1. CALL TO ORDER/ROLL CALL

Oversight Committee Chair **Councilor Manz** called the meeting of the Lake Oswego Tigard Water Partnership Oversight Committee to order at 4:04 p.m. on March 16, 2017, at the Tigard Public Library, 13500 SW Hall Blvd, Tigard, OR 97223.

2. APPROVAL OF MINUTES

**Mayor Studebaker** moved to approve the minutes from the January 19, 2017 meeting. **Mayor Cook** seconded the motion. The motion passed unanimously.

3. PUBLIC COMMENT

There were no comments.

4. OLD BUSINESS

4.1 – Water rights extension remand

**Mr. Komarek** reported he received information regarding the status of the water rights remand the previous day. He reminded the group that at the last hearing there was an issue with the audio equipment so some of the testimony was not captured in the recording. The Administrative Law Judge (ALJ) proposed an approach to resolve the missing pieces of testimony and the parties reviewed the proposal. Legal Counsel for the Partnership recommended an alternate approach which would have all parties meet, identify the missing pieces, and reference trial notes to determine which witnesses would need to return to provide testimony to fill in the gaps. That proposal was sent to the ALJ and WaterWatch for consideration. **Councilor Manz** asked about the timeline. **Mr. Komarek** said he didn’t
have that information. **Councilor Manz** requested the Committee continue to be informed of any progress.

5. **NEW BUSINESS**

5.1 – Metrics Report

**Mr. Prett** referenced table 4.4 in the meeting packet and noted $244 million had been spent to date, leaving about $10 million in the budget. He directed attention to the table listing remaining open contracts and expenditures totaling $6.8 million and stated that full amount likely wouldn’t be spent. He then pointed to box C which contained remaining sponsor costs and potential changes. **Mr. Prett** stated as the program nears completion it appeared only half of the remaining $1 million Brown and Caldwell placeholder to complete program services would be spent. Current contingency is about $2 million and the $500K not being spent for Brown and Caldwell’s services would be returned to contingency for a total of $2.5 million. **Councilor Manz** asked to be reminded what the $250K on line item 206 was. **Mr. Prett** responded the figure represents the construction manager’s current estimate of potential change orders for treatment plant construction. **Councilor Manz** said she overheard Mr. Komarek mention a concrete pour had been delayed. **Mr. Komarek** referenced the packet page containing Waluga Reservoir 1 roof replacement information and noted two of four quadrants of the roof had been poured but due to the breakdown of a concrete pumper truck, the third quadrant pour had been rescheduled for Monday, March 20. Weather also posed issues in that concrete cannot be poured in wet weather so on nice days there is a big demand for concrete and a backlog of contractors needing concrete. **Mr. Komarek** stated the date of substantial completion for the reservoir roof was April 25 but because of the weather delays the contractor thinks they will be one to two weeks behind schedule extending substantial completion to mid-May. **Councilor Snider** referenced back to table 4.4 and noted it appeared as if the project would finish under budget and asked for clarification. **Mr. Prett** confirmed. **Mayor Cook** pointed out that the $3 million spent on the Waluga Reservoir 1 roof replacement wasn’t factored in to the original overall project budget yet the total project remains under budget.

5.2 – Follow-up discussion of joint Councils meeting on wholesale rate model. Process to ratify with individual governing bodies. Timing. Effective date. Approach to depreciation funding.

**Mr. Komarek** reported after the joint Council meeting the two Councils accepted the Oversight Committee’s recommendation to use the FSC Group rate model to set annual wholesale rates for each city for water supplied to the partnership through partnership facilities. He noted that embedded within the rate model was the option to fund near term operations and maintenance and capital improvements anticipated within the next five to ten years, and funding depreciation on a long term basis which would start July 1, 2021. He continued that FCS was asked to make minor modifications to include a toggle to exclude or include prefunding of near term capital which would add a few cents for each party. On the discussion of longer term depreciation, discussions with experts in the field of asset management and funding long term renewal and replacement and the recommendation of the tech committee as a result of those meetings, was to work with the consultant to develop a replacement planning module that would work together with the asset management program which is close to being complete. The replacement planning module would be used in concert with the asset management program and the city's computerized asset management system, to help better anticipate when larger capital expenditures would be needed for refurbishing or replacement and to begin pre-funding those through rate adjustments in addition to things like cost of living adjustments.
This would allow better timing of expenditures and pre-funding rather than each city paying a lump sum each year and letting it accrue over time. **Mr. Komarek** stated it was staff’s opinion this approach would be more effective and efficient. **Councilor Manz** asked who would administer the program. **Mr. Komarek** responded the two cities’ Finance Departments would be involved since they track assets. **Mayor Studebaker** asked if a separate fund would be created. **Mr. Komarek** affirmed. **Councilor Manz** stated when something goes wrong with her car a red light comes on to alert her of the problem and asked how water staff are made aware of issues, when are warrantees up on newly constructed facilities, and when will the two cities be responsible for the cost of repairs. **Ms. Duncan** replied there are many ways to assess the various pieces and parts of the plant. For example, infra-red analysis may be used on electrical equipment, vibration testing on pumps and motors, and other testing means to confirm the condition of equipment and assess for problems. Staff are able to track the various pieces and enter that information into the computer maintenance and management system. Operators also note issues they may find as they conduct day to day operations and maintenance. **Councilor Manz** summarized that there is continuous monitoring. **Ms. Duncan** affirmed and stated there are “red lights” that will appear on the control system (SCADA) in the event of a failure or a piece of equipment is running too hot, too slow, or too fast. **Mayor Studebaker** asked if the money would be put in an investment fund. **Mr. Komarek** replied he couldn’t speak for Tigard but he understood these types of funds usually go into a Local Government Investment Pool but the respective Finance Departments would be able to provide available options. **Councilor Manz** asked if any direction was needed from the Committee. **Mr. Komarek** stated since it is longer term depreciation funding, no immediate direction was required and work would begin to develop module.

### 5.3 – FY 17-18 Budget for Operations and Program Close-out

**Mr. Komarek** referenced the budget worksheet in the meeting packet showing the rollup of the partnership budget and the water fund budget. He noted capital expenditures decreased dramatically as well as sponsor and personnel costs. He pointed out $4.6 million in capital outlay for the next fiscal year and stated that money wouldn’t be spent since construction is nearly over. **Mayor Studebaker** asked what would happen to the leftover $4.6 million. **Mr. Komarek** responded it’s like contingency, the $2.5 million contingency throughout the project could increase up to $4.6 million.

**Ms. Duncan** referenced a handout and explained there are four departments within the water fund which include distribution, operations (engineering), treatment plant (production), and conservation. She reviewed the water treatment fund expenditures and noted 10.9 FTE under personnel to operate and maintain the water treatment plant and intake facility. Over the past year there had been an increase in anything that’s a variable cost related to increased water production which nearly doubled since supplying water to Tigard. Chemicals a little more than doubled, electricity doubled, and some maintenance expenses increased. **Councilor Snider** asked if there was anything that had doubled that was unexpected. **Ms. Duncan** replied that solids disposal was more than she had anticipated. **Councilor Snider** asked if that was because there is twice the amount of solids. **Ms. Duncan** said it was because the charges are higher than expected but the annual total budget is $80,000 which is not much in relation to the overall budget. The overall annual budget amount for the treatment plant is $3.56 million. **Councilor Manz** asked if doubling water production would require doubling staff. **Ms. Duncan** replied an instrumentation technician would be hired soon and a .9 FTE for administrative work would be requested in the fiscal year 17-18 budget.
5.4 - Project completion event

Ms. Kerklaan reported with construction coming to an end planning had begun for project completion events to commemorate the accomplishment of the project for the two cities and to acknowledge the plant neighbors and the disruption they have endured during construction. She proposed to hold two different events for different purposes, goals, and audiences. One event consideration would be a thank-you, pathway ribbon-cutting for plant neighbors and West Linn neighbors. The purpose and goal would be to commemorate the new pedestrian pathway which opens after completion of construction of the plant, as well as acknowledging the impacts to neighbors during construction. The event would also provide an opportunity for treatment plant operators to mingle with neighbors as they will have an ongoing relationship as plant operations continue. The other event would be more of a project completion event with the purpose of celebrating the completion of the project, the work and support and cooperation of elected officials from Lake Oswego, Tigard, and West Linn, to thank the citizens and customers of Lake Oswego and Tigard, and acknowledge the efforts of the project team. It would also provide an opportunity to communicate the value, achievement, and investment made by both cities.

The neighbor event could potentially be held near completion of construction and would include partner City Managers, Mayors, plant operators and core project team, as well as current and former West Linn Council members and local community members. Ms. Kerklaan asked committee members what their vision of a project completion celebration might be. It was determined the plant would be the best location. Ms. Kerklaan suggested June 24 for the West Linn neighbor event and sometime in July for the larger project celebration, a mid-week late afternoon. Mayor Cook stated he would like to wait until the WaterWatch issue is resolved. Mr. Komarek pointed out it could be years before the case is resolved. Councilor Snider expressed his concern regarding the appearance to neighbors if a big celebration is held and they aren't invited. Ms. Kerklaan stated the plant isn't a direct benefit to the neighbors, so the pathway, which does benefit the neighbors, would be the focus for the neighborhood celebration. Mayor Cook voiced his preference for the third week in July for the event citing the second week City Managers are at a conference and the fourth week Mayors are at a conference.

Councilor Snider said he would be out of the state July 15 - 28. Councilor Manz suggested moving the event out until September citing the weather would still be good and she travels quite a bit during the summer. Councilor Snider voiced his support for holding the event in September. Mr. Komarek noted the up-side of holding the event in September would be that West Linn's paving project on Kenthorpe would be complete.

Ms. Kerklaan reported a video would be made to share with customers/rate payers to draw attention to the investment made by both cities and to showcase the new system. She explained the video would include footage of ribbon cuttings and milestones and the project completion celebration would provide an opportunity to interview people to include clips in that video. The video would be shared on the cities’ websites, project website, and social media. Councilor Manz asked if there was consensus amongst the Committee for holding the event in September. The group agreed. Ms. Kerklaan stated the invitee list would be sizeable for the project completion event and would include past and present elected officials, staff, project team, key community volunteers, and neighborhood chairs. She stated the event could be more formal with speeches or more relaxed. Councilor Snider opined it should feel like a celebration to acknowledge the amount of work done by so many people. Councilor Manz requested Ms. Kerklaan outline the possible specifics of the events and send to the Committee members for their input.
6. FUTURE AGENDA ITEMS

6.1 – Water rights extension remand
6.2 – Governance and operating agreement
6.3 – Operations plan

7. NEXT MEETING DATE – May 18, 2017 at 5:30 pm at the Lake Oswego Main Fire Station, 300 B Avenue, Lake Oswego, OR 97034. Meetings will continue to be held every other month until further notice.

8. ADJOURNMENT

Councilor Manz adjourned the meeting at 4:49 p.m.

Respectfully Submitted,

Susie Anderscn
Administrative Assistant

Approved by the Oversight Committee:

May 18, 2017