

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

Minutes
Regular Board Meeting

May 1, 2017
7:03 a.m.

Coos Bay-North Bend Water Board met in open session in the Board Room at the above address, date, and time with Vice-Chair Sharps presiding. Other Board members present: Melissa Cribbins, Bob Dillard and Greg Solarz. Water Board staff present: Ivan D. Thomas, General Manager; Matt Whitty, Engineering Manager; Bill Hagan, Operations Manager; Jerre Cover, Water Treatment Supervisor; Jeff Howes, Finance Director; and Karen Parker, Administrative Assistant. Board Legal Counsel Jim Coffey was present. Jeff Austin, representative from Suez was present. Media present: None. Vice-Chair Sharps opened the meeting at 7:03 a.m. (Mr. Solarz arrived later).

Vice-Chair Sharps asked if there were any corrections or additions to the April 12, 2017, Regular Board meeting minutes. Ms. Cribbins moved the minutes be approved as written. The motion was seconded by Mr. Dillard and passed with Ms. Cribbins, Dr. Sharps and Mr. Dillard voting in favor (Mr. Solarz having not arrived as yet).

Vice-Chair Sharps asked if there were any public comments, and there were none.

Engineering Manager Matt Whitty presented staff's request to design and install 210 feet of replacement 2-inch diameter PVC pipe on Madrona Court in North Bend. Mr. Whitty stated the existing main is nearly 70 years old and is beyond its useful life. This project is included in the current fiscal year's budget at an estimated cost of \$26,000 including design and installation of the new main using Water Board personnel and equipment. After a brief discussion, Ms. Cribbins moved to authorize the design and installation of 210 feet of replacement 2-inch diameter PVC pipe on Madrona Court at an estimated cost of \$26,000. The motion was seconded by Mr. Dillard and passed with Ms. Cribbins, Dr. Sharps and Mr. Dillard voting in favor (Mr. Solarz having not arrived as yet).

Dr. Sharps inquired as to why the City of North Bend's proposed \$5.00 police fee to be collected by the Water Board was not brought before the Water Board of Directors. Mr. Thomas stated he met with Terence O'Connor, North Bend City Administrator, and Bob Dillard, and discussed the billing procedures for the \$5.00 fee. Dr. Sharps asked why Mr. Dillard was present. Mr. Dillard stated he was present and they discussed other topics as well. Dr. Sharps commented at times he sees a conflict of interest with Mr. Dillard's position with the City of North Bend and being a Board member on the Water Board. Mr. Dillard said he was not a part of the decision making process on the aforementioned \$5.00 fee.

Dr. Sharps asked if the utility will be collecting the funds. Mr. Thomas stated the utility will collect the \$5.00 fee. The initial estimate for the Water Board's billing services are \$420.00 per month to

cover the utility's staff time. This estimate was presented to Mr. O'Connor and was accepted. Mr. Thomas stated he will be reviewing the current agreement the utility has with the City of North Bend (for billing storm sewer and sewer fees) and hopes to be able to amend the original contract. Dr. Sharps asked what it would cost the City of North Bend to do the billing. Mr. Thomas stated he did not know their internal processes, but assumes it would most likely cost them more than \$420.00. Dr. Sharps asked if \$420 is an adequate amount or if it should be increased. Mr. Thomas said the \$420.00 covers staff time, as well as a 7 percent administrative fee. Dr. Sharps inquired how much the City of North Bend expects to collect from this \$5.00 fee. Mr. Dillard said the City expects to collect approximately \$250,000 to \$290,000 per year. Mr. Thomas has asked Mr. O'Connor for verbiage on information to give to Water Board customers and for the contact person at the City of North Bend to address any questions or concerns. At this point, Mr. Solarz arrived. Ms. Cribbins inquired if the Collection Agreement includes an indemnification clause. Mr. Thomas stated he has not reviewed the current agreement but will verify this. Mr. Solarz commented staff could monitor their time spent on this additional billing for the first year, and if need be could amend the agreement based on this data. Mr. Thomas stated the current Fee Collection Agreement for storm sewer/sewer charges for both the cities of North Bend and Coos Bay include an annual increase based on the municipal cost index.

Mr. Thomas presented information on an Asset Management and Maintenance Program for steel welded above ground water storage tanks. The utility owns and operates seven steel welded above ground water storage tanks in its water distribution system. The tanks at Radar, Terramar, Bright's Mill, Isthmus Heights, Libby, Bay Park and Millington service areas provide several thousand customers with clean drinking water on a daily basis. The tanks range in capacity from 75,000 gallons to 1 million gallons. All tanks are constructed from welded steel and require internal and external coating systems to be maintained for the life of each tank.

Mr. Thomas stated he would like to get the Board members' feedback concerning the tank maintenance program in preparation for the upcoming fiscal year 2017-18 budget.

Staff has identified work needed on these tanks. The tanks vary in age and have not had much maintenance. There are a couple of different ways of doing maintenance: 1) Tank asset management program; or 2) traditional method of tank recoating.

The asset management approach is a good business practice, prolongs the life of the asset, improves reliability, and long term system integrity. Staff has researched a tank asset management program and the following are included in the program:

- The initial program is an 8 to 10 year program, then ongoing if wanted
- All tanks get new interior and exterior coating systems in the first 4 to 5 years
- All tanks are repaired and brought up to OSHA standards
- All tanks are cleaned internally every 3 years
- All tanks are covered for emergency repair, recoating, graffiti removal, and internal and external coating failures
- All tanks are NACE (National Association of Corrosion Engineers) inspected on an annual basis for safety conditions, sanitary conditions, coating conditions, structural conditions and security conditions by a third party inspector

Mr. Thomas showed photos of each of the utility's tanks and reviewed lists of improvements needed for each tank such as the need of steel replacement in rusted areas such as hatches, beams, ladders, and other safety related areas on or within each tank.

If the Board entered into a Tank Asset Management Program some of the advantages would be: Single source responsibility; balanced funding/spreading of costs allowing a set annual budget figure; evaluation/planning of all maintenance; regulatory compliance; emergency repair service; including future renovations, annual inspections, regular washouts and detailed reports; NACE inspection on all renovations; prolonging the life of each tank many years beyond expected failure date.

Some of the disadvantages of the Tank Asset Management Program are: The Board incurs some liability in a multi-year contract-if the Board decides to cancel the contract after year 2 or 3, it would owe the tank maintenance contractor the remaining balance of work completed to date; initial costs are higher than traditional coating methods but actually lessen each year under an asset management program, especially if recoating, emergencies, or warranty issues occur.

Mr. Solarz inquired if emergency repair service covered vandalism and if there are companies nearby that deal with tank asset management. Mr. Thomas stated vandalism is covered and he is aware of 2 companies, one on the east coast and the other on the west coast. Ms. Cribbins inquired at what point is a tank's condition too far gone to have it in the program. Mr. Thomas stated most likely structural problems. Jeff Austin, representative from Suez, was present to address any questions. Mr. Solarz asked if the company would be made aware up front of any tanks that have a limited useful lifetime or would this be reason for the company to back out of a contract. Mr. Thomas stated all information of the tanks' conditions would be known up front.

Mr. Thomas reviewed the Tank Asset Management Program showing projected values over an 8 year period.

**Tank Asset Management Program
Program Cost vs Run to Failure Cost**

Years	Annual Cost
1	\$70,000
2	\$140,000
3	\$210,000
4	\$280,000
5	\$328,000
6	\$328,000
7	\$328,000
8	\$328,000
Total over 8 years	\$2,012,000
Total 2017 dollars	\$1,740,000

Estimated Cost of Tank Replacement	
Radar	\$2,500,000
Terramar	\$1,500,000
Brights Mill	\$525,000
Isthmus Heights	\$400,000
Libby	\$400,000
Bay Park	\$337,500
Millington	\$337,500
Total 2017 dollars	\$6,000,000

Mr. Coffey inquired when the date of failure is. Mr. Thomas commented if major maintenance is not performed on at least 3 of the tanks within the next 2 to 3 years the utility will be facing tank failure, most likely having to replace the tanks.

Mr. Thomas reviewed costs of the Tank Asset Management Program versus traditional recoating showing it to be less expensive to maintain versus recoating.

Tank Asset Management Program Cost Traditional Coating Program
8-year Program Annual Cost

Years	Annual Cost	Years	Annual Cost
1	\$70,000	1	\$695,410
2	\$140,000	2	\$425,109
3	\$210,000	3	\$282,578
4	\$280,000	4	\$ 16,632
5	\$328,000	5	\$ 22,952
6	\$328,000	6	\$ 17,814
7	\$328,000	7	\$ 24,584
8	\$328,000	8	\$ 19,083
9	\$120,500	9	\$ 26,336
10	\$124,718	10	\$754,096
11	\$129,083	11	\$475,842
12	\$133,601	12	\$267,836
13	\$138,277	13	\$ 30,220
14	\$143,116	14	\$ 23,460
15	\$148,125	15	\$ 32,372
Total over 15 years	\$2,949,419	Total over 15 years	\$3,114,324
		Contingency 10%	\$311,432
		Engineering 5%	\$155,716
		Total Contingency & Eng.	\$3,581,473

Mr. Austin stated once renovation is complete, the tank is as good as new. At the end of the renovation period, the contract runs year to year.

Mr. Thomas presented proposed funding options for a Tank Asset Management Program:

Option 1: Funded through Capital Improvement Plan (CIP) with 1% rate increase for four years and about a .5% rate increase in year 5.

Option 2: Funded through CIP with no rate increase – other identified projects would be delayed.

Option 3: Funded through higher rate increases sooner.

Option 4: Funded through partial rate increase and in part by Option 2.

Mr. Thomas and Mr. Whitty checked references with other utilities who take part in a Tank Maintenance Program. The utilities are located in Oregon, Washington and California. All references were very positive.

Mr. Coffey asked what type of entity Suez is. Mr. Austin stated they are an international corporation and he would be happy to supply the Water Board with documentation.

Mr. Thomas asked the Board members for feedback regarding a Tank Asset Management Program versus traditional re-coating and if they would like staff to move forward with such a program.

Dr. Sharps commented he feels very positive about the Tank Asset Management Program but would like information as to funding. Mr. Thomas stated in Option 1 is a 1% increase equal to \$70,000. If rates were increased 1% next year and applied towards capital for the tank maintenance program the utility would be proposing approximately a 2.5% to 4% increase, however budget figures are not yet finalized. (1% per year for 4 years and then approximately .5% for year 5.) Ms. Cribbins asked what the proposed rate increase would be for the upcoming budget year if the Board did not enter into a Tank Asset Management Program. Mr. Thomas stated approximately 1.5% to 3%. Ms. Cribbins commented Option 1 is reasonable.

Mr. Dillard asked what the cost would be at the end of the upgrade/warranty period and if it would be negotiated annually by the Board. Mr. Austin stated at the end of the renovation period, it becomes a year-to-year contract as long as the utility wants to continue in the program.

Mr. Thomas asked the Board members if they had any interest in the other options. It was the Board's consensus to go with Option 1.

Mr. Thomas stated he is aware of only two companies who deal with tank asset management, one on the west coast and one on the east coast. He asked the Board for feedback as to issuing a Request for Proposals or sole source the contract for a tank maintenance program specialist. Ms. Cribbins stated staff could contact the company on the east coast and ask if they have any interest in bidding, and if not then sole source. Mr. Coffey commented staff needs to document the fact if there is only one provider.

Mr. Thomas presented Board members with a water conservation kit as "Water Week" begins May 1st. The water conservation kits will be given out free to customers during Water Week, and after that customers may purchase the kits for a nominal cost.

Engineering Manager Matt Whitty gave an update on the City of Coos Bay's project on Golden Avenue. The Water Board received notification from the City of Coos Bay of their intent of repaving and possibly reconstructing Golden Avenue. Staff reviewed the utility's water main which is an 8-inch cast iron water main. Mr. Whitty stated there have not been any maintenance issues or leaks and the main is considered to be in good condition. Dr. Sharps inquired if the City of Coos Bay's reconstruction of the street will have an impact on the water main. Mr. Whitty stated he is not aware of any problems at this point. Civil West is the design engineer and he is in communication with them to keep apprised of the project.

Regarding the Merritt Dam Seismic Analysis, Mr. Whitty stated the material is of concern under the dam and Cornforth has proposed additional investigation, which would bring the total cost of the project up to approximately \$300,000. The Board has currently approved the amount not to exceed \$130,000. Mr. Whitty will be meeting with Cornforth Consultant Chris Carpenter to

discuss additional investigation and what the Board will gain. At this point, it is most likely something needs to be done based on the current findings of the dam.

Regarding the Joe Ney Dike, Mr. Whitty stated there is a small hole in the dike. Staff has been keeping watch and it is not increasing in size, the water is clear, and most likely this has been happening for some time now. It has been recommended to place sand bags on it to stop the leak, but prior to doing so Mr. Whitty will speak with Mr. Carpenter to look at the situation.

The Board's next regular meeting was set for Thursday, May 18, 2017, at 7:00 a.m.

At 8:26 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 8:34 a.m.

There being no other business to come before the Board, Chair Solarz adjourned the meeting at 8:34 a.m.

Approved: _____, 2017

By: _____
Chair Greg Solarz

ATTEST: _____