

SOUTH FORK WATER BOARD
MINUTES OF BOARD MEETING
September 27, 2023

Board Members Present: Denyse McGriff, Chair, Oregon City Mayor
Rory Bialostosky, Vice Chair, West Linn Mayor
Frank O'Donnell, Oregon City Commissioner
Mary Baumgardner, West Linn Councilor
Rocky Smith, Oregon City Commissioner
Scott Erwin, West Linn Councilor (phone)

Staff Present: Wyatt Parno, Chief Executive Officer
Christopher Crean, Legal Counsel

Others Present John Lewis, Oregon City Public Works
Lee Odell, Consor Engineers (phone)

General Board Meeting

(1) **Call to Order**

Chair McGriff called the meeting of the South Fork Water Board (SFWB) to order at 7:05pm.

(2) **Roll Call**

(3) **Public Comments**

 There were none.

(4) **Consent Agenda**

 (A) Approval of the Minutes of the July 26, 2023 Board Meeting.

Board Member Baumgardner moved to approve the Consent Agenda. Board Member O'Donnell seconded the motion, which passed unanimously.

(5) **Chemical Feed Building Bid Results**

Lee Odell, Consor Engineers, reported on the bid results for the chemical feed building. A copy of his presentation was included in the agenda packet. Bids were received from 2KG Contractors and R&G Excavation. The low bid was \$8.9 million, but the budget was \$4 million. The Board had several options to consider, including rejecting all bids or entering into a value engineering agreement with the low bidder to see if they could get to the budgeted amount. He talked with equipment suppliers and other contractors and concluded that costs had increased to \$1.5 million for ground improvement and site work (costs required by the City) and \$1.5 million for electrical and instrumentation upgrades. The chlorine generator, by itself, initially cost \$450,000 but had increased to \$970,000. Those three items made up a large portion of the

\$4 million difference, without even constructing the building yet, making it difficult to negotiate a reduction in scope.

- He reviewed similar projects in other jurisdictions within the last six months, noting:
 - Harrisburg, Oregon, bid out a water treatment plant twice, with bids coming in at more than double the budget. The second bid request had removed a 1-million-gallon tank, and the price actually went up. They had since been seeking additional funding and would bid out the project a third time.
 - Newberg, Oregon, was working on a water treatment plant using the Construction Manager/General Contractor (CM/GC) approach, where they would hire the contractor. At 30 percent design, the contractor priced the project at \$44 million compared to the \$20 million budget. They were redesigning the project to fit the budget.
 - Kitsap PUD built a small water treatment plant on Bainbridge Island. Equipment was purchased ahead of time, and the estimate for installation was \$350,000. The low bid came in at \$890,000, so they redesigned the project, but the second bid was awarded at \$740,000, still double the original estimate.
 - Cerritos, California, bid out a project twice, but it came in at more than three times their estimate. They have gone back to pilot testing their approach and will start a different type of treatment plant.
 - The *Seattle Times* and *Vancouver Columbian* published an article two days ago that showed the Washington DOT, for all of 2023, was receiving bids of more than double the estimated costs, with an average of only 2.3 bidders per project, which is much lower than their historical average of six to ten bidders per project.
- The following options were enumerated for the Board's consideration:
 - Delay construction of the chemical feed building until the full water treatment plant expansion. With this option, the site improvement costs would be a much smaller cost of the overall project, and the design for the chemical feed building could be given to the designer of the overall expansion project to be incorporated into the larger project. Existing funds could be used to replace the existing chlorine feed system, alum tank, and other priority projects in the current facility.
 - Apply for additional funding, including loans. Some loan sources were offering partial debt forgiveness after projects were completed.
- Unprecedented price increases have caused the cost estimates in the Water Master Plan to be outdated. Newer cost estimates should be obtained for all projects in the Master Plan, and rates and system development charges (SDCs) should also be updated so enough money could be collected to complete the projects.
- Lastly, he talked with contractors who were expected to bid on this project but did not. One reported they could not get firm costs even 90 days out for much of the building materials, creating too much risk. Another one was not doing design bid build projects at all anymore, having switched to construction manager at risk and progressive design builds, where they hire a design-builder to design and price the project. They show the price after design and you agree to the project or not.
- Alternate delivery practices are worth looking at since the contractors who bid on this project haven't historically bid on water treatment plants. The contractors who have bid on water treatment plants were trying to minimize risk by looking at other ways to deliver projects.

Board Member O'Donnell asked if the biggest single component in terms of the increase in costs was labor or materials. **Mr. Odell** replied that it was both. He was still trying to figure out why the chlorine generator cost went from \$450,000 to \$970,000 in three months. He was not sure if the bidder was catching up on prices or if they thought they had something locked up and were taking advantage of it. Labor costs had also gone incredibly high, with masonry costs, a large component of this building at \$60 per hour, up from \$20 an hour a couple of years ago.

Chair McGriff asked what kind of experience and qualifications the two firms who bid on the project had in water treatment. **Mr. Odell** confirmed both firms submitted documentation that met the minimum qualifications for water treatment work, having completed smaller projects for different cities.

Chair McGriff preferred contractors with more experience because they would know what to expect. She also noted that without pricing guarantees, additional funding may not be cost-effective. The current facility needed service updates. She was uncertain of how long they could continue to “duct tape” the problems, but she also did not want to wait until an emergency repair was needed. **Mr. Odell** noted that **Mr. Parno** and the operations staff had considered whether the chemical feed systems in the existing building could be replaced and made to work, and he believed it was possible.

Wyatt Parno, CEO, addressed the options, noting South Fork was operating just fine, with years of operations possible in the current facility. The Master Plan included a build-out with the chemical feed building so they could meet larger needs as they grow. Existing equipment within the building needed to be updated, and the new building would have been a one-stop solution. He reiterated the options.

- Alternative funding sources would be reviewed. He recently took a grant-writing workshop and believed SFWB should pursue grants. Most funding sources were for specific problems, such as lead or copper issues, while others were for low-income communities. The Board would not meet the requirements for those grants, but additional funding options would be pursued for the chemical feed building.
- Engineering down the cost of the building was not feasible because it would defeat one of the main points of the project, which was to create a meeting space that is ADA accessible and larger than the current room. If the project is engineered down to chemical delivery only, that goal won't be accomplished. In the interim, at least there is the capability for people to attend meetings because of the new virtual meeting options.
- The other main consideration is that there is operating equipment that would be upgraded with the new building. Not only would it be upgraded, but it would be upsized to meet future needs. There are a couple of important systems that may need to be upgraded sooner if the building cannot be completed at this time.
- The most important equipment that needed to be replaced were the chlorine generation system and alum tank. It can be brought to the Board later because the systems are operating effectively now, but they need to be addressed. The hypochlorite generation system is impacting the flooring and that needs to be looked at because Clearwell 1 is under the building. It isn't an emergency. If the new building were not constructed at this time, one of the highest priorities would be putting in a new system, tightening it up, and repairing the flooring.

CEO Parno stated that the Board will look at this later, but he also wanted to introduce the concept of short range, medium range, and long range, what needs to be accomplished with the water utility.

- Short-term priorities to be completed include shoring up parts in the current facility and reviewing the raw water pipeline as well.
- Mid-range priorities, to be completed, included changes to ensure capacity was sufficient for future needs.
- Long-term priorities included updating Master Plan numbers in the next one to two years and getting the facilities to the capacity and seismic resiliency needed to be good to go for the next 100 years.

Board Member O'Donnell noted that he believed that for the Board to give guidance, they needed the associated costs as well as the timelines to be provided. Critical situations should be identified, which he believed included the raw water pipeline. **Mr. Odell** confirmed the raw water pipeline was about 67 years old. **Board Member O'Donnell** recalled the biggest challenge in previous pipe work was getting the pipe and when the Board discussed the current methodology, they had available chemicals. **CEO Parno** confirmed regular delivery of chemicals was received, and South Fork was not at risk of shutting down because of chemical supplies. **Board Member O'Donnell** asked **CEO Parno** to provide a list of priorities in more definitive time periods and the cost to continue service within those time periods. He stated that he was in favor of delaying the chemical feed building for the time being.

Vice Chair Bialostosky and Board Member Erwin agreed with delaying the chemical feed building project for now because of the economy, although alternative funding should be looked at. It is important to make sure there are no negative consequences to the plant, and the raw water pipeline should be addressed.

Board Member Smith requested the information be spelled out in detail because he was not in favor of throwing out a project that had been discussed for five years, if not longer. **Board Member O'Donnell** responded that was why he had asked for the three time periods with the associated costs.

Board Member Baumgardner asked why they had not discussed the raw line previously. **CEO Parno** replied that the 2016 Master Plan included six, high-priority projects, three of which were already completed. The ones not yet completed were the raw water pipeline, the chemical feed building, and a condition assessment of the finished water pipeline. All three of the projects are important, and the Board had committed to constructing the chemical feed building when he joined South Fork. He believed both projects were of equal importance, but since they were not able to build the chemical feed building based on cost, it made sense to consider the raw water pipeline.

Board Member O'Donnell asked if delaying each of the three high-priority projects would shut South Fork down to the extent that a major failure on the main feed would shut down the plant and what would the recovery look like. **CEO Parno** explained that the three remaining projects included the finished line, the chemical feed building, and the raw water pipeline. The finished pipeline could be repaired in less than a day if a break occurred in a neighborhood, as it was two years ago on Anchor Way. Breaks occur in water systems all the time. The chemical

feed building is important because it provides upgrades to chemical systems that need to be updated and expanded. The issue with the raw water pipeline is that it is the sole source for water into the plant, and the 67-year-old line is on a large slope.

Chair McGriff encouraged investigating other funding sources for the chemical feed building. The pricing for the chemical feed building was intolerable, and she expressed concern about the vulnerability of the raw water pipeline. **CEO Parno** confirmed that both the chemical feed building, and the raw water pipeline were important, and the Master Plan provided guidance on how to build out in the best way possible. The discussion has included that the Board should consider the raw water pipeline, and the option to install chemical equipment upgrades within the existing building, if the chemical feed building cannot be completed at this time.

Chair McGriff believed the Board should reaffirm the Master Plan priorities and get an assessment and costs for the raw water pipeline. She also wanted a written conditions assessment of the equipment.

The Board reached a consensus for **CEO Parno** to move forward with bringing information regarding the raw water pipeline, reviewing funding options for the chemical feed building, and providing a list of equipment that would have gone into the chemical feed building that needed to be fixed in the current building, as well as the related cost estimates. **Board Member O'Donnell** requested the remaining service life on critical components.

Board Member O'Donnell asked if there was value in having an outside organization survey them and what that cost would be. **Chair McGriff** believed they should ask the American Water Works Association (AWWA) that question since South Fork was a member of that organization.

(6) **Oregon City Agreement with Clackamas River Water (CRW) Relating to the Distribution of South Fork Water to the Thimble Creek Area**

Chair McGriff noted this was on the agenda because the Oregon City, City Commission had a presentation on and discussed this agreement, and wanted to make sure the SFWB was aware of what was going on with the agreement. Legal Counsel Chris Crean and CEO Parno had reviewed the agreement, but it had not been signed yet. She did not inform the rest of the Board earlier to avoid creating an offline meeting.

John Lewis, Oregon City Public Works presented information, included in the packet, about the agreement. He described the Thimble Creek area, current issues with providing water service, and CRW's financial plan and timeline to build infrastructure.

The Board discussed water (SDCs) for various local jurisdictions, pass-through financing, and CRW's ability to serve only Phase I of the development due to capacity limitations.

Board Member O'Donnell asked whose water was being sold at what period of time within the five-year period. **Mr. Lewis** replied that under the agreement being discussed, CRW would purchase water from South Fork and move it through their water supply into the development. He was not certain of all the logistical details, but CRW anticipated being able to turn down or

turn off the South Fork water supply in 2025. He began addressing clarifying questions about current water sources and the anticipated timeline of the agreement.

Board Member Smith noted that last time CRW bought water from South Fork, there were issues with payments. CRW had also mixed the purchased water with CRW's well water and sold it. There were a lot of historic issues, and he was not in favor of signing the agreement.

Chris Crean, SFWB Legal Counsel, replied that one factor in South Fork's favor was that the agreement recognized the Thimble Creek area would be served by Oregon City. CRW would provide services until South Fork's reservoir was built and had the capacity to serve the area. Revenue from SDCs would continue to come into Oregon City and South Fork. SFWB would be pulling water out of the Clackamas River to sell to CRW to serve the 450 homes. Water rights were measured at the point of divergence, or at the pump in the river, so South Fork would perfect those as part of its water rights, regardless of whether the water was used in its two cities or sold to CRW. He clarified that water rights laws were not a concern as long as South Fork's water was used for municipal purposes.

Board Member O'Donnell asked how SFWB's water rights would be impacted when CRW switched to pulling water out of the river for the remaining two years within that five-year period, adding he believed everything SFWB did should be framed within future water rights. **Mr. Lewis** replied the water rights would not be affected. He noted if the Board's main objective was to preserve South Fork's water rights, they should ensure the City was the water provider for that area, and this agreement was friendly. He believed if the agreement was not signed, SFWB was at risk of losing water rights because CRW already had the infrastructure in place.

(7) **Oregon Health Authority Water System Survey**

Chair McGriff announced that the Oregon Health Authority (OHA) rated South Fork with outstanding performance during the last water system survey conducted on July 19, 2023. **CEO Parno** explained this was OHA's highest rating, and as a result, they now could be rated every five years instead of every three years. The survey was very thorough and included the water source, equipment, facilities, operations, management, maintenance, and regulatory compliance.

The Board proceeded to Item 9, Business from the Board, at this time.

(8) **Business from the CEO**

This item was addressed following Item 9.

1) Operations Update

South Fork was at its autumnal flows. Staff had cleaned the basins, which involved backwashing filters. The retaining wall at the Division Street pump station had failed, but Staff had been able to repair it, saving them about \$6,000.

- He attended an emergency drinking water workshop, and SFWB was now preparing for a Cascadia event.
- He held a joint operations meeting with West Linn and Oregon City, where they discussed chlorine residuals, pre- and post-polyfluoroalkyl (PFAS) monitoring, and shared resources. The federal agencies were starting to recognize DuPont and other companies made nonstick pans with PFAS chemicals. The Clackamas River basin had no companies using those chemicals, and so far, there had been no detection of those chemicals in the river.
- He attended grant writing and cyber security workshops. The Oregon City IT manager would help with the cyber security audit.
- He had signed up for the Clackamas River Watershed Tour on October 7.

The Board proceeded to Adjournment.

(9) **Business from the Board**

Chair McGriff confirmed everybody had received the memo from Patrick Foiles regarding the CEO evaluation. If the evaluation materials were approved, Mr. Foiles was prepared to send out the survey tomorrow via Survey Monkey. She reviewed the timeline, noting the survey responses would be due October 9. Mr. Foiles would share the collected ratings and comments with the Board on October 13. The Board meeting, including an Executive Session for the performance evaluation would be on October 25.

Vice Chair Bialostosky moved to adopt the performance evaluation timeline and questions. Board Member Baumgardner seconded the motion, which passed unanimously.

Chair McGriff noted she would be out of the country on October 25, so Vice Chair Bialostosky would chair that meeting. She would give the Vice Chair her comments for the CEO evaluation to present during the review.

The Board returned to Item 8, Business from the CEO, at this time.

(10) **Executive Session –Adjourn regular meeting and convene Executive Session if needed.**

No Executive Session was held.

- A. To consider information or records that are exempt by law from public inspection pursuant to ORS 192.660 (2)(f).
- B. To consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed pursuant to ORS 192.660 (2)(h).

(11) **Reconvene Regular Meeting if needed to take any action necessary as determined in Executive Session.**

Chair McGriff adjourned the regular meeting at 9:00 pm.

Respectfully Submitted,

By Paula Pinyerd, ABC Transcription Services, LLC.
for Wyatt Parno, SFWB CEO