

EUGENE WATER & ELECTRIC BOARD  
SPECIAL BOARD MEETING  
EWEB BOARD ROOM  
500 EAST 4TH AVENUE  
FEBRUARY 16, 2016  
5:30 P.M.

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

Others Present: Roger Gray/General Manager, Lena Kostopulos, Rick Guerra, Frank Lawson, Mel Damewood, Mark Freeman, Todd Simmons, Kira Hutchens, Laurie Muggy, Sue Fahey, Erin Erben, Dave Churchman, Matt Barton, Rene Gonzalez, Wendi Schultz-Kerns and Anne Kah of the EWEB staff; Lanie Prouse of Mycoff, Frye and Prouse; Teresa Lloyd, Recorder.

President Simpson convened the Special Session of the Eugene Water & Electric Board (EWEB) at 5:30 p.m.

#### **AGENDA CHECK**

There were no items.

#### **PUBLIC INPUT**

There were no comments.

#### **CRITERIA FOR GENERAL MANAGER**

Human Resource Manager, Lena Kostopulos, gave a brief overview of the meeting to the Board and referring setting criteria and process details.

She addressed two handouts, a) Topics of Conversation for the Board, and b) General Manager (GM) Position Description for reference, describing the session as a workshop format. She reminded the Board it was not required to set the minimum requirements during this session. She then introduced Lanie Prouse of Mycoff, Frye and Prouse, a Utility Industry recruitment organization.

Ms. Prouse gave a description of her background of 20 years of experience with her organization which started in 1974. She asked the Board what characteristics and experience they were seeking in candidates for the GM position. She began by asking board members if they had questions.

Commissioner Mital asked were there obligations to prior clients that would prevent her from going to them to ask to take a look at this position. Ms. Prouse said it would be a marketed

position. Therefore, she cannot stop them from applying for the position, and they can take that route opposed to her specifically recruiting them for the job.

President Simpson asked if the position was open at this time. Ms. Prouse said after she receives the search criteria from the Board then the position will be open for recruitment. It will be posted on the Mycoff, Frye and Prouse website as well as other media, and encouraged interested parties to contact them. Her goal was to come up with candidates that will provide options in satisfying desired attributes.

Ms. Prouse asked the Board to clarify characteristics starting with the desired experience level:

- Does the candidate have to already be operating at a GM level?

All agreed it would not need to be a requirement, with President Simpson stating he would lead toward a Director level with management and public experience.

Commissioner Manning added there should be an emphasis on relationship with people because EWEB was a public utility.

- Does the candidate need to have public power experience?

Vice President Brown responded that it would be good to have but not required.

Commissioner Mital preferred but experience would not need to be a minimum qualification.

Commissioner Helgeson agreed and added the candidate should be in alignment with public power values and customer service.

Commissioner Mital and Commissioner Manning agreed, and Commissioner Mital added the candidate would need to be able to be open to public orientation and engage a diverse population.

President Simpson added the candidate would need to be able to work with the Board and be able to distill diverse opinions; have a strong governance ability; and be able to connect with diverse stakeholder groups to form strong alliances with both local and regional agencies while upholding EWEB's good name and legacy.

- Does someone need to have proven abilities reporting to a Board?

Commissioner Manning said yes, because they will need to be able to "switch hats" often and be decisive while maintaining an open mind. He asked EWEB's current general manager, Roger Gray, his opinion and Mr. Gray explained the candidate would need to have a proven capacity whether participating on other boards, community services, et. al.

Commissioner Helgeson would like to see skill sets in the candidate presented one way or another as a facilitator as in the same fashion as EWEB's.

President Simpson agreed with him and added he or she needs to have experience with groups, and be able to guide groups and recognizing "where the buck stops" is most valuable.

- What is the style the GM needs to work with the Board? Does the Board like options and recommendations from the GM?

Commissioner Mital said EWEB has well-developed procedures and policies, so prior experience was not necessary but the candidate needs to understand how to interact with board members outside of Board meetings. He would like to see a greater diversity in options offered by the candidate.

Vice President Brown agreed and added there should be a reflection on community values.

President Simpson said being a lay board the members rely on staff to provide options, directions and recommendations, and turn around and implement those things with accuracy and accountability.

Commissioner Helgeson said he is concerned with broader initiatives and alternatives on policy levels.

Commissioner Manning wants to know the bottom line up front and what are possible solutions, with the worst case and best case presented with staff recommendations.

President Simpson added someone who was not afraid to hold the line; not afraid to stir things up or reorganize as necessary; be in touch with community values and manage that diplomatically and politically; and communicating trustingly and accurately to the Board bringing the right mix of decisions for strategic and policy direction.

- What does the right amount of communication from the GM look like to you?

Commissioner Mital said beyond the current monthly Board and monthly one-on-one meetings, he liked the open-door policy and direct interaction with board members.

Commissioner Helgeson added current administration alerts board members informational and utility communication by email and said it worked well.

Vice President Brown said the current GM works well with the current Board, and added the candidate would have to get to know the board members, with regard to their nuances and passions.

Commissioner Manning stated that interaction was very important citing that the one-on-one or two-on-one meetings address specific issues, and was necessary to be people-oriented.

President Simpson agreed and added in addition to strong people skills the GM needs strong skills in negotiating, management and respect. Strong ethic skills were also needed due to being bound by Oregon's Public Meeting Law (ORS 192.650).

Commissioner Mital added that being in an outlier community the new GM needs to know the Board values the amount of interactive communication with staff.

President Simpson concurred and said reasonable access to staff is needed, as well as monitor an open door with staff and not allow inappropriate influence.

Commissioner Helgeson added that being a diverse utility operation sometimes was a challenge but the EWEB staff was well-qualified with strong expertise, so the GM's engineering and technical background would not have to be in depth.

- Does the candidate require local and Northwest regional experience and understanding?

President Simpson put about a 60% weight on this criterion.

Mr. Gray was asked for feedback and stated the new GM would need to understand Bonneville Power Administration (BPA) re-licensing, but he or she may not have the expertise with water utility issues so it would be a trade-off. Same as if the candidate had water utility experience but may not have expertise in BPA licensing. He added EWEB is covered very well with staff expertise.

Commissioner Mital added the candidate should have some amount of understanding in this area as a minimum qualification, and Commissioner Manning agreed.

Commissioner Helgeson added if it was a minimum requirement then the GM could get up to speed. Also, someone who is not from the Northwest area would need to do their homework according to the attributes of the Northwest.

Vice President Brown stated that education and experience were important, but he would look at all strengths and weaknesses then weigh it because no one will have all the experience.

Referring to the above conversation, President Simpson asked for a guide as a reminder of the discussion when Ms. Prouse presents a list of candidates.

- What is the power supply/renewable Resources acumen requirement? Can someone come from a non-generating utility, not serving on any power supply boards and be credible?

Commissioner Helgeson responded that the candidate must know how to put all attributes, skills and abilities together and move forward. Ms. Prouse said she didn't want

minimum qualifications as much as nuances the Board would like to see as critical. Commissioner Helgeson stated the GM's background would be critical as the Board was faced with critical decisions relating to the portfolio, citing re-licensing issues with Carmen-Smith as an example.

Commissioner Mital said EWEB was locked into a series of long term contracts up to 5-10 years, and suggested that in 3-5 years they would need to look what to do before the contracts expire.

Commissioner Helgeson agreed but said there were no other major decisions outside of Carmen-Smith stating that strategies could be worked out.

President Simpson said an Integrated Electric Resource Plan (IERP) cycle was still needed to help inform the Board's decisions. Also, rate restructuring was on the horizon, Advance Metering Infrastructure (AMI) rollout needed to be managed, and he expected the candidate would need political acumen on power supply.

Commissioner Manning said he or she would need to be a visionary and be able to take Utility into the future as well as concentrating on the present. Also, requires leadership style to manage tasks and staff. Would like the candidate to be able to come to the Board with planning and forward thinking.

In support of that, President Simpson added storytelling, marketing and sales skills would energize public relations and allow us to synergize with other agencies.

Vice President Brown reflected on the prioritization of the criteria.

President Simpson said the discussion of desired attributes would help Ms. Prouse bring a selection of candidates for consideration.

Commissioner Helgeson recognized each candidate won't have all of the attributes, and the criteria will help get a good fit.

- Can a candidate come from a non-union environment?

All agreed.

- Referring to an annual budget, how much financial responsibility does the candidate need to have had?

President Simpson looked to other qualities first, but recommended between \$40 million and \$600 million yearly.

Mr. Gray was asked for feedback which he discussed with all. Ms. Prouse reminded the Board she would not use it as the only criteria.

Commissioner Mital wanted to see diversity.

Commissioner Helgeson mentioned the complex budget structure and expected the GM to hold people accountable for budgets, delegating appropriate responsibility, but also maintaining a level of financial discipline.

Mr. Gray hesitated to create an absolute threshold on budget but a financial acumen would be necessary.

Commissioner Mital said budget, resource planning and leadership were the top three important skill sets needed.

Commissioner Manning would like a background in numbers but he noted that Finance Manager Sue Fahey and her staff can be relied upon to get the job done.

- Is electric experience only and no water experience, or vice versa, acceptable?

Vice President Brown said both were preferred, but electric was most important.

Mr. Gray asked the Board to consider someone with water experience applied to supply risk and crisis management.

Commissioner Helgeson echoed Vice President Brown's comment and added that the water industry was highly regulated compared to the electric industry, and described an example citing General Manager of Seattle City Light who managed it well before retiring, and he had come from American Water in San Antonio, TX.

Commissioner Mital said there was more stability on the EWEB's water side noting recent work at the treatment facility, major rate restructuring, et al.

Vice President Brown asked what 'rises to the top' of the list of candidates would Ms. Prouse bring, which she acknowledged.

- Does the Board require undergraduate education with a preferred Master's level?

President Simpson said non-degreed was OK.

Commissioner Helgeson thought a bachelor's degree was a fundamental requirement with no particular major. An advanced degree may substitute for practical experience. A management degree trade-off may substitute for more depth of experience.

Commissioner Mital suggested a bachelor's degree minimum, but did not want to set a tone that a master's degree was preferred.

Commissioner Helgeson added that work experience was more valuable.

President Simpson restated that a bachelor's degree was preferred but a master's degree was not needed.

- What are the most important characteristics for his or her success?

Commissioner Manning – Visionary.

President Simpson – A people person, diplomatic, charismatic. Not micromanaging, but inspires staff and makes them feel valued and supported.

Commissioner Mital – self-confident; proud of the Eugene community and comfortable to learn community first.

Commissioner Helgeson – Centered, motivates people.

Vice President Brown – Don't immediately change things; engage community.

- What are the challenges both internal and external facing EWEB?

Commissioner Mital said EWEB had made a pivot as a community in the last few years, especially in the last 6 months, focusing on resiliency in light of a potential Cascade earthquake, and need someone who was willing to carry that work forward.

President Simpson added able to manage political mayhem, and continue to move contentious projects along and not let them stall out.

Vice President Brown referred to political pressures involved with being a regional water provider.

President Simpson noted that the electrical landscape is changing, and will need somebody who can keep apprised of the technological changes, who would be capable of steering in the right direction.

Commissioner Helgeson said that it was a time for external changes and a time of change in the industry, i.e., deregulation, support for renewable energy, and as industry stewards need to adapt while staying true to values.

President Simpson called for a 10-minute recess.

Before the questioning process resumed, Ms. Prouse circled back to EWEB had historically been operationally ran, referring to Mr. Gray's expertise over the past 6 years. She was concerned not to overlook candidates with other skill sets yet meet the organization's depth of operational expertise.

Commissioner Mital referred to one of the internal challenges he was met with in his 3 years with the Board. He said EWEB may be overbuilt, and sensed it would be good for the GM to have operational expertise to manage the operation.

Commissioner Helgeson said yes, it's critical and the candidate must have credibility with the staff by understanding issues. The premium was on experience with utility operations.

President Simpson discussed his experience with the Board 10 years ago, mentioning many staff members participated in the board meetings while the GM would participate when their perspective was needed on something. That echelon of management quickly disappeared when Mr. Gray took on the position 6 years ago. He continued, the candidate needed to have familiarity with how puzzle pieces fit together, and have a grasp of the details to be able to reiterate to the Board.

President Simpson wants someone who could take the bull-by-the-horns.

Commissioner Helgeson said EWEB will continue to be financially challenged since it no longer has the power supply excess. Must continue to be watchful and disciplined.

Commissioner Mital said he would like someone who's comfortable saying "No".

- How do you want GM to communicate with the Board, and how visible does the GM need to be regionally and nationally?

Commissioner Mital said it was good to operate regionally, but someone would have to make a good argument for the GM to operate nationally.

President Simpson said it was important for the GM to have a strong grasp on legislative and other regional issues that affect EWEB, and would support if issues needed to be lobbied nationally he would support it.

- Does the candidate need to show community involvement on their resume?

Not necessarily in past performance but President Simpson noted he or she would be expected to be connected to the community, support volunteerism, and be supportive of diversity in our community.

Commissioner Helgeson discussed that it should be about influence enough to engage constituencies' policies and decisions that are made. Show commitment to management.

Commissioner Manning added that the GM should be able to work with the Eugene City Council and Mayor, and cannot have expectations of others if they were not maintained by him or herself. The GM must demonstrate they are part of community and demonstrate what's right to the community, not just to appease the City.



- How long do you want this person to be able to commit?

Much discussion ensued with Vice President Brown stating he wanted a 5 to 10-year commitment, but since there may not be many choices he didn't want to exclude others.

Commissioner Mital said 5 years was good as a minimum.

President Simpson said a 5-year minimum, but hoping for a 15 to 20-year career range.

Commissioner Helgeson said a 5-year minimum stating if we hire good people and give them what they need to succeed in job it doesn't matter how long.

Commissioner Manning agreed with Vice President Brown and Commissioner Helgeson.

- What is an appropriate compensation package for the GM?

Ms. Kostopulos referred to the salary process noting an email was sent to board members today. She continued that the current GM salary is due for review, and we are lagging the market by about 5%. The present annual salary for the GM is \$249,690. The simple market mean came in at \$261,000. The survey did not provide other types of compensation such as automobile allowances, employer contributions, deferred compensation plans, et. al. She discussed a comparator group from a 2014 survey of 8 companies, noting theirs were higher, mentioning since it was a 2014 survey those figures have escalated. She thought it would be reasonable for the Board to start the annual salary between \$260-\$270,000 as a base rate and negotiate relocation expenses. The GM is paid by contract, therefore there is no pay band governance surrounding his or her compensation package, so the Board is free to negotiate other entitlements.

Vice President Brown asked about deferred compensation. Ms. Kostopulos said it depended on limits, and had to be negotiated and then evaluate that based on tax limits, etc., but can be developed as per what the Board wants.

Commissioner Mital asked Ms. Prouse if someone from the outside would respond to that amount. She thought it was low and mentioned a search she had just completed for Snohomish in Washington State that hired from within at lower than if they had hired from outside the organization. The salary started at \$330,000 base salary with a \$500 per month car allowance and other incentives, but started less than the previous GM's salary. She also cited another search for Tacoma, WA PUD, which was similar to the size of EWEB at \$400 million in revenue, 169,000 customers, and a multi-service utility where the GM made \$340,000 base with an additional \$50,000 per year deferred compensation.

A discussion ensued as Commissioner Mital was concerned how our community would react to those kinds of salaries. Ms. Kostopulos said that in last year's survey Snohomish was in

the 75<sup>th</sup> percentile and Chelan (Washington) was the second highest. She said the figures put EWEB in the 50<sup>th</sup> percentile.

President Simpson asked if a decision had to be made now. Ms. Prouse responded she will be starting to look for candidates now and tell them that the salary was up in the air.

Vice President Brown said he would be OK with \$270,000 as a base.

Commissioner Helgeson agreed, and didn't want to stray from Ms. Kostopulos' figures but would like to be able to adjust the salary. She clarified the comparator group and methodology to set the GM salary was already established before she arrived in her role as human resource manager. In her experience the comparator group was the problem, and that it's too narrowly focused.

President Simpson said he could go with \$270-\$320,000 as a base salary, but wanted to stay with the will of the Board and would support the \$270,000 base.

Commissioner Mital asked if the net was cast wider, would the average go up? Ms. Prouse said yes, stating examples of differential comparisons if municipal utilities were compared to City manager or director governance.

Vice President Brown reflected when Mr. Gray was hired as the GM, during the Recession 6 years ago the salary stayed the same and didn't change in four years. Ms. Kostopulos said it was not an effective approach and the past commissioners' decision backfired due to the economic situation.

After discussion with staff, the Board had a round-robin discussion over a bracketed salary range favoring \$250-\$300,000 base salary, with the exception of Commissioner Mital favoring starting at \$270,000.

President Simpson read the motion to direct Ms. Prouse as she interviews candidates to utilize the range of \$250-\$300,000 as the base salary while explaining all the trade-offs. It was moved by Commissioner Helgeson and seconded by Commissioner Manning.

Ms. Kostopulos asked Ms. Prouse how she would negotiate other compensation. Ms. Prouse responded it would be in the same conversation, going on to say it would be more palatable for the Board to have a lower salary and negotiate other things.

President Simpson called for those in favor of the motion. The motion passed (4-1) with Commissioner Mital opposed.

President Simpson asked to defer the relocation and retention discussion to another meeting. Ms. Kostopulos suggested it to be negotiated after identifying one or two top candidates, and Ms. Prouse agreed.

## **GENERAL MANAGER REPLACEMENT PROCESS**

Ms. Kostopulos asked to discuss what the final round of interviews would look like, starting with timing. She noted that the third Tuesday of every month had been set up for special meetings with the normal meetings still set for the first Tuesdays.

President Simpson said informational topics of hiring can still be discussed in the general meetings as time permits.

Ms. Kostopulos suggested she provide a final list of candidates and their resumes for Board review at the regular meeting on April 5<sup>th</sup>.

In reference to confidentiality, Vice President Brown suggested it should be done at the executive session before the regular meeting.

Commissioner Helgeson said it should be another meeting, and Commissioner Manning responded to him saying the Board had the ability to adjust the evening meeting.

Commissioner Mital elaborated Commissioner Manning's statement suggesting the Board tailor the meetings and be able to have regular topics discussed on the third Tuesdays and special meeting topics be presented at first Tuesday meetings.

After further discussion it was decided to have an early executive session on April 5<sup>th</sup>.

Ms. Kostopulos suggested after interviewing the candidates, the Board should pick and bring back finalists on May 3<sup>rd</sup>. This was followed by a large discussion. She noted that 16 external and 2 internal candidates were interviewed during the last GM selection process, but did not expect that number this time. The finalists were to be interviewed by the Board, with tentative dates set for May 16<sup>th</sup> and 17<sup>th</sup>, running from 8 a.m. to 5 p.m. each day.

Ms. Prouse inquired about outside panel involvement including Board, stakeholder groups, interactive groups, community and staff.

Vice President Brown said there was pressure to have staff on the hiring panel.

President Simpson agreed and but suggested having other stakeholder and community groups. Vice President Brown added a suggestion to invite other industry GM's to the panel.

Commissioner Helgeson questioned the value of stakeholder involvement.

Commissioner Mital said a gesture to the community needed to be made and cited University of Oregon involvement of stakeholders. He would also value staff input.

Ms. Kostopulos asked how serious would the Board consider all feedback whether from staff, stakeholders or the community, as it creates difficulty but had little value to the hiring authority in the end. She reminded the Board of the confidentiality issue.

Commissioner Helgeson wondered what was the importance of staff input. Ms. Kostopulos explained that she and Ms. Prouse would be meeting with Mr. Gray and Ms. Fahey on February 17<sup>th</sup>, to identify those needs.

Vice President Brown asked how would it be handled referring to the leadership team dealing with interested internal candidates. Ms. Kostopulos said the interested staff members would need to identify themselves if interested.

President Simpson wanted adequate input to make an informed decision.

Commissioner Mital asked what was the value for the internal candidate. Ms. Kostopulos said she liked Ms. Prouse's idea of a two finalist meet and greet – a chance to meet staff.

Commissioner Manning mentioned it was potentially an uncomfortable position for an internal candidate. He was in favor of keeping the panel to just the Board because the Board owns the process.

Ms. Kostopulos suggested a meet and greet after finalists were selected, have the 2-day interviews, being 90-minute interviews with breaks, and return with candidates.

Discussion continued with the meeting wrapping up with discussion about schedules. Ms. Kostopulos noted she will not be participating with the deliberations around candidates until the Board has made a decision.

President Simpson adjourned the Special Board Meeting at 8:50 p.m.

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Assistant Secretary

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President