

**DRAFT**



## **Board Meeting Minutes Monday, December 3, 2018**

### **WRWC Board Members or Alternates present:**

John Goodhouse, Councilor – City of Tigard  
Todd Sanders, Commissioner – Tualatin Valley Water District (TVWD)  
Keith Mays, Mayor – City of Sherwood  
Frank Bubenik, Councilor – City of Tualatin

### **WRWC Member Staff present:**

John Goodrich – City of Tigard  
Jeff Fuchs – City of Tualatin  
Craig Sheldon – City of Sherwood  
Mark Knudson – TVWD  
Clark Balfour – TVWD  
Dave Kraska - TVWD  
Paul Matthews - TVWD  
Joel Cary – TVWD  
Katherine Lipari DeSau – TVWD

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### **Call to Order**

Chair John Goodhouse called the meeting to order at 5:19 pm.

#### **1. Review and Approval of Minutes of May 8, 2018 Board Meeting**

Motion by Sanders, seconded by Mays to approve the May 8, 2018 Willamette River Water Coalition (WRWC) Board meeting minutes. The motion passed unanimously.

#### **2. Election of Officers for 2018-2019**

Knudson indicated that WRWC officers need to be elected for the 2018-2019 fiscal year. In response to a question, Knudson conveyed that a TVWD representative (Burke) served as WRWC Chair in 2016-2017.

Motion by Mays, second by Bubenik to elect Todd Sanders as Chair, John Goodhouse as Vice Chair, and TVWD as Secretary of the WRWC for the 2018-2019 fiscal year. The motion passed unanimously. Immediately thereafter, Goodhouse passed Board Chair responsibilities to Sanders who then presided over the remainder of the meeting.

#### **3. WRWC Board Meeting Schedule for 2019**

Knudson asked the Board to establish a meeting schedule for the 2019 calendar year and proposed quarterly meeting dates. After some discussion and to enable the cities to confirm their assigned representatives and schedules, it was decided that TVWD will issue a Doodle poll mid-January, proposing options for quarterly WRWC meetings. The goal will be to convene a WRWC meeting early

February and quarterly thereafter.

#### **4. Financial Statements for the Fiscal Year Ending June 30, 2018 and Unaudited Financial Report for the First Quarter of the Fiscal Year Ending June 30, 2019**

Matthews presented the financial statements for the fiscal year ending June 30, 2018 and the first quarterly report for fiscal year ending June 30, 2019. (See attached presentation.) Following are key highlights:

##### Financial Statements - Fiscal Year Ending June 30, 2018

- Since WRWC transactions are below the state threshold, a review as opposed to an audit was conducted. The review resulted in an unmodified opinion.
- Expenditures during FY 2018 were within WRWC's budget.
- As directed by the Board, the WRWC fund balance was reduced. The net position, at the end of the fiscal year, totaled \$2,586.

##### Unaudited Financial Report – First Quarter Fiscal Year Ending June 30, 2019

- First quarter's financial results performed as anticipated. Dues will be billed to keep the WRWC fund balance in a healthy position. Cash flow will dictate the timing of billing.

#### **5. Willamette Basin Review Feasibility Study Update**

Joel Cary, TVWD Water Resources Division Manager, explained that Alternative C remains the proposed Willamette Basin water storage allocation as recommended by the US Army Corps of Engineers and the Oregon Water Resources Department. He highlighted recent progress including stakeholder meetings with congressmen, a letter of support, and receipt of the congressional authorization timeline.

The Signal Group was engaged to support the Oregon Water Utility Council in developing a federal strategy for congressional approval. Mr. Cary reported that the first invoice was received, totaling \$12,000. Appropriation for \$50,000 for these efforts was included in the WRWC's FY2019 budget.

In response to questions, Cary stated that making the cost of stored water more feasible for municipal and industry is an emphasis. TVWD agreed to provide members the proposed stored water fee estimates for fish and wildlife, agriculture, and municipal and industry.

#### **6. Restatement of WRWC Intergovernmental Agreement**

Balfour noted the evolution of the WRWC, particularly implications which resulted from the Willamette Intake Facilities Intergovernmental Agreement and the Willamette Water Supply System. To reflect the WRWC's current mission, revisions to the Second Restated WRWC Intergovernmental Agreement (IGA) have been drafted. A common thread in the revised IGA is that the unused portion of the WRWC water will be used in a collective basis. Balfour also reviewed key IGA modifications. (See attached handout.)

In response to questions, Balfour confirmed that there was a finite capacity of water which could be taken through the intake; partners were added to help finance the supply project, thereby affecting intake capacity allocations. He explained that creating a second intake is not immediately feasible since permitting would extend the schedule beyond that required for the Willamette Water Supply Program. In the long-term future, demand may exceed intake capacity, and a group of partners may need to invest in a second intake; however, the addition of a second intake will also be valuable from a resiliency and redundancy standpoint. Knudson emphasized that the creation of the Willamette Intake Facilities IGA involved lengthy negotiations. Partners nominated anticipated demands, costs were determined, and participating partners ultimately indicated the capacity that they were willing to purchase at the

given price. TVWD agreed to provide members additional information summarizing the Willamette Intake Facilities capacity ownership shares.

It was agreed that a meeting with staff representatives and member attorneys will be scheduled in January to discuss the draft Second Restated WRWC IGA. An update will then be provided at the February WRWC Board meeting.

## **7. Member Updates/Announcements**

Knudson noted the following TVWD updates:

- The Willamette Water Supply System was selected for WIFIA funding. This low interest loan from the EPA offers many benefits and will result in significant cost savings to TVWD and Hillsboro customers.
- At the next WRWC meeting, TVWD will present a proposed work plan and budget for FY 2019-20. Members were asked to notify Knudson if they have suggestions or proposed projects for the WRWC to consider next year. Katherine Lipari DeSau will collect meter number data from members as of 12/31/18 for the purposes of calculating dues.
- WRWC is a member of the Special Districts Association of Oregon and obtains insurance through Special District Insurance Services. WRWC may have a member represent the WRWC's interests at the February SDAO Annual Conference. Members agreed that Commissioner Sanders will serve as WRWC's voting representative at the SDAO Annual Conference.
- Mr. Knudson announced his upcoming retirement. TVWD's succeeding staff representative will be announced at the February WRWC meeting.

## **8. Public Comment**

No public was present at today's meeting.

## **9. Adjournment**

The meeting was adjourned at 6:21 pm.

# FY2018 Financial Statements and FY2019 Unaudited Financial Performance

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December 3, 2018*



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## Tonight's Information

### FY2018 Financial Statements

- Review WRWC's financial performance
- Report of Auditors

### FY2019 Unaudited Performance

- Financial Performance in 1<sup>st</sup> Quarter
- Strategy for coming year

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## FY2018 Financial Statements

### Report of Independent Auditors

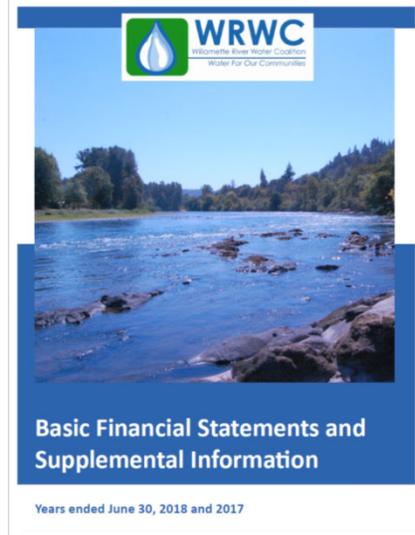
- Review rather than audit
- Unmodified Opinion (i.e., “clean audit”)

### Enterprise Fund Reporting

- *Statements of Net Position* (Similar to a Balance Sheet)
- *Statements of Revenue, Expenses and Changes in Net Position* (Similar to an Income Statement)
- *Statements of Cash Flows*

### Management’s Discussion and Analysis

- Provides a good overview of the WRWC’s financial results



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## Net Position

	2018	2017	2018 - 2017 Change	Percentage Change	2016
Cash and investments held by Tualatin Valley Water District	\$ 2,162	\$ 3,287	\$ (1,125)	-34.2%	\$ 68,147
Accounts receivable	424	57,312	(56,888)	-99.3%	16,163
<b>Total Assets</b>	<b>2,586</b>	<b>60,599</b>	<b>(58,013)</b>		<b>84,310</b>
Accounts Payable	-	36,525	(36,525)	-100.0%	18,953
<b>Net Position</b>	<b>\$ 2,586</b>	<b>\$ 24,074</b>	<b>\$ (21,488)</b>	<b>-89.3%</b>	<b>\$ 49,194</b>

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## Revenues, Expenses and Changes in Net Position

	2018	2017	2018 -2017 Change	Percentage Change	2016
<b>Operating Revenue:</b>					
Reimbursements	\$ 8,000	\$ 118,113	\$(110,113)	-93.2%	\$ 149,600
<b>Operating Expenses:</b>	29,600	159,676	(130,076)	-81.5%	164,759
<b>Operating Income (Loss)</b>	(21,600)	(41,563)	19,963	-48.0%	(15,159)
<b>Non Operating Income:</b>					
Interest income	112	280	(168)	-60.0%	1,265
<b>Change in Net Position</b>	(21,488)	(41,283)	19,795	-47.9%	(13,894)
<b>Net Position, beginning of year</b>	24,074	65,357	(41,283)	-63.2%	79,251
<b>Net Position, end of year</b>	<u>\$ 2,586</u>	<u>\$ 24,074</u>	<u>\$ (21,488)</u>	-89.3%	<u>\$ 65,357</u>

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## FY2018 Basic Financial Statements

### Findings and Conclusions

- Fund balances have declined keeping with the objectives of the Board
- Expenditures during FY2018 were within WRWC's Budget
- WRWC maintains sufficient working capital to fund its activities
- Unmodified opinion from Independent Auditors

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# First Quarter FY2019 Financial Performance

## *FY2018 Financial Statements and FY2019 Unaudited Financial Performance*

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### First Quarter Performance

Activity for the Quarter			Resources	Annual				
Budget	Actual	Variance		Annual Budget	Budget To date	Actual	Variance	Remaining Budget
\$ 20,488	\$ 21,000	\$ 512	Revenues	\$ 42,000	\$ 20,488	\$ 21,000	512	\$ 21,000
51	52	1	Dues from TVWD & other members	195	51	52	1	143
20,539	21,052	513	Interest on Investments	42,195	20,539	21,052	513	21,143
14,920	2,585	(12,335)	Total Revenues	14,920	14,920	2,585	(12,335)	12,335
<b>35,459</b>	<b>23,637</b>	<b>(11,822)</b>	Beginning Fund Balance	<b>57,115</b>	<b>35,459</b>	<b>23,637</b>	<b>(11,822)</b>	<b>33,478</b>
			<b>Total Resources</b>					
			Requirements					
5,904	6,000	(96)	<b>Materials and Services:</b>	24,000	5,904	6,000	(96)	18,000
912	-	912	7000 - Operating Expenses	8,500	912	-	912	8,500
267	285	(18)	7310 - Professional Services	2,500	267	285	(18)	2,215
2,000	-	2,000	7330 - Business Expense	2,000	2,000	-	2,000	2,000
2,000	-	2,000	7360 - Other Sundry	2,000	2,000	-	2,000	2,000
744	-	744	7440 - Water Quality	3,000	744	-	744	3,000
			7450 - Public information					
11,827	6,285	5,542	Total Expenditures	42,000	11,827	6,285	5,542	35,715
-	-	-	Contingency	6,300	-	-	-	6,300
11,827	6,285	5,542	Total Expenditures & Contingency	48,300	11,827	6,285	5,542	42,015
23,632	17,352	6,280	Ending Fund Balance	8,815	23,632	17,352	6,280	(8,537)
<b>35,459</b>	<b>23,637</b>	<b>11,822</b>	<b>Total Requirements</b>	<b>57,115</b>	<b>35,459</b>	<b>23,637</b>	<b>11,822</b>	<b>33,478</b>

These statements unaudited and are preliminary for fiscal year ending June 30, 2019.

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## Strategy Going Forward

- Continue to monitor expenditures and fund balance
- Invoice Members for dues when fund balance drops to around \$5,000
- Continue to earn interest on WRWC fund balance

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## Questions and Answers

### *FY2018 Financial Statements and FY2019 Unaudited Financial Performance*

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## WRWC IGA Revisions Summary

The Agenda for this meeting includes the draft Second Restated IGA for the WRWC. This draft was prepared by TVWD and circulated for review by the Board and Staff. This Summary is intended to assist WRWC representatives in the internal review and comment process for each Party. The major points of the re-write are:

**Recitals.** Recitals D-J were added to update the historical record regarding the creation of the WIF Commission, the soon to be created WWSS Commission and the WRWC primary purpose of water right stewardship. See also Section 4.

**Section 1.7.** Provides clarity on the development and approval of an annual Work Plan, annual budget and payment of allocated cost shares.

**Section 2.** Provides that the WRWC water right will be drawn through the WIF and treated at the WRWTP or the new WWSS WTP prior to delivery to an individual Party's system.

**Section 3.** The current agreement earmarks quantities of the WRWC permit to Sherwood and Tigard. This draft carries over that assignment of volumes of water to Sherwood and Tigard. It also makes an allocation to TVWD now that TVWD is underway to use water. TVWD commits to providing 3.1 MGD from its assigned share if Tualatin requests and meets other conditions. Even with these allocations, there is still remaining water under the WRWC permit. Section 3.5 refers to 24.9 MGD of unassigned water if a Party has unforeseen demands or if WRWC admits a new member.

**Section 4.** The WIF and WWSS design and construction is proceeding with additional non-WRWC parties and via separate agreements. WRWC's primary purpose is management for the water right. When we embarked on this re-write, we thought the project proposal sections could be deleted. However, after more discussion, the collective reasoning of the Parties' staff is that we should continue with a process for making future proposals to use the water and build joint facilities. The proposing Party may proceed individually or in concert with other Parties, but any use of WRWC water, in that proposed facility, must be approved by the WRWC Board. A Party is always free to obtain and use a non-WRWC water right.

**Section 5.** WRWC reiterates that the WRWC permit is regional in nature, and the Coalition should be open to consideration of new members, or contracts for wholesale, mutual aid or emergency supply. Money received from the use of WRWC water should be paid to WRWC, and then the Parties will determine disposition.

**Section 6.** Exit ramps need to be provided: voluntary or involuntary. Sections 6.1 through 6.5 address the voluntary side. Section 6.6 addresses the involuntary.

- A. Section 6.2 provides for capital assets. The first offer must go to WRWC. If WRWC declines, then the other Member(s) may purchase according to the terms as agreed or within 12 months. If not sold, then the withdrawing Party may sell to a non-Party, with approval by the remaining Parties. If no sale occurs, then the Parties must negotiate a mutually agreeable co-ownership agreement.

- B. Section 6.3 provides for the existing water permit. The proposal is that a withdrawing Party shall retain (a) the total amount of water assigned to it for use at the WIF, plus (b) the actual used amount of the total assigned amount outside the WIF. The unused allocated amount would revert to the WRWC pool and be added to the 24.9 MGD unassigned category. The premise is that this right was contributed by TVWD to generate cooperative joint use and not be parceled into separate rights.
- C. Section 6.4 states that new rights or water contracts acquired will always remain with the WRWC.
- D. Example: Tigard wishes to withdraw:
1. Tigard retains 15 MGD (used or unused) of its 26 MGD allocation because it has purchased 15 MGD in capacity at the WIF and needs to obtain the benefit of its capital commitment.
  2. Of the remaining 11 MGD of its allocation, if it has used any of that, it will retain that amount on exit.
  3. If the WRWC has obtained a new right or a contract for stored water, that right/stored water remains with WRWC.
  4. The Parties are free to mutually agree on any deviations.
- E. Section 6.6 provides for involuntary withdrawal upon breach and after dispute resolution. Practically the only area for breach would be failure to pay the allocated share under the work program or improper diversion of water. The latter is highly unlikely and failure to pay would be resolved short of termination.
- F. Section 6.7 provides a typical dispute resolution process similar to the existing agreement.

Sections 7 and 8 are substantially the same as the existing agreement.

**Next Steps:**

- Begin internal review with your staff and policy makers.
- Provide comments back to TVWD by January 16, 2019.
- Be prepared to discuss and come to final recommended agreement at February 12, 2019, WRWC Meeting.
- Refer to Parties for individual approval during March-April 2019.