**CLACKAMAS RIVER WATER BOARD OF COMMISSIONERS**

**REGULAR BOARD MEETING**

 **BOARD INDEX OF AUDIOTAPE**

**September 11, 2014**

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| **COMMISSIONERS PRESENT:** | **STAFF PRESENT:** |
| Larry Sowa, President | Lee Moore, General Manager |
| Ken Humberston, Secretary | Carol Bryck, Chief Financial Officer |
| Hugh Kalani, Treasurer | Bob George, District Engineer |
| Dave Mc Neel  | Adam Bjornstedt, Engineering Manager |
|  | Adora Campbell, Exec Asst. to the Board |
| *Absent: Grafton Sterling* | CRW Employees: Donn Bunyard, Rob Cummings, Kham Keobounnam |

**VISITORS:**

Julie Desimone (Moss Adams), Wade Hathhorn (SWA), Graciela Humberston, Al Jones, Mona Kalani, Gary Kerr, Warren Mitchell, Ernie Platt (SWA), Deanna Wise (SWA)

**Call to Order**

The meeting was called to order at **6:00 pm** by President Sowa. The pledge of allegiance was recited.

**MOTION:** Ken Humberston moved to approve the agenda. Dave Mc Neel seconded the motion.

 **MOTION CARRIED 4-0**

 **Ayes:** Humberston, Kalani, Mc Neel, Sowa

 **Nays:** None

 **Abstentions:** None

**Public Comment**

 None

**Presentation: FY 2014 Audit Process and Schedule –** *Julie Desimone, Moss Adams*

Moss Adams provided the audit for FY 14 and were now preparing for the FY 2014 audit. Their procedure was to review the following high risk areas:

* Revenue and Billing (i.e., controls, changes and rates, etc.)
* Capital Assets (most inputs/journal entries of any other area; ensure projects are aligned as authorized; how we value these assets)
* Cash disbursements and payroll
* Audit standards and procedures over Oregon Minimum Standards (largest sections are contracting and budgeting)
* Review for Fraud
	+ Employee interviews outside finance and accounting department
	+ Areas of risks and specific procedures

Field work will begin on October 6th to complete the audit and issue to the state by December 31st. Their plan is to complete and present the audit finds at the November board meeting. The results will include:

* Audit opinion
* The OMS report
* Required communications to the Board/Management (letter)

There is a new Government Accounting Standards Board (GASB) 65. Last year the terminology used changed from the *“balance sheet and statement of net assets”* to the *“statement of net position.”* Requirements were to remove significant items like deferred debt expense. Fortunately for CRW there was no significant debt expense and no statement would be required. Moving forward to next year, GASB 68 will be soon in place for pension standards like PERS. Oregon PERS is currently developing the net PERS pension liability for each individual: meaning the amount owed to each retired employee minus the assets being held in trust. The intent is to determine if there enough pension versus the liability. This amount would be broken down for each employer. The expectation is this will be a large number. This decision was a federal mandate (GASB) passing through to each state and there would be an associated cost and additional auditing procedures.

**Report from Executive Session** *– Ken Humberston, Board Secretary*

 Discussion was on ongoing legal concerns: the “records case,” the “Kehoe case,” “the civil case,” “the bar complaint,” “the elections case,” and “right of way fees.”

**Agenda Item 1.0: Resolution 03-2015: First Reading of Board Policies, Section 1.12 – Computer Policy** *– Lee Moore, Sr., General Manager*

**MOTION:** Ken Humberston moved the resolution be read by title only. Hugh Kalani seconded the motion.

 **MOTION CARRIED 4-0**

 **Ayes:** Humberston, Kalani, Mc Neel, Sowa

 **Nays:** None

 **Abstentions:** None

Moore conducted the first reading of Resolution 03-2015 to amend board policy on computers.

**Agenda Item 2.0: Project Acceptance: Carver Bridge Transmission Main Phase 1 – North Intertie (CIP 10-5108)** *– Adam Bjornstedt, Engineering Manager*

This project provided a 12-inch connection to the Sunrise Water Authority’s 12-inch ductile iron water main on the north side of the Carver Bridge. This provides a connection point for the Carver Bridge Transmission Main being constructed under a separate project – Phase 2.

**MOTION:** Ken Humberston moved the Board approve and authorize the Board President to sign the Notice of Acceptance for the Carver Bridge Transmission Main Phase 1 – North Intertie project, CIP 10-5108, which establishes the project completion date as September 11, 2014. Hugh Kalani seconded the motion.

 **MOTION CARRIED 4-0**

 **Ayes:** Humberston, Kalani, Mc Neel, Sowa

 **Nays:** None

 **Abstentions:** None

**Consent Agenda**

CA-1: Donation of Asset for CarMax Superstore, Clackamas, Oregon TLID 2S2E4&5

 CA-2: Emergency IGA for Water Environmental Services for Mabel Road Storm and Paving Project

 CA-3: Gross Payroll and Account Paid for August 2014

 CA-4: Settlement Agreement with Ex-Commissioner Kami Kehoe

**MOTION:** Ken Humberston moved the Board approve the Consent Agenda. Hugh Kalani seconded the motion.

 **MOTION CARRIED 4-0**

 **Ayes:** Humberston, Kalani, Mc Neel, Sowa

 **Nays:** None

 **Abstentions:** None

**Agenda Item 3.0: Engineering Report: Request for Water Service – CRW Rules and Regulations, Section 9, Exemption Discussion for Service Outside of CRW Boundary**

Based on documentation from Oregon City and Evergreen Housing Development Group, a development is planned for a site with 121 rental apartments and 62 live-work units along Beavercreek Road near the Oregon City High School. The proposed development is within the City limits outside CRW’s service boundary. Because the available water pressure is low, the City has determined the site cannot be served from their existing 16-inch water main that fronts the property. Evergreen is interested in working with CRW to develop a water main from CRW’s Beavercreek Pressure Zone to the proposed development site located approximately 850 feet south of the site along Beavercreek Road. Preliminary review suggests that pressure and volume from this pressure zone could meet City requirements. Evergreen has submitted a request for this to occur as it meets their plan for long-term development.

The District had a successful history of providing these type of exemptions included agreements. Examples mentioned included SWA, the City of Milwaukie, etc. A couple of board members had some reservation given the recent difficulties in forming some agreements with Oregon City; however, it was acknowledged existing agreements had not been a problem; issues arose when there was no agreement in place. Board consensus was to have further discussion.

Bob George said the property owner requested time on a future agenda to present their information.

**The Board requested Staff bring this item for further discussion to the work session scheduled for September 22, 2014 and to place it first on the agenda. In addition, the Board requested the letter from Oregon City, John Lewis, to be attached to the meeting record (attached).**

**Agenda Item 4.0 Financial Report**

Debt Covenant Compliance Report: Each year CRW was required to present this report within 90 days after fiscal year end or by September 28th. Bondholders required the ratios of revenues to annual debt service be equal to:

* 1.25 of stabilized net revenues
* 1.00 of net revenues minus system development charges (SDCs)

CRW’s net revenue to debt service = ($2,686,691/$446,460) was at 6.02 or 602%

CRW’s net revenue (less SDCs) to debt service = (2,513,915/$446,460 was at 5.63 or 563%.

Bryck provided net ratios for the District over the last five fiscal years. Current ratios for this fiscal year were still unaudited but CRW would meet its debt covenants. The reasons were higher this year was, as part of the gross revenues, CRW had received a large, one-time infusion of cash from PGE due to the emergency generator project and the rate increase in order to fund capital improvement projects based on board policy for the Capital Reserve Fund. Also, the structure of the bonds for debt service required CRW to pay a lower amount this year by about $2,000.

As of August 31, 2014, the accounts receivable aging ending balance was $422,000 greater than the June 2014. Cash investment was at $7.9 million not including interest in LGIP. A five-year revenue comparison was provided for FY 2014 to through June (updated); revenue and expenditures were now at 100% of the budget with revenue at 109%; water sales at 108.68%; Personnel services at 96.09%; materials and services at 91.85% and capital outlay at 77.65%.

**Agenda Item 6.0: General Manager’s Report**

* Work Session on Sept 22nd: An incident action plan (IAP) would be included on the agenda. A draft IAP example was handed out to the Board for their review. Three documents were provided with one scenario provided. McNeel, in order to evaluate, asked for the applicable operational period.
* Court of Appeals on “Records Case:” The US District Court judge ruled in the District’s favor and a copy of the preliminary decision was provided to the Board. Essentially, the judge (magistrate) used terms “with prejudice” meaning these issues could not be raised again unless the complaint went to the 9th Circuit Court of Appeals (federal court in western region); and “without prejudice” meaning that there was some potential to reframe these issues in state court. The way it was written these were minor issues. The CRW Board had enacted a Board Code of Conduct. This document was important because it supported the Court’s comments about the Board ability to institute regulations on how it intended to manage itself. The Court ruled public officials, in their capacity operating as public officials, did not have free speech rights and protections. Secretary Humberston had provided an update on other legal issues.
* 50th Anniversary for Water Treatment Plant: Representations from Oregon City and other providers in the Clackamas River Basin had attended. From conversations, the event was well received. Moore thanked staff for their hard work and participation on their day off to coordinate this event.
* Safety/Health Inspection: WHA and SDAO provided a mock OSHA facility inspection and no major violations were found.
* Commission (SWA-CRW) Integration: Several areas were being worked on to share resources including, equipment sharing, emergency management, finance and accounting, administration water resources, and human resources. Progress was being made with a target of December 31st for a more specific plan for sharing resources.
* Tyler Technologies: They provided a presentation on Springbrook software for financial systems. Staff heard that Microsoft was not supporting the Eden product in the future.
* CRW – City of Milwaukie Meetings: Discussions were going extremely well for working together to manage customer billing on the City’s north side, utilize CRW’s hydraulic modeling experience, develop an IGA for the repair and service of CRW field equipment, review the Harmony Road area to see if these residents can be billed by CRW but continue to receive water from the City, utilize CRW’s laboratory services for testing and the respective boards reviewing the viability of releasing or incorporating areas within each service area. The City had an advisory committee where IGA’s were presented to the Committee prior to be submitted to their Council.
* Portland Water Bureau RFP Evaluation: CRW’s general manager was requested by the City to participate in the selection process to determine someone who can help them develop rates for their industrial customers and review wholesale water agreements.
* Clackamas County Sheriff K-9 unit: They continue to use the vacant area on Roberts Avenue for training purposes.
* Emergency Manager Activities: Training continued and the Emergency Manager was putting together a full emergency action plan for the District.
* CRWP Alternative Water Supply Discussion – The Clackamas River Water Providers (CRWP) met to discuss alternate water supply. The general managers agreed to proceed with additional studies for both CRW and Lake Oswego.
* Watershed Tour – The Board received an invitation to attend the CRWP watershed tour. Four board members are attending.
* Chamber of Commerce – Forum for the County Luncheon is being held. If anyone wanted to attend, please let staff know.

**Agenda Item 7.0 Public Comment**

None

**Agenda Item 8.0/9.0 Commissioner Business – Reports and Reimbursements**

 **Schedule Work Session**

The Board meeting would be changed to October 16, 2014.

The October work session was set for October 27th, 2014.

A reminder was given to submit expense reports.

**Meeting adjourned at 7:05 pm**