



**City of Lake Oswego/City of Tigard Water Supply Partnership
Summary of Oversight Committee Meeting #51
Meeting held
January 11, 2016**

Present:

City of Lake Oswego:	Oversight Committee: Mayor Studebaker, Councilor Manz Staff: Joel Komarek, Scott Lazenby, Kari Duncan, Katy Fulton, Susie Anderson
City of Tigard:	Oversight Committee: Mayor Cook, Councilor Snider Staff: Marty Wine, Dennis Koellermeier, John Goodrich
Brown and Caldwell:	Jon Holland, Mike Prett
Kennedy / Jenks:	Brad Moore
Guests:	Tigard Councilor Marland Henderson

1. CALL TO ORDER/ROLL CALL

Oversight Committee Chair **Mayor Studebaker** called the meeting of the Lake Oswego/Tigard Water Partnership Oversight Committee to order at 5:30 p.m. on January 11, 2016, at Yakima Products headquarters, Oswego conference room, 4101 Kruse Way, Lake Oswego OR 97035.

2. APPROVAL OF MINUTES

Mayor Studebaker asked for a motion to approve the minutes from the November 9, 2015 meeting. **Councilor Snider** motioned to approve, **Mayor Cook** seconded the motion. The motion passed unanimously.

3. APPOINTMENT OF COMMITTEE CHAIR

Mayor Studebaker noted that with the New Year a new committee chair from Tigard would be appointed. **Mayor Studebaker** nominated Mayor Cook to be the new committee chair. **Councilor Manz** seconded the motion. The motion passed unanimously.

4. PUBLIC COMMENT

There were no comments.

5. OLD BUSINESS

5.1 – Update on water rights extension remand

Mr. Komarek referenced a letter from Ring Bender in response to a request for an estimated timeline now that there has been a referral to the Office of Administrative Hearings (OAH). **Mayor Studebaker** said he understood the attorneys speculate the ruling will come in June or July which is very close to the time Tigard will be fully switching from Portland water to Clackamas River water in June. He asked if pressure should be applied to the agencies to keep on schedule. **Mr. Komarek** noted that he posed that question to legal counsel as to when ODFW might finalize its draft revised advice to the Water Resources Department (WRD). Legal counsel is looking in to that but opined that political pressure should continue to be applied to the agencies to get the draft finalized. **Mayor Studebaker** asked how that could be done. **Mr. Koellermeier** responded that Representative Doherty has been talking with the agency Directors. He added that he will follow up with her and request that she continue to contact them. **Mr. Komarek** noted that this will be a standing agenda item until there is a ruling.

5.2 – Future governance and operating agreements

Mr. Lazenby reported that based on the committee's direction he and Tigard City Manager **Marty Wine** had collected more information regarding practical implications of forming a governing water board. He opined that the South Fork model is a good one with many similarities to what is being considered for Lake Oswego and Tigard. He continued that the one difference between the two is that SFWB was formed a hundred years ago to build and finance improvements so they issue bonds and own water rights. The partnership has already addressed water rights and debt financing as independent cities. His recommendation would be to approach the water board model as an operating agreement. He noted that he and other staff met with John Collins, SFWB General Manager, who felt it has worked well for the Oregon City and West Linn. It is operated in a similar manner as the Oversight Committee but each city has three elected officials sitting on the Board and has more formality in that it adopts a budget. The overhead for SFWB is pretty low. They contract with Oregon City for support functions like finance and payroll. They contract out for legal advice. **Mr. Lazenby** continued that if the committee decides to pursue this model vs. continuing under the current agreement, the Board would need to appoint a General Manager, agree on an employment agreement, and set personnel policies for the new entity. **Mayor Cook** voiced his concern regarding three elected officials from each city, noting that three from Tigard would constitute a quorum. **Mr. Lazenby** responded that is the case with West Linn, as well, and they are very mindful of only discussing water board issues. **Mayor Studebaker** asked if it must be a six member board. **Mr. Lazenby** replied that it could be any number they decide but a six member board has worked well for SFWB. **Mayor Studebaker** asked the Tigard representatives how important it is to them to share in governance. **Councilor Snider** replied that it is quite important. He noted that often he has heard remarks from constituents questioning why Tigard is paying for Lake Oswego's water system. He continued that a water board would help clear that perception and would depict more closely the actual arrangement. **Mayor Studebaker** asked if there is a problem with Lake Oswego still owning the water rights. **Mr. Koellermeier** noted that in the current agreement Lake Oswego pledges its water rights to the Partnership.

Councilor Manz asked what the estimated time frame and cost would be to implement a model like this. **Mr. Lazenby** replied that he is unsure of the cost at this time. He opined that it would make the most sense to have the startup coincide with the fiscal year so at this point July 1, 2017 would seem to be a logical date. **Mayor Cook** voiced his support for continuing to explore this model and find answers to the questions regarding the next steps and associated costs. He pointed out that

they need to know the costs associated with implementing an operating agreement vs. forming a water board. **Councilor Manz** agreed and suggested a breakdown / comparison of expenses for each model, necessary steps to implement, and benefits of each would be helpful. **Councilor Snider** added that looking at economies of scale would be beneficial as well.

Mr. Lazenby suggested that legal counsel attend the next oversight committee meeting to discuss the water board possibility. He added that City Attorney, David Powell, had reviewed the South Fork Agreement and that it's a simple agreement. He added that developing an Intergovernmental Agreement would not be difficult to do.

Ms. Wine clarified the group would like a comparison of the different scenarios. **Councilor Snider** stated they only want the comparison of a separate entity vs. Lake Oswego continuing to be the managing partner.

Mr. Lazenby suggested it may be beneficial for both full Councils to meet together at some point in the future to discuss the two options.

Councilor Snider asked if the current water operations employees are part of a labor agreement.

Mr. Lazenby affirmed and explained the state has seniority protections in place for employees moving from one entity to another. He added that the current employees have been made aware of the fact that these discussions are underway and there may be changes in the future. **Mr. Komarek** opined that sorting out staffing issues may be one of the more difficult aspects to work out.

6. NEW BUSINESS

6.1 – Metrics Report

Mr. Prett referred to the agenda packet and reported that approximately \$218 million had been spent to date, about 85% of the overall budget. About \$37 million remains to be spent. Most pipeline construction is complete and in the near future only schedule 4 pipeline construction in Lake Oswego and water treatment plant construction will be underway. All other construction is complete.

Mr. Komarek reported that the recent icy and rainy weather had delayed the treatment plant contractor by 11-15 calendar days. **Mayor Cook** suggested weather delays should already be factored into the contractor's schedule. **Mr. Komarek** replied that generally schedules have a certain amount of "float", as did this one. Some float was built into the revised schedule but at this point, there is no longer float in the schedule. **Councilor Manz** asked if future weather delays were anticipated as there are still months of winter remaining. **Mr. Komarek** replied that would be speculation at this point but any future delays would be communicated as they arise. **Mr. Koellermeier** noted that in the last treatment plant construction progress meeting the contractor indicated there may be some schedule recovery opportunities in the current schedule for phase B.

Mr. Prett referenced table 4.4 in the metrics report. He noted a little over \$3.5 million remaining in overall contingency. He explained that each month there are small overages and underages but the past month saw \$350K worth of construction change orders, primarily additional flagger expenses in Gladstone and on Mapleton Drive due to slower production than anticipated. Also, there were some pipe adjustments and configurations on schedule 6 near Fanno Creek to accommodate a

pressure zone and changes in utilities in Bonita Road. Adding these changes puts construction contingency at \$3.2 million. Under sponsor contingency, the main expense was the final negotiation of the TRC Oswego Village right of way leaving \$422K in sponsor contingency.

Mr. Prett referred to the risk register and noted the only change was that all right-of-way has been acquired so that is no longer on the register.

Mayor Studebaker asked about the status of the fish screens at the river intake. **Ms. Duncan** responded that they are back in service and staff continues to work with the contractor on a retrofit to ensure that when there is high water flow that the screens aren't pushed up as happened with the heavy rain in late November / early December. **Councilor Snider** asked if the work would be an additional expense to the partnership. **Mr. Komarek** explained that is yet to be determined. It is clear it is not a construction flaw so they are determining if it's a design or product issue. **Mayor Studebaker** asked about the cost of the retrofit. **Ms. Duncan** replied that it would be about \$15,000.

Mayor Cook inquired about the Waluga Reservoir #2 report mentioning cracks in the concrete. **Mr. Komarek** responded that there is a single crack that requires an epoxy injection. **Councilor Snider** asked if this is something to be expected with this type of project. **Mr. Komarek** replied that it is not uncommon and any number of circumstances could have led to the crack. **Councilor Manz** asked if this type of thing would be captured in the risk register report. **Mr. Prett** explained that the risk management report is primarily program management focused. He added that construction managers keep a risk register for their respective construction projects but that isn't captured in the Committee report. **Ms. Duncan** added that this type of issue falls under the two year warranty with the general contractor.

6.2 – Waluga Reservoir 1 – Roof replacement

Mr. Komarek referred to a memo from the Technical Committee in the meeting packet. He explained that during the planning for construction of Waluga Reservoir 2 (WR2) it was determined that would provide an opportunity to drain, inspect, and make modifications and improvements to Waluga Reservoir 1 (WR1) to improve water quality, worker safety, and access. He continued that when WR1 was drained and during the process of constructing improvements they were able to cut a hole in the roof and floor allowing structural engineers performing a condition assessment to see how the rebar was placed. This inspection revealed that during concrete placement some of the rebar moved so it wasn't affording the same structural capacity it would have had it not had those structural defects. They also noticed some defects in the columns supporting the roof and some minor cracking in the roof around the columns. It is the opinion of the structural engineers that the defects in the roof reinforcement and the columns being too slender warrants a replacement of the roof. He explained that the two reservoirs work together. To maintain proper pressure in that zone water goes in to WR2 first and drains back into WR1 and then travels to Tigard. Both are very important to redundant, reliable service for the partnership. Based on that, it is the opinion of staff that costs for the roof replacement should be shared by Tigard. **Mr. Komarek** then explained that at the time the IGA was entered into in 2008 an assessment of all facilities was conducted and it was determined that there was no excess capacity in WR1 for Tigard. As a result Tigard did not "buy in" to WR1 like it had for other existing Lake Oswego owned facilities. **Councilor Snider** stated he's

considered the issue from the perspective of a Tigard resident and a Lake Oswego resident, and questioned if WR1 was considered an asset from the beginning would the allocation of costs on WR2 been different. **Mr. Komarek** responded that the allocation of costs for WR2 would not have changed because there is no available excess capacity in WR1 to serve Tigard. The allocation of capacity in WR2 is 1.8 million gallons (mg) for Tigard and 1.7 mg for Lake Oswego. **Councilor Snider** stated he didn't understand why WR1 wasn't considered an asset from the beginning. **Mr. Komarek** responded that all facilities were evaluated for the ability to provide capacity to Tigard and at the time, WR1 did not have excess capacity available to serve Tigard. **Mr. Koellermeier** noted that during design and planning it was decided to connect the two reservoirs so they could work together. If they were separate from each other, there wouldn't be an issue. When designing WR2 it was designed to correct Lake Oswego's storage deficit and to provide a buffer for Tigard. **Mayor Cook** asked if the ASRs in Tigard were considered assets to the partnership, as well. He posed the scenario that if there is a restriction on the amount of water taken from the river, could Tigard be storing water during the winter to send back to Lake Oswego in the summer? **Mr. Koellermeier** responded the original agreement addressed that Tigard's ASRs could and likely would provide a buffer should there be water removal restrictions. In that case, Tigard would sell water back to Lake Oswego and recoup costs for the use of ASR assets. **Mayor Cook** asked if the need arose for Tigard to build a 3rd ASR as a result of water removal restrictions at certain times of the year, would that be a partnership asset. **Mr. Koellermeier** stated that if that were the case, the capacity for each partner would need to be determined, much like how WR2 allocations were determined. **Councilor Manz** asked why this discussion was starting now and why it hadn't started earlier. **Mr. Koellermeier** replied that the concept of using the resources has been discussed for some time but the question now relates to costs and how are they allocated. **Mayor Cook** asked if staff was looking for a decision at this meeting. **Mr. Komarek** replied that the land use process needs to get underway for the WR1 work and the group needs to consider a 4th amendment to the IGA to clarify assets included in the agreement. **Councilor Snider** opined that WR1 seemed to provide far more function in capacity and use to Lake Oswego than Tigard and that should be considered when determining allocations. **Mr. Holland** noted that what is being requested is 50% buy in just for the roof replacement, not the entire facility. To give perspective, he noted that replacing the entire reservoir would cost an estimated \$6 million vs. \$2.5 million to replace the roof. **Mayor Studebaker** asked if there were still \$3 million in contingency at the end of construction, would that cover the cost of the roof replacement. **Mr. Komarek** affirmed, provided the contingency isn't used on something else. The group agreed that the issue would be brought to the entire Tigard City Council for their consideration.

6.3 – FY 16/17 Budget

Mr. Komarek reported that the budget process has started and anticipates presenting a draft budget at the next Oversight Committee meeting.

6.4 – Communications update

Ms. Fulton reported the following activities:

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- At Councilor Manz's request, reported back that the art work video had been played over 200 times, not including views on TVCTV, and Grand Ronde and Regional Arts Council social media. In total there have been over 1,300 loads.
 - Coordinating with Tigard staff for roll out messages for their new water supply and Bonita Pump Station testing.
 - Working with Tigard on the message for state of the city.
 - Working with Tigard to develop an article for Construction Global publication.
 - Recent articles in the Lake Oswego Review, Tigard Times, and The Oregonian regarding milestone updates.
 - Received a nice thank you letter from the Gladstone Senior Center for the partnerships donation presented at the RIPS ribbon cutting event.
 - Developing an outreach and communications plan for the WR1 roof replacement.
 - Received a handful of complaints the past week for night work / rock hammer use on McVey Ave. Haven't received as many complaints as anticipated. Sending regular email updates, postcards, and weekly updates in the Lake Oswego Review likely kept the number of complaints to a minimum.
 - Good coordination effort with the Boy Scouts Christmas tree lot in George Rogers Park during pipeline construction. The Partnership helped market the tree lot and they sold out of trees before their scheduled closing date.

7. Future agenda items

7.1 – Water rights extension remand

7.2 – Governance and operating agreement

7.3 – Waluga Reservoir 1 roof replacement

- 8.** The next Oversight Committee Meeting will be held March 14, 2016 at the Tigard Public Library, 13500 SW Hall Blvd, Tigard OR 97223.

9. ADJOURN

Mayor Cook adjourned the meeting at 6:44 p.m.

Respectfully Submitted,
Susie Anderson, Administrative Assistant

Approved by the Oversight Committee:

On March 14, 2016