



**City of Lake Oswego/City of Tigard Water Supply Partnership
Summary of Oversight Committee Meeting #10
Meeting held October 4, 2010**

Lake Oswego Technical Committee Member Joel Komarek called the meeting of the Lake Oswego/Tigard Water Partnership Oversight Committee to order at 3:05 p.m. on October 4, 2010, in the Oswego Conference Room at the West End Building, 4101 Kruse Way, Lake Oswego.

Present:

City of Lake Oswego	Oversight Committee: Councilor Mary Olson Staff: Joel Komarek, Jane Heisler, David Prock, Ursula Euler, Laura Barrie Brown and Caldwell Staff: Jon Holland
City of Tigard	Oversight Committee: Councilors Sydney Webb and Gretchen Buehner Staff: Rob Murchison
Guests	Paul J. Heydenrych, Hatch Mott MacDonald Brian Murphy, Kennedy/Jenks Consultants, Lake Oswego Resident Brad Moore, Kennedy/Jenks Consultants, Lake Oswego Resident

1. CALL TO ORDER/ROLL CALL

Councilor Tierney was excused.

2. APPROVAL OF MINUTES FROM MEETING #9

Mr. Komarek asked for approval of minutes from the last meeting held on September 8, 2010. Councilor Webb motioned to approve, Councilor Buehner seconded the motion. A voice vote was taken, and the motion passed with Lake Oswego Councilor Olson and Tigard Councilors Webb and Buehner voting 'aye' (3-0).

3. PUBLIC COMMENT

Mr. Komarek gave the guests in the audience a chance to make a public comment. No comments were offered.

4. PROGRAM COST UPDATE – SPONSOR ALLOCATIONS

Mr. Komarek mentioned that the Oversight Committee should have received two documents over the weekend, one labeled Exhibit 7, Allocation of System Improvement Costs to the Parties, and one labeled Overall Program Cost Estimate Scenario Summary. An update to the Overall Program Cost Estimate Scenario Summary was handed out at the meeting; Mr. Komarek mentioned the table in the packet was no longer current. Mr. Komarek explained where Exhibit 7 came from, how it was developed and how it has changed as a result of the project definition effort.

Councilor Olson asked if the raw water intake and the transmission mains are the most affected by 38 mgd?

Mr. Komarek discussed how the capacity allocations in the Carollo report were calculated. For the river intake structure, raw water pipeline, finished water pipeline and Waluga Reservoir, the cities agreed that these project components should be sized to accommodate anticipated ultimate water demands of 38 mgd because:

- The life span of these components will exceed the planning period for which population and water demand forecasts have been developed (i.e., 2040);
- Population and water demand forecasts for the planning period indicate that future water supply demands will match forecasts;
- Siting and routing of these facilities will temporarily or permanently impact environmentally sensitive areas. Mitigation of possible adverse environmental impacts from construction is greatest if such facilities are designed/constructed to satisfy anticipated ultimate needs;
- Costs to upsize these components (i.e., go from 32 to 38 mgd) today is marginal relative to costs to provide the additional capacity at some future time; and
- Significant permitting and cost uncertainty is assumed by the cities if upsizing these facilities is deferred to a future date.

For the Water Treatment Plant, capacity/cost allocation ratios reflect the relative ease by which discrete increments of new capacity can be added. The early Carollo work assumed the condition of the existing 16 mgd plant and equipment was adequate to provide reliable service for the foreseeable future. With implementation of the Partnership, another 16 mgd of new treatment capacity will be added totaling 32 mgd. Future addition of filters will result in an ultimate treatment capacity of 38 mgd. Based on current population forecasts Lake Oswego may ultimately need 24 mgd of the total 38 mgd. In the initial expansion, Lake Oswego replaces aging, unreliable facilities with new supply facilities and secures capacity of 18 mgd. Tigard is allocated a maximum of 14 mgd with the initial expansion. In the future, when Lake Oswego's demands exceed 18 mgd, it would add filter capacity to meet its ultimate supply demands up to 24 mgd. The cost of these future improvements would be borne exclusively by Lake Oswego.

Mr. Komarek mentioned that as a result of the project definition phase, a number of deficiencies were identified for the Water Treatment Plant. As reported last month, correction of these deficiencies will require new facilities. For new facilities, costs are shared on a proportional basis and in this case Lake Oswego's capacity and cost share is 24/38.

Councilor Buehner asked for an explanation on Exhibit 7 about reaches 7 – 10 and 11 – 12 for the finished water pipeline. Mr. Komarek stated that reach 7 – 10 is from the treatment plant to Iron Mountain Blvd. at Mulligan Lane and reach 11 – 12 continues from that location to the Waluga Reservoir.

Mr. Komarek then explained why cost allocations changed, and why costs have increased. Mr. Komarek pointed out that the change between the table sent over the weekend and the table handed out today is the allocation of costs for the new pipeline in reach 11 – 12. Because the existing pipelines in this reach are sufficient to supply Lake Oswego with 24 mgd, the new pipeline that is needed for Tigard is 100% Tigard's cost. Councilor Olson asked if the allocation in the

packet assumed a 49/51 split. Mr. Komarek stated that with the recent allocation of pipeline costs for reach 11 – 12, the ratio is now 46.5% LO and 53.5% Tigard. Councilor Olson asked what was assumed for the numerator and denominator on reaches 11 – 12. Mr. Komarek said the denominator was 22, which reflected the assumption that 16 mgd of capacity was available through the existing conveyance system and 22 mgd of new capacity was needed to achieve 38 mgd. Of that 22, 8 of it was going to be allocated to Lake Oswego so that it could achieve 24 mgd of total long term capacity. Councilor Olson asked if that was now 0? Mr. Komarek answered yes because 8 mgd would be diverted from the finished water pipeline at Laurel St. to serve the south side of Oswego Lake. The remaining 16 mgd would continue on to serve the north side of Oswego Lake.

Councilor Olson asked for an explanation about program costs. She wanted to know if there was any data on whether consumption has been reduced based on the tiered water rates and if the water consumption has gone down. She wanted to know if the rates are going up so much that our current rate payers are paying for future growth.

Mr. Komarek responded it has been about a year and a half since tiered rates have been in place. The City is gearing up to update the cost of service study because Lake Oswego Council wanted the information before having to vote on subsequent rate increases.

Mr. Komarek noted that in the Overall Program Cost Estimate Scenario Summary, Scenario 1 is the 38 mgd option including ozone and Scenario 2 is 38 mgd without ozone. The last two Scenarios (3 and 4) are Lake Oswego “go it alone” with or without ozone. The cost of the “go it alone” scenarios are significantly higher than any partnership scenario and demonstrate that the Partnership is still the best deal for Lake Oswego.

Ms. Heisler asked if Councilor Olson’s question was more “why size to 38 now?” Councilor Olson said she knows all the reasons for the cost savings and getting the contractor on site and doing it now, but without knowing the effects of conservation efforts and tightening up the system she is questioning if the City will really need that much water. Mr. Komarek stated that recent population forecasts indicate Lake Oswego’s water needs will exceed 18 mgd by 2030 and that by 2040 or 2045 forecasts assume some level of development in Stafford that potentially could be served by Lake Oswego. Demand forecasts also assume that water districts operating within the City’s urban service boundary would dissolve and Lake Oswego would serve those customers. Forecasts also assume a modest one-half percent annual growth in demand within the retail customer base through 2030. Earlier estimates of growth have recently been corroborated through independent analysis performed for the City by Mr. Todd Chase with FCS Group.

Councilor Olson asked about technology: If this plant is built based on today’s technology will there be new technology in 20 years that would allow a smaller or more energy efficient plant to be constructed. Mr. Holland stated that the plant is the only supply facility that is sized to treat 32 mgd. Councilor Webb asked if the figures were based on peak demand. For instance, what if there are three 100 degree days and the peak demand of both cities means pumping every drop of water, would we use all 38 mgd? Mr. Holland mentioned that the demand number does not include the Foothills redevelopment. Councilor Webb mentioned that Tigard has the urban renewal area where they are contemplating dense housing. Councilor Buehner mentioned that there will be more residential housing located downtown. Councilor Webb stated that maybe Tigard should take more of the split. Mr. Komarek stated that was a good point, that is a benefit of

a successful conservation program on a couple of fronts: one it would allow Lake Oswego to provide more water to Tigard and therefore change the allocation more from an O&M standpoint and it would also defer the timing of that next increment of supply for Lake Oswego. The Carollo work looked at the effects of conservation on the timing of capital improvements assuming a variety of percentage reductions in per capita demand could be achieved over a period of 10 years. For reductions of 10%, or 25% over 10 years, the City could defer addition of capacity beyond 18 mgd for up to 20 years. However, Mr. Holland stated that the likelihood of achieving a 25% reduction in per capita demand is not likely. Councilor Olson asked if Tigard used more than their 14 and Lake Oswego used less, would Lake Oswego's capacity share be reallocated? Mr. Komarek stated that the IGA allows one party to lease surplus water from the other party to the extent it's available. Any party leasing water in excess of its capacity allocation would pay a rate for the leased water reflecting the prior capital investment by the leasing party and current operating/maintenance costs. Councilor Buehner mentioned that eventually Tigard will have to find another water source.

Councilor Olson noted that adding ozone costs an additional \$18 million and in the text there was reference to a figure of \$17 million. The other million is what? Mr. Holland stated it is \$17.8 million dollars. Mr. Komarek stated that it was his rounding. Councilor Olson wondered if there were costs other than the treatment plant. Mr. Holland stated there are separate components to the cost of ozone; there is also the cost of the ozone process. Councilor Buehner mentioned that she was pleased to see that the cost for ozone came in lower than the estimated \$20 million. Mr. Komarek stated that earlier estimates were between \$10 and \$20 million.

Ms. Heisler asked how Tigard's rate discussions are going. Councilor Buehner stated that most people are aware of the problems and understand the need.

5. QUARTERLY BUDGET UPDATE

Mr. Prock stated that the Quarterly Budget Summary was located in the Oversight Committee Packet. This Summary reflects the actual expenditures through the first three months of the year. It does not include encumbrances. We are at about \$1.2 to \$1.3 Million in the first quarter. About 13% of our authorized budget has been expended. Mr. Prock asked if there were any questions.

Councilor Buehner asked if it would be possible to estimate in the first quarter the Partnership would anticipate spending x% of the budget and in the second quarter we would anticipate x%. Is 13% where the Partnership expected to be at this point? Mr. Prock asked if she was asking for a cash flow diagram. Ms. Euler mentioned that some of September's costs have not been processed yet, so the first quarter expenditures will most likely go up.

6. COMMUNICATIONS UPDATE

Ms. Heisler mentioned that the 4th meeting with Waluga residents was the same day as the last Oversight Committee Meeting. The Partnership initially showed them a design that was about 190 or 200 feet in diameter. That was viewed as cutting too many trees down. The Partnership made the tank skinnier and dropped the volume from 4.5 to 3.5 million gallons. The original design was shown at about 30 feet from the nearest Park Hill property line. It has been moved back to 120 feet and cannot be moved any farther. Some of the neighbors are still focused on the "not in my backyard". Dennis Koellermeier had the idea that Tigard has surplus storage so why doesn't Lake

Oswego buy some storage from Tigard. That option was analyzed and screened from further consideration because it did not save money and resulted in Lake Oswego buying into old facilities. The Partnership still has not answered the question about moving the reservoir to the quarry at Waluga Park. It looks like that option would cost several million dollars more, but the Partnership has not firmed up any numbers at this point. Mr. Holland mentioned that it will definitely be several million dollars more because: 1) the volume and elevation are fixed; 2) additional property will have to be acquired; 3) Tigard would have to be reimbursed for its share of the Waluga property that would not be used, and 4) the quarry would have to be filled. Ms. Heisler stated that the reservoir is just moved from one neighborhood over to the Heritage Lane neighborhood. Ms. Heisler stated that the September 27, 2010, meeting was cancelled because the quarry option was being looked into. At the next meeting, the goal is to begin developing a good neighbor plan (GNP).

Councilor Olson asked what if the neighbors say it is not okay, does the Partnership just proceed and the neighbors stay mad? Ms. Heisler said the Partnership would like to work with the neighbors on a GNP so that the screening and landscaping will be at a level that is acceptable. Councilor Buehner stated that it sounds like the City has made a lot of changes to try to pacify the neighbors. Ms. Heisler said the Partnership has worked pretty closely with the neighbors and the property was purchased for this purpose. Councilor Olson asked if they approved or are they pleased with the changes. Ms. Heisler said there are a couple of neighbors who say this is fine but the few closest property owners are still pretty upset. Councilor Buehner mentioned that they bought the property knowing what would happen. Ms. Heisler said they may not have been aware the City purchased the property for this use. Councilor Olson stated they did not know it would be a bigger, taller structure.

Councilor Olson asked about decommissioning the 10th Street Reservoir. Mr. Komarek mentioned it is an 85-year-old riveted steel tank, the Partnership is assuming that within the next 50 to 75 years the structure will be decommissioned and the storage volume will be replaced at the Waluga site. Councilor Olson asked if it would be feasible to make the Waluga reservoir smaller and put a new replacement reservoir at 10th Street. Mr. Holland mentioned from an economy of scale perspective, it would be better having a single reservoir and maintaining that, then to build two. It would add significant capital cost. He would guess it would be at least a million dollars more. Mr. Komarek asked for clarification from Councilor Olson about if she was saying rather than move the 10th Street storage volume over to the Waluga site, take the Waluga reservoir and build it at 10th Street. Councilor Olson said no, she was asking about making the Waluga reservoir smaller. She assumes the reservoir at 10th Street could not be that big. She wanted to make the Waluga reservoir smaller to be more acceptable to the neighborhood, and then build a small replacement reservoir at the 10th Street site. Ms. Heisler mentioned that the City has reduced it by a million gallons already, and it has been pushed back. Councilor Olson stated that reducing by another half million is not going to solve anything. There is still concern that the reservoir will fail. Councilor Buehner asked how many reservoirs have failed in Portland or nationally. Ms. Heisler said the City searched long and hard and found one or two after earthquakes in California. Mr. Komarek mentioned that these were 1960 vintage tanks. Councilor Olson stated that a new reservoir would be even more sound. Mr. Komarek stated that the plan is to design the reservoir to a code that is beyond what the uniform building code requires: the same design standards that would be applicable to critical facilities like hospitals and federally secure sites. Ms. Heisler stated that our hope was to have a series of three or four meetings where the Partnership would work

with the neighbors on those issues that have to do with dampening the construction impacts and the visual aspects of the reservoir.

Ms. Heisler mentioned that Joel, Kari and Dennis went to the West Linn Utility Advisory Board on the 15th of September. Mr. Komarek stated that there was some interest in making sure that the Partnership kept the neighborhood up to date with developments as they occur. They would like the Partnership to come back soon after the two Councils have voted on the Capital Improvement Plan. The Partnership will want to go back and meet with them in January. Ms. Heisler mentioned that she would get on that agenda. Mr. Komarek stated that they were very complimentary on the attention that has been paid to the neighborhood and they asked that the Partnership keep that up.

Ms. Heisler mentioned that the project has been on the Robinwood Neighborhood Agenda every month since June. It is a good opportunity to talk about the Water Treatment Plant and the GNP. There are three leaders in the neighborhood who want to participate in the GNP. The communications team is doing a neighborhood walk about on October 10. The first GNP meeting is on October 27, which will be announced at the Robinwood meeting on October 12.

The Partnership will be at the Gladstone City Council on October 12. Lake Oswego's Mayor would like to attend the meetings whenever the Partnership is meeting with another City Council, but he is not available for this meeting. Councilor Olson mentioned that she thought Councilor Tierney was going to go.

On September 29, the Partnership was at the Jennings Lodge Community Planning Organization. They are very interested in the park. Scott Tabor, the Public Works Supervisor from Gladstone, was there so he could speak about the park. Several signed up to be on the e-mail list.

Ms. Heisler mentioned that the Mapleton parcels just south of the existing plant, are where the Partnership would like to put the underground clear well, the pump stations and the electrical building. Those properties have the covenant on them limiting development to residential structures.

Councilor Buehner asked if the Partnership puts an underground tank which will not be visible above ground what difference would it make other than during construction. Ms. Heisler mentioned that the City's attorney's interpretation is that the Partnership could not even put a pathway through there without extinguishing the restrictions.

Although not on the agenda, Mr. Komarek asked Mr. Prock to give an update on the consultant workshop that the Partnership held on September 30. Mr. Prock stated that the Partnership invited the local consultant community members to hear about the program. There were a little over 70 people in attendance. Councilor Buehner asked what kind of consultants attended? Mr. Prock responded that there were engineering and project design consultants.

Ms. Heisler asked if Mr. Prock could talk about the next steps. Mr. Prock responded that the Partnership will request Statements of Qualifications from interested design firms on October 21. Statements will be due December 15.

Councilor Buehner asked if there has been a decision made on the final order from the state. Mr. Komarek responded that a final order has not been issued by the Director of Water Resources. The City hopes the Director will be timely in issuing the final order. Mr. Komarek asked if there was anything else on outreach. Councilor Buehner asked which permits will be applied for first, will it be the Corps, or will it be the Raw Water permits. Mr. Holland answered that it is a consolidated permit application for the program. Land use permitting happens in mid-2011 and is completed mid-2012. The environmental permitting culminates in an application in late 2011 and the Partnership expects to have permits in hand in late 2012. Councilor Buehner asked if the timing to get into the formal part of the application would be in about a year. Mr. Holland stated the Partnership will send the Oversight Committee a schedule that breaks out environmental permitting, land use permitting, design and construction phases.

Mr. Komarek stated that the next meeting is scheduled on the first of November. He stated that there will be a study session with Lake Oswego's Council on October 11. He asked if Tigard has any study sessions. Councilor Webb mentioned that there is not a study session, but a meeting about water rates. Ms. Heisler mentioned that there is an open house in Tigard on October 5. Councilor Buehner mentioned that there is a workshop on the third Tuesday (the 19th) of the month. Mr. Komarek stated that there is a Joint Council meeting scheduled for November 8. Councilor Buehner asked if the Joint Council will be held in Lake Oswego. Mr. Komarek said it will.

Mr. Komarek asked if there was anything that staff should be working on before the next meeting on November 1. Councilor Buehner asked if Mr. Komarek feels confident about allocations. Mr. Holland mentioned that on the allocation issue, it varies whether ozone is built or not. Councilor Webb does not believe there will be a lot of push back on the ozone. Tigard is getting e-mails with a lot of misinformation. Ms. Heisler mentioned that Lake Oswego is getting a lot of calls also. Ms. Euler mentioned that Lake Oswego is going to have to be ready to make decisions on what to actually charge rate payers. Councilor Webb stated that there will be another workshop to discuss that topic. Ms. Euler asked for more input by the 19th. Ms. Heisler asked if Tigard was doing one bond issue or two. Councilor Buehner mentioned they were doing two.

Councilor Webb mentioned that there are new candidates for Council in Tigard. Councilor Webb will be going off the Oversight Committee because her term as Councilor is up. Mr. Komarek asked if there had been any discussion about her replacement. Councilor Webb said there will be an election on November 2. Councilor Buehner stated she can run for reelection. Mr. Komarek asked if there has been any discussion as to when the Oversight Committee appointment might take place. Councilor Webb answered that she would think it would be in January.

Councilor Olson asked to move the meeting to 3:30 like Councilor Tierney had requested last month. Tigard agreed that starting November 1, the meeting will begin at 3:30. It was decided to keep the meeting to an hour. The agenda will be 3:30 to 5:00 in case the meeting runs over.

Mr. Komarek reiterated that between now and November 1, the staff welcomes any concerns, questions or comments to help build the agenda and make the meetings more meaningful. Councilor Buehner asked for additional information that can be passed along to the IWB which will meet in a couple of weeks. Mr. Komarek asked if there would be value to have a staff member attend the meeting. Councilor Buehner asked Rob Murchison who responded he did not think it was necessary at this point in time. Mr. Komarek mentioned that the permitting schedule will be distributed to the committee. Councilor Buehner asked how much of the district is wholesale

customers. The service population may be 3,500 and she wanted to know if that is about 10% of the customer base. Mr. Komarek said approximately.

7. FUTURE AGENDA ITEMS/NEXT MEETING DATE

The next Oversight Committee meeting will be Monday, November 1, 2010. From 3:30 to 4:30 at the Tigard Public Library.

8. ADJOURN

Mr. Komarek adjourned the meeting at 4:17 p.m.

Attachments: None

Approved: November 1, 2010