

Oak Lodge Sanitary District
MASTER PLAN COMMUNITY ADVISORY COMMITTEE
Wastewater Treatment Plant Pre-Design Project
Public Outreach Project
Summary of December 2, 2008 Meeting

The December 2, 2008, meeting of the Oak Lodge Sanitary District Master Plan Community Advisory Committee (MPCAC) convened at 6:10 pm in the Conference Room of the District Administration Building at 14611 SE River Rd, Milwaukie, Oregon.

Committee members attending this meeting were Tom Foeller, Jerry Foy, Thelma Haggemiller, Myron Martwick, Bob Murch, Leah Robbins, Henry Schmidt, Brad Smith, and Charlie Stephens; and William Wild attending as representative from the District Board of Directors.

Members absent were Matt Anderson, Greg Leedy, Margaret Pritchard, and Leonard Waldemar

District staff members attending were J. Michael Read, General Manager of the District; Brett Arvidson, Manager of Planning and Engineering, and Kay Deines, Administrative Support Specialist.

Consultants attending were Libby Barg, Michelle Neary, and Patrick Neary of Barney & Worth, Inc.; Dave Green and Joe Glicker of CH2M Hill, and John Lang, Consultant.

Dave Seigneur attended as a member of the Oak Lodge Sanitary District Board of Directors; and William Wild attended as the Board representative to the MPCAC.

1. Welcome
General Manager of Oak Lodge Sanitary District, J. Michael Read, welcomed the attendees to the meeting and asked everyone to introduce themselves. He then introduced John Lang, Consultant, as a presenter for Agenda Item 2 - Project Delivery Options.
2. John Lang, Consultant
John Lang discussed various project delivery options and associated cost risks. Delivery consists of the set of activities and the contracts that are used to accomplish the final design and construction of the wastewater treatment plant improvements. Costs risk is the chance or risk of probability that during the course of construction you would encounter unanticipated increase in costs either due to claims, change orders, changed conditions, or something of that nature. Each delivery method places a different emphasis on the cost risk.

John explained the State of Oregon rule which requires that public entities use the Design/Bid/Build process unless the entity can demonstrate that using a different method will not result in any favoritism in awarding the contracts and will not

reduce competition, and that a different method will save the entity money. He presented a matrix to the Committee of the various types of project delivery possibilities, and explained the pros and cons of the four that would fit the District's current project. Those four systems are Design/Bid/Build, General Contractor/Construction Manager, Design/Build, and Design/Build/Operate. Because the District already operates a wastewater treatment plant, the first three are the ones that should be considered most seriously.

Design/Bid/Build (DBB): If the DBB method is used the District will select an engineer to design the project and produce the bid documents. The District then selects the contractor based on the lowest responsive and competitive bid received for the project. Construction of the project is managed and monitored by either a member of the District's staff or by a construction manager hired by the District for that purpose. The Cost Risk in this process is borne by the project owner, in this case Oak Lodge Sanitary District. The treatment plant would then be operated by District staff. This process works best for situations where the owner has a clear idea of what they want and the knowledge to be sure they have defined the project to reach that idea, and the owner is not in a hurry to achieve the final product. It accommodates a high degree of public involvement. The cost risk of the project can be mitigated with comprehensive construction documents and management. This delivery process requires the most knowledge about and oversight of the project of the owner.

General Contractor/Construction Manager (GC/CM): In this method the District would select a General Contractor/Construction Manager based on qualifications who would be very involved in the design stage. A Maximum Allowable Construction Cost (MACC) would be set and the GC/CM would be responsible for producing the end project, hiring sub-contractors, and meeting the MACC. It is possible to write into the contract ways to financially reward the GC/CM for early completion or the project and/or a final cost significantly lower than the MACC. This method works well for projects that require complicated construction phasing and those that involve facilities that must remain functional during construction. It also allows the construction schedule to be accelerated and allows for mitigation of the owner's cost risk. This method allows the most savings if GC/CM selection is done at 50% to 70% design completion stage and the selection process results in a GC/CM well-suited to the project and the owner's needs.

Design/Build (DB): In this method an engineering firm that has a construction arm is selected to do both final design and construction of the project. This method works well when the project is using well-understood technology and proven equipment, and where the existing conditions and desired results can be well-defined. The owner must relinquish control over some design details and equipment choices to DB team. Using this system it is possible to accelerate the design and construction schedule and to reduce Cost Risk to the owner. Some cons for this process are that the design and "as-built" drawings received by the

owner may not be as detailed as with another delivery process and it reduces owner control and oversight of the project. It is best written into the original proposal.

Design/Build/Operate (DBO): This method is similar to the DB method with the exception that once the project is constructed the DB team's operational arm is contracted to operate the project for a set amount of time and to achieve specified treatment levels and results. Because the District already has an operations staff it is not very likely to use this process. However, inherent in this process is the need to design and build an easily-operated facility for the DBO staff to operate.

In order to decide on the project delivery process that will be best for Oak Lodge Sanitary District Mr. Lang recommends developing a list of critical criteria and then using a matrix listing the pros and cons of each delivery method as it applies to the District's project. That matrix and the lists can then be used to compare the delivery processes to enable staff and the Board of Directors to select one.

Mr. Lang told the MPCAC that during selection of a delivery method it is important to remember that:

- The existing wastewater treatment plant must continue to operate and meet treatment requirements during the construction project.
- Oak Lodge Sanitary District's plant is very "tight" for a construction site. That complicates construction and scheduling issues.
- The timetable for construction is currently not tight. Cash flow issues and the economy can be taken into consideration.

Discussion followed on the issues of contract writing, and contractor and sub-contractor selection. Joe Glicker of CH2M Hill stated that CH2M has some standard contract language that it uses for DB contracts, and noted that some companies hire a consultant who specializes in contract writing to ensure the contract meets all expectations. In answer to questions regarding cost overruns in various local projects in the last few years, Brett explained that having good documents and well-written contracts will help to avoid cost-overruns. Brett explained that there are no projects without change orders, but if the rate is 1% or so he feels the project was designed well. The experience that both Brett and Michael have in building and in renovating wastewater treatment plants will be valuable during the project delivery process.

John Lang advised that the District not get locked into the labels and the delivery processes as he has explained them. He stated that it is possible to use parts from each to develop a slightly different process that would work best for an individual process. The Committee and the Board should decide which characteristics are desirable in the project, and then design a delivery process that contains those characteristics.

3. Financial Plan

Brett Arvidson introduced Kieu-Oanh Nguyen, a Managing Partner with Western Financial Group. Western Financial Group is the financial services advisory firm hired by the Board of Directors. She will be guiding the District through the process of determining the best path to follow in financing the wastewater treatment plant improvements. Kieu-Oanh explained the recent trends in bond sales and how the recent bond market volatility has affected the recent sales. She expressed optimism that by the time the District is ready to sell bonds the markets will have settled down. Brett noted that the District financial projections for the project are based on a 6% interest rate.

Kieu-Oanh described the funding methods, including General Obligation and Revenue Bonds, bank loans and/or private placement, DEQ/Oregon Bond Bank, an inter-fund loan given to an entity by loaning itself money from a different fund, and the Pay-as-you-go method.

General Obligation Bond: These have the lowest interest rate and no reserve is required, however they do require voter approval. They take approximately 3 months of preparatory work before sale of the bonds. District must acquire a bond rating.

Revenue Bond: They do not require voter approval, but take 3 to 5 months of preparatory work and a reserve fund is required.

Bank Loan/Private Placement: historically these have provided more flexibility, reduced cost of issuance, and lower disclosure requirements but that is balanced by higher interest rates. For any project over \$10 million any benefit is usually negated by the debt service cost.

State Revolving Fund (DEQ): This fund provides lower interest rate loans and does not require a credit rate, but availability of funds is uncertain and obtaining other long-term credit will require going to DEQ or going through the credit rating process in the future. There is a chance that a Federal stimulus plan may provide money for this fund.

Oregon Bond Bank: This allows local governments to issue bonds thru an AA rated program that is administered by the Oregon Economic and Community Development Department (OECDD), which pays the costs of issuance. It provides excellent interest rates. It requires an application to the OECDD, timing is not as flexible as if the District issued bonds on its own, and the District would not be obtaining its own credit rating. This is frequently used up to about \$10 million and then the balance of the project is funded through another source.

Inter-Fund Loan: This method means the District would lend itself money from a different fund and it must pay its fund market interest rates. The potential need for the loaned funds must be considered.

Pay-as-you-go Funding: The scale of this project is too large for this method, which is how the District has funded its previous improvements.

Discussion followed between Kieu-Oanh and the members of the MPCAC on the possibilities of the various types of funding and their ramifications.

4. Communications Sub-Committee Update

William Wild gave the MPCAC an update on the activities of their Communications Sub-Committee and the meeting held on November 17. The update items are:

- A customer survey has been prepared. The first set went out in the billing mailed on December 1 and the next will be mailed on approximately December 31. There will be a drawing from all the names of those who submit surveys to award eight \$25 gift certificates to a local vendor of the winners' choice.
- The theme for the public outreach and public education process will be "Re-investing for Clean Water".
- The community briefing plan was reviewed and the list of community groups to be contacted was prioritized. The highest priority groups will be contacted by phone by a Committee member who will request a chance to present information to the group. The others will all be contacted by mail with information and asked to contact the Committee should they want any further information.
- Volunteers from the Committee were requested to give presentations and to assist at presentations. The District and Barney & Worth will provide tools and information for presenters. The goal is to present a consistent and complete message to all community groups. A video is being prepared for use at the presentations.
 - Jerry, Tom, Thelma, Brad, and Bob will give presentations.
 - Michael is available to speak to any group requesting it.
 - Henry does not want to participate in any kind of presentation.
- Newsletter – After the special issue of the community newsletter sent out jointly with Oak Lodge Water District, Michael spoke with the Water District Manager who informed him that the Water District has decided to not do joint newsletters any longer. Therefore, in the future the Oak Lodge Sanitary District newsletter will be a 1-page double-sided bill stuffer. The same newsletter will be sent out twice so each portion of the District will receive it. Each customer will receive six different newsletters each year. The graphics from the first newsletter will be used, but a new name must be decided on. Oak Lodge Water District does not want us to use "Water News" as our newsletter title – they feel that customers will confuse the two service

districts. The newsletter will not be sent out until February as the next billing will have the customer survey as an insert.

Michael asked for suggestions of ways to keep the newsletter interesting so customers will notice and read it.

5. Next Steps

The next MPCAC meeting will be held on January 20, 2009.

6. Additional Comments

Thelma Haggemiller asked about financing of the wastewater treatment plant improvements project. She asked if a bond measure would be put out to a vote of the customers.

Brett explained that the project design is in the schematic design phase now. There will be more public review of the project in April, 2009. It is his goal to have the funding available at the same time the project is ready for construction. Western Financial Group will guide the District through the financing process.

Michael explained his goal is to educate and involve the community in the upgrade process so there will be no need to put the project to a vote or for the community to remonstrate against a decision. The community will support the project because they understand the need and available options.

Tom Foeller expressed his appreciation of all the information and the presentations at this meeting. He also expressed concern that the turnout was a little smaller than usual. Two members had notified staff that they would not be at the meeting.

The meeting adjourned at 8:15 p.m.