



**City of Lake Oswego/City of Tigard Water Supply Partnership
Summary of Oversight Committee Meeting #11
Meeting held November 1, 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 November 1, 2010, in the 2nd Floor Conference Room of the Tigard Public Library; 13500 SW Hall Boulevard, Tigard.

Present:

City of Lake Oswego	Oversight Committee: Councilors Mary Olson and Bill Tierney Staff: Joel Komarek, Jane Heisler, David Prock, Kari Duncan, Laura Barrie Brown and Caldwell Staff: Jon Holland
City of Tigard	Oversight Committee: Councilors Sydney Webb and Gretchen Buehner Staff: Dennis Koellermeier and Rob Murchison
Guests	Corianne Hart, Brown and Caldwell Amy Waterbury, Waluga Reservoir Neighbor Brad Moore, Kennedy/Jenks Consultants, Lake Oswego Resident John Surret, Lake Oswego Resident

1. CALL TO ORDER/ROLL CALL

2. APPROVAL OF MINUTES FROM MEETING #10

Mr. Komarek asked for approval of minutes from the last meeting held on October 4, 2010. Councilor Buehner motioned to approve, Councilor Webb 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. SUPPLY FACILITIES CAPITAL IMPROVEMENT PLAN – RECOMMENDATION OF TECHNICAL COMMITTEE

Mr. Komarek reminded the Oversight Committee about important upcoming dates:

- November 8, Joint Council Meeting
- In December, each Council will be considering and deliberating on approval of a Supply Facilities Capital Improvement Plan

Mr. Komarek asked if there were questions on the memorandum from the Technical Committee. He walked the members through the memorandum which provided detailed background information about the Technical Committee's recommendation to the Oversight Committee of a Supply Facilities Capital Improvement Plan (SFCIP). In accordance with the Intergovernmental Agreement (IGA), it has been established that the Oversight Committee would make recommendations to their respective Councils with regard to proposed projects. The Supply Facilities Plan is a proposed project that when adopted will be used to guide future planning, design, funding and construction of the initial expansion. Mr. Komarek mentioned some of the main points of the memo, which included but were not limited to:

- The project definition phase, which was completed in September. From that, the overall program costs and allocations to the partner cities changed because when there are new facilities required by the project, those facilities are allocated on a proportional basis (proportional to the capacity that each city would get from that initial expansion).
- The Water Treatment Plant selection process. Councils authorized the Technical Committee and Program Management staff to initiate a Business Case Evaluation (BCE) of suitable treatment technologies. The BCE began in March of 2010 and concluded in July of 2010 with a consensus recommendation of the panel as well as a citizen sounding board which stated that in any expansion of the Lake Oswego Water Treatment Plant, ozone should be included.
- Facilities capacity. At the completion of the initial expansion, the system components will be sized to produce not less than 32 million gallons of drinking water per day (mgd); 18 mgd to Lake Oswego and 14 mgd to Tigard, with the capability to expand to 38 mgd when and if the parties' needs exceed 32 mgd. The benefits of expanding now rather than deferring upsizing included economies of scale, minimizing environmental impacts, the beneficial use of Lake Oswego's water rights, and changing regulatory conditions.
 - Councilor Buehner asked if there was a ballpark of how much has been spent in regard to the Water Rights issue. If the project does not maximize the water rights use now, how much would it cost to go through these hoops again if the increased capacity is deemed necessary? Mr. Komarek responded that he would tally the expenses of the legal expertise and the project staff time used to date. Councilor Buehner asked that it be done prior to the Joint Council meeting.
- The IGA contemplates that some components be sized to their ultimate capacity at the time of the initial expansion. These components are shown in Exhibit 7 with 38 in the denominator.

Mr. Komarek mentioned that there were two attachments to the memorandum: the Preliminary Master Program Schedule and a map of the service area of the Waluga Reservoir.

Mr. Komarek asked what role the Oversight Committee would like to take at the upcoming Joint Councils' meeting with respect to the Technical Committee's recommendation for adoption of the SFCIP.

Councilor Webb stated that the most convincing point was the tour of the facilities. Everything fell into place and made more sense after seeing the facilities first hand and she recommends a tour for the new councilors. It was decided the next tour should be held after the first of the year when the weather is a little bit nicer and the new Councilors are on board.

Councilor Tierney asked if the timing of the approval for the SFCIP was spelled out in the IGA. Mr. Komarek stated the date to adopt is not specified, but the completion date for the program and Tigard's notice provisions are driving the approval schedule.

Councilor Tierney asked if it was possible to wait for the outcome from the Water Rights case. Mr. Komarek stated that the project team cannot afford to wait for the Final Order to be issued before starting the next steps. The same is true for some of the land use approvals and environmental permits. The project has to be in design to develop enough documentation to prepare an application to submit. Councilor Tierney mentioned that the decision will probably be appealed. He mentioned that Lake Oswego Council has been discussing costs and the allocation shift. There has also been discussion about how many millions of gallons are really necessary; and if the project is downsized would there be a cost savings?

Councilor Webb asked if Councilor Tierney was saying Lake Oswego would rather go with the 32 mgd option. Councilor Tierney said no final decision was made. Councilor Webb mentioned the ability to sell off any extra water if it is available. Councilor Tierney stated he would like to push back the time frame because existing users are paying for future need. Mr. Komarek responded there really is no way to avoid existing users paying for future need because the facilities have such a long life. It would be more expensive in the long run to build smaller but more frequent capacity expansions.

Councilor Tierney asked about the Waluga Reservoir; if the Council adopts the SFCIP, is the Council adopting a specific facility, capacity or height or are they allocating money with the specifics to be determined in the future. Mr. Komarek answered that the Council would be adopting a size, a volume, a height and a location. The Technical Committee is recommending that the facility be 3.5 million gallons, 40 feet tall, and located on property purchased by the City of Lake Oswego with Tigard owning a proportionate share in the property and reservoir capacity.

Mr. Komarek mentioned that the project team looked at an option to purchase capacity in Tigard's storage facilities. That option was not pursued further because it was not any less expensive than the current cost of building the facility on city-owned property. Plus, the project would not be getting a new reservoir for that purchase price; it would be getting storage in older facilities. The project team has looked into relocating the reservoir to the quarry as suggested by Park Hill neighbors. Enough preliminary work has been completed to note that it is feasible, but that it would cost an additional \$5 million.

Councilor Buehner asked about elevation if the reservoir is built in the quarry? Mr. Komarek explained that the reservoir would have to be at the same elevation as the existing Waluga reservoir. If built in the quarry, it would require approximately 25,000 yards of fill material to raise the elevation. Councilor Tierney asked what elevation was needed to serve all the residents in the community with proper water pressure. Mr. Komarek stated that building the new tank at 40-foot tall gets a minimum desired service pressure. Councilor Webb asked how tall the current tank is. Mr. Komarek responded that it is approximately 20-foot tall.

Councilor Olson asked about tree removal for the new reservoir. Mr. Komarek stated that it is unknown exactly how many trees will be removed, but the project team will do its best to minimize the impact. Councilor Buehner asked if there is a plan to put landscaping on top of the reservoir to help diffuse the visual impact. Mr. Komarek stated not on top but there will be a landscape architect and the project team will work with the neighborhood to define a landscape mitigation plan for around the reservoir to serve as a buffer.

Councilor Olson asked if a bigger, new reservoir could be constructed at the 10th Street location. She asked if it was possible to replace the current 20-foot Waluga reservoir with a 30-foot reservoir and then build a new structure on 10th Street. Mr. Komarek stated a new reservoir could be built at 10th Street, if variances to building height and setbacks could be secured. There are also some hydraulic issues. Councilor Olson asked if the 10th Street tank was going to remain in use or if the ultimate goal was to decommission the tank. Mr. Komarek stated that the tank will remain in use for some time, but that ultimately it will be removed. Councilor Olson asked why we care about keeping the impact of the reservoir out of the 10th Street neighborhood if they are being served by it? Councilor Tierney asked why the 10th Street tank had to be removed. Mr. Komarek mentioned that it is an 85-year-old, riveted steel tank that does not meet seismic requirements. Councilor Tierney asked if it was replaced in place with the same size tank, how much of the capacity at Waluga could be reduced? Mr. Komarek stated it could reduce Waluga by .5 million gallons. It would minimize the diameter of the proposed Waluga 2 tank by about 7 feet. The height would still need to be the same. Councilor Tierney asked if the biggest concern was the height or the mass or both. Ms. Heisler answered both have been mentioned, as well as safety and visual impacts. Councilor Tierney stated that he thinks the team has done a really good job trying to work with as many constituents as possible. His primary concern is that by approving something today, he is casting it in stone and the team will stop trying to find alternatives. Mr. Holland added that there is clearly economy of scale issues; to design and build two reservoirs rather than a 7-foot larger diameter reservoir. Mr. Komarek mentioned that the 10th Street tank would need to be taller to provide the same pressure.

Councilor Tierney asked if the design piece would exceed the contract authorization of the City Manager so Council would have to give final approval. Mr. Komarek stated that all of the contracts will go to both Councils.

Councilor Olson asked about ozone; does Lake Oswego get a lot of customer complaints about taste? Ms. Duncan answered on a year-round basis there are very few about 4 or 5 a month. But when there is a taste and odor event such as an algae bloom in the river, there can be as many as 30 or 40 in a matter of a few days. Councilor Webb stated that what sold her on the idea of ozone was the fact that less chlorine would be used. She is concerned that it will soon be more regulated.

Councilor Olson asked about the urgency of the decision. She wonders about the decision on the Water Rights and also the change of the makeup of the two Councils. She would feel comfortable waiting a month. She has new concerns about the appeal of the Water Rights issue and about the fact that the original request is based on serving Stafford. She asked Mr. Komarek if that information was correct. Mr. Komarek mentioned that the growth and population demands assumed some limited service to Stafford potentially in the 2030 to 2040 time frame.

Councilor Buehner stated she was pleased with the hearings officer's decision. She does not think that Lake Oswego/Tigard could have gotten a more positive order out of the hearings officer. Councilor Tierney stated it probably will still be appealed. Councilor Buehner thinks it will not be held up for too long. Mr. Komarek stated that Water Watch can only appeal on the record that was created as part of the contested case proceedings. Councilor Tierney asked about project costs to date. Mr. Komarek stated it was a little over \$5 million. Councilor Tierney asked if it would be easier to wait for a final decision. Mr. Komarek mentioned that there is a commitment to have these facilities completed by a certain date. Tigard has to think about its contract with Portland, and they have to make decisions. If there are delays, that could make it very difficult for all concerned. There is an opportunity to realize significant savings with the partnership. A delay does not seem to be a prudent thing.

Councilor Olson asked if the project still assumed the 6,900 people in Stafford. Mr. Komarek stated that in the extension application, the project team was required to present to the Water Resources Department an estimate of future needs for water. Based upon reasonable assumptions about population growth, the project assumed a half a percent per year growth within the retail customer base. The growth rates were slightly higher when outside of the corporate boundaries of Lake Oswego. It is assumed that the small districts that operate within the urban service boundary would eventually dissolve and those customers would be served by Lake Oswego. Based on those assumptions, that information was presented to Water Resources. Water Resources reviewed and analyzed the information and came back with their opinion that our demand projections and growth projections were not unreasonable. That decision was affirmed by the Administrative Law Judge and now Water Resources is hopefully writing their final order at this point. The project team feels it has presented a very rational, reasonable case in terms of water supply planning. The Water Resources Department and Oregon Department of Fisheries have agreed. Councilor Tierney stated that if those projections are too high, does the water have enough value to make up for the difference in those projections. If the 6,900 does not materialize in 10 years, does the existing population base have to absorb that? His understanding is that Lake Oswego could provide Tigard with more water or as Councilor Webb had mentioned, it could be sold.

Mr. Komarek handed out a graphic that explained the Lake Oswego Average Residential Monthly Bill. He explained that with an additional \$4 a month, the Cities of Lake Oswego and Tigard get certainty that they have facilities in place to meet their long-term needs. This project is planning for the future and it is not just our future, it is the future of other generations. Thinking back to the facilities that were built in the 1960s, they have served us well for multiple generations and we are trying to do the same.

Mr. Koellermeier mentioned what would happen to the City of Tigard if there is a delay. Tigard anticipates writing checks to the City of Portland for about \$3.5 million a year to purchase water. There have been increases of no less than 5% and as high as 12% annually in the last five years. If 2016 arrives and this facility is not operational, Tigard will pay that \$3.5 million plus whatever that escalation will be in addition to the development costs of this project. Tigard is trying to structure their financing in such a way that they get the last major rate increase to come in after the Portland contract is done. That is why the timing is so important to Tigard. If a decision were to be made that is going to delay the project than at least ½ the partnership has an additional financial load and they will have to talk to the partners about putting that in as a project cost. Councilor Olson asked if the schedule was that tight and one month would really make that big a difference.

Mr. Koellermeier stated that he does not know about the month, he just wants it to be clear that the project cannot go beyond 2016. Councilor Olson said she understood that, but that she would like to see Lake Oswego Council adopt some language that says when the project is done in 2016, if there is excess capacity that is sold, the revenue goes to reducing water rates and not toward another project. Mr. Komarek mentioned that in the agreement it states that the proceeds from additional sales comes back to the partners and are used to offset the operating costs and capital costs of the partnership. Councilor Olson wants in writing that it will reduce customer rates. Councilor Webb mentioned that it was expressed by both councils. Councilor Olson stated that both current Councils will be gone by the time this project is done. She would really like something in writing.

Mr. Komarek mentioned that the Oversight Committee has the recommendation from the Technical Committee on the proposed Supply Plan. The Intergovernmental Agreement contemplates that the Oversight Committee would take that recommendation to their respective Councils. Councilor Buehner asked when Lake Oswego's hearing was scheduled. Councilor Olson stated Lake Oswego's is December 7, 2010. Councilor Webb stated that Tigard's hearing is scheduled for December 14, 2010. Councilor Webb asked if the Oversight Committee should make a formal motion to carry this plan forward. Mr. Komarek stated that it would be great if there were a formal endorsement of the Technical Committee's recommendation. Councilor Webb moved that the Oversight Committee forward the Technical Committee's report with the Oversight Committee's endorsement. Councilor Buehner seconded the motion. Mr. Komarek asked for a vote. Councilors Webb and Buehner stated aye. Councilor Tierney was looking for a possible amendment, but voted aye. Councilor Olson abstained, mentioning she still has questions about the reservoir and the timing, but she did not want to hold up sending it to Councils.

Councilor Olson asked Mr. Komarek if he knew when the Oversight Committee would get the information from the water conservation and the tiered water rates. Mr. Komarek stated that there would not be any information in time to help with that element. There is only 18 months of information available. It is not enough data to draw conclusions.

Councilor Olson asked if Lake Oswego was reviewing the water rates in December. Mr. Komarek stated that there is a cost of service analysis. Part of that effort will be to look at the last 18 months of billing data for the purposes of understanding how much revenue is being generated by the rate structure, the rate design, and the rates themselves. The review will look at the capital and operating needs and come up with a rate structure that adequately funds the utility.

Ms. Heisler asked when some conservation information might be available? Mr. Komarek stated that there will be something by the 30th for the presentation.

Councilor Tierney asked about the approval of the resolution. He believed the vote was 3 to 0 with one abstention. He asked that sometime in the first few months of 2011 the Oversight Committee get a comprehensive report outlining all of the efforts that have been made to try to mitigate the issues and showing that the neighborhoods have had the ability to state their issues prior to design.

Mr. Komarek stated that one thing that has not been looked at is moving some or all of the storage to the 10th Street site. The project team will do that, though he thinks it will be infeasible to move the entire storage to the 10th Street site because the site is not that big. There are still

economies of scale and additional costs to keep in mind. Tigard purchased part of the Waluga site for their portion of storage. That would have to be refunded and then there would have to be some kind of buy in for this new site. Neighborhood impact is an issue. Councilor Tierney stated that he just wants to make sure no stone is left unturned. He wants the neighbors to know what the options are.

5. UPCOMING JOINT COUNCIL'S MEETING

Mr. Komarek asked if the Oversight Committee would like to have a role specifically about the supply facilities plan in the upcoming Joint Council's Meeting. Councilor Webb stated that the Technical Committee needs to handle the technical information. Mr. Komarek stated that they were planning on walking the Councils through the technical information. Councilor Olson asked if the memorandum would be in the Council packet. Mr. Komarek stated there would be an abbreviated version unless the Oversight Committee requested the more-detailed version. Councilor Olson thought the existing memorandum should be what is included. Mr. Komarek mentioned there will be a PowerPoint presentation and the Technical Committee will present their recommendation then the Councils will have the opportunity to discuss the issues. The hope is to have the two Councils reach a consensus and give direction to staff to prepare for the next two dates when the individual Councils would deliberate and adopt a plan. Certain exhibits to the agreement will need to be amended as part of this supply facilities plan.

6. COMMUNICATIONS UPDATE

Ms. Heisler mentioned the following publications and articles:

- Water Savvy #5 Conservation; completed
- Water Savvy #6 Water Treatment; completed
- Water Savvy #7 Environmental Water Issues/Permitting Issues; should be completed very soon
- CityScape article
- Hello LO article about the new allocations, the new costs and the rates
- OpEd piece that will be in the paper on Thursday that Sally Moncrief is submitting

The communications team has been very focused on the good neighbor plan for the Water Treatment Plant neighbors. There have been a few presentations: Dave Prock, Kari Duncan, and Corianne Hart from Brown and Caldwell presented to the Clackamas River Water Providers; an AWWA presentation on the partnership; and the kick-off meeting for the good neighbor plan with the Water Treatment Plant, which had about 35 people in attendance.

For the reservoir, the team is thinking it will wait until there is a designer on board before there is another meeting because then there will be a landscape architect to work with.

Councilor Buehner asked if the communications team was going to do another video. Ms. Heisler stated that the supply facility adoption might be a good opportunity for another video.

7. FUTURE AGENDA ITEMS/NEXT MEETING DATE

Mr. Komarek mentioned the Oversight Committee meeting scheduled for December 6, the day before Lake Oswego considers the capital improvement plan and a week before Tigard's meeting. He asked if the Oversight Committee felt the meeting was necessary. Councilor Webb asked to keep it tentative in case there are still issues like moving the reservoir. Mr. Komarek mentioned that the reservoir can be a specific Agenda topic. Councilor Tierney mentioned there are so many other things going on in addition to the capital plan, he would like another meeting to discuss all of the issues.

The next Oversight Committee meeting will be Monday, December 6, 2010. From 3:30 to 4:30 at the West End Building, Lake Oswego.

8. ADJOURN

Mr. Komarek adjourned the meeting at 4:45 p.m.

Attachments: None

Approved: _____ December 6, 2010