



City of Tigard

# Water Financial Plan Q&A

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*Tigard is formulating a long-term water financial plan to provide funding for the Lake Oswego Tigard Water Partnership. This joint water supply project will serve customers in Tigard, Durham, King City and Tigard Water District (Tigard Water Service Area or TWSA). Significant water rate increases are projected for TWSA customers over the next three years, along with increases in systems development charges paid by new development.*

*Answers to frequently asked questions appear below. Further information on the Lake Oswego Tigard Water Partnership and TWSA's water system is available at [www.lotigardwater.org](http://www.lotigardwater.org) and [www.tigard-or.gov/water](http://www.tigard-or.gov/water)*

## **Who sets water rates for Tigard Water Service Area's (TWSA) customers?**

Water rates are established annually through a vote of the community's elected leaders, the Tigard City Council. The Intergovernmental Water Board serves as an advisor to Tigard City Council. The City of Tigard is the managing authority for the TWSA.

## **Why are water rates being increased?**

The City's water financial plan shows additional revenues are needed to support TWSA's purchase of an ownership share in its own water source. The rate increases will help repay funds borrowed to construct the Lake Oswego Tigard joint water supply project. Water rates and systems development charges – rather than property taxes – are the proper funding mechanisms for this water infrastructure project.

## **Is this the least expensive option?**

Yes. Over the past 10 years, Tigard investigated four water supply options including continuing to purchase water from the City of Portland. The Lake Oswego Tigard Water Partnership offers the most beneficial option at the least cost. Tigard customers will save millions of dollars over the long term and gain an ownership share in a local high quality drinking water source. Tigard's water website has more information regarding the supply options considered, and the decision to partner with Lake Oswego – go to [www.tigard-or.gov/water](http://www.tigard-or.gov/water).

## **Are there other benefits of the Partnership approach?**

Yes. In addition to saving money over the long term and gaining an ownership share in a water source, TWSA customers will also receive very high quality drinking water. Currently, Portland water is unfiltered, which can cause discoloration and sediment buildup in pipes and fixtures. Over the years, Tigard has heard numerous complaints from TWSA customers about the effects of unfiltered water. The Clackamas River is a high quality water source, and the upgrade and

expansion of the Lake Oswego's water treatment plant will include state-of-art treatment methods to ensure safe, pleasant tasting water year-round.

**Why can't we wait or delay the joint water supply project?**

TWSA currently buys most of its drinking water from Portland. The City of Portland contract ends in June 2016. This is the target date that community leaders have asked Lake Oswego to meet to provide water to the TWSA. Also, construction costs and bond interest rates are favorable now. Water supply infrastructure can be constructed for less money, with construction dollars spent locally to boost the local economy.

**Can Tigard phase-in these water rate increases over a longer time period?**

That's not possible. The revenues are needed now in order to give Tigard the financial capacity to borrow and repay bonds. Restrictive lending practices and changes in the amount of money that must be held in reserve have increased the revenue requirements. Collecting more revenues over the next three years will allow Tigard to borrow money at the lowest interest rate, then repay the bonds with revenues collected over 20 years. There is no way to meet the water supply completion target of 2016 without borrowing construction funds now.

**What happens after the water rate increases through 2015?**

The rate increases will be phased-in over a five-year period to allow the costs of construction and conveyance to be financed over a 25-year period. After the first five years of rate increases, overall costs will stabilize. Future water rate increases will be sustained at a level close to TWSA's traditional rate trends.

**Will growth pay its fair share of water system costs?**

Systems development charges (SDCs) are calculated so that development contributes a proportionate share to pay for facilities that can be attributed to future growth. This financial plan has future development paying back 30% of the project cost over the next 20 years as a reimbursement.

**How will TWSA's water rates compare with other cities?**

Current estimates show that by 2016 the average water customer in the Tigard Water Service Area will pay around \$60 per 6,7000 gallons of water used. Other communities are facing similar challenges as they upgrade and expand their water infrastructure. Tigard may be one of the first to raise rates and SDCs within the TWSA, and its rates will be higher than average for the early years. But the long-term financial picture will improve by avoiding the higher costs of purchasing water from Portland.

**Can stimulus money or grants from the state or federal government pay some of the costs?**

Federal and state grants will be explored and pursued where applicable, but aren't expected to cover much of the project cost.

**Can Tigard delay other projects to reduce the amount of money needed now?**

Yes. The City is delaying capital projects not associated with the new water supply until after 2017. Staffing levels and expenditures have been carefully controlled, and the City is committed to continue providing great customer service. All of the increased revenues will be spent to service the debt of the water supply project, which will finally give TWSA rate payers ownership of a drinking water supply.

**Does Lake Oswego have adequate water rights to meet both communities' needs?**

The City of Lake Oswego holds two water rights – one for 32.3 million gallons per day (mgd) and another for 5.8 mgd – that authorize the use of water from the Clackamas River. Lake Oswego is seeking approval to fully develop these rights to serve the future needs of both communities.

Half of Lake Oswego's larger water right is "certificated" – meaning it has completed the state permitting process and is considered a property right that can't be revoked. The other half is still in the permit development process. The larger 32.3 mgd water right is considered reliable because water flow records show there should be enough water in the river even during a drought year for the City to withdraw its full amount. Lake Oswego's 5.8 mgd water right is not currently used and is also in the permit process.