



WRWC Board Information Packet

Submitted to the WRWC Board in lieu of August 2017 WRWC Board Meeting

NOTE: The August 2017 meeting of the WRWC Board has been cancelled due to lack of agenda topics. This WRWC Board Information Packet has been assembled to provide a brief update on key topics that may be of interest to WRWC Board Members.

Information Packet Contents

1. Draft Meeting Minutes of May 9, 2017 WRWC Board Meeting
2. Financial Report FY 2017 Fourth Quarter (through June 30, 2017)
3. Willamette Governance Group Update
4. Willamette River Basin Review Study Update

Next Meeting

November 14, 2017, 5:30 PM
Tigard Public Works Building
8777 SW Burnham St.
Tigard, OR 97223



Board Meeting Minutes Tuesday, May 9, 2017

WRWC Board Members or Alternates present:

Richard Burke, WRWC Board Chair – Tualatin Valley Water District
Krisanna Clark, Mayor – City of Sherwood
Frank Bubenik, Councilor – City of Tualatin
John Goodhouse, Councilor – City of Tigard

WRWC Member Staff present:

John Goodrich – City of Tigard
Mark Knudson, CEO – TVWD
Clark Balfour – TVWD
Jim Meierotto - TVWD
Cheri Maki - TVWD
Jeff Fuchs – City of Tualatin
Craig Sheldon – City of Sherwood
Dennis Koellermeier – City of Tigard

Guests & Members of the Public present:

Adam Sussman – GSI, Inc.
Owen McMurtrey – GSI, Inc.

Call to Order

Chair Richard Burke called the meeting to order at 5:22 pm

1. Update on the Willamette River Basin Review Process

Jim Meierotto introduced Adam Sussman and Owen McMurtrey of GSI, Inc. Sussman gave an in-depth overview of the reallocation study of the Willamette River Basin. Presentation slides attached.

2. Review and Approval of Board Minutes of the February 1, 2017 Meeting

Burke asked for a vote to approve the minutes of February 1, 2017 meeting. Frank Bubenik requested that his title be corrected to “Councilor” rather than “Commissioner”. There being no further objection to the minutes, Burke declared the minutes approved.

3. Resolution 17-01 – Adopt a New Registered Agent and a New Registered Office

Clark Balfour presented Resolution 17-01, a housekeeping measure to update the Registered Agent and Registered Office. Balfour recommended that the Board appoint Mark Knudson as the new Registered Agent and designate Tualatin Valley Water District as the new Registered Office. Burke called for a vote to adopt Resolution 17-01. It passed unanimously.

4. Report on Third Quarter Financial Results

Knudson presented the Third Quarter Financial Results report prepared by Paul Matthews (see attached). Knudson mentioned that the WRWC has realized a savings associated with having TVWD as the managing agency for the WRWC. Also, he stated that, as recommended by the Board, the WRWC continues to reduce the fund balance by using the money toward administrative costs associated with supporting the business of the WRWC and the efforts of the ongoing Willamette Governance Group negotiations. Knudson stated that there is a chance there may be additional costs in the next fiscal year for WGG negotiations. Since such funds are included in the WRWC 2017-18 budget, TVWD would bill any additional costs directly to partners rather than passing through the WRWC.

5. Willamette Governance Group Update

Knudson reported that there has been tremendous progress in the negotiations for the WGG. Currently, an intake agreement is being finalized between the WRWC members and the cities of Wilsonville, Beaverton and Hillsboro. The City of Tualatin has chosen not to participate. TVWD is working on a draft to brief the city councils and TVWD Board in June with action anticipated in August. Knudson reported that the next steps will be to draft the purchase and sale agreements for the intake capacity itself. TVWD will be selling shares to the WRWC partners, except Tualatin. TVWD, Hillsboro and Beaverton also need to complete a Willamette Supply System Intergovernmental Agreement, which will include the intake, the raw water pipeline, the treatment plant, the storage reservoirs and the pump stations. There will need to be an amendment to the existing Wilsonville and TVWD agreement to include Sherwood and possibly Tigard.

Balfour added that he met with Josh Soper and Barbara Jacobson with the City of Wilsonville and they agreed that the discussions would start no later than January 2018.

Balfour said that there is an issue in the current WGG discussions concerning Wilsonville's belief that TVWD must give them the right of first offer before selling any of its capacity share of the intake facility to the other partners, whereas TVWD believes that all partners should be given equal rights. This issue will be resolved as part of the ongoing WGG process.

6. WRWC Meeting Schedule 2017

Knudson confirmed that for the remainder of the year, the meetings will start at 5:30 on the second Tuesday of August and November.

7. Member Updates/Announcements

Bubenik introduced Jeff Fuchs with the City of Tualatin who has replaced Jerry Postema.

8. Public Comment

There was no public present.

9. Adjournment

The meeting was adjourned at 6.22 p.m.



**WILLAMETTE RIVER WATER COALITION
BOARD MEETING AGENDA ITEM**

MEETING DATE: August 2017

TITLE: Unaudited Financial Report for Quarter and Fiscal Year Ending June 30, 2017

ITEM:

The fiscal year for the Willamette River Water Coalition (WRWC) ended on June 30, 2017 (FY2017). As the managing agency for the WRWC, staff from the Tualatin Valley Water District (TVWD) has prepared an unaudited financial report for the WRWC for the quarter and fiscal year ending June 30. The unaudited results are attached.

In the coming weeks TVWD will undertake steps necessary to close the WRWC's books for FY2017. These steps may include adjustments to the financial results presented here. The WRWC's independent auditor will complete its review and issue its findings later this fall. The findings of the independent auditor will be provided to the WRWC Board.

The WRWC finished FY2017 in good financial condition. Expenditures were under the budget adopted by the WRWC Board at its May 11, 2016 Board meeting. Most of the savings during FY2017 were in professional services for the negotiation of the Willamette Governance Group (WGG). However, the WRWC is also realizing significant savings from the lower cost of administration since the transition of the management of the WRWC to TVWD in January.

Consistent with the fiscal plan presented to the WRWC Board in May 2016, the WRWC's fund balances were reduced during FY2017 from \$65,357 to an estimated \$11,670. The WRWC's actual ending fund balance for FY2017 will be determined once the WRWC's books are closed. Considering the new role of the WRWC, staff recommends the WRWC maintain a fund balance near this level. Interest earned on the fund balance is credited to the WRWC fund and offsets the dues assessed on all WRWC members.



Final WRWC invoices for FY2017 are being mailed to the partners. Consistent with the savings achieved by the WRWC, the dues are less than those included in the budget adopted by the WRWC Board in May 2016.

BUDGET IMPACT: None.

STAFF CONTACT: Paul L. Matthews, paul.matthews@tvwd.org, 503-848-3017

ATTACHMENTS: Unaudited Financial Report for Willamette River Water Coalition

MANAGER APPROVAL:

Chief Executive Officer		General Counsel	N/A
Chief Financial Officer		Director, Water Supply Program	N/A





Willamette River Water Coalition
For the annual budget period ending June 30, 2017
For the quarter ending June 30, 2017

Activity for the Quarter			Unaudited	Annual				
Budget	Actual	Variance	Resources	Annual Budget	Budget To date	Actual	Variance	Remaining Budget
\$ 124,200	\$ 87,709	\$ (36,491)	Revenues					
168	18	(150)	Dues by TVWD & other members	\$ 277,160	\$ 277,160	\$ 105,709	\$ 171,451	\$ 171,451
124,368	87,727	(36,641)	Interest on Investments	673	673	280	(393)	393
148,907	(12,107)	(161,014)	Total Revenues	277,833	277,833	105,989	171,058	171,844
273,275	75,619	(197,656)	Beginning Fund Balance	57,647	57,647	65,357	7,710	(7,710)
			Total Resources	335,480	335,480	171,346	178,768	164,134
			Requirements					
			Materials and Services:					
12,000	6,000	6,000	7000 - Operating Expenses	48,000	48,000	36,000	12,000	12,000
217,499	56,894	160,605	7310 - Professional Services	220,000	220,000	116,585	103,415	103,415
2,475	1,056	1,419	7330 - Business Expense	9,900	9,900	6,591	3,309	3,309
2,175	-	2,175	7360 - Other Sundry	8,700	8,700	-	8,700	8,700
1,248	-	1,248	7440 - Water Quality	5,000	5,000	-	5,000	5,000
1,998	-	1,998	7450 - Public information	8,000	8,000	500	7,500	7,500
237,395	63,950	173,445	Total Expenditures	299,600	299,600	159,677	139,923	139,923
-	-	-	9990 - Operating Contingency	-	-	-	-	-
237,395	63,950	173,445	Total Expenditures & Contingency	299,600	299,600	159,677	139,923	139,923
35,880	11,670	24,210	Ending Fund Balance	35,880	35,880	11,670	24,210	24,210
273,275	75,619	197,656	Total Requirements	335,480	335,480	171,346	164,134	164,134

These statements unaudited and are preliminary for fiscal year ending June 30, 2017.



WILLAMETTE RIVER WATER COALITION STAFF REPORT

DATE: August 2017

TITLE: Willamette Governance Group Update

ITEM:

Staff from TVWD and the cities of Sherwood and Tigard continue to participate in the Willamette Governance Group (WGG). The WGG effort is intended to draft the agreements necessary to establish the governance for future construction, operation and management of the Willamette water supply and associated improvements. Additional parties included in the WGG process include the cities of Hillsboro, Beaverton and Wilsonville.

The City of Tualatin elected to discontinue active participation in the WGG process as of August 2016; however, Tualatin staff continues to receive routine updates on progress and work products of the WGG.

During the past quarter, the WGG has focused on drafting an intergovernmental agreement for the Willamette Intake Facility (WIF IGA). The scope of this proposed IGA is limited to the intake facility at the Willamette River Water Treatment Plant (WRWTP) in Wilsonville and associated improvements to the intake. The proposed WIF IGA does not include the new water treatment plant, raw and finished water transmission pipelines or terminal storage reservoirs associated with the Willamette Water Supply System (WWSS). Negotiation of a WWSS IGA will begin after adoption of the WIF IGA.

The WGG has made significant progress in drafting the WIF IGA. Although a few issues have yet to be resolved, the WGG anticipates the draft WIF IGA will be ready to present to governing councils and boards for each party to the WGG later this fall. This review and approval process will also include consideration of a purchase and sale agreement for each party to purchase capacity in the intake from TVWD.

To date, TVWD's, Sherwood's and Tigard's cost shares for facilitation of the WGG process were paid through the WRWC. Due to delays in completing the final negotiation of the WIF IGA, some additional facilitation costs will be incurred in FY 17-18. These additional costs were not included in the WRWC Adopted Budget for 2017-18. Therefore, TVWD will invoice Sherwood and Tigard for these costs once they have been invoiced by the facilitator for the WGG negotiation.

The anticipated WGG parties' shares of these additional costs are summarized below.

Willamette Governance Group Update

August 2017

Page 2 of 2

WGG Party	WGG Facilitation Cost Share for FY 2017-18
Sherwood	\$2,097.91
Tigard	\$3,053.01
TVWD	\$6,193.00
Beaverton	\$3,027.26
Hillsboro	\$3,572.50
Wilsonville	\$2,056.32
Total	\$20,000.00

WRWC Board Members from Sherwood and Tigard are encouraged to check with their staff representatives to the WGG to obtain additional updates on details of the ongoing negotiation of the WIF IGA.

Staff will continue to track progress on this important issue and keep the WRWC Board updated on notable developments.

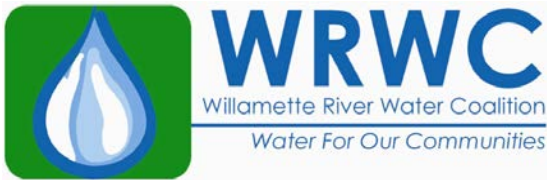
STAFF CONTACT: Mark Knudson, mark.knudson@tvwd.org, 503-848-3027

ATTACHMENTS: None

MANAGER APPROVAL:

Chief Executive Officer	<i>mk</i>	General Counsel	<i>CB</i>
Chief Financial Officer	N/A	Director, Water Supply Program	N/A





WILLAMETTE RIVER WATER COALITION STAFF REPORT

DATE: August 2017

TITLE: Willamette River Basin Review Study Update

ITEM: TVWD staff continues to track progress on the Willamette River Basin Review Study. This work was the subject of a briefing to the WRWC Board at its May 9, 2017 meeting.

The Reallocation Subcommittee, which includes various stakeholders, met with the Army Corps of Engineers (Corps) and the Water Resources Department (WRD) in late June to get an update on the Willamette Reallocation study and status. Niki Iverson, Water Resources Manager at the City of Hillsboro, attended the subcommittee meeting and provided the following update:

- The Corps has nearly completed their efforts to submit the Tentatively Selected Plan to headquarters which is due July 5.
- The Tentatively Selected Plan includes reallocation for Municipal and Industrial (M&I), Agriculture and Fish uses to 2050 demands. The remaining amount will go into a joint use pool for future potential allocation if needed. The Corps sees the 2050 demands as the most defensible option given the potential for speculation arguments that could be made for the 2070 demands and that it is also consistent with their climate change guidance.
- The Plan will go out for concurrent reviews by other state and federal agencies in September and will also include a public review at that time. We will need to review and get our comments in then.
- The Corps only anticipates needing an Environmental Assessment (EA) and not a full Environmental Impact Statement, since they are just allocating existing storage. They feel their case is strong and would be hard to challenge. This is good for us since an EA is a much easier, faster and cheaper process.
- We discussed the Oregon Water Utility Council's comments on the municipal demands, especially my concern that climate change was not included in the demand projections, but that they included the climate change impacts for agricultural demands. They also included a conservation reduction, which I think we could agree to if they included the climate change increase as well. They will take a look at the Portland study, but it is unclear whether they will include it at this time. We may need to comment on this issue.
- We also discussed the communities that are highly unlikely to acquire stored water and may cause outside organizations to question the validity. The removal of those communities only constitutes approximately 1,000 acre feet.

- The following draft allocation numbers were shared for the 2050 demands:
 - Municipal & Industrial – 73,000 acre feet
 - Agricultural – 290,000 acre feet
 - Fish – 920,000 acre feet
 - The fish demands are based on the Biological Opinion (BiOp) numbers and will stay that way going forward. They increased due to the lack of supply available from the 2015 drought. The fish group (SWIFT) has not come up with any specific recommendations. Their goal is to look at implementing the Reasonable and Prudent Alternatives in the BiOp and not to look at changing the storage volume. It is unclear if all of the members of the group understand that though.
 - However, the Corps is making a strong recommendation that ALL uses share the pain and curtailment equally in a drought scenario. This is due to extensive modeling that shows that the M&I and Ag curtailment has little impact or benefit to the fish target flows in those drought years.
 - Also, the curtailment would come out of the joint use pool before any uses are cut. Water that is not contracted for, even in allocated uses, would also be curtailed prior to any contracted water.
 - The Corps made some assumptions on “redundant” supply not needing this allocation and could use surplus water contracts. I was unclear on this methodology and mentioned that it might actually be the opposite. They did not think municipalities would contract for stored water before they need it, and I said that is not usually the case for some communities, who may choose to contract for the water in order to make sure that they get stored water before it is all allocated.
 - They were looking for any data from a community where they had to build pipelines to other supplies instead of using stored water from the projects. The only community I could think of was the City of Veneta that built a pipeline to Eugene Water and Electric Board. They said that they would like to see the cost information so they could use that to justify the need and cost comparison for storage. Adam and I will follow up with Brad Taylor to see how to obtain this information.
 - The Corps will charge M&I for the updated cost of construction for the storage (full replacement costs) and for repairs. We had a long discussion since I think this is double dipping. These are their rules, but there have been two cases where they have been modified through the legislation. One was in Kansas and was pushed by Bob Dole, and the argument there was since the state was the broker the water could be cheaper. The other was Chatfield(?) in Colorado and they successfully made the case that since the stored water was not fully reliable that the cost should be modified. We might have a good argument. As you may recall, the cost is approximately \$2,500 per acre foot which could be paid over 30 years with a low interest repayment contract, and then only operations
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Willamette River Basin Review Study Update

August 2017

Page 3 of 3

and maintenance costs after that time. They received advice from headquarters that they should use the updated cost of storage even though M&I was an original authorized use but it was not allocated for originally. There may be several areas where we could make some solid arguments to reduce the cost here.

- The Corps will need a waiver to complete the reallocation for Safety of Dams (SOD). They are investigating the repairs (Issue Evaluation Studies) needed for seismic upgrades, and four or five of the dams have a moderate to high risk rating. Another good piece of news was that SOD cost allocation to contract holders was only 15%, but we should make sure to confirm all of these assumptions in writing.
- The entire reallocation process requires federal legislation, not the municipal contracting program only. They will include pricing for the uses in the legislation and it will likely be rolled into the following Water Resources Reform and Development Act legislation.
- Laurie Nicholas is now the Project Manager for the Willamette River Basin Review Study. She used to manage the modeling group.
- I believe that the Corps has done a good job in creating a defensible argument to allocate the stored uses given the challenges that this could face legally. More may be worked out through the legislation. Trying to fight for less water for fish will be extremely challenging given the fact that those are based on the Endangered Species Act. I think our focus should be on maintaining or increasing our own supply and focusing on the cost of the stored water contracts. We will also need to schedule meetings with our delegation staff to update them on our views once our comments are developed.

Staff will continue to track progress on this important issue and keep the WRWC Board updated on notable developments.

STAFF CONTACT: Jim Meierotto, jim.meierotto@twwd.org, 503-848-3036

ATTACHMENTS: None

MANAGER APPROVAL:

Chief Executive Officer	<i>ME</i>	General Counsel	<i>CB</i>
Chief Financial Officer	N/A	Director, Water Supply Program	N/A

