

Approved April 30, 2008

***Willamette River Water Coalition
Board Meeting Minutes
Thursday, March 6, 2008***

WRWC Board Members or Alternates present:

Tom Woodruff – WRWC Vice-Chair, Tigard City Council
Ed Truax – Tualatin City Council
Lee Weislogel – Sherwood City Council

WRWC Member Staff present:

Dennis Koellermeier – City of Tigard
Greg DiLoreto – Tualatin Valley Water District
Mike McKillip – City of Tualatin
Ross Schultz – City of Sherwood
Craig Sheldon – City of Sherwood

WRWC Staff present:

Amanda Rich - Western Advocates Incorporated
Kelly Ross – Western Advocates Incorporated

Guests & Members of the Public present:

Keith Mays – Mayor, City of Sherwood
Kathy Newcomb – Citizens for Safe Water
Marisa Houlberg – Resident, City of Tualatin
Dolores Hurtado – Citizens for Safe Water

I. Call to Order

Vice-Chair Tom Woodruff called the meeting to order at 6:30 pm at the Sherwood City Hall City Council Chambers at 22560 SW Pine Street, Sherwood, OR 97140.

II. Review and Approval of Minutes

The board reviewed minutes from July 25, 2007.

Ed Truax moved approval of the minutes. Lee Weislogel seconded the motion. There was no discussion. Motion was approved.

III. Report on Individual Member's Interest in the Future of WRWC

a. Staff Report on Member Meetings

Amanda Rich reported that she met with each member of the WRWC to discuss their thoughts on the future direction of the organization. Her first meeting was in August of 2007 with Ray Jaren and Dan Bradley representing the City of Gladstone and the North Clackamas County Water Commission. At that time, Jaren and Bradley predicted that Gladstone would likely leave the WRWC at the end of the current fiscal year. The City and the Commission felt that membership in the WRWC was no longer in their best financial interests. Additionally, the Commission, of which

Gladstone is a member, intends to pursue partnerships with municipalities on the East side of the river. They feel the geographic proximity of entities on the East side would make future water system expansions less costly. Gladstone has submitted a letter of resignation, dated February 13, 2008, stating their intention to terminate membership in the WRWC effective July 1, 2008.

Amanda reported that the next meeting she held was with the City of Tualatin. She met with Ed Truax and Mike McKillip. At that meeting Truax and McKillip conveyed their interest in maintaining membership in the WRWC, but not expanding scope or purpose of the organization. Tualatin is currently waiting to see how the most recent UGB expansions in their area will be developed and which cities will annex those areas. It is unclear how much new growth will fall under the jurisdiction of the city. Tualatin has no near-term plans to access the Willamette. They are satisfied with the current direction of the WRWC and wish to maintain the status quo.

Amanda's next meeting was with Tom Woodruff and Dennis Koellermeier with the City of Tigard. At the meeting Woodruff and Koellermeier reported that Tigard is happy with the WRWC in its current form. They see no need for changes to the scope or purpose of the organization. Tigard is currently exploring a number of options for future water supply, including a possible agreement with Lake Oswego. They consider the WRWC an important part of their future planning for growth, but have not near term plans to access the Willamette.

Amanda had individual conversations with Richard Burke, Greg DiLoreto, and Todd Heidgerken on behalf of Tualatin Valley Water District. All were very clear that they value the membership in the WRWC and intend to maintain participation in and support for the organization. TVWD has no immediate need to access the Willamette. Their current investment and partnership in the JWC project will serve their primary water supply needs for the next 50 years. However they are committed to fulfilling the intent of the IGA. They have already assigned the now-extended Willamette water right over to the WRWC and are exploring ways to transfer other assets such as the share of the Willamette Water Treatment plant to the WRWC.

Amanda briefly summarized by saying that of the five WRWC members, one wanted to leave, three were happy with the status quo and one, the City of Sherwood, had big ideas for how the WRWC could help them meet their future water needs. She then turned the discussion over to Ross Schultz, Sherwood City Manager for an update on Sherwood's water supply planning.

b. Sherwood Update

Ross Shultz handed out a graphic of the Sherwood's long term water plans. The plan has four different components/phases.

- The first component was Sherwood's purchase from TVWD of 5MGD of capacity in the Willamette Water Treatment Plant. The current plant capacity of 15 MGD, Sherwood now owns 5MGD, Wilsonville owns the remaining

10MGD. The total potential capacity of the plant is 70 MGD¹. Expansion of the plant needs to be made in 15+ MGD increments. Wilsonville and Sherwood have committed to begin conversations about the next phase expansion.

- The second part of the plan is getting water out of Wilsonville, via Wilsonville's existing transmission lines. Wilsonville and Sherwood have been in negotiations for over a year regarding the shared use of the pipes. They are reaching agreement and will eventually share capacity in several different segments of pipe throughout the city. Through the agreement Sherwood will have 20 MGD of pipeline capacity from the plant property through the city of Wilsonville. The agreement should be finalized by the end of the summer.
- The third part of the plan is completing the transmission line all the way to Sherwood. Sherwood is facing a decision on the construction of this line. A 36 inch line would provide approximately 20 MGD of capacity and would provide Sherwood with water for the next 30 to 50 years. A 48 inch line, which could be purchased at an incremental cost of approximately \$2.2 million dollars, would provide 40 MGD of capacity from Wilsonville to Sherwood. At that capacity the line could provide a point of entry for distribution of water to communities throughout the Willamette Valley. The prospect of buying an extra 20 MGD of capacity for just over \$2 million is worth exploring considering the fact that building that extra capacity 20 years from now would be much more expensive. Sherwood hopes to go out for bid on the pipeline in January 2009. All right-of-ways have been acquired. They would like to have a decision on sizing the pipe by November 2008.
- The fourth part of the project is construction of a new reservoir. They have completed design drawings and are going out to bid on the new reservoir within the next week. They hope to have it ready to use in summer 2009. It is a 4 million gallon reservoir at 386 feet and should satisfy Sherwood's storage needs for the next 15 years. Sherwood's current 1.5 million gallon reservoir was built in 1945, has never been offline and has significant maintenance needs. The new reservoir will enable Sherwood to manage the summer peaks in water demand and will relieve pressure on the transmission line project described in step three. The new line will not need to be online until 2011 if the new reservoir is built as planned. Sherwood's current peak use in summer is 6.5 MGD. They are currently relying on partnerships with Tualatin to buy excess water when demand is high. That arrangement is not sustainable as everyone's peak needs are predicted to grow.
- Ross added that there was a possibility of Sherwood sharing their existing 24 inch line and their well #6 with other WRWC members. That could lead to a discussion regarding partnering over the upsizing of the transmission line referenced in step 3.

¹ *The lower half of the Willamette Water Treatment Plant site has a potential capacity of 70 MGD. The upper half has a potential capacity of 50 MGD, giving the plant a total potential capacity of 120 MGD.*

c. Next Steps - Discussion

Amanda reported that, in general, WRWC members were supportive of helping Sherwood access Willamette water under the WRWC agreement.

Ed Truax asked what Sherwood was specifically asking for from the WRWC.

Ross Shultz responded, noting that this was not an official request, merely his initial thoughts on the matter. He said that he would like to see WRWC use its borrowing capacity to invest in the upsizing of the transmission line. WRWC could purchase the line then sell back the capacity to members as they needed it. WRWC could own the asset and operate it, which seems to be in line with the original intent of the WRWC as laid out in the agreement.

Ed Truax asked how WRWC would finance the purchase. Schultz responded that it could be a revenue bond based on dues. The dues of the members buying capacity would be higher.

Tom Woodruff asked if this idea was similar to the JWC. Dennis Koellermeier answered that the JWC has self-financed to this point and has never taken the step of issuing bonds. However, South Fork Water Board operates by issuing bonds and does quite well.

Woodruff asked if the benefit to Sherwood would be that WRWC has more borrowing authority than the City of Sherwood. Ross said probably, depending on how the debt was structured, but the main benefit would be that it wouldn't count against the individual debt of the city so the city would have capacity to borrow for other things if necessary. Ross noted that the other dynamic is that Wilsonville has made it clear that they don't want to deal with a succession of individual WRWC members seeking their share of the plant. They would prefer to deal with one entity.

Greg DiLoreto noted that TVWD was starting the process of transferring the treatment plant asset to the WRWC in the same way they had assigned the water right. Each member would still have access to the plant as now, but the asset would be owned by WRWC. The pipeline could be a similar shared asset.

Schultz mentioned again the possibility of the Sherwood 24 inch line and Well #6 becoming a WRWC asset available for use by all members. It is just a matter of what direction the members would like to see the organization take.

DiLoreto said that if you look at the agreement with Wilsonville, there are two entities that Wilsonville recognizes: TVWD and WRWC.

Woodruff commented that the options presented by Sherwood would considerably "up the ante" for the WRWC in terms of its current direction and scope of work.

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Schultz acknowledged that a plan of this nature would move the WRWC from an entity holding and preserving a water right into an operating agency. He emphasized that these thoughts were still in the formative stage and are not official in any manner, but are a truthful answer to board member Truax's question regarding what Sherwood would like to see for the future of the WRWC.

Amanda concluded the discussion by noting that although there are no specific plans in mind at this time, there is a will among the membership to ensure that Sherwood is able to realize its plans to access the Willamette.

Amanda added that there are some housekeeping items that need to be completed over the next few months including, finalizing the change in point of diversion on the Willamette water right and updating the IGA.

Woodruff asked when decisions needed to be made regarding Sherwood's idea to have WRWC finance the pipeline. Amanda responded that Sherwood needed to know by November of 2008.

IV. WRWC Budget 2008-2009

Amanda reviewed the budget proposal for 2008-2009. She noted that it reflects the majority opinion of the members to maintain the status quo for the organization. The budget actually decreases expenses for the next year as compared to last year and provides a small decrease in dues for members. The drop is not as much as it would have been if Gladstone had remained a member. Administrative expense reduced from \$54,000 to \$48,000. Public Information was reduced significantly because members felt it was not necessary to undertake any aggressive public information efforts at this time. Legal and Engineering was cut in half because for the last fiscal year we had built in capacity to meet the costs of finalizing the water right permit extension and wanted to be prepared for a possible lengthy appeal process. We do not anticipate any significant legal or engineering expenses for the next fiscal year. This budget reflects the fact that WRWC is in a "holding pattern" at this point, but reserves capacity for change if necessary.

Vice Chair Woodruff asked if the reduction in Administrative Expense was based on the number of hours that the administrator expected to spend over the next year. Amanda responded that she had done an analysis of the hours spent on meetings and related WRWC work over the last few years and that she anticipated the work would reduce for this coming fiscal year. She stated that she was comfortable with reducing from \$4500 to \$4000. She noted that when reviewing the correspondence for WRWC she calculated that the administrator averaged about 1000 WRWC emails per year over the last five years.

Lee Weislogel moved the adoption of the budget as presented. Ed Truax seconded. Motion was approved.

V. Staff Report

a. Financial Report

Amanda presented the financial report for the period ending January 31, 2008. She noted that we will likely have some carryover from this year to next year because we did not have to use our legal budget as anticipated. WRWC should have a generous ending fund balance at the end of the fiscal year.

Ed Truax asked what the ending fund balance could be. Amanda responded that it could be around \$125,000. She noted that in the past, when the ending fund balance was healthy, the WRWC had chosen to reduce dues for the following fiscal year. However that decision was not made prospectively. It was made at the time dues were requested.

Truax said that he liked having an ending fund balance, but that if it was large enough we should consider decreasing dues. He proposed taking half of the ending fund balance to decrease dues if we find there is sufficient balance at the end of the fiscal year.

b. Water Right Update

Amanda reported that WRWC was very close to having a complete permit amendment for the Willamette water right. The Water Resources Department was finalizing questions regarding fish screens on the point of diversion. We expect to have a final permit amendment by the next meeting.

c. Website Update

Need to update the website to remove Gladstone after July 1. Also need to update individual members' pages to reflect current circumstances. Woodruff noted that Tigard had put together a video on future water supply issues for the City of Tigard and that would be a good link to put on the WRWC website.

VI. Public Comment

Kathy Newcomb complimented the City of Tigard for their public work sessions on their negotiations with the City of Lake Oswego. She asked the volume of water under consideration. Koellermeier responded that they were considering 14 MGD.

Kathy noted that she could not hear Mr. Schultz's explanation of Sherwood's proposal for the WRWC to participate in the purchase of the Sherwood transmission line. She asked if someone could repeat that explanation.

Craig Sheldon offered an explanation. Sherwood has several phases to their project. They are proceeding on their reservoir at this time. By November of 2008 they need to know if WRWC intends to participate in the purchase and/or financing of the pipeline project. Newcomb asked if there were other assets under consideration. Sheldon responded that the existing 24 inch line and the well #6 could be part of the equation.

Newcomb asked why it would be “inappropriate” for discussion. Sheldon responded that it was not. Sherwood was not holding anything back. This was not a formal proposal, but it was an accurate reflection of Sherwood’s thoughts at this time. Vice-Chair Woodruff said that if the WRWC were to undertake a decision on this matter there would be a formal proposal and discussion with public input.

Ed Truax responded to Mrs. Newcomb’s question. He noted that he had asked Mr. Schultz to respond to a question that was different than the one he had been prepared to answer. Mr. Schultz had responded honestly, without reservation.

Marisa Houlberg asked about the Sherwood Well #6. Truax responded that it was part of a discussion about the possibility of sharing regional assets. The WRWC could be a regional entity to hold assets and consolidate operations for the members.

Newcomb asked why Sherwood was interested in having the WRWC invest in the pipeline. Sheldon noted that it was simply an opportunity to invest in capacity at today’s prices rather than waiting until prices rose in the future.

VII. Adjournment

Ed Truax moved adjournment. Lee Weislogel seconded. Motion approved, meeting adjourned.