

MINUTES OF THE PROCEEDINGS OF THE CITY COUNCIL

March 15, 2016

The minutes of the proceedings of a regular meeting of the City Council of the City of Coos Bay, Coos County, Oregon, held at 7 p.m. in the Council Chambers at City Hall, 500 Central Avenue, Coos Bay, Oregon.

Those Attending

Those present were Mayor Crystal Shoji and Councilors Fred Brick, Mark Daily, Jennifer Groth, and Stephanie Kramer. Councilors Thomas Leahy and Mike Vaughan were absent. City staff present were City Manager Rodger Craddock, City Attorney Nate McClintock, Finance Director Susanne Baker, Deputy Finance Director Amy Kinnaman, Library Director Sami Pierson, Community Development Director Eric Day, Public Works Director Jim Hossley, Fire Chief Mark Anderson, and Police Chief Gary McCullough

Flag Salute

Mayor Shoji opened the meeting and asked Ken Folker lead the Council and assembly in the salute to the flag.

Public Comments

No comments were given.

Consent Calendar

Mayor Shoji reviewed the consent calendar which consisted of 3a: approval of the minutes of March 1, 2016; 3b: acceptance of the February 2016 accounts payable and payroll check registers; 3c: acceptance of the February combined cash report, and; 3d: ratification of the Downtown Association's (DTA) appointment to the Tree Board. Councilor Kramer moved to approve the consent calendar approving the minutes of March 1, 2016, accepting the February 2016 accounts payable and payroll check registers, accepting the February combined cash report, and ratifying the DTA's appointment to the Tree Board. Councilor Groth seconded the motion which carried with Mayor Shoji and Councilors Brick, Daily, Groth, and Kramer voting aye. Councilors Leahy and Vaughan were absent.

New Council Business

Councilor Daily inquired if the Tree Board was still working on a plan for trees in the right-of-way. City Manager Rodger Craddock stated the Tree Board was working to complete an urban forestry plan which would address procedures for trees in the right-of-way.

Presentation of an Appreciation Plaque for Sarah Crawford

City Manager Rodger Craddock introduced Sarah Crawford and thanked her for her service to the community and Tree Board; also commended Ms. Crawford for her work coordinating the downtown Farmers Market. Mayor Shoji presented Ms. Crawford with an appreciation of service plaque. Ms. Crawford stated she worked with the South Coast Community Garden Association and was fully committed to community food access and would be branching out to

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school gardens for classrooms. Mayor Shoji stated Ms. Crawford served on the Tree Board from September 2014 through January 2016.

Public Hearing to Consider Approval of a Supplemental Budget Appropriating Technology Funds – Approval Would Require Adoption of Resolution 16-06

Finance Director Susanne Baker stated at the March 1, 2016 City Council meeting the Council approved changing technology providers and capital upgrades to the City's computer network infrastructure. Due to the mid-year change in providers, funds were not budgeted during the budget process and a supplemental budget was required. Resolution 16-06 proposed a supplemental budget to appropriate \$25,800 in Carryover to resources and capital outlay in the Technology fund. Councilor Daily inquired where the additional costs would be offset. City Manager Rodger Craddock advised the City planned to extend equipment replacement period from every five years to six years. Mayor Shoji opened the public hearing pursuant to Oregon Revised Statute (ORS) 294.473. No public comments were given and the hearing was closed. Councilor Groth moved to adopt Resolution 16-06. Councilor Brick seconded the motion which carried with Mayor Shoji and Councilors Brick, Daily, Groth, and Kramer voting aye. Councilors Leahy and Vaughan were absent.

Discussion of Terms for the Clean Water State Revolving Fund Loan Agreement

Public Works Director Jim Hossley stated City staff received a draft Clean Water State Revolving Fund (SRF) loan agreement from the Oregon Department of Environmental Quality (DEQ). The agreement was for a loan to pay for the construction of the new Wastewater Treatment Plant #2 (WWTP2). The City first applied for the loan in April 2014, however the loan application was placed on hold during the environmental review. The reasons for seeking the SRF loan were: A favorable interest rate that was at least half of what the City could get from the private market; City would not have to start debt service payback on the loan until the project construction was complete, and; a 20 or 30 year loan repayment schedule, as opposed to 10 years on the private market.

Mr. Hossley stated DEQ also had a program, called the Sponsorship Option (S/O), whereby SRF loan recipients were loaned an additional 1% in funds (approximately \$2M) to do various stormwater quality projects. To incentivize loan recipients to participate in S/O projects, DEQ lowered the interest rate (to 1%) for the entire WWTP2 project loan so debt service payments for construction and the S/O projects were the same amount. Staff included S/O projects in the original loan application. These projects included creating a stormwater management plan and stormwater ordinance, restoration in Chickses Creek, 6th Avenue culvert and upstream drainage restoration, North Empire drainage swale, First Creek restoration, green infrastructure improvements for: the Empire Fire Station and Ed Lund Park, downtown parking, centralized garbage facilities, and development of a pet waste management education and outreach program. Mr. Hossley noted the City was not obligated to complete all the S/O projects, and had the life of the loan to complete them. If after signing the loan, the City decided not to complete any S/O projects, the interest rate would revert back to the 2% for the actual amount borrowed.

The length of SRF loans was typically 20 years, as that was the life expectancy of most infrastructure. While most of the concrete infrastructure to be constructed with the new WWTP2 would remain functional for much more than 20 years, portions of the plant may need to be

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expanded to increase capacity and would require refurbishment, replacement, or repair in approximately 20 years. SRF loan terms of 30 years were also allowed. The bi-annual debt service payments were lower for 30 year loans versus 20 year loans; however the sum of the total payments was significantly more. Interest on the 20 year loan was 2.01% without the S/O projects and 1% with S/O. The interest rate for the 30 year loan was 2.5% without the S/O projects and 1.7047% with S/O. Staff recommended the Council consider the 20 year term over the 30 year term for the loan.

Mr. Hossley stated the original source of the DEQ SRF loan funds was through the federal government; suggested there were many advantages to the terms of the SRF loans but noted the federal origins added to the complexity of other terms in the loan agreement including contracting, environmental review, and expenditure tracking requirements. Mr. Hossley provided an overview of other terms included with SRF loan agreement. Amortization tables were presented based on the consulting engineer's estimate of \$19.6 million from two years ago; tables included 20 and 30 years estimates for construction only and estimates for construction and S/O projects combined. Mr. Hossley stated the final loan agreement would be presented to Council for consideration at a future meeting; estimated final agreement amount was \$26.1 million.

Councilor Daily inquired about the annual payment to DEQ whereby Mr. Hossley stated the City would be required to pay DEQ an annual fee of .50% of the remaining principal balance on the loan. Councilor Brick inquired if costs associated with the failed culvert in Eastside could be financed into to the loan. Mr. Hossley affirmed the project was listed as an S/O project. Ranei Nomura stated she was a Water Quality Manager with DEQ; advised the proposed loan was scheduled to be implemented in two weeks; noted DEQ was in the process of reviewing engineering plans for the new WWTP2. Councilor Daily asked Ms. Nomura if she could explain the significant increase in the cost to upgrade WWTP2 noting 15 years ago the cost was estimated at \$1 million. Ms. Nomura stated she was not involved with the project 15 years ago and was not sure about the historical estimates but was willing to look into the matter; noted in her experience wastewater treatment plant upgrade costs were typically \$20-plus million and greater. City Manager Craddock advised it was initially believed the various components of WWTP2 could be upgraded but it was later realized that repair and upgrade needs far exceeded landmass and larger upgrade was needed. Councilor Groth expressed concern about the additional burden on staff related to the S/O projects and additional tracking requirements. City Manager Rodger Craddock advised the City planned to contract out grant management. Finance Director Susanne Baker advised there would be some in house work to insure grant compliance which included updating internal controls to comply with uniform grant requirements; noted City would be subject to a single audit which would increase audit costs. Councilor Daily inquired if additional staffing costs associated with the project could be allocated and paid with loan proceeds. Mr. Hossley advised additional staffing costs would be allocated between the two existing wastewater loans and the proposed DEQ loan.

Councilor Brick moved to direct staff to prepare a final loan agreement with a 20-year payback period to include the sponsorship option funds. Mayor Shoji seconded the motion. Councilor Daily asked when the City would be breaking ground on the new WWTP2. City Manager Craddock stated the National Pollutant Discharge Elimination System (NPDES) permit had delayed the process but estimated approximately three months. A call for the question was

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made which carried with Mayor Shoji and Councilors Brick, Daily, Groth, and Kramer voting aye. Councilors Leahy and Vaughan were absent.

Approval of a Zero Cost Contract with Construction Manager/General Contractor Mortenson Construction for Wastewater Treatment Plant No. 2

Public Works Director Jim Hossley provided a PowerPoint presentation on the difference between the City's normal contracting process of design-bid-build (DBB) vs. the construction manager/general contractor (CM/GC) process. Mr. Hossley noted in December 2013, Council approved the award of construction manager/general contractor (CM/GC) services for the proposed Wastewater Treatment Plant 2 (WWTP2) project to Mortenson Construction. The first phase of the project was called "during design services". This allowed for the contractor to be involved in the design phase, make comments, and bring up any constructability issues.

Mr. Hossley advised the design phase was now complete and it was time for the City to enter into a construction contract with Mortenson. Once under contract, they would conduct an open bid process for the project and determine a guaranteed maximum price (GMP). Upon completion of the open book bid process, the city would negotiate the general conditions and a GMP for the project would be established. Staff recommend the City enter into a zero cost contract with Mortenson so Mortenson could commence with the bid process. Councilor Daily stated based on his research the CM/GC process was more expensive than the DBB process. Mr. Hossley advised there would additional costs of \$1.7 million associated with WWTP2 construction which included consultant costs for services during construction, supervisory control and data acquisition (SCADA), project administration, resident project representative, and post construction; other future known costs were \$3.5 million for outfall replacement and \$75,000 for a mixing zone study. Ranei Nomura noted change orders associated with the DBB process were more costly and the CM/GC process helped to eliminate change orders.

Councilor Kramer moved to award a zero cost contract to CM/GC Mortenson for the Wastewater Treatment Plant 2 project. Councilor Brick seconded the motion which carried with Mayor Shoji and Councilors Brick, Groth, and Kramer voting aye and Councilor Daily voting nay. Councilors Leahy and Vaughan were absent.

City Attorney's Report

No comments were given.

City Manager's Report

City Manager Rodger Craddock stated local citizen Don Hynes had raised \$2,100 and secured a \$7,000 grant from the Coquille Tribe for placement of exercise equipment at John Topits Park. Mayor Shoji moved to approve the acceptance of a grant from Coquille Tribe for \$7,000. Councilor Daily seconded the motion which carried with Mayor Shoji and Councilors Brick, Daily, Groth, and Kramer voting aye. Councilors Leahy and Vaughan were absent.

City Manager Craddock reported the owner of the old Englewood School had abandoned the property which was in disrepair and in need of abatement; due to the age of the building it was suspected the building contained asbestos and other contaminants; City looking to Department

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of Environmental Quality and Environmental Protection Agency for assistance; noted it was possible the City would be required to finance the abatement.

Public Works Director Jim Hossley stated the Federal Highway Administration (FHWA) agreed to pay for a portion of the repair to the Coos River Highway; estimated value of FHWA temporary fix was \$125,000; FHWA not willing to pay for permanent fix to repair slope stabilization because it was a known issue. City would be responsible for replacing the drainage culvert under the road and slope stabilization work. Mr. Hossley advised surface transportation program (STP) funds could be used to pay for the permanent repair estimated at \$350,000.

Council Comments

Councilor Groth announced the 4th annual Adult Spelling Bee would be held at the Coos Bay Library on April 2, 2016. Councilor Daily encouraged citizens to vote in the upcoming elections. Mayor Shoji stated last week she and City Manager Rodger Craddock attended a meeting with Oregon Representative Peter DeFazio to discuss national marine fisheries actions to stop development in flood plains including 300 feet and beyond due to endangered salmon. Mayor Shoji stated this was a serious issue and noted the importance of the flood plains in Coos Bay and other Oregon jurisdictions.

Adjourn

There being no further business to come before the Council, Mayor Shoji adjourned the meeting. The next regular Council meeting was scheduled for April 5, 2016 in the Council Chambers at City Hall.

Attest:



Susanne Baker, City Recorder



Crystal Shoji, Mayor