

**City of Sutherlin
Council Workshop Meeting
Monday, August 25, 2014
Sutherlin Civic Auditorium 8:45pm**

COUNCIL MEMBERS PRESENT:

Tom Boggs, Frank Egbert, Patricia Klassen, Todd McKnight, Karen Meier,
Forrest Stone

MAYOR: Denny Cameron

CITY STAFF: City Manager, Jerry Gillham
City Recorder/HR Manager, Debbie Hamilton
Deputy City Recorder, Diane Harris
Finance Supervisor, Dan Wilson
Finance Advisor, Andy Parks
Community Development Director, Vicki Luther
City Engineer, Jeff Nelson
Wastewater Division Supervisor, Brian Elliott
Chief of Police, Kirk Sanfilippo

Audience: Juanita & Tadd Held, Brian Burke Sr., Pam Cameron, Dana Foley, Dennis & Jean Wilde, Beth & Jim Houseman, Wes Anderson, Floyd Van Sickle, Mike Meier, Michelle Sumner

Introduction of Media: Garrett Andrews, The News Review

Called to order by Mayor Cameron at 8:45pm.

WORKSHOP - Wastewater

○ **Value Analysis Update**

Staff Report – City Manager, Jerry Gillham, explained topics for discussions:

- Value Analysis Update
- Wastewater Financing process to date
- Continuing rate analysis

Community Development Director, Vicki Luther, reported Value Analysis process took place August 19th – 22nd at City Hall, participating Engineer, Dale Richwine, will give tonight's presentation regarding the analysis, City will receive a draft report in approximately one week, will be given a couple of weeks to make comments, after which will receive final report.

Richwine explained the Value Analysis (VA) process for the Wastewater Facilities Plan. Team consisted of two Value Engineering professionals leading the workshop – Mike Morrison, Value Management Consulting and Anna Bremmer, Bremmer Consulting; Process Engineer – Dale Richwine and Civil Engineering/Constructability, Dick Day; City Staff – Vicki Luther, Jeff Nelson, Brian Elliott, John Bachman; Engineers, Wes Anderson and Grant Denn, Orenco; Jon Gasik, DEQ; and Project Engineer, Steve Major, Dyer Partnership.

Brainstorming process resulted in 131 ideas on how to approach things, which were broken down into ultimately five or six *true value* items, additionally came up with 16 ideas as suggestions for Major to evaluate further.

Process and findings:

- Project is estimated at \$19.5 to 21 million, depending how it's built, could not find the "golden nugget" that would reduce costs.
- Reviewed current condition of the facility, the concrete and structures are in outstanding shape, the metal, pump station and some of the facilities have reached their life expectancy and need to be replaced.
- The purchase of Ford's Pond as storage, as well as opportunities for reuse, will be able to meet the growth needs long term.
- Due to the shape and length of the town and the collection system that is required, there is a tremendous amount of Infiltration and Inflow.
- Predicted peak flow is 9 million gallons per day, discussed options with DEQ and was able to reach an agreement that if there was a "pre-treatment" prior to the secondary, they would allow what is called "flow management". Would be able to downsize the plant from 9 million gallons to 5 million gallons per day. After centering on that idea, then focused on possibility of saving money on "flow management", recommendation is for Major to study more extensively, could potentially downsize the facility and possibly save anywhere from \$.5 to 1 million. This option was closest when trying to come up with the "gold nugget".
- Class A vs. Class B vs. Class C – Fact sheets to be included in the analysis report.
 - Class C – Secondary effluent, explained disinfection process for coliform, a disease causing organism. Public access is restricted, fencing and/or barriers are required eliminating direct public contact.
 - Class B – Next step in disinfection process is to add more chlorine, to remove additional coliforms, because there is less bacteria there are less restrictions, however public access is still restricted.
 - Class A – Has to be coagulated and filtered, all fine particles which carry bacteria are removed during the turbidity process and continuous monitoring of the water quality allows unrestricted access.
- Difference between C and B is more chlorine, difference between B and A are filters, capital cost and less chlorine.
- Reviewed cost of filters, found capital costs for Class A vs. Class B would be between .80 and \$1.20 more on a monthly bill. The difference between Class A vs. B, from a VA assumption, less chlorine is needed which reduces cost, over 20 year period cost savings would be approximately \$300,000 difference, bringing down cost to a .40 per month difference in Operation and Maintenance (O & M).
- All three options do require operator attention, monitoring, sampling and an approved reuse management plan.
- Class A - offers more opportunity; Class B – less opportunity, less costs, but will have restrictions.
- Initial cost differences between Class A and B are around \$500,000 to \$600,000 for capital equipment. Between Class B and C, would be more O & M costs, due to disinfection process. When looking at the scheme of entire plant, there is not much difference, but when looking at O & M costs, Class B will cost more than Class A, because of double amount of chlorine.

When asked if there is the ability to sell the reuse water, using Tigard and Coburg as examples, Richwine explained depending on the Ag. community, it was the cost of the pump, for residential community it was half the price of potable water, in addition this also takes stress away from the potable water system.

Richwine recommended City talk to water rights attorney no matter what option is decided.

o **Wastewater Financing and Rate Analysis**

Finance Advisor, Andy Parks, referred to the memo provided by Finance Supervisor, Dan Wilson and himself and presented wastewater financing updates.

- Submitted application to DEQ for \$18.2 million, after the scoring and rating process, should have a tentative decision back in September or October, closing date on loan may be as early as December and no later than June of 2015. There are a few areas of debate in terms of the requirements, one being the Value Engineering the other related to a requirement associated with environmental assessment in coordination with other agencies, trying to defer those items until after the loan is closed.
- Current DEQ financing rate is an extremely low 2.23% over 30 years, rate is good through September, loan will not close by then, however does not look like rates will be increasing in the fourth quarter.

Request Council direction prior to closing of loan:

- City needs to show ability to re-pay loan, current rates do not generate sufficient revenue; rates will need to meet DEQ requirements in the form of a resolution.
- Look at rate equity and its impact
- Simplify rates, current rate structure too complex with 24 different rates schedules
- Council to make decisions exclusively or form a committee made up of various customer classes; commercial, industrial, multi-family and single family, who will meet with Staff, get educated and present opinions to Council.

Discussion:

- Councilor Klassen - How do other cities compare regarding the rate structure? ***Our rate structure not common; most cities have a fairly straight forward type of set-up.*** Would like to see you come back with a rate structure that is simpler, easy to explain and understand.

Mayor Cameron - How many rates could you get it down to, five or six? ***Could get it down to five, typically, most cities have single family, multi-family, commercial, industrial (with additional surcharges).***

Mayor Cameron stated in his opinion, he would like a rate increase of 14% over a five year period. Rate equity to be analyzed and brought back to Council, and would like Council to be responsible for making the final decision. Could be advertising and hold a public hearing at some point after we have a better idea of the possibilities to eliminate; should start early so public can be educated. Concerned with the time it would take to educate a group and then bring those findings back to Council for consideration.

- Parks will present information to Council in September.

Meeting adjourned at 9:43pm

Approved by:

Jerry Gillham

Jerry Gillham, City Manager

Respectfully submitted,

Diane Harris

Diane Harris, Deputy City Recorder

Denny Cameron

Denny Cameron, Mayor

APPROVED BY COUNCIL SEPTEMBER 8, 2014