

Minutes of Regular Board Meeting November 15, 2017

A regular meeting of the Board of Directors of the Central Lincoln People's Utility District was held at the Northern Operations Center on Wednesday, November 15, 2017. President Abbott called the meeting to order at 9:55 a.m. and asked that roll be called.

Directors present: Curt Abbott, President
Judy Matheny, Vice President
Ron Benfield, Treasurer
Larkin Kaliher, Secretary & Assistant Treasurer
Keith Tymchuk, Board Member

Also present: Debra Smith, General Manager

Executive Session 10:00 a.m.

The regular meeting was recessed into Executive Session in accordance with ORS 192.660(2)(i) "To review and evaluate the employment-related performance of the chief executive officer of any public body, a public officer, employee or staff member who does not request an open hearing."

Regular Session 11:05 a.m.

The regular session reconvened, and President Abbott welcomed the following staff and visitors to the meeting.

Ron Beck, Network Engineer
Sunneta Capovilla, Executive Assistant
Wade Carey, Energy Services Manager
Chris Chandler, Public Affairs Manager
Randy Grove, Director of Engineering & Operations
Brandon Hignite, Finance & Resource Planner
Becky Johnson, Customer & Financial Services Manager
Gail Malcolm, Project Manager
Bill Reinhart, Controller
Rocky Tucker, Journeyman Tree Trimmer
Teri Turner, Human Resources Manager
Jill Lyon, Former Toledo City Councilor
Ken Kuhns, Kenneth Kuhns & Co. - Certified Public Accountants
Darren Born, Kenneth Kuhns & Co. - Certified Public Accountants

Consent Agenda

The Board approved the following Consent Agenda items as presented:

- a) Minutes of October 18, 2017
- b) Accounts Payable Check Register for October 2017
- c) Uncollectable Accounts for October 2017
- d) Directors' Cash Report as of October 31, 2017

Audit Report

Ken Kuhns and Darren Born of Kenneth Kuhns & Co., Certified Public Accountants, discussed the audit report for years ended June 30, 2017, and 2016. They spent the first two weeks of September with Central Lincoln's Accounting staff testing various processes and reviewing documentation. Mr. Kuhn and Mr. Born noted Central Lincoln's mid-year switch to NISC software presented data slightly differently, and documents now reflect a change in how revenue is recorded. Mr. Kuhns noted that there were no significant adjustments to Central Lincoln's financials and the District is in accordance with FERC (Federal Energy Regulatory Commission) and GASB (Governmental Accounting Standards Board) rules; and as independent auditors, they reported a "clean opinion" of Central Lincoln's audit.

Board Governance Policies

II.C Financial Condition

This Board policy states "With respect to the actual, ongoing condition of the organization's financial health, the General Manager may not cause or allow the development of fiscal jeopardy, nor a material deviation of the actual expenditures from the Board priorities established in the *Aims/Ends* policies."

- Board Members received an electronic copy of the audit report for June 30, 2017 and 2016; and CPA Ken Kuhns attended the board meeting to review the audit with the board and answer questions (see above).
- Central Lincoln has just finished the first quarter of the current fiscal year, and revenues and expenditures are both within expected ranges. A copy of the September 2017 Financial Statement was included in the board packet, along with a first quarter Budget-to-Actual comparison spreadsheet.
- A Performance Dashboard for the period ending September 30, 2017 was provided, tracking positive trends in safety, vehicle incidents and miles driven. System reliability and outage information was provided as well.

Northern Operations Center (NOC) Project Budget Reconciliation

In August 2017, personnel and materials were moved into the NOC after approximately two years of planning and construction. Through September 30, 2017 \$26,089,146 has been expended, with additional costs of \$1,186,253 forecasting a projected total of \$27,275,399. The Board-approved budget was \$27,735,016; remaining contingency funds were \$459,617. The NOC will be completed within the approved budget.

Contract Approval - Amendment Lease Crutcher Lewis - NOC

Pricing for all outstanding change orders for construction services (as noted in the above NOC reconciliation report) have now been received from Lease Crutcher Lewis, and a list of all paid-to-date and remaining costs in process were presented. With additional road work requirements and contingencies for unforeseen additional work on the facility; management requested an amendment to the construction services agreement with Lease Crutcher Lewis. After discussion the following motion was made:

Motion: Mr. Kaliher moved and Mr. Tymchuk seconded to authorize an amendment to the construction services agreement with Lease Crutcher Lewis in the amount of \$652,174 for an overall total not to exceed of \$22,305,451. Aye: Tymchuk, Benfield, Kaliher, Matheny, Abbott.

Resolution No. 940
Governance Policy Update & Modifications

In October, the Board reviewed the final suggested modifications to the Board Policy Manual as originally discussed at a workshop in July 2016. The Board agreed with those changes, and Resolution No. 940 now codifies those updates by adding a Cover Page, Introduction Page and Glossary of Electric Industry Terms for the Northwest. Modifications to the Table of Contents, Aims/Ends, Asset Protection and Annual Board Planning policy pages were also made. After discussion, the following motion was made:

Motion: Mr. Kaliher moved and Mr. Benfield seconded to adopt Resolution No. 940 approving modifications, additions and updates to the Board’s Governance Policy Manual. Aye: Tymchuk, Benfield, Kaliher, Matheny, Abbott.

Lease of Dark Fiber Surplus
Astound Broadband, LLC

Astound Broadband, LLC, a Washington limited liability company d/b/a WAVE, has requested to lease one fiber pair on Central Lincoln’s fiber system between the Florence office and BPA’s Wendson Substation on Barnhardt Heights Road, for a maximum of three years. The pair of fibers being requested by WAVE is not needed by Central Lincoln until 2021 when the process of obtaining access rights from BPA to an abandoned fiber optic regeneration facility is complete. The distance between those two areas is 5.83 miles; and the lease price is \$75/mile per month for a total of \$5,247.12 per year.

Motion: Mr. Kaliher moved and Mrs. Matheny seconded to authorize management to negotiate a lease of surplus capacity with Astound Broadband, LLC, in the form of one pair of fiber optic strands, between the locations stated, for a term of up to three years, at an annual price of \$5,247.12. Aye: Tymchuk, Benfield, Kaliher, Matheny, Abbott.

December 13, 2017 Board Agenda – Waldport City Hall

Special Session – 9:00 a.m.	Board Position Candidate Interviews
Board Meeting – 10:00 a.m.	Contract Award: Bucket Truck
	Contract Award: Auditors for FY18
	Resolution: Board Stipend Adjustment
	Electric Vehicle Strategy
	Mission, Vision & Values with Employee SWOT Survey
	Consent Agenda - Minutes, Check Register, Uncollectable Accounts, and Directors’ Cash Report

Manager's Report

Quarterly Conservation Report

Mr. Carey presented the latest conservation program report covering the completed two-year BPA rate period. Central Lincoln fell short of meeting its EEI (Energy Efficiency Incentive) goals. Contributing factors included actions taken by BPA with lower measure incentive amounts, program sunsets as well as non-completion of planned industrial projects. Fortunately, Central Lincoln was able to use bi-lateral agreements with other entities to shift \$290,000 in EEI funds (which were returned to Central Lincoln on October 1st), as well as carrying over \$144,442 in EEI funds into the new federal year. Mr. Carey reported the next rate period is poised to be another challenging two years. BPA funding to Central Lincoln is \$3,129,499; plus \$434,442 in carryover and bi-lateral returned funds as well as additional self-funding dollars of \$223,535 for a total two-year budget of \$3,787,456. A more aggressive approach to program implementation and early promotion is planned to ensure funds are spent by September 30, 2019.

Property Tax Report

The total amount of property tax Central Lincoln paid for tax year 2017-18 was \$1,709,486; an increase of \$135,605 over the prior year, but approximately \$353,176 less than what was budgeted. Anticipated increases in the assessed value of our Florence Area Infrastructure Reinforcement Project came in lower than expected from Lane County. And, an anticipated increase in the assessed value of the Northern Operations Center came in lower than expected from Lincoln County.

Health Care Costs

In 2016 Central Lincoln moved from tracking health care costs on a fiscal year basis to a calendar year basis in order to align with the open enrollment process. Medical premiums did not increase in 2016 or 2017, but dental/vision premiums increased by 5% in January 2017. Since Central Lincoln is self-insured for the bulk of all medical, dental and vision coverage, premiums are set at a level that manages risk, and keeps employee contributions affordable. Central Lincoln pays 86% and employees pay 14% of premiums. Based on 2017 costs, medical premiums will increase by 4% beginning January 1st. Dental/vision premiums will remain the same.

Board Compensation

In late 2016, the monthly stipend Board Members receive was increased to \$710 from \$500. (Compensation had not been adjusted since 1984 and access to Central Lincoln paid health care benefits for Board Members 65 and over was suspended, effective January 1, 2017.) At that time, management agreed to provide updated information on health care costs for Medicare-eligible individuals on an annual basis, so the Board can decide whether an additional adjustment is appropriate. Information was provided to assist the Board in making that decision. After reviewing various premium scenarios, the Board decided to increase its monthly stipend by 8.4% effective January 1, 2018. This will be done by way of resolution at December's meeting.

HK Porter Mobile Substation Update

As reported at the August board meeting, Central Lincoln's mobile substation was in need of immediate repair. It was sent to the General Electric's repair facility in Anaheim, California. Mr. Grove gave a PowerPoint presentation that showed the cause of the failure and the repairs that were made. This mobile substation is Central Lincoln's most expensive rolling asset, and the cost to replace it would have been approximately \$1.8 million. Repairs are nearly complete, and the estimated costs are \$150,000. The substation should be back and ready for use the first week of December.

Directors' Discussion

Board Member Resignation Announcement

Mr. Kaliher reported that his house in Toledo has sold, and he is planning to move out of the area. After 19 years of service as a Central Lincoln Board Member, he announced his intent to resign effective 12/31/17. He expressed his appreciation to staff and the Board.

Advertisement & Interviews for Pending Board Vacancy

Mr. Kaliher's seat on the Board (he represents Subdivision 2) will be advertised in the News-Times, and posted on Central Lincoln's social media accounts. Interviews for potential board candidates were set for 9:00 a.m. on December 13th at Waldport City Hall.

Appointment of Assistant Treasurer

With the pending resignation of Mr. Kaliher, there will be a need to fill the office of Assistant Treasurer following the December 13, 2017 board meeting. After discussion, the following motion was made:

Motion: Mr. Kaliher moved and Mr. Tymchuk seconded to appoint Curt Abbott as the Assistant Treasurer effective 12/14/17. **Aye:** Tymchuk, Benfield, Kaliher, Matheny, Abbott.

There being no further business, the meeting adjourned at 2:14 p.m.

Larkin Kaliher, Secretary

Curt Abbott, President