

Willamette Water Supply System Commission

Board Meeting

Thursday, January 7, 2021

12:00 – 2:00 PM

Microsoft Teams Meeting

**In compliance with COVID-19 restrictions,
this meeting is dial-in only.**

Willamette Water Supply System Commission

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**Willamette Water Supply System Commission
Board Meeting Agenda
Thursday, January 7, 2021 | 12:00 – 2:00 PM**

Microsoft Teams Dial-in Conference

To slow the spread of COVID-19, this meeting is dial-in only. It will not be held at a physical location.

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- If you wish to attend via conference call and need dial-in information, please contact Faye.Branton@tvwd.org or call 971-329-5523. • If you wish to address the Willamette Water Supply System Board, please request the Public Comment Form and return it 48 hours prior to the day of the meeting. • **All testimony is electronically recorded.**
-

EXECUTIVE SESSION – 11:30 AM

An executive session of the Board is called under ORS 192.660(2)(e) to conduct deliberations with persons designated by the governing body to negotiate real property transactions.

REGULAR SESSION – 12:00 PM

CALL TO ORDER

1. GENERAL MANAGER'S REPORT – Dave Kraska

(Brief presentation on current activities relative to the WWSS Commission)

2. PUBLIC COMMENT

(This time is set aside for persons wishing to address the Board on items on the Consent Agenda, as well as matters not on the agenda. Additional public comment will be invited on agenda items as they are presented. Each person is limited to five minutes unless an extension is granted by the Board. Should three or more people testify on the same topic, each person will be limited to three minutes.)

3. CONSENT AGENDA

(The entire Consent Agenda is normally considered in a single motion. Any Commissioner may request that an item be removed for separate consideration.)

- A. Approve the December 3, 2020 meeting minutes.

4. BUSINESS AGENDA

- A. Election of Officers – Dave Kraska
- B. Adopt Supplemental Resolution of Public Necessity for PLM_5.3 – Joelle Bennett
- C. Accept Financial Statements and Report of Independent Auditor – Paul Matthews

5. INFORMATION ITEMS

- A. Planned February Business Agenda Items – Joelle Bennett
- B. The next Board meeting is scheduled on February 4, 2021, via Microsoft Teams conference

6. COMMUNICATIONS AND NON-AGENDA ITEMS

- A. Confirm Location for Signing Documents Approved at Virtual Board Meetings – Dave Kraska

ADJOURNMENT

Willamette Water Supply System Commission

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Willamette Water Supply
Our Reliable Water

Safety Minute:

Prepare Your Car
for Safe Winter Driving

1



2

2

Prepare Your Car for Safe Winter Driving

- Have your car serviced for winter conditions
 - Battery (Cold Cranking Amps (CCA) at or above 600 recommended)
 - Cooling System (antifreeze to water ratio = between 50/50 and 70/30 recommended)
 - Brakes (thorough inspection recommended)
 - Belts, hoses, spark plugs, wires, cables (thorough inspection recommended)

3

3

Prepare Your Car for Safe Winter Driving

- Winter tires – recommended for areas with harsh winters
 - Non-winter tires harden with consistent temperatures near or below freezing = decreased traction
 - Winter tires are engineered to resist hardening in cold temps = better traction
- All-season tires – acceptable for areas with milder winters
- Maintain tire pressure
 - every 10° change in ambient temperature could = a gain or loss of 1 PSI



4

4

Prepare Your Car for Safe Winter Driving

- Check for changing temperatures
 - Generally better traction at 0° than 32°; higher winter temps = more slippery surfaces
- Install winter wipers
 - Designed to keep ice from collecting on blades
- Keep windshield washer fluid full
 - Use winter conditions formula or add washer fluid antifreeze to reservoir
- Keep rear-window defroster in working order
- Keep gas tank at least half full
 - Full tank reduces condensation; can prevent gas line freeze ups
 - If stranded, engine can keep you warm until help arrives



5

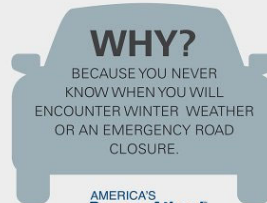
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Prepare Your Car for Safe Winter Driving

- Carry a winter emergency supply kit.



BUILDING AN EMERGENCY SUPPLY KIT FOR YOUR CAR



6

6

Prepare Yourself for Safe Winter Driving

- Learn winter emergency preparedness.
- Learn how to drive in winter conditions.

Sources:

Bridgestone Tires, <https://www.bridgestonetire.com/tread-and-trend/drivers-ed/how-to-winterize-a-car>

AAA Exchange, https://exchange.aaa.com/safety/driving-advice/winter-driving-tips/#.X_TFXhaIY1I

Ready.Gov, <https://www.ready.gov/car>

MEMO

Date: January 7, 2021

To: Willamette Water Supply System Board of Commissioners

From: David Kraska, P.E., General Manager

Re: Willamette Water Supply System (WWSS) General Manager's Report

The following items will be covered during the report by the General Manager (GM):

1. **Remote Meetings Etiquette:** Thank you for your continued flexibility as we hold our meetings remotely, and for adhering to three basic rules:
 - a. Please mute your microphone when you are not speaking.
 - b. Please identify yourself before you speak.
 - c. If someone other than a Board member would like to ask a question or make a comment, please use the chat feature to let the General Manager know and wait to be acknowledged.
2. **Safety Minute** – David Kraska will present today's safety minute.
3. **Approvals and Procurements Forecast** – Attached to this GM report is the approvals and procurements forecast (Forecast) for December 2020 through February 2021. The Forecast presents a view of WWSP activities that have recently been approved or are scheduled for approval over the next two months by either the WWSP Director, WWSS Committees, or the WWSS Board.

The Forecast identifies six business items that are anticipated to be on the February Board meeting agenda. These include two WWSS intergovernmental agreements, one IGA amendment, two contract amendments, and one service contract approval by the Local Contract Review Board. Joelle Bennett will present a staff report later in this meeting on these anticipated February business agenda items.

4. **Projects Planning, Permitting, and Communications Updates** – A permit was recently issued for the PLW_1.3 project, as well as land use approvals for PLW_2.0, PLM_5.3, and WTP_1.0. Permit applications continue to be prepared and submitted for various WWSP projects (PLM_1.3, PLW_1.2, PLW_2.0, and a USACE/DSL permit modification bundle for PLM_1.3, PLM_4.2, PLM_4.3, PLW_2.0, WTP_1.0 and RES_1.0 minor modifications). Despite restrictions and modified business practices of the permitting agencies related to COVID-19, our permits continue to be processed in a timely manner.

GM Report to the WWSS Board of Commissioners

January 7, 2021

Page 2

5. Projects Design Status Updates – Work on multiple design projects continues, including eleven pipeline projects, the Water Treatment Plant (WTP_1.0), the Distributed Controls System (DCS_1.0), and the Terminal Storage project (RES_1.0). All the design projects are progressing according to plan.

6. Projects Construction Status Updates – There are six active construction projects:

Project	Description	Progress Since Last Month
1. RWF_1.0	Raw Water Facilities project located at the Willamette River Water Treatment Plant	Proceeding with deep soil mixing work at the riverbank. Completed foundation work at the upper site and continuing caisson construction for the creek crossing.
2. PLM_1.1	Raw water pipeline project in Wilsonville that extends from our RWF_1.0 project to Wilsonville Road	Completed grading and topsoil restoration. Completed pipeline testing. Completed restoration of Kinsman Road. Substantially complete.
3. PLM_1.2	Raw water pipeline project being completed in partnership with the City of Wilsonville's Garden Acres Road project	Completed pipeline installation. Completed interior joint grouting. Filling and pressure testing upcoming.
4. PLM_5.1	Finished water pipeline project being completed in partnership with Washington County's Roy Rogers Road project	4,704 LF (65%) of waterline installed so far. Continued installation of appurtenances and corrosion protection system.
5. PLM_5.2	Finished water pipeline project along SW Scholls Ferry and SW Tile Flat roads that we are working to complete in advance of development work in the area	Commissioned the cathodic protection system. Continued property restoration. Held walkthrough with Ops staff. Closed project permits.
6. PLW_1.3	Finished water pipeline project in South Hillsboro from SW Farmington Road to SE Blanton Street	Starting the microtunnel shaft construction. Installed observation wells. Rosedale closure begins in January.

All projects remain on track and are progressing according to plan, and all contractors are remaining in compliance with the Governor's Executive Order No. 20-12 regarding hygiene and social distancing.

Approvals and Procurement Forecast: December 2020 through February 2021

This report provides a three-month projection of (1) forthcoming actions under the WWSS Management Authority Matrix and (2) ongoing and forthcoming procurements.

a = Actual date
 e = Email approval
 FC = Finance Committee
 LCRB = Local Contract Review Board
 MC = Management Committee
 N/A = Not applicable
 OC = Operations Committee

Rec. = Recommendation
 t = Tentative date
 TBD = To be determined; sufficient information not available to project a date
 Note: Dates in **red text** indicate meetings needed outside the normal meeting schedule

Type	Description	Projected Action	Body/Position (projected action date)		
			Program Director	WWSS Committees	WWSS Board
Program Baseline or Related Plans (above Program Director's Authority)	1. WWSP Annual Baseline Schedule and Budget	Approve	N/A	MC: 2/18/2021 t	3/4/2021 t
		Execute	N/A	N/A	N/A
Real Estate	2. PLM_5.3 Resolution of Need (fourth supplemental approval)	Approve	N/A	MC: 11/19/2020 a	12/3/2020 a
	3. MPE_1.0 Resolution of Need (second supplemental approval)	Approve	N/A	MC: 11/19/2020 a	12/3/2020 a
	4. PLW_2.0 Resolution of Need (fourth supplemental approval)	Approve	N/A	MC: 11/19/2020 a	12/3/2020 a
	5. PLM_5.3 Resolution of Need (fifth supplemental approval)	Approve	N/A	MC: 12/17/2020 t	1/7/2021 t
	6. MPE_1.1/COB_1.1 City of Beaverton Construction IGA (S.W. Western Ave. from S.W. Beaverton-Hillsdale Hwy. to S.W. Allen Blvd.)	Approve	N/A	MC: 10/22/2020 a	11/5/2020 a
IGAs, MOUs, Permit Commitments, & Similar Agreements	7. PLM_4.2 WCLUT Design IGA Amendment 2	Execute	12/31/2020 t	N/A	N/A
		Approve	N/A	MC: 10/22/2020 a	11/5/2020 a
	8. PLW_1.2 Construction IGA to Relocate Existing 18-inch TVWD pipeline	Approve	N/A	MC: 10/22/2020 a	11/5/2020 a
		Execute	11/30/2020 a	N/A	N/A
	9. PLM_4.1 WCLUT Construction IGA	Approve	N/A	MC: 1/21/2021 t	2/4/2021 t
		Execute	3/31/2021 t	N/A	N/A
	10. WWSS WCLUT Master IGA Amendment 1	Approve	N/A	MC: 1/21/2021 t	2/4/2021 t
		Execute	3/31/2021 t	N/A	N/A
	11. RES_1.0 WCLUT Grabhorn Road Realignment IGA	Approve	N/A	MC: 1/21/2021 t	2/4/2021 t
		Execute	3/31/2021 t	N/A	N/A
12. DCS_1.0 Sherwood Broadband Services IGA	Approve	N/A	MC: 2/18/2021 t	3/4/2021 t	
	Execute	3/31/2021 t	N/A	N/A	
Contracts (above Program Director's Authority)	13. RES_1.0 and PLM_5.3 Project Construction Manager/General Contractor (CM/GC) <ul style="list-style-type: none"> Goal: CM/GC for RES_1.0/PLM_5.3 project Approximate value (design phase): \$0.86M Approximate value (construction phase): \$118.9M Contractor: Hoffman-Fowler LLC Publish Request for Proposals: 9/2/2020 a 	Approve	N/A	MC: 11/19/2020 a	12/3/2020 a
		Execute	12/3/2020 a	N/A	N/A
Contract Amendments and Change Orders (above Program Director's Authority)	14. Water Supply Integration <ul style="list-style-type: none"> Goal: Amend contract to add Integration Plan Value: TBD Engineer: Confluence Engineering Group 	Approve	N/A	MC: 1/21/2021 t	2/4/2021 t
		Execute	2/5/2021 t	N/A	N/A

Type	Description	Projected Action	Body/Position (projected action date)		
			Program Director	WWSS Committees	WWSS Board
Contract Amendments and Change Orders <i>continued</i> (above Program Director's Authority)	15. Real Estate Services <ul style="list-style-type: none"> • Goal: Amend contract to update level of effort based on updated property counts and revised staffing approach • Value: TBD • Consultant: HDR 	Approve	N/A	MC: 1/21/2021 t	2/4/2021 t
		Execute	2/11/2021 t	N/A	N/A
Local Contract Review Board (LCRB) Actions	16. DCS_1.0 Panel Fabrication Services <ul style="list-style-type: none"> • Goal: Use of a special procurement to secure control panel fabrication services 	Approve	N/A	MC: 1/21/2021 t	2/4/2021 t

**Willamette Water Supply System Commission
Board Meeting Minutes
Thursday, December 3, 2020**

Commissioners present:

Tualatin Valley Water District (TVWD): Jim Duggan
City of Hillsboro: David Judah
City of Beaverton: Denny Doyle

Committee Members present:

TVWD: Tom Hickmann, Management Committee
Carrie Pak, Operations Committee
City of Hillsboro: Niki Iverson, Management Committee
Lee Lindsey, Finance Committee
Eric Hielema, Operations Committee
City of Beaverton: Chad Lynn, Management Committee
David Winship, Operations Committee

Managing Agency Administrative Staff present:

Dave Kraska, Willamette Water Supply Program (WWSP) Director; WWSS Commission General Manager
Joelle Bennett, WWSP Assistant Director
Bill Van Derveer, WWSP Program Manager
Lisa Houghton, WWSP Finance Manager
Clark Balfour, TVWD General Counsel
Faye Branton, WWSP Administrative Assistant; WWSS Commission Recorder

Other Attendees:

Mike Britch, WWSP Engineering and Construction Manager
Christina Walter, WWSP Permitting and Outreach Manager
Joel Cary, TVWD Water Resources Division Manager
Matt Oglesby, TVWD Asset Management Division Manager
Chris Wilson, City of Hillsboro-JWC Water Treatment Manager

CALL TO ORDER

Chairman Duggan called the regular Willamette Water Supply System (WWSS) Commission meeting to order at 12:00 p.m.

ROLL CALL

Ms. Branton administered the roll call and noted attendance.

1. GENERAL MANAGER'S REPORT

Mr. Kraska presented a safety minute on holiday decorating safety. *(presentation on file)*

The General Manager's report included an overview of etiquette for remote meetings; the Approvals and Procurement Forecast for November 2020 through January 2021; updates on projects planning,

permitting, and communications; and status updates on the design and construction of projects. The report also noted that all contractors are remaining in compliance with the Governor's Executive Order No. 20-12 regarding hygiene and social distancing.

2. PUBLIC COMMENT

There were no public comments.

3. CONSENT AGENDA

- A.** Approve the November 5, 2020 meeting minutes.

Motion was made by Doyle, seconded by Judah, to approve the consent agenda as presented. The motion passed unanimously with Doyle, Duggan, and Judah voting in favor.

4. BUSINESS AGENDA

In response to Commissioner's question, staff confirmed that business items similar in nature, such as today's items 4A, 4B, and 4C, can be presented in combination, but Board action on each item must be taken separately.

Ms. Bennett presented staff reports for agenda items 4A, 4B, and 4C in combination and requested adoption of Resolution Nos. WWSS-30-20, WWSS-31-20, and WWSS-32-20 respectively.

- A.** Consider adopting Resolution No. WWSS-30-20 declaring public necessity to acquire property interests over, upon, under and through real property for pipeline section PLM_5.3 for the Willamette Water Supply System. • *Staff Report – Joelle Bennett*

Motion was made by Doyle, seconded by Judah, to adopt Resolution No. WWSS-30-20 declaring public necessity to acquire property interests over, upon, under and through real property for pipeline section PLM_5.3 for the Willamette Water Supply System. The motion passed unanimously with Doyle, Duggan, and Judah voting in favor.

- B.** Consider adopting Resolution No. WWSS-31-20, declaring public necessity to acquire property interests over, upon, under and through real property for pipeline section MPE_1.2 for the Willamette Water Supply System. • *Staff Report – Joelle Bennett*

Motion was made by Doyle, seconded by Judah, to adopt Resolution No. WWSS-31-20, declaring public necessity to acquire property interests over, upon, under and through real property for pipeline section MPE_1.2 for the Willamette Water Supply System. The motion passed unanimously with Doyle, Duggan, and Judah voting in favor.

- C.** Consider adopting Resolution No. WWSS-32-20, declaring public necessity to acquire property interests over, upon, under and through real property for pipeline section PLW_2.0 for the Willamette Water Supply System. • *Staff Report – Joelle Bennett*

Motion was made by Doyle, seconded by Judah, to adopt Resolution No. WWSS-32-20, declaring public necessity to acquire property interests over, upon, under and through real property for pipeline section PLW_2.0 for the Willamette Water Supply System. The motion passed unanimously with Doyle, Duggan, and Judah voting in favor.

- D.** Consider approving Contract Number 2021-006 with Hoffman-Fowler, LLC for RES_1.0-PLM_5.3 Construction Manager/General Contractor Services for the Willamette Water Supply Program. • *Staff Report – Mike Britch*

Mr. Britch provided a presentation recommending approval of the RES_1.0-PLM_5.3 CM/GC Services contract with Hoffman-Fowler, LLC. (*presentation on file*)

In response to Commissioner's question, staff replied that the Willamette Water Supply Program has not yet worked with the combined Hoffman-Fowler team. Individually, this will be Hoffman's first time doing construction work for the Program and, to date, the Program has had a positive working relationship with Fowler. Fowler is the contractor that performed the PLM_1.1 work in Wilsonville and is also the subcontractor responsible for the trenchless work on the PLW_1.3 project.

Motion was made by Doyle, seconded by Judah, to approve Contract Number 2021-006 with Hoffman-Fowler, LLC for RES_1.0-PLM_5.3 Construction Manager/General Contractor Services for the Willamette Water Supply Program, with a design phase services fee of \$862,270. The motion passed unanimously with Doyle, Duggan, and Judah voting in favor.

5. INFORMATION ITEMS

- A.** Planned January Business Agenda Items • *Staff Report – Joelle Bennett*

Ms. Bennett presented information on business agenda items planned for the January 7, 2020 WWSS Commission Board meeting. Staff anticipates recommending approval of:

1. PLM_1.3 Resolution of Public Necessity
 2. PLM_4.1 WCLUT Construction IGA
 3. Local Contract Review Board Approval of Special Procurement for DCS_1.0 Panel Fabrication Services
 4. Election of Officers
- B.** The next Board meeting is scheduled on January 7, 2021 via dial-in conference, due to continued COVID-19 guidelines.

6. COMMUNICATIONS AND NON-AGENDA ITEMS

- A.** Proclamation for Commissioner Doyle

Chair Duggan noted that organizational changes are in progress at the City of Beaverton and this is Commissioner Doyle's last WWSS Board meeting as a sitting Board Member. Chair Duggan further noted that it is the Commission's understanding that the Beaverton City Council will appoint new primary and alternate Members to the WWSS Board in January or February 2021.

In compliance with section 5.1.4 of the WWSS IGA, Commissioner Doyle confirmed that the City of Beaverton’s alternate WWSS Board member, Councilor Laura Mitchell, will attend WWSS Board meetings during Beaverton’s transition period and is authorized to vote in his absence.

Chair Duggan then delivered a Proclamation on behalf of himself, Commissioner David Judah, the WWSS Management, Finance, and Operations Committees, and the WWSP staff, extending appreciation and gratitude to Commissioner Denny Doyle for his dedication, vision, and commitment to the excellence of the Willamette Water Supply System Commission to provide a resilient water supply to our citizens.

Following the Proclamation, Commissioners Duggan and Judah extended warm thoughts and best wishes to Commissioner Doyle.

Commissioner Doyle graciously expressed his thanks to everyone, shared that he has enjoyed serving on this Board and extended highest compliments regarding the Willamette Water Supply System and Program, calling it “top drawer” and a “showpiece for our region”.

In closing, attendees joined in with further thanks and best wishes to Commissioner Doyle, along with happy holiday wishes to everyone.

ADJOURNMENT

There being no further business, Chairman Duggan adjourned the meeting at 12:40 p.m.

Chair

Vice Chair

STAFF REPORT

To: WWSS Board of Commissioners
From: David Kraska, PE, General Manager
Date: January 7, 2021
Subject: Election of Officers for 2021

Requested Board Action:

The WWSS Commission should elect a Chair and Vice-Chair for the 2021 calendar year.

Key Concepts:

- Currently elected WWSS officers include James Duggan, Chair and Denny Doyle, Vice Chair.
- Commissioner Doyle's term ended December 31, 2020, leaving the Vice Chair seat vacant.
- The Commission needs to nominate and elect officers for the 2021 calendar year.

Background:

The Willamette Water Supply System Intergovernmental Agreement, effective July 1, 2019, includes:

"5.3 Officers. The Board shall annually elect from its Members a chair ("Chair") and a vice chair ("Vice Chair"), who shall be officers of the Board. The elections shall occur at the first meeting of the Board in each calendar year, unless otherwise agreed by the Board. The Chair shall serve as the presiding officer. In the absence of the chair, the Vice Chair shall serve as presiding officer. Officers shall serve at the pleasure of the Board and may be replaced by the Board at any time. Officers will serve until a successor is appointed by the Board."

At the inaugural meeting of the WWSS Commission on July 3, 2019, Commissioner Godsey nominated Commissioner Duggan to serve as the Chair. The nomination was seconded by Commissioner Doyle. Mr. Duggan was then unanimously elected. Then, Commissioner Godsey nominated Commissioner Doyle to serve as Vice Chair. That nomination was seconded by Commissioner Duggan and Commissioner Doyle was unanimously elected.

Budget Impact:

None.

Staff Contact Information:

David Kraska, P.E., WWSS General Manager; 503-941-4561; david.kraska@tvwd.org

Attachments:

None

Willamette Water Supply System Commission

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STAFF REPORT

To: Board of Commissioners

From: Joelle Bennett, P.E., WWSP Assistant Program Director

Date: January 7, 2021

Subject: Supplemental Resolution Declaring Public Necessity to Acquire Property Interests Over, Upon, Under, and Through Real Property for Pipeline Section PLM_5.3 for the Willamette Water Supply System

Requested Board Action:

Consider adopting a resolution declaring public necessity to acquire permanent and temporary construction easements over, upon, under, and through real property for pipeline section PLM_5.3 for the Willamette Water Supply System (WWSS).

Key Concepts:

The WWSS includes a section of pipeline referred to as PLM_5.3.

- The Willamette Water Supply Program (WWSP) has progressed the design of this pipeline section to enable identification of property requirements for construction and long-term operation and maintenance of the pipeline.
- After consideration of various alignments and alternatives, the identified route will be located in a manner that will be most compatible with the greatest public good and the least injury to private property owners.
- This resolution declares the public need for the property interests and enables the WWSS Commission's agents, including the WWSP team, to begin negotiating with respective property interest holders, and also authorizes the acquisition of the property interests by eminent domain, to the extent negotiations fail.
- This is the fifth resolution declaring property needs for PLM_5.3. The preceding resolutions were approved at the July 2, August 6, September 3, and December 3, 2020 meetings.

Background:

The pipeline alignment for PLM_5.3 is located along SW Grabhorn Road, across private property from the RES_1.0 location to near Clark Hill Road, and across private property to the connection point with PLW_1.3 at SW Rosedale Road and the future Cornelius Pass Road. The majority of this pipeline is located in unincorporated Washington County. The project area is shown in the attached map. The pipeline will be a 66-inch diameter welded steel pipe.

The PLM_5.3 pipeline alignment, due to its unique location, requires different types of permanent and temporary easements than other pipeline projects to, among other purposes, fulfill WWSP standard construction work zone requirements and to provide for future maintenance and operations of the WWSS. This portion of the pipeline will include easements for:

- The WWSS pipeline and associated water system facilities
- Access roads to provide access to pipeline sections not located adjacent to the public right of way

January 7, 2021

Supplemental Resolution Declaring Public Necessity to Acquire Property Interests for WWSP Pipeline
Section PLM_5.3

- Limited use easements that protect the pipeline and associated water system facilities from potentially damaging activities such as aggregate mining
- Temporary easements for construction, access to construction areas, and access and monitoring/maintenance of restoration areas

This resolution updates the declared need on a specific property based upon final design changes, which increased the acquisition area.

Resolution Summary

The WWSS Commission has authority to acquire real property for the WWSS. The pipeline section PLM_5.3 requires the acquisition of real property for the construction, operation, and maintenance of the WWSS. The PLM_5.3 pipeline alignment was selected through an extensive alternatives evaluation, and the preferred location was selected based on the best interests of the public and the least injury to private property owners. The resolution enables the initiation of the property acquisition process, including negotiations with interest holders, and also authorizes the acquisition of the property interests by eminent domain, to the extent negotiations fail.

Budget Impact:

The WWSP real estate team has completed an estimate that represents, in the professional judgment of the real estate team, the budget-level cost required to acquire the easements shown in Exhibit 1. Funds for purchase of these easements are included in the WWSP baseline budget.

Staff Contact Information:

Dave Kraska, P.E., WWSS General Manager, 503-941-4561, david.kraska@tvwd.org

Clark Balfour, General Counsel, 503-848-3061, clark.balfour@tvwd.org

Joelle Bennett, P.E., WWSP Assistant Program Director, 503-941-4577, joelle.bennett@tvwd.org

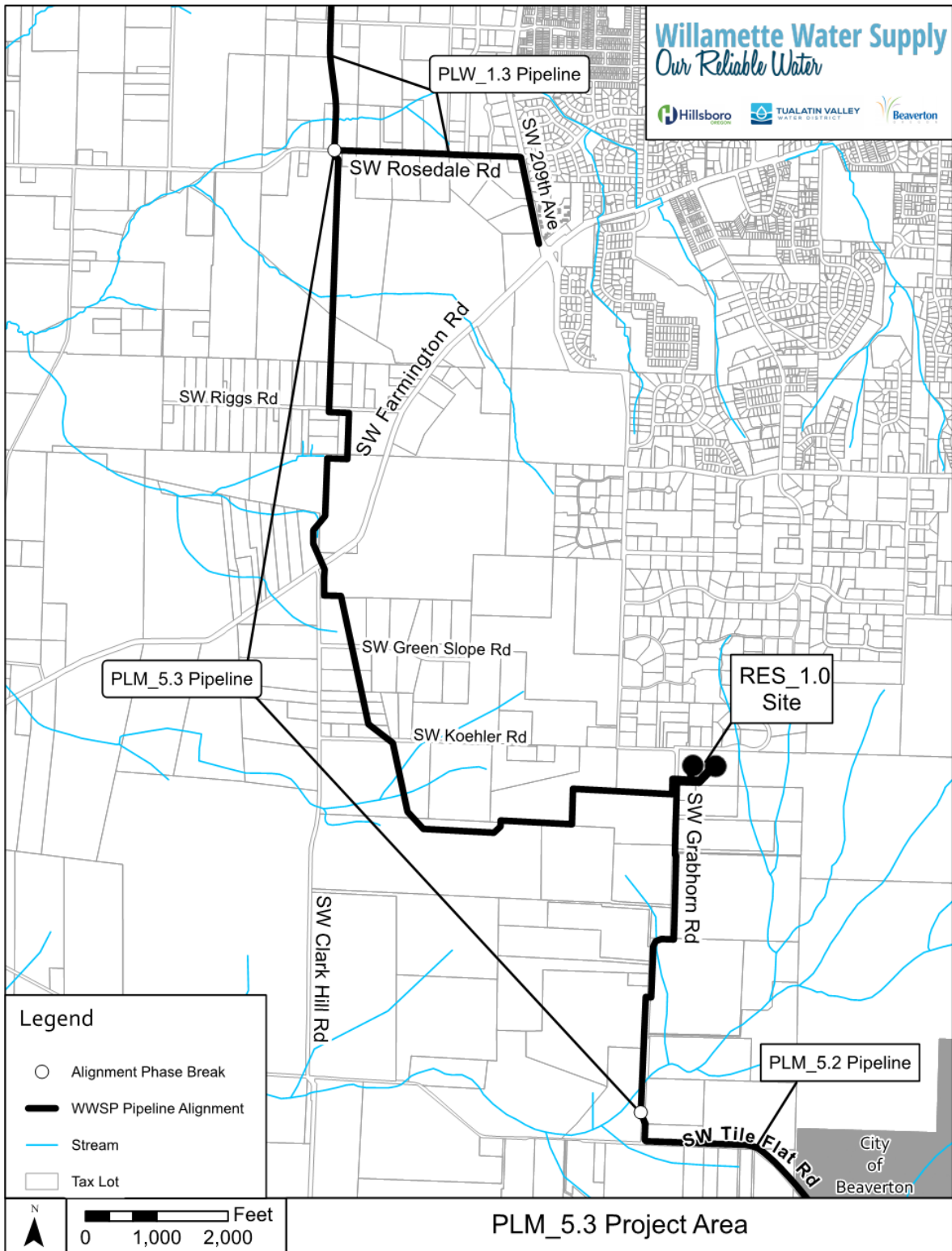
Attachments:

Project area map

Proposed Resolution

Exhibit 1: Property Interests (including Exhibit A Legal Descriptions and Exhibit B Acquisition Maps)

Project area map:



Willamette Water Supply System Commission

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RESOLUTION NO. WWSS-01-21

RESOLUTION DECLARING PUBLIC NECESSITY TO ACQUIRE PROPERTY INTERESTS OVER, UPON, UNDER AND THROUGH REAL PROPERTY FOR PIPELINE SECTION PLM_5.3 FOR THE WILLAMETTE WATER SUPPLY SYSTEM.

WHEREAS, the above-entitled matter came before the Willamette Water Supply System Commission (WWSS Commission) at its regular meeting on January 7, 2021; and,

WHEREAS, the Willamette Water Supply System Intergovernmental Agreement (Agreement) between Tualatin Valley Water District (TVWD), the City of Hillsboro (Hillsboro), and the City of Beaverton (Beaverton) (collectively, Members) created the WWSS Commission, an ORS Chapter 190 intergovernmental entity, effective July 1, 2019, to exercise the powers and duties set forth in the Agreement; and,

WHEREAS, pursuant to the Agreement, TVWD has been designated as the Managing Agency of the WWSS Commission; and,

WHEREAS, the Willamette Water Supply System (WWSS) includes, but is not limited to, an expanded and improved water intake on the Willamette River in the City of Wilsonville currently owned by TVWD and the City of Wilsonville, along with a new raw water pipeline, potable water treatment plant, finished water pipelines, pumping, storage, and other necessary water system facilities to enable the WWSS to utilize existing water rights to provide water system ownership and reliability to the Members' water system users; and,

WHEREAS, the WWSS Commission has been delegated authority by its Members under the Agreement and ORS Chapter 190 pursuant to City Charters, ORS 223.005 to 223.105, ORS 264.240 and Oregon Revised Statutes Chapter 35 to acquire real property by purchase or through eminent domain proceedings; and,

WHEREAS, the WWSS Commissioners determine, consistent with the powers and purposes of the WWSS Commission, that it is necessary for the economic well-being, public health, safety and welfare of the WWSS Commission and the Members' water system users, to acquire fee title to certain real property, as well as necessary rights-of-way, easements, and other property interests, in order to design, locate, construct, operate, and implement the WWSS; and,

WHEREAS, after investigation of various routes for a water pipeline and related water system facilities, the WWSS Commission has determined that certain property interests, are necessary for the construction, location, and operation of the WWSS, and in particular, pipeline section PLM_5.3, and that such use is planned and located in a manner that is most compatible with the greatest public benefit and the least private injury; and,

WHEREAS, such property interests are preliminarily described on Exhibits A and depicted for illustration purposes only on Exhibits B attached hereto and incorporated by reference, with final legal descriptions and easement documents to be determined by TVWD staff, including the Willamette Water

Supply Program (WWSP) and its consultants, as the Managing Agency and on behalf of the WWSS Commission, to be reasonably necessary to accommodate the design and operation of the WWSS (the Easement Interests); and,

WHEREAS, the WWSS Commission finds that declaration by resolution to acquire the Easement Interests for the WWSS is necessary and being so advised.

NOW, THEREFORE, BE IT RESOLVED BY THE WILLAMETTE WATER SUPPLY SYSTEM COMMISSION THAT:

Section 1: The above recitals shall form an integral part of this resolution and shall have the same force and effect as if fully stated herein.

Section 2: It is necessary for the preservation of economic well-being, public health, safety, and welfare of the public served by the Members and the WWSS that the WWSS Commission commence the acquisition process for the Easement Interests through exercise of the power of eminent domain.

Section 3: TVWD staff, including the WWSP, and counsel are authorized to retain real estate appraisers, negotiators, and other consultants, with said appraisals to be prepared under the auspices of WWSS Commission counsel, for initiation of proceedings as described below.

Section 4: TVWD staff, including WWSP, consultants, and counsel, are authorized to negotiate in good faith necessary agreements to acquire the Easement Interests on behalf of and in the name of the WWSS Commission and to pay just compensation and applicable compensable damages in accordance with applicable law without necessity of further approval by the WWSS Commission.

Section 5: TVWD staff, including WWSP, and counsel, are authorized to file complaints in condemnation, on behalf of and in the name of the WWSS Commission, and to take other steps as they determine necessary as the Managing Agency, and to prosecute to final determination such actions to acquire title to the Easement Interests if negotiations fail.

Section 6: Upon the trial of any suit or action instituted to acquire the Easement Interests, counsel acting for and on behalf of the WWSS Commission are authorized to make such stipulation, agreement, or admission as in their judgment may be for the best interest of the WWSS Commission and to take possession of the Easement Interests at such time as appropriate in their judgment without necessity of further WWSS Commission approval.

Approved and adopted at a regular meeting held on the 7th day of January 2021.

_____, Chair

_____, Vice Chair

EXHIBIT A

**Willamette Water Supply
December 14, 2020**

**Patrick Dennis Selman and
Carol J. Selman
Tax Map No. 1S2360000402**

PARCEL 1 – PERMANENT FACILITIES EASEMENT

A parcel of land lying in Section 36, Township 1 South, Range 2 West of the Willamette Meridian, Washington County, Oregon and being a portion of that property conveyed to Patrick Dennis Selman and Carol J. Selman, recorded September 5, 1975 in Book 1042, Page 437, in Washington County Document Records, said parcel being that portion of said property included in a strip of land 8.00 feet in width, lying on the easterly side of the following described Pipeline Centerline:

Beginning at Engineer's Centerline Station 901+98.99, said point being N 62°00'18 E, 72.12 feet from the Southeast corner of the John Landess D.L.C. number 37.

Thence along said pipeline the following courses;
 thence N 89°26'02" W, 9.73 feet to Station 902+08.72;
 thence N 44°26'02" W, 27.23 feet to Station 902+35.95;
 thence N 0°55'28" E, 224.95 feet to Station 904+60.90;
 thence N 25°53'14" W, 159.59 feet to Station 906+20.49;
 thence N 0°55'50" E, 1630.98 feet to Station 922+51.47;
 thence S 89°03'53" E, 75.00 feet to Station 923+26.47;
 thence N 0°55'50" E, 715.98 feet to Station 930+42.45;
 thence N 22°48'13" E, 76.16 feet to Station 931+18.61;
 thence N 66°45'49" E, 84.11 feet to Station 932+02.72;
 thence S 89°51'32" E, 176.96 feet to Station 933+79.68, said point being S 33°41'14 E, 561.69 feet from the Northeast corner of the John Landess D.L.C. number 37;
 thence continuing along said pipeline N 0°01'21" W, 1173.27 feet to Station 945+52.95;
 thence N 45°01'21" W, 25.46 feet to Station 945+78.41;
 thence N 0°01'21" W, 1026.61 feet to Station 956+05.01 and the Terminus of said pipeline description. Said Terminus also being S 62°11'57 E, 954.76 feet from the Northwest corner of Section 36, Township 1 South, Range 2 West of the Willamette Meridian;

EXCEPT THEREFROM that portion lying within the right-of-way of Grabhorn Rd (CR 315).

The parcel of land to which this description applies contains 401 square feet (0.01 acre), more or less.

EXHIBIT A

**Willamette Water Supply
December 14, 2020**

**Patrick Dennis Selman and
Carol J. Selman
Tax Map No. 1S2360000402**

PARCEL 2 – TEMPORARY CONSTRUCTION EASEMENT

That portion of said Selman property included in a strip of land, variable in width, lying on the easterly side of the Pipeline Centerline described in Parcel 1:

Widths in feet are described as follows:

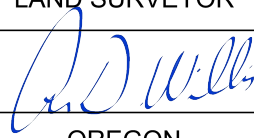
<u>Station</u>	to	<u>Station</u>	<u>Width on Easterly Side of Centerline</u>
950+50.00		951+24.03	50.00
951+24.03		952+00.00	30.00

EXCEPT THEREFROM that portion lying within the right-of-way of Grabhorn Rd (CR 315) and above described Parcel 1.

The parcel of land to which this description applies contains 1,602 square feet (0.04 acre), more or less.

Basis of Bearings is the Oregon Coordinate Reference System (OCRS), Portland Zone.

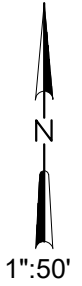
REGISTERED
PROFESSIONAL
LAND SURVEYOR



OREGON
JANUARY 8, 2015
AARON D. WILLIS
88798

EXPIRES: 6/30/22
SIGNED: 12-14-20

EXHIBIT B



TLID 1S2360000303

TLID 1S2360000400

952+00

SW GRABHORN RD (CR 315)

30.00'

8.00'

STA 951+24.03

50.00'

DESCRIBED
LEGAL
CENTERLINE

TLID 1S2360000402
Selman, Patrick Dennis
& Carol J.
Book 1042, Page 437

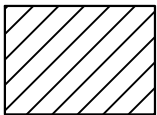
66" WATER
PIPELINE

TLID 1S2360000500

950+00



PARCEL 1 PERMANENT
FACILITIES EASEMENT
ACQUISITION
AREA = 401 S.F.
(0.01 ac)



PARCEL 2 TEMPORARY
CONSTRUCTION EASEMENT
ACQUISITION
AREA = 1,602 S.F.
(0.04 ac)

12/14/2020 5:15 PM KIKONG c:\pwworking\dem07\kikong\152360000303_03_03_2020.dwg

WILLAMETTE WATER SUPPLY PROGRAM

PIPELINE MAIN STEM, SECTION 5.3

ACQUISITION MAP

PAGE 1 OF 1

Jacobs

SURVEY & MAPPING

2020 SW 4TH AVE. SUITE 300 PORTLAND, OR 97201
PH: (503) 235-5000

FILE No: PLM_5.3-032

SUBMITTAL DATE: DEC 14, 2020

TAX LOT: 1S2360000402

ADDRESS:

TAX MAP: T1S R2W Sec36

Willamette Water Supply System Commission

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STAFF REPORT

To: WWSS Board of Commissioners
From: Paul L. Matthews, Chief Financial Officer
Date: January 7, 2021
Subject: Acceptance of Financial Statements and Report of Independent Auditor

Requested Board Action:

Consider accepting the financial statements for the fiscal year ended June 30, 2020 and the report of the independent auditor by motion.

Key Concepts:

- As managing agency, TVWD has prepared the WWSS Commission's financial statements for the fiscal years ended June 30, 2020. Moss Adams LLP, the Commission's independent auditor, has completed its audit of these financial statements.
- Moss Adams has provided an unmodified opinion on the Commission's financial statements.
- Acceptance of the financial statements and the report of the independent auditor by the Commission Board validates the filing of the financial statements with the Oregon Secretary of State as required by Oregon law.

Background:

As the managing agency, TVWD staff has prepared the WWSS Commission's financial statements for the year ended June 30, 2020. Moss Adams, LLC, has completed its independent audit of the Commission's financial statements consistent with Oregon law and the Intergovernmental Agreement forming the WWSS Commission. The financial statements for the fiscal year ended June 30, 2020 and the report of the independent auditor is attached to this staff report.

The WWSS Commission received an unmodified opinion from Moss Adams which indicates that the Commission's financial statements fairly represents the financial position of the Commission as of June 30, 2020 in all material respects, and in conformity with the generally accepted accounting principles. The opinion also states that the Commission has complied with Oregon budget law and other statutory and contractual provisions.

This is the first year of existence for the WWSS Commission. As such, the financial statements include the investment in the assets which were acquired prior to the WWSS Commission formation. Creating the financial statements for the new entity required processing the accumulated transactions over several years. This complex process of transition is now complete and the framework for the WWSS Commission's financial statements is validated.

Page 2 of 2

January 7, 2021

Acceptance of Financial Statements and Report of Independent Auditor

Staff submitted the financial statements to the Office of the Oregon Secretary of State as required by Oregon law.

Budget Impact:

None. The conduct of the audit and preparation of the financial statements are included in the WWSS Commission's current budget.

Staff Contact Information:

Paul Matthews; Chief Financial Officer; paul.matthews@tvwd.org; (503) 848-3017

David Shick; Controller; david.shick@tvwd.org; (503) 848-3032

Attachments:

Willamette Water Supply System Commission Financial Statements for the fiscal year ended June 30, 2020.

Willamette Water Supply System Commission



Financial Statements

For the fiscal year ended
June 30, 2020

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

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WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Board Members as of June 30, 2020

James Duggan, Chair
Tualatin Valley Water District

Denny Doyle, Vice Chair
City of Beaverton

David Judah, Board Member
City of Hillsboro

WWSS Registered Agent

Tom Hickmann, PE
Tualatin Valley Water District
1850 SW 170th Avenue
Beaverton, OR 97003
Ph: (503) 848-3000

Report of Independent Auditors

The Board of Commissioners
Willamette Water Supply System Commission

Report on the Financial Statements

We have audited the accompanying basic financial statements of Willamette Water Supply System Commission (the “Commission”) which comprise the statement of net position as of June 30, 2020, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controlⁱ. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Willamette Water Supply System Commission as of June 30, 2020, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020 on our consideration of Willamette Water Supply System Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Willamette Water Supply System Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Willamette Water Supply System Commission's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 28, 2020, on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Julie Desimone, Partner
For Moss Adams LLP
Portland, Oregon
December 28, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

As management of the Willamette Water Supply System Commission (Commission), a joint venture of Tualatin Valley Water District and the cities of Hillsboro and Beaverton, we offer readers of the Commission's financial statements this narrative overview and analysis of the Commission's financial activities for the fiscal year ended June 30, 2020. The Commission was formed in July 2019 to own, operate and maintain the Willamette Water Supply System in order to supply potable water to TVWD, Hillsboro, Beaverton and, potentially, other municipal water providers.

These financial statements include this Management's Discussion and Analysis (MD&A) section to provide users of the basic financial statements with a narrative introductory overview and analysis of the statements.

Financial Highlights

- Net position (assets minus liabilities) was \$169.4 million at June 30, 2020.
- The Commission reported leases based on GASB Statement No. 87. Leased assets are reported on the Statement of Net Position and are amortized over the life of the lease. Lease liabilities are reported at the present value of future payments and are adjusted over time by interest and payments. As of June 30, 2020, lease assets were \$13.7 million and lease liabilities were \$14.9 million.
- Net investment in capital assets is the largest portion of the Commission's net position. In 2020 there was a significant construction in progress of \$165.9 million.

Overview of the Financial Statements

Taken together these sections provide a comprehensive financial look at the Commission. The individual components of the report include the following:

- **Management's Discussion and Analysis.** This section of the report provides an overview of financial highlights and economic factors affecting the Commission.
- **Basic Financial Statements.** This section includes the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and Notes to Basic Financial Statements. The statements focus on an entity-wide presentation using the accrual basis of accounting. They are designed to resemble more closely private-sector financial statements in that all activities are consolidated into a total for the Commission.
 - The Statement of Net Position focuses on resources available for future operations. This statement presents a snap-shot view of the assets of the Commission, its liabilities and the net difference.
 - The Statement of Revenues, Expenses and Changes in Net Position focuses on the current year operating results and the change in capital as a result of the current year operations.

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

- The Statement of Cash Flows focuses on how the Commission obtained and expended its available cash and investments.
- The Notes to the Basic Financial Statement provides additional disclosures required by generally accepted accounting principles and provide information to assist the reader in understanding the Commission's financial condition.

Statement of Net Position

The Commission's assets exceeded liabilities by \$169,399,044 at June 30, 2020 as shown in Table 1. A condensed version of the statement of Net Position as of June 30, 2020 is as follows:

Table 1:

	<u>2020</u>
Accounts receivable	\$ 18,702,121
Deposits and Prepaid expenses	1,376,753
Leased assets, net of accumulated amortization	13,703,624
Capital assets, non-depreciable assets	166,367,201
Asset held for sale, non-current assets	<u>4,250,000</u>
Total Assets	204,399,699
Accounts and Retainage payables	20,078,874
Lease Liabilities	<u>14,921,781</u>
Total Liabilities	35,000,655
Net investment in capital assets	145,089,853
Unrestricted	<u>24,309,191</u>
Net Position	\$ 169,399,044

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Statement of Revenues, Expenses and Changes in Net Position

A condensed version of the Commission's Statement of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2020 is as follows:

Table 2:

	<u>2020</u>
Administrative Services	\$ 518,361
Operating Expenses	<u>878,409</u>
Operating Income (Loss)	(360,048)
Non Operating Revenue (Expenses)	(436,073)
Capital Contributions	<u>170,195,165</u>
Change in Net Position	169,399,044
Net Position, beginning of period	<u>-</u>
Net Position, end of period	<u>\$ 169,399,044</u>

The cost of the Commission's activities totals \$878,409 for the year ended June 30, 2020. Operating expenses consist of administrative, maintenance, and amortization expenses on lease assets. Nonoperating expenses consist mainly of interest expense for the lease liabilities and capital contributions consist of capital assets purchased by the parties to the Commission.

Capital Assets

The Commission has net capital assets of approximately \$166.3 million as of June 30, 2020. Commission's capital assets include \$0.4 million of non-depreciable easements and \$165.9 million of construction- in-progress.

Long-Term Debt Activity

As of June 30, 2020, the Commission reported lease liabilities of \$14.9 million. The leases are for subsurface land for the placement of a raw water pipeline and office space. The Commission had no bonded indebtedness at June 30, 2020.

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Economic Factors

The Commission was formed in July 2019 to provide a reliable water supply for the region by helping water system operators balance supply during times of drought or other supply interruptions, as well as recover more quickly after a large natural disaster. Tualatin Valley Water District (the District) was appointed managing agent. Financial records are maintained by the District. Major goals of the Commission are to construct a new water filtration plant, more than 30 miles of water pipelines, and water storage tanks – all built to modern seismic standards. Planning and construction of the WWSS infrastructure is underway and anticipated to be completed by 2026.

Financial Contact

The Commission's financial statements are designed to present users including taxpayers, citizens, customers, investors and creditors with a general overview of the Commission's finances and overall accountability. If you have questions about the contents of this report or need additional financial information, please contact Tualatin Valley Water District's Chief Financial Officer at 1850 SW 170th Avenue, Beaverton, Oregon 97003.

BASIC FINANCIAL STATEMENTS

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>2020</u>
ASSETS	
Accounts receivable	\$ 18,702,121
Prepaid expenses	1,349,316
Deposits	<u>27,437</u>
Total Current Assets	20,078,874
Leased assets, net of accumulated amortization	13,703,624
Capital assets, non-depreciable assets	166,367,201
Asset held for sale, non-current assets	<u>4,250,000</u>
Total Noncurrent Assets	<u>184,320,825</u>
TOTAL ASSETS	<u><u>\$ 204,399,699</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 19,294,541
Retainage payable	<u>784,333</u>
Total Current Liabilities	20,078,874
Lease liabilities	<u>14,921,781</u>
TOTAL LIABILITIES	35,000,655
NET POSITION	
Net investment in capital assets	145,089,853
Unrestricted	<u>24,309,191</u>
Total Net Position	169,399,044
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 204,399,699</u></u>

The accompanying notes are an integral part of the financial statements.

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2020**

	2020
OPERATING REVENUES	
Administrative services	\$ 518,361
OPERATING EXPENSES	
Maintenance and repairs	28,211
General and administrative	490,150
Depreciation and amortization expense	360,048
Total Operating Expenses	<u>878,409</u>
OPERATING LOSS	(360,048)
NONOPERATING REVENUES (EXPENSES)	
Other revenue	48,792
Interest expense	(484,865)
Total Nonoperating Revenue (Expenses)	<u>(436,073)</u>
CAPITAL CONTRIBUTIONS	<u>170,195,165</u>
CHANGE IN NET POSITION	169,399,044
NET POSITION, beginning of period	<u>-</u>
NET POSITION, end of period	<u><u>\$ 169,399,044</u></u>

The accompanying notes are an integral part of the financial statements.

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

	2020
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments received from joint venturers	\$ 518,361
Payments to suppliers for goods and services	(518,361)
NET CASH FROM OPERATING ACTIVITIES	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Contributions from joint venturers	62,431,016
Capital outlay and direct purchases of cap assets	(62,047,861)
Payments from other agencies	48,792
Payments on leases	(431,947)
NET CASH FROM FINANCING ACTIVITIES	-
NET CHANGE IN CASH AND INVESTMENTS	-
CASH AND INVESTMENTS, beginning of period	-
CASH AND INVESTMENTS, end of period	\$ -
RECONCILIATION OF OPERATING LOSS TO	
NET CASH FROM OPERATING ACTIVITIES	
Operating loss	(360,048)
Adjustments to reconcile operating loss	
to net cash from operating activities	
Depreciation	360,048
Changes in operating accounts	
Accounts receivable	(18,702,121)
Prepaid expenses	(1,349,316)
Deposits	(27,437)
Accounts payable and accrued liabilities	19,294,541
Retainage payable	784,333
NET CASH FROM OPERATING ACTIVITIES	\$ -
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital assets contributed by joint venturers	\$ 108,569,340
Leased assets transferred in by joint venturers	14,063,672
Lease liability transferred in by joint venturers	(14,868,864)
Equity in leases transferred in	805,192

The accompanying notes are an integral part of the financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Willamette Water Supply System Commission (Commission) was organized in July 2019 under Oregon Revised Statutes (ORS), chapter 190 and was established by an agreement between the cities of Beaverton, Hillsboro, and Tualatin Valley Water District (the District). The Commission is governed by a three-member board, with one member appointed by each party. The purpose of the Commission is to provide the water supply system infrastructure facilities beginning at the Willamette Intake Facilities (WIF) System separation point and continuing to the points of delivery (turnouts). The Commission is managed by Tualatin Valley Water District.

Expenses are allocated on two techniques: one for administration costs, the other for other operating costs. Administration costs to the parties is based on two weighted factors. The first weighted factor is equal shares. Each of the three parties is allocated one-third of the costs recovered based on equal shares. The second factor is based on percentage ownership. For administration costs, the two factors are weighed 25% based on equal shares and 75% based on ownership. The weighted allocations factors by party are:

Weighted Allocation Shares for Administrative Costs					
	Equal Share		Ownership		Total
Party	Unweighted	Weighted	Unweighted	Weighted	Weighted
TVWD	33.3%	8.3%	58.9%	44.2%	52.5%
Hillsboro	33.3%	8.3%	36.1%	27.1%	35.4%
Beaverton	33.3%	8.3%	5.0%	3.7%	12.1%
Total	100.0%	25.0%	100.0%	75.0%	100.0%
Weight		25.0%		75.0%	

Operations, maintenance, and repair expenses that are a result of use of the facilities are allocated based on each party's proportionate use of the WWSS. Operations, maintenance, and repair expenses unrelated to usage are allocated based on each party's proportionate ownership of the WWSS.

Basis of Presentation and Accounting

For financial reporting purposes, the Commission reports its operations on an enterprise fund basis. Enterprise funds (a propriety fund type) are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and net position associated with the operations are included on the Statements of Net Position. The Statement of

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in net position.

The accrual basis of accounting is used for financial reporting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating revenues result from providing services to the joint venturers. All revenues not meeting this definition are reported as nonoperating revenues. Operating expenses are defined as those expenses directly related to providing services.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and other disclosures. Accordingly, actual results may differ from those estimates.

Accounts Receivable

Accounts receivable are recorded as earned and no allowance for doubtful accounts is required as all receivables are due from the joint venturers.

Capital Assets

Capital assets are recorded at cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. All costs associated with the acquisition or construction of capital assets are contributed by the joint venturers.

The Commission defines capital assets as assets with an initial cost of \$7,500 and an estimated useful life of more than one year.

Lease Assets

Leased assets are reported at the initial measurement of the lease liability adjusted by initial direct costs and payments made to the lessor at the commencement of the lease, less any lease incentives. Leased assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Net Position

The Commission's net position consists of the various net earnings from operating revenues and expenses and contributions of capital. Net position is classified in the following two components: net investment in capital assets, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation, and capital-related liabilities. Unrestricted net position consists of all other net positions not included in other categories.

Leased Liabilities

Lease liabilities are initially measured at the present value of payments expected to be made during the lease term, including fixed and variable payments, residual guarantees, termination penalties, lease incentives and any other payments reasonably certain to be made in accordance with the lease agreement.

Budgets

The Commission is organized under ORS, Chapter 190 as an Intergovernmental Agreement (IGA) which requires the Board to adopt a work plan and budget. The Commission is accounted for as a fund within the structure of the District, where the budget is prepared and legally adopted for the Commission as part of the total budget for the District. The budget is prepared on a biennial basis as a separate fund on the modified accrual basis of accounting and complies with Oregon Local Budget Law. The level of budgetary control is established at the object classifications (personnel services, materials and services, capital outlay, operating transfers and contingency).

2. CAPITAL ASSETS

The Commission has invested approximately \$166.0 million in construction in process and \$0.4 million in easements at June 30, 2020.

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance June 30, 2020</u>
Capital Assets, not being depreciated:					
Construction in progress	\$ -	\$ 165,927,556	\$ -	\$ -	\$ 165,927,556
Capital assets, non-depreciable assets	-	439,645	-	-	439,645
Total Capital Assets not being depreciated	<u>\$ -</u>	<u>\$ 166,367,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,367,201</u>

As of June 30, 2020, a parcel of land, not in use, has been recorded as asset held for sale and its costs removed from the overall project's costs. The land was valued at \$4,250,000. See Subsequent Event note for more details.

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

3. LEASED ASSETS

Leased assets consisted of the following at June 30, 2020:

	<i>Balance July 1, 2019</i>	<i>Additions</i>	<i>Disposals</i>	<i>Balance June 30, 2020</i>
Leased assets				
Land and easements	\$ -	\$ 12,290,852	\$ -	\$ 12,290,852
Buildings	-	1,772,820	-	1,772,820
Total leased assets	-	14,063,672	-	14,063,672
Less accumulated amortization for				
Land and easements	-	(128,029)	-	(128,029)
Buildings	-	(232,019)	-	(232,019)
Total accumulated amortization	-	(360,048)	-	(360,048)
Total leased assets being amortized, net	<u>\$ -</u>	<u>\$ 13,703,624</u>	<u>\$ -</u>	<u>\$ 13,703,624</u>

4. LEASE LIABILITIES

Commission entered into a lease for office space. Base rent increases by 3% per annum. The lease terminates in 2027. Commission also pays variable costs based on operating expenses which are not included in the measurement of the lease liability. In FY 2020, variable payments totaled \$5,823.

Commission entered into a lease with the City of Wilsonville for subsurface land for the placement of a raw water pipeline. The lease terminates in 2115. Annual lease installments are payable through FY 2025 with a balloon payment in 2026. As the annual payments are less than the interest on the lease obligation, the liability will increase until FY 2026 when the balloon payment is made.

Principal and interest to maturity for the Commission's share of leases is as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	(48,956)	488,655	439,699
2022	(44,752)	492,435	447,683
2023	(40,295)	496,201	455,906
2024	(35,573)	499,949	464,376
2025-2030	15,091,357	1,514,501	16,605,859
Total minimum lease payments	<u>\$ 14,921,781</u>	<u>\$ 3,491,740</u>	<u>\$ 18,413,521</u>

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

5. NET POSITION BY JOINT VENTURER

Changes in net position by joint venturer for the year ending June 30, 2020 is as follow:

Net Position	Tualatin Valley Water District	City of Hillsboro	City of Beaverton	Total
Balance July 1, 2019	\$ -	\$ -	\$ -	\$ -
Contributions	90,102,572	70,584,316	9,508,277	170,195,165
Administrative Services	258,599	182,397	77,365	518,361
Change in Venturer's Capital	<u>(716,867)</u>	<u>(492,027)</u>	<u>(105,588)</u>	<u>(1,314,482)</u>
Balance June 30, 2020	<u>\$ 89,644,304</u>	<u>\$ 70,274,686</u>	<u>\$ 9,480,054</u>	<u>\$ 169,399,044</u>

6. OTHER INFORMATION

Risk Management

The Commission is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, and natural disasters for which the Commission carries commercial insurance. The Commission does not engage in risk financing activities where risk is retained (self-insurance).

Related-party Transactions

The Commission paid \$518,361 in management fees and \$2,444,000 in construction in process for services provided by the District for year ended June 30, 2020. Administrative Services and venturers contributed capital assets were as follows for the years ended June 30:

	2020 Contributions from Venturers	2020 Service Revenue from Venturers
Tualatin Valley Water District	\$ 90,102,572	\$ 258,599
City of Hillsboro	70,584,316	182,397
City of Beaverton	<u>9,508,277</u>	<u>77,365</u>
Contributions from Venturers	<u>\$ 170,195,165</u>	<u>\$ 518,361</u>

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

Commitments

The Commission has entered into various contracts related to the construction of the Willamette Water Supply System (WWSS). Total outstanding commitments on contracts with greater than \$1.0 million outstanding is approximately \$175 million as of June 30, 2020.

Subsequent Events

Subsequent to June 30, 2020, Commission sold parcel of land to Wilshire Sherwood Owner LLC. The sale of the property closed on September 30, 2020. The land was valued at, and sold for \$4,250,000. Since the property was not going to be placed in production it was classified as non-current asset held for sale at June 30, 2020.

SUPPLEMENTAL INFORMATION

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Fiscal Year 2020</u>	
REVENUES				
Administrative Services	\$ 917,788	\$ 917,788	\$ 518,361	\$ (399,427)
Capital Contributions	90,289,012	90,289,012	62,431,016	(27,857,996)
Miscellaneous Income	-	-	48,791	48,791
Total Revenues	<u>91,206,800</u>	<u>91,206,800</u>	<u>62,998,168</u>	<u>(28,257,423)</u>
EXPENDITURES				
Materials and Services	834,788	834,788	518,361	308,426
Capital Outlay	90,289,012	90,289,012	62,479,807	27,809,205
Contingency	<u>83,000</u>	<u>83,000</u>	<u>-</u>	<u>83,000</u>
Total Expenditures	<u>91,206,800</u>	<u>91,206,800</u>	<u>62,998,168</u>	<u>28,200,631</u>
Excess (Deficiency) of revenues over (under) expenditures, and net change in fund balance	-	-	-	-
BEGINNING FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Reconciliation of changes in Net position				
Contributions of capital assets			108,569,340	
Capital Outlay			62,479,807	
Depreciation			(360,048)	
Unrealized gain / (loss) on lease			(805,190)	
Interest expense			(484,865)	
Changes in Net Position			<u>\$169,399,044</u>	

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Commissioners
Willamette Water Supply System Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Willamette Water Supply System Commission (the "Commission") as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Willamette Water Supply System Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify one deficiency in internal control that we consider to be a material weakness and is included in the Schedule of Finding as 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's Responses to the Finding

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Portland, Oregon
December 28, 2020

Willamette Water Supply System

Schedule of Finding

Year Ended June 30, 2020

Finding 2020–001 – Financial Statement Close Process –Reconciliations (Material Weakness in Internal Controls over Financial Reporting)

Criteria – A well established and documented monthly and annual close process serves to detect errors and prevent them from accumulating within a particular period. The strength of this process also helps to ensure that the monthly and annual financial information reported to management and the Board of Commissioners, from which key decisions are made, is as meaningful and reliable as possible.

Condition – During the year, assets transferred to the Commission were overstated based on lease payment improperly included in the transfer amount.

Cause – Though formal review processes were established during the year, the review did not identify improper lease payments in the transfer of assets.

Effect – Management made a significant adjustment after year-end to assets transferred and partner net position.

Recommendation: We recommend that management ensures that transferred amount be reviewed in a timely manner alongside general ledger reconciliations to ensure accuracy and reasonableness.

Views of responsible officials: Management agrees with the recommendation and will complete timely reviews of asset transfers alongside general ledger reconciliations.

Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Oregon Auditing Standards*

Board of Commissioners
Willamette Water Supply System Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America the basic financial statements of Willamette Water Supply System Commission (the “Commission”) as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Willamette Water Supply System Commission basic financial statements, and have issued our report thereon dated December 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify deficiencies in internal control over financial reporting, in the aggregate, that we consider to be a material weakness and is included in the Schedule of Finding as 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance of which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to:

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2019 and 2020.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

In connection with our testing nothing came to our attention that caused us to believe the Commission was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julie Desimone, Partner
for Moss Adams LLP
Portland, Oregon
December 28, 2020

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About the Willamette Water Supply System

TVWD and cities of Hillsboro and Beaverton are developing the Willamette river at Wilsonville as an additional water supply source.



TUALATIN VALLEY
WATER DISTRICT



The WWSS Commission is a partnership formed under ORS Chapter 190 between the following parties:
Tualatin Valley Water District and the cities of Hillsboro and Beaverton.
For more information, visit tvwd.org/wwss.

Willamette Water Supply System Commission

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Report of Independent Auditors

Willamette Water Supply System Commission

Paul L. Matthews
Chief Financial Officer

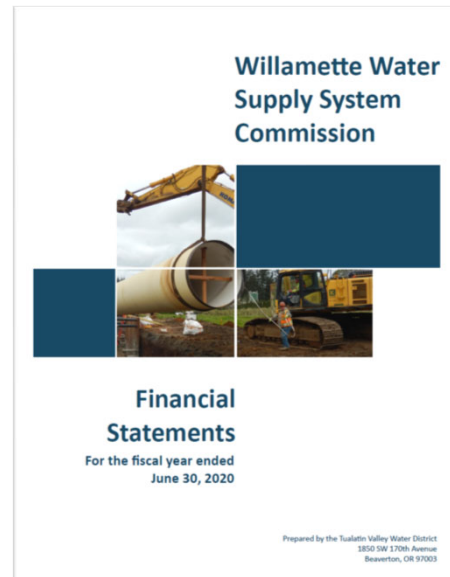


1

Overview of Presentation

Items to Cover

1. Process of creating the WWSS as a financial entity
2. Findings of the independent auditors
3. Review of the financial statements and performance
4. Discussion of findings on internal controls



2

Creating the WWSS Commission as a Financial Entity

Interim IGAs

- Between TVWD and Hillsboro
- Provided a method of funding investment in the WWSP
- Anticipated the creation of a new entity via IGA

Creation of the Willamette Water Supply Program (WWSP)

- Created the program management office (PMO) that manages the capital project delivery

Creation of the Willamette Intake Facilities (WIF) Commission

- Transferred ownership in the existing intake from TVWD to partners
- Moved appropriate construction outlays to the newly created WIF Commission

Creation of the Willamette Water Supply System (WWSS) Commission

- Transferred ownership in capital projects from TVWD and Hillsboro to City of Beaverton (True-Up Process)
- Moved remaining construction outlays to the newly created WWSS Commission

3

Important Elements of the Financial Statements

Financial Statements Contain

- Report of the Independent Auditors
- Management's Discussion and Analysis
- Basic Financial Statements
- Supplemental Information
- Report of Independent Auditors on Internal Controls
 - *Government Auditing Standards*
 - *Oregon Auditing Standards*

4

Report of Independent Auditor

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Willamette Water Supply System Commission as of June 30, 2020, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

- Clean audit
- Financial statements present financial position fairly

5

Management's Discussion and Analysis

Financial Highlights

- Net position (assets minus liabilities) was \$169.4 million as of June 30, 2020.
- The Commission reported leases based on GASB Statement No. 87.
 - Leased assets are reported on the Statement of Net Position and are amortized over the life of the lease.
 - Lease liabilities are reported at the present value of future payments and are adjusted over time by interest and payments.
 - As of June 30, 2020, lease assets were \$13.7 million and lease liabilities were \$14.9 million.
- Net investment in capital assets is the largest portion of the Commission's net position. In 2020 there was a significant construction in progress of \$165.9 million.

6

Statement of Net Position

Key Elements

- Equivalent to the Commission's Balance Sheet
- Net position reflected by the investments by the partners
- Book value of the Commission is approximately \$169 million

	2020
ASSETS	
Accounts receivable	\$ 18,702,121
Prepaid expenses	1,349,316
Deposits	27,437
Total Current Assets	20,078,874
Leased assets, net of accumulated amortization	13,703,624
Capital assets, non-depreciable assets	166,367,201
Asset held for sale, non-current assets	4,250,000
Total Noncurrent Assets	184,320,825
TOTAL ASSETS	\$ 204,399,699
LIABILITIES	
Accounts payable and accrued liabilities	\$ 19,294,541
Retainage payable	784,333
Total Current Liabilities	20,078,874
Lease liabilities	14,921,781
TOTAL LIABILITIES	35,000,655
NET POSITION	
Net investment in capital assets	145,089,853
Unrestricted	24,309,191
Total Net Position	169,399,044
TOTAL LIABILITIES AND NET POSITION	\$ 204,399,699

7

Statement of Revenues, Expenses, and Changes in Net Position

Key Elements

- Equivalent to Commission's Income Statement
- New entity had no Net Position from prior periods
- Capital contributions from Partners provided the Net Position
- Change in Net Position approximately \$169 million

	2020
OPERATING REVENUES	
Administrative services	\$ 518,361
OPERATING EXPENSES	
Maintenance and repairs	28,211
General and administrative	490,150
Depreciation and amortization expense	360,048
Total Operating Expenses	878,409
OPERATING LOSS	(360,048)
NONOPERATING REVENUES (EXPENSES)	
Other revenue	48,792
Interest expense	(484,865)
Total Nonoperating Revenue (Expenses)	(436,073)
CAPITAL CONTRIBUTIONS	170,195,165
CHANGE IN NET POSITION	169,399,044
NET POSITION, beginning of period	-
NET POSITION, end of period	\$ 169,399,044

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Net Position by Partner

Net Position	Tualatin Valley Water District	City of Hillsboro	City of Beaverton	Total
Balance July 1, 2019	\$ -	\$ -	\$ -	\$ -
Contributions	90,102,572	70,584,316	9,508,277	170,195,165
Administrative Services	258,599	182,397	77,365	518,361
Change in Venturer's Capital	(716,867)	(492,027)	(105,588)	(1,314,482)
Balance June 30, 2020	<u>\$ 89,644,304</u>	<u>\$ 70,274,686</u>	<u>\$ 9,480,054</u>	<u>\$ 169,399,044</u>

9

Findings on Internal Controls

Condition

- During the year, assets transferred to the Commission were overstated based on lease payment improperly included in the transfer amount.

Cause

- Though formal review processes were established during the year, the review did not identify improper lease payments in the transfer of assets.

Effect

- Management made a significant adjustment after year-end to assets transferred and partner net position.

Auditor's Recommendation

- Management ensures that transferred amount be reviewed in a timely manner alongside general ledger reconciliations to ensure accuracy and reasonableness

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Requested Action

By Motion

- Accept the Commissions Financial Statements for the fiscal year ended Jun 30, 2020 and the Report of the Independent Auditor

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Questions and Answers

Report of Independent Auditors

Willamette Water Supply System Commission
Chief Financial Officer

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STAFF REPORT

To: Willamette Water Supply System Board of Commissioners
From: Joelle Bennett, P.E., WWSP Assistant Program Director
Date: January 7, 2021
Subject: Anticipated Business Agenda Items for the February 4, 2021, Meeting of the Willamette Water Supply System Board of Commissioners

Key Concepts:

The next Willamette Water Supply System (WWSS) Commission Board meeting agenda is anticipated to include staff recommendations for the following business agenda items:

1. Adopt WWSS Washington County Land Use and Transportation (WCLUT) Master IGA Amendment 1
2. Adopt PLM_4.1 WCLUT Construction IGA
3. Adopt RES_1.0 WCLUT Grabhorn Road Realignment IGA
4. Approve Amendment to Water Supply Integration Contract
5. Approve Amendment to Real Estate Services Contract
6. Approve (as Local Contract Review Board, or LCRB) Special Procurement for DCS_1.0 Panel Fabrication Services
7. Adopt the Corrective Action Plan to Address the WWSS Commission Audit Findings

Background:

The following actions are anticipated business agenda items for the February 4, 2021, meeting of the WWSS Board of Commissioners. Due to the dynamic nature of the WWSS work, request for approval of some items may be delayed or new items may emerge on the business agenda next month. WWSS staff strive to provide preliminary information one month prior to requesting action and a full staff report describing the recommended action during the appropriate month.

1. Adopt WWSS WCLUT Master IGA Amendment 1

The WWSS has strategically partnered with Washington County Land Use and Transportation (WCLUT) to deliver coordinated pipeline and roadway projects at various locations in the region. To establish the coordination details and cost and schedule terms of partnered projects, the WWSS and WCLUT executed a Memorandum of Understanding (Partnering MOU) in 2016, and a Master Project Coordination IGA in early 2020. The Master Project Coordination IGA restated the parties' commitment to partnering and clarified certain elements of the Partnering MOU. The proposed Amendment 1 clarifies the real estate acquisition term in the IGA regarding responsibility for acquisitions for exclusive waterline use.

At the February WWSS Board meeting, WWSP staff will present the proposed intergovernmental agreement with a recommendation to the Board to adopt it through resolution.

2. Adopt PLM_4.1 WCLUT Construction IGA

January 7, 2021

Anticipated Business Agenda Items for the February 4, 2021, Meeting of the Willamette Water Supply System Board of Commissioners

The design of the WWSS and WCLUT partnered project PLM_4.1 on SW Tualatin-Sherwood Road between Langer Farms Parkway and Borchers Road is nearly complete, and WWSS and Washington County are readying bidding documents. The construction IGA will specify how the two projects will be constructed together and define each agency's specific responsibilities. Washington County will be the lead agency.

At the February WWSS Board meeting, WWSP staff will present the proposed intergovernmental agreement with a recommendation to the Board to adopt it through resolution.

3. Adopt RES_1.0 WCLUT Grabhorn Road Realignment IGA

The WWSS currently owns property adjacent to the RES_1.0 site that will be used for construction staging and pipeline construction. At this same location, WCLUT is planning for roadway improvements on Grabhorn Road, as conceptualized in the Cooper Mountain Community Plan. This IGA establishes coordination and cooperation between WWSS and WCLUT to support WWSS RES_1.0 construction and WCLUT future plans for the Grabhorn Road realignment.

At the February WWSS Board meeting, WWSP staff will present the proposed intergovernmental agreement with a recommendation to the Board to adopt it through resolution.

4. Approve Amendment to Water Supply Integration Contract

When the Water Supply Integration Contract with Confluence Engineering Group was executed in late 2018, it did not include the key task of developing the WWSS Integration Plan document. The Integration Plan was intentionally excluded from the scope and fee because the initial years of project work were necessary to define the Integration Plan contents and effort.

The Water Supply Integration project team is now ready to move forward with the Integration Plan development and at the February WWSS Board meeting, WWSP staff will present the contract amendment to the Board with a recommendation for approval.

5. Approve Amendment to Real Estate Services Contract

The Real Estate Services contract with HDR was originally executed in late 2016 and was amended most recently in 2019. This proposed amendment to the Real Estate Services Contract will update the level of effort based on updated property counts and a revised staffing approach that addresses changes in HDR staffing, transfer of appraisal services out of this contract, and delivery of appraisal reviews through either qualified HDR staff or a subconsultant.

At the February WWSS Board meeting, WWSP staff will present the contract amendment to the Board with a recommendation for approval.

6. Approve (as LCRB) Special Procurement for DCS_1.0 Panel Fabrication Services

In June 2019, the WWSP Executive Committee endorsed a "Unit Responsibility" approach to SCADA, meaning that a single service provider would be accountable for the WWSS SCADA system from planning

Anticipated Business Agenda Items for the February 4, 2021, Meeting of the
Willamette Water Supply System Board of Commissioners

through warranty. This approach reduces delivery risks by avoiding “hand-offs” between multiple SCADA firms. To continue with the “Unit Responsibility” approach, WWSP requires Board approval for a special procurement of additional SCADA-related services.

WWSS staff propose modifying S&B’s existing contract to include services related to fabrication, testing, and warranty of SCADA control and communication panels. This would be a Direct Appointment and it achieves the desired accountability in the selected Unit Responsibility approach.

At the February WWSS Board meeting, WWSP staff will present the request for special procurement to the Board, as the LCRB, with a recommendation for approval.

7. Adopt the Corrective Action Plan to Address the WWSS Commission Audit Findings

Paul Matthews, TVWD CFO, presented today that staff are preparing a corrective action plan (CAP) in response to a finding from the audit of the WWSS Commission. Staff will be bringing the CAP to this Board in February for adoption.

Budget Impact:

Anticipated costs for all of the actions described are reflected in the WWSP 2020 budget. The cost changes for ancillary projects and additional equipment (such as a turnout) are borne entirely by the requesting Partner.

Staff Contact Information:

Dave Kraska, P.E., WWSS General Manager, 503-941-4561, david.kraska@tvwd.org
Joelle Bennett, P.E., WWSP Assistant Director, 503-941-4577, joelle.bennett@tvwd.org

Attachments:

None.

Willamette Water Supply System Commission

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**Willamette Water Supply System Commission
Board Meeting**

January 7, 2021
