Agenda Item No. 4.1
For Agenda of 9.11.07

TIGARD CITY COUNCIL MEETING
Meeting Minutes
July 17, 2007

Mayor Dirksen called the meeting to order at 7:01 p.m.

Roll Call
Tigard City Council present:

Name	Present	Absent
Mayor Dirksen	✓	
Council President Sherwood	✓	
Councilor Buehner	✓	
Councilor Wilson	✓	
Councilor Woodruff	✓	

Lake Oswego City Council present:

Name	Present	Absent
Mayor Hammerstad	✓	
Council President McPeak	✓	
Councilor Groznik		✓
Councilor Hennagin	✓	
Councilor Jordan	✓	
Councilor Johnson	✓	
Councilor Turchi	✓	

Tigard Intergovernmental Water Board present:

Name	Present	Absent
Chair Scheiderich	✓	
Vice Chair Carroll	✓	
Board Member Winn	✓	
Board Alternate Henschel	✓	

Tigard staff present: City Manager Prosser, Public Works Director Koellermeier, Water Quality Supervisor Goodrich, City Recorder Wheatley.

Lake Oswego staff present: City Manager Schmitz, City Engineer Komarek, Community Development Director Lashbook, City Attorney Powell.

Also present: Consultant Knudson of Carollo Engineers

Staff introduction: Public Works Director Koellermeier overviewed the purpose of this special meeting, which was to hear a presentation from Consultant Knudson regarding the Lake Oswego Expansion and Water Partnership. The staff report outlining key facts and an information summary is on file in the City Recorder's office.

In June 2006, the Cities of Tigard and Lake Oswego funded a study to determine the technical, financial, and political feasibility of a water partnership. The focus of the discussion at this special meeting was on the Lake Oswego Expansion and Water Partnership. However, the City of Tigard and the Intergovernmental Water Board are also evaluating other potential water supplies including the Tualatin Basin Water Supply Project and development of Tigard-owned water rights associated with the Willamette River Treatment and Transmission Improvement Project.

City Engineer Komarek also made some introductory remarks and advised that Consultant Knudson would be reviewing the project objectives for the study.

Consultant Knudson reviewed a PowerPoint presentation; copies of the slides are on file in the City Recorder's office.

Consultant Knudson, in response to an observation and inquiry from Council President McPeak during a review of capital costs and timing of the initial supply scenarios, explained how financial estimates were calculated to reflect future cost escalation and the resultant affect to water rates.

During the review of the influence of conservation on cost and timing of a Lake Oswego only expansion Consultant Knudson responded to a question from Councilor Johnson and advised conservation measures must be ramped up over time.

Other points reviewed included:

- How the study considered population growth.
- The study did not consider the possibility of adjusting the Tigard Water District or the Tualatin Valley Water District boundaries
- The study pointed to the importance of determining the timing of when and how much improvements should be made to the water system
- Consultant Knudson affirmed that conservation does help delay the need for expansion, but there is a need to start conservation efforts now. There is the potential to "buy about an extra eight years" to plan and make financial decisions on a system expansion.
- The overall cost scenarios are based on the amount of water used over the course of a year (not just peak water use time periods).
- A review of water rights shows that Lake Oswego is ranked 6th among jurisdictions for senior water rights of 32 mgd since 1967. Lake Oswego also is ranked 12th for 6

mgd in a junior water right. Water rights under House Bill 3038 shifted significantly. This Bill sets a new standard requiring "persistence" of fish species and applies to undeveloped portions of existing permits to satisfy new instream flows. Extensions of water rights must satisfy new criteria. The City of Lake Oswego along with other Clackamas Basin Water users contracted with Portland State University to create an extensive modeling to estimate what would happen under different demand and supply scenarios. Lake Oswego's existing water rights are of relatively high priority as compared to other municipal users.

- Financial questions were reviewed. Consultant Knudson, in response to the question of "What is the best deal for Lake Oswego?" concluded it would be a partnership with Tigard for 38 mgd. The best deal for Tigard is dependant on how the Portland and Willamette options proceed; however, a partnership with Lake Oswego would result in lower future rates as compared to any other option.
- Financial benefits were reviewed: Lake Oswego would realize reduced capital cost, reduced equivalent annual cost, lower future rate increases, and reduced financial risk from consideration. Tigard would gain ownership of a long-term water supply and realize lower rates.
- The next steps recommended were to:
    - Proceed with development of the draft partnership agreement for the Joint Water Supply project.
    - Initiate a public outreach program.

After the PowerPoint presentation by the consultant, Tigard Mayor Dirksen opened the floor to discussion.

Lake Oswego Mayor Hammerstad posed the question that based on the information available at this time, are we comfortable in taking the next step? Or, should the assumptions be questioned to the point where the process should be started again?

Lake Oswego Council President McPeak responded that a fair amount of study has been done on this issue and she hoped to keep moving. The assumptions have brought her to a fairly clear choice among the alternatives; however, this is not the whole story. She pointed out there is a timing issue as well a lot of things that need to be discussed in a smaller sub-group.

Lake Oswego Councilor Johnson noted her concerns with regard to population projections including unincorporated areas. Lake Oswego City Engineer Komarek clarified assumptions for this study, which includes property in Lake Oswego's southern service area boundary. If, in the future, this area is served by another water provider, then there would be additional water for other uses in the region. A partnership would provide a larger rate base to share capital costs.

Lake Oswego Councilor Hennagin noted earlier discussion about the benefit of an alternate water supply. He asked if this meant there would be a second line from the pump station to the water treatment or a second line parallel with the existing line. Lake Oswego City

Engineer Komarek replied: In this partnership scenario there is an opportunity to look at regional inter-connections not only between Lake Oswego and Tigard but for Lake Oswego and the Clackamas system, the Portland system, and the Willamette system – all of these sources could potentially be accessed through a transmission connection between Lake Oswego and Tigard. Therefore, those sources would literally be connected depending on other institutional arrangements or other interested parties who might be willing to participate in costs and even larger transmission mains could serve to bring water from alternate sources.

Lake Oswego Councilor Hennagin said he had already sat through the essence of tonight's presentation and based on the assumptions presented by Consultant Knudson, the clear-cut financial choice was to proceed with the partnership. He said he had not changed his mind; however, he agreed with Lake Oswego Mayor Hammerstad's statement that we are not in the position to challenge Consultant Knudson's assumptions. To challenge the assumptions would necessitate hiring another consultant to go through another year of study, which might reveal a different opinion. However, he doesn't think "we can afford the time." He said he came to this meeting with questions that were different than financial and some of those questions have been allayed with reference to water rights and whether other agencies (i.e., Damascus and Boring) have prior rights. In the future, water will become an increasingly rare resource accompanied by moral and philosophical implications, but these cannot be addressed at this point. Based on the presentation of the situation to date, he advised he would be shirking his responsibility as an elected official if he didn't agree to move ahead with the next steps based on what he has seen so far.

Lake Oswego Councilor Jordan noted there has been discussion that perhaps Lake Oswego's needs are not as urgent as Tigard's and to find ways to mitigate the need for Lake Oswego. It was also questioned whether we are pushing ahead just because Tigard's timeline is so tight. She said she thought there are definitely enough benefits for both cities, given the assumptions (if the assumptions are correct) that we need to explore this further. We want to put into effect conservation measures, which may actually impact the size of the system or the way that the system can affect Tigard. We won't know how much that conservation effort will reap for Lake Oswego until we get into it. There are definite reasons to move forward; it is a very positive step to share the water rights Lake Oswego has. She said she thinks they can do a good job in managing their current rights and while sharing with others responsibly.

Lake Oswego Councilor Turchi said an economy of scale has been demonstrated as well as an economy of sharing, which would be beneficial for both communities. He noted an obligation to continue to explore the partnership. He added he would be interested to find out how costs would be covered for additional capacity.

Intergovernmental Water Board Member Henschel advised he has been on the Tigard Water District Board for only two weeks. He said he would need a lot more background information. He has looked at the study and said it was interesting. He advised that many

of the other Tigard Water District board members are new and will need to be trained very quickly.

Tigard Public Works Director Koellermeier responded that conservation in the Tigard water service area would not impact the Tualatin River flows in Lake Oswego.

Intergovernmental Water Board Member Winn said he was very interested in retaining a relationship with Lake Oswego and the studies have confirmed his feelings.

Intergovernmental Water Board Member Carroll noted we are at the same point we were at ten years ago with the difference being that we now have the opportunity for an economically and politically feasible partnership. He said he supported continuing the process, noting that this is the closest we've gotten for a water source.

Intergovernmental Water Board Chair Scheiderich referred to a government study about to be undertaken for the future of Hagg Lake as well as the Wilsonville/Tualatin Valley Water District water situation. He said he thought the timeline for the Lake Oswego/Tigard option was too aggressive.

Tigard Councilor Wilson said he was uncomfortable with attempting to precisely predict demand 40 years from now. He said it was safe to say that Tigard and Lake Oswego will need more capacity fairly soon. He said he was also uncomfortable with attempting to predict capital improvements precisely since costs always seem to be higher than estimated. In response to his question about whether some of the capital construction could be done incrementally as needed, Consultant Knudson said some construction (i.e., underground pipes) cannot be done incrementally, but the treatment plant could be constructed in a modular fashion.

Tigard Councilor Woodruff said he has been a fan of this option since it first came on the table. While Tigard won't run out of water next year (we have a contract with Portland until 2016), he would feel better if additional water sources were identified. He said he was pleased that, so far, Lake Oswego in interested in proceeding with the next steps on this option.

Tigard Council President Sherwood noted this is the same option that was on the table 16 years ago and then it fell apart. She noted concern about legislative changes with reference to water rights that are not used. She supported coming together with work groups and establishing a timeline.

Tigard Councilor Buehner referred to her service on the Tigard Water Board and reviewed options that had been explored in the past. She urged addressing this issue as quickly as possible with a final decision made within the next 18 months on the Tigard/Lake Oswego partnership. She stated it would be foolish for either city not to go ahead as this is a good proposal. She said that Tigard needs to make a decision on Hagg Lake. Tigard cannot wait.

Lake Oswego Mayor Hammerstad suggested the formation of a subcommittee to look at a number of things including governance structure. She said she was uncomfortable with the timeline because the City of Lake Oswego has issues on an upcoming election that are unfriendly to the city. The timeline is almost overwhelming for Lake Oswego because of other issues they are addressing. She said it appears that this partnership would not be controversial since it looks as if it could be of benefit in the long run and represents a rational way to move forward. She said Lake Oswego would like more time to digest the material presented.

Tigard Mayor Dirksen said he was encouraged by what he heard tonight from the consultants, staff, and the representatives of the other jurisdictions. He said there is time to work through the issues and advised that additional time would give the opportunity to work some more on conservation efforts. Tigard does not need to have a water resource until 2016; therefore, the only thing that needs to move forward quickly is the political decision to commit to this path and then develop the partnership agreement. He agreed a task force should be appointed to discuss any "sticking points." The task force will report its findings to the City Councils.

Tigard Public Works Director Koellermeier said the working group needs to address decisions about how to guide the public outreach process. In response to a question from Tigard Public Works Director Koellermeier, Lake Oswego Councilor Hennagin and Tigard Mayor Dirksen agreed it would be a good idea for each City Council to jointly form the "charge" statement for the task force. There was agreement to create a task force with membership as follows:

Lake Oswego Councilor Turchi
Lake Oswego Council President McPeak
Tigard Councilor Woodruff
*Tigard Councilor Sherwood
Intergovernmental Water Board Chair Scheiderich
*Intergovernmental Water Board Member Buehner

**Recorder's Note: At the July 24, 2007, Tigard City Council meeting, Mayor Dirksen noted that three of the above individuals are Tigard City Council members: Woodruff, Sherwood and Buehner. This represents a quorum of the Tigard City Council and would also need to be noticed also as a Tigard City Council meeting. Councilor Sherwood has agreed that she would not serve on this Task Force.*

Councilor Woodruff requested that staff review the timeline to determine if there is some flexibility to move the deadline out a few months. Public Works Director Koellermeier advised that the staff members would review the timeline as requested.

Meeting adjourned at 9:12 p.m.

Catherine Wheatley

Catherine Wheatley, City Recorder

Attest:

Mayor, City of Tigard

Date: 9.11.07