

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

Minutes
Regular Board Meeting

October 17, 2019
7:00 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 Bob Dillard presiding. Other Board members present: Greg Solarz and Dr. Sharps. Board members absent: Melissa Cribbins. Water Board staff present: Ivan D. Thomas, General Manager; Jeff Howes, Finance Director; Matt Whitty, Engineering Manager; and Karen Parker, Administrative Assistant. Board Legal Counsel Jim Coffey was present. Media present: None. Chair Dillard opened the meeting at 7:00 a.m. and lead the Board and assembly in the Pledge of Allegiance.

Chair Dillard asked if there were any corrections or additions to the October 3, 2019, Regular Board meeting minutes. Dr. Sharps moved the minutes be approved as written. The motion was seconded by Mr. Solarz and passed unanimously.

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

Regarding renewal of the Pacific Source dental insurance contract, Mr. Howes stated Pacific Source has submitted a proposal for the next coverage period of December 1, 2019 through November 30, 2020. The proposal includes a rate increase of 2.6% across each group within the plan. At a full staff of 41 employees, the total annual cost proposal would equal a maximum of \$51,014. This is a maximum increase of \$5,690 more than the total billings of \$45,324 for FY18-19 for 40 employees at different levels of staffing.

A savings of \$6,032 was realized last year. Management staff would like to offer employees the addition of cosmetic orthodontic insurance this year with the savings from last year's final rates. The additional annual cost of this insurance would be a maximum of \$1,968 at a staffing level of 41 employees.

After a brief discussion, Dr. Sharps moved to accept the Pacific Source dental plan renewal for 2019-2020 with the addition of cosmetic orthodontic insurance and authorize the General Manager to renew the contract at the proposed rates. The motion was seconded by Mr. Dillard and passed unanimously.

Regarding the proposed amended contract with 4 C's Janitorial Service, Mr. Thomas stated the utility currently has an implied contract with 4 C's Janitorial. The last contract was entered into in December 2017 and expired in December 2018. 4 C's Janitorial has kept the implied contract in place at a cost of \$1,625 per month performing the same janitorial services.

The utility's contracting guidelines allow for when circumstances arise which, in the sole discretion of the General Manager, justify an amendment of the original contract. The General Manager shall consider whether the amendment is within the general scope of services contemplated under the original contract and whether the proposed amendment would materially impact the field of competition for the additional services described in the original contract. Factors to be considered in making this determination include similarities in work, project site, relative dollar values, differences in risk allocation, and such other factors as the General Manager, in his discretion, may consider relevant.

4 C's has provided janitorial services for the utility over the last 13 years and have proven to be very thorough, reliable and trustworthy.

Water Board contracting guidelines also allow for intermediate procurements where the total increase in the contract price, either by one amendment or cumulative amendments, does not increase the total contract price by more than 25 percent. In this case, staff is suggesting a new amended contract with 4 C's Janitorial at an additional cost of \$75 per month or \$1,700 per month total (4.6%).

The proposed amended contract allows for a three year contract with an option for an additional two years, totaling five years for the length of the new contract. The contract also has built in price increases of 2% on an annual basis. This cost increase has been budgeted in the FY 2020 budget.

After a brief discussion Dr. Sharps moved to authorize the General Manager to negotiate an amended contract with 4 C's Janitorial for an amount of \$1,700 per month, including 2% cost increases annually for a five year period beginning in November 2019. The motion was seconded by Mr. Dillard and passed unanimously.

Mr. Thomas stated in preparation for the July 1, 2019 Actuarial Valuation to be completed by Milliman on the Water Board's closed pension plan, Milliman has asked the Board for input regarding suggested changes in the plan. Board members were provided with Milliman's outline of recommendations to the actuarial methods and assumptions needed.

Finance Director Jeff Howes reviewed the assumptions recommended by Milliman to be considered by the Board:

- Decreasing the assumed rate of return – Milliman was able to utilize the 2017 valuation to make some assumptions of cost increases related to decreasing the assumed rate of return. At a minimum they are suggesting that the Water Board move from a 6.50% rate of return to a 5.75% rate of return. In 2017 dollars this means a total annual increase of payment of approximately \$88,000 annually. The 2017 balance does not include the benefit of gain that the account has seen over the last two years. In an informal discussion with Milliman, they suggest that the gains over the last two years would reduce the amount needed by approximately \$60,000. Meaning the annual increase could be as low as \$28,000 at a 5.75% rate of return.

- Future decreases in rate of return – In Milliman’s pre-valuation, they report for the Water Board to be conservative the plan could move to a rate of return as low as 5.25%. Using the same methodology as above, this would mean an annual increase of approximately \$100,000. It could be possible for the Water Board to do this in future budgeting years with careful planning.
- Mortality Assumption – Milliman is also suggesting the Water Board adjust its mortality assumption for the closed pension plan. Currently, the plan follows the RP-2000 Combined Tables for Males and Females projected. Milliman is suggesting an adoption of the same mortality improvement assumption used by Oregon PERS; generational projection with Unisex Social Security Data Mortality Projection Scale.
- Rate of future inflation – Milliman is recommending a decrease in the assumed rate of inflation rate from 2.75% per annum to 2.25% per annum. This is based on lower inflation trends and historical data provided by Milliman.
- Decrease in future salary increases for plan participants – Milliman is suggesting a decrease in the assumed rate of future salary increases for active participants from 4.00% per annum to 3.25% per annum. This is based on lower salary growth over the last three years at about an average of 3.08%.
- Change in the method for amortizing the unfunded actuarial liability (UAL) – Milliman is recommending a change from a closed 15-year period to a “fresh start” amortization of the UAL. This is based on what the average expected remaining future working lifetime was for all active plan participants. The average was 12 years in 2017. Assuming the average would be less now, a “fresh start” with 10 years is recommended.

The above assumptions were made from data in the 2017 actuarial valuation and some available data that was ready in preparation for the 2019 actuarial valuation. Staff would suggest that the Board consider an aggressive 3-4 year phased approach to eventually make assumptions based on the assumed rate of return of 5.25%. This would mean the Board would eventually have to fund the plan at an approximate annual amount of \$100,000 annually. Today this equates to approximately a 1.40% rate increase to Water Board ratepayers.

Staff suggests that the Board of Directors move to direct Milliman to include an assumed rate of return of 5.75% or \$40,000, whichever is less for the 2020 valuation period and a rate of return of 5.50% or \$70,000 total over two years, whichever is less for the 2021 valuation period. In addition, staff suggests that the Board of Directors direct Milliman to include the suggested changes for mortality rates, inflation rates, future salary adjustments, and amortization assumptions in the July 1, 2019 actuarial valuation.

Mr. Thomas stated ultimately staff is wanting direction from the Board as to what Milliman should include in the 2019 actuarial valuation and the changes would actually take place July 1, 2020. The 2019 actuarial valuation will be brought back to the Board for approval.

Mr. Coffey inquired when the 2019 actuarial valuation is prepared and Milliman uses the guidelines the Board has adopted, would they also be able to show the difference between what it would have been had the Board not adopted their guidelines versus what it is with their guidelines. Mr. Thomas referred to Milliman’s Exhibit 1 which summarizes the impact of changes

on the actuarial liability and recommended contributions, and stated staff would ask Milliman to do so in order to assist the Board on what the financial differences are. Exhibit 1 is based on the 2017 figures and in a few weeks Milliman will have the 2019 figures.

After further discussion, motion was made by Dr. Sharps to adopt Milliman's recommendation as guidance in preparing the 2019 actuarial valuation. The motion was seconded by Mr. Dillard and passed unanimously.

The Board's next regular meeting was set for Thursday, November 7, 2019, at 7:00 a.m.

Updates were given as follows:

- Computer Upgrade and Server – Equipment has been received and Comp-U-Talk will be upgrading during the first two weeks in November. The Springbrook update will take place in mid-December.
- Madrona Street Main Replacement Project-Bids are being solicited with a closing date of November 7th.
- Coos River Highway- An on-site meeting is scheduled today with Roto-Rooter
- McCullough Bridge – The water main has been installed at the north end of the bridge but the crew will go back to do inlay.
- Service Center Roof Repairs – Waiting to get updated information regarding additional workers' compensation insurance from Rich Rayburn.
- Lead and Copper Rule Testing – Staff is working with OHA and contacting community members to get additional sample sites.
- FY2019 Audit – Working on the actuarial review. FY2019 Audit will be presented to the Board most likely at the November 21st Board meeting.
- Water Treatment Plant Supervisor – John McKeivitt has accepted the offer and will begin employment on October 21, 2019.

At 7:38 a.m. Chair Dillard 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 8:10 a.m.

Chair Dillard moved to authorize Jim Coffey to contact Attorney Luke Reese of Garrett, Herman & Robertson to seek legal representation for the Water Board in the McPherson/Bankler law suit, and further authorize Jim Coffey to negotiate, review and approve a Joint Defense Agreement with Karen O'Casey's firm for defense in the class action allegations, and allow the General Manager to execute the Joint Defense Agreement. The motion was seconded by Dr. Sharps and passed unanimously.

At 8:10 a.m., there being no other business to come before the Board, Chair Dillard declared the meeting adjourned.

Approved: _____, 2019

By: _____
Chair Robert Dillard

ATTEST: _____