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MINUTES

A Regular Meeting of the Sunrise Water Authority Board of Commissioners, was held on Wednesday, February 22, 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, and Mike Kuenzi.

Staff Present: Wade Hathhorn, General Manager; Lin Rigutto, Finance Director; Dan Fraijo, Operations Supervisor; Tim Janssen, Staff Engineer.

Visitors Present: Barbara Kemper, CRW; Myron Martwick, Oak Lodge Water District; Drew Bolliger, Bolliger and Sons Insurance; and Cynthia Morgan, customer.

1. CALL MEETING TO ORDER

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

2. INTRODUCTIONS & WELCOME OF VISITORS

3. FLAG SALUTE

4. PUBLIC COMMENT

Kemper requested that the minutes from the last meeting be amended to state that she said that Commissioner Holloway was well aware of the confidentiality clause not that the CRW Board was well aware of the confidentiality clause.

Cynthia Morgan appeared to request a reconsideration of a leak adjustment denial by staff. She stated that the reason given for the denial was that they had already received two previous leak adjustments and that only two adjustments were allowed within a five year period. Platt asked if Staff had further information on this situation. Hathhorn commented that Staff did not have information with him. Ms. Morgan stated that the lady she talked to had said that all of the information would be available for discussion at the meeting. Platt suggested that was not possible to resolve the problem on the spot without that information. Rigutto took her information and Platt stated that she would get an answer back from Sunrise.

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 Agenda Item 6.1, Approval of Minutes of January 25, 2011 Meeting, as amended was made by Kuenzi and seconded by Blake. Motion carried unanimously.

6.2 Approval of Expense Report for January 2011

Roskey asked about a charge on the Credit Card Statement at Home Depot for repairs to a fence at Well 4, where there is no fence. Fraijo stated that it actually was on the gate, not a fence.

A motion to approve Agenda Item 6.2, was made by Roskey and seconded by Blake. Motion carried unanimously.

7. DISCUSSION

Over View of Insurance Coverage

Hathorn introduced Drew Bolliger, of Bolliger and Sons Insurance, the insurance carrier for Sunrise Water Authority. He stated that he was going to provide the Board with an overview of the insurance coverage that Sunrise has.

Bolliger distributed a portfolio containing printed summaries of the coverage. He discussed the values related to the items covered. He discussed recent changes in the coverage related to facilities that were initiated by Daryl Zinser prior to his retirement as he felt that the statement of values on the reservoirs were understated due to significant increases in cost for replacement. He pointed out the longevity credit that Sunrise has earned and explained the longevity credit program that is offered through Special Districts Association coverage.

There was some discussion about the premium savings that might be generated if the deductibles on property were increased from \$250 to \$1,000. The savings would be approximately \$2,700 on premiums.

Bolliger discussed the property enhancement coverage that is offered as supplementary coverage. He stated that the enhancements offered through SDAO are very generous, noting specifically the demolition, business interruption, and increased cost of construction are especially substantial.

He also discussed the option available to increase the earthquake coverage from \$10 million to \$15 million, for about an additional premium of \$2,000. He commented that it was incredibly low cost coverage.

He went on to discuss the liability coverage that Sunrise currently has. He commented on the statutory ceiling for liability that covers public entities and how the coverage is set to that. Other coverage incorporated into the policy is public officials coverage, which we used to have to purchase separately. It also includes Employment practices, which covers things like sexual harassment and wrongful termination.

He discussed the coverage that is specific to equipment breakdowns. He commented that this is a recently added coverage that was created as a result of a specific incident where CRW had a pump failure that cost about \$65,000 in repairs and wasn't covered because it was only a repair and no fire was involved.

He commented that workers comp is currently costing way too much, \$49,000 rather than the earlier premium of \$23,000. The events that created the increase occurred in 2008 and 2009, so those items will come off the Experience Mod in 2013 and 2014 respectively, which will result in substantial rate reductions, in the range of \$20,000 to \$25,000.

Platt asked if there was a way to amend the deductible amount at any point during the policy term. He asked if making that change required Board action or just have Staff take care of it. Hathhorn stated that the Board would direct Staff to attend to it.

Kuenzi asked if Sunrise has taken a look at risk and considered higher levels of self-insurance. Hathhorn commented that Sunrise has not, largely because they are already a party to a larger self-insurance pool through SDAO. He stated that he had made an inquiry along those lines, especially as it relates to health insurance. In light of the fact that SDAO is bidding on health insurance again this year, he has decided to wait on the inquiry to see what type of results SDAO gets from their process.

Kuenzi asked if the property schedules were at full replacement value. Bolliger stated that they are. Kuenzi asked if that was normal for the water industry. Bolliger stated that insurance for profit organization allows for blanket coverage, so that all of the coverage could be applied to one location, which Special Districts does not allow. Increasing the values to full replacement is a hedge against that lack of blanket coverage.

Platt stated that it appears that earthquake coverage has a floating deductible. Bolliger stated that it is still a very reasonable deductible level, as some insurance providers go as high as 25% on an earthquake deductible.

Platt asked if the Board concurred that the Staff should work with Bolliger to increase the deductibles. They did. He asked the Board if Staff should pursue the increase in earthquake coverage for the reservoirs. The Board concurred that the earthquake coverage should be increased.

7.1 Board Vacancy Selection Process

Hathhorn commented that there were six or seven applicants that have submitted information to Sunrise by the posted closing date of March 1st. He asked the Board how they would like to proceed. Blake commented that in the past, the applicants had been asked to fill out a form and send it back to staff, after which the Board and Management

reviewed and ranked then the top three were called back for interviews by the Board. After the first round of interviews, the final two were called back for a second interview.

Platt asked if sufficient information had been gathered for a screening process that would allow for a smaller group to reduce the number of applicants that would need to be interviewed. Hathhorn commented that information gathered was very general.

Kuenzi offered that since it is often difficult to get people to volunteer for positions that interviewing all of the candidates would be a way to acknowledge their willingness to volunteer. It also allows the Board to look at candidates that might not be right for the Board, but might be willing to serve on the budget committee.

Platt asked if there was a feeling about whether the interviews should be done by the full Board or a smaller group. Blake commented that a smaller group isn't as likely to overwhelm or intimidate applicants. Kuenzi and Roskey voiced support for a smaller group.

Platt asked if the step after the small group interview would be to request more information or to move to an interview before the whole group. Kuenzi stated that it might be advisable not to determine whether to use two or three interviews for the process, but to allow flexibility based on the quality of the candidates.

Platt summarized that a sub-group of three Board members should be assembled to conduct a first interview with all of the candidates, to reduce the number to an undetermined number of appropriate candidates for a final interview before the full Board. Blake commented that the first interview should include the General Manager and the acting HR Manager. Platt commented that this process wouldn't preclude a third final interview if there is no clear preference at the full Board interview.

Roskey suggested that the candidates should be informed that they will be checked before the checks are conducted. The Board's opinion was that it was a reasonable expectation.

Platt asked for three volunteers to form the small interview group. Kuenzi, Blake and Garbarino volunteered. Hathhorn asked about the schedule for the process. Platt suggested that it will be up to the Staff to schedule the process. The Board engaged in a discussion about potential interview dates. Platt indicated that the intent would be to have the final candidates selected for interview by the Board at the March 28th meeting.

Platt asked if there was a need to develop a set of interview questions. Blake stated that in the past there was a set of questions created so that all of the candidates were asked the same question. Kuenzi commented that the first interview should be more of an engagement with more formalized questions used during the full Board interview. Hathhorn suggested that Staff could work on some draft questions to send out to the Selection Committee members for input. Roskey suggested that the full Board should have input on the questions.

7.2 Budget FY 2012-2013

7.2.1 Budget Schedule

Platt asked if there were any questions about the information. Blake commented that he expected that Staff had checked to see if there were any conflicts with other meetings. Staff stated that they had, but that they would double check.

Platt asked if the appointed commissioner would be in place by then. Staff stated that it looked like they would.

7.2.2 Budget Officer

A motion to appoint the Finance Director as the Budget Officer was made by Blake and seconded by Roskey. Motion carried unanimously.

7.2.3 Budget Committee

Platt asked if Staff had confirmed that all of the proposed members were available. Staff stated that they had.

A motion to approve the Budget Committee as recommended by Staff was made by Blake and seconded by Kuenzi. Motion carried unanimously.

7.3 Fiscal Year 2010-2011 Final Audit

Rigutto indicated that the audit was clean, with no qualifications. Attachment 7.3-2, is the formal letter of communication from the auditors to the Board, that the Board is required to receive. She stated that there was no formal management letter with this audit, just some informal comments. One was that a person be designated to review the Finance Directors reconciliation of bank statements. The auditors had suggested the General Manager perform this function, but Staff is electing to have the Staff Engineer do so, in deference to the General Manager's work load, and because Jannsen really likes numbers. Another suggestion was that the fixed assets currently being tracked in Excel be migrated back to the fixed asset module in Great Plains. They also suggested that Sunrise should have an intangible asset policy, which would mainly cover water rights.

Rigutto commented that this was the first year to use this auditing firm and that it went very well.

She indicated that Attachment 7.3-4, was the calculation for debt ratios and it looked good.

A motion to accept the audited financial report, required communication letter, and management memo as presented was made by Blake and seconded by Kuenzi. Motion carried unanimously.

Hathhorn commented that one of the efforts underway is to establish a better grounding on the basis for each of the assets and to establish criteria for establishing a basis for those assets for which we don't have a history of the asset and its value.

Hathhorn commented that next year it is Staff's goal to complete a full CAFR audit. Rigutto explained that it would include a whole statistical section in your audit that would address things like customer base, and sales over the years; information that will help with bond ratings in the future. Kuenzi asked if Staff was going to complete a quantitative statement of condition as well. Hathhorn stated that he didn't intend to at this point. He stated his intent to use the Oregon Finance Officers Association standards for preferred methods for accounting, not the minimum. He believes that more disclosure around the audit increases transparency.

Kuenzi commented that the qualitative statements and statements on how they are approaching those issues really helped when they went to the bond market. Hathhorn commented that the goal would be to take the recommendations and move into a different practice than where we are then go out for a bond rating at some point in the next few years just to see where we stand.

8. BUSINESS FROM THE BOARD

8.1 Calendar of Meetings

Blake commented that the CRBC executive committee meeting will now be held on the fourth Tuesday of each month.

8.2 Liaison Reports

Blake commented that CRBC is settling into their new home. He stated that Oak Lodge Water District followed the Sunrise lead in increasing the service charge with a small increase in their water rates. He stated that there were some upset citizens in the beginning, but that it smoothed out by the end.

Platt commented that there is a citizen ballot initiative that would require any comprehensive plan or change to the comprehensive plan be submitted to a public vote prior to submittal to DLCD. This has serious implications for the future, not only for the initial comprehensive plan, but it creates a broader issue of how Damascus will process an application for a single process that would require an amendment to the comp plan at a future date.

Platt stated that John Morgan, the Community Development Director, put forth a very precise plan that the council needs to take in order to get to a comprehensive plan on schedule. The vote was 5-2 to accept that plan. In addition, there was an open conversation about the potential to dis-incorporate. One outcome could be that the planning process would devolve to the County, with a strong likelihood that the Rock Creek Basin would be handled by Happy Valley.

9. BUSINESS FROM THE MANAGER

9.1 Financial Reports

Hathhorn commented on the ongoing impacts of the rate changes that were made. He pointed out that consumption comparisons for January 2011 and 2012 were practically identical. He commented that it looks like we are on track to hit the goal of improving our financial position.

A motion to accept the financial report as presented was made by Roskey and seconded by Garbarino. Motion carried unanimously.

9.2 Cash Flow Report

Rigutton reported that eight meters have been sold in February to date.

9.3 Manager Updates

Hathhorn commented that the Staff development program is under way and asset management. He commented that the one program that still needs attention is document management.

Kuenzi asked if HB 4090 had been moved to the Senate. Platt stated that it had. Kuenzi indicated that he had seen comments submitted to the House Committee by Anderson on this issue and asked if she would be doing so in the Senate Committee. Hathhorn stated that we have gone to the authors of the bill and are working with them on amendments to the bill. Kuenzi asked about the drivers for the bill. Platt stated that, in the interest of full disclosure, the Homebuilders Association is a sponsor on the bill. He explained that there are areas that within the Urban Growth Boundaries, some very specific ones, where decisions need to be made regarding service provision. Kuenzi asked if Sunrise had a concern about the bill leading to patchwork development. Hathhorn stated that it was a concern, along with who was going to pay for extensions if Sunrise was forced to provide service. Platt stated that the bill was based on the presumption that urban service agreements were in place, which in Clackamas County, they are not. Platt stated that it was to force the issue of service being provided to areas that included within the UGB. He stated that in reality, it is unlikely to make it out of committee, but that it queues it up for a serious discussion in the next session on the topic.

10. MONTHLY REPORTS

10.1 Operational Reports

10.2 Engineering and Construction Reports

11. INFORMATIONAL ITEMS

11.1 AWWA Section Conference May 2-4, Yakima, Washington

Hathhorn stated that Anderson is looking for a count on who is going in order to obtain accommodations and make reservations. Hathhorn stated that the conference is designed to address the full breadth of the water business; treatment, distribution, management, etc.

Platt asked if any Staff were going. Hathhorn stated that Staff members who were on committees would go, and a he would like to send a few staff members to get some experience. Kuenzi asked if anyone was going to be presenting papers at the conference. Hathhorn stated that there was not.

Martwick commented that there will be an initiative on the ballot in November that would prevent the County from expending any money on building or investigating rail projects.

12. EXECUTIVE SESSION

An Executive Session of the Sunrise Water Authority Board of Commissioners to be held per ORS 192.502 (1) Communications within a public body or between public bodies of an advisory nature and ORS 192.660 (2)(f) To consider information or records that are exempt by law from public inspection

The Board entered executive session at 7:35 PM.

The Board left executive session at 8:10 PM.

The meeting was adjourned at 8:10 PM.



ERNIE PLATT, CHAIR



TERRY ROSKEY, SECRETARY