

EUGENE WATER & ELECTRIC BOARD
WORK SESSION
EWEB BOARD ROOM
500 EAST 4TH AVENUE
MAY 3, 2011
5:30 P.M.

Commissioners Present: John Brown, President; John Simpson, Vice President; Bob Cassidy, Joann Ernst. Rich Cunningham, Commissioner, participated by telephone.

Others Present: General Manager Roger Gray, Debra Smith, Lance Robertson, Clay Norris, Tom Buckhouse, Patty Boyle, Sheila Crawford, Kevin Biersdorff, Cathy Bloom, Susan Eicher, and Taryn Johnson of the EWEB staff; Ruth Atcherson, minutes recorder.

President Brown convened the work session of the Eugene Water & Electric Board (EWEB).

FIRST QUARTER FINANCIAL STATEMENTS

Director of Customer & Shared Services Division, Debra Smith, stressed that the agenda item was intended to provide a high-level overview.

General Accounting and Treasury Supervisor, Susan Eicher, reviewed the *First Quarter Financial Statements May 3, 2011* with power points, hard copies of which were provided to everyone present. She noted that the total cash and reserves were up from the year-end.

Ms. Smith noted that the numbers Ms. Eicher was presenting were before the reserve fund transfers they would be discussing. Ms. Eicher added that the actual transfers would be incorporated into the next quarter report.

Commissioner Ernst asked if the Carmen-Smith reserve was for the beginning work for the relicensing process. Ms. Eicher responded that the reserve was for any capital work at the Carmen-Smith facility site.

President Brown understood that the Board had passed several Consent Calendar items that approved money spent on the communication tower and concrete work at Carmen-Smith.

Commissioner Cassidy asked what the difference was between the capital reserves and other reserve funds. Ms. Eicher replied that the Carmen-Smith reserve had been set aside for relicensing costs. She explained that a portion of the capital costs would be funded by rates but the large portion of the capital work was funded from bonds. She said in a lot of ways a long-term project was better accomplished using long-term funding.

Ms. Smith noted that the Board could choose to redirect the Carmen-Smith reserve fund because it was designated but not restricted.

Ms. Eicher discussed the net operating revenue, which had increased from the previous year.

President Brown asked how much more revenue the City of Eugene had received through the Contribution In Lieu of Tax (CILT). Ms. Eicher replied that the city received 17 percent of the net profit from retail and wholesale sales and it appeared that the amount to be paid was around \$800,000 more than it had been the previous year.

Vice President Simpson ascertained that wholesale revenue was included in the net operating graph.

Ms. Eicher highlighted the financial statement for the water utility. She commented that the same conditions affected the water utility but in the opposite way of the electric utility.

Vice President Simpson understood that the target for the operating reserve in the water utility was \$1 million, but was \$696,000 at present. He asked if the utility was building the reserve up slowly. Ms. Eicher responded that she did not believe there had been any draws on the reserve.

President Brown ascertained that a draw on the reserve had been taken for the McKenzie Stewardship Program.

Commissioner Ernst observed that the amount of water used had dropped by 200,000 gallons. Ms. Eicher responded that there had been a rate increase that had partially compensated for the drop-off in consumption. She commented that there was a "general malaise" in water utilities at present but she did not have hard information at this time.

RESERVE FUND STATUS AND TRANSFERS

Ms. Smith explained that this was a housekeeping item. Cathy Bloom, Financial Services Manager, stated that this was basically an annual process after the audit which listed the targets and the year-end balance and a comparison of the actual targets to the balance. She said there was a positive budget variance, which had been dumped into a retirement fund.

Vice President Simpson understood that the retirement fund was unrelated to a specific utility, and was related to both instead. Ms. Bloom confirmed this but clarified that it was distributed proportionately between the two.

Ms. Bloom said the other amount in excess of the target was \$500,000 and staff was recommending that it be deposited into the Riverfront Master Plan.

Ms. Smith clarified that the \$150,000 approved in January had been separated into an account that was part of the operating reserves.

Vice President Simpson noted that the working cash target was \$2 million and wondered why after the transfer the amount would be \$1,952,000. Ms. Bloom responded that the actual balance was \$1.6 million and then after the additional \$264,000 it was still less than the target because there was not enough money there.

In response to a question from Commissioner Cassidy, Ms. Bloom explained that any excess cash stayed in the operating reserves and as long as it was not needed it was not transferred. She noted that in the past year a lot of money had been spent on the Roosevelt Operating Center (ROC).

President Brown asked if there would be another bond issue for the ROC. Ms. Bloom confirmed that there would be and it would come before the Board in the form of a Supplemental Budget issue.

Ms. Smith expressed concern about the Board's desire to discuss reserves. She stated that the financial retreat scheduled for July provided all of the context for the budget process. She said if they moved into zero-based budgeting there would not be a lot of time for an in-depth discussion of reserve funds. She suggested that if the Board wanted to have a more in-depth discussion on reserve funds, they should find a different avenue for it. She planned to bring the financial policies before the Board in June.

Vice President Simpson was concerned that four hours would not be long enough for the budget retreat. He preferred to have a separate discussion on reserves.

Ms. Smith stated that the reserve transfers would come back before the Board as a quick action item.

2011 GENERAL MANAGER GOALS UPDATE

Commissioner Cunningham joined the meeting via telephone.

General Manager Roger Gray highlighted the memorandum and attachment on the **2011 GM Goals**. He had included two more goals in an attachment, which he intended to read aloud for Commissioner Cunningham's benefit. Goal areas included *Customer/Community*, *EWEB Financial Stability*, *Product Sufficiency* for both utilities, *Organizational/Foundational*, *Employee Engagement*, and *Sustainability*.

Vice President Simpson asked General Manager Gray to define 'generation availability.' General Manager Gray explained that it was the ability of the generating units as a percentage of time. He said this did not include planned outages. He stated that, generally speaking, one would think a higher number would be better but they ran into a situation of diminishing returns because with the relative softness of the market the value of pursuing 100 percent was not great. He said executive management was making a judgment call to lower it.

General Manager Gray stated that the General Manager Goals were a subset of all organizational goals. He underscored that there were more detailed goals that existed at a divisional level, and even more at a departmental level.

Continuing, General Manager Gray reviewed the addendum regarding the ***Proposed Additional GM Goals*** which sought to complete the EWEB Diversity Plan and to ensure that the employee population reflected the community and employment pool.

President Brown questioned how diversity could be accomplished given that it was determined by self-reporting. He felt there was no true way to determine diversity. General Manager Gray clarified that it was a goal to have the employee demographics match the employment pool but there would not be a quota system.

Commissioner Cunningham thought there should be a goal around having the General Manager evaluate the mission statement to determine whether any changes should be made to it.

President Brown asked if Commissioner Cunningham perceived something to be wrong with the mission statement. Commissioner Cunningham responded that he did not; he just felt that the mission statement should be evaluated on a consistent basis.

General Manager Gray thought it was important to regularly evaluate the mission statement. He felt that they had done so for 2011 through the Strategic Planning Session. He suggested that a review of the mission statement be part of the strategic planning on an annual basis. Commissioner Cunningham thought this was acceptable.

Commissioner Cassidy commented that that when they were undertaking the strategic planning, they were automatically evaluating the mission statement.

Vice President Simpson preferred to keep it embedded in the strategic planning process over putting it into a General Manager Goal.

Commissioner Ernst found language in board policy that indicated that the mission statement should be reviewed annually.

General Manager Gray reviewed the goals that had been recommended to be dropped from the list:

- Disbursement of Customer Care funds by September 30 of each year - it was an important goal but the goal had been met well;
- Mitigating hydro performance risk - the work was completed and Clay Norris was assigned the task of dealing with the risk, measures had been proposed but were not implemented at this point because they would have to be reviewed by the Board;
- The Triple Bottom Line analysis had been delivered to the Board and did not need to be repeated;
- The second GRI report had been published and was not recommended to be retained as a General Manager goal, though it remained a departmental goal.

2011 STRATEGIC PLAN -- RED-LINED DRAFT AND FINAL VERSION

General Manager Gray stated that the board packets included two versions of the Strategic Plan. He reviewed the red-lined version. He noted that section 7.3.3.1 had changed. Commissioner Cassidy had suggested that the wording allow for increases or decreases to the Customer Care program and this was captured in section 7.3.4.2. He felt that Vice President Simpson's proposed changes were fine and did not think the Board would need to go through them one by one.

Commissioner Ernst preferred to keep the language '*efforts underway to seriously tackle aging infrastructure*' in the strategic plan and not to adopt the proposed language change Vice President Simpson offered. She thought they should leave in that efforts were being made to address aging infrastructure. She also preferred to keep the "road map" in the plan because it delineated what the Board's roles were and how they were tied in.

Commissioner Cunningham indicated his support for Vice President Simpson's proposed changes.

After some discussion, it was decided to leave the diagram entitled "Road Map" in the document.

General Manager Gray revisited the changes that the Commissioners had offered. He indicated his agreement with the changes.

President Brown adjourned the Work Session at 7:01 p.m.

Assistant Secretary

President