



CITY OF West Linn

TO: Mayor John Kovash and City Councilors

Cc: Chris Jordan, City Manager
Ken Worcester, Interim Public Works Director
Richard Seals, Chief Financial Officer
Jim Whynot, Water Operations Supervisor
Utility Advisory Board Members

FROM: Utility Advisory Board

SUBJECT: RECOMMENDATIONS REGARDING WATER SYSTEM PROJECTS

The Utility Advisory Board (UAB) of the City of West Linn reviewed the capital needs of the City's water system and studied various funding mechanisms. Therefore, at the UAB meeting of February 7, 2012, the board members voted in favor of the following recommendations to the Mayor and City Councilors:

Bolton Reservoir

The Utility Advisory Board recommends the City Council consider the Bolton Water Reservoir as the #1 Public Works Project the City faces for health and safety of the West Linn Citizens.

Line Replacement

Since there is a recent shortfall in water revenues, and at the same time more maintenance is required on the City's aging water system, the Utility Advisory Board recommends a rate increase that would exceed the maximum allowable increase of five percent without approval by West Linn voters. The additional revenues from the rate increase would allow the City to bring its maintenance and repair of water lines into compliance with recommendations set forth in the City's Water Master Plan and Six Year Capital Improvement Plan. The Financial and Engineer Departments can identify the actual rate increase needed and present that to the Utility Advisory Board for its consideration.

Funding Options

The UAB voted on the best means to fund the replacement of the Bolton Reservoir and replacement of water lines in West Linn's water system. The members of the UAB could not reach consensus at this time on a common financing strategy for the replacement of the Bolton Reservoir.

Three members of the UAB voted to recommend that the replacement of the Bolton reservoir should be financed with long-term general obligation bonds in an amount of approximately \$8 million to \$9 million and the replacement of water lines should be financed with revenue bonds. The city council and staff should determine the amount and timing of the financing for the revenue bonds.

Another three members of the UAB voted to recommend that the replacement of the Bolton reservoir and water lines should be financed with revenue bonds. The City should structure voter approval of the financing of the two projects with two separate bond measures. Two separate measures would enable the voters who support one project but not the other to make that distinction. The amount of financing for the replacement of the Bolton Reservoir should be approximately \$8 million to \$9 million. The amount of financing of the water line replacement projects should be determined by staff.

Two of the members who had voted for financing both projects with revenue bonds also voted for financing the two projects with one revenue bond measure, which would allow voters only a single vote to approve or disapprove the financing of both projects. These UAB members favored a single revenue bond measure make the vote simpler and, hopefully, to reduce voter confusion about the bond measure.

Although the UAB members differ on the means for the City to finance the replacement of Bolton reservoir at this time, they all agree that the financing of the replacement of the water lines should be done with revenue bonds. Additionally, they all agree that replacement of the Bolton reservoir should be given the highest priority for the City Council to protect the health, safety, and welfare of West Linn residents. The UAB members will continue to try during the next few months to reach consensus on a common recommendation for the financing of the Bolton Reservoir replacement.