

PAVE COMMITTEE
Water/Wastewater Performance Audit & Strategic Plan
Meeting Minutes – July 22, 2015 at 3:00 PM
Courtyard Conference Room

Member Attendance:

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

Staff/Liaison/Other:

Jay Meredith (Finance Director)
Aaron Cubic (City Manager)
Paul Eisenhardt (EGI)
City Councilor Dennis Roler
Terry Haugen (Public Works Director)
Jason Canady (Water Superintendent)
Gary Breilinski (Wastewater Superintendent)
Bob Hamblin (D&C Superintendent)

Public:

Pat Fahey

1. **Update on Project Status from Eisenhardt Group (EGI) –**
 - Making good progress, having meetings and getting cooperation from City staff
 - Working their way through all the topics that have been discussed
 - Draft of Task 1 report should be ready late August/early September
 - Additional drafts for additional tasks worked on through September
 - EGI back in late September with PowerPoint presentation of draft materials
 - Would then take comments and work those into final version to be brought back at later date for a presentation to the full City Council.
 - Yesterday there was a meeting to discuss options of what could be done with old water plant site after new one comes online.

2. **Discussion of Procurement Objectives, Alternatives, and Finance Structure –**
 - A. **Objectives**
 - Innovation in design and operation
 - Upgraded facility using proven 2015 technology
 - Replace existing water plant
 - Maximize useful life of new utility assets
 - Integrate operation/maintenance into all aspects of project
 - Reliably meet performance goals
 - Question about cost of repairing plant vs. replacing plant – this decision was made before EGI came on board, but from what they've seen at plant they don't see how repairs could be made at same time reliably supplying water to customers
 - Share risks
 - Minimize capital costs & have predictable life-cycle costs
 - Minimize rate payer impacts
 - Sustainability & energy efficient
 - Be a good neighbor
 - Resources for economic development

- Question of how fast possible to add component to expand plant – Paul said about 18 months
- Question about meeting new requirements and time spent bringing design up to code when requirements change – Paul answered it depends on what the change required is.

B. Alternatives

- Variety of options in all the different areas of building/financing/operations
- What is done for water should not necessarily be what is done for wastewater
- Update SCADA control system
- Implications for staffing
- Who sets the rates
- Guarantees/risk protections
- Terms for financing
- Retaining control of the capital program
- Paul gave a few examples of how similar-sized municipalities have chosen to build/operate their water plants
- Major Issues: procurement statutes, schedules, staff capabilities, etc.
- Explained differences and pros/cons between various methods –
 - Conventional – how it generally been done in past
 - Design/Build – one entity responsible for both design & construction, City operates it
 - Contract operations – have to get new plant built first
 - Design/build/operate – City provides financing
 - Design/build/operate/finance – private financing
 - Independently owned – only 1 or 2 small ones in Oregon
- Showed a chart of different model options and how they might benefit City
- Independently owned not ideal for Grants Pass (higher financing costs and significantly higher finance/capital borrowing costs in the long-term)
- Paul also suggested not considering concession model or DBOF (want to avoid private sector money)
- PAVE Committee is tasked with coming up with alternatives #1 and #2
- EGI will be giving 2 separate recommendations for water and wastewater (distribution is a 3rd piece)

C. Employee Program Considerations

- If choose DBO route be careful with current employees, be transparent and require guaranteed continued employment, existing compensation, years of service recognized, etc.
- More discussed above

D. Financing Costs & Ownership

- Gave examples of different financial scenarios as he discussed various models
- More discussed above

E. Concession Model – discussed above

F. Working Summary

- Proceed on different pathways for water and wastewater
- Grants Pass has ability to use tax-exempt bond issues
- Rate payers ultimately pay under all alternatives
- Concession or IOU can provide significant up-front cash but it is expensive and comes with other issues – pursue other options that are less expensive and don't involve loss of control
- Employees can be and should be well-treated in transition
- Suggested about 6-7 design firms that will team up with quality contractors to do a Design/Build
- Suggested about 4-5 firms that will do Design/Build/Operate
- EGI will return in August to help facilitate PAVE Committee's decision
- Will continue working on putting together drafts for other areas
- Draft on final report for Area 1 around late September
- Final report done 2-3 weeks after and will come back to wrap-up
- Pilot plant/benchmark technology by the fall if State allows study to end early, if not, then by end of year or early spring.
- Need site selection by end of year – can't start design until know where site is
- If go with a DBO –
 - need to develop the RFP and issue it, would need to start that this fall
 - Firms need about 6 months to put together their proposals
 - Allow 60 days after receive proposals for evaluation and finalization
 - 2+ years for construction/start-up, puts plant online Fall 2018 at the very earliest, which is about same timeline as if done as a Conventional build project
 - If go with either DBO or Conventional Council needs to authorize the rates necessary for the financing long before the financing is done, action on rates would need to be soon.

3. Approve Meeting Minutes (May 21, 2015 and June 25, 2015) –

MOTION/VOTE

Committee Member Hannum moved and Committee Member Lange seconded the motion to approve the minutes from the May 21st and June 25th meetings. Vote resulted as follows: "AYES": Committee Members Lindsay, Hannum, Riker, Williams, Rall, Lange, and Mitchell. "NAYS": None. ABSTAIN: None. ABSENT: None. The motion passed.

4. New Business – none

5. Next Meeting Date & Agenda – Jay will coordinate with Paul/EGI to schedule next meeting

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