City of Lake Oswego/City of Tigard Water Supply Partnership
Summary of Oversight Committee Meeting #24
Meeting held
May 14, 2012

Lake Oswego Technical Committee Member Joel Komarek called the meeting of the Lake Oswego/Tigard Water Partnership Oversight Committee to order at 5:33 p.m. on May 14, 2012, in the Oswego Conference Room of the West End Building; 4101 Kruse Way, Lake Oswego.

Present:

City of Lake Oswego

Oversight Committee: Mayor Jack Hoffman, Councilor Bill Tierney
Staff: Joel Komarek, Dave Prock, Jane Heisler, Kari Duncan, Guy Graham, Vanessa Thomas
Other: Mary Olson, Ursula Euler

City of Tigard

Oversight Committee: Mayor Craig Dirksen, Councilor Gretchen Buehner
Staff: Dennis Koellermeier

Brown and Caldwell

Jon Holland, Mike Prett, Nick Wobbrock

Guests

Kevin Bryck, Robinwood Neighborhood Association

1. CALL TO ORDER/ROLL CALL

2. APPROVAL OF MINUTES FROM MEETING #23

   Mr. Komarek asked for approval of minutes from the last meeting held on March 19, 2012. Councilor Tierney motioned to approve, Councilor Buehner seconded the motion. A voice vote was taken, and the motion passed with Lake Oswego Councilor Tierney, and Tigard Mayor Dirksen and Councilor Buehner voting ‘aye’ (3-0).

3. PUBLIC COMMENT

   There was no comment.

4. DISCUSSION OF PRIOR ACTION ITEMS

   There was no discussion of prior action items.

5. PROGRAM COST ESTIMATE UPDATE (INFORMATION)

   Mr. Komarek presented the 30% cost estimate PowerPoint presentation. (Attached)
Mr. Komarek mentioned the HDD option is longer but results in the least amount of disturbance to the park and has been met favorably by Parks Staff and West Linn Staff.

Mr. Komarek stated the cost estimate cone is becoming smaller as design progresses. Staff is looking at a program cost roughly 4-9% higher than the initial Preliminary Design Review (PDR). Those costs will decrease as the design definition decreases. Staff is working with designers to further optimize the design of the Water Treatment Plant (WTP) for cost savings. Even with these higher costs at the 30% design state staff is not looking at making any changes to the water rate plan.

Mr. Komarek stated Tigard recently issued their first series of bonds for their share of the program. Lake Oswego is expected to follow sometime in September. Current LO water rates assumed interest rates on debt of 4 1/2%. The City’s financial advisors have suggested the likelihood that today’s interest costs could be between 3.5% and 4%. Staff is currently assuming 4% for debt issued between now and September with that rate increasing by 50 basis points each year thereafter. This assumption will allow the City to capitalize its share of the increased program costs without having to change the rate structure currently in place. Financial advisors have suggested the City should consider a larger first issue to minimize interest rate increase risk and it results in a lower total interest rate for the life of the bond.

Questions and discussion

Counselor Tierney asked where opportunities are for cost savings. Mr. Komarek stated staff continues to optimize WTP layout and design to achieve further savings. Contractor outreach efforts and good bidding documents should put staff in a favorable and competitive construction market to see cost reductions.

Ms. Olson asked if the current split between Tigard and Lake Oswego is expected to change. Mr. Komarek answered it will change very slightly.

6. PERMITTING UPDATE (INFORMATON)
   - Water Rights – Water Watch Brief
   - Corps of Engineers – Joint Permit Application

FUTURE AGENDA ITEMS

7. NEXT MEETING DATE

   The next Oversight Committee meeting will be Monday, June 11th, 2012, from 5:30 p.m. to 6:30 p.m. in the Oswego Conference Room at the West End Building in Lake Oswego.

8. ADJOURN

   Mr. Komarek adjourned the meeting at 6:16 p.m.

Attachments: None
Approved: ____________________________
Program progressing despite complexities
- Permitting
- Outreach
- Schedule
- Current Expenditures

Agenda
- Program status update
- Project status update
- 30% design completion cost estimate
- Future updates and cost controls
- Impact on adopted water rates
- Questions

Most required approvals on track, West Linn process challenging

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Water Rights
- Opening Briefs rec’d 5/10/2012
- Oregon Court of Appeals ruling expected late summer 2013

Environmental
- Environmental permit application package submitted to agencies
- Positive agency feedback to date

Land Use and Property Acquisition
- RIPS first application approved
- WTP hearings underway, pipelines next
- River crossing progress slow to come
- Remaining applications in preparation or hearings pending
Concerted communication effort engages impacted/interested parties

- Good Neighbor Plans underway with mixed results
  - Waluga Reservoir 2 going well
  - Water Treatment Plant and pipelines in West Linn opposed by Robinwood & four other neighborhoods
- Gladstone public outreach meetings as requested by Gladstone staff
- Ongoing public interaction:
  - Local organizations
  - Informational meetings
  - Web site updates
  - Email announcements
  - Legislative updates

Schedule adapted, on track to beat July 2016 deadline

More contracts, longer durations drive construction management costs higher

Program expenditures thus far within budget
Project design evolution identifies, resolves key issues/risks

- Progress
- Refinements
- Enhancements
- Challenges

Long-term WTP improvements eliminate future uncertainty

- Treatment process selected and verified via pilot study
- Compact site layout key to Good Neighbor Plan
- 38 mgd capacity now
- Site specific seismic analysis leads to pile foundations to prevent settlement

Pipeline refinements reduce impacts

- Quarry Rd segment eliminated
- Aging pipeline in Iron Mountain Blvd retired by upsizing new line
- Upper Drive alignment avoids easement acquisition, stream crossing costs
- ODOT requires HWY 43 pipeline work at night
- River crossing challenges

Numerous river crossing alignments evaluated for feasibility
Geotechnical investigations performed on several alignments

OPRD and West Linn raise new concerns over MSY Park impacts

- OPRD policies require "overwhelming public benefit"
- West Linn variance and "disturbance" limitations

Longer HDD option received favorably by OPRD and West Linn but hurdles remain

River studies reveal fish protection challenges

- River moves too slowly near screen
- Excavate upstream channel to speed up current
- Move RIPS further into the river
- Added costs for excavation, bridge, cofferdam
- Low impact limits mitigation
2nd Waluga Reservoir meets storage requirements and gains neighborhood support

- Final dimensions meet engineering and neighbor objectives
- Public feedback remains positive
- Tree removal will be minimized
- Future outlet piping preserves flexibility but adds cost

New Bonita Pump Station site provides flexibility to meet Tigard’s future needs

- Dual pumping arrangement eliminates need for second pump station, improves water quality
- Provides adequate space for construction
- Requires more pipe
- New I-5 crossing now or later?

Increasing project definition narrows cost estimate range as key milestones approach

First detailed program cost estimate prepared as part of Project Definition Report at outset of design

- -20% to +30% accuracy
- Basis of adopted water rate increases
Current estimate range is 4% to 9% higher than PDR

- 15% to 25% contingencies, decreasing as design proceeds
- Optimization ahead (e.g., WTP building footprints downsized)
- No change to adopted water rates

Allocation of Cost Increase

- WTP 30%
- RWP 27%
- BPS 17%
- WR2 6%
- Other 13%

Securing favorable bids from informed, qualified contractors

- Outreach promotes Owner team, generates interest
- Contractor prequalification begins this summer
- Clear, fair contract documents
- Competitive pricing

Increasing project definition narrows budget range as key financial milestones approach

- Low interest rates now reduce financing costs
- 2nd bond issue in 2014
Expected low interest on Lake Oswego’s $80M first bond issue likely means no change to planned water rates

Tigard’s $102M first bond issue at 4.03% means no change to water rates

Communications and public involvement

- Targeted engagement continues
- Good Neighbor Plans
  - Waluga final meeting May 23
  - Water Treatment Plant – submitted with land use
- Media stories
  - Treatment Plant land use
  - Progress Report – July HelloLO
  - Website updates, upcoming RFQ process

Upcoming milestones

- Contractor open house – May 23, 2012
- West Linn City Council WTP land use hearing – June 2012
- RIPS contractor RFQ – June 2012
- RWP, FWP, and WTP contractor RFQs – September 2012
- Refine designs through 60% and update costs – October 2012
- Environmental permits – December 2012
- Begin RIPS construction – early 2013