City Council Special Meeting
Waste Water Treatment Facility
Tuesday, August 14, 2012, 6:00 p.m.
City Hall – Council Chambers

CALL TO ORDER Mayor Dudley called the meeting to order at 6:00 p.m.

ROLL CALL

Mayor Scott Dudley
Six Members of the Council,
- Rick Almberg
- Jim Campbell
- Tara Hizon
- Beth Munns
- Joel Servatius
- Bob Severns

Larry Cort, Interim City Administrator
Cathy Rosen, Public Works Director
Eric Johnston, City Engineer
Renée Recker, Executive Assistant to the Mayor

Councilmember Danny Paggao was absent from this meeting.

ALSO IN ATTENDANCE

Brian Matson, Carollo Engineers
Sean Koorn, HDR Engineering, via Skype

City Engineer Eric Johnston opened the meeting and talked about possible action this evening to proceed forward with a decision that affects the next generation. The City has been working toward this decision for three years now, and Mr. Johnston appreciated the opportunity to have been a part of this project. Mr. Johnston gave a history of the project and talked about the demonstration jars of water shown this evening and the documents provided for Council:

- Inter-Office Memo from Steve Powers to Larry Cort
- Inter-Office Memo from Doug Merriman to Mayor Dudley and Larry Cort
- Memorandum from Reclamation Treatment Plant Staff
- Public Forum Comments
- Draft Resolutions 12-17, 12-18, and 12-19
- This evening's PowerPoint presentation (attached as Exhibit A)

Mr. Johnston noted that Mr. Merriman's memo talks about financial participation by the Navy and that Mr. Merriman worked with information available at the time and additional information will be shared with Mr. Merriman. Mr. Johnston had not broken out the Navy share versus the City share. These numbers are useful as a comparative between site options based on costs known today. Mr. Johnston also spoke about Council's 2010 action which factored in all criteria, not just costs.

Brian Matson led the PowerPoint presentation with this agenda:

- Overview of Windjammer Vicinity MBR
- Overview of Crescent Harbor North AS
- Overview of Crescent Harbor North MBR
- Rate Analysis Update
- Public Comments Summary
- Schedule
- Questions

Sean Koorn addressed the rate analysis update and review of WWTP funding assumptions: Summary of the previous rate study, current project cost and revised funding assumptions, alternative funding options, additional outside funding opportunities, and a summary of funding alternatives.

The schedule for Council action and deadlines was reviewed with desired action this evening being the selection of a site for future planning and environmental review.

Final thoughts included:

- Alternatives are all technically viable
- Long-term alternative costs/rate impacts are similar
- Alternatives will all improve the environment
- What is the most sustainable alternative for Oak Harbor

The three resolutions were clarified:

- 12-17 MBR at Windjammer Park site
- 12-18 MBR at Crescent Harbor North site
- 12-19 AS at Crescent Harbor North site

Mayor Dudley called for public comments.
Duane Dillard, Oak Harbor. Mr. Dillard thanked the citizen committee - great job. Mr. Dillard then spoke with concern about the Crescent Harbor North site and its proximity to the Navy jet fuel line pipeline project. Mr. Dillard spoke in support of the Windjammer Park site which offers a central location for the whole community with future additions (community center or conference center, possible City Hall, library, etc.).
Sean Rafferty, Oak Harbor, Little League Board Member. Mr. Rafferty spoke with concern about the Windjammer Park site and asked that, if Bayshore Drive is re-done, a new ballfield facility be in place first. Do not forget our children. Mr. Rafferty also thought the Crescent Harbor site is not central to the City.
Jeff Trumbore, Oak Harbor, Member of the Citizens Committee. Mr. Trumbore felt that Council was presented with viable options: Windjammer Park has a higher potential for archaeological discovery, has different soil conditions than Crescent Harbor North, and a potential for rising water and high tides. Mr. Trumbore supported the Crescent Harbor North site because it can support other land uses and would not be as costly as the Windjammer Park site.

Corky Bridgeford, Oak Harbor. Mr. Bridgeford is a property owner at the Crescent Harbor North site. Mr. Bridgeford spoke with concern about the Windjammer Park site and in support of the Crescent Harbor North site which offers more room, could act as a site for compostable solids which can be sold, could house a solid waste transfer station, and in the long-term, save the City some money although initial site costs are comparably the same.
Mel Vance, Oak Harbor. Mr. Vance spoke with concern about the choice of an AS process and plant if it has to be retrofitted or replaced in 50 years. Mr. Vance supported MBR as a process but not the Windjammer Park location due to public concern. Mr. Vance felt an opportunity had been missed in not offering a proposed site to the west or south.
Helen Chatfield-Weeks, Oak Harbor. Ms. Chatfield-Weeks felt this evening offered a well-presented and intelligent discussion and supported the Windjammer Park site. Ms. Chatfield-Weeks added: Eric Johnston is a fine and intelligent engineer and thanked Mr. Johnston for his work on this project.
JoAnn Hartley, Oak Harbor. Ms. Hartley is a property owner at the Crescent Harbor North site. Ms. Hartley felt that both sites were comparable but initially had concern with the Navy jet fuel line which is now not a concern to her. Ms. Hartley spoke in support of the Crescent Harbor North site with MBR as the process and the lesser environmental impact to the riparian terrain and deer there.
Ron Hancock, Oak Harbor. Mr. Hancock spoke with concern about the impact of placing a plant in a waterfront park; there is only so much waterfront left. Future generations will suffer or benefit from the quality of life we are giving them and Mr. Hancock did not think a plant at Windjammer Park would add to a pristine environment. Mr. Hancock spoke in support of the Crescent Harbor North site and hoped for an aesthetically pleasing structure committed to a multi-use concept.

There were no other public comments.

BREAK
Mayor Dudley called for a break at 7:20 p.m. and the meeting reconvened at 7:25 p.m.

Council Discussion and Questions
Discussion followed about the facility that would remain at Windjammer if Crescent Harbor North was chosen (a small footprint pump station; the rest of the RBC plant would be removed and the land returned to the park), the same question was asked of the Windjammer Park site (nothing, existing infrastructure would be removed and new infrastructure would be shifted to the site). Discussion continued regarding rates in 2010 and rates in comparable cities, the need to acquire and annex the site for Crescent Harbor North (this is one of the assumptions; would not build otherwise), if either site favors grants or low interest loans based on the project choice (no), if rates will double over the next five years (yes), phasing and expansion at each of the sites, potential for archaeological discovery (more potential at Windjammer), and if there is risk regarding the Navy fuel line as mentioned by Ms. Hartley (not a greater risk). Discussion followed about land acquisition and the process which protects the property owner, and if funds could be used for Bayshore (not usable; funds are for the WWTP only), and the intrusiveness/disruptiveness of the work to build a plant. Discussion returned to soils at each site, and phasing,

Motion: **Councilmember Almberg moved to adopt Resolution 12-18 to continue with the engineering for an MBR plant at Crescent Harbor North. The motion was seconded by Councilmember Munns.**

Discussion continued about ancillary components of the sites, expansion availability for each site, the effect of the Windjammer Park site on the park, and the "moving parts" and elevation of the Crescent Harbor North site.

MEETING TIME EXTENSION

Motion: **At 8:00 p.m., Councilmember Servatius moved to extend the meeting to 9:00 p.m. The motion was seconded by Councilmember Campbell and carried unanimously.**

Discussion followed about the Navy and if the Navy had been contacted. Mr. Johnston noted that there has been regular discussion with counterparts at NASWI which included cost share. The Navy is prepared to begin their own feasibility study. Discussion continued about $93 million covering only the waste water facility portion and not the additional buildings (conference center, commercial space, etc.), a note that City has a better understanding of archaeological discovery, and the positive impact of a downtown facility which would create a destination.

Discussion returned to loss of park land, the 42-inch outfall, and the years it will take to add community buildings to the facility without losing enthusiasm or vision. Discussion followed about Mr. Trumbore's concern with a rise in sea level and the factor of saltwater intrusion (costs include a solid vertical but a consideration for sea level rise would be appropriate). Other discussion did not see that much park land being lost, possible berming for an amphitheatre, and a central location with Windjammer that benefits the community. Discussion returned to the Crescent Harbor North site, the choice of MBR over AS for that site, and the plant operators' support of Crescent Harbor North. Salmon recovery at Crescent Harbor North was discussed, how reclaimed water can be used, and that tonight's decision is on the plant and process, not the additional buildings.

Vote on the Motion: **Councilmembers Almberg, Hizon, and Munns voted in favor of the motion. Councilmembers Campbell, Servatius, and Severns opposed; a 3:3 vote. Mayor Dudley broke the tie and opposed the motion due to costs. The motion was defeated.**

Motion: **Councilmember Campbell moved to approve Resolution 12-17. Councilmember Severns seconded the motion.**

Councilmember Severns spoke to his second (as earlier stated by Councilmember Campbell and Councilmember Servatius) asking to build as little as possible in the existing Windjammer Park.

Clerk's Note: Resolution 12-17 called for the Windjammer Park Site using a membrane bioreactor process (MBR).

Friendly Amendment to the Motion:

Councilmember Almberg made a friendly amendment to include the condition that there is no net loss to Windjammer Park as a result of this project.

Mayor Dudley noted that this meeting is addressing only the site and process; this will come later and is premature.

Councilmember Almberg's friendly amendment stood.

Mayor Dudley asked City Administrator Cort about modification of an existing resolution. Dr. Cort felt that Mr. Almberg's amendment spoke to the existing footprint of the existing plant and stated it was difficult to imagine a site that would reduce the park itself. Discussion continued about encroachment on the auto dealerships, not removing land from public use, and no net loss to the surface area of public domain for the park noting removal of the existing plant opens up park area.

Second to the Friendly Amendment:

Councilmember Munns seconded the friendly amendment.

Discussion followed about other areas in this vicinity with note that the design charrette is reflected in the Windjammer Park site map and that this discussion could continue during the design phase. Mr. Matson talked about submission of the facilities plan to the Department of Ecology and that Ecology looks more to the process than the footprint; there is a defined footprint, but there is flexibility to modify the site.

Vote on the Friendly Amendment:

Councilmembers Almberg, Hizon, and Munns voted in favor of the friendly amendment. Councilmembers Campbell, Servatius, and Severns opposed; a 3:3 vote. Mayor Dudley broke the tie and opposed the friendly amendment. Mayor Dudley felt the City would gain park area. The motion was defeated.

Vote on the Original Motion:

The original motion to approve Resolution 12-17 carried unanimously.

Mayor Dudley thanked everyone, most importantly the public, and looked forward to the design process for the waste water treatment facility.

ADJOURN

The meeting adjourned at 8:30 p.m.

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Connie T. Wheeler
City Clerk

Tonight's Agenda

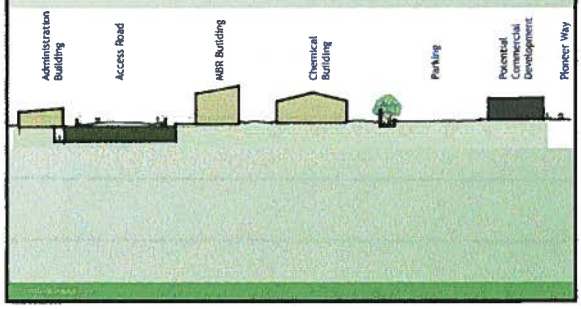
- Overview of Windjammer Vicinity MBR
- Overview of Crescent Harbor North AS
- Overview of Crescent Harbor North MBR
- Rate Analysis Update
- Public Comments Summary
- Schedule
- Questions?

Overview of Alternatives

Windjammer Vicinity
Conceptual Area Master Plan

Windjammer Charrette Concept
Conceptual Plan View

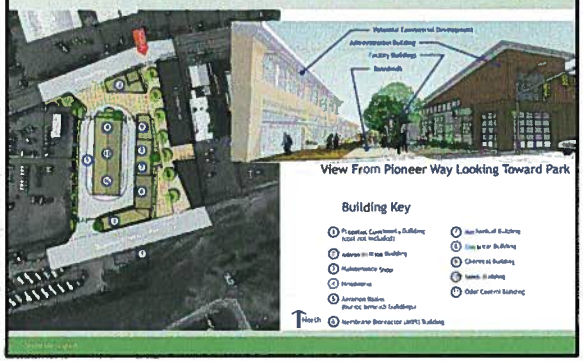
Windjammer Charrette Concept
Conceptual Site Section View



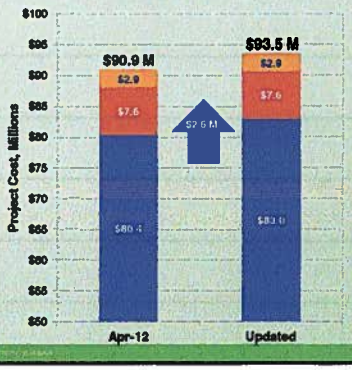
Windjammer Charrette Concept
Conceptual Perspective View

Street view looking North from park past future re-aligned Bayshore Drive

Windjammer Alternate Concept
Conceptual Plan and Perspective View



Project Cost Comparison for Year 2030
Windjammer MBR Facility



- Effluent Discharge
- Sewage Conveyance
- WWTP

What Changed?

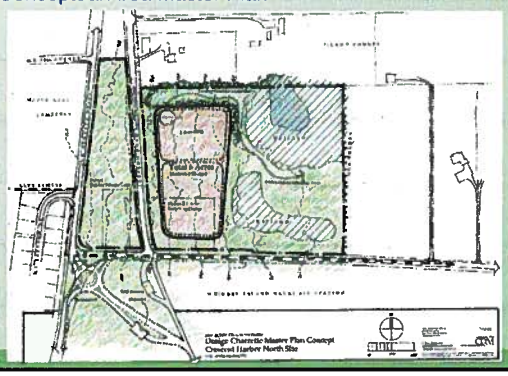
- Increased cost of buried structures with traffic-rated slabs
- Added allowance for land acquisition
- Added cost for site electrical service
- Added costs for sewage/effluent conveyance from existing
- Added demolition of existing WWTP
- Reduced sitework & contingency

Key Considerations
Windjammer Vicinity MBR

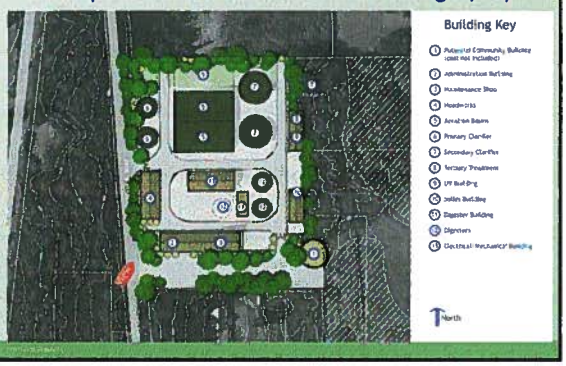
Consideration	Year 2030 Facilities	Phase 1 Facilities
Estimated Project Cost	$93.5 million	$81.1 million
20-Year Net Present Value (NPV) of Annual O&M[1]	$20.3 million ($1.6 million/year)	
Total 20-Year NPV	$113.8 million	
Ability to Phase	Phase 1 costs assume continued use of Seaplane Lagoon for solids (high risk assumption)	
Community Considerations	Potential benefits to Windjammer Vicinity open space and transportation	

NOTES:
(1) Operations & Maintenance (O&M) costs include power, chemicals, labor, equipment replacement, and solids handling.

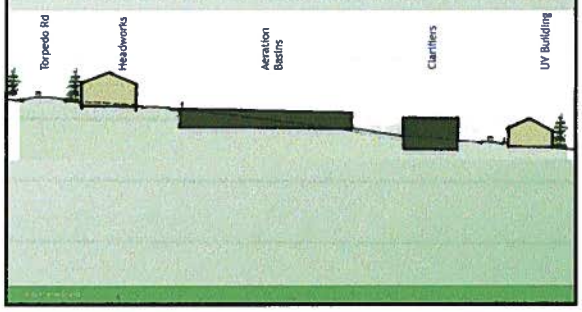
Crescent Harbor North
Conceptual Area Master Plan



Crescent Harbor North Charrette Concept
Conceptual Plan View for Activated Sludge (AS)



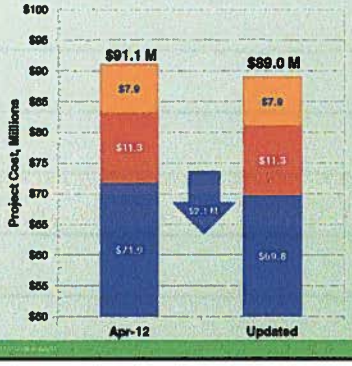
Crescent Harbor North Charrette Concept
Conceptual Site Section View for AS



Crescent Harbor North Charrette Concept
Conceptual Perspective View (AS or MBR)

Street view looking Northeast from Torpedo Road

Project Cost Comparison for Year 2030
Crescent Harbor North AS Facility



- Effluent Discharge
- Sewage Conveyance
- WWTP

What Changed?

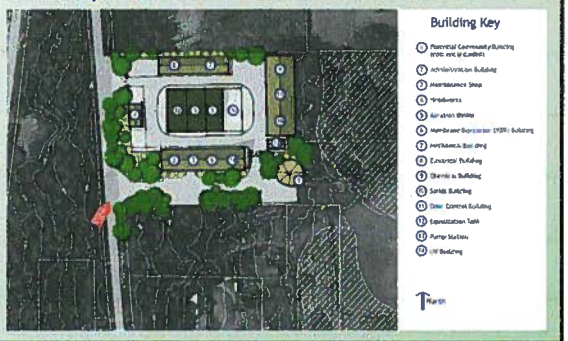
- Eliminated influent pump station (gravity through site)
- Reduced geotechnical allowance based on site reconnaissance
- Reduced contingency
- Increased sitework allowance (steep site)

Key Considerations
Crescent Harbor North AS

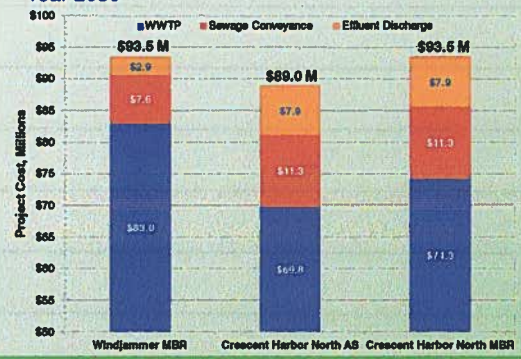
Consideration	Year 2030 Facilities	Phase 1 Facilities
Estimated Project Cost	$89.0 million	$78.0 million
20-Year Net Present Value (NPV) of Annual O&M(1)	$20.9 million ($1.7 million/year)	
Total 20-Year NPV	$109.9 million	
Ability to Phase	Phase 1 costs assume facilities for nitrogen removal and filtration are deferred (moderate risk assumption)	
Community Considerations	Potential benefits to regional utility services and transportation	

NOTES:
(1) Operations & Maintenance (O&M) costs include power, chemicals, labor, equipment replacement, solids handling, and maintenance of the pump stations and pipelines used to convey flow between Windjammer and Crescent Harbor North.

Crescent Harbor North Charrette Concept
Conceptual Plan View for MBR



Summary of Project Costs
Year 2030

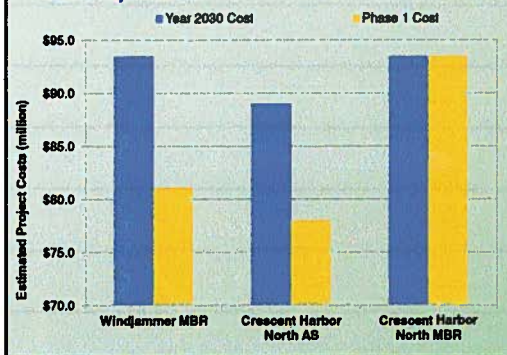


Key Considerations
Crescent Harbor North MBR

Consideration	Year 2030 Facilities	Phase 1 Facilities
Estimated Project Cost	$93.5 million	--
20-Year Net Present Value (NPV) of Annual O&M[1]	$22.4 million ($1.8 million/yr)	
Total 20-Year NPV	$115.9 million	
Ability to Phase	Alternative does not allow for component, performance, or conveyance phasing	
Community Considerations	Potential benefits to regional utility services and transportation	

NOTES:
(1) Operations & Maintenance (O&M) costs include power, chemicals, labor, equipment replacement, solids handling, and maintenance of the pump stations and pipelines used to convey flow between Windjammer and Crescent Harbor North.

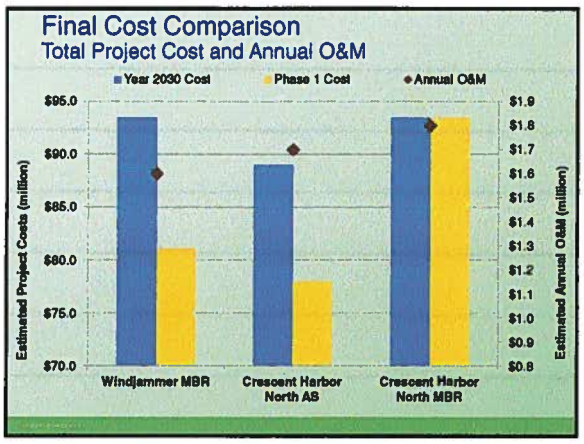
Final Cost Comparison
Total Project Cost

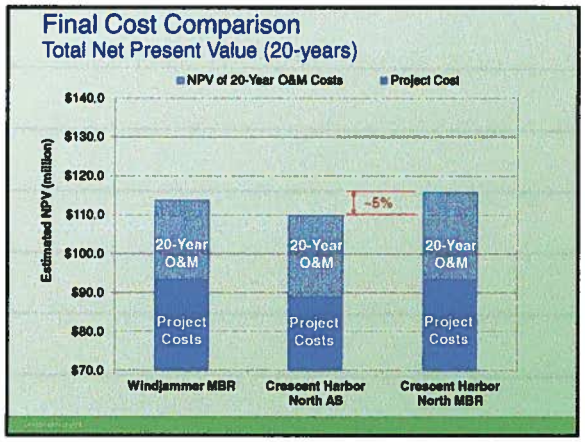


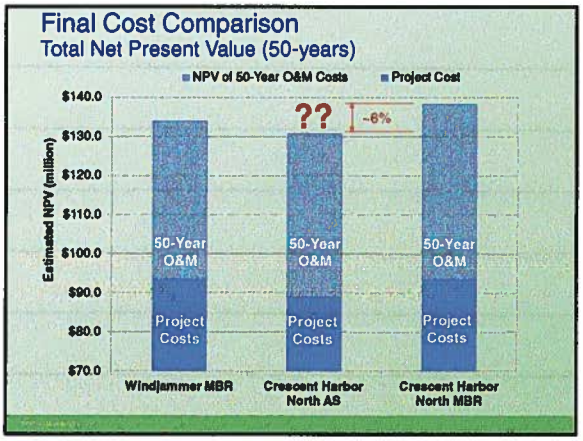
Estimated O&M Cost Summary

	Windjammer MBR	Crescent Harbor North AS	Crescent Harbor North MBR
Labor	$610,000	$610,000	$610,000
Power/Fuel	$430,000	$260,000	$430,000
Equipment Replacement	$510,000	$470,000	$510,000
Chemicals	$50,000	$60,000	$50,000
Solids Handling	$10,000	$90,000	$10,000
Subtotal WWTP	*$1,610,000*	*$1,490,000*	*$1,610,000*
Conveyance Power[1]	--	$130,000	$130,000
Conveyance O&M[1]	--	$40,000	$40,000
Subtotal Conveyance	--	*$170,000*	*$170,000*
Total Annual	$1,610,000	$1,660,000	$1,780,000

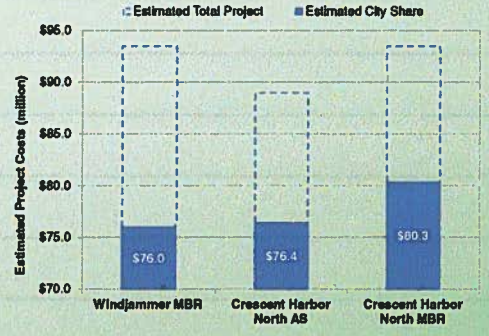
NOTES:
(1) Estimated costs for conveying raw sewage and effluent between Windjammer and Crescent Harbor North.


Final Cost Comparison
Total Project Cost and Annual O&M
Year 2030 Cost
Phase 1 Cost
Annual O&M
Estimated Project Costs (million)
Estimated Annual O&M (million)
$95.0
$90.0
$85.0
$80.0
$75.0
$70.0
$1.9
$1.8
$1.7
$1.6
$1.5
$1.4
$1.3
$1.2
$1.1
$1.0
$0.9
$0.8
Windjammer MBR
Crescent Harbor North AS
Crescent Harbor North MBR


Final Cost Comparison
Total Net Present Value (20-years)
NPV of 20-Year O&M Costs
Project Cost
Estimated NPV (million)
$140.0
$130.0
$120.0
$110.0
$100.0
$90.0
$80.0
$70.0
~5%
20-Year O&M
Project Costs
Windjammer MBR
Crescent Harbor North AS
Crescent Harbor North MBR


Final Cost Comparison
Total Net Present Value (50-years)
NPV of 50-Year O&M Costs
Project Cost
Estimated NPV (million)
$140.0
$130.0
$120.0
$110.0
$100.0
$90.0
$80.0
$70.0
??
~6%
50-Year O&M
Project Costs
Windjammer MBR
Crescent Harbor North AS
Crescent Harbor North MBR

Final Cost Comparison
Estimated City Share



Rate Analysis Update

WWTP Funding Assumption Review

- 2010 rate study included assumptions for the WWTP funding
- Assumptions were conservative given the project was 5 plus years in the future
- Revised assumptions are conservative yet still reflect current conditions
- *Question*: How do the assumptions impact the adopted rate transition plan

Summary of the Previous Rate Study Assumptions

- Wastewater Treatment Plant Upgrade cost of $70 million
- Rates are funding approximately $6.4 million
- Reserves are funding approximately $10 million
- Total revenue bond $53.7 million
  - Interest rate of 6.0% for 20 years
- Estimated annual debt service payment is approximately $4.7 million
- No additional outside funding for the upgrade

Current Project Cost and Revised Funding Assumptions

- Wastewater Treatment Plant Upgrade cost estimates have increased to $93.5 million
- Activated sludge treatment plant would reduce rate impacts compared to MBR
  - Additional future costs may be necessary
- Alternative Options Considered Include:
  - Current long-term borrowing rates and terms
  - Navy contribution
- No additional outside funding has been included at this time
  - Low-interest loans
  - Grants

Summary of Alternative Funding Options

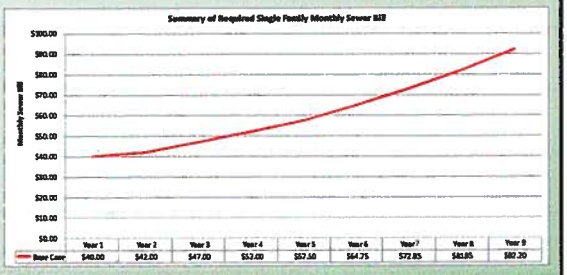
		ALTERNATIVE OPTIONS				
	Base Case	Option 1	Option 2 (A)	Option 2 (B)	Option 3 (A)	Option 3 (B)
Revenue Bond						
Term in Years	20	20	20	30	30	30
Rate	6.00%	6.00%	4.75%	5.25%	5.25%	5.25%
Project Cost	$70,000,000	$93,500,000	$93,500,000	$93,500,000	$93,500,000	$93,500,000
Navy Contribution	0	0	0	0	8,000,000	17,500,000
Net City Cost	$70,000,000	$93,500,000	$93,500,000	$93,500,000	$85,500,000	$76,000,000
Total Revenue Bond	$53,700,000	$77,200,000	$77,200,000	$77,200,000	$69,200,000	$59,700,000
Annual Payment	$4,681,811	$6,730,648	$6,054,096	$5,165,987	$4,630,652	$3,994,941

Note: Option 3 (A and B) are the only alternatives that include additional outside funding, assuming a contribution from the navy for treatment and conveyance.

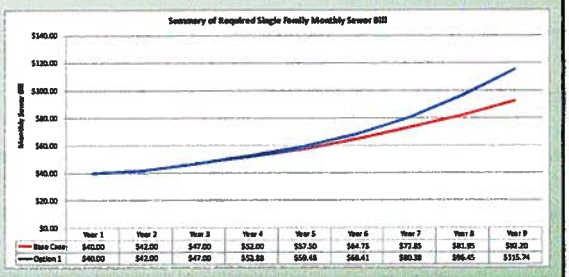
Additional Outside Funding Opportunities

- Other additional funding the City will attempt to obtain:
  - Grants
  - Low-interest Loans
- Additional low interest loans or grants will reduce the rate impacts even further

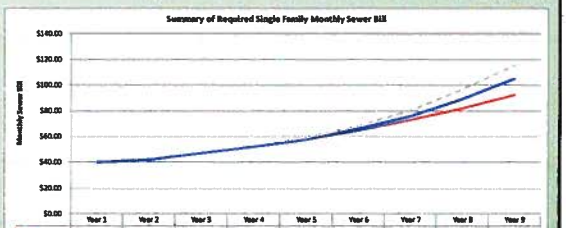
Project Cost of $70 million Base Case Assumptions



Project Cost Comparison of $93.5 million



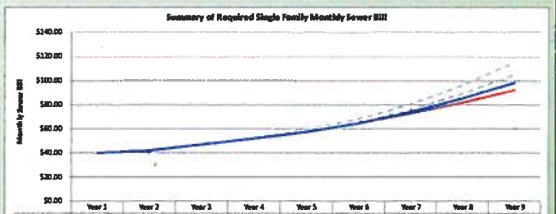
Project Cost Comparison of $93.5 million With Reduced Interest Rate



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Base Case	$40.00	$43.00	$47.00	$52.00	$57.50	$64.75	$72.85	$81.95	$92.20
Option 1	$40.00	$43.00	$47.00	$52.88	$59.48	$68.41	$80.38	$96.45	$115.74
Option 2A	$40.00	$42.00	$47.00	$52.00	$57.50	$66.13	$76.04	$89.35	$104.89

Note: Reduced the interest rate for the revenue bond from 6.00% to 4.75%.

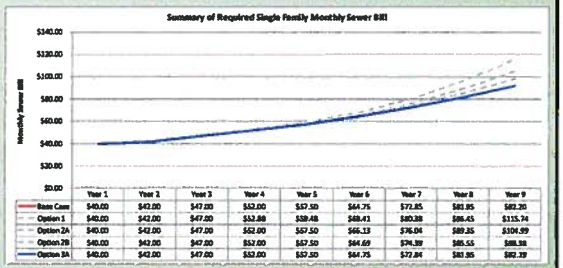
Project Cost Comparison of $93.5 million With Reduced Interest Rate & Extended Term



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Base Case	$40.00	$42.00	$47.00	$52.00	$57.50	$64.75	$72.85	$81.95	$92.20
Option 1	$40.00	$42.00	$47.00	$52.88	$59.48	$68.41	$80.38	$96.45	$115.74
Option 2A	$40.00	$42.00	$47.00	$52.00	$57.50	$66.13	$76.04	$89.35	$104.89
Option 2B	$40.00	$42.00	$47.00	$52.00	$57.50	$64.69	$74.39	$85.55	$98.38

Note: Changed the interest rate for the revenue bond from 6.00% to 5.25%; and changed the length of the term from 20 years to 30 years.

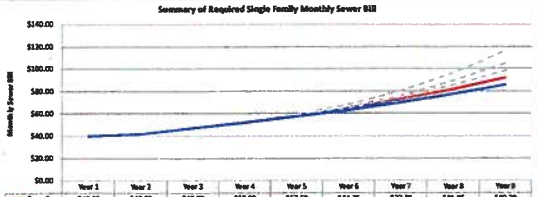
Project Cost Comparison of $93.5 million With Reduced Interest Rate, Extended Term & Navy Contribution



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
Base Case	$40.00	$42.00	$47.00	$52.00	$57.50	$64.75	$72.85	$81.95	$92.20
Option 1	$40.00	$42.00	$47.00	$52.88	$59.48	$68.41	$80.38	$96.45	$115.74
Option 2A	$40.00	$42.00	$47.00	$52.00	$57.50	$66.13	$76.04	$89.35	$104.89
Option 2B	$40.00	$42.00	$47.00	$52.00	$57.50	$64.69	$74.39	$85.55	$98.38
Option 3A	$40.00	$42.00	$47.00	$52.00	$57.50	$64.75	$72.84	$81.95	$92.19

Note: Changed the interest rate for the revenue bond from 6.00% to 5.25%; changed the length of the term from 20 years to 30 years; assumes $8.0 million from Navy.

Project Cost Comparison of $93.5 million With Reduced Interest Rate, Extended Term & Navy Contribution



	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9
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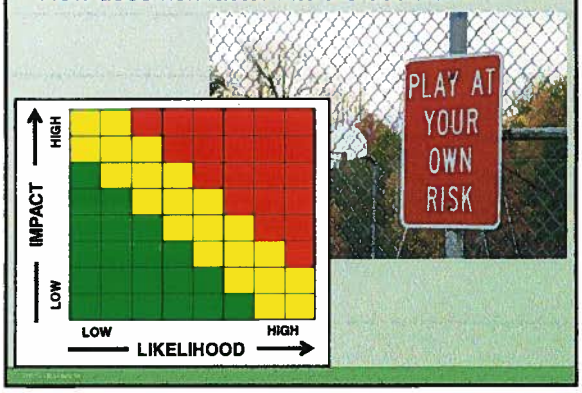
Option 2B	$40.00	$42.00	$47.00	$52.00	$57.50	$64.89	$74.39	$85.55	$98.38
Option 3	$40.00	$42.00	$47.00	$52.00	$57.50	$63.54	$70.21	$77.58	$85.75

Note: Changed the interest rate for the revenue bond from 6.00% to 5.25%; changed the length of the term from 20 years to 30 years; assumes $17.5 million from Navy.

Summary of Review Funding Alternatives

- Original funding assumptions were conservative given the time frame (i.e., 5 years out).
- Revising long-term funding assumptions are based on conservative market information
  - Rates will change over the next three years
- Revised funding assumptions are reasonable estimates of available funding opportunities
- Additional low interest loans or grants can reduce the rate impact even further
- Revised assumptions allow the City to maintain the proposed rate transition plan even with increased project costs

How does risk factor into the decision?



Summary of Public Comment

Public Comments
Received at July 31st Open House

- 8 written comments received:
  - 1 not in favor of either site
    - Expressed desire for reuse in lieu of marine discharge
  - 3 in favor of Crescent Harbor North AS (or MBR)
    - Not in favor of WWTP near Windjammer Park
  - 3 in favor of Windjammer Vicinity MBR
    - Incorporate community benefits (e.g. museum)
  - 1 suggested evaluating Windjammer Vicinity layouts
    - Reduce cost of facility by not burying tanks beneath Bayshore Drive

Schedule

Schedule - Council Actions & Deadlines

Aug 14, 2012	Council resolution on proposed site for further planning and environmental review
Oct 16, 2012	Council resolution on proposed phasing plan
Dec 31, 2012	Required Facilities Plan submission to Washington Department of Ecology
Dec 31, 2014	Required engineering design submission to Washington Department of Ecology

Final Thoughts

- Alternatives are all technically viable
- Long-term alternative costs/rate impacts are similar
- Alternatives will all improve the environment
- What is the most sustainable alternative for Oak Harbor?

Questions?