

PAVE AUDIT COMMITTEE
Water/Wastewater Performance Audit & Strategic Plan
Meeting Minutes – February 20, 2015 at 8:30 AM
City Manager Conference Room

Member Attendance:

Lily Morgan (Chair) - absent
Rick Riker (Vice Chair)
Roy Lindsay
Ken Hannum
John Rall
Layne Lange
Paul Mitchell
Jim Williams - absent

Staff/Liaison/Other:

Jay Meredith (Finance Director)
Aaron Cubic (City Manager)

Paul Eisenhardt (Eisenhardt) by phone
Ed Means (Eisenhardt) by phone

Barry Buchanan (JRA) by phone
Jeff Rhodda (JRA) by phone

Derrick Whitehead (MCG) by phone
Russ Branson (PFM/MCG) by phone

1. **Conference calls with consultants that submitted proposals for the RFP – Strategic Plan for the Water and Wastewater Utility Programs**
 - A. **Eisenhardt Group Inc. –**
 - **John – biggest risks/challenges water utility could face?** – need major capital investment, new treatment technologies, small staff, will need upgrades/training, the start-up hurdles of permitting and warranties, rate implications and how to ensure rate payers (citizens) understand project is being handled cost-effectively.
 - **Paul – Novato Sanitation District controversial recommendations?** – controversy not with utility staff/board but with vested, unionized employees that formed a citizen group adamantly opposed to any change, Eisenhardt produced side-by-side comparisons of every needed element and how it would be acquired, 2 other firms reviewed/affirmed the analysis was appropriate/correct.
 - **Rick – does RFP give latitude to cover important subjects (energy conservation in system, alternative ideas, future costs)?** – those topics are additional scopes and could touch on it in the evaluation but would likely require more specific/detailed plans that would be an off-shoot. Can flag those opportunities when look at system. **Hesitations about price tag and want to spend money in right areas** – RFP makes that clear and explained their focus isn't on selection of infrastructure but more focused on the issues addressed in RFP.
 - **Ken – Looking at core plan and wondering if they would address the new plant phase or just the private/public operation?** – would not focus solely on how to operate existing facility, they would summarize and give pros/cons for options (design-build operates, contract operations, and concessions).
 - **John – Generically what factors would lead to a recommendation for private ownership/operation of a utility vs. public?** – technical complexity going forward, matching that with existing skill set and capacity for augmentation

of public workforce, ability to attract and acquire the necessary expertise for facility upgrades and enhancements, risk profile, regulatory requirements challenges, rates.

- **Layne – Elaborate on why the \$30,000 contingency if City only selects the core project and not the optional projects?** – when looking at additional projects they all provide additional insights that are going to roll back into helping them do the most comprehensive work for the City on the core project.
- **Paul – Novato Sanitation had old facility and did \$100 million upgrade and moved to state-of-art technology. Sounds similar to our situation. Was Eisenhardt involved in early part of process and decision to do that upgrade or was upgrade already done when Isenhardt got involved?** – it was already completed when Isenhardt got involved. **If selected for GP, Isenhardt would be starting much earlier in process than with Novato?** – yes
- **Rick – How many water treatment plants have you been involved with and for what reasons?** – Paul at least 20 and Ed at least 20 and worked with many different scenarios for collection and distribution
- **Roy – Would looking at points of risk or potential flaws be included in phase 1?** – at a high level yes but to be absolutely sure you have covered all bases would probably be beyond the scope of phase 1. Have a checklist that will be used at both utilities to identify risks and then those would be items for options to upgrade those to eliminate risk.
- **Jay – Is there anything in the scope of the RFP that you think is missing that you would normally see for a project of this nature?** – Paul said no, Ed said he only questioned the distinction between a strategic plan vs. an operation assessment (may only be a terminology issue), thinks what they are asking for is more of an operational assessment that would result in a set of strategies and recommendations to move forward as opposed to a strategic plan that might begin with a vision, a mission, goals, objectives, strategies, etc. The stakeholder utility management piece isn't usually done in a pure operational assessment. **Jay shared they pulled that piece and instead asked for a survey of all staff involved in project.** Discussion continued about whether scope of RFP is strategic planning or operational assessment or hybrid of both.
- **Rick – Is there anything in the RFP that could be eliminated that doesn't have significant value?** – hesitates to recommend eliminating anything such as public meetings, for example, but that is a good question to continue to ask as proceed through process. May be able to reduce the EUM activity in the initial assessments and focus more on utility staff.
- **Ken – What kind of publicly run vs. privately run percentages have they seen in cities in our similar situation and would we see issues like Novato if we went with privately run?** – most likely not because in the Novato case the individuals that caused the problems were the poorest performers and were the cause of many employee management issues. That is completely opposite from the Grants Pass staff. National ratio of private vs. public is about 15:85 of the systems spread across large to small.
- Eisenhardt briefly reviewed their experience and expertise. They do not provide capital so have no vested interest in which way the City decides to go.

B. JRA –

- **John – What are the biggest risks we'd face as a utility and how would you help us manage those risks?** – would look at viability as far as financial capability is concerned, overall operation and maintenance capability, and assets. Would identify both the consequence and the likelihood of failure for risk items.
- **Layne – Could they translate their international experience into something that is more local, like Grants Pass?** – they weren't able to provide any specific local examples (Oregon) but their team does have a lot of experience with small organizations. Their financial group is based in Oregon. Did mention experience in Tillamook.
- **Paul – What was the scope of their work in Salem, OR?** – Barry was employed by City of Salem, long-term master plan coordinator, did wastewater/water evaluation for renewal/replacement programs.
- **Rick – How many wastewater plants have they been involved with overtime and for what reasons (new, renovation, etc.)?** – Barry close to 200, briefly reviewed his career, Jeff closer to 100. **Rick asked how long JRA had been a company** – started 25 years ago in Australia, started in US/Canada about 4 years ago.
- **Ken – How will travel time be handled?** – included travel as total lump sum.
- **Layne – Why did they emphasize the core project as opposed to addressing some of the other optional projects?** – they will get a good amount of information for the optional projects by looking at the main, strategic plan part of the work, and the optional pieces are very specific items and the number associated with that is just documenting the specific answer for those individual pieces.
- **Roy – Asked for an overview as to how they would approach the question of private, public, or public/private partnership?** – they don't want to second guess which would be the best. Their approach to the evaluation and performance review would be appropriate for any method the City chooses. They have people on their team with experience in all three methods.
- **Roy – (re: their partially answered question about risks that might be encountered choosing different methods.) Could they expand on the possibility of looking at future risks and identifying a high-level aspect of those risks if City chooses one method over another?** – governments should adequately identify and do due diligence before they (inaudible) the public infrastructure.
- **Paul – Could they give examples of experiences with similar sized cities where they've worked with stakeholders and held facilitated workshops and now have those experiences shaped their approach to our City's proposal?** – experience going into community and looking at long-term strategic plan (Barry with more practical/physical/engineering evaluation) and holding facilitated workshops with operating staff is the best way to put strategic plan together. Jeff has experience facilitating affordable service level discussions in all sizes of communities. Two factors: environmental (water cycle) and technical (water supply). Listen to community, there will be a range of views, encourage government to keep quiet in these discussions. Have to determine GP's specific needs but topics that come up are water supply, water pressure, water quality, etc.

- **John – Give examples of what some of the “sufficient process in place to manage risk” have been in prior engagements with water utilities?** – in Australia they developed sophisticated (yet simple) process based on the International (inaudible) Standard on Risk Management. Tested in 300 Australian cities ranging from small communities to large cities. Now implementing that approach to US Federal Highways Risk Management Guide, also with BART, and in Tillamook.
- **Jay – Do they have any client commitments or other big projects that could potential affect our ability to get project finished on time (Sept/Oct)?** – Barry is available to start working on project immediately and spend as much time as necessary on it. He is working with Jeff on 2-3 other projects but would make every effort to meet our desired deadline. Our project would be his priority.
- **Rick – Is the RFP missing any components that should be added or are there any that could be deleted to help reduce the cost?** – the price they have quoted will allow them to successfully perform the work described in RFP. Don't see anything to cut out. Many of the optional projects will be covered in the completion of the core project.
- After call ended: brief discussion about language/foreigner challenges with City staff and/or public outreach. Many of their team members have local experience. Barry used to work for Keller and Assoc. consulting firm.

c. MCG – (did not visit City)

- **Roy – How would they approach assessing the issue of private vs. public an what risks/rewards could they identify at this point?** – as they looked at water/wastewater infrastructure it was interesting to see the state some of the capital assets are in. They would first determine what City is trying to accomplish. Pros = less investment in labor to maintain long-term and people working at facility with specific training. Cons = big capital expenditures to provide facilities, City still responsible for funding those facilities, need to protect City from contractual issues, and there are still risks to City because they hold the facility permit.
- **John – What are the biggest risks the utility might face and how should City manage/mitigate those risks?** – Biggest risks for increased costs are increased regulatory compliance and aging infrastructure. Also, not looking ahead at how things will be funded.
- **Layne – Since they designated almost as much money for the optional projects as the core project, if City chooses not to do any of the optional projects, how does that affect their ability to meet all the needs of the core project?** – the core project is not dependant on them doing the optional projects, core project would be processed independently from the optional projects
- **Paul – Is it an accurate description that they have only been consulting for 2-3 years, but have more experience working in the industry and issuing contracts?** – For Derek, yes, but his partner, no, partner has extensive experience with various organizations up/down west coast doing anything from detailed design to more strategic elements of the industry. Derek and Russ have experience providing regional water/wastewater support and services. Worked with other jurisdictions and agencies at great lengths to do the strategic planning for the Sacramento region. Russ was also a consultant for many years before the work with Derek in Roseville.

- **Rick – How many water treatment plants have they been involved with and for what reasons?** – In Roseville went through 3 major expansions of the plant, secured the funding and set up the regional wastewater authority to construct \$120 million wastewater plant, also expanded another plant for \$60-90 million, outside of experience on Roseville Derek's partner brings vast knowledge of treatment plants from the many he's worked on, won many awards for treatment plants they've set up. Most of Russ's experience was in Roseville also and from his time before that as a consultant, shared some details of their experience in Roseville.
- **Roy – How would they approach a performance analysis - what are we doing well, what could be improved, what are we not doing that we should be, what are we doing that is unnecessary, etc.?** – looking at things that have a quick return on what is going on, they would meet with management staff to find out what is working/not working for them and then get the field crews to buy in, would take look at rate levels, look at structure of program and if it is all there and if it is being implemented effectively, will take a systematic and programmatic approach, will take an honest look at how the whole system is put together and works together, staff survey is helpful tool.
- **Paul – (for Derek re: Sacramento Suburban Water District merge) Was there any resistance to the merging of those two districts and was his role in overcoming that resistance?** – it is still in progress, worked with districts to understand their issues and help them understand the importance of the merge, they also looked at water supply contracts and how they could use the contracts to access the water supply differently than they were doing currently.
- **Jay – Do they have any consulting experience in transitioning a water/wastewater utility from a public ownership to an investor ownership?** – Derek has no personal experience with that, but working with a neighboring privately owned water company was frustrating because their structure prohibited them from participating in long-term planning, his partner may have been involved more directly in a transition like that, Russ has no direct experience in that either.
- **Roy – is there anything left out of the RFP or anything included that is not of value to the process?** – no, they looked more at where the City is in the process and feels they are a little ahead of the game, evaluating/developing master plans looking to the future, addressing UGB, the RFP is like an umbrella pulling all components (infrastructure, financing, governance, operations, etc.) together to have one mechanism taking City into the future, however, would like to get more clarification on the private vs. public issue and what City would like to accomplish with that.
- After call ended: water/wastewater quite a different world in CA as compared to Grants Pass.

2. **Elect Committee Chair and Vice Chair – did not do**
3. **Review reference check results for consultants – did not do**
4. **Proposal scoring process & project contract recommendation timeline – did not do**

***** Next Steps**

- Complete scoring over the weekend and review reference check feedback
- Meet early next week (Monday Feb 23rd) in morning to discuss scoring results
- Planning to bring it to Council at the March 18th meeting
- Brief discussion about clarification of PAVE Committee's role (direction on strategic/operational planning and best move forward in regards to ownership/operation/build of new plant).
- Brief summary of the PAVE Committee Councilors meeting with Councilor DeYoung and City Manager Cubic to clarify questions/concerns Council had about the RFP (the first step). The design and cost of the plant comes in a later phase.
- City Council is on-board with project.

5. Approve meeting minutes from February 6, 2015

MOTION/VOTE

Ken moved and Layne seconded the motion to approve the minutes from the February 6, 2015 meeting. Vote was unanimous of those present and the motion passed.

6. New Business –

- Jim Williams was recently appointed to PAVE Committee. Has experience with Audit Committee and City Council. Out of town until first of March.

7. Set next meeting date/agenda – see below

8. Rick Riker adjourned the meeting

Next meeting date: February 23rd, 2015 at 8:30am in City Manager's Conference Room.

These minutes were prepared by contract minute taker, Becca Quimby.