

EUGENE WATER & ELECTRIC BOARD
REGULAR BOARD MEETING
EWEB BOARD ROOM
MARCH 4, 2008
7:30 P.M.

Commissioners present: John Simpson, John Brown, Patrick Lanning, and Mel Menegat, Commissioners. Vice President Ron Farmer was excused.

Others present: Randy Berggren, Jim Wiley, Jim Origliosso, Dick Helgeson, Lance Robertson, Cathy Bloom, Terry Bequette, Patti Boyle, Mel Damewood, Mark Freeman, Mike Logan, Susan Eicher, Steve Mangan, Sheila Crawford, and Krista Hince of the EWEB staff; Julie Desimone, Moss Adams, LLP; Ruth Atcherson, City of Eugene minutes recorder.

President Simpson convened the Regular Meeting of the Eugene Water & Electric Board (EWEB) at 6:45 p.m.

AGENDA CHECK

There were no changes to the agenda.

APPROVAL OF CONSENT CALENDAR

Minutes

1a. January 2, 2008, Regular Board Meeting

Contracts

2. Sean Martin's Café – Cafeteria and Catering Services – Facilities – Corporate Services

Grant Request

3. Water System Development Charge Grant Request – Prairie View on Danebo Road – Interagency Housing Policy Board – Water Division.

Commissioner Brown, seconded by Commissioner Lanning, moved to approve the Consent Calendar. The motion passed unanimously, 4:0.

ITEMS REMOVED FROM THE CONSENT CALENDAR

There were no items removed from the Consent Calendar.

ITEMS FROM BOARD MEMBERS

Commissioner Brown stated, in response to a confidential memorandum to the Board from Gale Banry, that he would prefer to have an open discussion. He requested that a discussion of river flows be included as a future agenda item and that they include public input. Mr. Berggren indicated his support for this request and ascertained from the Board members present that there was agreement on placing this item in the queue for future agendas.

Commissioner Lanning read his letter of resignation from the Board into the record. He stated that it was effective immediately after the present meeting.

General Manager Randy Berggren discussed the second draft of the ***Statement by the Public Sector in the Eugene-Springfield Metro-Area on Climate Change*** dated *February 22, 2008*. He noted that he had a meeting with University of Oregon President Dave Frohnmayer scheduled for March 21.

Mr. Berggren said he had been shocked to hear that Commissioner Lanning intended to resign. In honor of his eight years on the Eugene Water & Electric Board, he presented Commissioner Lanning with a commemorative plaque and thanked him for his service.

Commissioner Lanning gave Mr. Berggren a t-shirt as a gift. Cake was provided for everyone.

CORRESPONDENCE

Mr. Berggren reported the following items of correspondence:

- The Spring Home Show was scheduled for the following weekend and EWEB planned to have a booth there.
- A copy of the memorandum sent to University of Oregon President Frohnmayer was included in Board packets.
- A letter from Assistant Secretary Krista Hince regarding petty cash dispersal was included in Board packets for information purposes.
- A memorandum from Power Resources Division Director Dick Helgeson providing additional background information on Hynix Semiconductor, Incorporated was included in the packets.
- Fiscal Services Supervisor Patty Boyle sent the Board a memorandum regarding the May, 2008, water rate proposal.

BOARD AGENDAS

Mr. Berggren highlighted the ***Eugene Water & Electric Board Agenda Report*** dated *March 4, 2008*.

Commissioner Brown asked if a discussion on the protocols for the interview process for the Citizen Advisory Team (CAT) could be included on the agenda for March 18.

ANNUAL AUDIT AND MANAGEMENT LETTER

Ms. Desimone provided an overview of the ***2007 Audited Financial Statements*** and the ***Management Letter***. She underscored that Moss Adams LLP had given EWEB an unqualified clean opinion on the financial statements and that the statements could be relied upon by bonding agencies, vendors, and the Board and staff. She commended the work the accounting department had

done to prepare for the audit. She stated that no violations of the Oregon minimum standards had been found.

Ms. Desimone reported that \$8.2 million had been funded to a trust account in this year in accordance with Government Accounting Standards Board (GASB) Statement No. 45, having come out of expenses. She stated that the trust fund was now fully funded and no liability existed on the financial statements. She said the other new standard, GASB No. 49 having to do with pollution remediation, caused a \$200,000 decrease to the liability. She explained that it had provided a framework for what costs were associated and not associated with such liabilities.

Commissioner Brown recalled that they had discussed the Unfunded Actuarial Liability (UAL) related to pollution remediation in the previous year and how it would be booked. Ms. Bloom responded that it had been booked in the past, but the GASB 49 had required that it be booked differently and because of this it had created a decrease in the liability.

Commissioner Brown asked if this included the Steam Plant. Ms. Bloom replied that there was nothing on the books related to the Steam Plant and asbestos abatement.

Commissioner Brown asked how this could be triggered given that they knew they could be facing a \$1 million liability. Ms. Bloom explained that nothing was required until a building was slated to be razed. Mr. Berggren added that it would become an obligation upon action but this did not prevent the Board from anticipating having to mitigate it somehow.

Mr. Origliosso stated that the asbestos in the steam plant was not viable because it was not airborne and because of this they were not required to book the liability.

Ms. Desimone discussed *Accounting Estimates*. She stated that EWEB's estimates were typical of the industry and consistent with the prior year. She noted that the Hynix adjustment had been the only *Significant Control Deficiency* the audit had found. She said the adjustment had been made last minute and the reasons behind it needed to be figured out and shored up a little. She related that there had been a few other smaller control deficiencies that while not alarming were required to be reported by the new standards, all of which were described in the Board packet. She reported that one other things the audit had included were the 2006 comments and the 2006 technology comments, including both the management responses and how they were fixed or addressed and the auditor's update on how they felt about it, whether it had been cleared or there was more work to be done.

Ms. Desimone stated that the Statement on Auditing Standards (SAS) 99 was the fraud risk standard. She underscored that no instances of fraud had been found.

Ms. Desimone related that there were two GASB standards coming, No. 50 which was the pension disclosure and No. 51 which related to intangible assets and had an effective date of 2010. Regarding the latter, she said it should not be a cause for concern given that EWEB had dealt with

its intangible assets from its inception.

Commissioner Brown, seconded by Commissioner Menegat, moved to accept the Annual Audit report and Management Letter.

Commissioner Brown ascertained from Ms. Desimone that the *Donated Assets* issue had been addressed. He asked regarding security access, what the results had been from the test in June. Information Manager Terry Bequette responded that the test had not been 100 percent successful and would be repeated. He said they had learned a lot and had been able to build the system but had not gotten it to the point of making it available to the end user.

President Simpson asked why a whole year had elapsed. Mr. Bequette attributed this to the current work load.

Ms. Desimone noted that the auditors had also cleared this comment because it was determined that they were testing on an ongoing basis for disaster recovery.

Commissioner Brown said it would be helpful to know what the test results were in future audits.

Mr. Berggren expressed some concern that this would burden the auditors with something beyond auditing. He said staff could potentially provide this information.

Commissioner Menegat expressed appreciation for EWEB's staff and the auditors' team for working together and producing a successful audit report within such a short timeframe.

President Simpson expressed pride in the collaborative work that had happened to produce the report.

The motion to accept the report passed unanimously, 4:0.

PUBLIC INPUT

Bob Cassidy, 1401 East 27th Avenue, recalled that he had spoken at the last meeting regarding photo-voltaic (PV) panels for the Roosevelt Boulevard project. He had also attended the meeting of the Sustainability Commission at which Commissioner Menegat had spoken. He said the Sustainability Commission would be contacting Board by letter as the commission was "concerned and interested" in this aspect. He felt the architects had been doing an excellent job on the conservation aspects of the project, but the PV panels were perceived as a generating opportunity that would be missed if not installed. He noted that they were aware that EWEB had been considering whether to install PV panels in collaboration with a private enterprise.

Mr. Cassidy also wanted to explore the possibility of bus transportation to the Roosevelt

Boulevard facility. He related that he had spoken before the Lane Transit District (LTD) Board regarding this and the chair had indicated an interest in hearing from EWEB.

Commissioner Brown asked if EWEB payroll was exempt from the LTD tax. Ms. Bloom replied that it was.

President Simpson asked if EWEB staff was provided free passes. Ms. Hince responded that staff paid for half of the cost.

President Simpson requested a backgrounder covering the potential options for and the expenses of PV panels. Mr. Berggren suggested that the Board wait until Mr. Beeson provided the next backgrounder on the project, noting that Mr. Beeson was in Alaska at present.

2007 GENERAL MANAGER'S PERFORMANCE EVALUATION

President Simpson stated that the Board had met in Executive Session and reviewed in detail the annual performance evaluation. He reported that the overall average rating was that Mr. Berggren exceeded expectations, with a total performance score of 3.83 out of a possible 5 points. He said in the past the salary increase had been bracketed between 4.5 and 7 percent. He noted that the Cost of Living Index for Portland was 3.8 percent and the mean pay raise for the bulk of EWEB's staff was 4.8 percent. He opened the item for discussion by his colleagues.

Commissioner Menegat appreciated the opportunity for the review and rating of Mr. Berggren's performance. He said the Board had adopted a performance review process in which a great number of areas were taken into consideration. He felt this provided an opportunity to review Mr. Berggren's performance overall, rather than just in the areas in which he had the most familiarity. He believed the review had been an accurate read of Mr. Berggren's performance. He was pleased that Mr. Berggren continued to serve as General Manager and indicated his willingness to put forth a motion for a salary increase.

Commissioner Lanning noted that this was the eighth evaluation he had participated in. He had witnessed Mr. Berggren's growth both as a manager and a leader. He said Mr. Berggren's analytical skills had never been in question. He commended Mr. Berggren's ability to navigate the challenges presented to EWEB, such as the energy crisis, rising health care costs, and community interest in what happened around the McKenzie River. He averred that he had grown as a leader. He believed that Mr. Berggren had taken the Board's feedback to heart and had tried to adopt it and work with the Executive Management Team (EMT). He averred that this allowed EWEB to continue to be one of the top public utilities in the country. He felt this was a tribute to the organization and Mr. Berggren's leadership.

President Simpson echoed the praise for Mr. Berggren's work. He acknowledged that EWEB was a complex and difficult utility to manage. He appreciated Mr. Berggren's willingness to work on improved relations with the city on intergovernmental issues. He said this would need continued diligence. He also commended Mr. Berggren for moving forward on the improved public input

process as outlined by the American Public Power Association (APPA).

Commissioner Brown stated that Mr. Berggren had done a good job.

Commissioner Menegat offered to provide his motion. He stated that his motion recognized Mr. Berggren's competence but also recognized that EWEB still lived in a time of economic concern. He believed that it was important to exercise prudence.

Commissioner Menegat, seconded by Commissioner Lanning, moved that the Board award the General Manager a 5 percent increase in base salary.

Commissioner Brown averred that the actions of the Board would set a precedent. He was more inclined to move to provide a 4 percent increase. He stressed that this was not a reflection of Mr. Berggren's work.

Commissioner Lanning observed that the Board struggled with this every time. He believed that it was Mr. Berggren's experience, leadership, and management skills that helped EWEB to mitigate the challenges it had faced. He averred that it was a fact that EWEB benefited from Mr. Berggren's 40 years of work in the industry.

The vote was a tie, 2:2; Commissioners Lanning and Menegat voting in favor and President Simpson and Commissioner Brown voting in opposition.

Commissioner Brown moved that the Board award the General Manager a 4 percent increase in base salary. The motion died for lack of a second.

Commissioner Lanning stated that the Compensation Subcommittee had worked diligently to arrive at the current pay range.

President Simpson reiterated that the range for 'exceeds expectation' was 4.5 to 7 percent.

Commissioner Lanning indicated he would not support something below what Mr. Berggren had earned with his performance.

President Simpson moved that the Board award the General Manager a 4.5 percent increase in base salary. The motion died for lack of a second.

Commissioner Brown observed that the Board would continue to have a membership of four for the time being and so tabling the item until Vice President Farmer could participate could leave the Board in the same position. He said he would be willing to support the 4.5 percent increase. He stated that Mr. Berggren had done his job.

President Simpson restated his motion. Commissioner Brown provided the second.

President Simpson felt this was a reasonable pay adjustment for a manager who had performed well over the past year. He wished they could grant a larger pay increase to Mr. Berggren, but was concerned it could cause public consternation in the face of sharply rising costs of living.

Commissioner Menegat observed that the public asked the utility to keep costs in check, but they also wanted the lights to come on with the click of a switch and they wanted clean water to come out of the tap. He declared that this was what the General Manager was paid for. He stressed that Mr. Berggren did his job and did it well.

The motion passed, 3:1; Commissioner Lanning voting in opposition.

Mr. Berggren thanked the Board for their confidence and support.

ADJOURNMENT

President Simpson adjourned the Regular Board Meeting at 8:11 p.m.

Assistant Secretary

President