

**SOUTH FORK WATER BOARD
BOARD MEETING MINUTES
March 13, 2008**

Board Members Present: Alice Norris, Oregon City Mayor, Chair
Norm King, West Linn Mayor, Vice-Chair
Scott Burgess, West Linn Councilor
Daphne Wuest, Oregon City Commissioner

Board Members Absent: Mike Gates, West Linn Councilor
Damon Mabee, Oregon City Commissioner

Staff Present: John Collins, SFWB General Manager
Kim Brown, Regulatory Compliance

Others Present: Alice Richmond, West Linn Resident

General Board Meeting:

- (1) **Call to Order**
Chair Norris called the meeting of the South Fork Water Board to order at 7:23 p.m.
- (2) **Public Comments** - There were none.
- (3) **Consent Agenda** - Approval of minutes of the February 14, 2008 Board Meeting.
Board Member Burgess moved to approve the February 14, 2008 Board meeting minutes as presented. Vice-Chair King seconded the motion, which carried 4-0. Ayes: Wuest, Burgess, Norris, King; Nays: None.

Board Member Burgess requested a copy of the PowerPoint presentation given by Randy Goff of HDR Engineering.

(4) **SFWB 2 MG Reservoir Construction Contract Approval**

John Collins stated the SFWB had the bid opening for the 2 MG reservoir project.

- Bids were received from four pre-qualified contractors, ranging from \$3.5 to a little over \$4 million. The intent to award went to Emery & Sons with the low bid of \$3,546,502.20.
- He recommended the Board approve the general manager to negotiate and enter into a contract with Emery & Sons. The contract was written by CH2M Hill and would be reviewed by South Fork's attorney.
- He briefly discussed the process he undertook in determining the decision, noting the bid was approximately \$300,000 more than anticipated.
 - * He had met with Technical Advisory Committee members and had worked on budget assumptions for the next fiscal year to demonstrate some accountability for the provided figures.

Chair Norris confirmed that since the contractors were pre-qualified, there was no doubt that the bid was reasonable.

Mr. Collins responded that was absolutely the case, adding that Emery & Sons had a proven record of doing big jobs well and staff was happy with the result of the bid.

- He distributed and reviewed the Fiscal Year 2008/09 presentation with the following additional comments:
 - * He believed it was best to review the budget assumptions with the Board now versus having the Board approve the recommendation and then be caught off guard next month when reviewing the budget assumptions.
 - * CIP Outlay for 2008/09 included:
 - \$4 million for the reservoir
 - \$50,000 was budgeted for the Master Plan Update, anticipated to start in January 2009, and which there would be a carry over expense into the next fiscal year.
 - Two additional minor projects, security upgrades to allow visual and data communications with the intake at the Division Street pump station and repair to the prow, on the upstream side of the intake. Wooden portions were damaged pretty severely by a log that got inside and knocked some pieces out. Staff believed repair work could be done with summertime help on a budget of \$10,000.
- The big project for the year would be the reservoir and therefore the focus of expenditures. The budget assumptions kept the SFWB in line with working on the Master Plan.

Chair Norris asked whether carry over in the Master Plan Update was budgeted in the 2008/09 fiscal year.

Mr. Collins explained that he intended to present a RFP to the Board for approval in September or October, so it would be in the next fiscal year. Originally, he had hoped to have it sooner, but because of the expense, believed it was best to be conservative and delay it for six months.

- He continued, explaining that the proposed 2 MG Reservoir Project was \$4 million, not the budgeted \$3.5 million due to:
 - * An additional \$200,000 needed for finishing, engineering and construction management services.
 - * A change order included in the contract for \$60,000 for engineering related to the tie-in to the treatment plant and permit issues.
 - * Independent testing of concrete, rebar, stress joints and such would be approximately \$50,000. Testing would be done by bid by one agency.
 - * A \$203,000 contingency fund allotted for the change orders expected on a project of this magnitude.
- He stated two areas of the project could have potential issues:
 - * Soil conditions for reservoir footings. The hole would be dug to 18 or 19 ft and soil conditions would be considered. While no problems were anticipated, more concrete and supports would be needed if problems arose, which would mean more money. That section of the project should be complete in the next five to six months.
 - * The tie-in to the existing clear wall. The project was well-engineered. Prior test work such as potholing, review of wall thickness and rebar, was done to foresee any problems.

Again, no problems were expected but could not be totally ruled out until that part of the project was reached.

- Being fiscally conservative, he wanted to be sure that there was plenty of money to operate.

Board Member Burgess asked if the change order for \$200,000 was just for engineering and construction management.

Mr. Collins clarified that CH2M Hill had done work out of the scope of their contract as well as extra work on the permitting process.

- Assumptions were made that existing pipe could be used to make the connection, but because of the valve size, an alternate solution was required to allow the volume of water, which would eventually be 53 MGD. A portion of the \$200,000 would be allocated for this change order and the balance would be a contingency for anticipated change orders for the rest of the project.

Chair Norris inquired when they expected to start and complete the project.

Mr. Collins explained the contractor had 365 days from contract signing; that timeline included:

- The big hole being dug and the footers and foundations poured by June/July.
- The actual portion of the reservoir concrete would be constructed through September/October.
- Tying in the plant should be done in January/February.

Board Member Burgess asked if there was a time penalty.

Mr. Collins answered yes, but they expected the project to be done well before the need for that.

- He continued that the proposed 2008/09 budget, which the Board would receive around April 3rd, would include a 3% rate increase. A rate increase was in place for the current year as well.
- He explained that he was working with Randy on the rate assessment. It was important to consider a 3% cap for Oregon City and a 5% cap for West Linn, which was a reasonable rate increase but would allow the cities to work within their needs.
 - Costs were increasing on everything, including for items needed for the reservoir project. For example, one truck load of alum has increased from \$1,700 to \$4,300.
 - Fortunately, the SFWB had done well with its chemical budget. Chemical costs had increased but by pre-purchasing chemicals, SFWB had stayed ahead of the curve on pricing.
- * The 3% increase would result in Oregon City's rate increasing from 59 cents per 100 cubic ft, or 748 gallons of water, to 60.8 cents. West Linn would increase from 57.9 cents to 59.6 cents.

Board Member Burgess asked if the rate increase was based on the work Randy presented when he was absent.

Mr. Collins explained that he had recommended the rate increase and Randy agreed that 3% was acceptable and that he could build his base around that 3% increase for forward projections.

Chair Norris was concerned about not having Randy's recommendation.

- She wanted the rate to be based on solid numbers, rather than a gentleman's agreement and asked if Randy would run the numbers and when the Board would have the results.

Mr. Collins assured that Randy had agreed a 3% increase would be merited, but he had just not run the models. In light of legal costs going up \$40,000 and other increasing expenses, Randy believed it was a reasonable rate. Randy hoped to give a presentation at the budget meeting to validate the numbers.

Chair Norris asked if the numbers could be refined after Randy ran the numbers.

Mr. Collins concurred the numbers could be refined, but deferred to the budget book because stipulations existed about what a budget committee could and could not do. He believed the proposed budget could be revised anytime before adoption of the budget.

- He clarified that he was not asking the Board to approve the budget, but only to approve the contract. He only wanted to share where he was in putting together the budget.
- He also had reports from Western Financial that the bond [inaudible] projected to bond holders would raise rates 2% to 3% each year, which had been done.
 - * Randy's report done three years ago also recommended a 2% to 3% rate increase which showed support for the proposed rate increase.

Vice-Chair King thought the reason for sharing the rate increase recommendation was to get estimates to see where the contract fit into the future budget.

Mr. Collins repeated he was only asking for approval of the contract and because it was an expensive contract, it would affect the budget and capital planning. Therefore, he wanted to walk through assumptions that would be made in the proposed budget to help the Board make an informed decision based on what was planned for the next fiscal year.

- He continued by reviewing the five SFWB account balances of the flow chart in the proposed 2008/09 budget, noting the SDC fund would be down to \$75,000, based on projections.
 - * The reservoir would be the last project to build for approximately two to three years.
 - * The next project would be pipe to upsize the existing raw water line coming into the plant and would be built by SDCs and rates, which would be driven by growth and the need for water.
 - The Board would need to match rates with SDCs proportionally based on growth for that project.
- The equipment replacement fund would be on or about \$192,000. The goal was to maintain \$200,000 to \$250,000 in the fund.
- Revenue projections were conservative, but the budget would be balanced, the projects completed and the SFWB would remain financially solvent.

Board Member Burgess asked how much the Board currently received in SDCs every year.

Mr. Collins answered that annually SDCs were projected to be \$300,000 to \$350,000 per year. Two or three budget years ago, they were about \$750,000.

- The SDCs were lower even with growth, because a slow down had been experienced in last 18 months.

Vice-Chair King stated that if \$350,000 were built up each year, the funds would be available in three years for the pipe, although it would probably be more expensive by then.

Mr. Collins noted the SDCs for that project would pay for the upsizing of the pipe, which was 50% to 55 % of the project. Randy was considering what would be needed for rates for the project.

- He confirmed SDCs were being reviewed with the Master Plan Update.

Board Member Burgess clarified that the plan showed pipe allocation was 50% to 55% growth, not that the SDCs were too low.

Chair Norris wanted to clarify that the funding flow chart was based on a 3% rate increase.

Mr. Collins confirmed all assumptions were based on a 3% rate increase. Also, CRW rates were adjusted by 3%, which was conservative because he believed they would be higher.

Chair Norris stated the Board would need the detailed budget to better understand.

Mr. Collins added that the detailed budget would have the capital outlay expenditures and show a breakdown.

Board Member Burgess confirmed the Board was not selling bonds to pay for part of the projects.

Board Member Wuest confirmed that the SDCs were predicated on a rate and percent of growth and asked what the percent of growth would be.

Mr. Collins explained that he forecasted by dollars, not percentages. He needed to defer to David Wimmer to answer that. David did not have all the information when putting together the forecast so he took responsibility for getting that information together and would answer the question at the April meeting.

Chair Norris believed it was just less than 3%.

Mr. Collins added that West Linn was at 105% of its projected dollars and Oregon City, about 76%.

Board Member Wuest asked for clarification about Oregon City being behind projected revenues [inaudible] SDCs.

Mr. Collins clarified that Oregon City's SDC revenue was greater. West Linn was projected to produce approximately \$100,000 in SDC revenue and Oregon City, \$300,000, for a total of \$400,000.

- David Wimmer's revised projections were approximately \$340,000 to \$350,000 in SDC revenues by the end of the budget year.
 - * He broke down the percentages and projects, and that West Linn would be about 105% of the estimate and Oregon City would be about 74% to 76% of the estimate. He noted he was consistent in projecting target numbers year in and out.

Vice-Chair King asked if a lower amount was being projected for the next year.

Mr. Collins believed the projection was status quo, and reminded the Board the projections were conservative. It would not be in anyone's best interest to come up with numbers hoping to do the project, as opposed to being conservative and knowing that the project could be completed.

Chair Norris commented that it was a good discussion, considering the recessionary outlook, and that it was prudent to be conservative to provide protection from being over extended.

Board Member Burgess moved to approve the contract. Board Member Wuest seconded the motion, which carried 4-0.

Ayes: Wuest, Burgess, Norris, King; Nays: None.

The Board discussed ideas for creating some fanfare in the community about the new reservoir.

(5) Business from the Manager

Mr. Collins noted the media coverage of pharmaceuticals in the drinking water and distributed articles for the Board's review about the latest news on the issue, which would be a main speaking point in Washington, D.C. for himself and Kevin Hanway of the AWWA.

- Drug take back programs would not stop pharmaceuticals from being in drinking water because they came mostly from human consumption and were cycled back into the sewer/water system.
- They would discuss efforts to maximize everything possible with drug take back laws.

Chair Norris asked if SFWB could create some publicity about what to do with drugs in the area because of South Fork's concern about the issue.

Mr. Collins replied that they could, adding that the Clackamas River group that Kim Swan now managed, would be working on a program to educate people about what to do with their pharmaceuticals.

- One recommendation was to mix unwanted drugs with cat litter, rather than flushing them, so they would go into the garbage and then hopefully to a sealed landfill that would not leech.
- As water providers, South Fork wanted to work on and support establishing take back programs.

Chair Norris stated that the City of Newberg had a pilot take back program.

Vice-Chair King explained that industry needed to provide take back programs, but the pharmaceutical industry was not eager to do so.

Mr. Collins agreed pharmaceutical companies had a hard time with the concept because once started, there were chain of custody issues with the returned pharmaceuticals.

Chair Norris stated she would be interested in lending support to any efforts occurring because it definitely was a water ingestion safety issue

Vice-Chair King stated that AWWA bulletins addressed and recognized the gravity of the issue. AWWA's attitude seemed to be that it was not really a problem, though people all over the country were very concerned.

Mr. Collins explained ways to address the problem included:

- * Newer technologies, like reverse osmosis or membrane treatment, which would be presented as an option in the Master Plan Study.
- * Activated carbon has absorption properties that work well.
- Fortunately the Clackamas River was a good source. The City of Estacada operates a waste water treatment plant in the upper part of the Clackamas, which is diluted by billions of gallons of water.
- He noted the hormones and steroids used in cattle also contribute to pharmaceuticals in the water supply.

(6) Business from the Board—There was none.

(7) Executive Session Pursuant to ORS 192.660, if needed

The Board consented the Executive Session was not necessary.

(8) Adjourn Meeting

The March 13, 2008 meeting of the South Fork Water Board adjourned at 8:05 p.m.

Respectfully Submitted,

By Paula Pinyerd, ABC Transcription
Svcs. for John Collins, SFWB General
Manager