

Governance Working Group Minutes June 4, 2013

Attendance: Steve Pomerance, Mike Parenteau, Coby Royer, Manohar Croke, Susan Riederer, Karl Gerken, Steve Wallace, Virginia Holtzman-Bell, Ken Leiden, Louise Vale, Angelique Espinoza, Barney Moran, David Cohen, Michelle Krezek (on phone)

City Staff: Carl Castillo, Heather Bailey, David Gehr, Bob Harberg, Sarah Huntley

Agenda

Information Sharing on Basecamp

C. Castillo kicked off the meeting with a welcome, introductions around the table and checked in with the group to make sure everyone is managing to navigate Basecamp. The group members indicated they have been able to access and utilize this forum.

Types of Decisions an Electric Utility Might Face

Referring to a “straw dog” proposal made on Basecamp by A.Espinoza, D. Gehr explained the types of decisions that a utility board might make from a legal perspective. He said board actions generally fall into three categories: administrative, legislative and quasi-judicial. Gehr said that while some boards act in a quasi-judicial nature, he is not anticipating that this board will be playing more of a legislative or policy-advising role.

B. Harberg outlined how the Water Resources Advisory Board works as an example of how one of the existing boards works. He said the board offers input on policy, largely around water quality issues and requirements. The board also looks at the budget and capital needs and makes ratemaking recommendation. In addition, the board weighs in on the setting of priorities and goals as part of the Master Planning process. Harberg cited recent policy discussions that have occurred at the board level, including fluoridation and Barker Reservoir public discussions.

V. Holtzman-Bell asked if public weighs in at advisory board level instead of council or if it can be discussed at both venues. She indicated she was trying to understand the value-add of the board. Bob said the public discussion at the advisory board level sometimes addresses key issues brought to staff’s attention by members of the public. The goal is to try to resolve most of the issues at that level. But there is nothing to preclude the public from going to council and council from choosing to discuss issues that are of particular public interest or controversy.

S. Wallace asked to what extent budget recommendations are prepared by staff. Bob indicated that staff usually takes the first stab, but the board plays a role of evaluating whether the proposed budget makes sense based on goals and Master Plan. H. Bailey added that there may be some requirements set by the city’s financing procedures and the bonding agency’s

requirements. Wallace said he would want to make sure the information is well vetted before it comes to the board. There was a brief discussion on insurance. Bailey indicated the board would be expected to provide feedback but would have guidance from the bonding agency on the issue related to insurance.

Harberg discussed the example of the water resources board raising and considering the issue of equity of water use and water budgets.

C. Royer asked how the board will be asked to balance competitive rates with the desire to decarbonize the energy supply. Bailey responded that the guiding principles spell out a variety of factors in hopes of helping to strike this balance. Some of this may require expertise, but often, it requires good judgment.

Castillo brought up the example of the Denver Water Board, which is a wholly separate entity that makes all of the decisions. Typically, this board looks at the bottom line as opposed to having to make qualitative decisions based on the goals of the community. The idea is that a community-based board that is making recommendations to council, which is also accountable to the public, may be more responsive to the variety of goals Boulder has set.

S. Pomerance said the most valuable boards show they have thought the issues through from all perspectives and values as opposed to any individual value.

A. Espinoza said the Planning Board often has to evaluate cash value versus some kind of human value. There is some documentation and text that the board adheres to, so when council calls up an issue, council has limited scope. While accountability is important, she wondered if there is some aspect of objectivity or consistency in terms of operating guidelines and rules. Some of these have been included in the Charter – others might be necessary.

Gehr pointed out that this is especially important for boards that are in a quasi-judicial role and conferring a special right on an individual.

Wallace asked the former council members whether council can choose qualified people or do there need to be specific seats that require qualifications.

- Pomerance said this is not a problem as long as qualified people apply.
- Espinoza said she would like to define some number of seats that have specific requirements, to take it out of the political arena. Writing qualifications in ensures you get people with qualifications.
- Pomerance pointed out, however, that the cycling of board members can make this challenging.

D. Cohen said he feels like the board needs to be more knowledgeable than the people running the utility so they add value.

Harberg said boards can offer different perspectives, help staff think through issues and make sure they understand and take into account community viewpoints.

Guiding Principles and Role of the Board

Bailey walked the group through the goals and anticipated roles of the board as spelled out in the purpose, framework, goals and objectives document, which set the stage for the Charter guidelines. This document gives some concrete examples about the types of issues the board could expect to address. Bailey suggested it could frame the discussion about the kinds of people you would want to serve to meet these responsibilities and address these goals in a way that represents the community.

Decision on Issues to Tackle

- **Review spreadsheet of suggested topic areas (attached to minutes)**

The working group discussed the list of issues itself, and several asked questions.

B. Moran said he wants to make sure the group builds “a two-way” street so that county residents understand that they have a say in their utility.

Espinoza asked about some language that suggested there would only be geographic seats for early stages. Castillo explained that the idea is that over time, as the utility matured, these seats could be phased out or sunset if the community felt like that was a good idea.

Espinoza asked about how delegate some decisions from council to utility advisory board could impact city’s ability to secure a good bond rating. Gehr explained that there is a strong history of City Council setting rates to meet bond requirements. City utilities have a AAA rating. This history has been a selling point in the past with bonding agencies. Espinoza said that in some instances, bonding agencies trust board members more because they don’t face the same political pressures. Staff said that can be true, but in Boulder, that has not been the case.

Bailey said she believes council should retain the ultimate decision about rates and issuing bonds. The advisory board can play a role in these areas, however.

Castillo made it clear that there is a board described in the Charter. The working group has the opportunity to decide which issues it most wants to tackle and refine or suggest changes to what voters have already approved.

Royer indicated he is struggling with deciding the types of people who might need to be on the board to be effective.

Riederer asked if WRAB has ever had someone with no experience in water. Harberg said typically the members have interest and skills. They self select and apply because they have confidence they have abilities to bring to the table.

K. Gerken said he wants the board to be grounded and not too political.

D. Cohen, who is in the electric industry, said when he looks at the goals he sees them as areas that require specialized knowledge. He said he would support having a customer-base representation side panel and then have a separate advisory board that is running the business.

Bailey questioned whether any advisory board should be making operational decisions. That will be the responsibility of the utility's management. Boards that deal with issues "down in the weeds" never have an opportunity to get to the broader policy issues.

D. Cohen said he feels like he needs more information about what the advisory board will do. He said he agrees with the six operational goals and is open to a mix of ideas about how to achieve them, but it would be advisable to have at least one expert per goal.

Wallace said you need people who have specialized knowledge but also people who have different perspectives that could be valuable.

M. Croke said some of the goals would likely be supported best by individuals who have different proficiencies, not just engineering and legal. For example, promoting energy literacy may require communications backgrounds.

Pomerance said he would have no problem with an ordinance that defines participation by constituency, but he wants brainpower to provide useful input to the elected officials who are making decisions. He wants to be able to trust the perspective and expertise even if he disagrees with the individual.

Holtzman-Bell asked whether the robust knowledge needs to come from the energy sector. Pomerance said no, it would not.

K. Gerken reminded the group about what the Charter says related to what the advisory board would do. He said some more specific recommendations about what council should delegate to the board would be helpful.

The board agreed that it clearly needs to discuss composition of the Utility Advisory Board.

Holtzman-Bell said it might be good to start out by considering only what the Charter says the board should do and see what areas of discomfort, if any, arise.

Bailey pointed out that the description in the Charter does not address rates. Harberg said council typically delegates master planning and making recommendations about rates to the existing utility boards.

Gehr said there is a separate section of the Charter that addresses rate-making. Responsibilities of the board include offering advice on the "elements of the Charter," so he believes that offering advice on rates would be appropriate. Gehr estimated that 85 percent of the time, council accepts the recommendations of its advisory boards.

Wrap-up and next steps:

Gehr agreed to provide some more information about the major responsibilities he would see the advisory board would assume based on the Charter.

Bailey asked the working group to confirm that nothing is missing from the board's responsibilities as outlined by the Charter.

The group agreed to discuss this on Basecamp, with the discussion occurring in a timely way.

Pomerance said after all the responsibilities are outlined, then it would be important to determine who (broadly) should handle them – the board or council.

Once that has been worked out, there needs to be a discussion about the types of individuals on the board.

Espinoza said it would then be appropriate to address how they are selected.

The group seemed to concur.