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MINUTES

A regular meeting of the Sunrise Water Authority Board of Commissioners, was held on Wednesday, July 27, 2011 at 6:00 PM at Sunrise Water Authority, 10602 SE 129th Avenue, Happy Valley, Oregon, 97086.

Board Present: Ron Blake, Vice Chair; Jeanne Anspach, Secretary; Judy Grycko; Terry Roskey, Mike Kuenzi, and Ernie Platt

Staff Present: Wade Hathhorn, General Manager; Lin Rigutto, Finance Director; Tim Janssen, Staff Engineer; Dan Fraijo, Operations Supervisor; Christin House, Customer Service Supervisor; and Kim Anderson, Government Relations Manager.

Visitors Present: Bob Frentress; Patricia Halloway, Grafton Sterling, and Barbara Kemper of CRW; and Myron Martwick, Oak Lodge Water.

1. CALL MEETING TO ORDER

The meeting was called to order at 6:01 PM.

2. INTRODUCTIONS & WELCOME OF VISITORS

Introductions were conducted. Mike Kuenzi introduced himself and provided some background information on himself. The rest of the attendees introduced themselves.

3. FLAG SALUTE & PUBLIC COMMENT

4. CONVENE BOARD

4.1 Retiring Board Chair: Bob Frentress

4.1.1 Service Recognition: John Thomas (Former General Manager)

Past Chair Bob Frentress commented on the history of the service provided to Mt. Scott and Sunrise by John Thomas. He discussed some of the career highlights such as bringing together Mt. Scott and Damascus for the formation of Sunrise Water Authority, securing water sources, creation of the North Clackamas County Water Commission, and dealing with the largest growth surge in the history of the organization.

Thomas stated that he does feel that the organization has accomplished a lot; in cooperation with the Board and Staff. He wished the Board luck in the future.

Blake offered a few comments on how instrumental Thomas was in increasing the cooperation between the local water purveyors.

Anspach mentioned that she has worked with professional boards before and that she has been consistently impressed with the professionalism exhibited in the Sunrise Board. Platt commented that he is honored to have been on the Board while he was the Manager.

4.2 Oath of Office

Hathhorn administered the Oath of Office to Mike Kuenze, Ernie Platt, Jeanne Anspach and Judy Grycko.

4.3 Election of Officers

Anspach nominated Platt for Chair. Roskey nominated Blake for Chair. A motion to close the nominations was made by Grycko and seconded by Anspach. Motion carried.

Four votes were cast in favor of electing Platt for Chair.

Platt moved to chair the meeting.

Grycko nominated Blake for Vice Chair. A motion to close nominations and cast a unanimous ballot for Blake as Vice Chair was made by Grycko and seconded by Anspach. Motion carried unanimously.

Anspach nominated Roskey for Secretary. A motion to close the nominations and cast a unanimous ballot for Roskey was made by Grycko and seconded by Anspach. Motion carried unanimously.

4.4 Select NCCWC Representatives

A motion to appoint Grycko, Anspach and Blake as the Sunrise representatives to the NCCWC and that Roskey serve as the alternate was made by Blake and seconded by Grycko. Motion carried unanimously.

5. CONSENT CALENDAR

Grycko commented that she was pleased to see the expense for the identity badges for employees.

A motion to approve the Consent Calendar consisting of the items listed below was made by Grycko and seconded by Anspach. Motion carried unanimously.

5.1 Approval of Minutes of June 22, 2011 Regular Board Meeting

5.2 Approval of Expense Report for June 2011

6. DISCUSSION

6.1 Major Initiatives for FY 2011-12

Hathhorn commented that this item was presented to remind the Board of various items that he has discussed with the Board as major initiatives for the upcoming year. He discussed the need to expand customer communications and involvement, customer service, asset management, and the special emphasis that needs to be placed on the safety program. He commented that since Sunrise has such a small staff each incident impacts our rating substantially and the rates that Sunrise pays. He commented that the Safety Program will receive concentrated effort in the coming year. Staff development is also going to be a focus.

Platt commented that after the rate hearing he is particularly pleased to see the focus on customer communication.

Platt suggested that a discussion be considered to determine intervals for reporting on progress on what is a very aggressive list. Hathhorn commented that at the next meeting he intends to present a schedule for addressing these issues. He stated that the benchmarking project is going to require a substantial effort. Anspach asked if there is a system in place to track complaints. Hathhorn stated that it is not currently in place, but he is very interested in getting one in place and he has been discussing how that might be accomplished with the Customer Service Supervisor.

6.2 AMR (FAN) Update: Itron Formal Offer

Hathhorn stated that Itron has submitted a formal offer to deal with the product deficiencies in the Itron fixed area network. Itron's offer includes replacing the equipment and providing the labor to implement the replacement. There was some discussion regarding the actual implementation of this change in equipment.

A motion to approve the acceptance of the formal offer from Itron for the removal and replacement of fixed area network equipment and the expenditure of \$14,024.40 for two additional handheld recorders and related annual system maintenance fees was made by Grycko and seconded by Anspach. Motion carried unanimously.

6.3 Approval of Consulting Contract for Staff Development Services

Hathhorn stated that retaining a human resources consultant is the next step in the staff development program. He explained that this effort would create a career track process and define core criteria for each job function. The intent is that the product would also link back to the performance evaluation process that was initiated this year. In addition to addressing current employees it would also define additional roles that are anticipated to be necessary in the future.

Kuenzi asked if it was intended that this work would create career ladders or just job descriptions, considering that some of the jobs may not be filled for multiple years.

Hathhorn stated that it the initial focus would be on the career ladders for existing positions but that the job descriptions will also be integral.

Anspach asked if this is the appropriate time to be doing this if we already have job descriptions in place. Hathhorn stated that there are currently not very many or accurate job descriptions in place and that the evaluation process instituted this year focused on very general review categories as a result. He discussed his view that there needs to be some sort of baseline established for performance expectations for various positions and this work will generate specific competencies for the positions that can be used in that manner.

Platt commented that there is a great deal of variability in the prices quoted. Hathhorn commented that he knew from previous experience roughly what the cost for this type of project would be if a consulting firm, with all of their associated overhead was used to perform this work. As a result of that knowledge, he actively sought out sole practitioners that would not have the same overhead expenses in order to obtain the best value.

Anspach stated that she sees the need from a legal perspective to take this action. She asked if there was a need for the Board to meet the sole practitioner prior to approving a contract. Grycko stated that she is comfortable with relying on Hathhorn's experience. Hathhorn stated that he feels that one of the benefits of using the sole practitioner he is recommending is that there is a great deal of flexibility built into the process. He discussed the process he had used to select consultants from which to solicit quotes.

Kuenzi asked if the work product was going to mirror industry standards, to facilitate market analysis, or if it was going to produce tailored descriptions. Hathhorn stated it would use both types of information, starting with the industry standards and benchmarks that are readily available and then feeding in the customized information that is unique to the organization, but he wants to tie the descriptions back to industry standards as much as possible. Platt asked if the information that had just been handed to the Board changed his recommendation at all. Hathhorn stated that it did not.

A motion to approve a professional services contract with Elizabeth Kyle for Human Resources consulting assistance in the creation of a staff development plan for the organization for a not to exceed value of \$44,000, was made by Blake and seconded by Kuenzi. Motion carried unanimously.

6.4 Removal of Backflow Equipment

Hathhorn discussed how the entity regulates pressure at the meter instead of in the system. He stated that approximately half of the service orders generated are related to Sunrise owned pressure regulators installed at the meter. He also reminded the Board that Sunrise has a policy that if the regulator fails, any damage is still the responsibility of the property owner. He went on to discuss the policy of installing double check devices at the meter on new services and how much the equipment will cost; approximately \$600,000, and how much maintenance and testing will cost over time, approximately \$3 million. He commented that the regulations regarding cross connection and backflow are largely focused on commercial and specific applications

where there is a high likelihood of contamination occurring, not the average homeowners.

Kuenzi commented that his impression is that the policy discussion has occurred and that implementation should be an administrative decision. Hathhorn stated that due to the risk element associated with this decision he felt that the Board should be a part of the decision process.

Hathhorn commented on the history of the policy for installing the backflow devices and explained that the State implemented regulations that homeowners were required to put double checks on irrigation systems and required them to test the devices annually but required the water purveyors to assure that testing is completed.

Roskey stated he would not have an issue with removing the double check devices but that he would prefer to see them replaced with dual checks rather than single checks. He stated that in relation to commercial and high hazard accounts, he does not understand why Sunrise has assumed that risk. Hathhorn stated that during the ordinance discussion it was determined that Sunrise would no longer test for those accounts but administer the program to assure that it is done according to the State's intent.

6.5 Pressure Control Equipment

Hathhorn commented that this is similar to the conversation on backflow devices. He discussed that the next step of the conversation is to spend time discussing with the engineering staff how to better control pressure within the system and mainlines. The majority of the neighboring water districts inform customers of the pressure at which they will be served and dealing with the pressure is the homeowner's responsibility. Roskey commented on several potential pitfalls with that approach. Hathhorn agreed that there are several specific issues that require further consideration and that this is an ongoing conversation.

6.6 Environmental Assessment Reservoir 2

Hathhorn stated that an environmental assessment on Reservoir 2 was completed based on concerns related to the potential that the reservoir was constructed on a bed of diesel oil soaked sand. The potential for current contamination or possible contamination mitigation if the reservoir is removed indicated that it was prudent to determine if contamination was present at the site and what the risk is in terms of potential contamination on site and on adjacent properties. He discussed the results of the assessment which indicated minimal contamination concerns.

7. BUSINESS FROM THE BOARD

7.1 Calendar of Meetings

Blake commented that the CRBC is slowly making headway on locating new office space with CRW and that it will likely be done this fall.

Platt asked if any members currently assigned as liaisons would like to change their responsibilities. There was a general discussion regarding liaison appointments. Staff was directed to review meetings of interest and assess any additional appointments that may be required.

7.2 Liaison Reports

Platt commented that Anita Yap, the Community Development Director at the City of Damascus will be leaving for a new position with the Portland Housing Authority.

Roskey reported that Boring selected a new chair, Mr. Boring.

Blake stated that Oak Lodge has completed their remodel. The manufactured home that they had donated to CRBC for use as office space can't be sited at the CRW facility and that they have agreed to allow CRBC to sell it and use the proceeds towards a different unit that will meet county standards.

Grycko reported that the NCCWC has selected George Payne as the new chair. She mentioned that the volume of water pumped from the Commission plant has dropped by 15%. She commented that the Commission usually does a true-up at the end of the fiscal year and refunds the money to the partners. She stated that a suggestion has been to leave the true up funds in the plant reserve fund to off set the lower revenues resulting from reduced sales. She commented that Siemens has replaced membranes in two cells with new technology in recognition of the issues that were occurring with the old technology.

Hathorn stated that there was discussion that the amount retained from each entity instead of refunded would be tracked.

8. BUSINESS FROM THE MANAGER

8.1 Financial Reports

A motion to accept the financial reports was made by Anspach and seconded by Grycko. Motion carried unanimously.

8.2 Cash Flow Report

Hathorn commented that the cash flow has been higher than anticipated, largely due to cost controls and higher than anticipated meter sales.

8.3 Audit of Top 25 Users

Hathorn discussed the report on the top 25 users and the intent to perform regular audits of this type to get a better perspective on the highest users.

8.4 Gentry Account/Underbilling: Update

Hathorn discussed that status of the underbilling for Gentry. Gentry has retained legal counsel to assist him with the matter. The attorney has submitted a letter that indicates that they will provide Sunrise with an alternative repayment plan.

8.5 Bonding Capacity and Financial Report Card

Hathhorn stated that this item is intended for informational purposes. This document shows the results of an investigation of those factors that impact bond rating and how Sunrise stands in relation to those factors. He stated that based on the results of this evaluation of Sunrise it would be unlikely that the agency can access additional financing in the near term. The changes in rates will improve the cash position of the organization.

8.6 Effective Utility Management Survey: Results

Hathhorn discussed the results of the survey. He commented that one of the objectives of the exercise was to assess the alignment of the Board and Staff and to determine if there were any items that fell into the zone demanding attention.

He stated that it will be interesting to revisit this process every six months or so to measure perceived progress in the various categories.

8.7 Manager Review Process

Hathhorn stated that he has provided an example of a performance evaluation form that used the TVWD form as a basis. He discussed how the process has been conducted in the past. He stated that he has no preference between holding the evaluation in an open meeting or in executive session.

Platt asked if there were any comments on the form. Blake stated that he would prefer to have more time to look over the form. Platt suggested that the Board members have all of their comments on the form turned in by the August meeting and that they have their written comments submitted to Platt a week to ten days prior to the September meeting. A discussion ensued regarding the timing of the evaluation in relation to the budgeting process.

8.8 Salary Adjustments

Hathhorn commented that he had approved total salary adjustments based on the merit pool that was approved in the budget. He commented that his personal raise was the lowest of the staff. He commented that he had made some substantial adjustments in salaries that were significantly under market rates.

Hathhorn discussed how his proposal for salary adjustments this year did not include a specific cost of living increase. He discussed the terms of the early retirement agreement with Roskey and the Board's responsibility to adjust the payment under the terms of that agreement, which states that it is usually adjusted by the COLA. As the Board did not approve a specific COLA for the organization this year the Board needs to make a determination of how to address the terms of the agreement.

Roskey declared an actual conflict of interest.

A motion to approve a COLA increase of 1.9% for the agreement with Roskey was made by Blake and seconded by Grycko. Motion carried with Roskey abstaining.

Hathhorn commented that it is necessary for the Board to take action to authorize signatory authorization for banking purposes.

A motion to authorize the following individuals as signatories for banking purposes: Hathhorn, Rigutto, Janssen, Platt, Blake, and Roskey, was made by Blake and seconded by Anspach. Motion carried unanimously.

9. MONTHLY REPORTS

9.1 Operational Reports

9.2 Engineering and Construction Reports

Platt commented that work has begun on an apartment complex north of Sunnyside Road. Janssen commented that the developer has indicated that they intend to purchase a six-inch meter, which is equivalent to about 50 ERU's. Rigutto commented that 23 meters have been sold to date. Janssen stated that another phase of Windswept Waters has started the pre-approval process.

10. INFORMATIONAL ITEMS

10.1 Siemens Letter – Membrane Replacements

Hathhorn commented that Siemens acknowledges that there was a problem with their product and stepped up to address the issue voluntarily and that the letter that was sent to Siemens by the Commission essentially thanked them for taking that proactive stance.

10.2 Water Permit Extensions: Update

Water Watch has filed an appeal and the courts have yet to set a date.

10.3 Communication with SFWB: Sunrise and CRW

Hathhorn commented that the conversations between CRW and Sunrise are now more public and the letter presented to the Board was sent to South Fork in order to publicly acknowledge that cooperation is occurring between Sunrise and CRW and to assure South Fork that there is no intent on the part of either party to create problems for them.

A motion to adjourn was made by Grycko and seconded by Anspach. Motion carried unanimously.

The meeting was adjourned at 8:22 PM.



ERNIE PLATT, CHAIR



TERRY ROSKEY, SECRETARY