

MINUTES OF THE REGULAR MEETING OF THE MEDFORD WATER COMMISSION

September 7, 2011

The regular meeting of the Medford Water Commission was called to order at 12:30 p.m. on the above date at the Robert A. Duff Water Treatment Plant, 8301 Table Rock Road, White City, Oregon.

The following commissioners and staff were present:

Chair Tom Hall; Commissioners Jason Anderson, John Dailey, Cathie Davis, Leigh Johnson

Manager Larry Rains; Deputy City Recorder Karen Spoons; Administrative Coordinator Betsy Martin; Principal Engineer Eric Johnson; Finance Administrator Tessa DeLine; Geologist Bob Jones; Water Quality Superintendent Bob Noelle; Operations Superintendent Ken Johnson; Duff/WTP Supervisor Jim Stockton; TS Coordinator Kris Stitt; Constructor Administrator Andy Huffman; Water Treatment Plant Chief Operator Dan Perkins

Guests: Medford Councilmember Bob Strosser and Jim Kuntz; Medford City Attorney John Huttli; Central Point Mayor and Liaison Hank Williams; Central Point Assistant City Manager Chris Clayton; Public Works Management Joe Strahl and Chris Peters; Jeff Curl of Northwest Pipe; Matt Mosback of U.S. Pipe; Terry Wallen of American Ductile Iron Pipe; Brad Martinkovich

2. Approval or Correction of the Minutes of the Regular Meeting of August 17, 2011
Commissioner Johnson noted that he voted no, not yes, on Resolution No. 1456. Commissioner Dailey requested that the second sentence under paragraph 8.3 of "...to manage the fund" should be "...find a manager (financial advisor) for our funds".

3. Comments from Audience

- 3.1 Jeff Curl, Northwest Pipe, pointed out that there has been steel in the ground as long as there has been ductile, which is 150 years. He stated that he looked over the standards book and noted that the specification is silent above 36". He pointed out the wall thickness between steel pipe and ductile pipe. He provided handouts of a recent bid in eastern Oregon and a sample of steel coating that Northwest Pipe would propose. He stated that you prevent corrosion by keeping the air away from the pipe. In summary, this will save the rate payers money, requested a fair spec in the documents, and will provide local Portland jobs. Attorney Huttli questioned if he is requesting that the spec to be a sole source to their company or an Oregon company; Mr. Curl noted that they are not the only one that can provide this product as there is another company in northern California. Engineer Johnson noted that the proposal Mr. Curl provided was an irrigation project and that there is a difference on projects.

- 3.2 Terry Wallen, American Ductile Pipe Company, stated that choosing the type of pipe can be a contractor preference. He questioned the size of the pipe in the springs during the 1950's; staff noted it was 24". Mr. Wallen noted that ductile iron was not made until the 1960's. He provided positive reasons to stay with ductile iron pipe and would like to see the specs stay the same. Commissioner Hall questioned why someone would choose steel pipe; Mr. Wallen noted that there is an application for everything.

Commissioner Hall would like to know what product will last for 100 years with the least amount of cost and requested a spreadsheet comparing products in question. Manager Rains stated that the MWC has experience with welded steel pipe with cathodic protection. Commissioner Dailey noted that no one will give you a guarantee of 100 years; Mr. Curl noted that their president would give a 100 year guarantee. Mr. Rains talked about the decisions and choices made in past years. Mr. Curl noted that all he wanted was a fair steel spec and only wanted to bid on the 48" line. Mr. Wallen noted that those who will bid on this locally have been working with ductile iron pipe vs. welded steel; local contracts don't have experience with the welded steel. Principal Engineer E. Johnson and Operations Superintendent K. Johnson provided pricing for pumping costs, anodes and to maintain a rectifier site over 100 years. Mr. Rains noted that this will come back to the Board later in the meeting.

3.3 Mr. Huttl noted that there will be a Bear Creek cleanup on September 17.

4. Resolutions

4.1 No. 1457, A RESOLUTION Providing for the Collection of a Proportionate Share of the Cost of a Water Main Constructed on Highway 62: From Avenue G to 1,295 Feet North of Avenue G, From Property Owners Benefiting Thereby at the Time of Use of the Said Water Main and Providing for the Payment of the Sums So Collected to Acme West Company Inc., Installer of Said Water Main

Acme West Company Inc. has installed 1,295 feet of 12-inch ductile iron pipe; approval of this resolution will allow the Commission to collect proportionate shares of the cost of the water main from property owners benefiting from the water line and provide the payment of sums back to the developer. Staff recommended approval of this resolution authorizing the Commission to collect and pay amounts at the rate of \$20.84 per front foot from future users until January 21, 2015.

Motion: Approve Resolution No. 1457

Moved by: Ms. Davis

Seconded by: Mr. Johnson

Roll Call: Commissioners Anderson, Dailey, Davis, Hall, and Johnson voting yes.

Motion carried and so ordered. Resolution No. 1457 was approved.

4.2 No. 1458, A RESOLUTION Awarding and Authorizing the Manager to Execute a Contract in the Amount of \$724,000.00, with Ausland Builders, Inc., for the Robert A. Duff Water Treatment Plant Seismic Retrofit for 5MG Reservoir & Clearwell Project

Three bids were received for this project; a notice of intent to award to Ausland Builders, Inc. was issued on August 24. No protests were received; staff recommended approval of the award.

Motion: Approve Resolution No. 1458

Moved by: Mr. Johnson

Seconded by: Mr. Anderson

Roll Call: Commissioners Anderson, Dailey, Davis, Hall, and Johnson voting yes.

Motion carried and so ordered. Resolution No. 1458 was approved.

Out of sequence.

6. Engineer's Report

6.1 Duff Operation Seismic Upgrade and Remodel – The project is almost complete. Punch list items are being worked on. A tour was to be provided after the Board meeting.

6.2 Duff Reservoir Seismic Upgrade – The Board awarded a contract to Ausland Builders today. Once contracts, bonds and insurance requirements are received a preconstruction meeting will be scheduled with the next 10 days.

6.3 Duff Filters 13-16, Redundant Backwash System and Yard Piping Project – Staff has received five proposals. The consultants that submitted proposals are CH2M HILL, MWH, AECOM, Kennedy/Jenks and Black & Veatch. Staff requested one or two Commissioners to sit on the review committee; Commissioners Hall and Dailey agreed to serve on the review committee. Mr. Rains thanked them for their assistance.

6.4 Control Station Upgrades – The pump and motor were delivered and will be installed at Rossanley pump station next week. There will be no activities at Conrad pump station until the pumping season is over.

6.5 Martin Control Station – Staff has reviewed the proposals which were from CH2M HILL, MSA, RH2,

and OBEC. The proposal costs are as follows: CH2M HILL \$292,000.00, MSA \$225,261.00, RH2 \$199,758.00 and OBEC \$125,682.00. Staff's opinion is that OBEC provided the best combination of services and cost for the MWC. Staff recommended a 'Letter of Intent to Award' be sent to OBEC Consulting Engineers for the Martin Control Station Project; the Board agreed.

- 6.6 Ave G 48" Transmission Main – There are 13 general contractors pre-qualified to bid on the project, with a possibility of 14. The revised bid opening is currently scheduled for September 20. Staff questioned whether the project stays with ductile iron or goes to steel may determine another date of the bid opening. The Board needs to take action on the protest item so the project can go forward. Additionally, the Board should take action on the standards question pertaining to piping. Attorney Huttel questioned if there were two actions; Engineer Johnson noted that we update our standards every two-three years. Mr. Hall questioned if our standards only go up to 36", Mr. Johnson noted that the MWC, not a developer, usually puts in any pipe larger than 36", that we don't do it too often, that we develop standards for each individual project, and that we don't have a standard for 48". Mr. Rains noted that we haven't had a standard for 48" before. Commissioner Johnson questioned if we wanted to make a decision before we even see the bid; Mr. Hall explained that the bid opening is September 20 for ductile iron pipe only; staff noted that the original bid opening was September 8 but was delayed so that it could be taken under consideration. Mr. Rains explained that the protest is in two forms 1) for the current 48" bidding project and 2) for the standard specs which we review every two-three years. Commissioners Dailey and Anderson stated their reasons for denying the protest; Davis agreed.

Motion: Reject the protest

Moved by: Mr. Dailey

Seconded by: Ms. Davis

Commissioner Hall believed that we are going down the wrong track and that the June 20, 2012 deadline date from Jackson County is the factor in getting the project done.

Roll Call: Commissioners Anderson, Dailey, and Davis voting yes; Hall and Johnson voting no.
Motion carried and so ordered.

5. Authorization of Vouchers

Motion: Authorize the Manager and the Recorder to issue check-warrants in payment of invoices for a total amount of \$612,025.20

Moved by: Mr. Johnson

Seconded by: Mr. Dailey

Roll Call: Commissioners Anderson, Dailey, Davis, Hall, and Johnson voting yes; Anderson recused himself from the Mail Tribune, C&C Tire and Knife River vouchers.

Motion carried and so ordered.

Back in sequence.

7. Water Quality Report

- 7.1 Water Quality Superintendent Noelle noted that the August production was returning somewhat to normal; this morning we had the highest hourly peak demand for all year. Commissioner Hall questioned if we had ever hit that number before; Mr. Noelle stated that we have hit higher numbers in past years.

- 7.2 There are a number of water quality projects in process but nothing new to report. The Willow Lake Project is still going on, and there is no dreaded algae bloom at Willow Lake.

- 7.3 Mr. Noelle encouraged the Board to take advantage of plant staff that is available to answer any questions they may have.

8. Finance Report

8.1 Finance Administrator DeLine stated that the Finance Department is in the midst of the annual audit and that the auditors will be here for the rest of the week.

8.2 Mr. Hall requested estimated information on how much our water revenue may be down a year from now given present economic, sales, and weather conditions. Staff to spend no more than 30 minutes on evaluation. Ms. DeLine noted she will not be here at the next meeting but stated that in revenues we are not short and will provide the information to Mr. Hall.

9. Operations Report

9.1 Operations Superintendent Johnson noted that Aramark was the low quoter for uniform, services, rugs, etc. Staff is waiting for them to review the contract.

9.2 Fire Hydrant Painting – MWC received two quotes which were higher than staff anticipated. A new quote will be going out again due to the costs received. Mr. Rains noted that in the past hydrants could be painted for around \$15.00 each but alerted the Board to expect that quotes will be higher than anticipated.

10. Manager/Other Staff Reports

10.1 Big Butte Springs Life Estate Proposal

The Commission has been contacted by one of the two last property owners left on the watershed regarding a proposed life estate sale. Geologist Jones stated that the MWC received a request for a 30 acre parcel with a home on it. The MWC has had two opportunities to purchase this in the past and we do have a conservation easement on this property. The homeowner made a request for us to purchase this property as a life estate and would like to live there after the sale. They are in a situation where they owe more for the property than what it is worth; they bought the property for \$350,000, have a mortgage of \$292,000, with a real market value of \$194,000. An appraisal would need to be done and they should have to pay for half of that cost. Mr. Jones explained how the life estate works. Mr. Rains noted options that the Board could do if the life estate were appraised for less than they owe. Commissioner Johnson questioned who the neighbors are; Mr. Jones noted that we own land next to them as well as the Forest Service. Mr. Hall questioned if it was in Zone 1; Mr. Jones stated that it was not. Councilmember Strosser questioned if the underlying lender would sign off on this and thought that they might not want to; Mr. Johnson thought that it would depend on who the lender is and also stated that he did not think this is critical property. The Board agreed not to pursue this request.

10.2 Cost of Service Study Work Group Results

Manager Rains presented the outcome of the work group meetings; he noted that approximately five months ago a Study Work Group was set up, through Board direction, to discuss the Cost of Service Study Rate Program. Those attending were Ms. Peters, Mr. Clayton, Commissioners Tom Hall and Leigh Johnson, Mr. Rains, and Finance Administrator DeLine. The charge was to work out any differences in opinion in the rate program methodology. Within a short period of time the group got down to two issues; 1) there are about a dozen or so percentage assumptions 2) charging a depreciation rate on SDC funded projects. The Coalition contention was that those percentage assumptions did not accurately reflect the true separation of time and charges that would be charged in a more detailed breakdown. Our counter contention was that we are doing as detailed a breakdown as possible and it would be very difficult to break down costs more exact when working in the field. Regarding the second item, the Coalition contention was that the SDC projects were funded by donated dollars and therefore since it is donated no deprecation should be charged. MWC contention was that there were two schools of thought and at some point typically large SDC funded items will have to be replaced and we collect depreciation rates over time to pay for them

when replacements come due. After many meetings the work group reached a compromise on the two issues; 1) use agreed upon logic in determining assumed percentage allocations and 2) eliminate depreciation charge on non MWC funded SDC projects. These modifications would produce a reduction of six cents per thousand gallons on summer water for other cities. This would lower districts, inside, and outside customers as well. Tabular sheets of these issues were presented to the Board and reviewed. A new rate study using this new revised methodology and fiscal year 2010-11 numbers will be presented in the fall to the Board. NO CHANGE IN THE CURRENT RATES IS BEING REQUESTED AT THIS TIME. ONLY DIRECTION ON THE REVISED METHODOLOGY IS REQUESTED.

Commissioner Anderson questioned the policy of depreciation, why staff would agree not to charge for depreciation on an SDC project and what type of project this would be; Mr. Rains noted they were trying to get consensus. The ozone generator was an example of a SDC project. Mr. Hall noted all our customers paid for it and we have been charging all a depreciation rate. Ms. Peters noted that normally MWC pays for any asset and they pay for it up front. As that asset is used over time with wear and tear, though rates (more specifically depreciation rates), the cost of that asset is recovered and used to purchase the replacement. In the case of SDC funded assets, the Coalition is asking that funds paid by those other than the MWC should not be charged depreciation on their own donated funds. Once the asset is replaced in the future by MWC, then just like any other asset, it would be added to the list where depreciation and rate of return is recovered on that asset through rates. Mr. Hall noted that the ozone generator was paid for by SDCs, and we're going to wear it out, and next time we replace it will go on the regular asset list for depreciation. Mr. Anderson questioned why you could charge the second, third, or fourth time and not the first time; Mr. Hall noted that they would be paying for it through depreciation and rate of return the second time when the Commission has fully paid for the replacement. He also noted that AWWA goes both ways on this. Commissioner Dailey questioned if we get the rate of return from day one; Mr. Rains noted that we do not the first time around.

This methodology change, if accepted, would reflect a potential six cent summer reduction for other cities based on last year's numbers; all other customer groups go down as well. If accepted by the Board this will not change the current fees but will be included in the November Cost of Service Study. Joe Strahl of Public Works Management noted that this has been taken to all cities involved in the Coalition and all are aware that the revised methodology would go into affect when next year's financial numbers are available and the 2011 rate study is done. They are all appreciative of the changes as presented.

Motion: Approve the new rate structure program (methodology) that was formulated by the Cost of Service Study Work Group that if used today would reduce other city customer summer rates by six cents per thousand but is intended to be used with the November 2011 Cost of Service Study

Moved by: Mr. Johnson

Seconded by: Mr. Hall

Roll Call: Commissioners Anderson, Dailey, Davis, Hall and Johnson voting yes.

Motion carried and so ordered.

The Board appreciated all who worked on this. Ms. Peters requested an electronic copy when the 2011 Rate Study is finished.

10.3 Bend Mailing Contract

Staff has had great success with Bend Mailing; the new contract has been signed.

10.4 Eagle Point Agreement

Both Mr. Hall and Mr. Rains have had a discussion with Eagle Point City Administrator Dave Hussell about having a sit down discussion over their agreement that is outstanding. Both have

agreed to have a meeting but not with the full board. Issues to be discussed will be the issues that were in the last letter sent by Mr. Rains to the City of Eagle Point. Mr. Hall stated that Mr. Hussell called him and said that we are not getting anywhere on the agreement and requested an Executive Session with the MWC. Mr. Hall then called Mr. Rains who called Mr. Huttli; Mr. Huttli said we cannot have an Executive Session with them. They have asked to meet with a few Board members and staff, with no attorneys. Mr. Huttli noted that he did talk to their attorney, Mr. Kellerman, who did want to attend. Mr. Huttli stated that if Mr. Kellerman attended he would attend as well. The two Board members who will attend will be Commissioners Hall and Johnson. Mr. Hall stated that the City of Central Point has said they will not sign their contract until the Commission has scheduled a meeting with Eagle Point. Both Commissioners are available on September 29.

10.5 Water Resource Foundation

The MWC received a certificate from the Water Resource Foundation acknowledging our support.

11. Propositions and Remarks from the Commissioners

None.

12. Adjourn

There being no further business, this Commission meeting adjourned at 1:52 p.m. The proceedings of the Water Commission meeting were recorded on tape and are filed in the Water Commission's Office. The complete agenda of this meeting is filed in the Water Commission's Office.

Karen M. Spoons, MMC
Deputy City Recorder
Clerk of the Commission