

COOS BAY-NORTH BEND WATER BOARD  
P O BOX 539 – 2305 Ocean Boulevard  
Coos Bay, Oregon 97420

Minutes  
Regular Board Meeting

May 18, 2017  
7:04 a.m.

Coos Bay-North Bend Water Board met in open session in the Board Room at the above address, date, and time with Chair Solarz presiding. Other Board members present: Bob Dillard and Dr. Charles Sharps. Board members absent: Melissa Cribbins. Water Board staff present: Ivan D. Thomas, General Manager; Matt Whitty, Engineering Manager; Bill Hagan, Operations Manager; Jeff Howes, Finance Director; and Karen Parker, Administrative Assistant. Board Legal Counsel Jim Coffey was present. Media present: None. Chair Solarz opened the meeting at 7:04 a.m.

Chair Solarz asked if there were any corrections or additions to the May 1, 2017, Regular Board meeting minutes. Dr. Sharps moved the minutes be approved as written. The motion was seconded by Mr. Solarz and passed unanimously.

Chair Solarz asked if there were any public comments, and there were none.

Regarding proposed Resolution No. 351 “A Resolution Making Certain Covenants in Relation to Refinancing the Water Supply Expansion Project (OECD) Oregon Economic and Community Development Department Loan”, Mr. Thomas stated the Water Board completed the Water Supply Expansion Project in 2000. The funding for the project came from a revenue bond issuance from the cities of Coos Bay and North Bend. The Water Board pledged revenue to pay the annual payment of the bonds with adoption of Resolution No. 267.

In 2006, both cities, in conjunction and with a Resolution adopted by the Water Board of Directors, refinanced their 2000 bond issuance. The City of North Bend has completed working on refinancing of the 2006 bond refinancing. Interest rates have dropped from 5% to 1.68%. This will result in savings over the 8-year refinancing period equal to approximately \$314,000 which will allow the utility to supplement existing and ongoing capital improvement projects.

Proposed Resolution No. 351 pledges the Water Board’s full faith payments supported by the new debt schedule for the annual payment of the 2016-17 Bond Refinancing to the City of North Bend. Mr. Dillard stated as a contracted employee for the City of North Bend, he may have a potential conflict of interest. After a brief discussion, Dr. Sharps moved to adopt Resolution No. 351 as proposed. The motion was seconded by Mr. Dillard and passed unanimously. The resolution read as follows:

**Resolution No. 351**

**A RESOLUTION MAKING CERTAIN COVENANTS IN RELATION TO REFINANCING THE  
WATER SUPPLY EXPANSION PROJECT  
(OECD) OREGON ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT  
LOAN**

WHEREAS, pursuant to ORS 225.050, the Cities of Coos Bay and North Bend (Cities) are the joint owners of the municipal water supply system serving the Cities; and

WHEREAS, the Coos Bay-North Bend Water Board (Water Board) is a joint agency of the Cities, established under the Charters of the Cities; and

WHEREAS, under the Charters of the Cities, and pursuant to ORS 225.050, control over the operation, maintenance, improvement, and extension of the municipal water supply system is delegated to the Water Board; and

WHEREAS, the Water Board engaged in the construction of a water supply enhancement project (Project) to increase the capacity of the Upper Pony Creek Reservoir, to make improvements to the pump station and transmission line at Joe Ney Slough, and to provide for additional pumping capacity from the dunes aquifer; and

WHEREAS, a major portion of the financing for the Project has been procured by the Cities, as owners of the municipal water supply system, through grant/loan agreements from the State of Oregon; and

WHEREAS, the OECD loan is secured by a pledge of the Cities' full faith and credit and the net revenues of the Water Board; and

WHEREAS, based on current market conditions, the City of North Bend has been able to reduce its debt service costs by refinancing (Refinancing Agreements) all or a portion of the OECD Loan; and,

WHEREAS, the Refinancing Agreements require the making of certain covenants and the agreeing to abide by certain conditions by the City of North Bend; and

WHEREAS, the Water Board's Board of Directors, as governing body of the Water Board under the Charters of the Cities and in the exercise of its control over the operation, maintenance, improvement, and extension of the Cities' municipal water supply system, desires and intends to be irrevocably bound by the covenants and to abide by the conditions contained in the Refinancing Agreements;

NOW, THEREFORE, BE IT RESOLVED by the Coos Bay-North Bend Water Board that it is and shall be irrevocably bound by any and all covenants and conditions of the Refinancing Agreements and shall perform and satisfy all such covenants and conditions on behalf of the City of North Bend, including, but not limited to, the following:

1. The granting of a security interest and the irrevocable pledge of net revenues from the operation of the water system to the repayment obligations of the City of North Bend under the Refinancing Agreements and the charging of rates and fees in connection with the operation of the system which are adequate to generate net revenues each fiscal year which are equal to at least one hundred twenty percent (120%)

of the annual debt service due under the Refinancing Agreements, plus debt service due on obligations issued on a parity with the Refinancing Agreements, if any; and

2. Assumption, on behalf of the City of North Bend, the responsibilities delegated to the Water Board by the City of North Bend to undertake and complete all obligations, abide by all covenants, and conform to all warranties as set forth in the Refinancing Agreements; and to cooperate with the City of North Bend whenever necessary to prepare financial statements, audits, or other financial reports made necessary by or required under the Refinancing Agreements.

The foregoing instrument was duly adopted by the Coos Bay-North Bend Water Board, Coos County, Coos Bay, Oregon this \_\_\_\_\_ day of May, 2017, to be and hereby is entered in full in the minutes and records of the Water Board.

Regarding the proposed Intergovernmental Agreement with the City of North Bend for billing services for the North Bend Public Safety Fee, Mr. Thomas stated the Water Board currently processes and collects the sanitary sewer fees and storm water fees charged by the City of North Bend to its residents. The Water Board is paid a fair sum for the billing and collection services it provides. These services were agreed upon in an intergovernmental agreement in late 2011.

The City of North Bend wishes to implement a monthly Public Safety fee for its residents. The City has requested the Water Board provide billing and collection services for the Public Safety fee. The Water Board could provide these services for the City of North Bend at an annual cost of \$5,034.12. As in the current agreement, the billing and collection cost for these services would increase annually based on the Municipal Cost Index. An amended Collection Fee Intergovernmental Agreement was provided to the Board members in their Board packet. Mr. Dillard stated as a contracted employee for the City of North Bend, he may have a potential conflict of interest. After a brief discussion, Dr. Sharps moved to enter into the amended Collection Fee Intergovernmental Agreement with the City of North Bend effective July 1, 2017 as provided. The motion was seconded by Mr. Dillard and passed unanimously.

Regarding the proposed Engagement Letter from Hough, MacAdam, Wartnik, Fisher & Gorman, LLC (HMWF&G), for the proposed FY2017 audit, Finance Director Jeff Howes stated HMWF&G's contract expired on December 31, 2016. Staff has engaged the services of this firm for many years and the firm has experienced and professional staff familiar with the utility's business model and financial policies. The proposed fee for auditing services will increase by 20 percent, from \$17,500 to \$19,500.

The Board previously asked Mr. Howes to communicate with other auditing firms as to their rates/availability. Mr. Howes stated he spoke with two firms that are municipally certified public accountants. One firm quoted \$18,000 for the audit, but could not meet the current calendar for closing the books in 2017. The other firm quoted a fee of \$30,000. Dr. Sharps asked if any local firms were contacted. Mr. Howes stated not at this time, but he will do so and advise the Board of his findings. After a brief discussion, Dr. Sharps moved to authorize the General Manager to sign the engagement letter entering the Board into an agreement for financial auditing services from Hough, MacAdam, Wartnik, Fisher & Gorman, LLC. The motion was seconded by Mr. Dillard and passed unanimously.

Regarding proposed Flanagan Avenue Main Replacement Project, Engineering Manager Matt Whitty stated staff proposes to replace 414 feet of 2-inch galvanized iron water main with 6-inch diameter PVC pipe on Flanagan Avenue in Coos Bay. The first 300 feet of the

existing main was installed by the Bunker Hill Water District in the 1950's, followed by an extension of the main in 1958. The existing main is in poor condition with three leaks in the past 10 years. Mr. Whitty stated he has reconsidered the situation, and rather than replacing the existing main with 6-inch PVC pipe, he is recommending it be replaced with 2-inch diameter PVC pipe.

This project is included in the current fiscal year's budget in the estimated amount of \$60,800, to include design and installation of the main and surface restoration. With the change in design from a 6-inch to a 2-inch diameter PVC pipe, the cost of the project is estimated at \$40,000. Mr. Whitty stated staff proposes installation of the new main to be performed by the utility's personnel and equipment. After a brief discussion, Dr. Sharps moved to authorize staff to design and install 414 feet of replacement 2-inch diameter PVC pipe on Flanagan Avenue at an estimated cost of \$40,000. The motion was seconded by Mr. Dillard and passed unanimously.

Mr. Whitty gave an update on the Joe Ney Dike. At the far end of the dike there is a fish ladder and a 30 foot wide spillway. A dye test was performed at the dike side of the spillway, close to where the boil is. The dye came out a bit through the boil, with most of the dye coming out at the bottom of the middle of the spillway, so there appears to be more extensive issues than what was first discovered. Chris Carpenter from Cornforth Associates did a site visit and has prepared a proposal to perform an initial investigation of the Joe Ney Dike in an estimated amount of \$7,000 which will be brought to the Board at a later date. Until then, staff will continue to monitor the status of Joe Ney Dike. Dr. Sharps and Mr. Dillard commented they would like to go to the Joe Ney site so they scheduled a time to do so with Mr. Whitty.

Mr. Whitty gave an update on Merritt Dam. Cornforth Consultants have prepared a proposal for an expanded scope of geotechnical investigations in the amount of \$298,000 (\$25,000 of this is within the original scope of work). Mr. Whitty stated the Board may want to consider having Cornforth complete the original scope and reports. There are obvious issues with the dam that need to be fixed long term for seismic resiliency. The utility has been directed to make its infrastructure resilient within a 50-year timeframe, and perhaps the additional investigation could be done with a design and rehab at a later date. Mr. Dillard inquired if staff should request proposals given the extensive cost from Cornforth. Mr. Thomas agreed and said the question is does the Board spend funds now that have not been budgeted and postpone other projects, or include this project in the utility's master plan within the next 5 to 10 years. In approximately 8 years the utility will have lessened its bond debt freeing up funds.

Mr. Whitty commented the utility has been directed to evaluate its infrastructure and has responded to that. At the end of the process with Cornforth Consultants the Board has spent \$130,000 and their report will be available for future design efforts. It was the Board's consensus to review Cornforth Consultant's report once finalized and decide how they want to proceed at that time.

Mr. Thomas presented proposed Resolution No. 352 titled "A Resolution to Adopt a Collection Fee Intergovernmental Agreement between the City of North Bend and the Coos Bay-North Bend Water Board". This resolution would formalize the Board's recommendation to enter into the amended Collection Fee Intergovernmental Agreement with the City of North Bend effective July 1, 2017. Mr. Solarz moved to adopt Resolution No. 352 as proposed. The motion was seconded by Dr. Sharps and passed unanimously. The resolution read as follows:

**RESOLUTION NO. 352**

**A RESOLUTION TO ADOPT A COLLECTION FEE INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF NORTH BEND AND THE COOS BAY – NORTH BEND WATER BOARD**

WHEREAS, the Coos Bay – North Bend Water Board (hereinafter “Water Board”) is a joint instrumentality of the Cities of Coos Bay and North Bend, Oregon, organized and operated under the authority granted by the City Charters of Coos Bay and North Bend and ORS 225.050; and

WHEREAS, the Board of Directors of Water Board has the authority to adopt resolutions; and

WHEREAS, the City of North Bend (hereinafter “City”) and the Water Board now desire to amend a prior intergovernmental agreement to provide that City will pay an annual fee to the Water Board for the Water Board providing to the City billing and collection services for the City’s sewer service, storm water service and the public safety fee.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE COOS BAY – NORTH BEND WATER BOARD AS FOLLOWS:**

1. The Collection Fee Intergovernmental Agreement between the City of North Bend and the Coos Bay – North Bend Water Board, identified as Exhibit “A”, attached hereto and incorporated herein by this reference, is hereby adopted by the Board of Directors of the Coos Bay – North Bend Water Board.
2. Board Chair, Greg Solarz, is hereby authorized to execute the Collection Fee Intergovernmental Agreement on behalf of the Water Board.

The Board’s next regular meeting was set for Thursday, June 1, at 1:00 p.m., immediately following the Budget Committee meeting.

At 7:55 a.m. Chair Solarz directed they go into executive session for the purpose of discussing potential litigation pursuant to ORS 192.660(2)(h). They returned to open session at 8:17 a.m.

There being no other business to come before the Board, Chair Solarz adjourned the meeting at 8:17 a.m.

Approved: \_\_\_\_\_, 2017

By: \_\_\_\_\_  
Chair Greg Solarz

ATTEST: \_\_\_\_\_