

## **MINUTES OF THE PROCEEDINGS OF THE CITY COUNCIL WORK SESSION**

**June 10, 2016**

The minutes of the proceedings of a work session of the City Council of the City of Coos Bay, Coos County, Oregon, held at 1 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, Thomas Leahy, and Mike Vaughan were present. Councilor Stephanie Kramer was absent. City staff present were City Manager Rodger Craddock, City Attorney Nate McClintock, Finance Director Susanne Baker, Community Development Director Eric Day, and Police Chief Gary McCullough

### **Flag Salute**

Mayor Shoji opened the meeting and led the Council and assembly in the salute to the flag.

### **Presentation of Proposal for the Privatization of Wastewater Treatment Plants by Dennis Beetham**

William Boger, Civil West Engineering, made a presentation on behalf of Dennis Beetham to own, operate, and maintain the City's wastewater treatment plants. Mr. Boger also included a status update on the progression of their proposal and for added consideration for the Council to consider including the wastewater collection system citywide.

The proposal was to provide private wastewater treatment for the City of Coos Bay, private maintenance, and private ownership of the assets. The proposal would at least meet and in almost all cases, exceed DEQ requirements typical for the state and current for the City's discharge permit. The proposal also included contingencies for changes in the NPDES permit in the foreseeable future.

DB Western intended on full disclosure and full reporting to DEQ and the City Council as to what would be received and discharged. As a private entity providing wastewater treatment, the EPA rules were different when treating wastewater. A private entity was bound by the best available technology and was no longer governed by DEQ permit limits by design parameter. As a private entity, they could also expedite the regulatory process, permitting, and construction. The proposed plant would be an ultra-membrane bio reactor using hollow-fiber technology, 0.004 micro, anoxic zone nitrogen reduction, FeC13 phosphorous removal, greater than 99% virus and bacteria removal, less than 90% copper and chromium removal, high efficiency removal of pharmaceuticals which all would exceed DEQ current and future effluent requirements.

Disinfection proposed would be 186 mJ/cm<sup>2</sup> UV reactor as opposed to the minimum standard either 126 or 134 mJ/cm<sup>2</sup>; tested, rated, and certified by EPA to provide Log 5 or 99.999% kill of viruses and bacteria; this exceeds DEQ disinfection requirements.

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Proposed plant: DB Western would operate the MBR at a mixed liquor suspended solids of 8,000 – 10,000 MLSS; incorporate surge volume for peak flows with membranes designed for PIF – 8.6 mgd; this would meet DEQ flow requirements for hydrology for the plant.

Biosolids Treatment: Lime stabilization; steam heated; screw press, 20-25% solids, this process was already EPA and DEQ certified for Class A biosolids.

Expected Effluent Quality: <2 mg/L BOD; <1 mg/L TSS; <.08 mg/L TN; <.05 mg/L tp; and >99.999% virus removal.

Mr. Boger, stated this process has been used in Traverse City, Michigan. DB Western provided the schematic processing via Powerpoint, in small print, because of included proprietary information in respect to where they were in the process. This included drawings of: headworks components; anoxic components; aeration and membrane basins; redundancy in the air piping, blowers, and pumps; and solids handling and disposal.

Mr. Boger presented a section, top down view of the plant footprint. The proposed location would be on City property east, on Cape Arago Highway (meaning South Empire Blvd), and located up against the hillside on the Fulton side of the property (later corrected to Marple). All of the equipment would be contained within the four walls of the building, designed, and constructed to withstand the possible NOAA tsunami prediction. The tops of the walls would be higher than the NOAA proposed tsunami water level. A section view of the three different levels was provided. The remainder of the site would be covered with natural screening of vegetation with the intent to hide away the wastewater treatment plant.

Economics: User Rate – guaranteed \$40 per month per “Normal” residential EDU cost for treatment that would include ownership, maintenance, repair, and replacement of equipment from the discharge pipe at the influent pump station through the a flange pipe with City’s current discharge pipe. This would remove the City of Coos Bay from the treatment of wastewater, completely. Included would be a 1% per year increase to cover inflation, cost of material, and cost of labor. The design team would work with the City of Coos Bay to establish what constitutes an EDU today.

Councilor Daily asked if this would include I/I. Mr. Boger stated yes, because today it included I/I. Inflow and infiltration, the presence of water other than what is coming from toilets, sinks, bathtubs, etc.

Councilor Vaughan asked if this would include I/I pressure from high tides. Mr. Boger stated, yes, a third possible cause of I/I because there are sections of the gravity pipe that run right next to the bay which were impacted by tidal events.

Mr. Boger stated the proposal included a 1% increase in the rate to cover inflation, cost of material, and cost of labor because none of the contractors he knows would be willing to work for less than they did yesterday. In summary, the proposal for a private wastewater treatment plant removed the City from the wastewater business completely. The City was half way there already because they were contracted with a private entity to provide services on a city owned asset. Ownership and responsibility was the next step for the asset. DB Western proposes a fixed 20 year guaranteed rate that included any change in DEQ regulations within that time period. As new

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regulations come out and TMDLS revised, there would be more restrictions placed on the wastewater treatment plant. Councilor Vaughan asked if the guarantee would extend past the 20 years wherein Mr. Boger stated it would have to be renegotiated.

Councilor Daily asked about Plant 1. Mr. Boger stated DB Western proposed the same offer for Plant 1. The proposal would include a new Plant 1 at that site as well, holding the same rate per EDU. In flow and loading, Plant 1 treats approximately 2 ½ times that of Plant 2. Plant 1 needs to be updated and it would require significant upgrades. The cost to do the necessary Plant 1 upgrades would far exceed the cost currently under consideration for Plant 2. The cost would not be 2 ½ times the cost, but would be somewhere between 1 ½ to 2 times the cost of what was expected for Plant 2 currently.

DB Western's proposal also takes the City out of the debt service burden for the proposed treatment plants. That debt service would be absorbed by the private entity. Councilor Daily confirmed the City would not own the plants or the trucks and DB Western would own them and insure them wherein Mr. Boger stated, precisely.

Councilor Groth stated the proposal did not include the collection system wherein Mr. Boger confirmed it did not though they have expressed that negotiations could be entered to extend the proposal to the collection system. Why not turn all of it over to a private entity and get completely out of the wastewater business.

Councilor Daily asked if DB Western would be subject to the same DEQ oversight. Rene Nomura, Oregon Department of Environmental Quality, stated privatization of wastewater treatment would be subject to different regulations than publicly owned systems. Publicly owned systems have different regulations for certain hazardous wastewater treatment and a private entity would be subject to the EPA Resource Conservation and Recovery Act (RCRA). The exemptions allowed to public agencies would go away. If private entity wanted to take hazardous waste, the treatment facility would then be treated under treatment and disposal facility regulations. DEQ views publicly owned facilities in a more favorable manner and uses a pretreatment requirement in the NPDES permit for regulating. Absent of the public entity designation for the treatment of hazardous waste, a private facility would be a separate permitting process.

Mayor Shoji asked what was pretreatment. Ms. Nomura explained the difference was how EPA characterizes waste from industry and some industries require a formal pretreatment program. Councilor Daily asked if a pretreatment program would be included in the \$40 rate or who would be responsible for the cost. Mr. Boger stated the new industry would be responsible and we would have to make sure that was outlined in the contract.

City Manager Rodger Craddock confirmed the \$40 rate was only for wastewater treatment and the City would have a separate charge per EDU for collections wherein Mr. Boger stated yes. Mr. Craddock stated the City would not be out of debt service because the MAO required \$40 million upgrades in the collection system.

Councilor Vaughan asked about DB Western assuming responsibility of private sewer laterals up to the house. Mr. Boger stated that was not part of the proposal and, unfortunately, that becomes a very sticky mess because the City cannot convey private ownership for the maintenance. This

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section of pipe was the responsibility of the house because it was owned by the private residence. Councilor Daily suggested this may be for another discussion at another time.

Mr. Boger stated the effluent from the plant would be cleaner than the water in the bay and discussed the pH levels of the soil in the area. Mr. Boger stated Class A biosolids could replace local use of lime for agriculture. Class B biosolids have restrictions such as what can be harvested and when animals could be placed back on the land, which would change with the use of Class A biosolids.

Ms. Nomura stated DB Western and the City were forgetting the City was under a MAO, there was no “just of washing hands” regarding wastewater treatment. Ms. Nomura reminded that at the last work session DEQ advised their position was that the City had a good plan, was in a good position financially, and did not see a reason to extend the MAO. DEQ intended on enforcing the MAO schedule and the penalties provision for noncompliance.

Mr. Boger stated in anticipation of that, the DB Western team was prepared to work with the City to approach DEQ in a formal meeting. This meeting would entail requesting consideration of this new plan which would offer a higher quality effluent, greater protection for the estuary, and far exceeded the limits of the NPDES permit as well as any future proposed limits.

Mayor Shoji asked how DB Western could guarantee a price before knowing what DEQ would require in the future. Mr. Boger stated that was an assumed business risk that DB Western had anticipated and reduced by proposing a solution that far exceeded current DEQ requirements. DB Western believed that if the limits changed, they would be able to be met by the proposed facility. Mayor Shoji asked what if they were wrong and if that would be a legal issues wherein Mr. Boger stated it would be a legal matter.

Councilor Daily asked if the proposal would be able to be implemented essentially as fast as the current City plan. Mr. Boger stated he could not definitely state that this proposal could break ground at the same time as the current City Plan. However, there were advantages that a private entity had over public entities with respect to funding options. Mr. Craddock stated the DB Western plan stated three years. City Attorney Nate McClintock stated the City’s procurement process would have to be followed; a contract could not just be given to DB Western.

Ms. Nomura stated DEQ would require the Department of Justice to be involved in the City’s procurement process. DEQ viewed wastewater treatment processing as a process to be in perpetuity and to include a private entity complicated the issues. DEQ has not reviewed a proposal such as this before and DEQ would not issue a permit unless there would be financial assurances.

Mayor Shoji stated the City’s Intergovernmental Agreements (IGA) with Charleston would have to be considered and asked if this would impact their loan grant. Ms. Nomura stated she did not know. Mayor Shoji stated this was a complicated proposal and process and she anticipated it would take more than three years to get through.

Mr. Craddock asked if the concept drawings included onsite biosolids treatment within the footprint. Mr. Boger showed the Powerpoint slide which identified the biosolids equipment on the middle floor.

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Councilor Brick left at 2:00 p.m. and returned at 2:03 p.m.

Councilor Daily asked if this plant would eliminate the piping of biosolids from Plant 2 to Plant 1 wherein Mr. Boger stated yes. The biosolids would be reduced to 20 – 25% and would be trucked out from the plant, it could not be pumped.

Councilor Vaughan asked if there were any membrane treatment plants within the state on a similar scale. Mr. Boger stated Bandon Dunes was not on the same scale but used the same process. Ms. Nomura stated there were approximately 300 NPDES permittees in Oregon, but not all municipalities used MBR's.

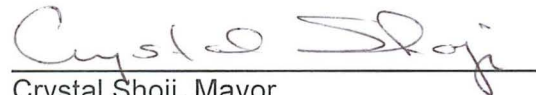
Mr. Craddock asked for an example facility that would be similar in scope which the Council could visit. Mr. Boger said he was not aware of any.

**Adjourn**

There being no further business to come before the Council, Mayor Shoji adjourned the meeting. The next regular Council meeting was scheduled for June 21, 2016 in the Council Chambers at City Hall.

Attest:

  
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Susanne Baker, City Recorder

  
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Crystal Shoji, Mayor