

# Metropolitan Wastewater Management Commission



*partners in wastewater management*

## **MWMC MEETING**

Friday, 7:30 a.m., March 11, 2011  
Water Pollution Control Facility  
Willamette Meeting Room

### **MINUTES**

#### **I. ROLL CALL**

President Doug Keeler opened the meeting at 7:30 a.m. Roll call was taken by Kevin Kraaz and introductions were given around the room.

#### **COMMISSIONERS:**

##### **PRESENT**

Jay Bozievich  
George Brown  
Bill Inge  
Doug Keeler  
Marilee Woodrow

##### **ABSENT**

Hilary Loud  
Walt Meyer

#### **STAFF IN ATTENDANCE:**

Ron Bittler  
Dave Breitenstein  
Deanna Buckem  
Michelle Cahill  
Judy Castleman  
Rachael Chilton  
Barb Connelly

Dennis Corneilson  
Steve Forrester  
Chuck Gottfried  
Heidi Hubbard  
John Huberd  
K.C. Huffman, Attorney  
Kevin Kraaz

Troy McAllister  
Todd Miller  
Josh Newman  
Jeff Paschall  
Ed Pabor  
Ken Vanderford  
Greg Watkins

#### **GUEST IN ATTENDANCE:**

Tom Nevins - Murray, Smith, & Assoc.

#### **II. CONSENT CALENDAR**

a. MWMC 2-11-2010 Meeting Minutes

MOTION: IT WAS MOVED BY COMMISSIONER BOZIEVICH TO APPROVE THE CONSENT CALENDAR. THE MOTION WAS SECONDED BY COMMISSIONER WOODROW. THE MOTION PASSED UNANIMOUSLY 5/0.

**III. PUBLIC COMMENT**

There was no public comment.

**IV. ELECTION OF OFFICERS**

Ron Bittler, the MWMC General Manager, informed the Commissioners that each year during the March meeting, a new president and vice-president for the MWMC is elected. He explained that following tradition in selecting new officers Vice-President Inge would become President as a Lane County representative and since President Keeler is a representative of Springfield, the Vice-President would be chosen from one of the Eugene representatives. Alternatively, the Commission has the option to choose whomever they want as their new officers. Mr. Bittler said that the request today was for the Commission to nominate and select new officers for the upcoming year.

President Keeler asked if there were any questions about the process, especially from the new Commissioners. There was none.

MOTION: COMMISSIONER KEELER MOVED TO ACCEPT COMMISSIONER INGE AS PRESIDENT AND COMMISSIONER MEYER AS VICE-PRESIDENT, BOTH TO SERVE IN THESE POSITIONS THROUGH MARCH 2012. IT WAS SECONDED BY COMMISSIONER BOZIEVICH. THE MOTION PASSED UNANIMOUSLY 5-0.

Commissioner Keeler then handed the gavel over to President Inge. President Inge said as his first act as President he wanted to thank Commissioner Keeler for the leadership he provided this last year commenting Commissioner Keeler had done a phenomenal job.

President Inge asked staff to introduce themselves around the room.

**V. DRAFT FY 11-12 REGIONAL WASTEWATER PROGRAM BUDGET**

Ron Bittler stated that he and Michelle Cahill, the Wastewater Director, would be going over the proposed Operating and Administrative Budget, as well as some scenarios for user rates for FY 11-12. Mr. Bittler began the PowerPoint® presentation by reviewing the schedule for the MWMC Regional Wastewater Program (RWP) FY11-12 Budget and Rates.

April 8	2011 Budget & User Rate Public Hearings & Options to Adopt
May 16	2011 MWMC Budget & CIP Ratification by the City of Springfield
May 18	2011 MWMC Budget & CIP Ratification by the Lane County Board of Commissioners
May 23	2011 MWMC Budget & CIP Ratification by the City of Eugene
June 10	2011 MWMC Final Adoption of Budget & CIP

Mr. Bittler asked the Commissioners to keep in mind that everything in the draft budget is based on a 4% rate increase. He stated staff followed the Commission's lead and brought

them the lowest rate scenario possible plus two additional rate scenarios for consideration. Mr. Bittler told the Commission that staff is looking for their feedback and direction.

Mr. Bittler told the Commissioners that throughout the budget process, staff remains mindful of the Key Outcomes when preparing the draft budget numbers. Referring to budget assumptions and cost drivers, Mr. Bittler said that the projections are based on 99.8% of the projected user fees for the FY10-11 budget. He said the MWMC is on track to meet projected System Development Charges (SDC) and estimating septage revenues to be ahead of the original estimates. Mr. Bittler reminded the Commissioners that John Huberd, City of Eugene Financial and Administrative Manager, presented information in November 2010 that the MWMC is about \$100,000 ahead of projections. The same holds true for the renewable energy income from EWEB - originally projected at about \$84,000; current projection is about \$100,000.

Mr. Bittler next referred to the issues and trends for FY10-11 in regards to the Operating Program objectives saying the MWMC is continuing to implement the 2004 Facilities Plan. He then stated there were 38 projects identified as part of the 2004 plan and moving forward into the next year, the MWMC is looking at a capital financing of \$25.9 million to continue with implementation of the facilities plan, with some projects in the design phase, while others are under construction. He noted the ongoing partnership and coordination with the plant staff in terms of commissioning the new process units and improvements. Staff will also be working on the Reclaimed Water project this year and a chartering meeting was held on March 1 with the two consultants. Also this year, staff will be continuing on The Facilities Plan Update, which is a review of achievements made with the 2004 plan and a brief look forward to any other challenges or regulations that might be changing the ultimate plan.

Mr. Bittler explained the slide presented a summary level with Eugene and Springfield numbers included. He noted a few changes such as: Full Time Employment (FTE) count is up .5%; Personnel cost is up 6.1%; and Materials and Services (M&S) is up .3%; with a total budget increase of 3.7%.

In reviewing FTE allocations for the MWMC, Mr. Bittler explained the changes to the Springfield's proposed budget, noting the adjustments made in how the Accounting staff assigns their time to the MWMC. City of Springfield Finance Director, Bob Duey, was charging some of his time to the MWMC budget. A switch was made so now only the time from an Accounting Supervisor will be charged to the MWMC. There is no budget impact as a result of this change, just an adjustment to the FTE allocation. (This was accomplished by exchanging the number of hours in terms of Mr. Duey's value for the Accounting Supervisor, who is actually doing the work.) Also, a time adjustment was made to an Environmental Technician 2 who supports both the Pretreatment and Stormwater program. This adjustment was made in support of the Pretreatment program. Personnel cost is up 6.4%, M&S is down 2%, and the Springfield Administrative budget is up 1.8% in the draft budget.

Mr. Bittler said that the two largest items that are driving the 6.4% increase for Springfield in Personnel Services is the Compensation and Class Study that was implemented this year, and the significant increase in health insurance and retirement cost. Mr. Bittler reported that overtime had been reduced by 49% primarily related to the Pretreatment program. M&S has an overall decrease of 2% primarily due to changes in Contractual Services, which are being

reduced by 19%, Travel Meeting Expenses down 11%, Internal Vehicle & Equipment Rental down 32%, and gas and oil up 23%.

President Inge asked with regards to the Personnel Services increase, if the City of Springfield was working with unions, and if so, what the time frame of the existing union contracts was. Mr. Bittler answered that most of the contracts had been signed and that he believed most are 3-year contracts. He went on to say that the Compensation and Class implementation was going to take effect as employees reach their anniversary date and step increase; it wasn't going to happen all at once. President Inge asked if the union contracts were going to come up for renegotiation within the next year or two. Mr. Bittler said he believed that they were past the renegotiation period. President Inge asked Mr. Bittler to check into that and let him know at the next meeting.

Ms. Cahill discussed the details of Eugene's proposed budget. The FTE increased slightly by .19% which is due to looking at the history of where they had been charging their time and adjusting it accordingly. The Personnel cost are up 6% partly due to the union contract which is going to provide a Cost of Living Adjustment (COLA) of 2% and that health insurance and retirement cost are increasing. She said that their staff is primarily AFSCME and there is one more year under the current contract; they will be starting negotiations within the coming year. M&S is up 1.3% because of the following: utilities increase of 9.9%, chemical increase of 4.2%, fleet charges are decreasing by 9% and travel and training decrease of 9%. The total increase for Eugene's budget is 4.3%.

Ms. Cahill presented the 5-year Regional Operating Budget Comparison.

FY07-08	\$13,773,806
FY08-09	\$14,540,521
FY09-10	\$15,243,872
FY10-11	\$15,158,940
FY11-12	\$15,722,799

Mr. Bittler recapped the 5-year CIP Summary that Mr. Gottfried discussed in February's MWMC meeting. The summary showed the \$25.9 million total for Capital Improvements for the next fiscal year (FY11-12) and the projections out to FY15-16. The projected total capital projects investment is \$77.4 million.

Mr. Bittler next presented the CIP Program Comparison chart that included the Assets Management for Major Rehab Equipment Replacement and Major Capital Outlay. It showed the increase in outlay due to the wet weather compliance schedule and the large construction year in FY08-09. Since the majority of the 38 projects were front loaded to meet the regulatory requirements, the MWMC's Capital program costs have been decreasing over the last few years.

Mr. Bittler then showed a chart with the CIP estimated cash flow need, projected from FY10-11 through FY14-15. For this next year, the MWMC will be at \$9.9 million for the construction projects.

A Regional Residential Sanitary Sewer Rates 1999 - 2012 chart was shown by Mr. Bittler who explained that the graph reflects the changes that were made due to the Facilities Plan and the regulatory requirements to upgrade the wet weather capacity of the treatment plant. Rates were flat for a number of years and then as the Facilities Plan was implemented, rates were raised, the MWMC borrowed nearly a \$100 million in two bond sales, and the Hynix shut-down had about a million dollar impact. The MWMC has had a number of rate changes to support the Capital projects and the loss of a significant industry.

Mr. Bittler reviewed a user rate comparison chart evaluating average residential wastewater fees, stating he viewed this as a positive graph with the MWMC's user rate right in the middle with the average rate at \$37.52/month. Sewer usage (flow volume) was down 1.7% for FY10-11 from FY09-10 usage. The national residential trend data shows that the average monthly sewer usage is down with a more concentrated sewage and less flow.

Mr. Bittler presented the forecasted rates from FY10-11 through FY14-15. At the best rate possible, staff forecasted the fee at 4% increase for each of the five fiscal years. The rates were based on the following:

- The continued use of SDCs for Debt Service
- Maximizing the Capital transfers
- The lowest rate increase to keep on track for the future bond issuance
- Future borrowing planned for FY13-14
- Rates driven by 1.25 Debt Service Coverage Ratio for bond issuance

Mr. Bittler said moving forward the strategy has not changed. The MWMC is still looking to strategically use the SDC Reserves for Debt Service until FY11-12 when the reserves will be depleted; maximizing the transfers of monies to the Capital Fund to pay for the CIP; maintaining a Rate Stability Reserve at \$2 million to allow for larger Capital transfers; minimizing and or delaying the need for additional bond issuance; and remaining positioned to issue the next \$20 million bond. Mr. Bittler reminded the Commissioners that the Bond Council recommended that the MWMC not issue a bond less than \$20 million—which is the placeholder that has been established.

Mr. Bittler described the three User Rate Scenarios.

**Scenario A** is for a flat 4% rate increase for the next five years. The givens are that it maintains the bond covenant of less than 1.25 Debt Service coverage ratio, allows for significant capital transfer to pay for the CIP, and it forecasts additional borrowing in FY16-17. The pros are that it allows for large capital transfer, maintains existing bond covenants, remained positioned to borrow \$20 million, and it provides the lowest rate increase possible. The cons are it has minimal flexibility to adapt to changing conditions such as loss of significant user(s) resulting in less than expected collection rate, and it has the fewest rate options moving forward (likely only increase).

**Scenario B** has a 6% rate increase for FY11-12 and FY12-13 and then drops to a 3% rate increase for the next three years and it provides all the givens as scenario A. Where it differs from Scenario A is that it will have an interest income of

approximately \$42,000 (using 1% interest rate) and is more flexible in adapting to changing conditions. The cons are that it has an initial higher User Rate increase than Scenario A and is not the minimum rate increase possible.

**Scenario C** is for a flat 8% rate increase for the next five years. The givens are that it maintains the bond covenant of less than 1.25 Debt Service coverage ratio, allows for the largest capital transfer to pay for CIP, and forecasts additional borrowing in FY17-18. The pros are that it not only maintains existing bond covenants but also positions to borrow more than \$20 million. It also collects more money up front (\$5.1 million more than Scenario A.). It also allows for maximum flexibility to adapt to changing conditions and could lower rates in future years. The con is that it is the highest rate increase.

Commissioner Keeler stated that on Scenario A, one of the cons listed is the loss of flexibility for changing conditions such as loss of significant users. He asked who that might be; who are the MWMC's two to three significant users. He thought they might be stable enterprises. Mr. Bittler answered that last month he reported on some potential concerns of changes related to a business that was looking to increase their on-site pretreatment which would essentially reduce the amount they would pay to the MWMC for surcharges. He thought it was around \$100,000. Other than that, staff is not aware of a significant user loss.

Mr. Bittler asked for discussion and direction from the Commissioners.

### **Discussion**

President Inge pointed out that Scenario C did not state the interest income as was given in Scenario B. Mr. Bittler agreed and then pointed out the footnote for Scenario C stated it assumed a 1% interest rate and he thought that was built in to the \$5.1 million collected.

President Inge commented that the economical conditions being what they are, he would like to maintain the lowest possible rate with the understanding that the Commission has the flexibility to raise rates if and when necessary, rather than raising the rates on the front side.

Commissioner Keeler stated that looking at what the CIP has been for the last few years he finds even 4% difficult to talk to the public about. He said he understands the Commission needs to be fiscally conservative and protective and he can support that but anything more gets difficult in a hurry.

Commissioner Bozievich agreed and said that with the current economy, Lane County unemployment rate is fairly high and the background inflation up to this point has been fairly low, so it is really hard to go out to the public and declare much more than 4%. He is inclined to keep the User Rate down and not prop up the reserves at this point until the economy starts to recover.

Commissioner Woodrow agreed that the 4% User Rate is the better way to go.

Commissioner Brown also agreed with the lower User Rate.

President Inge stated it is important that the rate payers understand what necessitates the increases. He wants them to know that it is not from growth in the budget of the MWMC but related to federal regulations that required us to build the infrastructure that we built. He encouraged staff to disseminate the information to the users whether on the website, through fliers, or included with their SUB bills.

Commissioner Woodrow asked if the public hearing was during the day or in the evening. Mr. Bittler replied it is done at our normal MWMC meetings during the daytime. Commissioner Woodrow then said that it may be better attended if later in the day or in the evening and that the information could be handed out at that time.

President Inge commented that those meetings were not normally well attended. He said anything the staff can do to get information out to the public that the Commission is doing everything it can to keep the rates down would be helpful. He wants the public to have a true understanding of the job that has been done, maintaining costs, projects under budget, and that every rate increase is due to the federal regulations.

Commissioner Bozievich asked to clarify that the Public Hearing is at the regular monthly meeting at 7:30 a.m. Mr. Bittler replied that it has traditionally been at the regular meeting.

Mr. Bittler told the Commissioners that with the information and direction they gave, staff will prepare the final budget with the 4% rate increase and return in April for the public hearing.

President Inge asked Mr. Bittler if Mr. Schuck's position was being filled. Mr. Bittler explained that it was not yet filled. He proceeded to explain to the Commissioners what has been happening at the City of Springfield: Susie Smith, the Public Works Director and Executive Officer for the MWMC resigned from her position; for the short-term, Mr. Bittler will be fulfilling the role of the MWMC Executive Director as Acting in Capacity (AIC). The current Development Services Director is also going to retire in April. There will be about a three-month evaluation looking at some reorganization within Springfield and he does not expect that the Public Works Director's position will be filled anytime soon. A number of employees in the Environmental Services Division, which is the division that Mr. Bittler manages, have applied for the City of Springfield's Voluntary Separation Program and potentially, there could be about five vacancies within his division. Management is looking at an opportunity to restructure and find more efficiency before they start filling those positions. Ultimately Mr. Schuck's position will be filled.

President Inge asked what Mr. Bittler was going to do in the interim, to which Mr. Bittler responded Mr. Schuck had signed a temporary employment contract to help with the budget process.

On another topic, Mr. Bittler stated that last month the Commission had asked staff for a cost update on where the MWMC stands with the Capital Improvements Projects (CIP). He presented a graph (slide) displaying both 2006 re-costing from the 2004 Facilities Plan for all known projects at \$195 million, and the 2011 actual and projected costs for both completed and in progress projects at \$196 million. Mr. Bittler explained the difference was due to inflation, and that projects came in under budget.

Commissioner Bozievich asked what percentage staff used for inflation; Mr. Bittler replied 5% annually.

Commissioner Keeler inquired what percentage of all the work was completed. Mr. Bittler deferred the question to Josh Newman, CIP Supervising Civil Engineer, who responded about half of the projects are complete.

Commissioner Woodrow said the significant information shown in the graph could be projected to the public in a simple way.

President Inge agreed with Commissioner Woodrow saying it could be extrapolated indicating the unfinished projects could come in under budget like the finished projects did.

Commissioner Bozievich commented that for less confusion, the public information graph should show both columns in current dollars. If the 2006 column was shown in 2011 dollars, it would be a lot higher and we would be showing the public that costs were significantly less than was originally projected.

President Inge agreed.

## **VI. RIPARIAN SHADE SPONSORSHIP UPDATE**

Todd Miller, City of Springfield Assistant Project Manager, presented an update on the Riparian Shade Sponsorship projects noting the last status update was at the November 2010 MWMC meeting. At that time, he reviewed the history of the State Revolving Fund (SRF) loan funding for these projects, identification of the local shade projects, opportunities for securing riparian shade regulatory credits for the MWMC's Total Maximum Daily Load (TMDL) requirements, and the emerging estimates of project costs and the potential thermal benefits the projects could generate. Mr. Miller stated the purpose of the update was to ensure that the Commission has the information needed to evaluate the recommendations that staff will be presenting later this year for contracting these projects. Mr. Miller also noted that at the November meeting, several questions arose that he wanted to fully address regarding the mechanisms, costs, and risks associated with private landowner agreements and ensuring the long-term regulatory credits past the 20-year tree grow-out period. The Commission also discussed the use of a credit registry organization which would take the burden of risk of project implementation off the MWMC.

In addressing contracting mechanisms to implement the riparian shade projects, Mr. Miller stated staff had identified options for both how the projects will be contracted as well as determining the funding level that the MWMC wishes to put into these projects. He reported staff is exploring multiple options for contracting with both local and outside partners to ensure the best approach for the MWMC is met, and the next step would be to pursue a contract negotiation for the Commission's consideration.

In reviewing Attachment 1 to his Commission memo, Mr. Miller stated that the number one item he wanted to highlight was the sponsorship funding noting that in 2008, the DEQ alerted staff that it was possible to apply for the sponsorship option funding to complete local

watershed restoration projects. This funding converted a portion of the interest payments from the Capital Improvement Loan toward watershed projects and that management recognized the potential value in sponsoring local riparian planting projects. He said one of the reasons was because of the potential shade credits to be gained, while at the same time restoring priority local waterways. Mr. Miller said in May 2008, staff submitted a list of projects to DEQ that could ultimately qualify for sponsorship options. Approval was received for the Tertiary Filtration Phase 1 and riparian shade projects in December 2008. With that, the Commission directed staff to fund only those riparian projects that would result in shade credits as opposed to other watershed restoration benefits.

In the selection of the projects, Mr. Miller said that staff started out by screening projects identified by local partners and looked for what the capacity and eligibility to produce shade credits were. Only two projects in the application list met those criteria: the Springfield Mill Race and Cedar Creek (both are salmon bearing streams which make them eligible for shade credits). Staff proposed \$200,000 funding for the Springfield Mill Race project and \$250,000 for Cedar Creek. In 2009, staff negotiated sponsorship agreements with local partners: McKenzie Watershed Council on Cedar Creek and City of Springfield on the Springfield Mill Race. Those authorizations became documentation to the DEQ that the MWMC intended to use sponsorship funding at those levels of \$450,000 and that the MWMC had identified the right implementation partners to complete those projects on the ground.

Mr. Miller explained that the way that the sponsorship funding is derived is that the Capital loan interest rate of 3.08% (at the time of the loan) can be reduced to as low as 1%, but the MWMC would continue to make the same payment with the difference used to reimburse the local watershed projects.

Mr. Miller stated following identifying the projects and funding source, shade credits were evaluated using the DEQ's Shade-a-lator model. The model equates the shade benefit to what the regulatory burden actually is in terms of kilocalories per day.

Mr. Miller stated to identify the MWMC's planting specifications; staff looked to partners with this experience such as Clean Water Services, local watershed councils, and emerging entities such as Fresh Water Trust. Staff will be proposing a 60-foot-width of native trees along the stream banks with an array of native shrubs to promote shade growth.

Mr. Miller detailed the following shading sponsorship options for the Commissioner's consideration (detailed in Attachment 2 of the Commission memo):

- No Implementation Option
- Implementation Contracting Options
- Local Partner Contracting
- Brokerage via The Freshwater Trust
- Open Solicitation Option

Mr. Miller next reviewed three funding options (also detailed in Attachment 2).

- Funding Option 1—Implement Current Sponsorship Allocation
- Funding Option 2—Implement Maximum Sponsorship Availability under Current Loan

- Funding Option 3—Request Loan Increase to Maximize both Capital Project and Sponsorship Funding

### **Discussion**

Commissioner Brown wanted to know if the MWMC is awarded \$1.6 million to plant trees, how the credits are obtained and what are they for. Mr. Miller explained under the next permit cycle, the MWMC will be under commitment to meet its thermal load regulation on the Willamette TMDL. The MWMC has a waste load allocation calculated based on the volume, temperature of effluent discharged from the plant to the river, as well as the actual volume, flow and temperature of the river itself. Regulatory trading credits are obtained by offsetting the thermal load on the Willamette watershed system. The DEQ has developed the Shade-a-lator model to calculate shade benefits; lack of riparian shade is considered to be one of the biggest limiting factors that cause the temperature increase on the river system.

Commissioner Brown asked why planting trees above the MWMC's discharge into the river, rather than below benefits us. Mr. Miller replied it is an accumulative impact, that the salmon criterion is not exceeded at the plant but rather the total impact from all the variances in temperature in the watershed system.

Commissioner Brown then asked how the credits work. Mr. Miller responded that there will be some costs to the MWMC to meet its thermal load requirements. The MWMC currently proposes to meet thermal load reduction through the Recycled Water Use program which diverts a quantity of water out of the river to some other beneficial use such as irrigation. That water has a thermal load value to it and once the projects are more fully identified through feasibility studies, a cost-benefit of dollars per kilocalorie per day will be identified. If results indicate planting shade trees is less expensive in the dollars per kilocalorie per day, then there is a monetary benefit to the MWMC. Because the sponsorship funding carries virtually zero cost with it to the MWMC, the Mill Race and Cedar Creek projects will provide extremely low-cost thermal credits.

President Inge added the MWMC is paying 3.08% on the capital loan but by doing the sponsorship project, interest is reduced to 1%. The difference between those two percentages will pay for the project. The only real cost to the MWMC is the 0.5% annual fee. Mr. Miller confirmed President Inge's statement.

K.C. Huffman, the MWMC legal advisor, said under the next permit, we are expected to be deemed compliant with implementation of our 10 million gallons per day of recycled water uses. However, going forward, if the new permit somehow changes, the project that Mr. Miller is describing will help if recycled water falls short of expectations. The permit does not preclude the MWMC from implementing additional measures to meet thermal compliance.

Commissioner Woodrow asked what types of risk is there for the MWMC if it joined a third party and how that coincides with the money that would be paid The Freshwater Trust. Mr. Miller replied that he doesn't have the full answer but it appears to staff that in order to secure riparian projects that will result in shade credits to the MWMC, we want to ensure that we procure those projects for at least 20 years and, based on the conversation from November, perpetuity which might mean securing easements on the tracks of land. The experience of

others, including The Freshwater Trust, indicates that the safest way to do that is by offering rental payments to the land owner. We have either an easement or contractual annual lease agreement that we need to honor and part of that, in order to protect our investment of the shade trees, is that the landowner does not remove the trees and does not use the land for some other purpose. The risk carried with that is the negotiation of those agreements and covering potential loss to the MWMC. It is anticipated that not quite a 100% of the trees will survive and that there may be a landowner that doesn't abide by the agreement. You want to ensure that you have your losses covered. How much of that burden of risk you want to put into the landowner agreements versus placing the risk management on a third party are considerations. Mr. Miller said another risk is a political one where if there is a riparian agreement between the MWMC and the landowner, do you want to be perceived as an agency with a hold on value of part of their property. By going through The Freshwater Trust, for example, it would remove the MWMC from the direct relationship with the land owner and limit the association to just the credit organization.

Commissioner Woodrow asked Mr. Miller if he felt if the cost is worth the benefit in having a third party. Mr. Miller replied potentially; that the costs right now for The Freshwater Trust appear to be higher but we have not actually calculated the staff time and the legal and risk management time that would be saved with the 20-year growth period.

Commissioner Keeler asked Mr. Miller to explain the about The Freshwater Trust, how long have they been around, how are they chartered, etc. Mr. Miller said that they are a marriage of Oregon Water Trust and Oregon Trout who are both non-profit organizations. Oregon Trout, for the past couple of decades, has specialized in stream restoration projects for fish habitat. Oregon Water Trust was specializing in restoring flows to our rivers. They are now The Freshwater Trust, a non-governmental organization recognized by the water resources department to hold in-stream water rights. So they have experience in those types of relationships of both restoration and land owner agreements.

Commissioner Bozievich stated that he understood that someone from Medford is challenging the DEQ's modeling of the TMDL on the streams based on the fact that they are not accounting for stream bed interaction. That quite often the discharge does not have the thermal loading that the model indicates due to lack of simulated interaction in the streambed, and that the temperature shortly dissipates downstream. He asked if that is something we looked into at all, challenging the TMDL and our thermal loading limit.

Mr. Bittler replied yes, that the MWMC and the City of Albany sued the DEQ over the Willamette TMDL and a settlement agreement was reached. Part of what is being done now is talking about the next permit cycle. The MWMC was assigned some of the reserve capacity in the interim and the Willamette TMDL is supposed to be looked at again in 2012. The MWMC has been real active in that discussion leading us to where we are today.

Mr. Huffman said that part of the settlement agreement is that the MWMC gets to participate in the recalculation in the TMDL.

Commissioner Bozievich asked for clarification on the allocation of \$450,000, asking if it is an annual allocation of the next coming year or a onetime occurrence. He also said he did not see on the information what the cost of the Capital Improvements is and what the balance is

with the thermal credits that the MWMC is gaining. He asked if it is actually efficient spending \$450,000 and gaining so many kilocalories for credits and wanted to know what it would take in capital improvements to see that same reduction in thermal load. He stated that he could not see if we are actually saving money or not. Also, he asked if it is better to spend money at the discharge or on the trees up river. He would like to see a comparison and understand the basis for the allocation.

Mr. Miller said with regards to the allocation question, what is indicated is how much of the principal amount borrowed from the DEQ the Commission will allocate towards sponsorship projects. Of the \$8 million, \$450,000 is for shading projects. This is not an up-front cost because the loan happens on a reimbursement basis. Costs will be incurred over the 20-year implementation period of the shading projects and the DEQ will reimburse the MWMC along the way. The allocation amount is important because that is how the DEQ is going to calculate the actual interest rate and it helps us to determine how much of the SRF funding will actually be applied to the Tertiary Filtration funding.

Mr. Miller next followed up on the cost efficiency question. He noted that staff, with the Phase 1 Recycled Water Uses Assessment, is currently looking at how potential recycled water uses compare with our riparian shade project opportunities. Hard numbers will be forthcoming because the shade model must be dialed in as realistically as possible to determine what contract mechanism will be used.

Mr. Miller said that this is a great opportunity to pilot these riparian projects with the sponsorship option which will cost the MWMC close to nothing in terms of actually getting it done. He said for example, The Freshwater Trust is indicating numbers around 3 to 5 cents per kilocalorie per day; Cedar Creek and the Mill Race projects are not quite that efficient. He said that with the actual annual fees of \$13,500 that the MWMC will be paying, it is well under a tenth of what can be paid to The Freshwater Trust for a kilocalorie credit.

Mr. Bittler stated that staff is at the preliminary investigation of what the approach is going forward. Staff is doing a lot of leg work with the DEQ in terms of what The Freshwater Trust is proposing is going to work for regulatory requirements. Mr. Miller and other staff have been in contact with other agencies that have been working with The Freshwater Trust and are still in the fact finding mode. He said staff will be bringing more information to the Commission as it unfolds.

President Inge said his understanding is the true cost to the MWMC is 0.5% because otherwise we would have to pay the higher interest rate. In looking at this project, the MWMC is saving additional value for the dollars that would otherwise be spent because we would get \$450,000 worth of work for basically \$13,000.

Mr. Miller said that was correct. He added that these projects present us a good opportunity to pilot how this would work. If riparian shading turns out to be effective and feasible, then the MWMC will pursue in the future outside these two projects.

Commissioner Bozievich commented in regards to working through The Freshwater Trust, that after having dealt with property owners and easements and having worked with a department that did nothing but that through EWEB, he doubts that the MWMC has that kind of staff. He

said that this is The Freshwater Trust's profession and it is a real skill set. He thinks working through The Freshwater Trust is a good way to proceed.

Mr. Miller asked if he came back with a recommendation of either contracting directly with; 1) McKenzie Watershed Council and maybe another entity like the McKenzie River Trust, 2) potentially doing the project in-house, or 3) going with The Freshwater Trust, was there any preference or aversion to go a particular route, or if he should just find the very best situation for the MWMC.

President Inge said that he has a great confidence in the staff to present the best option and at least one additional option.

Commissioner Keeler said he wanted to second what Commissioner Bozievich said about the difficulties around coordinating easements for a public agency with multiple private property owners. He advised to be wary of that.

Mr. Miller asked if the Commission had a preference in regards to the credits retiring after 20 years or to renegotiate those agreements after 20 years. For the DEQ to agree that the MWMC will have these credits basically forever for this investment, they want to see that protected by an easement. Mr. Miller wanted to know how important it is to the Commission to get the easements and secure that perpetuity up front, or leave it open for renegotiation in 20 years.

Commissioner Keeler said there is value in preserving the perpetuity.

Commissioner Woodrow agreed.

## **VII. GENERAL MANAGER AND WASTEWATER DIVISION MANAGER**

Mr. Bittler reported that shortly after the February MWMC meeting, a notification from Rusty Rexus was received requesting to terminate the exclusive negotiating agreement on the property lease. In the communication, Mr. Rexus indicated that he has not given up on future opportunities with the MWMC; he is still very interested in the tree farm and looks forward to doing business with us. With Mr. Huffman's assistance, the agreement was reviewed and a check in the amount of \$1,272.30, 75% of the remaining balance as stated in the agreement, was refunded to Mr. Rexus.

Mr. Bittler gave an update on the Toxic Water Quality Rulemaking, reporting the Environmental Quality Commission (EQC) has extended the comment period to March 21. He told the Commissioners he is still working on the letter to the EQC, and that it is a priority for him to get that out to the Commission next week for their review.

Mr. Bittler next updated the Commissioners on Senate Bill 737. The DEQ is now looking at temporary rule making to remove cholesterol and coprostanol, two pollutants that are on the priority pollutant list, from the requirement of having to develop a pollution prevention plan. This decision was made because both pollutants continued to appear in effluent sampling results from the 52 largest wastewater facilities in Oregon.

Mr. Bittler then told Commissioners that there was a van ready and staff members available to take them on a tour of the treatment plant if they so desired. He said the tour would be approximately an hour to an hour and a half by vehicle depending on how many questions they have. No one was available to go on the tour so President Inge requested that it be rescheduled and asked Ms. Kraaz to send out an email request for interested Commissioners availability.

Ms. Cahill updated the Commissioners on what was being done to inform the homeless there is no charge to dump their septic at the treatment plant. She said Rachael Chilton, Springfield Public Information and Education Specialist, created a flier that explains if they can get to the plant, they can discharge their waste for free – a service offered to everyone. Fliers were sent to St. Vincent dePaul, the MWMC's liaison to the homeless population, and the fliers will also be available at Homeless Connect.

Ms. Cahill noted that Eugene staff is trying to raise awareness of homelessness by having human rights conversations and exploring the topic of maintaining dignity while homeless.

## **VII. ADJOURNMENT**

President Inge adjourned the meeting at 9:05 a.m.

Minutes were recorded by Kevin Kraaz