

MINUTES OF THE REGULAR MEETING OF THE MEDFORD WATER COMMISSION
December 21, 2011

The regular meeting of the Medford Water Commission was called to order at 12:33 p.m. on the above date at the Medford City Hall Lausmann Annex, Room 151/157 with the following commissioners and staff present:

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

Commissioner Jason Anderson was absent.

Manager Larry Rains; Attorney John HuttI; Deputy City Recorder Karen Spoons; Administrative Coordinator Betsy Martin; Principal Engineer Eric Johnson; Public Information Coordinator Laura Hodnett; Water Quality Superintendent Bob Noelle; Operations Superintendent Ken Johnson; Big Butte Springs Operator Dennis Burg; Engineering Technician II Juston Menteer; TS Coordinator Kris Stitt; Geologist Bob Jones

Guests: City of Medford Councilmember's Bob Strosser and Jim Kuntz; Medford Mayor Gary Wheeler; Medford Pro Tem City Manager Bill Hoke; Central Point Mayor and Liaison Hank Williams; Central Point Manager Phil Messina; Central Point Assistant City Manager Chris Clayton; Eagle Point Public Works Director Robert Miller; Public Works Management Chris Peters; Gary Lake of Shasta People; Geri Jo Kemp; Brad Martinkovich, Phoenix Council Liaison Jeff Bellah; Jeri Karcey; Ken Fawcett of Americans for Prosperity; Dr. Richard Gierak of Siskiyou County Water Users Association's Science Consultant

2. Approval or Correction of the Minutes of the Last Regular Meeting of December 7, 2011
The minutes were approved as presented.

3. Comments from Audience

- 3.1 Dr. Richard Gierak, Siskiyou County Water Users Association's Science Consultant, expressed concern with the possibility of the removal of the four dams on the Klamath River and the chances that the 92,000 acre-feet of water will not be available to the Rogue Valley Irrigation Districts as fish seem to be the priority, even though fish were not native to the river. He also spoke of the loss of reservoir storage from the removal of the Savage Rapids Dam and Gold Ray Dam and the increase in chromium-6 and the cancer issues pertaining to this. Dr. Gierak expressed concern with the arsenic levels in the sludge behind the four dams on the Klamath, the potential effect on wells, the exposure of the Shasta Nation's burial grounds, converting forests into wilderness areas, and introducing larger species of wolves into wilderness areas. Dr. Gierak requested that the MWC add their voices to those being raised by Northern California counties. Finally, he stated that the removal of the water from the dams mentioned as well as the water loss from the removal of Savage Rapids Dam and Gold Ray Dam will be a 35 percent reduction of water storage in this district. Handouts were presented to the board.
- 3.2 Brad Martinkovich stated that several weeks ago Attorney HuttI advised the board that they had no legal obligation to get involved in opposing the Klamath Dams removal. Mr. Martinkovich noted that the Medford Water Commission (MWC) is a public utility and that, excluding wells, it is the sole provider of water for commercial, residential, public and private use and therefore is a monopoly. He further stated that he believed that MWC has a fiduciary responsibility to each and every one of their customers to look out for their best interests. If the dam removal comes to fruition and there is a substantial loss of Klamath watershed water being diverted to our valley and that causes an undue drain on water district resources, this may create a cost increase to their customers. He requested that the board take this opportunity to put themselves on record as opposing removal of the dams and to show that they are watching out for their customers' future water needs.
- 3.3 Ken Fawcett, Americans for Prosperity, expressed concern with the economic vitality of the valley and the impact that removal of the dams would have on the Rogue Valley and questioned who will look out for our interests.
- 3.4 Jeff Bellah, City of Phoenix councilmember and MWC liaison, introduced himself.

- 3.5 Jeri Karcey, a realtor in the Rogue Valley, addressed irrigation rights and the potential loss of those rights. She agreed with Dr. Gierak's presentation and hoped that MWC will consider the meaning of the agreements mentioned in the study session and oppose the removal of the dams. She noted clean energy issues.
- 3.6 Geri Jo Kemp, a Medford resident, expressed concern with the long-term impact the removal of the dams would have on this area. She strongly believed that staff should look at the agreements mentioned; she commented on another agreement pertaining to the adjudication process which speaks of nullification of preexisting water rights. Ms. Kemp stated that the removal of the fourth dam does affect this area and requested that MWC participate with the other agencies and be involved in the coordinating process.
- 3.7 Medford Mayor Wheeler stated that he has finished the interview process for Commissioner Hall's replacement and should have city council confirmation in January.
- 3.8 Gary Lake, Shasta People, stated that throughout the closed meetings he had mentioned in the study session there was discussion of their interest in Rogue Valley water.
- 3.9 Dr. Richard Gierak provided a photo of a relocated wolf as mentioned in 3.1.

4. Written Communications

4.1 Quarterly Letter to Mayor and Council

The quarterly letter and financial reports were presented; the board members agreed to the content, the Chair will sign and staff will forward the letter and relevant attachments to the Mayor and councilmembers.

Motion: Direct staff to send quarterly letter to Mayor and Council

Moved by: Ms. Davis

Seconded by: Mr. Dailey

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

Motion carried and so ordered.

4.2 Proposed Letter to the Other Cities Regarding Water Service in a Catastrophic Event

The proposed letter, which has been reviewed by Attorney Huttl and our attorney in Portland, was e-mailed to the board in advance of the meeting. Commissioner Johnson commented that Section 4 of the referenced Water Management and Conservation Plan should be an attachment and would like the letter to be friendlier. Attorney Huttl had no suggestions but could bring this back to the next meeting. Commissioner Hall agreed with Mr. Johnson's comments pertaining to "more friendly"; the board agreed with the present wording but requested additional wording of a friendly nature. Manager Rains questioned if the board would like staff to send out the letter to all five cities after making the suggested changes, without bringing it back to the next meeting; the board agreed. It was noted that the letter would not be sent to the districts. Public Information Coordinator Hodnett stated that the entire Plan is online.

4.3 Letter of Support for an Oregon Water Resources Grant Application

At their last meeting, the board was in general consensus regarding approval for staff to move forward in producing a letter of Commission support for the grant application related to funding the Rogue Valley Cooperative Urban Water Conservation Strategy Project. A copy of the signed letter was provided.

4.4 MWC received a letter from the City of Phoenix stating that their liaison to the MWC would be Phoenix councilmember Jeff Bellah.

- 4.5 Mr. Rains stated that we would need two board members to serve on a Conservation Work Group as directed by the board, whether the Oregon Water Resources Grant mentioned in Agenda Item 4.3 is awarded or not. He noted that he appointed Public Information Coordinator Hodnett to serve on this group as well. Commissioner Hall requested that Commissioner Johnson serve on this as he has had an interest in conservation issues and requested that the new board member serve on this as well. Commissioner Johnson agreed to serve in this capacity.

5. Public Hearings

- 5.1 Consider Resolution No. 1465, A RESOLUTION Prescribing and Establishing Rates for the Use and Sale of Water From the Municipal Water System of the City of Medford, Oregon, Within and Without said City, to Intermittent Users, and to Special Outside Customers, Repealing All Prior Rates in Conflict Herewith and Providing That the Rate Schedules as Set Forth in the 2011 Cost of Service Study Shall Become Effective With the Billings on the 1st Day of March 2012 and Thereafter

The board received a copy of the Revised 2011 Cost of Service Study at the December 7 meeting. Based on the study, staff recommended an increase in the monthly and gallonage water rates for the Inside, Outside City and Water District customer groups and a decrease for the Other Cities group, as summarized in the resolution, effective March 1, 2012. All of the cities, water districts, other interested parties as well as the general public were given notice of this public hearing. An e-mail inquiry was received from residential customer Perry Sneed and a customer at the front counter had questions that were answered. Staff recommended approval.

Public hearing opened.

Central Point Mayor Williams distributed a copy of his testimony and expressed his thoughts pertaining to a wholesale rate that covers MWC's costs with a reasonable profit, but does not heavily subsidize Medford customers. He suggested that the return on investment was still too high and that depreciation was not an expense. He thought that Central Point should pay actual dollar cost plus 33.3 percent; depreciation should be covered by MWC and the rate of return should be on assets. He commented on the remarkable improvement this past year in the relationship between the Medford Water Commission and the other cities. He stated that it is absolutely imperative for the Commissioner's to remain active participants when dealing or negotiating with the other cities. The Commissioners' involvement has created a level of trust with the other cities that previously did not exist. Mr. Williams noted that these are his personal comments and not that of Central Point or the other cities.

Commissioner Hall questioned what he meant by the actual cost to get the water to Medford; Mr. Williams questioned how much of the cost of water coming out of the springs is depreciation; understood that half of Duff WTP water is depreciation, which should be backed out. He acknowledged that MWC needs to make a profit but it appeared to be excessive.

Public hearing closed.

Motion: Approve Resolution No. 1465

Moved by: Mr. Johnson

Seconded by: Mr. Dailey

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

Motion carried and so ordered. Resolution No. 1465 was approved.

Mr. Hall noted that it has been a long year but we have come a long way.

6. Resolutions

6.1 No. 1466, A RESOLUTION Amending the Medford Water Commission's Contracting and Purchasing Resolutions, Effective December 21, 2011

During the 2011 session, legislation was passed that will affect the way local public agencies procure consulting and professional services. The Qualifications-Based Selection (QBS) process has been mandated at the state level since 2005 and now local governments will be affected. Cost is currently a factor in MWC's selection of a contractor; with QBS, contractors will be selected based solely on their qualifications. Direct procurements are approved up to \$100,000; over \$100,000 a two-step RFP process will be followed. Time is of the essence, as the new legislation will be implemented on January 1, 2012. Staff has worked with Commission Attorney Huttli in revising the regulations to reflect the new requirements, which are also being implemented at the City of Medford. Staff recommended approval.

Attorney Huttli noted the resolution contains additional language not in the agenda packet, pertaining to opting out of the Oregon Attorney General's (AG's) model rules, which is allowed in the statutes. The board questioned if adoption of these regulations is required by law; Attorney Huttli pointed out that if the board doesn't adopt the regulations, MWC would have to follow the AG's model rules, which are much more complex. Commissioner Hall noted that cost will no longer be an evaluation criterion and disagreed with the changes. The board questioned the AG's rules; Attorney Huttli explained the statutes and how MWC's regulations will differ. He discussed the current process, options and noted that city council has already approved this process. Manager Rains noted that the consultant community advocated for these changes and that adoption of these regulations is the best we can do at this time. Commissioner Dailey questioned the impact on the filter bays project; Mr. Rains commented that it would depend on the decision of the evaluation committee and if there were any changes to the solicitation. The board questioned alternative solicitation processes like low-bid; Mr. Huttli discussed design-build and pointed out that the statute directs public contracting agencies to employ the QBS process when soliciting professional design services. Mr. Rains commented that other water utilities have just accepted this; everything goes into effect January 1, 2012.

Motion: Approve Resolution No. 1466

Moved by: Ms. Davis

Seconded by: Mr. Dailey

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

Motion carried and so ordered. Resolution No. 1466 was approved.

6.2 No. 1467, A RESOLUTION Authorizing the Chair of the Board of Water Commissioners and City Recorder to Execute Agreements for the Sale of Surplus Water to Jacksonville Highway Water District, Charlotte Anne Water District, and Elk City Water District, Each for a Five-Year Period Beginning January 1, 2012

The surplus water agreements for all the water districts are subject to renewal at this time. Principal Engineer Johnson has attended district meetings and presented the new contracts for approval by district officials. These are five-year agreements. This resolution will authorize the Chair and Recorder to execute the signed contracts, staff recommended approval.

Commissioner Dailey questioned the status of Charlotte Ann Water District; Manager Rains has not heard anything except what he has read in the paper; this water service contract would not be impacted by their negotiations with the City of Phoenix. Commissioner Hall noted they might be a smaller district but they will still exist.

Motion: Approve Resolution No. 1467

Moved by: Mr. Johnson

Seconded by: Ms. Davis

Roll Call: Commissioners Dailey, Davis, Hall, and Johnson voting yes.
Motion carried and so ordered. Resolution No. 1467 was approved.

- 6.3 No. 1468, A RESOLUTION Authorizing the Manager to Distribute a Water Quality Improvement Grant for the Little Butte Creek Meander Riparian Improvements Project Located at the Denman Wildlife Area, in the Amount of \$7,500.00

Resolutions 1468 and 1469 pertain to two water quality improvement grants that were presented for informational purposes to the board at the December 7 meeting. Staff recommended funding both projects at \$7,500, which was less than the requested amount for both projects. Board members gave consensus approval to provide the funding as recommended by staff. Staff recommended approval.

Motion: Approve Resolution No. 1468

Moved by: Mr. Dailey

Seconded by: Ms. Davis

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

Motion carried and so ordered. Resolution No. 1468 was approved.

- 6.4 No. 1469, A RESOLUTION Authorizing the Manager to Distribute a Water Quality Improvement Grant for the Little Butte Creek Water Quality Enhancement Project – Frey Phase, Located on the Property of C2 Cattle Company in the Amount of \$7,500.00

Motion: Approve Resolution No. 1469

Moved by: Mr. Dailey

Seconded by: Mr. Johnson

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

Motion carried and so ordered. Resolution No. 1469 was approved.

- 6.5 No. 1470, A RESOLUTION Approving Exemption from Competitive Bidding and Authorizing the Manager to Execute a Contract Amendment for Consulting Services for Preparation of a Wetlands Vernal Pool Delineation, Biological Assessment and Mitigation Plan, and Obtaining a Wetlands Mitigation Permit for the Robert L. Lee Water Quality Complex with Northwest Biological Services

Staff requested this be continued to the next meeting due to public noticing requirements.

- 6.6 No. 1471, A RESOLUTION Awarding and Authorizing the Chair to Execute a Contract in the Amount of \$1,552,991.75 to N. Harris Computer Corporation, for Customer and Financial Information Systems Software and Support Services for the Medford Water Commission

A study session was presented at the December 7 meeting, which updated the board on the contract negotiations. Jeff Tompkins of Accent, Inc. reviewed the contract negotiations and costs and the board was in general consensus regarding moving forward with a Notice of Intent to Award to N. Harris Computer Corporation. MWC hasn't received any protests thus far. Staff fully supported and recommended approval.

Commissioner Hall noted that he had an interesting call from a customer; these are tough projects to make happen when the project takes several years. Mr. Rains requested the board's support as it will consume a lot of staff time. Mr. Hall noted the possibility of cost escalations and encouraged staff to stick to the contract price; Commissioner Dailey commented on the importance of the hardware.

Motion: Approve Resolution No. 1471

Moved by: Mr. Dailey

Seconded by: Ms. Davis

Roll Call: Commissioners Dailey, Davis, Hall, and Johnson voting yes.
Motion carried and so ordered. Resolution No. 1471 was approved.

6.7 No. 1472, A RESOLUTION Awarding and Authorizing the Manager to Execute a Two-Year Services Contract with Stanley Security Solutions for Security Services

Stanley Security, formally Sonitrol, installed our original plant security and monitoring system in 2001. The monitoring equipment is proprietary and it has been reasonable to expand over the years due to the integration of the equipment and its modular design. Stanley is the only local provider who can accommodate the scale and complexity of our monitoring needs; the City of Medford also uses their services. A contract of this value is well with the Manager's purchasing authority; however, Stanley requires MWC to sign their service agreements, which include hold-harmless language. Hold-harmless language was included in previous contracts. The contract is for a very minimal amount (under \$1,500); however, hold-harmless agreements need board approval and would be granted through approval of this resolution. In order to avoid repeat actions by the board, the resolution also authorized the Manager to renew the contract under the same terms and conditions. Staff recommended approval.

Motion: Approve Resolution No. 1472

Moved by: Ms. Davis

Seconded by: Mr. Dailey

Commissioner Johnson noted that he has a conflict of interest as Stanley Security rents property from him and will be abstaining; Attorney HuttI noted that we need three affirmative votes in order for Resolution No. 1472 to be approved.

Roll Call: Commissioners Dailey, Davis, Hall voting yes; Johnson abstained.

Motion carried and so ordered. Resolution No. 1472 was approved.

Commissioner Hall noted the unusually large number of resolutions.

7. Authorization of Vouchers

Motion: Authorize the Manager and the Recorder to issue check-warrants in payment of invoices for a total amount of \$1,895,738.76

Moved by: Mr. Johnson

Seconded by: Ms. Davis

Commissioner Johnson questioned the payment to Rogue Federal Credit Union; staff noted it was for direct deposit. Also questioned was the payment to the Office of Trustee; staff noted it was to withhold wages on an employee.

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

Motion carried and so ordered.

8. Engineer's Report

8.1 Duff Reservoir Seismic Upgrade – Construction continues on the grade beam. Placement of reinforcing bars and forming boards are almost complete along the north side of the reservoir. Interior work on the reservoir has started and will continue for the next few weeks.

8.2 Duff Filters 13-16, Redundant Backwash System and Yard Piping Project – Staff has completed field trips to review filters at Grants Pass, Oregon City, Forest Grove, Corvallis, McMinnville and Lake Oswego. Staff will compile the data and reconvene the review committee to discuss the data after the holidays.

- 8.3 Conrad Control Station – The electrical work continues and will go on for the next few weeks.
- 8.4 Ave G 48" Transmission Main – Project material submittals review continues. Moore Excavation has submitted a construction schedule with a proposed starting date of March 2012.
- 8.5 Martin Control Station – Staff has received the Basis of Design Report from OBEC and is currently reviewing it.
- 9. Water Quality Report
 - 9.1 Duff Treatment Plant – Staff is in the process of changing the conductor which was damaged during excavation for the pipeline tie-in project. Staff awarded a contract with Pacific Electrical Contractors; it is anticipated this could cost about \$14,000, although the existing conductors are in good shape and could reduce the amount by \$4,000. This project will be completed by Friday.
 - 9.2 Electrical Reliability Issues - Quotes have been received. Staff will be working with Pacific Power for service connect.
 - 9.3 Staff continues working with Marquess and Associates on Scope of Services for the intake VFD design; staff expects to start the first week of January.
 - 9.4 Staff is reviewing the recommendations for improvements to the Big Butte Springs hypochlorite disinfection system and will move forward when finalized.
 - 9.5 The Water Quality Division continues to perform the core work behind the scenes that keeps MWC solid.
- 10. Finance Report
None.
- 11. Operations Report
 - 11.1 The Willow Lake outlet lid and restoration work was finished last week.
 - 11.2 Crews completed the pipe work out at Duff WTP for the 48" pipeline project.
 - 11.3 There have been two leaks since the last meeting; both were taken care of with materials in inventory. Operations Superintendent Johnson gave compliments to the crews for completing these so quickly.
- 12. Manager/Other Staff Reports
 - 12.1 Notification of Board Regarding Emergency Contract for Cable Replacement at the Robert A. Duff Water Treatment Plant

This topic was presented by Water Quality Superintendent Noelle under the Water Quality Report. Due to the emergency nature of the project, staff awarded a contract to Pacific Electrical Contractors.
 - 12.2 Regarding the 2012 board meetings, Mr. Rains noted that due to the Duff WTP remodel, staff will now schedule two board meetings a year at the plant, which will be held in March and September. Also, the scheduled July 4 board meeting will be rescheduled to July 3.
- 13. Propositions and Remarks from the Commissioners
 - 13.1 Commissioner Hall stated we had a customer, unhappy about their meter reading, who would only

talk to one of the board members; the customer was very complimentary about MWC and requested a credit; a \$13.00 credit was given to him.

- 13.2 Commissioner Johnson suggested that we get contact Jim Pendleton from Talent Irrigation District (TID) and have a 30-minute work session on the history of TID and how water is accumulated, transferred, supplied, and gets into TID and subsequently through the rest of the valley. He stated that this is a very complicated project that dates back over 60 years and it would be very good to understand how the system works. He noted that the 30,000 acre-feet is critical and has to be understood. Mr. Rains questioned if it should be a question and answer time; Mr. Johnson clarified his request and Mr. Hall added how dam removal might affect their water. Staff will try and arrange this study session for an upcoming meeting.

14. Adjourn

There being no further business, this Commission meeting adjourned at 1:35 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. Spoonts, MMC
Deputy City Recorder
Clerk of the Commission