

**Skamania County Public Utility District #1
Regular Meeting of the Board of Commissioners**

December 5, 2011

A regular meeting of the Board of Commissioners was called to order by President Dennis Gale at 9:00 a.m. at the PUD office in Carson, WA. The following persons were present: Commissioner Clyde Leach; Commissioner Curt Esch; Commissioner Dennis Gale; Interim Manager, Robert Gentry; Auditor, Jasen McEathron; Attorney, Ken Woodrich.

MINUTES:

- Commissioner Gale requested changes to the Commissioner Report section of the November 21, 2011 minutes. Commissioner Leach suggested the minutes be tabled for approval until the modified minutes can be reviewed by the Board. Commissioner Gale directed the approval of the minutes to be tabled until the Board had the opportunity to review the revised minutes.

PUBLIC COMMENT:

- Teena McDonald, Stevenson-Carson School District Superintendent – Superintendent McDonald distributed to the Commissioners and meeting attendees a Levy Fact Sheet. She discussed the proposed school district levy that is in lieu of expiring timber subsidies. Superintendent McDonald was recently appointed and was previously Superintendent of the similarly rural Republic School District with substantial National Forest lands. She explained that Stevenson-Carson School District (SCSD) must run a levy due to the departure of federal forest dollars, state funding, and reduced grant funding. The levy will fund the continued operations of the district with a bare bones budget. SCSD is one of fourteen districts in the state without a levy and the others reside on Indian reservations or receive impact aid for their proximity to military base installations. Superintendent McDonald welcomed any questions regarding the levy and asked for support from PUD employees.

Commissioner Leach confirmed with the Superintendent that the SCSD levy does not include Underwood or Mill A. He also stated the levy that was run by White Salmon recently was rejected.

Commissioner Gale inquired of the Superintendent the likelihood of SCSD levy passing. Superintendent McDonald stated a recent survey conducted by WSU indicated 67.9% supported a levy for SCSD and wanted the District's focus to be on curriculum and instruction.

Commissioner Esch pointed out a recent news article regarding the Governor's budget cuts being focused on new growth with no cuts to the services. Superintendent McDonald stated the cuts experienced and proposed to school funding have been to existing services.

Commissioner Esch asked what the teachers' union response has been. Superintendent McDonald stated the union has recognized the need for budget cuts and she continues to meet with them regularly to identify specific budget cuts.

Manager Gentry asked when days are cut from the school year, what happens to the corresponding funding. Superintendent McDonald voiced concerns about union contracts being founded on 180 days and state funded days being cut leaves a gap districts must backfill with other funds or renegotiate contracts.

Commissioner Leach pointed out that reducing school days does not reduce teacher pay. Therefore districts have the same costs ongoing although they teach less time. Superintendent McDonald agreed and explained the state would need to legally impose the reduction in days upon the bargained contracts with unions. Commissioner Leach stated reduction in days just hurts the kids and results in no cost savings.

Commissioner Esch asked what the educational costs are per student for SCSD. Superintendent McDonald estimated the cost to be approximately \$9,000 however, the district only receives \$6,000 in state funding.

- Mary Repar – Spoke regarding the Climate Conference she recently attended and encouraged the PUD to reads materials from the conference on her Skamanianews blog. Mary also requested that minutes be posted sooner.

Commissioner Leach stated the minutes are posted to the PUD website after being approved by the Board.

Commissioner Gale asked what Superintendent McDonald would like the PUD Board to do. Superintendent McDonald expressed a desire to have an ongoing partnership with the PUD and support from PUD employees.

Commissioner Gale asked if the WSU Imagine information requesting student participation in innovative ideas for the future was given to the school as requested. Auditor McEathron and Superintendent McDonald confirmed that it had.

Manager Gentry stated that BPA has reduced conservation funding significantly.

Commissioner Gale stated that the BPA Administrator disclosed that BPA overspent its conservation budget. In addition, BPA excess power sales revenue has declined significantly because power supply has exceeded power demand. Manager Gentry added further comments about the energy industry and market conditions.

- Betty Daubenspeck – Suggested the PUD management inquire with PUD employees as to their willingness to run an ad in support of the school district.

Commissioner Gale stated that management could poll the employees. He also explained no PUD funds could be used, however, employees could use their employee fund to pay for an ad.

NEW BUSINESS:

Resolution No. 2382 – Manager and Auditor Compensation – Commissioner Gale stated Auditor McEathron was given a six month performance review during the previous Commission meeting in executive session. Commissioner Gale stated the Auditor began his employment during a difficult time and faced responsibilities over and above anticipated. As a result, the Board decided during the last meeting to increase the Auditor’s annual salary to \$100,000, which is still below the \$114,000 industry average. To recognize the Auditor’s tenure with the State Auditor’s Office, the Board wanted to increase the Auditor’s leave accrual to a level commensurate with the leave he left behind.

Commissioner Esch pointed out that the Auditor’s salary would be brought to the same level as the previous Auditor. Commissioner Gale confirmed and stated no budget adjustment would be necessary for the Auditor’s salary adjustment.

Commissioner Leach suggested the resolution state the days accrued by the Auditor at the sixteen year level. Attorney Woodrich explained the collective bargaining agreement referred to in the resolution establishes those accruals. Commissioner Leach suggested that specifically stating the results of the decision would make things more open to the public. Manager Gentry and Attorney Woodrich explained the Auditor would receive the annual leave accrual of a sixteen year employee, but no other benefits provided for in the bargained agreement would be changed. Commissioner Gale stated the Auditor lost all his sick leave accrual with the State when he came to the PUD. Auditor McEathron stated the PUD did front load him with some sick leave when he started, but it was less than half of the hours lost with the state. Auditor McEathron stated the new accrual rate of vacation would be 18 hours per month.

- Liz Green – Stated in light of the issues facing the school district, county, and rate increases; the timing of this is not good. She was concerned of the message this would send to rate payers and suggested this be deferred until after a year.

Commissioner Leach stated he agreed, recognized the Auditor has done a good job, but found this unusual. He believes the salary and benefits proposed is generous and looks heavy.

Commissioner Esch stated the proposed compensation was reasonable considering the Auditor's past experience, ability, and provision within the adopted 2012 budget. Commissioner Esch added that the compensation of upper management needs to be looked at individually and in consideration of experience and ability. He also recognized the timing of this change is difficult but within the approved budget.

Commissioner Gale agreed the timing was difficult, but stated he believed the starting salary of \$90,000 was low considering the previous auditor was paid nearly \$100,000. As a result, the PUD has received a cost savings benefit over the past six months, and that this change places the utility back to where it was one year ago. Meanwhile, salaries have increased for others in the industry, leaving what Skamania PUD is paying below other utilities. Commissioner Gale believes the Auditor has brought a high level of integrity and ability to the PUD, therefore he believes the salary is fair.

Attorney Woodrich stated that linking management benefits to that of represented employees can create a conflicting situation for management who negotiates the contract with union employees. He suggested decoupling management benefits from the union agreement in the future. Attorney Woodrich stated that normally the highest members of management would have employment contracts.

Manager Gentry explained the heightened risk in which the District Manager and District Auditor work as at will employees, therefore the compensation is viewed differently than those represented employees.

Commissioner Leach inquired whether having a contract would eliminate the at will condition. Attorney Woodrich stated no, but the contract would likely have a severance provision negotiated by the parties.

Commissioner Gale stated several linemen make over \$100,000 annually, and management compensation should be commensurate with the organization. He also indicated that lineman annual salaries include overtime pay whereas the Auditor's would not.

Commissioner Leach stated the Auditor is paid a salary to do a job and if it takes extra time he still gets the same salary. Therefore, the amount of time has nothing to do with the Auditor's pay.

Commissioner Esch agreed that lineman pay is different than salaried employees. He believes that there may be times when the Auditor would not have to work a full time schedule but his salary would be the same.

Commissioner Esch also recognized the working condition risk that lineman encounter during the winter and with high voltage. He would like to consider union employee compensation differently than management. Commissioner Esch also stated his opposition to employment contracts.

Commissioner Gale asked the Board's pleasure with regard to the resolution.

Commissioner Esch made a **motion** to approve Resolution No. 2382. Commissioner Leach stated he would not second the motion. Commissioner Gale stated he would not second either and requested an Executive Session to discuss this further. **Motion died.**

ATTORNEY'S REPORT:

Attorney Woodrich stated the need for an executive session is to discuss potential litigation, however it was necessary to wait until the scheduled time with PURM lawyers. He also stated the need to discuss employee performance in regards to the Manager.

Commissioner Gale stated the Interim Manager's contract expired November 17th and discussed the need to revisit this contract. Attorney Woodrich explained the contract is currently month-to-month and that it would be reasonable to revisit this contract considering Manager Gentry's loss of retirement.

Commissioner Gale decided to cover all remaining items on the agenda and hold an Executive Session thereafter.

Commissioner Leach stated there still needs to be a General Manager search and asked whether there has been any progress. Attorney Woodrich stated there were still problems with filling the position at this time.

AUDITOR'S REPORT:

- Auditor McEathron stated the State Auditor's Office has started their 2009-2010 audit of the PUD and they will be issuing a financial statement audit report and an accountability audit report. Auditor McEathron stated the audit has been going well thus far.
- Commissioner Gale asked how the City of North Bonneville utility tax increase will be assessed. Auditor McEathron stated it is a tax assessed to the utility bills as a whole regardless of usage, therefore all North Bonneville resident bills issued after January 1, 2012, will reflect the new utility tax rate of 6%.
- Auditor McEathron disclosed that the City of Stevenson is also entertaining changing their utility tax, but the Council has not made a decision yet.

COMMISSIONER'S REPORT:

- Commissioner Esch stated there appears to be additional layoffs at the County.
- Commissioner Gale reported on his and Commissioner Leach's attendance of the WPUDA Annual Meeting. He stated the BPA Administrator was dissatisfied with the performance rating of the Energy Northwest Nuclear Generation facility. Commissioner Leach stated the condenser replacement took longer than expect, which resulted in lost revenues for BPA. Commissioner Gale stated the extended outage allowed time for other needed maintenance. Commissioner Leach stated he has been critical of

the low performance rating as well. Commissioner Gale reported on the high wind and high water conditions that have presented issues (environmental redispach) for the Northwest and BPA. Wind investors would like to be made whole for the lost tax credits during forced outages. Commissioner Leach reported on the Good Samaritan award to a Grays Harbor PUD crew. Commissioner Gale reported on the proposals being entertained in Washington D.C. by the Deficit Reduction Committee. Of concern were the removal of tax exempt status on municipal bond issues and market based power rates.

VOUCHER APPROVAL:

Commissioner Esch made a **motion** to approve the vouchers.

Voucher	Number	Amount
Electric System	47107-47145	\$ 484,059.32
Carson Water	5857-5863	\$ 5,323.72
Underwood Water	3475-3478	\$ 164.14

Commissioner Leach **seconded** the motion, and the **motion was carried unanimously**.

PUBLIC COMMENT:

- Betty Daubenspeck – Would like to see management employees take a decrease in pay or freeze salaries. She suggested the Auditor’s salary should be \$95,000.
- Liz Green – Stated the timing of the Auditor’s salary adjustment is not good but the Auditor probably does deserve the increase. She also inquired how the North Bonneville tax increase will be communicated to those customers.

Auditor McEathron explained that all rate changes are highlighted for the customers and we will be issuing a notice for the North Bonneville tax increase as well. Ms. Green also voiced concerns about conflicts that may arise from the attorney representing the Port and PUD. Commissioner Gale stated that concern has been discussed and considered by the Board. Attorney Woodrich explained that he takes that into consideration and must step down if the Port and PUD are in an adversarial situation. However, Woodrich added, that the Wind River MOU is non-binding, preliminary in nature, and non-confrontational. Attorney Woodrich also explained the efforts by all parties to mutually share in costs in an equitable manner. Commissioner Esch asked whether it was legal and ethical for Attorney Woodrich to represent the Port and PUD. Attorney Woodrich stated yes, unless there is a conflict that arises. Commissioner Esch voiced his concerns about the appearance of dual representation and would like the PUD’s interests protected. Commissioner Leach voiced his concerns about the equitable sharing of costs and would like to see the expenses reviewed by Auditor McEathron.

The Commission entered into **Executive Session** for 30 minutes at 11:00 a.m. to discuss employee performance (RCW 42.30.110 (1)(g)).

Executive Session was extended 15 minutes.

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Executive Session was extended 10 minutes.

Meeting reconvened at 12:25 p.m.

Commissioner Gale reintroduced Resolution No. 2382 and stated the proposed salary is essentially the same paid to the previous Auditor. He further stated the new salary is a renegotiation of salary and in recognition of our commitment to Jasen McEathron. Commissioner Gale added that the new Auditor salary has no impact on the PUD's budget, the expenses are the same as last year. He added that the proposed compensation of \$100,000 is still well under industry average salary and believes the PUD is getting a bargain.

Commissioner Leach stated he believes it still looks like a raise and has issue with the leave accrual. Commissioner Leach proposed a \$95,000 salary and leave accrual as previously agreed to.

Commissioner Esch stated the proposed salary is in line with the budget and appreciates the improvements made by Auditor McEathron. Commissioner Esch stated he is comfortable with the Resolution as stated.

Commissioner Gale stated the Auditor came in at a low salary during a difficult time and handled the situation well.

Commissioner Gale called for a motion.

Commissioner Esch made a **motion** accept Resolution No. 2382 as stated. Commissioner Gale stepped down and **seconded** the motion. The motion was **approved** by a vote of 2-0, with Commissioner Leach abstaining.

NEW BUSINESS:

- **Interim Manager Agreement** – Commissioner Gale stated the five month contract has expired and is now month-to-month. He believes Robert Gentry should continue as Interim Manager under the current month-to-month contract and it is appropriate to revisit the \$100,000 salary being paid to Interim Manager Gentry. Commissioner Gale added that the results of today's discussion will not have a bearing on future salary discussions should Robert Gentry be the successful candidate for the Manager appointment.

Commissioner Esch stated this is a temporary position as Interim Manager and he is open to altering the compensation.

Commissioner Leach made a **motion** to increase the Interim Manager's contractual monthly salary by \$1,500 on a month-to-month basis. Commissioner Esch **seconded** the motion. Commissioner Gale commented that generally you pay 25-30% above normal salary to fill a position for an interim period. **Motion passed unanimously.**

Attorney Woodrich will amend the employment agreement to reflect the new salary effective December 5, 2011.

Break for lunch at 12:42pm and return at 1:30pm for Executive Session, no open session discussions are expected.

Meeting reconvened at 1:30 p.m.

The Commission entered into **Executive Session** for 60 minutes at 1:30 p.m. to discuss potential litigation (RCW 42.30.110 (1)(i)).

Executive Session was extended 30 minutes.

Meeting reconvened at 3:45 p.m. and was adjourned.

Dennis Gale, President

Curt Esch, Secretary

The next regular scheduled Board of Commissioner's Meeting will be:
Monday, December 19th, 2011 at 9:00 a.m.