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

Minutes
Regular Board Meeting

7:00 a.m.
October 6, 2016

Coos Bay-North Bend Water Board met in open session in the Board Room at the above address, date, and time. Past Chair Richard Vigue has resigned from the Board and a new member, Bob Dillard, has been appointed, this being his first meeting on the Board.

Regarding election of Board Officers, Dr. Sharps moved they follow the regular rotation of officers to commence at this meeting. The motion was seconded by Ms. Cribbins and passed unanimously. Officers for the following year are as follows: Chair – Greg Solarz; Vice-Chair – Dr. Charles Sharps; Secretary – Melissa Cribbins; and Member – Bob Dillard.

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: Melissa Cribbins, Dr. Charles Sharps and Bob Dillard. Board members absent: None. Water Board staff present: Ivan D. Thomas, General Manager; Bill Hagan, Operations Manager; Matt Whitty, Engineering Manager; Bryan Tichota, Customer Relations Supervisor; Jerre Cover, Water Treatment Supervisor; Jeff Howes, Finance Director; Jim Kaylor, Contract Operations Manager; and Karen Parker, Administrative Assistant. Board Legal Counsel Jim Coffey was present. Officer Wetmore from the Coos Bay Police Department was present. Media present: None. Chair Solarz opened the meeting at 7:00 a.m.

Chair Solarz asked if there were any corrections or additions to the September 15, 2016 Regular Board meeting minutes. Ms. Cribbins moved the minutes be approved as written. The motion was seconded by Dr. Sharps and passed unanimously.

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

Jim Kaylor gave a presentation to the Board detailing specific projects identified as needed improvements to the Pony Creek Treatment Plant. The proposed projects were given in the order of importance both from a regulatory and safety perspective.

- <u>Chlorine Gas to Liquid Sodium Hypochlorite Conversion</u>

The Pony Creek Treatment Plant currently uses chlorine gas combined with ammonia gas as a primary disinfectant. The history of chlorine gas usage for the disinfection of potable water is extensive during the past 50 years. In the past 15 years, as a result of the increase in regulations affecting the safety of both treatment professionals and the general public, the use of chlorine gas for disinfection has declined.

The use of chlorine gas for disinfection requires that a "Risk Management Plan" be established and maintained. The role of the Risk Management Plan is to predict the impact of a gas chlorine leak and evaluate the safety processes that could be utilized to mitigate a leak. The Risk Management Plan is required to be updated every five years.

The U.S. Environmental Protection Agency (EPA) is proposing to amend the Accidental Release Prevention Requirements for Risk Management Programs which is currently regulated under the Clean Air Act, Section 112(R)(7).

An additional requirement for the process hazard analysis (PHA).

Enhancements to the emergency preparedness requirements.

Increased public availability of chemical hazard information in addition to several changes to specific data elements submitted in the RMP.

Third party audits that will need to be funded by industry using the chemicals identified in the Risk Management Plan. Currently there are approximately 12,500 water or wastewater facilities that will be impacted by these new regulations.

As a result of these new regulations, and the probability of future continued regulatory amendments, many water and water reclamation facilities have made the decision to use alternative disinfection products. Liquid chlorine products, ozone, and onsite chlorine generation are all products that do not include the hazards associated with using chlorine gas and the associated requirements to keep pace with the ever changing regulatory mandates of Risk Management Plans as well as the associated Accidental Release Prevention Requirements that impact all facilities that use or store chlorine gas.

- <u>Conversion of Dry Fluoride Feed System to Liquid Fluoride</u>

The Pony Creek Treatment Plant was originally designed in the late 1980's and the design included provisions for feeding liquid sodium fluoride. Due to leaking issues with the design of the original fluoride bulk storage tank, a decision was made during the recent plant upgrades to switch to a dry powder fluoride feed system. This feed system has proven to be problematic and unreliable in the feeding of fluoride with the accuracy needed on a daily basis. The issues are not specific to the type of fluoride feed system at the plant, but consistent with the issue of all dry fluoride feed systems in general. The dry fluoride has to be wetted and dissolved prior to being fed into the treated water and this process results in varying solutions strength issues. This problem is not consistent with maintaining an accurate and repeatable dosage of fluoride leaving the treatment plant.

Staff is recommending that a review of the current fluoride feed system be accomplished with recommendations regarding the cost to convert back to a liquid system with the proper bulk tank and liquid chemical feed tanks.

- Study to Evaluate the "Cost/Benefit" of Eliminating the Use of Lime for Ph Control in the Treatment Process and Using the Existing Sodium Hydroxide (Caustic Soda) Feed System.

Maintaining the proper Ph of all water as it is undergoing treatment and delivered to the customers through the distribution system is one of the core responsibilities of a water treatment plant operator. Water that has been treated to a specific Ph is stable and non-corrosive and extends the life of both the treatment plant and the distribution system and water customer's home plumbing.

The Pony Creek facility uses both lime and sodium hydroxide for Ph control. Lime provides primary Ph control as the water is being treated and processed and sodium hydroxide is used to "trim" the Ph values as the water leaves the treatment facility and enters the distribution system and current reservoir systems.

Although both systems can adequately provide Ph control, maintaining and operating two systems is usually not cost effective when "life cycle cost", (the cost associated with operating and maintaining treatment systems over a 20 year period) are evaluated. The lime system was designed as part of the original 1993 plant and the sodium hydroxide was added during the last expansion/upgrade phase.

Staff is recommending that a cost/benefit analysis be conducted regarding the current practice of utilizing both lime and sodium hydroxide to provide Ph control for the Pony Creek Treatment Plant. The current lime feed system should be evaluated with respect to its ability to provide accurate inventory control of the amount of lime being used on a daily basis and the annual maintenance and operation requirements vs. using the sodium hydroxide system exclusively. It is unusual for a treatment plant to have dual bulk storage and feed systems for the control of Ph and the recommended analysis will provide direction for annual maintenance and capital improvements for the selected feed chemical delivery system.

Mr. Kaylor stated the above projects are important from an operational safety perspective as well as a life cycle cost perspective. Staff feels that competent design professionals could provide design recommendations for all of the projects within 150 days from receiving the notice to proceed. Each specific project would require an additional construction schedule of three to six months.

Contract Operations Manager Jim Kaylor presented staff's request for authorization for the solicitation of qualified SCADA design and engineering firms with interest in providing a SCADA System Master Plan. Mr. Kaylor stated the existing Supervisory Control and Data Acquisition (SCADA) for the Pony Creek Treatment Plant provides monitoring for the treatment plant and specific mission critical reservoirs and pump stations in the water distribution system. The treatment plant began its operations in 1992 and the current SCADA hardware and software was designed by S & B System Specialist, a firm located in Bellevue, Washington. Although the Pony Creek Treatment Plant has one local server, all process control functions require a direct link to the S & B Bellevue, Washington location. This becomes problematic when the direct link between the Pony Creek Treatment Plant and S&B is lost.

When the treatment plant was upgraded in 2013 there were more additions made to the SCADA system. The main problem with the SCADA system is it is not a "stand alone" system. There have been instances when weather or technology related failures rendered the treatment plant inoperable until specific S & B personnel could be contacted. Once contact is made, S & B

personnel are required to get to their office location in Washington to begin the process of determining the cause of the failure and then take corrective action. This usually results in a 3 to 4 hour loss in production and monitoring as the design for the treatment plant and associated SCADA system does not include the ability to operate in a manual mode when the plant SCADA control is impacted by electronic failures. In addition, loss of the S & B link prevents distribution system monitoring or control.

Mr. Kaylor noted recent discussions with Jordan Cove have resulted in a need for additional SCADA applications at all groundwater wells located in the North Spit area. Jordan Cove has committed to provide funding for upgrades and new monitoring applications for the wells needed to support the natural gas processing application. Predicated upon the outcome of the SCADA Master Plan, the percentage of cost sharing for the cost of the final plan will be divided between Jordan Cove and the Water Board.

A draft Scope of Work has been developed and it is estimated that the level of effort needed to complete a SCADA System Master Plan is in the range of $35,000 to $40,000. Dr. Sharps inquired what the cost is for licensing. Mr. Kaylor stated the licensing fee, depending on number of inputs for the software, could run anywhere from $10,000 to $20,000 per year. Dr. Sharps asked if this has been included in the budget. Mr. Thomas stated the SCADA project may be funded, depending on the outcome of the SCADA Master Plan and the percentage of cost sharing for the cost of the final plan between Jordan Cove and the Water Board. In addition, Mr. Thomas stated there are projects budgeted for the current fiscal year at the treatment plant that may be done at a future date which would free up funds for the SCADA project.

After a brief discussion, Dr. Sharps moved to authorize staff to solicit qualified SCADA design and engineering firms with interest in providing a SCADA System Master Plan and present it to the Board at a future date for consideration of award. The motion was seconded by Mr. Dillard and passed unanimously.

Regarding proposed Resolution No. 348 “A Resolution Determining Coos Bay-North Bend Water Board’s Lands and Timber as Multi-use Capital Assets”, Mr. Thomas stated this resolution was recommended during the recent FY2016 financial audit performed by the utility’s financial auditor, Hough, MacAdams, Wartnik, Fisher & Gorman, LLC. Dr. Sharps asked why this has been recommended. Finance Director Jeff Howes stated it was due to new guidelines established by the Governmental Accounting Standards Board on the Fair Market Asset Valuation Standards (GASB 72). The guideline discusses assets purchased and held for future revenue purposes as needing annual evaluation or audit if the assets are not recognized as multi-use. After a brief discussion, Dr. Sharps moved to adopt Resolution No. 348 as proposed. The motion was seconded by Mr. Dillard and passed unanimously. The resolution read as follows:

RESOLUTION NO. 348

A RESOLUTION DETERMINING COOS BAY-NORTH BEND WATER BOARD’S LANDS AND TIMBER AS MULTI-USE CAPITAL ASSETS

WHEREAS, the Coos Bay-North Bend Water Board (Water Board) is tasked with supplying the cities of Coos Bay, North Bend, and surrounding areas with potable drinking water; and

WHEREAS, the Water Board owns and manages land and timber in areas such as Source of Supply, Power and Pumping, Distribution, etc.; and

WHEREAS, the primary use of those lands and timber is to enhance the Water Board's ability to provide services; and

WHEREAS, periodically the Water Board engages in timber harvests to provide additional funds for the utility to promote its mission in the community; and

WHEREAS, new governmental accounting standards, GASB 72, require investments to be recorded at fair value; and

WHEREAS, the standards define an investment as a "security or other asset that is held primarily for the purpose of income or profit and has a present service capacity based solely on its ability to generate cash or to be sold to generate cash";

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Coos Bay-North Bend Water Board exercises its professional judgment in declaring that land and timber owned by the Water Board are multi-use capital assets, held primarily for optimization of the Water Board's mission to supply safe, affordable drinking water to its service territory.

Regarding proposed Resolution No. 349 "A Resolution Making Certain Covenants in Relation to Refinancing the Water Supply Expansion Project (OECDD) 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 Coos Bay has been in contact with staff and is currently working on a Request for Financing of the 2006 Bond Refinancing. Mr. Thomas stated the current interest rate is at approximately 5 percent, and anticipated to drop below 2 percent. This would result in savings over the 8-year refinancing period equal to approximately $180,000. The Water Board would utilize one-half of the savings toward unforeseen road improvement projects that require water infrastructure relocation in the water distribution system that are City, County or ODOT related. The remaining one-half of the savings would be utilized to supplement existing and ongoing capital improvement projects.

The City of Coos Bay recently adopted a resolution to proceed with a Request for Funding. Proposed Resolution No. 349 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 Coos Bay.

Dr. Sharps asked if the City of North Bend has already completed refinancing of the 2006 Bond Refinance. Mr. Thomas stated it was his understanding they have done so. Dr. Sharps inquired as to the reason the refinancing was not done simultaneously as in prior years. Mr. Solarz also questioned why a resolution was not adopted on the City of North Bend's recent bond refinance. Mr. Coffey stated because the City of North Bend did the refinance on their own. Mr. Solarz asked if North Bend's cost of the bond refinance is less than it was. Mr. Thomas stated he was under the impression it was below 2 percent and the savings would be utilized by the City of North Bend for unplanned/unfunded projects within the City. Finance Director Jeff Howes just recently received the new debt schedule from North Bend. Mr. Thomas commented because the City of Coos Bay is moving forward with their bond refinance, the City of North Bend is looking at reverting the savings back to the Water Board. Dr. Sharps asked how the savings of North Bend's funds would be utilized. Mr. Coffey commented that the North Bend City Administrator, Terence O'Connor, told the City Council if Coos Bay does refinance,

and if in fact they do not keep the savings within the City and pass it back to the Water Board, that the City of North Bend would make a determination as to whether or not they would continue the course they are on or reverse their earlier decision and pass the savings on to the Water Board. Mr. Dillard stated he believes there is some flexibility and he had made a recommendation to the council that the savings be utilized toward the water system. Mr. Coffey recommended the Board adopt proposed Resolution No. 349 to allow the City of Coos Bay to proceed with their Request for Funding to refinance the 2006 bond refinance.

Mr. Solarz noted on page 2, paragraph 1, of proposed Resolution No. 349, the word "hundred" needs to be added so it reads: "at least one hundred twenty percent", rather than "at least one twenty percent". Dr. Sharps moved to amend proposed Resolution No. 349 as stated. The motion was seconded by Mr. Dillard and passed unanimously. Dr. Sharps moved to adopt Resolution No. 349 as amended. The motion was seconded by Mr. Dillard and passed unanimously. The resolution read as follows:

Resolution No. 349

A RESOLUTION MAKING CERTAIN COVENANTS IN RELATION TO REFINANCING THE WATER SUPPLY EXPANSION PROJECT (OECDD) 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 OECDD 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 Coos Bay may be able to reduce its debt service costs by refinancing (Refinancing Agreements) all or a portion of the OECDD Loan; and,

WHEREAS, the Refinancing Agreements require the making of certain covenants and the agreeing to abide by certain conditions by the City of Coos Bay; 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 Coos Bay, 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 Coos Bay 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 Coos Bay, the responsibilities delegated to the Water Board by the City of Coos Bay 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 Coos Bay 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 October, 2016, to be and hereby is entered in full in the minutes and records of the Water Board.

Regarding the proposed updates to the Water Board's Personnel Policies and Procedures Manual, Mr. Thomas stated per the Board's request at the August 20, 2016 Regular Board Meeting, the manual was reviewed for inconsistencies regarding language concerning the definitions of the Water Board, the Board, and the General Manager. The proposed changes would become effective October 21, 2016 giving staff a 15-day notice of changes. Dr. Sharps suggested where references are made to the "Board" be changed to "Board of Directors". After a brief discussion, Dr. Sharps moved to amend the Personnel Policies and Procedures Manual changing "Board" to "Board of Directors", and adopt the updates as proposed effective October 21, 2016. The motion was seconded by Mr. Dillard and passed unanimously.

The Board's next regular Board meeting was scheduled for Thursday, October 20, 2016, at 7:00 a.m.

At 8:15 a.m. Chair Solarz directed they go into executive session for the purpose of discussing personnel issues pursuant to ORS 192.660(2)(a). They returned to open session at 8:27 a.m. There being no other business to come before the Board, Chair Solarz adjourned the meeting at 8:27 a.m.

Approved: _____, 2016 By: _____
Chair Greg Solarz