

PAVE COMMITTEE

Water/Wastewater Performance Audit & Strategic Plan

Meeting Minutes – August 11, 2015 at 3:00 PM

Parkway Public Safety Station Training Room

Member Attendance:

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

Staff/Liaison/Other:

Jay Meredith (Finance Director)
Councilor Dennis Roler
Terry Haugen (Public Works Director)
Aaron Cubic (City Manager)
Gary Brelinski
Paul Eisenhardt (EGI)

Public:

Pat Fahey

I. Update on Project Status from Eisenhardt Group (EGI) –

- A. Task I** – (core topics) EGI team and others' field work is complete except for the public/private partnership evaluation
- B. Task II** – (water treatment additional topics) had a successful charette session, putting into a report, there may be additional questions (i.e. seismic or what ifs)
- C. Task III** – (water distribution) held discussions with water meter companies, more work to do in the area of water meter replacement recommendations
- D. Task IV** – (wastewater treatment) have some preliminary recommendations for wastewater treatment plant expansion that have been shared, but want to refine those and see how they compare with water
- E. Task V** – (wastewater collection division scope) field work complete and writing reports on each area
- F. Task VI** – (utility billing) completed an analysis of alternatives to manual meter reading and in-house utility billing, received informal quotes from a couple companies, bottom line is the way it is currently being done is most cost-effective, still need to have discussions with City staff regarding customer payment alternatives

II. Discussion on Procurement Alternatives and Strategies for Water and Wastewater Plant Projects –

A. Outcomes from July 22 Session

- Share risks, minimize capital costs, have predictable life-cycle costs, minimize rate-payer impacts
- Address additional community priorities of sustainability and energy-efficiency, be a good neighbor by reducing noise and odors and providing a reliable service
- Be a resource for economic development
- Fair treatment of employees
- Wastewater Plant Expansion – adding more of what is already there, new SCADA systems for control, asset management system for the life-cycle cost and maintenance planning, several reliable Oregon firms that specialize in these systems, separate systems for water and wastewater, EGI recommended Design/Build over next two years.
- New Water Plant – brand new plant design, different processes than what are used today, EGI recommending Design/Build with City operations and significant consultant augmentation or a DBO procurement, deciding what to do with old plant will be up to the City but EGI could give some suggestions, EGI has more work to do on water plant

B. Reconfirm Strategy for Wastewater Plant Expansion

- Also see above (end of IIA)
- Recommend Design/Build, City staff operation w/ use of consultants, faster, less problems
- Traditional model could potentially result in problems between designer, constructor, and operator
- Takes about 6 mo to develop criteria for contract and go through process
- Do water and wastewater as separate procurements
- Brief discussion about total potential costs – still unknown
- Asset Management to be pursued as separate procurement but technology selected that can be used for both water and wastewater

C. Complete Procurement Alternatives Discussion for Water Plant

- Also see above (end of IIA)
- Concession and IOU options have been set aside – not a good fit
- Will need significant augmentation for operating staff (number and expertise)

1. Two Potential Approaches

- 1) Design/Build w/ City operations (significant consultant augmentation), and 2) DBO single contract
- Paul gave a detailed overview and key considerations for both DB and DBO
- EGI recommended consultant work with owner in setting forth performance standards and operating scope
- Paul explained how operating costs can be guaranteed over long time period (15-20 years)
- Concern about a DBO wanting to build something different than what Committee had in mind – Paul suggested having them submit alternatives with supporting information (would be part of the RFP)
- In a DBO would there be any operational costs the city would no longer be responsible for? – Paul suggested keeping most overhead costs in City's name in order to still be eligible for grants
- Does DBO contractor have a 20 contract to show income stream from rate payers? – Paul answered no
- Might consider 5 year DBO contract with option to extend it as alternate to 20 year contract

2. Key Operations Staff Tasks

- Paul briefly explained a handout covering how the current staff would be involved in the process
- There will be a lot of work to be completed
- Encouraged Committee to go over these and any questions could be answered another time

3. Assessment Checklist & AWWA Benchmarks

- Collaborative effort of all EGI team to put together this list

- Paul touched on a few items on the checklist – some things that needed to be done for best practices and some for improvement and/or upgrading purposes
- Regarding staff training - documentation of staff training reduces risk
- Benchmarks show how effective at delivery of service and how could improve with more automation

4. Procurement Alternatives, Risk Transfers, Benefits, and Control

- Paul went over a chart that compared the different procurement alternatives weighed against various evaluation factors
- Site selection may need to be the first priority task

5. Implications & Risk Factor Assignment

- Cost – When considering costs Paul reminded Committee that in 20 years operating costs equal or modestly exceed the upfront capital costs
- Risk – some risks with DB and no guarantees while DBO has significant risks but offers guarantees for performance, regulatory compliance, and costs
- Impacts – modest impacts for a DB, benefits include minimal impact on policy and control and a continuation of employment for existing staff. There are significant modifications for a DBO, have already covered some of those, one is staff will no longer be City employees
- EGI will give recommendations on this and explain the why

6. Cost Performance

- Paul gave examples and explained the differences of cost performance for both a DB and a DBO
- This information was presented in a handout to Committee as well
- Committee member asked if the 20-30% cost savings on the DBO side means rates will go down for rate payers? Paul answered yes compared to a Traditional design/operate cost for the new plant (rates increase in both scenarios).

7. Risk Assignment and Guarantees

- Presented another handout comparing DB and DBO with regard to different topics related to risk assignment and guarantees
- Encouraged Committee to think about areas where risk is not assigned to the private sector and how uncomfortable that was
- Committee member brought up having sufficient protection to move forward if conditions change – Paul agreed that was important and that with a DBO they would have the ability to terminate the agreement

III. Discussion of Capital Costs, Utility Rate Impacts, and Additional Project Items –

A. Capital Costs

- Paul went over a capital needs summary, it is a significant amount of money, Grants Pass is not unique in this challenge
- Next he showed how it could possibly be funded by the following sources: bond funding, direct funding from existing rates, and some other additional potential means
- Nothing on summary was from master plan

B. Utility Rate Impacts

- Paul proceeded to explain how the bond funding could be divided up between the new water plant and wastewater plant expansion capital needs
- He gave an example of what a bond for that amount could potentially cost and that a rate increase would be necessary
- Showed options of how rate increases could be phased in to provide additional funding for the shortfall – policy decision City will have to make
- There would be challenges with looking at income coming in based on current usage – it would need to be a base rate increase, not based on usage
- Highlights the importance of finding alternative revenue sources to utility billing and property taxes – lightens the load on residents
- The recent base rate increase was a little more than a 30% increase – so would be looking at doing about that again

C. EUM Results

- Chart showing results of staff survey – looked good, positive report
- Have good people who are working well together – build upon that

D. Utility Billing & New Systems

- Had discussions with vendors at trade shows – bottom line is the City staff is doing it more cost-effectively than it could be done with a professional vendor, continue with way currently doing things

E. Need for Systems, Training, and Development

- The assessment checklist highlighted the need for systems, staff training, development, and new approaches for work content, systems, and capabilities
- Need for increased understanding of warranty protections, long-term asset management, and proper maintenance
- Currently spending a lot for maintenance on certain pieces of equipment, why? New systems will provide long-term cost effectiveness
- Unattended operations – SCADA system at water plant does not control, it reports. If it controlled it would make automated process adjustments.
- Automated system really cost-effective? – Paul answered yes, your biggest costs are personnel
- What is amortization of that equipment? – 7-10 years

F. Staffing Challenges – did not discuss, no new info

G. Additional Topics – please notify Jay of any additional topics Committee wishes to discuss and he will pass on to Paul

H. Next Steps

- Will complete draft reports on Task Areas II-VI as separate reports for each one
- Will complete an integrated strategic report (Task Area I)
- Will make a PowerPoint presentation of above items
- Submit Task II-IV in August
- Draft strategic report by August 30
- Give about 3 week for City to review/comment on the drafts
- PowerPoint presentation of draft to Committee on October 1st and receive feedback
- Final report and presentation to Council in October or November

IV. Approve Meeting Minutes (from July 22) –

MOTION/VOTE

Committee Member Hannum moved and Committee Member Riker seconded the motion to approve the minutes from the July 22nd meeting as presented. Vote resulted as follows: “AYES”: Committee Members Lindsay, Hannum, Riker, Williams, Rall, Lange, and Mitchell. “NAYS”: None. ABSTAIN: None. ABSENT: None. The motion passed.

V. New Business – n/a

VI. Set Next Meeting Date & Agenda – October 1, 2015

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