



City of Tigard

Joint Tigard/Lake Oswego City Council Meeting Minutes

February 28, 2017



1. BUSINESS MEETING

A. At 6:39 p.m. Mayor Cook called the Joint Tigard and Lake Oswego City Council Meeting to order.

B. City Recorder Krager called the roll.

	Present	Absent
Mayor Cook	✓	
Councilor Goodhouse	✓	
Council President Snider	✓	
Councilor Woodard	✓	
Councilor Anderson	✓	
Mayor Studebaker	✓	
Councilor Manz	✓	
Councilor O'Neill	✓	
Councilor Buck	✓	
Councilor Gudman	✓	
Councilor Kohlhoff	✓	
Councilor LaMotte		✓

Staff Present: City of Tigard: City Manager Wine, Assistant City Manager Newton, City Attorney Rihala, Public Works Director Rager and Utility Manager Goodrich

City of Lake Oswego: City Attorney Powell and Lake Oswego/Tigard Water Partnership Project Director Komarek

Also Present: DK Advisory Services Consultant Koellermeier

C. Mayor Cook asked everyone to stand and join him in the Pledge of Allegiance.

D. Call to Council and Staff for Non-Agenda Items

2. CONSIDER A COST OF SERVICE RATE STRUCTURE FOR THE LAKE OSWEGO/TIGARD WATER PARTNERSHIP

Consultant Koellermeier began the discussion by saying the purpose was to update both councils on the work the Oversight Committee has been doing for the past four months. The issue is how to equate the cost of running the treatment plant and facility into bills that each of the partner cities pay. This was identified as a need in the original partnership agreement.

Lake Oswego/Tigard Water Partnership Director Komarek said the action item from the original 2008 agreement was that once construction was complete the partners were to develop an operations and maintenance rate for water supplied through the new facilities to the cities. A consultant (FCS Group Inc.) was hired to assist in that effort and they created a spreadsheet model allowing annual adjustment input reflecting the previous year's consumption and changes in cost allocations, expenses to operate the plant, and other items. He said the presentation given to the Oversight Committee is what the councils will hear tonight and his memo to them was included in the packet for this meeting.

Mr. Komarek gave background saying they started with Lake Oswego's budget for its water department including the water treatment plant, intake department and some services of their distribution department that does some of the system maintenance. The third amendment to the agreement allocates 20/38th capacity to Lake Oswego and 18/38th to Tigard. He said capacity factors were applied to costs which generated the rate included in the report comprised of an operating component and a depreciation component. Mr. Komarek said the question is whether to fund depreciation now or defer it to a future point. Staff's recommendation to the Oversight Committee, due to significant rate increases to both communities to fund project construction, is to defer depreciation to a future date determined by the councils.

Mayor Cook noted that in layman terms the depreciation means depreciating the capital assets already built and funding future facility building. We are already funding some repair and maintenance in our current rates. If a filter needed to be replaced in seven years that would be added to repairs and maintenance but a new building is a capital expense. He said even with not funding depreciation we are still appropriating some repair and maintenance dollars. We funded this on substantial rate increases for both cities. By not funding this depreciation we are saying that when the next facility is built 30 years from now, future councils will probably have to raise rates or come out with their own bond. By funding depreciation there would be cash available in 30 years and while that makes sense he recommends waiting 5-10 years and then figuring out what resources are available.

Mr. Komarek said Mayor Cook's description of depreciation was on target with one exception: There are some nearer-term expenditures. Filter media will need to be replaced on a 5-10 year basis. In addition, the current capacity of the plant on a pumping basis is limited to 32 million gallons a day and it is believed that in the next ten years or so, respective demands will approach that amount and an additional pump will be needed in both the river intake pump system as well as the water treatment plant. These items are identified in the memo and it was suggested that even if the councils decide to defer depreciation, it is their recommendation that each city begin setting aside a certain amount of money over the next four years to fund the filter replacement and

addition of the pumps. The additional cost to begin prefunding was determined to be six cents per hundred cubic feet. He noted that each city has experienced having to raise rates to meet project capital expenses and the ensuing constituent discomfort.

 Councilor Woodard asked if a five-year replacement item is considered a major maintenance issue and what else would fall into that category. Mr. Komarek said he considers filters to be an ongoing operations and maintenance item. He said in the plant alone there are literally 1,000 pieces and parts, electronic parts, and things that will not last. We asked for a lifespan of 75 years on concrete and steel but instruments, computers and pumps will wear out or become obsolete. We are developing an asset maintenance and replacement schedule so we will know when these things will be due and can be budgeted. Pumps are all custom-built and not off the shelf items.

 Councilor Gudman said he was not sure that going down the road setting nothing aside for depreciation is the way to go. He said, making a distinction between repair and capital equipment, it struck him that there is some sort of blended rate which could be calculated for setting aside major capital equipment funding, if not this year, then next year. He has seen too many organizations fail to do this and then they are left without a choice.

Mayor Studebaker said the Oversight Committee thought it wise to delay starting to pay for depreciation for five years. Council President Snider said their perspective is that it should be done and probably soon, but just not right now.

Councilor Gudman said given the number of variables in the timeframe and the softness of the numbers, if the commitment is there to begin in five years he is completely on board.

Councilor Manz asked Mr. Komarek when the councils will see the asset replacement schedule because that may help them make a decision. Mr. Komarek replied that the asset maintenance schedule has been under construction since the beginning of the project and the contractors have been tasked with listing equipment and serial numbers. When the plant is done there will be a complete package for all facilities. He said the asset schedules should be in their hands for entry into the city's computerized maintenance management system in the next four to five months.

Consultant Koellermeier explained that in the meeting packet there was a sheet showing rates with depreciation added. He said he handed out a sheet earlier tonight that shows the rates without depreciation. (This sheet has been added to the packet for this meeting.)

Councilor Goodhouse suggested if the depreciation funding will not begin for five years that the councils chose the rate now so it is known and not a surprise. He said this puts it in the record so future councils know what our intent was.

Councilor Kohlhoff said when she read in the meeting materials that staff was recommending full depreciation funding be deferred to a future time she thought that was terrible and agrees with Councilor Gudman that the councils need to get on with it and not wait five years. She said, "Just start it now and build up and we're done."

Council President Snider said the Oversight Committee had a great deal of discussion on this and he would support her position wholeheartedly if the generations before him had done that preparation. He said, “My parents’ generation did not plan and a lot of things are burdened on my generation...I do not want to be paying immediately for stuff that was not saved for before and also planning to pay also for the stuff my kids need in 75 years. It does not seem equitable.” He added that the Oversight Committee recommended taking action in two to four years, not five.

 Mayor Cook said it is difficult when we doubled everyone’s rates and then raised them again with a double-digit number and are also planning for a future rate increase. He agreed with holding the rate for five years. When Tigard elected to buy the extra 4 MGD there were two options. Tigard could have amortized it over four years and made the rate increases evenly throughout the whole time or bite the entire 12 percent bullet up front. The Tigard City Council elected to pay for it all up front. Mayor Cook said he did not vote for that but was fine with it as long as the same 3.50 percent rate was kept. He said funding depreciation builds someone else’s water plant. He said he understood why that would be done but did not think fully funding it from day one is the thing to do after doubling the community’s water rates. He said waiting four years from now was important to him but noted that future councils cannot be bound.

Councilor Woodard said he views it from a different perspective saying he retired in 2007 as a maintenance manager and he looks at it in terms of work type orders in four categories: preventive, corrective, major maintenance and capital improvements. He said the list of equipment and maintenance could be itemized by 5, 10 and 15 years to arrive at a bottom line which may equate to only cents. He said it was important to do this right away. He agreed with putting a little money in and putting the capital improvements farther away.

Mr. Komarek said they did not break it down by number of components with 5, 10 or 15 year lives; it was a simple, straight-line depreciation. They looked at what it would cost to replace a pipe in 75 years, for example. Council President Snider asked if the filter media and pumps are built in and Mr. Komarek said they were not. Council President Snider said that was not the direction the Oversight Committee gave. Mayor Cook and Councilor Manz concurred. Mr. Komarek said the three items were identified as items that need to be replaced within the next decade. He said the depreciation schedule does not reflect them because they are not assets as they do not exist today. Filter media replacements are a maintenance item that could be funded with a rate increase or within the 3.5 rate increase both cities might adopt. In depreciation he is talking about replacing a structure built of bricks, mortar, steel and concrete.

Councilor Buck said he agreed with Council President Snider, as long as the general maintenance costs are built into the rate. He said he appreciated Councilor Gudman’s comments about being able to save for major expenses in the future and it would be great if citizens were willing to fund both, but it is hard to ask citizens to pay for future costs when there are current needs such as better roads and new schools. He suggested that rate payers do not have the appetite. He asked if the Oversight Committee can look at phasing it in and giving people time to plan for it. He said he appreciated Councilor Goodhouse’s remarks about giving future councils and citizens an idea of the increase.

Councilor Manz added that their rate payers have hit their limit at the moment. She said the councils need to be conscious of the hit on those on fixed incomes and on young people buying their first homes. She said waiting five years to look at depreciation gives ratepayers breathing space and it would probably be easier to sell a rate increase at that time.

Councilor Gudman said if everyone sitting around the table now was going to be here in five years there would be no problem. He said the concern is what institutional mechanism can be put in place to guarantee that the depreciation starts getting factored into the rates. He asked for a show of hands from council and staff present who thought they would be here in five years and around five hands were raised.

 Mayor Cook asked about putting the rate into an intergovernmental agreement. Councilor Goodhouse said he would like to take it further and vote on implementing it now so it is set in place. Council President Snider noted that a future council could choose not to follow it. Councilor Gudman countered that there is a chance that a unanimous decision around the table tonight would hold some weight.

Mr. Koellermeier cautioned that the memo talks about developing \$1.5 million for pumps and filter material which would add 7-8 cents but this was not added to the rates. Mayor Cook said it would be different for each city. Mr. Koellermeier said it would need to be run through the rate model. Utility Manager Goodrich did some quick calculations and said it would be a minor adjustment. \$1 million put away for a rainy day would cost \$3.36 per month per EDU. Mr. Koellermeier said the amount being considered is \$1.5 million over ten years.

Councilor Goodhouse asked if the five-year future amount could be determined now or if staff need to figure out the numbers. Council President Snider said to let the Oversight Committee know what council needs to be done and they will make it happen.

Mayor Cook said it has been moved and seconded that the Oversight Committee develop a rate to include depreciation five years from the start date of July 1, 2016. The number arrived at will be written into the intergovernmental agreements. The councils can discuss phasing in once they know the number.

Councilor Goodhouse proposed an amendment to the motion to require the Oversight Committee to create the structure of a 70-year plan to fund depreciation. Councilor Gudman accepted the friendly amendment. There being no further discussion, Mayor Cook conducted a vote on the amendment which passed unanimously.

Mayor Cook asked for any discussion on the motion and there was none. He conducted a vote and the motion passed unanimously.

In response to a question from Mayor Cook about staff's recommendation about when the 7 or 8 cents could go into effect, Mr. Komarek said it could be included in the rate beginning July 1. Council President Snider clarified with staff what their preference was and Mr. Koellermeier said putting it in the rate guarantees it is in place.

Mayor Studebaker asked for clarification on what amount would be charged. Utility Manager Goodrich said the confusion is that they are talking about CCF but if people use ten units, it is 70 cents. Council President Snider said this is the wholesale amount the cities are charging themselves, it is not what individuals or businesses would be charged. Mayor Cook said each city will need to look at their budgets because part of this amount may be already built in.

Councilor Goodhouse motioned to approve the prefunding of known near-term maintenance and capital improvements. Councilor Kohlhoff seconded the motion. The motion passed unanimously.

3. DISCUSSION OF FUTURE GOVERNANCE OF JOINT WATER FACILITIES

Mayor Studebaker said the question is whether to continue with the way the water plant is being managed now with Lake Oswego water staff or form a new governing water board. He said continuing the current way would maintain the Oversight Committee and the current water department employees working the way they are now. Under a new water board the employees would probably remain the same but the board would be comprised of two mayors and probably two councilors and two community member in equal numbers from each city. He spoke about impacts to a change in governance and said his understanding is that present water facility staff like the way it is currently. They are unionized and see benefits to that. He noted that they could also unionize under separate water board governance.

 Council President Snider gave some perspective from Tigard's council and said the joint goals should be to set up a system of governance and oversight that can effectively and fairly stand the test of time and unknown stresses our system could face in the future. We need to ensure financial equity and true, joint decision making in a structure that will work over a 50-70 year lifespan. A system needs to be set up that will work effectively to solve problems over a very long period to maintain a certainty of supply for our residents not dependent on politics and that is clear and transparent. He noted that Tigard councilors frequently get asked by citizens, "Why did you buy Lake Oswego a water system?" He said he did not mean to offend anyone but there are things Tigard has learned from experience over the partnership period that lead to different thoughts than were held in the beginning of the project, such as the political uncertainty in the November 2012 elections. There were questions about whether the project was even going to move forward and this was very concerning to Tigard. He said at different points in time, decisions were made by the managing partner entity that felt unilateral and not very partner-like. He said a system needs to be set up that will be effective for 100 years. For these reasons Tigard proposes that a separate entity be created using ORS 190 language to create an IGA that would specifically operate the water supply system. He said Tigard is not suggesting that an entity be created that takes full responsibility for all water delivery; it would be limited to the system that supplies water as a wholesaler to the two cities for distribution.

Councilor Goodhouse commented that the project title includes the word "partnership." Both communities have invested in it and right in the logo it says "sharing water" and "connecting communities." He said the best way to do that is have a joint board so both communities have a say, like what occurred with the funding discussion tonight. Residents have taken a hard hit on

their water bills and it was always sold to them that this would be something they would own. That was disingenuous to say if it turns out they really do not have a seat at the table with equal input from each community.

Councilor Buck said he appreciated Tigard's perspective and even if the assets of the water partnership are currently half owned by Lake Oswego and half owned by Tigard, he understands that it is a difficult perception for Tigard ratepayers to realize that it is equal. He said details will have to be worked out but given that the cost of a separate water board is no more than the current arrangement, he is supportive of the general idea of creating a separate board.

Mayor Studebaker said he appreciated the input but this was not something we are going to decide tonight. Mayor Cook agreed and said the intent was to allow councilors to have their say and hear each other's comments.

Councilor Gudman said he got questions from citizens who asked, "Why partner with Tigard; we don't need them," so Lake Oswego also heard comments from residents. He said the 2012 unrest was unfortunate for the partnership but now that the project is fully constructed, the chances of it being deconstructed are small. He asked what the fundamental difference would be between the present governance method and a new one. There are two people from Tigard on the Oversight Committee and three from Lake Oswego which he felt was a difference without a distinction.

Council President Snider commented that Tigard is not just thinking of construction-related issues but the effects of things we don't want to think of, but which may happen over the next 70-100 years, such as a massive depression, water curtailment that is 50-70 percent of the supply, or Mt. Hood blowing up and contaminating the Clackamas River. He said to think about these things where the entity has the assets in their name and the future council is not altruistic. Think about those scenarios with none of the current partners involved. He added that the Oversight Committee is an advisory body that cannot make decisions and does not have direct control.

Councilor Woodard said a governing board and an oversight committee are similar but one has more of a voice. He likened a governance board to the Intergovernmental Water Board (IWB) and said issues are being resolved and he understands their need to feel like a partner. He said Tigard wants to be partners with Lake Oswego and has "a lot of skin in the game."

Councilor Kohlhoff expressed uneasiness about turning over that much power to a small group. She noted that if the group consists of two mayors (and who is the mayor is a political issue), and two people from each city, there are six people and that is terrible. She asked, "What happens when there is conflict?"

Mayor Cook suggested looking at the South Fork Water Board which is a conglomeration of different entities but has an even number of people serving. It is that way for a reason. The idea of having the same number from each city is that no one city can control it. It takes having someone swing over from the other side. Everything stays the same unless the two cities can figure something out and create a change.

Council President Snider addressed Councilor Kohlhoff's concern about concentration of power. In the case where she feels that her council representative is not cool-headed or making good decisions or does not represent her well, a majority vote of council could remove that representative. He said, "If it is not going the way it should be going, you can act on that."

Mayor Studebaker said, "These are our water rights and that is not going to change. The agreement we have right now has covered most every situation and it looks to him that it would cover anything else that would come up too. I understand the perception problems you have with your folks but as Councilor Gudman said, we've had some of the same kinds of things." You paid more because you were buying our system. It is not like it was not fair for Tigard. He said he did not see the need to change the way it is going on right now but will talk about it, taking heavy consideration of what Tigard is saying and what the impressions are.

Councilor Manz said she appreciated hearing the perspective from Tigard council. She said the Lake Oswego City Council needs to have further discussions. She said, "Your opinions are quite well formed," but she thought that especially with a need to bring new councilors up to speed and one member unable to attend tonight they should go back and discuss it.

At 7:53 p.m. Mayor Cook thanked the Lake Oswego Council and staff for coming to Tigard for the joint meeting. He said there would be a brief recess and then Tigard would continue the meeting with some routine items. Lake Oswego City Council and staff left the meeting.

4. CONSENT AGENDA: (Tigard City Council & Local Contract Review Board) –

A. APPROVE CITY COUNCIL MEETING MINUTES

- January 10, 2017
- January 17, 2017

B. CONSIDER ENTERPRISE LICENSE AGREEMENT FOR CITY'S GIS SYSTEM

C. CONSIDER A RESOLUTION RECOMMENDING RESTORING RECREATIONAL IMMUNITY RIGHTS

RESOLUTION NO. 17- 12 - A RESOLUTION RECOMMENDING RESTORING RECREATIONAL IMMUNITY RIGHTS

Councilor Goodhouse moved to approve the Consent Agenda and Council President Snider seconded the motion. The motion passed unanimously.

	Yes	No
Mayor Cook	✓	
Councilor Goodhouse	✓	
Council President Snider	✓	
Councilor Woodard	✓	
Councilor Anderson	✓	

5. NON AGENDA ITEMS – Held after Agenda Item No. 6.

STUDY SESSION – Mayor Cook announced at 8:05 p.m. that the Tigard City Council would go into the Red Rock Creek Conference Room for a Study Session. He said the public was welcome to attend.

6. COMMUNITY EVENT GRANT APPLICATION REVIEW AND RECOMMENDATIONS

Finance and Information Services Director LaFrance and Confidential Executive Assistant Lutz introduced this discussion. One-half of one percent of the current year operating budget is reserved for social service and community event grants. There is \$305,000 to be divided between the two areas and 30 percent of that amount, or \$91,500, is available for community event grants. The Social Services Subcommittee of the Budget Committee (on which Councilor Woodard serves) is meeting this Thursday from 1-9 p.m. to hear social service proposals.

Three set asides are legislated by resolution: Tigard 4th of July Celebration, Broadway Rose Theater and the Tigard Festival of Balloons. There were more requests than there was funding. Fifteen written requests were received by the deadline this year.

Mayor Cook proposed starting with the same amounts given last year and discussing new event requests separately. Council consensus was that the Access to Vision Care for Tigard Residents request is not an event and would more appropriately be considered a social service. Council directed staff to let them know they should do this next year since that deadline for social services was missed for FY 2018.

The Foundation for the Tigard Breakfast Rotary Club is asking for funding for a K9-5K Run/Walk Doggie Dash to benefit the Police Department police dog program. Mayor Cook noted it is a worthy cause and he likes the fund raiser but the city already funds the Police Department so this is for something already in our budget. He suggested if there are extra funds they be applied to Tigard events.

Mayor Cook noted that both farmers markets doubled their requests. Councilor Woodard said he did not know why there were two farmers markets and suggested either having one pot for farmers markets and splitting it down the middle, or combining the two. Councilor Goodhouse suggested putting money towards only the Tigard downtown market since it promotes events in the downtown. A discussion was held on the two farmers markets and noted that the Bull Mountain farmers market might consider moving their facilities downtown if we were to offer the public works yard for them. City Manager Wine commented that when city representatives went to

Washington DC to lobby for farmers market funding they were told that changing locations is a major disruption to a market. It was decided that it was too late this year to approach them about this summer season. Finance and Information Services Director LaFrance, City Manager Wine and Mayor Cook will discuss this and talk to both markets in September.

Councilor Goodhouse asked about adding part of the remaining funds to increase support for the Tigard Downtown Alliance bringing events into the downtown. He suggested their extra request of \$5,750 had strings attached and is only to be used for a new downtown event. The remaining \$430 will be given to Tigard 4th of July Celebration.

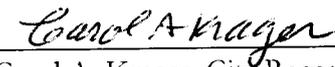
- 7. NON AGENDA ITEMS - Councilor Goodhouse requested a brief discussion of the joint meeting on governance. Council felt it was a good discussion and that it may have been eye-opening for some Lake Oswego council members to hear Tigard’s perspective. Mayor Cook asked how water will be allocated in a curtailment. City Manager Wine said that has never been faced previously but it is the feeling at the staff level that Lake Oswego believes they would be first in line in a curtailment situation.

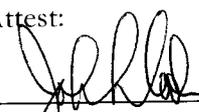
Councilor Anderson asked why governance was not laid out in the original agreement. City Manager Wine said Tigard and Lake Oswego entered into a contract for the purpose of building a facility together. It envisioned that once construction was complete the entities would provide for the long term management and operation. It was deliberately separated knowing that the world would have changed by the time the plant was online. Councilor Anderson said that needs to be emphasized. Mayor Cook said this must be decided by June 30, 2018. City Manager Wine pointed out that the Lake Oswego Council was outside their jurisdiction tonight and so they cannot vote or make decisions.

- 8. EXECUTIVE SESSION None.

9. ADJOURNMENT

At 8:55 p.m. Council President Snider moved for adjournment and Councilor Goodhouse seconded the motion. Mayor Cook conducted a vote and the motion passed unanimously.

	Yes	No
Mayor Cook	✓	
Councilor Goodhouse	✓	
Council President Snider	✓	
Councilor Woodard	✓	
Councilor Anderson	✓	
		 Carol A. Krager, City Recorder

Attest:


 John L. Cook, Mayor

 March 28, 2017

 Date