

CANBY UTILITY
REGULAR BOARD MEETING
SEPTEMBER 8, 2020
7:00 P.M.

AGENDA

Due to COVID-19 Pandemic, the Board of Directors and staff will be attending the meeting virtually. The public is invited to attend the meeting in person at Canby Utility's office, with measures in place to comply with the Governor's Executive Order regarding social distancing.

- I. CALL TO ORDER
- II. AGENDA
 - Additions, Deletions or Corrections to the Meeting Agenda
- III. CONSENT AGENDA
 - Approval of Agenda
 - Approval of Regular Board Meeting Minutes of August 11, 2020 (pp. 1-5)
 - Approval of Payment of Water and Electric Bills
- IV. CITIZEN INPUT ON NON-AGENDA ITEMS
- V. RECOMMENDATION Proposed Water Rate Adjustment – Carol Sullivan, Finance Manager and Dan Murphy, General Manager (pp. 6-9)
- VI. BOARD REPORT
 - Chairman Comments
 - Board Member Comments
- VII. STAFF REPORTS

Customer Service Supervisor:

 - COVID-19 Utility Billing Comparison (pp. 10-11)

General Manager Updates
- VIII. EXECUTIVE SESSION The Canby Utility Board will adjourn its regular meeting to go into executive session pursuant to ORS 192.660(2)(d) to discuss labor negotiations. Upon completion of the executive session the Board will return to its regular meeting.
- IX. ADJOURN

CANBY UTILITY REGULAR BOARD MEETING MINUTES AUGUST 11, 2020

Due to COVID-19 Pandemic, the Board of Directors and staff attended the meeting virtually. The public was invited to attend the meeting in person at Canby Utility's office, with measures in place to comply with the Governor's Executive Order regarding social distancing.

Board Present: Chairman Hill; Members Brito, Wagner, Horrax, and Thompson

Staff Present: Daniel P. Murphy, General Manager; Barbara Benson, Board Secretary; Carol Sullivan, Finance Manager; Sue Arthur, Purchasing Agent; Dee Anne Wunder, Customer Service Supervisor; and Doug Erkson, Operations Manager

Others Present: Tim Dale, City Council Liaison; and Adam Olsen and Jeff Humphreys, Mackenzie Architects

Chairman Hill called the Regular Board Meeting to order at 7:00 p.m.

Chairman Hill presented the meeting agenda for consideration. He asked for any additions, deletions, or corrections to the meeting agenda, and there were none.

Chairman Hill presented the consent agenda for approval. Member Brito made the *MOTION to approve the consent agenda, consisting of the meeting agenda, regular meeting minutes of September 8, 2020, and payment of the electric and water department bills in the amount of \$1,104,049.60. Member Wagner seconded, and the motion passed unanimously.

Chairman Hill asked for citizen input on non-agenda items, and there was none.

General Manager Dan Murphy introduced Adam Olsen and Jeff Humphreys, of Mackenzie Architects, who were presenting the results of the phase 2 combined service center project bids. Olsen reviewed the schedule for the project. Two weeks after the board approved the building design and authorized Mackenzie to proceed with bidding the project out for construction, the Oregon and Washington governors issued the stay-at-home orders due to the COVID-19 pandemic. In Washington, all non-essential construction halted. In late May, Mackenzie issued the project out for bid after considering the potential impacts on the bid results due to the pandemic. July 21, 2020, was the project bid opening. Mackenzie received 12 bids, which was more than twice the number submitted for phase 1. Olsen attributes the high interest in this project and the competitiveness of the bids to the closed-down economy and COVID-19. Olsen gave an overview of the process for reviewing the bids to determine the lowest, responsive, responsible bidder. Essex General Construction was the successful bidder for the project. The construction duration runs from the end of August to July 2021. Chairman Hill asked about the factors that resulted in eliminating the lowest bidder. Olsen stated that the lowest bidder was disqualified due to missing submittals. Member Thompson asked about the project bids being

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significantly under the estimated budget. Olsen said that the project estimate was \$9.5 million, and Essex's bid was just under \$6 million. Member Brito made the *MOTION that upon recommendation of the General Manager and Mackenzie Architects, Resolution No. 304 be adopted awarding Canby Utility's Combined Service Center Phase 2 Project to the lowest responsive bidder Essex General Construction, Inc. Member Thompson seconded the motion and the roll call ballot was as follows: Member Brito, aye; Member Horrax, aye; Member Wagner, aye; Member Thompson, aye; and Chairman Hill, aye. The motion passed 5 to 0.

Finance Manager Carol Sullivan presented the water system development charges (SDC) inflationary adjustment, noting this is a housekeeping item that occurs annually. The fiscal year 2021 inflation factor increase is 1.66% for one dwelling unit equivalent or \$66. Sullivan stated the current charge for the residential dwelling SDC would increase from \$4,035 to \$4,101. There were 71 letters mailed to contractors and interested parties, who have done business in Canby, to notify them of the proposed change and offer them the opportunity to comment on the proposal. Sullivan stated that one contractor paid for some SDCs at the current rate and that she had not had any other responses from those who received the mailing. Sullivan said that she is recommending that the Board adjust the water system development charges by the prescribed inflationary amount. Chairman Hill asked about the frequency of comparing Canby Utility's rates to other entities. Sullivan replied that she usually compares rates each year, but did not this year. She said that it is difficult to compare the amount we charge to another entity due to the different requirements of each water system. Member Brito made the *MOTION to adopt Resolution No. 303, adjusting Canby Utility's Water System Development Charges by the prescribed inflationary amount effective September 1, 2020, and repeal Resolution No. 299. Member Wagner seconded the motion and the roll call ballot was as follows: Member Brito, aye; Member Horrax, aye; Member Wagner aye; Member Thompson, aye; and Chairman Hill, aye. The motion passed 5 to 0.

Member Thompson reported that City Councilor Greg Parker contacted her regarding the potential of having Canby Utility convert the existing overhead utilities to underground as part of a county project on S. Ivy Street. Thompson talked with Murphy about Parker's request and learned some interesting information that she wanted to share with the board. The existing Charter language restricts Canby Utility's use of loans by authorizing the Board to borrow money for periods up to five years. That language in the Charter has been in place for a very long time. Thompson encouraged the Board to partner with the city the next time the Council seeks another charter amendment. Loosening the restrictions on loans would provide Canby Utility with another financial resource. Thompson also talked about the differences between how Canby Utility and the City finance projects. Canby Utility was able to finance the new construction of its office building through rates and accumulated reserves over several years. In contrast, the City relies upon bonding, loans, and Urban Renewal funds for capital projects. Canby Utility also has the option of bonding. Thompson will copy the board on her response to Councilor Parker.

Finance Manager Carol Sullivan presented the third-quarter Executive Financial Summary. Sullivan reviewed the profit resulting from operations and capital contributions year-to-date nine

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months ending March 31, 2020. The electric operating profit was \$612,636, plus the capital contributions of \$718,861, a total net income of \$1,331,497. The water operating profit was \$213,380, plus the capital contributions of \$1,262,384, a total net income of \$1,475,764.

Sullivan then compared the operations with capital contributions to the budget. The electric fund was over budget \$333,123. The year-to-date operating revenue is 1.51% or \$153,716 under budget, mainly due to lower residential sales. The operating expenses are 1.92% or \$189,453 under budget, mainly due to more labor capitalized and a vacant position. The capital contributions are over budget 80.81% or \$321,286 over budget, mainly due to more hook-up fees than budgeted. The change in net assets is 33.37% or \$333,123 over budget, mainly due to capital contributions.

The water fund was under budget \$194,094. The year-to-date operating revenue is 1.92% or \$48,545 over budget, mainly due to higher commercial sales. The total operating expenses are under budget 5.74% or \$147,484, mainly due to more labor being capitalized. The capital contributions are 22.80% or \$372,794 under budget, mainly due to the timing of contributions by others/developers subdivisions being received. The change in net assets is 11.62% or \$194,096 under budget due to capital contributions and decreased expenditures. Chairman Hill asked about the capital contributions impact. Sullivan explained that this was a timing issue and that projects have been postponed and will carry over into the fiscal year 2021.

Sullivan then reviewed the cash reserves summary. The electric reserves are under the target by \$174,663, but over the \$4 million minimum threshold by \$6,063,378. The reserve balance covers the cost of the construction project that the board just approved. The water reserves are over the target by \$574,621, and over the minimum threshold by \$3,370,537.

Chairman Hill asked about the amount of reserves being used from the electric and water funds to pay for the construction of the project. Murphy said that the answer to his question was convoluted. The total project budget is \$6,788,660. The water revenues have always been expected to contribute to the cost of the project; however, the water system is owned by the city. Murphy said that we will use an available mechanism to utilize reserves that are available to make up a small portion of funds needed to complete the project, above and beyond what is available in the electric reserves. Murphy explained that once the closing is complete on the five-acre site for the future water treatment facility, which will be an electric asset, it will be transferred to the water department with water paying the electric department fair value for that asset. That transfer of funds will make up the remaining amount of cash needed for the construction project. Murphy said that he will be bringing forward a recommendation to transfer the property asset and department funds from the water department to the electric department.

Customer Service Supervisor Dee Anne Wunder presented the fiscal year 2020 customer account aging report that provided a 13-month history from June 2019 through June 2020. Wunder pointed out that the over 121 days and older balances are higher than average, and attributes that to the current challenges our customers are facing. The board had no questions.

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Customer Service Supervisor Dee Anne Wunder reported on the COVID-19 utility billing impacts from May through July 2020, compared to the same months in 2019. Wunder said July is on target. Staff is taking a new approach in attempting to collect on overdue account balances. This new process began with determining the number of customers that staff has been unable to reach by telephone and had not made any contact with us regarding their bill. Letters were mailed to these customers, encouraging them to contact us about their accounts. A total of 22 letters were sent with seven responses. Wunder noted that there is a total of 8,140 bills mailed each month and was pleased with the exceptionally low number of unresponsive customers. Wunder stated that the second round of letters was sent out that day as a gentle reminder asking customers to contact us about their bill. Murphy said that the remaining customers might have relocated as a result of the COVID-19 pandemic and are no longer residing at the service address. These customers will be subject to disconnect, and the primary purpose of the letters is to establish contact with them. Staff will work with the customers to make payment arrangements on their account. Wunder added that other utilities are approaching the problem in the same manner. Murphy acknowledged the efforts of the customer service staff through this process.

General Manager Dan Murphy offered to answer any additional questions on the construction of phase 2 for the combined service center. Chairman Hill asked how Essex Construction plans to approach the construction process, such as completing the shell of the office building or start with the site preparation. Murphy talked about the different approaches that may occur but that it was up to the general contractor.

Murphy gave an update on the summer water consumption and experience. This summer has been relatively mild, with higher July temperatures reflected in the increased water demand. Our peak demand day in July was 4.334 million gallons per day (mgd). Murphy shared comparison data for water usage for July 2020 compared to July 2019. The average daily use for July was 3.601 mgd. There were seven times during the month where the water demand exceeded 4 mgd. The water treatment plant can treat up to 8 mgd. Murphy reviewed the historical usage looking back ten years. Murphy stressed that there is a significant amount of treatment capacity available at the water treatment plant. Murphy also said that the taste and odor problems in the water have returned and that this is the time of year that we expect to see the most significant impact on the water taste. Murphy said that warmer temperatures cause growth of green algae, which is the source of harmless taste and odor compounds. Murphy noted that taste and odor problems that occur in the spring when temperatures are cooler are suspected to be caused by permitted discharging of retention ponds into the river.

Veolia Water continues to test the water for the harmful blue algae cyanotoxins. These blue algae toxins are not to be confused with the harmless green algae that cause taste and odor problems. As of this month's reporting, there have been no positive results for the harmful cyanotoxins. Testing will continue in compliance with the State's Drinking Water Program throughout this summer until the blue algae threat is over. There have been no positive results for the cyanotoxins statewide.

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Murphy reported on Monday, September 7, is a holiday and the office will be closed.

Murphy reported that the collective bargaining process has begun. Labor attorney Steven Schuback is tentatively scheduled to attend the next board meeting to introduce himself and to give an informative presentation on how we approach bargaining. Murphy noted that we have two separate bargaining agreements. One contract is for the electrical workers, and the other is for the office and water workers. Murphy stated that the genesis of Canby Utility having two separate contracts goes back to the time when the water workers were city employees and had their own contract. When the water workers were consolidated over into Canby Utility, they chose to keep their respective contract. Murphy said it would be simpler to have one contract. Murphy talked about Schuback's experience bargaining for Canby Utility and that he has been a strategic ally in this process.

Member Wagner made the *MOTION to adjourn the meeting, and the motion passed unanimously.

There being no further business, the meeting adjourned at 7:55 p.m.

Robert Hill, Chairman

David Horrax, Member

Jack Brito, Member

Melody Thompson, Member

Todd Wagner, Member

Barbara Benson, Board Secretary



MEMORANDUM

September 1, 2020

TO: Chairman Hill, Member Brito, Member Wagner, Member Horrax, and Member Thompson

FROM: Carol Sullivan, Finance Manager

SUBJECT: Set Proposed Water Rate Hearing for Rates Effective November 1, 2020.

Suggested Motion: Motion that the Proposed Water Rate Hearing for Rates Effective November 1, 2020 be scheduled for October 13, 2020 using option C, an overall rate increase of 9.53%.

Recommendation: Management recommends option C. This option will increase the base rate to cover the current operating deficit and increase the consumption charge to build a revenue stream to replenish reserves. The rate increase to the base rate will guarantee the deficit to be covered. The residential base increase will cover 65 % of the deficit because 65% of our budgeted revenues are from the residential customer class. Multi-family will cover 18% of the deficit and Commercial/Irrigation/General will cover 17% also based on their current budgeted revenues. The rate increase in the consumption does not guarantee full funding but will at least start a revenue stream for replenishing the reserves. The rational being if consumption is reduced the future water projects reserve will be needed further in the future.

Background: Staff has worked through three options for water rate charges. These options are for a two-year period at which time the rate charges will be reviewed again. Below are the options and their financial impacts:

Option A - Overall rate increase 0.00%, 7ccf residential bill remains at \$31.36

- Revenues remain as budgeted, rates remain unchanged
- Reserve balances go below the minimum \$2M

Option B – Overall rate increase 3.97%, 7ccf residential monthly bill increases \$1.55

- Revenues increase 3.97% through base charge, \$132K
- Reserve balances maintained at minimum \$2M

Option C – Overall rate increase 9.53%, 7ccf residential monthly bill increases \$2.74

- Revenues increase 9.53% through base and consumption charges, \$317K
- Reserve balances begin to build back up, \$184M

Canby Utility
Option A - 0%
Effective November 1, 2020

Increase to Tiered Rates		
Existing Revenue Budget FY21	\$	3,322,002
Proposed Revenue		3,322,002
Additional Funds From Rate Adjustment	\$	-
Overall Rate Increase		0.00%

Fixed Charge						
Meter Size	Single Family		Multi Family		Commercial/Irrigation/General	
	Current	0.0% Proposed	Current	0.0% Proposed	Current	0.0% Proposed
5/8" x 3/4"	\$ 19.81	\$ 19.81	\$ 8.43	\$ 8.43	\$ 20.61	\$ 20.61
1"	28.55	28.55	9.96	\$ 9.96	36.36	36.36
1 1/2"			11.50	\$ 11.50	56.96	56.96
2"			15.71	\$ 15.71	126.76	126.76
3"			46.75	\$ 46.75	208.02	208.02
4"			58.25	\$ 58.25	296.23	296.23
			Per Dwelling Unit			
			\$ 9.00	\$ 9.00		

Volume Rate						
Class	Rates			Thresholds per DUE (CCF)		
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
Single Family						
Existing	\$ 1.65	\$ 2.07	\$ 2.89			
Increase	0%	0%	0%			
Proposed	\$ 1.65	\$ 2.07	\$ 2.89	7	12	Over 12
Multi-Family						
Existing	\$ 1.42	\$ 1.78	\$ 2.48			
Increase	0%	0%	0%			
Proposed	\$ 1.42	\$ 1.78	\$ 2.48	5	8	Over 8
Commercial						
Existing	\$ 1.44	\$ 1.80	\$ 2.53			
Increase	0%	0%	0%			
Proposed	\$ 1.44	\$ 1.80	\$ 2.53	6	13	Over 13
Irrigation						
Existing	\$ 2.51	Note: all consumption is billed at one rate.				
Increase	0%					
Proposed	\$ 2.51					
General						
Existing	\$ 1.50	Note: all consumption is billed at one rate.				
Increase	0%					
Proposed	\$ 1.50					

Canby Utility
Option B - Base to cover deficit
Effective November 1, 2020

Increase to Tiered Rates		
Existing Revenue Budget FY21	\$	3,322,002
Proposed Revenue		3,454,042
Additional Funds From Rate Adjustment	\$	132,040
Overall Rate Increase		3.97%

Fixed Charge						
Meter Size	Single Family		Multi Family		Commercial/Irrigation/General	
	Current	7.8% Proposed	Current	16.5% Proposed	Current	9.4% Proposed
5/8" x 3/4"	\$ 19.81	\$ 21.36	\$ 8.43	\$ 9.82	\$ 20.61	\$ 22.55
1"	28.55	30.78	9.96	11.60	36.36	39.78
1 1/2"			11.50	13.40	56.96	62.31
2"			15.71	18.30	126.76	138.68
3"			46.75	54.46	208.02	227.57
4"			58.25	67.86	296.23	324.08
			Per Dwelling Unit			
			\$ 9.00	\$ 9.50		

Volume Rate						
Class	Rates			Thresholds per DUE (CCF)		
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
Single Family						
Existing	\$ 1.65	\$ 2.07	\$ 2.89			
Increase	0%	0%	0%			
Proposed	\$ 1.65	\$ 2.07	\$ 2.89	7	12	Over 12
Multi-Family						
Existing	\$ 1.42	\$ 1.78	\$ 2.48			
Increase	0%	0%	0%			
Proposed	\$ 1.42	\$ 1.78	\$ 2.48	5	8	Over 8
Commercial						
Existing	\$ 1.44	\$ 1.80	\$ 2.53			
Increase	0%	0%	0%			
Proposed	\$ 1.44	\$ 1.80	\$ 2.53	6	13	Over 13
Irrigation						
Existing	\$ 2.51	Note: all consumption is billed at one rate.				
Increase	0%					
Proposed	\$ 2.51					
General						
Existing	\$ 1.50	Note: all consumption is billed at one rate.				
Increase	0%					
Proposed	\$ 1.50					

Canby Utility
Option C - Base & Tier to cover deficit add \$185K to Reserves
Effective November 1, 2020

Increase to Tiered Rates		
Existing Revenue Budget FY21	\$	3,322,001
Proposed Revenue		3,638,517
Additional Funds From Rate Adjustment	\$	316,515
Overall Rate Increase		9.53%

Fixed Charge						
Meter Size	Single Family		Multi Family		Commercial/Irrigation/General	
	Current	7.8% Proposed	Current	16.5% Proposed	Current	9.4% Proposed
5/8" x 3/4"	\$ 19.81	\$ 21.36	\$ 8.43	\$ 9.82	\$ 20.61	\$ 22.55
1"	28.55	30.78	9.96	11.60	36.36	39.78
1 1/2"			11.50	13.40	56.96	62.31
2"			15.71	18.30	126.76	138.68
3"			46.75	54.46	208.02	227.57
4"			58.25	67.86	296.23	324.08
			Per Dwelling Unit			
			\$ 9.00	\$ 9.50		

Volume Rate						
Class	Rates			Thresholds per DUE (CCF)		
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
Single Family						
Existing	\$ 1.65	\$ 2.07	\$ 2.89			
Increase	10%	10%	10%			
Proposed	\$ 1.82	\$ 2.28	\$ 3.18	7	12	Over 12
Multi-Family						
Existing	\$ 1.42	\$ 1.78	\$ 2.48			
Increase	10%	10%	10%			
Proposed	\$ 1.56	\$ 1.96	\$ 2.73	5	8	Over 8
Commercial						
Existing	\$ 1.44	\$ 1.80	\$ 2.53			
Increase	10%	10%	10%			
Proposed	\$ 1.58	\$ 1.98	\$ 2.78	6	13	Over 13
Irrigation						
Existing	\$ 2.51	Note: all consumption is billed at one rate.				
Increase	10%					
Proposed	\$ 2.76					
General						
Existing	\$ 1.50	Note: all consumption is billed at one rate.				
Increase	30%					
Proposed	\$ 1.95					



MEMORANDUM
September 1, 2020

TO: Chairman Hill, Member Brito, Member Wagner, Member
Horrax, and Member Thompson

FROM: Dee Anne Wunder, Customer Service Supervisor

SUBJECT: COVID-19 Utility Billing Comparison

The attached report compares activity of payments and delinquencies for the months of June, July, and August 2019 to the same months in 2020. I will update the comparisons monthly to monitor impacts from the COVID-19 pandemic.

I will be available to answer questions during the Board Meeting.

Canby Utility
COVID Utility Billing Comparison 2019 & 2020
September 1, 2020

	June-2019	June-2020	July-2019	July-2020	August-2019	August-2020
Statements Mailed	7,938	8,140	7,986	8,140	7,997	8,170
Delinquent Notices	1,086	1,016 <i>Not mailed</i>	1,189	1,241	1,187	1,170
Delinquent Accounts	\$ 151,589	\$ 232,236	\$ 168,386	\$ 256,132	\$ 200,739	\$ 260,631
Average Delinquent Amount	\$ 140	\$ 229	\$ 142	\$ 206	\$ 169	\$ 223
Percentage of Delinquencies From Prior Month Billing	14%	13%	15%	15%	15%	14%
Bank Deposits, SDC's, and Misc Payments	\$ 1,512,256	\$ 1,593,050	\$ 1,516,389	\$ 1,487,245	\$ 1,482,377	\$ 1,613,751
Number of Payments	7,325	8,110	8,361	7,127	6,996	7,746