



# MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

*Rely on us.*

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital  
FROM: Roger Gray, General Manager; Debra Smith, Assistant General Manager;  
Cathy Bloom, Finance Manager; Lance Robertson, Public Affairs Manager;  
Sue Fahey, Fiscal Services Supervisor  
DATE: February 8, 2013  
SUBJECT: Increased Public Involvement in Budget and Rates Process

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## Issue

What steps should EWEB take to increase public involvement in the budget and rates setting process in order to enhance customer understanding and community trust regarding EWEB's financial condition?

## Background

The Board's discussions regarding long-term financial plans and budget assumptions, which incorporate rate change recommendations, typically begin in July. As a result of Public Affairs staff efforts, the Register-Guard (RG) and other local media provided more publicity than in prior years throughout the 2013 budget and rates process, starting with a detailed RG article the day after the Board's July 17 financial work session. Between April and November 2012, Public Affairs also employed other communication strategies designed to increase customer knowledge about the potential rate actions and the primary "drivers" of those actions. These efforts included prominent display in the Pipeline, the annual newsletter mailed to all customers; articles in the Current Connections e-newsletter, which is sent to self-selected customers six times per year; and other actions. As a result of these proactive efforts to inform the community there was an increased level of public interest in EWEB's finances and subsequent rate actions.

In 2012, EWEB took some steps toward increasing meaningful public feedback for the budget and rate recommendations. Telephone and web based surveys were conducted to specifically receive customer feedback on financial priorities. Prior to 2012, the budget and rate setting processes were separate (December for budget; March for rates), which limited customers' ability to influence spring rate actions after the budget was set. In August, the Board approved aligning those processes and was able to take public comment into consideration before both the 2013 budget and related 2013 rates were approved in December.

While these changes were important steps to improving financial transparency and increasing meaningful public involvement, Management believes that these were just first steps toward greater public engagement, and that additional actions should be considered and adopted. This memo provides three alternatives for the Board to consider – *Alternative 1*- Budget and Rates Advisory Panel; *Alternative 2* – Community Meetings; and *Alternative 3* - Surveys. Many of the alternatives are not mutually exclusive and depending on Board priorities, more than one may be implemented in 2013.

## Discussion

### **Alternative 1 – Create a Budget and Rates Advisory Panel**

In the past, Board and Management have discussed the concept of a budget and rates advisory panel, most recently at the end of the 2013 budget and rates approval process. Most public agencies are governed by ORS 294, which requires creation of a budget committee comprised of the Board and an equal number of board-appointed citizen representatives who serve for three-year terms. The budget committee reviews the proposed budget and makes a recommendation on the budget for final adoption by the Board. Per ORS 294.316, public utilities are exempt from local budget law which allows EWEB flexibility in the function, composition, term and duties if such a committee were to be formed. For example, EWEB could decide to have a budget review group that includes only citizens, or the Board could adopt a mechanism similar to those required by ORS 294. Many decision points exist for this option.

Management has reviewed several other organizations (City of Eugene, 4J School District, EPUD and other utilities) for guidance on this discussion. **Attachment 1** provides several decision points regarding the formation of a panel and related options, pros and cons, other organizations that use a similar process, and Management’s recommendation for each decision point.

In **Attachment 1A**, Management has provided for the Board’s consideration a tentative 2013 timeline for **Alternative 1 – Create a Budget and Rates Advisory Panel** based on Management’s recommendations. The timeline would be adjusted depending on the Board’s final action on this item; however, the intent is to have members appointed and receive training prior to the July Financial Work Session. **Attachment 1B** provides an example of the budget and rates advisory panel application form.

Management’s recommendations regarding a Budget and Rates Advisory Panel rely heavily on existing EWEB processes and resources as opposed to creating new processes. For example, EWEB already has extensive budget and rate meetings as part of the Board work sessions and regular meetings, unlike most public agencies. In this scenario, the citizen members would participate in the work session and those meetings. Because of the use of existing processes and resources, Management estimates that the added cost of this panel is minimal. If the Board adopts the creation of a panel with more members, separate processes (e.g. another set of public processes and meetings), Management estimates that additional regular FTEs may be needed.

### **Other Alternatives**

While a budget and rates advisory panel will provide valuable input regarding EWEB’s financial issues from the appointed members and the community members with whom they interface, there are alternatives that should be considered that would provide a broader outreach.

### **Alternative 2 – Hold Community Meetings to Discuss Financial Issues**

Community Meetings increase customers’ understanding of EWEB’s financial challenges. It provides for a less formal information sharing forum than board meetings and no selection process is necessary. There are a number of formats for public participation and engagement that go beyond the “public meeting” or “public hearing” concept to offer a broader engagement of participants at these forums or sessions. EWEB would employ strategies and techniques that adhere to the standards of the International Association of Public Participation.

*Attachment 2* provides options, pros and cons, other organizations that use a similar process, and Management’s recommendation for *Alternative 2 – Hold Community Meetings*.

In *Attachment 2A*, Management has provided for the Board’s consideration a tentative 2013 timeline should Management be directed to hold community meetings.

Management estimates that the time and resources required to prepare for and conduct two community meetings would be approximately \$10,000. This includes some limited paid advertising but would rely on social media and other low-cost communications mediums.

**Alternative 3 – Conduct Survey(s) that Include Questions Regarding Budget Priorities**

Management found that organizations that have conducted similar financial surveys receive the highest public participation, and that the survey can provide some smoothing of active special interest group input.

*Attachment 3* provides options, pros and cons, other organizations that use a similar process, and Management’s recommendation for *Alternative 3 – Conduct Financial Surveys*.

Management estimates that the additional time and resources required to prepare and conduct a web-based survey is approximately \$1,000 and a telephone survey is approximately \$20,000. The financial and budget survey conducted in 2012 provided useful and interesting results, but was not directly tied to EWEB’s adopted Strategic Plan. Surveys that focus on support for or opposition to specific initiatives in the adopted Strategic Plan may provide a more robust and intentional path forward for the utility. In essence, surveys can be used to bring public participation into the creation of or the updating of the Strategic Plan.

**Recommendation/Requested Board Action**

Management recommends that the Board approve the formation of a Budget and Rates Advisory Panel with the following structure or provide clear alternative direction.


<b><u>Alternative 1 - Recommend formation of Budget and Rates Advisory Panel</u></b>	
<b>a. Authority</b>	Advisory only
<b>b. Composition</b>	Board members + equal number at-large community members
<b>c. Selection Process</b>	Application with minimal criteria and Board majority vote
<b>d. Terms/Terms Limit</b>	Initial 1 year, move to 2 or 4 year, no term limits
<b>e. Governance Structure</b>	Elected chair, majority vote, public meetings
<b>f. Changes to panel structure</b>	Review after first year
<b>g. Management and staff roles</b>	Similar to current process with presentations and availability to answer questions
<b><u>Alternative 2 - Recommend holding community meetings if financial situation warrants</u></b>	
<b><u>Alternative 3 - Recommend conducting surveys that include questions regarding budget priorities if General Manager determines benefits would outweigh costs</u></b>	

Management also recommends that the Board adopt Management’s recommendation on conducting community meetings and surveys as part of the 2014 budget/rates process or provide clear alternative direction. Cost is estimated to be \$25,000 to \$50,000 depending on the options chosen by the Board.

## **Attachment 1**


### **Alternative 1 – Create a Budget and Rates Advisory Panel**

#### **Question 1: Should EWEB have a Budget and Rates Advisory Panel?**


<b>Option</b>	<b>Pros</b>	<b>Cons</b>	<b>Organizations that use a similar option</b>	<b>Management Recommendation</b>
Yes	Increased public participation  Member awareness and understanding  Ideally, better buy-in  More review and input  Similar to other public agencies	Increased complexity, member learning curve  Higher cost  Depending on panel composition and role, may be difficult if Board does not agree with panel recommendations	City of Eugene  4J School District  EPUD  SUB  LRAPA	
No	Less complexity  Potentially easier  Faster  Less resources required	No change in perception problems with EWEB process  Possible continued erosion of public trust	Tacoma PUD  Chelan PUD	

Assuming the Board says yes to Question 1, then Question 1a (and sub-parts) should be considered next.


**Question 1a: What should be the role, charter and authority of the Budget and Rates Advisory Panel?**

Option	Pros	Cons	Organizations that use a similar option	Management Recommendation
<p>Advisory only</p> <p>Makes recommendations to the EWEB Board</p> <p>Not a decision or approval authority</p>	<p>Preserves current EWEB charter and governance authority</p> <p>Final authority remains with Board which has ultimate responsibility</p> <p>Aligns with other public agencies</p>	<p>May be viewed as not having sufficient authority</p>	<p>City of Eugene</p> <p>4J School District</p> <p>EPUD</p> <p>SUB</p>	
<p>Decision Making Authority &amp; Approver</p>	<p>Would be viewed as “strong” panel.</p>	<p>Would require changes to charter and EWEB governance</p> <p>Separates authority from accountability (Board &amp; Management would still be accountable)</p>	<p>None Known</p>	


**Question 1b: What should be the composition of the Budget and Rates Advisory Panel?**

Option	Pros	Cons	Organizations that use a similar option	Management Recommendation
<p>Board Members plus Equal number Community Members</p>	<p>Insures that Board Members hear all Community Member input unfiltered</p> <p>Insure Community Members hear Board Members' input</p> <p>Allows for existing processes to be leveraged rather than creating duplicate processes</p> <p>Aligns with statute</p>	<p>Not viewed as independent community input</p>	<p>City-Eugene</p> <p>4J School District</p> <p>LRAPA</p>	
<p>All Community Members (e.g., 10)</p>	<p>Looks most independent.</p>	<p>Would require most additional resources and costs due to duplication of processes.</p> <p>May be difficult if panel recommendations not aligned with Board</p>	<p>EPUD</p> <p>SUB</p>	
<p>Minority of Board (1 or 2) plus 5 Community Members</p>	<p>Reinforces that panel is more independent of Board</p>	<p>Would still require additional resources and costs due to duplication of processes.</p> <p>Board members not present won't hear unfiltered discussion</p>	<p>None Known</p>	

**Question 1c: How should Community Members be selected for the Budget and Rates Advisory Panel?**


Option	Pros	Cons	Organizations that use a similar option	Management Recommendation
<p>Applications are submitted by community members that are interested. Board makes final selection (by public vote) with some general requirements such as:</p> <ol style="list-style-type: none"> <li>1. Must be EWEB customer.</li> <li>2. Cannot be City of Eugene employee (similar to City exclusion of EWEB employees) or EWEB officer, agent, contractor or employee.</li> <li>3. Community Members are all at-large.</li> </ol>	<p>Likely most qualified panel</p> <p>Aligns with statute</p>	<p>May result in non-representation of a Board member's jurisdiction</p>	<p>City-Eugene</p> <p>4J School District</p>	
<p>Applications are submitted by community members that are interested. Board makes final selections (by vote) with additional general requirements:</p> <ol style="list-style-type: none"> <li>1. See above</li> <li>2. See above</li> <li>3. At least 1 Community Member from each Commissioner's represented area</li> <li>4. At least 1 Community Member from each major customer class (Residential and General Service)</li> <li>5. At least 1 Community Member from "special" areas such as (Upriver, Limited Income Representation).</li> </ol> <p>Note: It is possible that some Community Members meet more than one of the above criteria.</p>	<p>Ensures representation of each Board member's jurisdiction</p> <p>Balances region and customer class diversity of member-ship</p>	<p>May result in more qualified applicants not being appointed</p>	<p>None Known</p>	
<p>Ward-based Board members pick 1 or 2 panel members from their specific wards. At large Board member picks 1 or 2 from entire group of applications with goal of "rounding out panel." No specific requirements or exclusions except these:</p> <ol style="list-style-type: none"> <li>1. Same as above</li> <li>2. Same as above</li> </ol>	<p>Might be easiest to implement</p> <p>Balances region diversity and qualification objectives.</p>	<p>Could be viewed as least independent due to closed selection process</p>	<p>EPUD</p> <p>LRAPA</p>	

**Question 1d: What should the Community Member Terms and Term Limits be?**


Option	Pros	Cons	Organizations that use a similar option	Management Recommendation
<p>Initial terms are 1 year. Assuming Board decides to keep this model, beginning in year 2 switch to 2 or 4 year terms (staggered for greatest continuity )</p> <p>No term limits</p>	<p>Allows for trial period with no expectation of service beyond 1 year</p> <p>Gives Board most flexibility to adjust in year 2</p>	<p>Potential turnover causes additional process and retraining work.</p> <p>4 year terms might be a barrier for some potential community members</p> <p>Lack of term limits may limit diversity of panel over time.</p>	<p>None Known</p>	
<p>Start with 2 and 3 year terms across the board (to create staggering effect of panel members and greatest continuity). Move to 2 or 4 year terms ending in odd numbered years</p> <p>No term limits.</p>	<p>Clearest expectation upfront.</p> <p>Longer terms allow for more understanding of EWEB financial issues</p>	<p>Longer terms might be a barrier for some potential community members</p> <p>Might limit ability for Board adjustments in year 2.</p> <p>Lack of term limits may limit diversity of panel</p>	<p>City-Eugene (3 year term and 2 term limit)</p> <p>4J School District (3 year term, no term limits)</p>	
<p>No terms or term limits</p>	<p>Understanding of EWEB financial issues may be enhanced if tenured members</p> <p>Lack of term may increase interest</p>	<p>Uncertainty of parameters may be barrier for potential members</p> <p>Could create either lack of stability or lack of diversity</p>	<p>EPUD</p>	




**Question 1e: What should the governance structure of the panel be? Who should chair the panel?  
How/when should meetings take place?**

Option	Pros	Cons	Organizations that use a similar option	Management Recommendation
<ul style="list-style-type: none"> <li>All panel members carry equal weight.</li> <li>Meetings take place in the context of “work sessions”. Additional meetings may be scheduled depending on financial situation.</li> <li>Chair is elected for purposes of conducting the meeting. In absence of panel chair, Board chair presides.</li> <li>Majority vote for recommendation to EWEB Board.</li> <li>Meetings are public and require quorum.</li> </ul>	<p>Makes efficient use of existing EWEB processes (e.g. budget work sessions)</p> <p>Least additional time for Board and staff</p>	<p>Reduces time available for Board only work sessions</p>	<p>4J School District</p>	
<ul style="list-style-type: none"> <li>All panel members carry equal weight.</li> <li>Meetings are separate and in addition to EWEB work sessions.</li> <li>Chair is elected for purposes of conducting the meeting. In absence of panel chair, Board chair presides.</li> <li>Majority vote by Community Members for recommendation to EWEB Board.</li> <li>Meetings are public and require quorum.</li> </ul>	<p>Possibly viewed as more independent.</p> <p>Does not detract from EWEB Board work session time.</p>	<p>Highest cost in terms of time and resources</p> <p>May be difficult if panel recommendations not aligned with Board</p>	<p>EPUD, except meetings are not public</p>	

**Question 1f: How should the panel change over time and in particular after the first year?**

Option	Pros	Cons	Organizations that use a similar option	Management Recommendation
Assume initially that changes will likely be necessary in second year. At the end of first year, part of the process should be to discuss and make improvements including a basic assumption about the cost/benefit of the panel	Provides most flexibility to adjust and make improvements	May be viewed as less committed to concept  Might be viewed as ability for EWEB to reduce community input	N/A	
Assume initial structure is right and commit to it for longer-term.	Possibly viewed as more serious commitment to additional public input  Creates stronger incentive to make initial structure work	Could “lock in” bad process.	N/A	

**Question 1g: What should be the role of EWEB management and staff in interfacing with the Budget and Rates Advisory Panel?**

Option	Pros	Cons	Organizations that use a similar option	Management Recommendation
EWEB management and staff roles should be as follows: <ul style="list-style-type: none"> <li>• Provide detailed background and education/training sessions (especially early on)</li> <li>• Presentations to panel similar to what is done for EWEB Board today.</li> <li>• Be available to answer questions from panel during its meetings.</li> </ul>	Similar to current process  Helps panel members get up to speed	Might be viewed as staff controlling too much.	4J School District  City of Eugene	
EWEB management and staff roles should be as follows: <ul style="list-style-type: none"> <li>• Limited to only presentations and answering formal questions while in official sessions.</li> </ul>	Possibly viewed as more independent of staff	Harder for new panel members to come up to speed.  Might result in panel members not being as effective		

**Attachment 1A**  
**2013 Budget and Rates Advisory Panel Calendar**  
**(assumes Management’s recommendations are approved)**

**DRAFT**

**February**

19 Board provides direction on Budget and Rates Advisory Panel

20-Mar 3/4 Finance/Public Affairs develops application materials

**March**

4-29 Recruitment of Panel Members

- Website
- Media
- Personal outreach

**April**

2 Applications due

9 Board receives applications in board packet

16 Each Board member selects one citizen panel member. Board confirms panel membership by majority vote.

**May**

1-31 Budget and Rates Advisory Panel Training

- EWEB Strategic Direction, Budget/Finance 101
- Engineering/Capital Plans
- Water/Electric Operations
- Generation Resources/Trading Floor Activities
- Energy Management/Environmental

**June**

1-30 Training Continues

**July**

16 Budget and Rates Advisory Panel Work Session – *Review of Long-term Financial Plans, Capital Plans and provide direction on budget assumptions; hold public hearing*

**August**

6 Hold for Budget and Rates Advisory Panel Work Session, Public Hearing

6-Oct 14 Staff prepares budget

**October**

15 Budget and Rates Advisory Panel Work Session – *Review update of Long-term Financial Plans, draft 2014 budget and rates; hold public hearing*

**November**

5 Proposed 2014 Budget and Rates Presentation to Budget and Rates Advisory Panel; hold public hearing

**December**

3 2014 Budget and Rates Hearing/Board Adoption; hold public hearing

**Attachment 1B**  
**EWEB Budget and Rates Advisory Panel**  
**Application Form**  
**(assumes Management's recommendations are approved)**

**DRAFT**

**Full Name:** \_\_\_\_\_

**Address:** \_\_\_\_\_

**Occupation:** \_\_\_\_\_

*(Note: EWEB/City of Eugene employees, and EWEB contractors are not eligible to serve on this committee.)*

**Home Phone:** \_\_\_\_\_

**Work Phone:** \_\_\_\_\_

**Cell Phone:** \_\_\_\_\_

**Fax Number:** \_\_\_\_\_

I certify that I live within the boundaries of EWEB.

**How long have you been a EWEB customer?** \_\_\_\_\_

**Please briefly describe your educational background:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Please give a brief description of the experience or training that you believe qualifies you to serve in this position:**

\_\_\_\_\_  
\_\_\_\_\_

**List any volunteer activities with EWEB or other community agencies or organizations:**

\_\_\_\_\_  
\_\_\_\_\_


**What are some of your special interests or concerns about EWEB?**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## **Attachment 2**

### **Alternative 2 – Hold Community Meetings to Discuss Financial Issues**

**Question: Should EWEB hold meetings to inform the community about EWEB’s financial issues? If yes, the following options are provided for consideration.**

Option	Pros	Cons	Organizations that use a similar option	Management Recommendation
<p>Have Board (or Budget and Rates Advisory Panel if approved) direct staff to conduct community meetings if deemed necessary due to financial issues.</p>	<p>Increases community’s understanding of EWEB’s financial challenges</p> <p>Provides for less formal information sharing forum than Board meetings</p> <p>No selection process that might be perceived as controlling</p> <p>Limits resource expenditure to periods with higher public interest</p>	<p>Time, materials and publicity cost</p> <p>Attendance may be low resulting in minimal benefit</p> <p>Special interest groups may monopolize meetings</p>	<p>4J School District</p> <p>Seattle City Light</p> <p>EPUD</p>	
<p>Hold meetings annually regardless of financial issues</p>	<p>Increases community’s understanding of EWEB’s financial challenges</p> <p>Provides more personal response to customer questions</p> <p>No selection process that might be perceived as controlling</p>	<p>Increased time, materials and publicity cost</p> <p>Attendance may be low if financial issues aren’t significant resulting in minimal benefit</p> <p>Special interest groups may monopolize meetings</p> <p>Community may start viewing as routine and not attend when input is most needed</p>		

**Attachment 2A**  
**2013 Community Meeting Calendar**  
**(assumes Management’s recommendations are approved)**

DRAFT

**July**

16 Budget and Rates Advisory Panel Work Session – *Review of Long-term Financial Plans, Capital Plans and provide direction on budget assumptions; hold public hearing; **provides direction on Community Meetings to discussion financial issues***

17-Aug 31 Public Affairs and Finance staff develop agenda/materials for Community Meetings.

**August**

30 Budget and Rates Advisory Panel provided Community Meeting agenda (Board in Board Packet, Community Members via email)

**September**

4-30 Community Meetings Held

**October**

15 Budget and Rates Advisory Panel Work Session – *Review update of Long-term Financial Plans, draft 2014 budget and rates; **receive info on Community Meetings**; hold public hearing*

**November**

5 Proposed 2014 Budget and Rates Presentation to Budget and Rates Advisory Panel; hold public hearing


**December**

3 2014 Budget and Rates Hearing/Board Adoption


### Attachment 3

#### Alternative 3 – Conduct Survey(s) that Include Questions Regarding Budget Priorities

**Question 1: Should EWEB staff conduct surveys that include questions regarding budget priorities?**

Option	Pros	Cons	Organizations that use a similar option	Management Recommendation
Yes	<p>Highest public participation</p> <p>Potentially statistically valid responses</p> <p>Provides a smoothing to active special interest group input</p> <p>Opportunity to provide some community education</p> <p>Input viewed as independent</p>	<p>Cost of creating, conducting and tabulating survey</p> <p>Views may not align with Board’s strategic direction</p> <p>Operationally may not be able to achieve public’s desired results reducing public trust</p> <p>Difficulty in creating a survey that provides informed responses</p>	<p>City of Eugene</p> <p>4J School District</p> <p>Seattle City Light</p>	
No	<p>Does not expend additional resources</p> <p>Eliminates potential of community feedback not being operationally feasible</p> <p>Difficult to clear up misperceptions via a survey</p>	<p>Eliminates possibility of broad-based outreach</p> <p>No other statistically valid feedback</p> <p>Other public input methods may not provide smoothing of special interest input</p>	<p>EPUD</p> <p>Seattle City Light</p>	

**Question 2: If the answer to Question 1 is yes, what form should the survey take?**

Option	Pros	Cons	Organizations that use a similar option	Management Recommendation
<p>General Manager in consultation with Management and Budget and Rates Advisory Panel (if approved) determines if benefits of survey would outweigh costs</p>	<p>Reduces time for go/no go decision as opposed to scheduling decision at public meeting</p> <p>Results will be aligned with budget/rates cycle</p> <p>Limits resource expenditure to periods when public input is especially valuable</p>	<p>Time, materials and publicity cost</p>	<p>4J School District</p> <p>City of Eugene</p> <p>Seattle City Light</p>	
<p>Conduct surveys annually regardless of financial issues</p>	<p>Can be built into staff and consultant work plan to ensure timely results</p>	<p>Increased cost</p> <p>Community may start viewing as routine and web-based feedback may be reduced</p>		
<p>Have Board (or Budget and Rates Advisory Panel if approved) direct staff to conduct telephone and/or web based survey(s) if deemed necessary due to financial issues.</p>	<p>Limits resource expenditure to periods when public input is especially valuable</p>	<p>Time, materials and publicity cost</p> <p>Depending on when direction is given, may be difficult to get results in time to inform budget/rates process</p>	<p>EPUD</p> <p>Seattle City Light</p>	