

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
JANUARY 22, 2016
5:30 P.M.

Commissioners Present: John Simpson, President; John Brown, Vice President; Steve Mital, Dick Helgeson and James Manning, Commissioners.

Others Present: Lena Kostopulos, Laurie Muggy, Erin Erben, Todd Simmons, Steve Newcomb, Mark Freeman, Frank Lawson, Harvey Hall, Lance Robertson, Mel Damewood, Susan Fahey, Megan Capper and Anne Kah of the EWEB staff; Teresa Lloyd, Recorder.

President Simpson convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:31 p.m.

AGENDA CHECK

President Simpson asked the Board to reserve the third Tuesday of the next six Regular Session meetings to discuss the General Manager (GM) replacement process, and noted one potential conflict.

Upon Vice President Brown's suggestion, President Simpson moved to amend the agenda to add item #1.5 Public Input. He opened for public input, and then closed seeing none.

GENERAL MANAGER REPLACEMENT PROCESS OVERVIEW

Human Resources Manager, Lena Kostopulos, used presentation slides to walk through the governance constraints, process options, and estimated timeline for hiring a new GM. Next, she reviewed objectives to deliver the best qualified GM to enable EWEB's success, and in accordance with statutory governance requirements, to be delivered in a timely manner with limited disruption to the Utility.

Regarding governance constraints, Ms. Kostopulos said no Board by-laws or policies were in place to elect a new GM, however, the same governing restraints that are used in public process would apply in accordance with the Oregon Attorney General's guidance and ORS.192.660. She also suggested the process be presented in a public workshop format.

Ms. Kostopulos then offered examples of general and executive session:

Example presented for General Session:

- Discussion, decision, direction regarding the process
- Discussion or "working" session to determine the criteria and standards against which candidate qualifications will be measured
- The decision/direction to extend an *actual* offer of employment

Executive Session is allowable after:

- Hiring procedures have been adopted
- Vacancy has been advertised
- Hiring standards, criteria have been set
- The public has had an opportunity to comment

Ms. Kostopulos stated no decision-making can be made in an executive session. She noted certain qualifying topics could be managed during executive session such as direction from Board members. She said she had requested some practical guidance from legal counsel that would be furnished to the Board via email. She also emphasized an actual offer must be made in a public setting and not during an executive session.

Example presented for Executive Session:

- Attorney/Client discussions of qualified topics held at the appropriate times throughout the process
- Deliberation about an individual's particular qualifications against the adopted job requirements
- Direction to an internal/external resource to negotiate the terms of a *potential* offer of employment

Ms. Kostopulos highlighted three options of direct solicitation vs. external or internal, and provided a brief list of pros and cons for each:

1. Direct Solicitation with intent to offer the job:

Pros

- Avoids costs of open recruitment
- Shorter time to fill
- May provide the ability to solicit for a particular individual's skill set or some reputational strength

Cons

- Possible - but difficult to satisfy the public pre-requisites
- Any missteps could result in challenges which would result in delays
- Potentially meets the objectives, but gives the appearance of an attempt to circumvent the public process
- Incompatible with the character of Eugene community values

If the Board of Commissioners were not satisfied with the list of internal candidates, an external option would be available.

2. Internal-only Solicitation:

Pros

- Limited, if any cost

- Short time to fill
- Shorter EWEB “ramp up” time
- Delivers known candidates
- Delivers candidates familiar w/EWEB operations, culture, strategic initiatives
- The option of an external search remains in the event an internal-only process doesn’t yield a replacement GM

Cons

- Limited candidate pool
- Known candidates...
- Familiarity w/EWEB...
- No way to know how internals stack up against external candidates
- Potentially meets objectives but gives the appearance of an attempt to circumvent the public process and could indicate “pre-selection” even with a process

Ms. Kostopulos clarified the second and third bullets listed under item #2’s Cons, stating that perception of how an internal candidate performs in their current role may draw an inappropriate conclusion regarding the candidate’s future role.

3. External or Open Solicitation:

Pros

- Delivers the greatest number and variety of qualified candidates
- Includes internals and if selected, potentially increases “legitimacy”
- Diversity of culture, background, experience
- Potentially affords a broader industry view
- Affords the opportunity to get a sense of external perspective
- Best satisfies the objectives

Cons

- Cost
- Time to fill
- Longer EWEB “ramp up” time
- Delivers candidates who are unknown
- Delivers candidates whose external perspective may not be in harmony with EWEB
- Delivers external candidates who are unfamiliar with EWEB’s business model, organizational and community culture

With regard to filling public positions, Ms. Kostopulos said the above objectives are in harmony with the City of Eugene’s and the EWEB Board requirements. She recommended option #3 engaging a professional search firm, with the assistance of HR. The advantages are listed as follows:

- track record of recruitment and placement of executive-level positions within the utility sector (regionally and nationally)

- understanding of regional utility conditions, regulatory requirements, etc.
- in addition to new candidate clients, possess a sufficient client list of candidates
- ability to facilitate all aspects of the process

Ms. Kostopulos suggested the below timeline to fill the position, and noted it was not the full list but should give the Board a sense as to what would happen:

February

- search firm, contract
- Board General Session “workshop” to develop position profile, hiring standards, criteria

March

- search activities, advertisement, initial screenings and submission of recommended semi-finalists

April

- Search firm conducts short-list interviews, prepares candidate summaries
- Executive Session w/Board to review interview reports, individual candidate qualifications, determine finalists for interview process

Late April/May

- Selection interviews
- Deliberations to narrow field to 1 or 2 finalists
- Candidate vetting
- Compensation/Contract Negotiations

June

- Offer

*Hire date estimated to be 30-120 days from the date of offer

At the end of her presentation Ms. Kostopulos encouraged the Board at their earliest convenience to appoint an interim GM from the current EWEB leadership team, in order for the person to make arrangements with their current department to redistribute workload. She also noted the interim GM candidate would be disqualified from consideration as the GM replacement. She made recommendations of ways to safeguard the process, and advised exercising discretion once the process begins. She recommended the Board identify and appoint an Interim GM soon to enable General Manager, Roger Gray and the Interim GM to begin preparation for and transition of duties no later than six weeks prior to the date of Mr. Gray’s exit.

BOARD DISCUSSION OF GENERAL MANAGER REPLACEMENT PROCESS

Vice President Brown noted a stakeholders committee had not been formed. Ms. Kostopulos responded that it should happen at the same time attributes of the process are identified, and that it should happen during a workshop forum. She further said that in order to do the process more efficiently, multiple panels could work together.

Vice President Brown asked if candidate privacy would be protected with regard to the internal vs. external discussion. Ms. Kostopulos responded the search firm would be responsible for the hiring process and the candidate materials.

President Simpson asked the Board to touch base at least once per month beyond the regular meeting schedule. Commissioner Manning added it may not be a good time with General Manager, Roger Gray present, and he opposed to separate the meetings. Vice President Brown disagreed and said Mr. Gray would add valuable input and perspective during the hiring process. President Simpson then suggested putting the recruiting process at the end of the regular meeting agendas. Commissioner Helgeson agreed stating he was opposed to added meetings.

President Simpson shifted the conversation to recruitment options. Commissioner Manning recommended Option #3. Commissioners Helgeson and Mital agreed. Commissioner Brown concurred, but also inquired about expense, and will there be a guarantee of employment by the search firm. Ms. Kostopulos said it would need to be negotiated.

GENERAL MANAGER REPLACEMENT PROCESS

Vice President Brown moved to utilize staff recommendation Option #3, (open solicitation) in the recruitment process of hiring the new GM; Commissioner Manning seconded. The vote was unanimous (5-0).

INTERIM GENERAL MANAGER

President Simpson asked Ms. Kostopulos if any internal applicants had shown interest, and if they were aware that this disqualifies them for consideration of the GM position. She acknowledged yes to both questions stating she had communicated to the leadership team by email, and out of three that had considered, one rescinded.

Commissioner Manning asked how soon could someone be selected. Ms. Kostopulos recommended no later than six weeks, and to consider working backward from Mr. Gray's established departure date.

Commissioner Mital moved that the current Finance Manager, Sue Fahey, be appointed as Interim GM to work with current General Manager Gray through the transition of hiring the new GM; Commissioner Helgeson seconded.

Commissioner Helgeson asked if internal candidates had expressed interest, and if they were still being considered for the position. Ms. Kostopulos said yes, stating if there were other internal interests the Board should be open to their consideration as well. Commissioner Manning said voting should be withheld until everyone had the opportunity to be included. She suggested putting a placeholder on the February 2 Executive Session agenda for a brief discussion.

Vice President Brown stated he could not support the motion. Commissioner Mital and Helgeson said they would vote “no” on the current motion, and Commissioner Manning suggested withdrawing the motion. President Simpson recommended moving through the current motion by voting “no,” and then to entertain a new motion.

President Simpson restated the motion, asking all in favor of appointing Ms. Fahey now. Four opposed with Commissioner Mital voting yes. The vote failed (4-1).

Vice President Brown motioned to fill the GM position with an interim GM according to staff recommendation; seconded by Commissioner Manning. The vote was unanimous (5-0).

Commissioner Helgeson and Vice President Brown further asked Ms. Kostopulos if the voting was to establish the process for hiring the GM, and she concurred. President Simpson asked in regards to the timeline, and she stated they are working to expedite the timeline. Commissioner Helgeson further discussed search criteria to be addressed in workshops, and she said that would be addressed.

President Simpson adjourned the Regular Session at 6:32 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
EXECUTIVE SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
FEBRUARY 2, 2016
5:02 P.M.

Commissioners Present: John Brown, Vice President, Steve Mital and Dick Helgeson.
Commissioner James Manning arrived at 5:07 p.m.
Absent: John Simpson, President

EXECUTIVE SESSION:

Pursuant to ORS 192.660(2)(a)

The EWEB Board of Commissioners met in Executive Session to consider the employment of a public officer, employee, staff member or individual agent.

Others Present: General Manager Roger Gray, Lena Kostopulos, Lance Robertson and Anne Kah of EWEB staff.

Vice President Brown adjourned the Executive Session meeting at 5:26 p.m.

Assistant Secretary

President

EUGENE WATER & ELECTRIC BOARD
REGULAR SESSION
EWEB BOARD ROOM
500 EAST FOURTH AVENUE
February 2, 2016
5:30 P.M.

Commissioners Present: John Brown, Vice President; Steve Mital, Dick Helgeson and James Manning.

Commissioners Absent: John Simpson, President.

Others Present: Roger Gray, Frank Lawson, Tim O'Dell, Matt Barton, Todd Simmons, Lisa Atkin, Erin Erben, Steve Newcomb, Adam Rue, Sue Fahey, Sarah Gorsegner, Mel Damewood, Wally McCullough, Jeannine Parisi, Edward Yan, Dave Churchman, Kim Morgan, Susan Eicher, Laurie Muggy, Mike McCann, Deborah Hart, Brad Taylor, Lena Kostopulos, Anne Kah, Cecilia Braaten, Mark Freeman, Gene Austin, and Jared Rubin of the EWEB staff; Teresa Lloyd, Recorder.

Vice President Brown convened the Regular Session of the Eugene Water & Electric Board (EWEB) at 5:34 p.m.

AGENDA CHECK

Vice President Brown called the February 2nd, Regular Session to order, noting that President Simpson was absent, and due to his absence it was necessary to delay Item #10 as President Simpson was to address that item.

ITEMS FROM BOARD MEMBERS

Having passed out pictures taken of abandoned homeless camps along the McKenzie River on a recent Clean-up effort, Vice President Brown pointed out what he called grievous violations such as hypodermic needles, construction site garbage, et al., which are contaminating our drinking water source. He asked for the Board and General Manager's support, and mentioned Tim O'Dell of the EWEB staff helping him organize a Clean-up project.

Commissioner Mital said he will be going to the upcoming GreenTech Media conference in San Francisco on March 16th, where the focus will be on distributed energy sources and the future of those resources, and how they will be integrated into the grid. He also mentioned email discussion to update the Board meeting minutes' format to include audio indexing and archiving, and hoped to have it established by the second quarter.

Commissioner Helgeson concurred with Commissioner Mital's characterization about the minutes, and in addition hoped the new format be established early in the next quarter. Acknowledging Vice President Brown's concern about the Clean-up, he suggested EWEB

continue to play a role in coordinating the efforts, while engaging property owners into action as well. He also mentioned the City of Springfield had protection via a groundwater overlay zone which when applied, enforces and/or creates a leverage for enforcement to prevent this sort of problem. He said he did not need an answer tonight, but asked if it was a concept that could be incorporated.

Also referencing the Clean-up, Commissioner Manning asked if the EWEB staff would help the Board create a dialog to discuss and encourage the property owners to get involved, as it affects the water rights and the waterways of all of Eugene. He said he is willing to sit down with them to go over issues and resolve, reflecting on the recent water issues in the news about Flint, Michigan. He mentioned that the City of Springfield Council had recognized Vice President Brown's work. He also commended him on the recent Clean-up effort noting 1,100 syringes alone were removed.

PUBLIC INPUT

Steve Mealey, President of the McKenzie River Guide Association. Thanked the Board and EWEB staff for the long partnership and stewardship in maintaining the quality of the River. He noted Vice President Brown being an associate member, and acknowledged his efforts in trash pickup during annual Clean-ups. He also acknowledged the River Clean-up happens every year on the second Saturday of July. Speaking of the photos which were taken by Vice President Brown and the past President of the Association, he said this was most common on the lower river area. Their annual meeting will be held on Saturday, February 6th, where the next annual Clean-up participation will be discussed.

Commissioner Manning said it was always good to hear partnership with EWEB was good. He said he was troubled with another issue regarding Weyerhaeuser that may be a problem to the water that if left unchecked may have an impact in the future. He will confer with some other people and relay his findings with the Board.

Commissioner Helgeson also acknowledged the partnership was great, and he will be at the next Clean-up.

Commissioner Mital said he was all for broader partnerships to provide stewardship on the riverbanks, and encouraged EWEB staff to work with Mr. Mealey and report back to the Board.

Vice President Brown mentioned Tim O'Dell of the EWEB staff had been very helpful and responsive, and noted for the record that none of these camps were occupied, and all had been abandoned. Referring to Commissioner Manning's concern, Weyerhaeuser's plume, would like to see the report on an annual basis regarding the proximity to the River. Commissioner Mital responded that it was possible to access the subcontractor's report to get that information, and General Manager Roger Gray concurred.

CONSENT CALENDAR

MINUTES

1. January 5, 2016 Regular Session

CONTRACTS

2. Mason Bruce & Girard, Inc. – for GIS-based web application development services. \$300,000. Environmental Management, Contact Person is Steve Newcomb.
3. Precise Kit Promotions, Inc. - for purchase of emergency water supply containers. \$186,000 (over 5 years). Engineering Division, Contact Person is Mel Damewood.
4. Xylem Water Solutions USA, Inc. - for purchase of filter media. \$199,000 (one-time purchase). Engineering Division, Contact Person is Mel Damewood.

RESOLUTIONS

5. Resolution No. 1601 – Board Appointments, Committees & Outside Liaisons, Contact Person is Roger Gray.
6. Resolution No. 1603 – Authorizing Stock Sale and Closure of Account, Contact Person is Sue Fahey.
7. Resolution No. 1604 – Revised Board Policy SD13, Carmen-Smith Hydroelectric Project Relicensing, Contact Person is Mike McCann.

It was moved by Commissioner Helgeson, seconded by Commissioner Mital, to approve the Consent Calendar. The motion passed unanimously (4-0).

INTERIM GENERAL MANAGER SELECTION AND PUBLIC COMMENT

Vice President Brown commented that the Board met in Executive Session prior to the meeting to discuss. Mr. Gray gave a description of the process and addressed questions and comments from the Board. Dave Churchman, Power Operations Manager, and Sue Fahey, Financial Services Manager were considered.

Discussion ensued as Commissioner Manning explained the reason he would vote for Dave Churchman was because Mr. Churchman's department would be less disrupted compared to Ms. Fahey's department. Commissioner Helgeson agreed.

APPOINT INTERIM GENERAL MANAGER

It was moved by Commissioner Manning and seconded by Vice President Brown to appoint Dave Churchman as Interim General Manager. The motion passed unanimously (4-0).

2016 ORGANIZATIONAL GOALS, KEY PERFORMANCE INDICATORS DASHBOARD

Mr. Gray gave a description and addressed questions and comments from the Board.

Commissioner Helgeson said he was comfortable with the structure, but noted two things he would like a refresher related to the metrics — a) operational plans and b) Key Performance Indicators (KPI's). Mr. Gray responded by saying he would point to statistics as to what customer product delivery service was provided for electric and water. He also will follow up with further detail.

Commissioner Mital noted that the Work Asset Management Systems (WAM) dropped off list and wanted feedback on that. Mr. Gray gave his feedback stating those issues had been resolved and considered those items closed. Commissioner Mital also mentioned a significant budget gap and asked if it was worth calling out as a line item. Mr. Gray said it will be included in the new plan for the Board and going forward, noting it was ongoing. Commissioner Mital inquired about the electric rate restructuring. Mr. Gray said they would need to rely on pricing to make supply and demand needs, and hoped the future strategic planning sessions will resolve the issue. Erin Erben, Power Planning Manager, added it was not a pricing oversight and able to put it in the plan.

Commissioner Manning appreciated Commissioner Mital's comments.

Commissioner Helgeson moved to approve the 2016 Organizational Performance Dashboard to be reported at quarterly intervals, with Commissioner Manning seconding. The motion passed unanimously (4-0).

Commissioner Mital asked additional questions pertaining to the low income and conservation program. Mr. Gray agreed it was a big issue stating EWEB had spent nearly \$3 million annually on conservation programs with approximately 5% focused on low income owner-occupied dwellings. Mark Freeman, Energy Management and Customer Service Manager, gave additional information to existing programs currently in place.

Commissioner Manning asked how are the programs dispersed stating he personally canvassed neighborhoods noting customer needs. Mr. Freeman discussed how the programs are implemented.

Commissioner Helgeson said there was a strong need but no urgent need to increase the budget, noting it could be an issue. He agreed that there was a rental segment that was under served.

Vice President Brown said it would be further discussed at the Retreat.

Commissioner Manning continued discussion of neighborhood canvassing and asked if a brochure could be developed for residents. Mr. Gray suggested an audit before developing brochure materials.

2016 STATE OF THE UTILITY ADDRESS

This item was postponed until the March Board meeting.

4TH QUARTER 2015: KEY PERFORMANCE INDICATOR DASHBOARD

Referring to the handout, Sue Fahey, Finance Manager and Erin Erben, Power Planning Manager, said they were there to answer the Board's questions.

Commissioner Mital had no questions.

Commissioner Helgeson said he appreciated how the format was calibrated. He added concern about the level of risk management, but understood why due to a key figure's recent departure.

Commissioner Manning noted Carmen-Smith was moving along.

Mr. Gray explained and highlighted a format change, using the regulatory compliance item as an example, and thought it made sense to identify status separately to show better transparency.

Vice President Brown called for a 10-minute recess at 6:24 p.m.

WATER UTILITY UPDATE ON NEW WATER FILTRATION PLANT AND EMERGENCY PREPAREDNESS

With the aid of overheads Brad Taylor, Water Operations Manager and the project sponsor of the new Water Filtration Plant, provided an update on the project. He then turned the presentation over to Wally McCullough, Water Engineering Supervisor, who started with Property Acquisitions.

Using the slides Mr. McCullough identified a preferred site for the filtration plant. He went on to explain a total of 17 test pit sites where numerous studies and evaluations have been conducted. The slide presentation contained the following:

NEW WATER FILTRATION PLANT

- Property for river intake obtained
- Have identified preferred Filtration Plant site – submitted offer
- Completed due diligence activities:
 - Geotechnical
 - Surveying/Boundary research
 - Wetland delineation
 - Siting feasibility study
- Environmental Permitting:
 - Permitting strategy has been prepared
 - Applications submitted upon plant predesign
- Land Use Approvals:
 - Attended Development Issues Meetings with City of Springfield
 - Annexation and other land use actions will be required
 - Working with City and land use consultant to clarify process
- Source Protection:
 - Continued monitoring at Intake Site
 - Placed permanent sonde at site for continuous monitoring
 - Participated in spill response drills
 - Developing partnerships to help with source protection efforts
- Potential Outside Funding:
 - Highly competitive
 - Most sources target disadvantaged communities
 - More likely that ‘related’ projects such as source protection obtain some level of funding
 - Funding research is on-going
- Next Steps (Near Term):
 - Preliminary Design
 - Permit Applications/Land Use Approvals
 - System Modeling
 - Continue Water Quality Data Acquisition
 - Source Protection – Preparation of 10-Year Strategic Plan for WM Source Efforts

EMERGENCY PREPAREDNESS

- Recently completed third distribution trailer

- Current inventory:
 - Two distribution trailers – 100 nozzle capacity
 - One education trailer – 80 nozzle capacity
 - Numerous blivets and other items
- Currently researching ‘water treatment’ trailer
- Need to get better at distributing water prior to additional investments
- Long term plan to be prepared considering all sources and planned CIP Improvements

COMMUNITY ENGAGEMENT

- Telephone survey and focus group discussions occurred in 2015. Increases in:
 - Awareness of water supply risks
 - Importance of developing second source
 - Support for rate increases for second source
- Water Communication Plan to be updated this year
- Container project going well – anticipate 6,000 distributed this year

Commissioner Manning commented it was an excellent presentation and asked more about the design. Mr. McCullough responded that they were working on a pre-design. Commissioner Manning then asked how many were in the focus group and if there were other concerns. Mr. Taylor responded information was provided in a packet to the Board in December. In addition, Jeannine Parisi, Government and Community Affairs Coordinator, explained that the take-away from the customer panel group was their concern of so much risk, and glad for action taken to mitigate the risk. She said DHM and Barney & Worth did the Focus Group and Telephone Survey work, which were approximately 11-12 people in each group. The two companies will be involved in the next round of communication and messaging.

Commissioner Mital asked to discuss the Judkins property and why it could not be consolidated onto the other property. Mr. McCullough explained the property was primarily for access onto the intake property to keep out of the flood plain, and said consolidating could be an option. Commissioner Mital asked how come mercury was not on the risk list for the Willamette and McKenzie Rivers. Mr. McCullough said they were currently evaluating data and had no immediate answers. Commissioner Mital asked for a follow-up. He continued with a question about the siting proximity to the Railroad, and Mr. Taylor explained how the proximity did not matter. Commissioner Mital finished by saying he would like to see the Board’s and EWEB Staff’s continued focus on the pre-disaster mitigation project as it should be a top concern for the entire Eugene and Springfield community.

Commissioner Helgeson asked about the initial capacity from a design perspective. Mr. McCullough responded. Commissioner Helgeson asked about the staffing plan, and if the operation would run, i.e., 24/7, seasonally. Mr. Taylor referred to the current financial plan, and added there were currently three lead operators and was hoping to add one additional operator. Commissioner Helgeson commented the need to begin to tell people the roles that this played in terms of the relative shares of water source.

Vice President Brown asked about discussions with the Railroad and about the crossing. Mr. Taylor said they had not had specific discussions, but added that they had been working with consultants. Commissioner Brown was concerned with land-use noting we do not have the ability to build yet. Mr. Taylor responded. Also, Tim O'Dell, Right-of Way Agent, responded. Vice President Brown discussed concerns about Glass Bar Landfill, leaching into the river and wants a third-party verification. Mr. Taylor agreed Vice President Brown brought up valid points and concurred there were issues to overcome. He said that the 2016 plan was to bring in outside consultants.

More discussion ensued regarding Emergency Management. Commissioner Mital asked about losing Red Cross as a partner in handling water during a disaster. Mr. Taylor explained it was more of a logistics concern, and thought Red Cross will be participating next year.

CORRESPONDENCE & BOARD AGENDAS

Mr. Gray and Ms. Erben asked the Board if they had questions, with Mr. Gray noting that the Board would be meeting on February 16th at 5:30 p.m., for the General Manager replacement process.

Ms. Erben discussed the two Strategic Planning Sessions scheduled for March and April, mentioning additional time was added to discuss the pricing advisory in more detail. She said they were seeking Board input on the initial plan and input on key priorities for both Electric and Water. To be discussed in the March Regular Session then again in the April Session.

Commissioner Mital asked to have the Strategic Plan resubmitted to the Board before the March Session.

Commissioner Helgeson said he was comfortable with all, and is looking to join the conversation involving "utility futures." He also said that he had a real interest in understanding more about what the technology will bring. Ms. Erben responded.

Commissioner Manning concurred.

Vice President Brown commented that he was placed on the Board by the people and was there to reflect their values, and whatever the Board decides has an impact on rates. Ms. Erben responded by saying they had thought about that and wanted to bring those ideas to the last session in March.

Commissioner Mital reiterated both Vice President Brown's and Commissioner Helgeson's concerns, and said it was important to have both conversations.

Mr. Gray said he had responded to the Child Development Center (CDC) letter addressed to himself and the Board. The letter requested financial assistance while they looked to relocate. Mr. Gray noted that no relocation notice had been given by EWEB, and is currently leasing on a month-to-month basis. He said financial assistance was not within the current EWEB budget.

Commissioner Manning responded though he supports the CDC, he agrees with Mr. Gray.

Commissioner Helgeson agreed and stated EWEB's involvement with the CDC had ebbed and flowed over the years based on demographics, et al. He said he would struggle to find justification in offering a capital contribution unless it meets a Utility purpose.

Commissioner Mital also agreed that it would be premature to make a decision on the request.

Vice President Brown concurred.

Mr. Gray provided further discussion and said he appreciated the feedback. He noted the implications of the property CDC leases which was in a future construction zone. He also hoped the City of Eugene and their Developer would give certainty so EWEB may have future discussions with CDC regarding their current site.

BOARD WRAP UP

Referring to the McKenzie River Clean-up of potential hazards, Commissioner Manning said it was necessary to stay on top of it and keep moving forward in the conversation.

Commissioner Helgeson commented regarding testifying in Salem on the Carbon Policy, and appreciates continuing engaging in the process. On a side note, he asked for feedback regarding market activity and why it had an attributable carbon footprint. Mr. Gray attributed it to sales.

Commissioner Mital passed.

Vice President Brown thanked everyone about the discussion on the River Clean-up.

Vice President Brown adjourned the Regular Session at 7:36 p.m.

Assistant Secretary

President



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Lena Kostopulos, Human Resources Manager
DATE: 2/19/2016
SUBJECT: Human Resources Information System Replacement
OBJECTIVE: Board Action – consent calendar approval of vendor contract (Ultipro)

Issue

The replacement of EWEB’s current HR Information System has been identified as a 2016 priority need in order for the Utility to mitigate significant risks associated with the current system.

Background

In 2009, the Utility purchased “e-Personality” from Highline Corporation. The life of that system was originally projected to be sufficient to support the needs of the Utility until 2017. Over the last 18 months, there have been repeated and serious system challenges, including those which put EWEB’s ability to meet payroll deadlines, satisfy tax and ACA reporting requirements at risk. EWEB learned that Highline was sold to an employee group and since that time, the vendor has failed to sufficiently support the software and to provide service to ensure the system’s reliable performance. The number of labor hours required to support the system has steadily escalated to levels which are unsustainable. The Utility has been forced to enter temporary agreements and otherwise unnecessary ownership of application and client software to support the failing system. 2016 W2 and ACA tax reporting had to be outsourced to ensure legal compliance.

Discussion

A qualified and reputable vendor (Ultimate Software) of a fully hosted solution (Ultipro) which will be integrated with other EWEB systems has been identified. Beyond addressing the reliability risks of the current system, the new solution will unburden internal resources while also providing additional key features and functionality necessary to support the needs of an employer of EWEB’s size and scope into the future. Ultipro will enable efficiencies in HR, Payroll and throughout the Utility. The Ultipro system will enable managers and supervisors to access data that will inform business decisions related to budget, staffing, scheduling and employee management. Employees will also benefit from the ability to access their individual information and maintain their own benefits and personal records. Following initial implementation costs, the annual cost of Ultipro will be only slightly higher than the costs currently being incurred for the failing e-Personality system and its associated non-integrated applications and software (to be discontinued). While not an actual savings, the internal labor resources presently devoted to the maintenance of the current system will be redirected to other IS projects. From a sustainability perspective, Ultipro will eliminate most and eventually potentially all, the paper transactions related to the employment life cycle and will also enable considerable internal controls improvements.

Recommendation

After considering other vendors, the recommendation is that EWEB enter into an agreement with Ultimate Software to purchase and implement the Ultipro system.

Requested Board Action

Approve the attached contract as presented.

EWEB Board Consent Calendar Request

For Contract Awards, Renewals, and Increases

The Board is being asked to approve a new contract with **Ultimate Software Group, Inc.** for the purchase of an **Integrated Software as a Service (SaaS) Human Capital Management Services (HCMS) solution.**

Board Meeting Date: March 1, 2016
Project Name/Contract#: Integrated SaaS HCMS Solution/RFP 047-2015
Primary Contact: Lena Kostopulos Ext. 7466
Purchasing Contact: Tracy Davis Ext. 7468

Action Requested:

Contract Award
 Contract Renewal
 Contract Increase
 Other

Contract Amount:

Original Contract Amount: \$ 1,300,000
Additional \$ Previously Approved: \$ N/A
Invoices over last approval: \$ N/A
Percentage over last approval: N/A %
Amount this Request: \$ 1,300,000
Resulting Cumulative Total: \$ **1,300,000**

Funding Source:

Budget
 Reserves
 New Revenue
 Bonding
 Other

Contracting Method:

Method of Solicitation: Formal Request for Proposals
If applicable, basis for exemption: N/A
Term of Agreement: March 1, 2016 – February 28, 2021
Option to Renew? Annual renewals
Approval for purchases "as needed" for the life of the contract Yes

Form of Contract:

Single Purchase
 Services
 Personal Services
 Construction
 IGA
 Price Agreement
 Other

NARRATIVE:

The Board is being asked to approve a new contract with **Ultimate Software Group, Inc.** for the purchase of an **Integrated Software as a Service (SaaS) Human Capital Management Solution (HCMS).**

EWEB's current human resources and payroll system is near end of life and vendor support has become limited which has raised concerns about EWEB's ability to ensure payroll is processed timely and accurately. In order to continue processing accurate payroll and increase effectiveness and efficiencies throughout the organization, EWEB issued a Request for Proposals (RFP) for an integrated SaaS HCMS to manage human resources, benefits, payroll, time & attendance, recruiting, performance management, compensation management, and employee and manager self-service activities. Employees will have ability to change addresses, W4 elections, and enroll in benefits via self-service. Managers will have expanded access to employee data and will have the ability to initiate employee actions on-line. EWEB currently uses four separate systems to meet these needs which are not integrated and require significant manual processes.

Contract activities include license subscriptions, five years of software support, as well as limited implementation planning and analysis, configuration, testing, and training of the new solution.

In November 2015, staff issued an RFP. Three proposals were received; however one was deemed non-responsive due to missing a major required element. Kronos Incorporated, of Chelmsford, MA, and Ultimate Software of Weston, FL, were evaluated based on the evaluation criteria stated in the RFP. Evaluation criteria included: ability and capability to perform the work by providing responses to requirements; methodology and approach; assigned staff qualifications and experience; references; SaaS experience; maintenance and innovation; and pricing. Ultimate Software was deemed the highest ranked proposer.

Staff has issued a notice of Intent to Award a contract to Ultimate Software and has negotiated a contract, pending Board Approval.

ACTION REQUESTED:

Management requests the Board approve a new contract with **Ultimate Software Group, Inc.** for the purchase of an **Integrated Software as a Service (SaaS) HCMS solution.** Funds for this purchase were budgeted for 2016 and will be budgeted annually.

SIGNATURES:

Project Coordinator: _____

LT Manager: _____

Purchasing Manager: _____

General Manager: _____

Board Approval Date: _____

Secretary/Assistant Secretary verification: _____



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Sue Fahey, Finance Manager; Susan Eicher, Accounting & Treasury Supervisor
DATE: February 19, 2016
SUBJECT: Resolution No. 1606 Requesting Bond Sale Authorization
OBJECTIVE: Approval of Supplemental Bond Resolution No. 1606

Issue

Board approval is required to issue Water Utility Revenue Bonds and also refund certain outstanding bonds to achieve interest savings.

Background

At the September 1, 2015 Board meeting, Commissioners approved Resolution No. 1524 requesting City Council action on the issuance and refunding of Water Utility Revenue Bonds. The City Council adopted Resolution No. 5139 at its October 12, 2015 meeting which authorized the sale of bonds not to exceed \$18 million for financing improvements to the Water Utility System and up to \$35 million to refund all, or a portion of, the Series 2002, Series 2005 and Series 2008 Water Utility Bonds. The most recent refunding analysis indicated that EWEB could realize over \$2 million in interest expense savings over the life of the refunded bonds.

The Uniform Revenue Bond Act requires publishing a notice regarding the issuance of new bonds and allowing City of Eugene voters 60 days to file a petition with the City asking that the bond issuance be referred to a vote. The notice was published in The Register-Guard on October 14, 2015, and no petition was filed.

The Series 2016 Bonds will be used to finance Water Utility System general capital and rehabilitation improvements and are scheduled to be issued in April or May.

Recommendation/Requested Board Action

Management recommends and requests approval of Resolution No. 1606 authorizing the issuance, sale and delivery of Water Utility System Revenue and Refunding Bonds.

RESOLUTION NO. 1606
March 2016

SUPPLEMENTAL BOND RESOLUTION

A SUPPLEMENTAL BOND RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF WATER UTILITY SYSTEM REVENUE AND REFUNDING BONDS FOR THE PURPOSES OF (1) FINANCING IMPROVEMENTS TO THE WATER UTILITY SYSTEM IN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$18,000,000 AND (2) REFUNDING THE SERIES 2002 BONDS, SERIES 2005 BONDS AND SERIES 2008 BONDS IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$35,000,000; DELEGATING THE SETTING OF INTEREST RATES, THE PRINCIPAL REPAYMENT SCHEDULE, BOND REDEMPTION AND OTHER TERMS, THE APPROVAL AND DISTRIBUTION OF THE PRELIMINARY AND FINAL OFFICIAL STATEMENTS AND RELATED AGREEMENTS; AND PROVIDING FOR RELATED MATTERS.

WHEREAS, on September 2, 1997 the Eugene Water & Electric Board (“EWEB”) adopted a Master Water Bond Resolution (the “Master Resolution”) authorizing the issuance of Water Utility System Revenue Refunding Bonds, Series 1997, in the aggregate principal amount of \$6,615,000 (the “Series 1997 Bonds”) for the purpose of financing construction of any additions, replacements, expansions, renewals or improvements to the Water Utility System operated by EWEB (the “Water Utility System”);

WHEREAS, Section 10 of the Master Resolution provides for the issuance of Additional Bonds which shall have a lien on the Net Revenues of the Water Utility System that is equal to the lien of the Series 1997 Bonds and any Additional Bonds which are payable on a parity basis (*pari passu*) with the Series 1997 Bonds from the revenues of the Water Utility System subject to the prior charge on such revenues for the payment of operating expenses of the Water Utility System;

WHEREAS, EWEB has previously issued Additional Bonds pursuant to the terms of the Master Resolution as follows: \$21,405,000 Water Utility System Revenue Bonds, Series 2000 (the “Series 2000 Bonds”), \$10,000,000 Water Utility System Revenue Bonds, Series 2002 (the “Series 2002 Bonds”), \$12,540,000 Water Utility System Revenue Refunding Bonds, Series 2005 (the “Series 2005 Bonds”), \$15,595,000 Water Utility System Revenue Bonds, Series 2008 (the “Series 2008 Bonds”) and \$17,300,000 Water Utility System Revenue Bonds, Series 2011 (the “Series 2011 Bonds”);

WHEREAS, EWEB desires to authorize herein another series of Additional Bonds pursuant to the terms of the Master Resolution to be called the City of Eugene, Oregon Water Utility System Revenue and Refunding Bonds, Series 2016 (the “Series 2016 Bonds”);

WHEREAS, on September 1, 2015, EWEB adopted Resolution No. 1524 (the “EWEB Resolution”) requesting that the City (1) authorize and set the terms for the issuance and sale of

water utility system revenue bonds in the aggregate principal amount not to exceed \$18,000,000 for the purpose of financing acquisition, design, construction, installation and equipping of certain capital improvements to the water utility system (the “Project”), to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; (2) authorize and set the terms for the issuance and sale of water utility refunding bonds in the aggregate principal amount not to exceed \$35,000,000 for the purpose of refunding all or a portion of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds, and (3) authorize publication of notice of Water Utility System Revenue Bond Authorization in accordance with Oregon Revised Statutes (“ORS”) 287A.150;

WHEREAS, on October 12, 2015, the City Council adopted its Resolution No. 5139 (the “City Resolution”) authorizing the issuance and sale by the City, acting by and through EWEB, of bonds, in one or more series, in an aggregate principal amount not to exceed (1) \$18,000,000 for the purpose of providing funds for the Project, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds; (2) \$35,000,000 for the purpose of refunding the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund necessary reserves and to pay a portion of the costs of issuance of the bonds, and (3) authorize publication of Notice of Water Utility System Revenue Bond Authorization in accordance with ORS 287A.150;

WHEREAS, on October 14, 2015, the Notice of Revenue Bond Authorization relating to the water utility system revenue bonds was published in The Register-Guard, a newspaper of general circulation within the geographical boundaries of the City, and sixty (60) days elapsed since the publication of such Notice and no voters residing within the geographical boundaries of the City filed a petition with the City asking to have the question of whether to issue the Water Utility System Revenue Bonds for the Project in the aggregate principal amount not to exceed \$18,000,000 referred to a vote (the “2016 Authorization”);

WHEREAS, pursuant to the City Resolution and ORS 287A.300, the City Council authorized EWEB, or any individual designated by EWEB, to determine, with respect to the bonds, the form of bond and series designation, the manner of disbursement of proceeds of the bonds, the maturity dates, principal amounts, redemption provisions, interest rates or the method for determining a variable or adjustable interest rate, denominations, form and authorized signatory and other terms and conditions of the bonds;

WHEREAS, the foregoing actions and events enable EWEB to proceed with the issuance and sale of the Series 2016 Bonds without further authorization or approval other than that provided by this Supplemental Bond Resolution;

WHEREAS, the Series 2016 Bonds will not be general obligations of the City, nor a charge upon its tax revenues, but will be payable solely from revenues of the Water Utility System which EWEB pledges to the payment of such Bonds pursuant to ORS 287A.310 and ORS 287A.325 and the aforesaid resolutions;

WHEREAS, the Board finds it advantageous to proceed with the sale and issuance of the Series 2016 Bonds, which will qualify as and constitute Additional Bonds under Section 10 of the Master Resolution; and

NOW, THEREFORE, BE IT FOUND, DETERMINED, ORDERED AND RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD OF THE CITY OF EUGENE, OREGON, as follows:

SECTION 1. Findings. The improvements to the Water Utility System identified in the City Resolution are eligible for financing and/or refinancing in accordance with the Master Resolution through the issuance of Water Utility System Revenue Bonds.

SECTION 2. Definitions.

(a) Unless the context shall clearly indicate some other meaning, all words and terms used in this Supplemental Bond Resolution which are defined in the Master Resolution shall for all purposes of this Supplemental Bond Resolution have the respective meanings given to them in the Master Resolution.

(b) Unless the context shall clearly indicate some other meaning, the following terms shall, for all purposes of the Master Resolution and of any supplemental resolution (including for all purposes, this Supplemental Bond Resolution), and for all purposes of any certificate, opinion, instrument or other document therein or herein mentioned, have the following meanings, with the following definitions to be equally applicable to both the singular and plural forms of such terms and vice versa:

“Series 2016 Bonds” shall mean the City of Eugene, Oregon Water Utility System Revenue and Refunding Bonds, Series 2016 issued in the aggregate principal amount not to exceed \$53,000,000 consisting of the Series 2016 New Money Bonds issued under the 2016 Authorization and the Series 2016 Refunding Bonds.

“Series 2016 New Money Bonds” means that portion of the Series 2016 Bonds, in an amount not to exceed \$18,000,000, issued to finance the Project, to fund necessary reserves and to pay a portion of the costs of issuance of the Series 2016 Bonds.

“Series 2016 Refunding Bonds” means that portion of the Series 2016 Bonds, in an amount not to exceed \$35,000,000, issued to refund the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, to fund necessary reserves and to pay a portion of the costs of issuance of the Series 2016 Bonds.

(c) Unless or except as the context shall clearly indicate otherwise or may otherwise require in this Supplemental Bond Resolution: (i) all references to a particular article, section and/or subdivision of the Master Resolution or this Supplemental Bond Resolution, as the case may be are to the corresponding article, section or subdivision of the Master Resolution only, or this Supplemental Bond Resolution only, as the case may be; (ii) the terms “herein”, “hereunder,” “hereby,” “hereto,” “hereof,” and any similar terms refer to this Supplemental Bond Resolution as a whole and not to any particular section or subdivision hereof; (iii) the terms “therein,” “thereunder,” “thereby,” “thereto,” “thereof,” and any similar terms refer to the Master Resolution and to the Master Resolution as a whole and not to any particular article, section or subdivision thereof; and (iv) the term “heretofore” means before the time of effectiveness of this Supplemental Bond Resolution.

SECTION 3. Series 2016 Bonds Authorized. Pursuant to ORS 287A.300, EWEB hereby designates that the Authorized Representative, as defined in Section 5 below, may determine, with respect to the Series 2016 Bonds, the form of bond and series designation, the manner of sale of the Series 2016 Bonds, the manner of disbursement of proceeds of the bonds, the maturity dates, principal amounts, redemption provisions, interest rates or the method for determining a variable or adjustable interest rate, obtain bond insurance or some other form of guaranty or security for the payment of the Series 2016 Bonds, denominations, form, authorized signatory, and other necessary or desirable documents, and other terms and conditions of the Series 2016 Bonds. Prior to the issuance of any Series 2016 Bonds, EWEB shall: (i) prepare a plan showing that the estimated Water Utility System revenues are sufficient to pay the estimated debt service on the Bonds, and (ii) provide a copy of this Supplemental Bond Resolution to the City. Without the prior approval of the City Council and EWEB, the Bonds shall (i) mature not later than thirty (30) years from the date of issuance thereof; (ii) be sold through public competitive sale and awarded to the bidder offering the most favorable terms to EWEB, on behalf of the City, or sold pursuant to negotiation at par or with a net original issue discount or premium that does not exceed eighteen percent (18.0%) of the aggregate principal amount thereof; (iii) have an effective interest rate of not to exceed seven percent (7.0%) per annum; and (iv) not exceed \$53,000,000 in aggregate principal amount. The Series 2016 Bonds shall be issued in fully registered form in the principal denominations of \$5,000 or any integral multiple thereof. The Series 2016 Bonds shall be subject to a book-entry only system of ownership and transfer as provided for in Section 14 hereof. Any remaining terms of the Series 2016 Bonds shall be established as provided in Section 18 hereof.

It is hereby found and determined that the proceeds of the Series 2016 Bonds shall be designated and used only for the following purposes:

- (a) An undivided amount not to exceed \$18,000,000 is determined to be the aggregate principal amount of the Series 2016 New Money Bonds, and the proceeds of the sale thereof shall be applied to the Project, pay related costs of issuance and any required incremental deposit to the Reserve Account; and
- (b) An undivided amount not to exceed \$35,000,000 is determined to be the aggregate principal amount of the Series 2016 Refunding Bonds, and the proceeds of the sale thereof shall be used in connection with the refunding of the Series 2002 Bonds, Series 2005 Bonds and Series 2008 Bonds, the payment of related costs of issuance and any required incremental deposit to the Reserve Account.

Any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of the Series 2016 Bonds, exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of Oregon, the Charter of the City of Eugene, and the EWEB Resolution and this Supplemental Bond Resolution.

SECTION 4. Appointment of Registrar. EWEB designates U.S. Bank National Association, Portland, Oregon as registrar and paying agent for the Series 2016 Bonds (the “Registrar”). A successor Registrar may be designated by an Authorized Representative. The

Registrar shall provide notice to Bondowners of any change in the Registrar not later than the next Bond payment date following the change in Registrar.

SECTION 5. Designation of Authorized Representative. Each of the Treasurer or Assistant Treasurer, or each of their respective designees are designated as an authorized representative (each, an “Authorized Representative”) to act on behalf of EWEB and determine the remaining terms of the Series 2016 Bonds as specified in Section 18 hereof.

SECTION 6. Security for Series 2016 Bonds. The Series 2016 Bonds shall not be general obligations of the City or EWEB, nor a charge upon the City’s tax revenues, but shall be payable solely from the revenues and funds which EWEB pledges to the payment of the Series 2016 Bonds pursuant to ORS 287A.150 *et seq.* The Series 2016 Bonds shall be secured by a lien on the Net Revenues of the Water Utility System that is equal in priority to the lien of the Outstanding Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds and any Additional Bonds (the Series 2016 Bonds, together with the Series 2002 Bonds, Series 2005 Bonds, Series 2008 Bonds, Series 2011 Bonds and any Additional Bonds, are referred to herein as the “Bonds”). The Outstanding Bonds (including the Series 2016 Bonds) shall be secured by the Trust Estate as set forth in Section 2D of the Master Resolution.

SECTION 7. Application of Series 2016 Bond Proceeds. The Series 2016 Bond proceeds shall be applied as follows:

(1) Accrued interest received on the Series 2016 Bonds, if any, from their date to the date of delivery any payment for the Series 2016 Bonds and capitalized interest, if any, shall be paid to the Bond Fund Trustee for deposit into the Interest Account in the Bond Fund to be applied to the payment of interest on the Series 2016 Bonds;

(2) A portion of the proceeds of the Series 2016 Bonds (amount to be determined by the Authorized Representative) shall be deposited into the Project Fund;

(3) A portion of the proceeds of the Series 2016 Bonds sufficient to refund the Series 2002 Bonds being refunded shall be deposited into the Escrow Account to refund those Series 2002 Bonds;

(4) A portion of the proceeds of the Series 2016 Bonds sufficient to refund the Series 2005 Bonds being refunded shall be deposited into the Escrow Account to refund those Series 2005 Bonds;

(5) A portion of the proceeds of the Series 2016 Bonds sufficient to refund the Series 2008 Bonds being refunded shall be deposited into the Escrow Account to refund those Series 2008 Bonds;

(6) A portion of the proceeds of the Series 2016 Bonds (amount to be determined by the Authorized Representative) shall be used to fund any required reserve for the Series 2016 Bonds;

(7) A portion of the proceeds of the Series 2016 Bonds (amount to be determined by the Authorized Representative) shall be applied to the payment of fees and expenses in connection with the issuance and sale of the Series 2016 Bonds.

SECTION 8. Rate Covenant.

A. Pursuant to Section 9A of the Master Resolution, EWEB covenants for the benefit of the owners of all Outstanding Bonds that it will charge rates and fees in connection with the operation of the Water Utility System which, when combined with other Gross Revenues, are adequate to generate Net Revenues in each Fiscal Year at least equal to (a) 1.25 times Annual Debt Service due in that Fiscal Year for all Outstanding Bonds, (b) 1.00 times Annual Debt Service due in that Fiscal Year for any Subordinate Obligations (after subtracting Annual Debt Service from Net Revenues due in that Fiscal Year for all Outstanding Bonds) and (c) any amounts owed by the Board to a Credit Provider, if any, pertaining to the Outstanding Bonds. If the Net Revenues fail to meet this level, the EWEB will promptly increase its rates and fees or reduce expenses to a level so that Net Revenues are projected to meet the required level.

B. EWEB may transfer funds from the Rate Stabilization Account to satisfy the requirements of the rate covenant in Section 9A of the Master Resolution. If EWEB transfers funds from the Rate Stabilization Account during any Fiscal Year to satisfy such rate covenant, EWEB covenants for the benefit of the owners of all Outstanding Bonds that it will charge rates and fees in connection with operation of the Water Utility System which, when combined with other Gross Revenues, are adequate to generate Net Revenues (exclusive of transfers from the Rate Stabilization Account) in such Fiscal Year at least equal to 1.25 times Annual Debt Service due in that Fiscal Year for all Outstanding Bonds. If the Net Revenues fail to meet this level, EWEB will promptly increase its rates and fees or reduce expenses to a level so that Net Revenues (exclusive of transfers from the Rate Stabilization Account) are projected to meet the required level.

Pursuant to and without limitation on the provisions of Section 9B of the Master Resolution, the Treasurer shall annually, within six months after the close of each Fiscal Year, determine based on EWEB's audited financial statements for such Fiscal Year showing for the preceding Fiscal Year (i) Net Revenues, (ii) the Annual Debt Service for all outstanding Bonds for such Fiscal Year, and (iii) the Annual Debt Service for any Subordinate Obligations for such Fiscal Year. If such determination shows that such Net Revenues fail to meet the requirements of Section 9A of the Master Resolution (and, if applicable, Section 9B of the Master Resolution) then the Treasurer shall simultaneously prepare a Certificate of EWEB stating in effect that changes in operating procedures or revisions in rates can and will be made which, in the opinion of such signatory, would have resulted in greater Net Revenues sufficient to satisfy the requirements of Section 9A of the Master Resolution (and, if applicable, Section 9B of the Master Resolution), together with a copy of a resolution, adopted by EWEB's Board and certified by EWEB's Board, authorizing and directing that such changes or revisions be effectuated as promptly as possible, but in no event later than ninety (90) days after the date of such Certificate.

SECTION 9. Bond Fund and Accounts. EWEB hereby affirms the creation and establishment of the Funds and Accounts set forth in Section 7 of the Master Resolution.

SECTION 10: Reserve Account. In connection with the issuance of the Series 2016 Bonds, a deposit into the Reserve Account or the provision of a Reserve Credit Facility in an amount sufficient to make the balance in the Reserve Account at least equal to the Reserve Requirement is required. The deposit into the reserve account to meet the Reserve Requirement will be funded with Series 2016 Bond proceeds.

SECTION 11. Deposit, Pledge and Use of Gross Revenues. EWEB hereby affirms the deposit, pledge and use of Gross Revenues as set forth in Section 8 of the Master Resolution.

SECTION 12. Form of Series 2016 Bonds. The Series 2016 Bonds shall be issued in substantially the form as described in the Master Resolution. The Series 2016 Bonds may be printed or typewritten, and may be issued as one or more temporary Series 2016 Bonds which shall be exchangeable for definitive Series 2016 Bonds when definitive Series 2016 Bonds are available. As book-entry only bonds, the Series 2016 Bonds shall be prepared by Bond Counsel.

SECTION 13. Execution of Series 2016 Bonds. The Series 2016 Bonds shall be executed on behalf of EWEB with the manual or facsimile signatures of the President or Vice President and Treasurer or Assistant Treasurer of EWEB and attested to by the manual or facsimile signature of the Secretary or Assistant Secretary of EWEB. Additionally, the Series 2016 Bonds shall be authenticated by the manual signature of an authorized officer of the Registrar.

SECTION 14. Book-Entry Only System. During any time that the Series 2016 Bonds are held in a book-entry only system (the “Book-Entry System”), the registered owner of all of the Series 2016 Bonds shall be The Depository Trust Company, New York, New York (“DTC”), and the Series 2016 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. EWEB has entered into a Blanket Issuer Letter of Representations (the “Letter”) wherein EWEB represents that it will comply with the requirements stated in DTC’s Operational Arrangements as they may be amended from time to time.

Under the Book-Entry System, the Series 2016 Bonds shall be initially issued in the form of a single fully registered certificate, one for each maturity of the Series 2016 Bonds. Upon initial issuance, the ownership of such Series 2016 Bonds shall be registered by the Registrar on the registration books in the name of Cede & Co., as nominee of DTC. EWEB and the Registrar may treat DTC (or its nominee) as the sole and exclusive registered owner of the Series 2016 Bonds registered in its name for the purposes of payment of the principal of, redemption price of, and premium, if any, or interest on the Series 2016 Bonds, selecting the Series 2016 Bonds or portions thereof to be redeemed, if any, giving notice as required under this Resolution, registering the transfer of Series 2016 Bonds, obtaining any consent or other action to be taken by the owners and for all other purposes whatsoever; and neither the Registrar nor EWEB shall be affected by any notice to the contrary. The Registrar shall not have any responsibility or obligation to any person claiming a beneficial ownership interest in the Series 2016 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the Registrar as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the Series 2016 Bonds; any notice or direction which is permitted or required to be given to or received from owners under this

Resolution; the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Series 2016 Bonds; or any consent given or other action taken by DTC as owner; nor shall any DTC Participant or any such person be deemed to be a third party beneficiary of any owners' rights under this Resolution. The Registrar shall pay from moneys available hereunder all principal of and premium, if any, and interest on the Series 2016 Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge EWEB's obligations with respect to the principal of and premium, if any, and interest on the Series 2016 Bonds to the extent of the sum or sums so paid. So long as the Series 2016 Bonds are held in the Book-Entry System, no person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the Registrar to make payments of principal of and premium, if any, and interest pursuant to this Resolution. Upon delivery by DTC to the Registrar of DTC's written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions of this Resolution with respect to transfers of Series 2016 Bonds, the term "Cede & Co.," in this Resolution shall refer to such new nominee of DTC.

At any time it determines that it is in the best interests of the owners, EWEB may notify the Registrar, and the Registrar will subsequently notify DTC, whereupon DTC will notify the DTC Participants, of the availability through DTC of Bond certificates. In such event, the Registrar shall issue, transfer and exchange, at EWEB's expense, Bond certificates as requested in writing by DTC in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2016 Bonds at any time by giving written notice to the Registrar and discharging its responsibilities with respect thereto under applicable law. If DTC resigns as securities depository for the Series 2016 Bonds, Bond certificates shall be delivered pursuant to this Section 14. Under such circumstances (if there is no successor securities depository), the Registrar shall be obligated to deliver Bond certificates as described in this Resolution, provided that the expense in connection therewith shall be paid by EWEB. In the event Bond certificates are issued, the provisions of this Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of, premium, if any, and interest on such Series 2016 Bonds. Whenever DTC requests the Registrar to do so, the Registrar will cooperate with DTC in taking appropriate action after written notice (a) to make available one or more separate certificates evidencing the Series 2016 Bonds to any DTC Participant having Series 2016 Bonds credited to its DTC account, or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2016 Bonds.

EWEB will not be responsible or liable for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC, its participants or persons acting through such participants or for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owner of the Bonds.

SECTION 15. Redemption. The Series 2016 Bonds may be subject to optional redemption and mandatory redemption prior to maturity as determined by the Authorized Representative pursuant to Section 18 hereof.

SECTION 16. Notice of Redemption. Official notice of redemption shall be given by the Registrar on behalf of EWEB by mailing a copy of an official redemption notice by first-class

mail at least 20 days prior to the date fixed for redemption to the registered owner(s) of the Series 2016 Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such registered owner to the Registrar, and by publishing the notice as required by law; provided that so long as a book-entry only system is maintained in effect, notice of redemption shall be given at the time, to the entity and in the manner required in DTC's Operational Arrangements, and the Registrar shall not be required to give any other notice of redemption otherwise required herein, except for publishing the notice as required by law.

SECTION 17. Tax-Exempt Status and Covenant as to Arbitrage. EWEB covenants to use the proceeds of the Series 2016 Bonds, and to otherwise comply with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that interest paid on the Series 2016 Bonds will not be includable in gross income of the Bondowners for federal income tax purposes. Without limitation on the foregoing, EWEB specifically covenants:

- (1) to comply with the "arbitrage" provisions of Section 148 of the Code, and to pay any rebates to the United States on the gross proceeds of the Series 2016 Bonds; and
- (2) comply with all reporting requirements.

An Authorized Representative may enter into covenants on behalf of EWEB to protect the tax-exempt status of the Series 2016 Bonds.

SECTION 18. Delegation and Approval for Establishment of Terms and Sale of the Series 2016 Bonds. Subject to the provisions of Section 3 herein, and as provided in the City Resolution and the EWEB Resolution, all actions heretofore taken in connection with the Series 2016 Bonds are hereby ratified, confirmed and approved in all respects and including, without limitation, actions taken or to be taken by an Authorized Representative to:

- (1) establish the principal and interest payment dates, principal amounts, optional and mandatory redemption provisions and premium, if any, interest rates, and denominations and place of payment and all other terms for the Series 2016 Bonds;
- (2) make any determinations required by the Master Resolution;
- (3) award the sale of the Series 2016 Bonds in accordance with ORS 287A.300;
- (4) approve and authorize the preparation and distribution of preliminary and final official statements for the Series 2016 Bonds;
- (5) obtain ratings of the Series 2016 Bonds and expend Series 2016 Bond proceeds to pay for such ratings;
- (6) take such actions as are necessary to qualify the Series 2016 Bonds for the Book-Entry System of DTC;

(7) approve, execute and deliver a Continuing Disclosure Certificate pursuant to Rule 15c2-12 of the Securities and Exchange Commission;

(8) approve, execute and deliver the Series 2016 Bond closing documents and certificates;

(9) enter into covenants regarding the use of the proceeds of the Series 2016 Bonds to maintain the tax-exempt status of the Series 2016 Bonds; and

(10) execute and deliver a certificate specifying the actions taken pursuant to this Section 18, and any other certificates, documents or agreements that the Authorized Representative determines are desirable to issue, sell and deliver the Series 2016 Bonds in accordance with this Supplemental Bond Resolution.

SECTION 19. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Series 2016 Bonds by those who shall be the beneficial owners from time to time (collectively, the “Bondowners”), the provisions of this Supplemental Bond Resolution shall be part of the contract of EWEB with the Bondowners and shall be deemed to be and shall constitute a contract between EWEB and the Bondowners. The covenants, pledges, representations and warranties contained in this Supplemental Bond Resolution or in the closing documents executed in connection with the Series 2016 Bonds including without limitation EWEB’s covenants and pledges contained in Section 11 and Section 17 hereof and the other covenants and agreements herein set forth to be performed by or on behalf of EWEB shall be contracts for the equal benefit, protection and security of the Bondowners, all of which shall be of equal rank without preference, priority or distinction of any of the Series 2016 Bonds over any other Bonds, except as expressly provided in or pursuant to this Supplemental Bond Resolution or the Master Resolution.

SECTION 20. Effect of Section Headings. The heading or titles of the several Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Supplemental Bond Resolution.

SECTION 21. Effect of Master Resolution. Except as expressly amended or supplemented hereby, the Master Resolution shall remain in full force and effect as if the same were fully set forth herein.

SECTION 22. Repeal of Inconsistent Resolutions. Any prior resolution of EWEB, or any portion thereof, in conflict or inconsistent with this Supplemental Bond Resolution is hereby repealed to the extent of such conflict or inconsistency.

SECTION 23. References to Statutes in Master Resolution. Except as expressly provided herein to the contrary, all references to statutes in the Master Resolution that have been amended, superseded or re-codified by applicable statutes of similar purpose shall be deemed from and after the effective date of such amendment, supersession or re-codification to refer to such statutes as so amended, superseded or re-codified.

PASSED AND ADOPTED this 1st day of March 2016.

EUGENE WATER & ELECTRIC BOARD

President

I, Anne M. Kah, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the resolution adopted by EWEB at its March 1, 2016 Board Meeting.

Assistant Secretary

**RESOLUTION NO. 1608
MARCH 2016**

**EUGENE WATER & ELECTRIC BOARD
APPOINTMENT OF INTERIM GENERAL MANAGER-SECRETARY**

WHEREAS, the Eugene Water & Electric Board bylaws Article V, Section 1 provide for the Board of Commissioners to appoint a General Manager-Secretary.

WHEREAS, the Board met on January 22, 2016 to consider applicants for the role of Interim General Manager.

WHEREAS, the Board selected David C. Churchman as the Interim General Manager, effective upon the departure of General Manager, Roger Gray, with the expectation that preparation for and transition of duties will begin no later than six weeks prior to the departure of General Manager, Roger Gray.

THEREFORE BE IT RESOLVED that the Eugene Water & Electric Board hereby appoints David C. Churchman as the Interim General Manager of the Eugene Water & Electric Board effective as of April 1, 2016 until such time that a regular General Manager is appointed.

Dated this 1st day of March 2016

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, ANNE M. KAH, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is true and exact copy of the Resolution adopted by the Board in its March 1st, 2016 Regular Board Meeting.

Assistant Secretary



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Sue Fahey, Finance Manager; Susan Eicher, General Accounting & Treasury Supervisor
DATE: February 19, 2016
SUBJECT: Regulatory Deferral of Pension Expense
OBJECTIVE: Approval of Resolution No. 1609

Issue

As discussed at prior Board meetings, EWEB is implementing the new Governmental Accounting Standards Board pension standard (GASB 68) for the 2015 annual report. Information recently received from Oregon PERS indicates that implementation will result in significant non-cash expense to EWEB. Staff is requesting that the Board approve treating this non-cash pension expense as a regulatory deferral on EWEB's financial statements.

Background

The intent of GASB 68 is to improve financial reporting, transparency and comparability of pension benefit obligations. GASB 68 changes the landscape of pension reporting in the financial statements, the note disclosures, and required supplementary information. Implementation of GASB 68 results in a non-cash pension expense due to amortization of annual changes in EWEB's Net Pension Liability. Recording the pension liability will have no effect on rates, and management does not intend to recover the cost of these non-cash expenses in rates.

Under regulatory accounting, revenues and expenses are allowed to be deferred and recognized in the period when those items are included in rates. The pension obligation expenses will be included in EWEB's employer PERS contribution rates as set by statute. Management wishes to defer the non-cash GASB 68 expenses until future rate periods when revenue requirements will include the effects of those changes in EWEB's PERS contribution rate.

Requested Board Action

Management requests approval of Resolution No. 1609 authorizing the treatment of the non-cash portion of pension expense as a regulatory deferral.

**RESOLUTION NO. 1609
MARCH 2016**

**EUGENE WATER & ELECTRIC BOARD
AUTHORIZING DEFERRAL OF EXPENSES NOT TO BE RECOVERED IN RATES**

WHEREAS, The Eugene Water & Electric Board (EWEB) prepares financial statements in accordance with accounting principles generally accepted in the United States of America;

WHEREAS, these generally accepted accounting principles are determined by the Governmental Accounting Standards Board (GASB);

WHEREAS, accounting principles as governed by GASB allow regulated entities, such as EWEB, that set rates based on revenue requirements to defer the effects of revenues or expenses that are not expected to be recovered in current rates until such time as those revenues and expenses are recovered in rates;

WHEREAS, EWEB has implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which will result in significant expense that is not expected to be recovered in current rates;

WHEREAS, EWEB policy requires that regulatory accounting deferrals that are not included in the annual budget are approved by resolution of the Board of Commissioners (Board);

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves the treatment of pension expense as a deferral under regulatory accounting as allowed by Governmental Accounting Standards Board Statement No. 62.

DATED this 1st day of March, 2016.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, ANNE M. KAH, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its March 1st, 2016 Regular Board Meeting.

Assistant Secretary