussed the CRBC opposition to the proposal for a biomass facility in Redland. Blake commented that the Down the River Clean Up will occur in September.

Garbarino reported that Happy Valley is a happy place, but that CRW is a little more contentious.

Platt commented that the new city manager has come on board and at his first council meeting part of the discussion was the potential for a partial dis-incorporation of the city. The final outcome of the meeting was that on a vote of 5-2 staff was directed to gather information on the potential of requesting Metro to remove part of Damascus from the UGB and what the subsequent processes that would lead to partial disincorporation of that portion of the City removed from the UGB, without identifying what part of the city would be affected.

8.3 Future Agenda Items

9. BUSINESS FROM THE MANAGER

9.1 Financial Reports

A motion to approve the Financial Report as presented was made by Blake and seconded by Grycko. Motion carried unanimously.

9.2 Bonding Capacity & Financial Report Card

Hathhorn commented that each year Staff looks at markers related to bond ratings and is attempting to track Sunrise's condition in this area as an additional marker of organizational health outside of the proposed KPIs.

Platt stated that Sunrise is operating at just slightly above the medians and asked if that is primarily driven by the drop in SDCs. Rigutto commented that Sunrise has been able to control that through managing expenses downward.

9.3 Manager Updates

Hathhorn commented that in light of the events with the Portland boil water order he wondered if the Board would be interested in sending an educational letter to our customers that highlights why they were not included in the boil water order, where our water comes from, and giving them the opportunity to submit additional contact information. He told the Board that the letter would cost around \$7,500 to \$8,000. Roskey asked about the possibility of either putting a message on the bill or doing a bill stuffer. Platt commented that getting the information closer in time to the event would be more effective. Hathhorn also commented that bill stuffers have a higher tendency to end up in the trash. The Board agreed that it was a good idea.

Anderson commented that customer service staff has repeatedly told her that we don't have complete contact information for most customers. She stated that one of the complaints about the Portland response is that people were not getting notified by either phone or email. Subsequent to this event, our customers may be concerned enough to pick up the phone and update their contact information.

Hathhorn commented that the field staff is currently four FTEs short, but that recruitment went so well that there are four candidates that have been identified and staff is prepared to make an offer to them. He also mentioned that as a result of the hires, we will be short on vehicles and will be ordering an additional truck. He commented that this acquisition was authorized in the budget.

Roskey stated that the flasher on the new truck is too low. Fraijo replied that it was not installed the way he wanted it and that it is going to be changed to a taller light.

10. MONTHLY REPORTS

10.1 Operational Reports

10.2 Engineering and Construction Reports

Staff commented that the construction period for the 145th line replacement has been extended to September so that the sidewalk installation can be completed before we complete our work in that area.

11. INFORMATIONAL ITEMS

A motion to adjourn was made by Grycko and seconded by Miller. Motion carried unanimously.

The meeting was adjourned at 8:43 PM.

ERNIE PLATT, CHAIR

TERRY ROSKEY, SECRETARY