



Memorandum

Date: July 13, 2012

To: John Kovash, Mayor
Members, West Linn City Council

From: Chris Jordan, City Manager *ep*

Subject: July 16 Work Session

The City Council is scheduled to meet in a work session at 6:00 on Monday, July 16, 2012. The attached agenda includes:

- **Economic Development**
Economic Development Director Chris Kerr will present information about his plans for pursuing the Council's goal of taking a leadership position in the City's economic development efforts. Also, as part of the continuing education of the Council, staff, and community about economic development Chief Financial Officer Richard Seals will discuss one of the many financial tools available to cities.
- **Communications Presentation**
Assistant City Manager Kirsten Wyatt and Management Analyst Elissa Preston will discuss the status of implementing the City's Communications Plan.
- **Budget and Management Presentation**
Assistant City Manager Kirsten Wyatt will discuss her plans for the Budget and Management Team and how she intends to involve the community and staff in helping to set a course for achieving a sustainable financial future for the City.
- **2012 Second Quarter Council Goals Update**
- **Contracting for a Franchise Negotiator**
I mentioned at the last two Council sessions that I would be soliciting proposals from consultants willing to represent the City in negotiations with the Lake Oswego-Tigard water partnership on a franchise or license agreement for the use of our right of way. We attempted to solicit proposals from as many as five interested parties and have received the attached proposals from three excellent candidates (resumes in front followed by the proposal). I would request that the Council review these proposals and provide guidance to me as to your preferred consultant. I will then enter into a contract with that individual to provide us with this service.

It is my understanding that some members of the Council may wish to discuss the Utility Advisory Board's position pertaining to a ballot measure for water system improvements. If any member of the

Council would like the Council to consider a proposal for the November ballot, the Council will need to give staff direction to prepare a resolution for Council consideration on August 13.

Attachment

Larry G. Patterson

1909 NW Rimrock Road
Bend, OR 97701
503.424.8921
larrypattersonconsulting@gmail.com

Summary of Qualifications: My municipal career has spanned 36 years, 5 different cities in two different states. I have served as City Manager 23 of these 36 years. These cities range in population size from 20,000 to 60,000 with operational budgets ranging from 20 million to 150 million. Four of the five cities were county seats.

Employment History

Employer: City of Ashland

Position: Interim City Manager

Dates: Nov 2011 --- Feb 2011

Summary: Ashland is a full service city with a residential population of approximately 20,000. Ashland's service responsibilities beyond traditional city services include electrical distribution, broadband, ownership of hospital and Shakespeare Festival facilities.

Employer: Leland Consulting Group

Position: Managing Principle

Dates: May 2010 --- Present (Part-Time)

Summary: Leland Consulting Group provides consulting services to local government and private developers on development, redevelopment, downtown revitalization projects and municipal management issues. Projects I have been involved in:

- Facilitated City of Bend Public Safety Funding Committee
- Quick Strike Urban Renewal Plan Analysis and Update for City of North Bend
- Eugene Electric Coop Riverfront Development Project Analysis
- Mill Creek Strategic Plan

Employer: City of Oregon City, Oregon

Position: City Manager

Dates: January 2003 --- April 2010

Summary: Oregon City is a full service city with a residential population of 30,940 and a functional population of approximately 55,000. Oregon City is the County Seat of Clackamas County and home to the administrative campus of Clackamas County, the county courthouse and affiliated offices, Clackamas Community College, and Willamette Falls Hospital.

Employer: Patterson Parks, L.L.C.

Position: Partner

Dates: September 2002 --- January 2003

Summary: Patterson Parks L.L.C. provided consulting services to several cities through Oregon and in Texas. Patterson Parks provided services in executive recruitment, board governance and training, goal setting, project analysis and solutions.

Employer: City of Weatherford, Texas

Position: City Manager

Dates: July 2001 --- August 2002

Summary: Weatherford, Texas is the County Seat of Parker County. Weatherford is home to Weatherford College, Parker County Court House and various county offices. Weatherford is a strong farming and ranching community and boast of being the quarter horse capital of the world.

Employer: City of Bend, Oregon

Position: City Manager

Dates: December 1986 --- January 2001

Summary: Bend, Oregon is a city with a residential population of 78,000 and a functional population of 225,000. Bend is the county seat of Deschutes County and home to Central Oregon Community College, St. Charles Hospital, Deschutes County court system and administrative offices, and the county correction facilities. Bend has a diverse economy with a strong tourism component and a very active downtown.

Employer: City of Baytown, Texas

Position: Assistant City Manager 1981-1986

Personnel/Civil Service Director 1976-1981

Dates: January 1976 --- November 1986

Summary: Baytown, Texas is a full service city that had a residential population of 60,000 in 1986 and a functional population of 200,000. Baytown is home to a several petro-chemical industries with an assessed value of over \$1billion.

Employer: City of Huntsville, Texas

Position: Administrative Intern

Date: January 1974 --- September 1974

Summary: Huntsville, Texas is a full service city that had a residential population in 1974 of approximately 15,000 residents. Huntsville is the County Seat of Walker County and home to the county court system and administrative offices.

Additionally, Huntsville is home to Sam Houston State University and the major campuses of the Texas Department of Corrections including the well-known Walls Unit.

Other Employment of Note

- Instructor, Central Oregon Community College, 1996 & 1997
- Graduate Assistant Sam Houston State University, 1975

Summary of Significant Accomplishment

Below is a list of some of the significant projects that have marked my career. Recognizing that these accomplishments are a result of a team effort involving City Councils, staff, and citizens, I did maintain a significant role providing key leadership and management.

- Oregon City, OR: Turned around major General Fund financial crisis and built strong ending fund balance, while improving city services and not levying full tax rate.
- Oregon City, OR: Developed plan and financing for purchase of historic building and remodel for new City Hall.
- Oregon City, OR: Developed and implemented new economic development strategy for city combining over 20 various plans into single strategic plan.
- Oregon City, OR: Expanded urban renewal debt limits from \$28m to \$130m enabling city to provide development as regional center
- Oregon City, OR: Annexed City to rural fire district.
- Oregon City, OR: Implemented major capital improvement program that resulted in several major road projects and two new parks. The parks were the first new parks built in 23 years.
- Weatherford, TX: Development financing plan for purchase and operations of Chandor Gardens
- Weatherford, TX: Worked with youth committee to develop a skateboard park and developed plan to monitor behavior to gain support of community for park and the activity.
- Weatherford, TX: Improved budget and eliminated deficit spending.
- Bend, OR: Managed city through major growth decade, which include City expansion, major infrastructure and capital improvements, and downtown revitalization. The capital improvements included the Bend Parkway development, Portland/Olney east west connection and Westside Consortium development (see bullet below), which improved the city's transportation system and traffic circulation.
- Bend, OR: Develop stable funding approach that provided City with strong financial position and significant reserves.
- Bend, OR: Annexed City's Urban Growth Boundary, which involved 11 square miles and 12,000 citizens.
- Bend, OR: Develop plan, gained approval for construction of new City Hall in 1988.
- Bend, OR: Negotiated agreement between City of Bend and Deschutes Rural Fire District #1 that provided formula for financing Fire Service that enabled City and District to build 3 new fire stations and a fire administration building, remodel two additional stations, and replace fire fleet with new and standardized fire equipment within existing budget.
- Bend, OR: Developed plan that lead to creation of West Side Consortium, a consortium of development interest, that resulted in the financing of \$21m in

road construction on city west side that allow for the development of the NW Crossing and the multiple round-a-bouts, which are the prevalent major intersection design on Bend's west side, along with the Southern River Crossing.

- Bend, OR: Updated the urban renewal plan, and implement initial projects that began the revitalization of downtown Bend.
- Baytown, TX: Developed plan and programs for implementing first Human Resources Department for City with employee base of 500 FTE and an additional 100 to 150 seasonal employees.
- Baytown, TX: Assisted with the managing of multiple community wide emergency management situations including major destruction brought about by Hurricane Alicia and the recovery efforts required to get City functional.
- Baytown, TX: Lead task force to resolve issues with Hispanic community
- Baytown, TX: Developed and implemented city ambulance service within 30 days after contracted ambulance service left town without notice.

West Linn Water Line Negotiations

Tasks	Description
1. Staff & Council Interviews	Interviews with key staff and City Council to gain perspective of project and West Linn's expectations of a successful resolution. The interviewees should include: City Manager, City's Attorneys, Public Works Director, Finance Director, and City Councilors.
Estimated Hours:	6 - 10 hours
2. Meetings with Lake Oswego	Meetings with Lake Oswego representatives to arrive at an agreement
Estimated Hours	8 - 10 hours
3. Negotiation Management	<ul style="list-style-type: none"> • Review of meetings with Lake Oswego representatives with City Management and Legal • Updates to City Council to insure agreement and receive direction • Provide agreement details to legal so contract can be prepared • Provide feedback to public and neighborhood (When possible and if desired)
Estimated Hours	5 - 10 hours

Estimated Hours	19 - 30
Estimated Costs	\$2,375 - \$3,750
Travel Costs (Based on 6 trips with 3 overnight stays)	Actual costs not to Exceed \$1,000

Bruce A. Warner
7356 NE Cherry Drive
Hillsboro, Oregon 97124
Email – warnerba@hotmail.com
503-709-1225

Summary of Qualifications

- Over 35 years of directorial experience in a broad range of public works, public administration, economic development, land-use, and transportation-related positions
- Proven record of innovative financing, public-public and public-private partnerships
- Solid experience and success working with elected and appointed officials at all levels of government
- Commitment to customer-service and continual improvement in provision of service to the public
- Extensive knowledge of and experience with Oregon's land use, development and construction laws and requirements
- Commitment to preserving Oregon's quality of life for future generations

Work History

President – Warner Group LLC -- Hillsboro, Oregon (11/11 to Present) The Warner Group LLC was established to provide local governments and private developers with ongoing management, project development/management and problem-solving assistance. The organization assists local governments and private developers in moving important public and private projects from idea to completion.

Interim City Manager – City of Hillsboro -- Hillsboro, Oregon (1/11 to 9/11) At the direction of the Mayor and City Council, managed and directed the operations of this full service city including Police, Fire, Water, Public Works, Parks and Recreation, Library and Economic Development Departments. Major projects were to successfully hire a new Fire Chief, develop the city's 2012/2013 budget, assist in recruiting and hiring a new city manager, and improve communications between staff and elected officials.

Executive Director - Portland Development Commission -- Portland, Oregon (8/05 to 1/11) At the direction of the Commission, direct the City of Portland's economic development and urban renewal agency with an annual budget of \$250 million and a staff of about 200. The Commission is responsible for development/redevelopment, economic development, business assistance and housing programs. PDC does its work through public-private partnerships to achieve the city's goals for community livability, economic opportunity and sustainability.

Director – Oregon Department of Transportation – Salem, Oregon (3/01 to 8/05)
At the direction of the Governor, led and managed a department with a biennial budget of almost \$4 billion and a workforce of 4800. ODOT is responsible for regulation, planning, design, construction and operation of a multi-modal transportation system, including highways, transit, rail, and motor carriers, with a mission to support Oregon's economic opportunities and livability. ODOT's policies and direction are guided by a 5-member commission.

Chief Operating Officer – Metro -- Portland, Oregon (1/97 to 3/01)

At the direction of the elected Executive Officer, managed the overall operations of Metro, its departments and programs. Metro is an elected regional government with an overall annual budget of about \$400 million and staff of approximately 700. The organization is responsible for regional solid-waste disposal and recycling services, the Oregon Zoo, regional land-use and transportation planning, parks and greenspaces programs, and exposition/convention facilities. (Served as Director of Regional Environmental Management for first 1½ years with Metro)

Region Manager - Oregon Department of Transportation - Portland, OR (1/93 to 1/97) Led and managed ODOT's regional operations in Washington, Multnomah, Clackamas, Hood River, and Columbia counties. Administered annual budget of \$140 million and oversaw the operations of 660 employees. Acted as department's legislative and congressional liaison for regional transportation issues related to highway and light-rail projects.

Director- Land Use and Transportation, Washington County - OR (1/84 to 1/93)

Led and managed a county department with 300 employees and an annual budget of over \$100 million. Directed operations related to comprehensive land use planning, land development, construction permits/inspections, code enforcement, engineering, survey, road operations and maintenance, and capital improvements. Worked with the region and state to develop and implement funding for major highway, road, and light rail projects.

City Engineer/Building Official - City of Hillsboro - Hillsboro, OR (1979 to 1984)

Administered and supervised city engineering, building and public works departments. Developed and implemented city's Capital Improvements Program for street, sewer, water, and storm sewer facilities.

Sanitary Engineer – US Army Corps of Engineers - Portland District (1974-1979)

Served as project manager of the federally required Section 208 Wastewater Management and Water Quality elements of the Portland-Vancouver Metropolitan Area Water Resources Study. Designed and managed construction of various projects throughout Oregon and Washington.

Credentials:

- Registered Professional Civil Engineer

Education:

B.S.C.E. – University of Washington, Seattle, WA (1972)

Graduate Studies in Sanitary Engineering – University of Washington (1973).

Professional/Community Associations:**Past**

Board/President – SOLV

Chair – AASHTO's National Standing Committee on Highway Traffic Safety

Board – Work Systems, Inc.

Board – Portland Business Alliance

Current

Board -- Volunteers of America, Oregon

Board/President -- TriMet

WARNER GROUP LLC

7356 NE Cherry Drive
Hillsboro, OR 97124

July 12, 2012

Mr. Chris Jordan
City Manager
City of West Linn
22500 Salamo Road
West Linn, Oregon 97068

Dear Chris:

I enjoyed talking with you and Kirsten about the City of West Linn's effort to develop a new franchise agreement with the South Fork Water Board. I understand that you would like the services of a qualified and neutral individual to lead the development, negotiations, and approval process for this agreement.

From our discussions and various public information sources, I understand the challenges and opportunities presented by the Water Board's proposed major system construction project. I also recognize the need for the City to be proactive to mitigate concerns of neighborhood residents and ensure that the City is fairly compensated for the Water Board's use of public right-of-way to construct, maintain and operate their water system within the City.

You have asked that I prepare a proposal to provide the City the services necessary to successfully develop, negotiate, and complete this new franchise agreement. This correspondence outlines the complete scope of work you requested, including objectives, procedures, identification of responsibilities, and estimated fees.

OBJECTIVE

The objective of the proposed scope of services is to successfully develop, negotiate and complete a new City of West Linn franchise agreement with the South Fork Water Board, which can be adopted by the West Linn City Council. The work proposed assumes that key city staff and your legal, planning and outreach consultants are available to assist during the drafting and development of this important document. The new franchise agreement will not only describe the standards for use of the City's public rights-of-way, but will propose the methods and metrics that will be used to charge for the use of the City's rights-of-way.

A secondary objective is to help the staff and City Council respond to concerns that allowing the Water Board to construct, operate and maintain their water infrastructure in the city provides no demonstrable benefit the City of West Linn. This proposed new franchise would also be part of an overall multi-part effort to address public concerns.

SCOPE OF SERVICES

The scope of service proposed to meet the above-noted objectives includes, at least, the following tasks:

1. Meeting with appropriate City staff to fully understand the current status with the Water Board's proposed projects and the concerns outlined by the public and others. This phase would also include clarification of desired elements of a proposed franchise agreement and the nexus between the water systems installed in the City's right-of-way and any proposed fee or revenue expectations.

2. Meet with the City's planning and outreach consultants, currently working with neighborhood groups impacted by the expansion of the Water Board's water treatment facility and upgraded transmission lines. This task will clarify how the proposed new franchise agreement may or may not complement on-going land-use applications before the City of West Linn.
3. Contact the Water Board to determine which staff from each member city must be involved in the development, review and negotiation of the proposed new franchise agreement. After identification of the key staff, a meeting will be called to outline roles, responsibilities, process and timeline for moving the franchise agreement forward to the West Linn City Council.
4. Work with the City's legal firm and appropriate City staff to prepare a draft franchise agreement.
5. Review the draft franchise agreement with key City staff and assigned City Council members to ensure their understanding and agreement on the general direction, the financial and technical elements of the draft franchise agreement, before distributing the draft to the Water Board.
6. Distribute the draft to the South Fork Water Board for their review and comment. Schedule and begin negotiation sessions with the Water Board's representatives to finalize the franchise agreement for consideration by the West Linn City Council.
7. Prepare staff reports and final franchise agreement with the help of the city's legal firm and schedule for council action. The staff report will outline any unresolved policy issues and make a recommendation for the council on these issues.
8. Attend briefing and council meeting to answer questions or discuss the proposed franchise agreement.
9. Provide weekly updates to the City Manager and Council as the work progresses. This task will also include any further outreach as requested by the city or their consultants to address public or neighborhood questions or concerns about the franchise agreement.

CITY RESPONSIBILITIES

In order to be successful, it is critical that key City staff are continuously engaged and available to assist at critical times in the development, negotiations and approval of the proposed franchise agreement. It is also important that there is close coordination and collaboration with and between other consultants engaged in the legal and outreach efforts for the Water Board project's land-use applications and hearings. Access to your legal team and their ability to prepare legal documents will be very important to meet your expected timeline for completion of this agreement.

It is my expectation that the City will reproduce documents necessary for dissemination to the public or the City Council. In other words, I have not included any work tasks or cost for reproductions other than those needed to complete the work tasks with the key entities.

SUMMARY

I have attached a breakdown of anticipated hours for each of the work tasks identified above. These are my estimates based upon our brief conversations. It is my expectation that we would review the tasks and my estimate of time to complete them to determine their accuracy.

The costs for these professional services are based upon an hourly rate of \$180 per hour.

I have attached my work history and qualifications for your information. I believe I have the background and experience to help you and the City of West Linn with this important project. If after reading this proposal, you have any questions or would like to discuss my approach to the work, please call me at 503.709.1225.

Thanks for the opportunity to work with you and the City on this franchise development project.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Warner", with a long horizontal line extending to the right.

Bruce A. Warner
President

Enclosure

The Warner Group LLC

7356 NW Cherry Drive
Hillsboro, OR 97224
503.709.1225

Task 1 --Meet with City Staff	4
Identify Roles/Responsibilities	
Understand Current Environment	
Define Franchise Elements/Fees/Revenue	
Establish/Verify Schedule	
Task 2 --Meet with City's Consultants and Others	5
Understand Water Project Status/Schedules	
Clarify Franchise Agreement Expectations	
Ensure Common Messages to Public Groups	
Task 3 --Meet/Coordinate with South Fork Water Board	4
Define Expectations	
Establish Roles and Responsibilities	
Clarify Expected Timelines	
Define Process for Negotiations	
Task 4 --Work with City's Legal Team on Draft Franchise	10
Agree on Franchise Template	
Clarify Roles/Responsibilities for Document Development	
Set Timelines for draft Franchise Draft	
Review Drafts and Edit as Needed	
Task 5 --Review Draft with Key City Staff and Council	4
Ensure Understanding of Draft Franchise	
Obtain General Agreement to Major Policy Issues	
Task 6 --Distribute Draft Franchise and Negotiate Agreement	24
(6 to 8 meeting with SFWB @ 3 hours each)	
Task 7--Prepare Staff Reports and Final Franchise Agreement	6
Outline any Unresolved Policy Issues	
Make Recommendations to the City	
Task 8--Attend Council Briefings and Formal Meetings	4
Task 9 --Provide On-Going Progress Reports	6
(Meet with key staff and interest groups as necessary)	
TOTAL ESTIMATED HOURS	67
TOTAL ESTIMATED FEES	\$12,060

Presentation of Qualifications

A. Andrew "Andy" Parks, CPA

Summary of Qualifications

A proven executive with more than twenty-five years experience in local government and the private sector. My public sector experience includes service as a city administrator, assistant city manager, chief financial officer and finance director. In the private sector; founded CiviData, LLC, a data aggregation firm, co-founded GEL Oregon, Inc., a consulting and executive recruiting firm serving local governments; served as VP of Sales and Marketing for Avenir Systems, and retain my certified public accountant credential.

Professional Experience

Founder/CEO **8/2010 – present**
CiviData, LLC.

CiviData is the first company to automate data aggregation and analysis of comparative benchmarking data for local governments and public utilities. Our service significantly reduces staff time and cost to perform this critical function to inform decision makers.

President **6/2002 – present**
GEL Oregon, Inc.

Co-founded professional services firm that provides financial and management consulting for local governments.

- Municipal debt finance consulting
- Outsourced general manager
- Outsourced CFO
- Best practice budget development
- Policy review and implementation
- Department operational assessments
- Business plans for City services
- Annexation evaluations, strategy development and implementation
- Evaluated leisure services (parks and library) organizational structure
- Franchise agreements and audits
- Expert witness
- System Development Charge methodology studies
- Lead lobbying effort for affordable housing development

Director of Financial Services **2/2009 – 1/2010**
City of Bremerton, Washington

Bremerton is a full service municipality with a 2010 budget of \$145 million (\$39 million in capital improvements) and 356 employees. I accepted the appointment to assist the city with its redevelopment and economic development efforts, oversee human resources, city clerk, public television and conference center functions, and develop a strategy to address a significant revenue shortfall for 2009 that was anticipated to continue into subsequent years. The Mayor that recruited me resigned shortly thereafter. I remained committed to the organization through the 2010 budget adoption and election and transition of new Mayor.

- Identified \$3.9 million general fund budget and structured Mayor's plan to address gap within first month on job
- Negotiated labor concessions with three of four bargaining units and management/non-represented staff

- Performed department assessment, initiated department reorganization and established work plan for various functions of department
- Scoped City's Revitalization Financing to respond to opportunity provided by State legislature
- Completed parking study
- Closed \$4 million 2010 general fund budget shortfall without layoffs, reductions in service or new taxes
- Restructured agreement for photo enforcement resulting in annual savings of \$92,000 (17%)
- Gained support for an organizational effectiveness and efficiency study
- Restructured debt, improving annual cash flow by more than \$300,000
- Rewrote budget document to improve its use as a communications tool

**Vice President, Sales and Marketing
Avenir Systems, LLC**

8/2001 – 6/2002

I acquired a minority ownership interest and had company-wide responsibility for software and hardware sales and marketing. I sold my interest to an investor I recruited.

- Set up sales and marketing division
- Established client communications
- Performed needs assessments
- Prepared, executed business plan
- Prepared Sales Proposals
- Customer advocate

**Interim City Administrator
City of Madras, Oregon**

1/2001 - 7/2001

Provided administrative leadership and services to this rural city of 5,230 residents. The City experienced turnover in six of seven elected positions in November 2000 and terminated the services of the previous administrator in January 2001. My key responsibility was to restore the community's confidence in the City.

- Established confidence of Council and community in staff and vice versa
- Implemented best practices budget
- Updated transportation system plan
- J Street modernization project
- Transient room tax increase
- Developed annexation strategy
- Negotiated agreement with State Prisons for connection to City sewer
- Completed wastewater treatment plant
- Updated lease and development requirements for airport
- Established strategy for City to become sole owner of airport

Assistant City Manager/Chief Financial Officer 10/1998 – 6/2001

Finance Director

7/1993 – 10/1998

Assistant Finance Director

8/1988 – 6/1993

City of Bend, Oregon

Bend is a full service municipality with a fiscal year 2001 budget of \$107 million (\$35 million in capital improvements) and 354 FTE's. The city grew from 20,000 to 53,000 residents during the 1990's. Areas of responsibility; budget, accounting, investment and cash management, risk management, information technology, payroll, purchasing, utility and accounts receivable, accounts payable, airport, municipal court, and downtown parking.

- Led effort to form downtown redevelopment strategy
- Realized 45 percent reduction in property tax rate
- Key team member that secured annexation of urban growth boundary
- Developed financing plans for police and fire projects without new taxes
- Implemented performance measures
- Manager Bend Airport July 1996
 - Actively recruited businesses, doubling businesses and hangars
 - Secured \$908k in grants to fund \$2.3 million of infrastructure improvements, negotiated lease for \$5.5 million facility, secured complex land use approvals
 - With airport advisory committee updated development and operating standards and leases
 - Updated airport layout-plan and long-range financial forecasts
- Key member of labor negotiation and arbitration team
- Earned Government Finance Officers Association Certificate of Excellence in Financial Reporting for each report beginning in 1993
- Earned GFOA Distinguished Budget Presentation Award for each budget beginning in 1999
- Issued over \$40 million in bonds
- Secured bond rating upgrade
- \$20 million public/private infrastructure funding partnership
- Increased interest earnings by writing investment policy and actively managing investments
- Implemented financial policies and accounting systems
- Initiated selection and implementation of an enterprise wide software solution
- Testified to State Senate Judiciary Committee securing legislation to allow municipal courts to contract with District Court for court services

Staff Accountant, Nelson, Trimble & Co., CPA's, Bend, Oregon 1985 – 1988

Prepared financial statements, performed auditing procedures, completed business and individual tax returns, and performed financial analysis and forecasts.

Education

Bachelor of Science, Business Administration, University of Oregon, 1984
 Leadership Bend, Bend Chamber of Commerce, 1993

Professional and Volunteer Activities

Board member - Economic Development for Central Oregon – 1996 – 2004
 Audit committee 2004, Treasurer 1998, Vice – President 1997

Board member - Western Region HTE Software Users Group – 1996 – 2000
 Executive Director 1997 and 1999

Board member - High Desert Chapter of the American Red Cross – 1993 – 1999
 Board Chair 1998-1999

Published article in January 2009 Local Focus (LOC monthly publication)

Speaker on Credibility at 2008 Oregon Municipal Finance Officers Association conference

Speaker on Succession Planning at 2008 OMFOA conference

Speaker on Embezzlement at 2006 OMFOA and PRIMA 2007 conferences

Speaker on Sustainability at 2003 conferences for LOC and OMFOA

Speaker on Long-range Financial Planning at 1997 GFOA National Conference
Speaker on GASB Statement #34 at 1999 OMFOA Northwest Finance Institute
Board member – Accounting Standards Committee – OMFOA – 1990 - 93

Proposal for professional services to negotiate a Right-of-Way Franchise and License Agreement with the City of Lake Oswego

Project Understanding:

The City of Lake Oswego (“LO”) has an existing Water Treatment Plant (Plant) located in the City of West Linn (“City”). LO has partnered with the City of Tigard resulting in the need to expand their treatment facilities and increase the size of their water lines to deliver water from the Plant to their communities (the “Project”). These water lines are within the City’s right-of-way. LO has initiated a two-part land use process with the City to secure approval for the Project.

The City desires a right-of-way and franchise and license agreement with LO that fairly compensates the City. The City has retained Pam Berry, attorney to provide legal services for this agreement.

The City’s existing right-of-way franchise and license agreements include compensation clauses based upon the generation of revenue within the City. This particular Project is not expected to generate any revenue within the City, therefore, an alternative method of compensation is desired.

City staff is available to provide estimates of cost impacts to the City for administration, street and sidewalk and other right-of-way maintenance, and other incidental costs to the City as a result of the Project.

The Project is located within the Robinwood Neighborhood.

The work will be coordinated with a subcommittee including Mayor Kovash and Councilor Jones.

The City desires a timely agreement.

Proposal:

Our proposal includes the following elements together with responsibility:

1. Determine the amount of compensation and or other consideration desired by the City.
 - a. Estimate the City’s costs, on an annualized basis, associated with this Project. *(City staff)*
 - b. Determine any additional compensation and or other consideration desired. *(City with Consultant and legal assistance)*
 - i. This may involve engagement of the Neighborhood Association chairs.

2. Identify the relevant compensation models to recover costs and any additional compensation or consideration desired. *(Consultant)*
 - a. Select preferred method. *(City, Consultant, legal and possibly LO)*
3. Identify all uses desired within the right-of-way by LO. *(Consultant)*
 - a. Review and approval of allowable uses. *(City, legal)*
 - i. This may involve engagement of the Neighborhood Association chairs.
4. Draft proposed franchise and license agreement *(Consultant and legal)*
 - a. Determine whether to use existing City model language or new language. *(City and legal)*
5. Negotiate terms of agreement with LO.
 - a. Identify acceptable terms prior to initiating effort. *(Consultant and City)*
 - b. Present tentative deal to City prior to agreement. *(Consultant and City)*
6. Present agreement to City Council if desired. *(Consultant)*

Schedule

We are available to work on this project during the month of August, with presentation to the City Council in early September. To be most efficient and effective I anticipate the work can be completed by the later of; within four weeks of authorization to proceed, or by August 31, 2012, assuming there are no significant scheduling issues and or barriers to agreement between the City and LO. The element that may impact the schedule is estimating the costs the City can reasonably expect to incur as a result of the Project. City staff can initiate that effort prior to contract award to minimize impacts to the schedule.

Compensation

We propose a flat fee for this project in the amount of \$6,750. Alternatively, we can bill our standard rates as follows:

Andy Parks - \$175/hour

Support staff - \$35/hour

Together with actual reasonable reimbursable expenses.

Legal fees are not included in the above fee.

Andy Parks
President/CEO
GEL Oregon, Inc.
July 13, 2012

From: Mike Monical [<mailto:mike.monical@comcast.net>]

Sent: Wednesday, July 11, 2012 9:48 PM

To: Rich, Pat; Whynot, Jimmy; Frazier, Bill; Keonjian, Edward; Kindley, Raymond; Kovash, John; Miller, Jon; Simshauser, Erik

Cc: Jones, Mike; Carson, Jody; Tan, Jennifer; Cummings, Teri; Wyatt, Kirsten

Subject: UAB Recommendation

Per our discussion last night below are my previous notes on preparing for the ballot measures with some additional thoughts.

Along with most of the rest of the Board, I continue to feel strongly that there is sufficient support for a water measure for this year particularly considering we have several months to educate. I believe that providing citizens with options empowers them and provides more clarity for what they are voting for.

Between the survey and the last ballot measure follow up, I think it is clear there is a recognition that the water system needs work and a willingness to pay for that given sufficient assurances.

There is no reason not to urge the City Council to proceed with a ballot measure this year. That is what I am doing with this email.

"Dear Councilors,

I understand that City Council has set a direction to avoid sponsoring the UAB recommendations (requested by City Council) for Ballot Measures covering Rate increases for water line maintenance and a Bond Measure for the water reservoir until next May at the earliest. I request this be reconsidered based on the City Council's prior direction and goals for this year as well as the work the UAB has completed. With the understanding that this decision appears based on the Task Force recommendation, it also appears the Task Force was not successful or particularly dedicated to the Task assigned. This is understandable given the highly technical nature of the deficiencies and complexities of the funding constraints we have put upon ourselves.

West Linn has very low water rates for this region but that is not a benefit, it is a liability that will just continue to grow. Without an aggressive program to educate the citizens about infrastructure costs to obtain funding approval as well as decoupling our water system Public Relations from the LOT and Stafford issues, the City Council and staff are not doing their job of implementing the well documented needs of the water system.

The Memo of the Task Force, which could not even determine a Task Force Chair or President, was prepared by the City Manager and did not include any explanation or discussion of their "recommendation" or any discussion of how delaying the measure will improve the likelihood of success. They did appear to concur that the measure would be favorable with "a good communications strategy".

"A good communications strategy" I and I believe the rest of the UAB would be one focusing on the three months prior to the election. In other words still time to implement this year.

There might not be an ideal political climate to assure passage of either measure as neither the LOT or Stafford issues are going to go away this year or next. And when the LOT and Stafford finally get

rammed through, possibly by LUBA, it is going to get more difficult not less. In the words of a citizen I spoke to tonight, "It is not going to get easier when Highway 43 is torn up." Putting our needs on hold for political expediency when there is no reason to expect that to change is not governance, it is politics.

The UAB has done its job of recommending the rate structure. It is now up to Council and Staff to implement the recommendations by acting on those recommendations. Frankly, I feel putting this on the City Manager's plate and formation of the Task Force was a mistake and a potential public relations problem. Council now cannot take action without disregarding the recommendations of either its appointed UAB or the ad hoc Task Force.

While it is a cost to form and lose a ballot measure there are many measures that take multiple runs at passage. As one hang up is the Stafford Basin development which the City Council opposes, why not make the Reservoir measure also a measure which prohibits West Linn Utility services from being extended to Stafford?

The LOT issues are not going to go away and the way to deal with that is to distance our water measures from them. I would like to think that most citizens can understand that LOT water is for LOT and West Linn Water is for West Linn. If we plan to wait for all other water issues to be resolved before bringing forth ours than we might as well give up, that is never going to happen.

In the absence of progress towards at least a bond measure for the water reservoir, I would like to recommend immediate funding the engineering studies required to evaluate the current site for adequacy including the state of the current reservoir and validate the reservoir size requirements. Much of the immediate concern about the reservoir is based on geologic unknowns that will be resolved with the Geotechnical Evaluation in the design of a replacement. In addition, given the emphasis on water conservation, the conservative consumption factors of the master plan, loss of major industrial users, slower growth projection, likely eventual implementation of tiered water rates, and the demonstrated reduction of water use it is possible that the reservoir specified in the water master plan is oversized.

I would like to point out that the UAB Report included in the City Manager Task Force Report was a working draft and that the current report was emailed to you on 6/29 by the UAB Chair Ray Kindley. I have included a copy with this email.

Thank you for your consideration in this matter. If there are any questions I can address I would be happy to appear at the council's request to discuss.

Michael Monical
UAB Member

End email for Councilors

I suggest that all UAB members send their thoughts directly to city council about putting the measures on the next ballot with an offer to appear and testify at their convenience.

Pat, as always can you send a copy to Alice

From: Michael Monical [<mailto:mike.monical@comcast.net>]

Sent: Wednesday, April 11, 2012 9:48 PM

To: 'Rich, Pat'; 'Whynot, Jimmy'; 'Wright, Dennis'; 'Frazier, Bill'; 'Keonjian, Edward'; 'Kindley, Raymond'; 'Kovash, John'; 'Miller, Jon'; 'Simshauser, Erik'

Cc: Wyatt, Kirsten (kwyatt@westlinnoregon.gov)

Subject: RE: Recommendations from the UAB

We discussed a laundry list of tasks that the UAB and the Task Force could work on.

The following is my list and some thoughts on timeline.

1. UAB Recommendations for Rate Change/Bond Initiatives to City Council. No later than the 13 August Council meeting, preferable 9 July meeting. That will require we have a draft to review at the 12 June UAB meeting and should make our next meeting on 8 May the time to submit complete arguments for consideration. Mostly done. Updates based on the exploration at the reservoir are likely to be minimal because due to the limited scope of what can be accomplished by one borehole. I recommend it get finalized and sent in immediately. Anything new can be covered with an amendment.
2. Budget Forecasts – I would like Richard to prepare another budget forecast of the required rate increase to complete the current backlog of high priority water pipe replacement projects within a specified time frame. I plan to assist by reviewing the capital project list and current priorities to summarize what the specific required cost per year appears to be. I would also recommend the rate increase and tax increase communicated in specific dollar amounts for the West Linn Utility Bills and the Clackamas County Taxes. Ideally this would happen before the next Task Force meeting on 19 April. Done
3. Prepare Ballot measure wording. It would be nice to be able to see and comment on a draft and possibly assist in its development. If it is due 24 August we would need the draft in time for our 14 August meeting. Recalling the efforts from the prior attempts this should not be left to the last minute. With separate measures it will actually be easier to prepare appropriate wording but I think the longer the verbiage is in front of the citizens, the more comfortable they will be with it.
4. Survey – ongoing, hopefully have results before 8 May meeting. Done
5. Set up UAB@westlinnoregon.gov email which is distributed immediately to the UAB members. Notify public that they can communicate with the UAB on the water rate issues. Should be done prior to public education program, preferably by 8 May meeting. No activity on this because apparently this is not Kirsten's or Chris's priority. Ray should formally request this from the City Manager.

This is the skeleton of an outreach plan I was referring to last night. It should be expanded to fit the proposed ballot date.

6. Public Outreach/Communication Plan – to be prepared by Task Force. Draft plan requested at 19 April meeting, draft at following meeting. Plan includes:
 - a. Trifold – design, distribution and cost/funding
 - b. Water System displays, similar to what we did prior to the last ballot measure but should go to more locations, be available with public booth at summer events.
 - c. West Linn Updates – plan series of short releases on water rate funding strategy, program and updates.
 - d. West Linn Tidings – plan series of articles on West Linn’s Water System leading up to election.
 - e. West Linn Tidings – schedule citizen letter/op-ed input on water systems leading up to election.
 - f. Ballot Measure Statement by PAC. Insure supportive statement is filed for the Election Pamphlet
 - g. Web Page – compilation of all available Water System Information.
 - h. Neighborhood association presentations.
 - i. Day in the Life of Jimmy Whynot. Video presentation of what Jimmy and his staff deal with on a typical day. Jon’s video is a great start.

Richard mentioned an issue that did not fully register until after the meeting. Apparently the School system use of turf replacement for the sports fields have significantly reduced water uses. Is the city Parks and Recreation looking at similar programs? If not, why not? As the largest water users, what is the potential long term impact?

Those water savings, the conservation efforts of the city, and Bill’s work on water usage may lead us to more seriously request an update of the long term water usage forecast and to validate whether the Bolton Reservoir current scheduled size increase to 4 MG is still justified.

Mike Monical
UAB Member
(Pat pls get to Alice)

MEMORANDUM

TO: West Linn City Council
FR: West Linn Utility Advisory Board
Date: June 18, 2012
RE: Recommendation on Water System Improvements and Funding

This memorandum provides the Utility Advisory Board's ("UAB") preliminary recommendation on the repair and replacement the City of West Linn's water system infrastructure and funding options. As discussed below, the UAB's recommendation is based on extensive research, deliberations, and citizen input.

In short, the UAB strongly recommends that the City Council should give its highest priority to the replacement and funding of the Bolton Reservoir. The current condition of the reservoir endangers the citizens of West Linn and the City's failure to take action will only increase costs. Second priority should be given to the repair and replacement of deteriorating water pipes. While the City's water pipes are in dire condition, their failure does not jeopardize the health and safety of West Linn's citizens in the same scale as the condition of the Bolton Reservoir. Given the costs and risks arising from the condition of the Bolton reservoir and many of the City's water pipes, the UAB does not believe the City Council should give a higher priority to any other City program.

The UAB recommends the City Council should propose a ballot measure for voter approval of approximately \$10 million in general obligation bonds for the funding of

repairs and replacement of the Bolton Reservoir. Additionally, the UAB recommends the City Council to propose a ballot measure to increase water rates greater than the annual 5 percent limit to permit the City to issue revenue bonds in amounts sufficient to cover the cost of repairs and replacement of the water line, as well as assuring that the City meets state law minimum capacity requirements.

The following information provides an outline of the reasons behind the UAB's recommendation. The UAB is still in the process of collecting more information on the condition of the Bolton Reservoir and assessing information provided by the City's staff. The City's staff informed the UAB at its June 12, 2012, meeting that additional engineering and seismic data will be available by the end of July 2012. Therefore, this memorandum is preliminary and the UAB intends to provide the City Council with a final report after review and consideration of the new engineering information.

Background

In 2011, the City Council identified the repair and replacement of the water system infrastructure as one of the top priorities for the City. The City Council requested the UAB to review the need for these activities and possible funding options for the work. Over the past year, the UAB has met numerous times, collected information, analyzed data and reports, and extensively debated all aspects of these issues.

The scope of the UAB's work has addressed all aspects the issues arising out of the repair and replacement of the water system infrastructure. It has looked at: (i) the condition of the water system and the need for repairs and replacements; (ii) engineering and design alternatives to facility replacement; (iii) funding alternatives; and (iv)

potential rate or tax impacts stemming from funding options. Much of the relevant background data were provided by the professionals of the City's water operations and finance staffs.

Basis for the Recommendation

The UAB intends to prepare a report that explains its recommendation and provides the basis of the recommendation. The UAB will provide that information to the City Council hopefully by the beginning of August. The following attachments are the initial drafts of sections of the report. These sections will be revised and, if necessary, embellished with additional information. They are currently provided to give some preliminary guidance as to the basis for the UAB's recommendation.

Attachment A to this memorandum discusses the condition of West Linn's water system and, in particular, the condition of the Bolton Reservoir. It highlights the fact that the reservoir is not structurally sound. Given its condition and geological risks, it is a hazard to homes located downhill from the reservoir. Additionally, it is undersized for the City's needs.

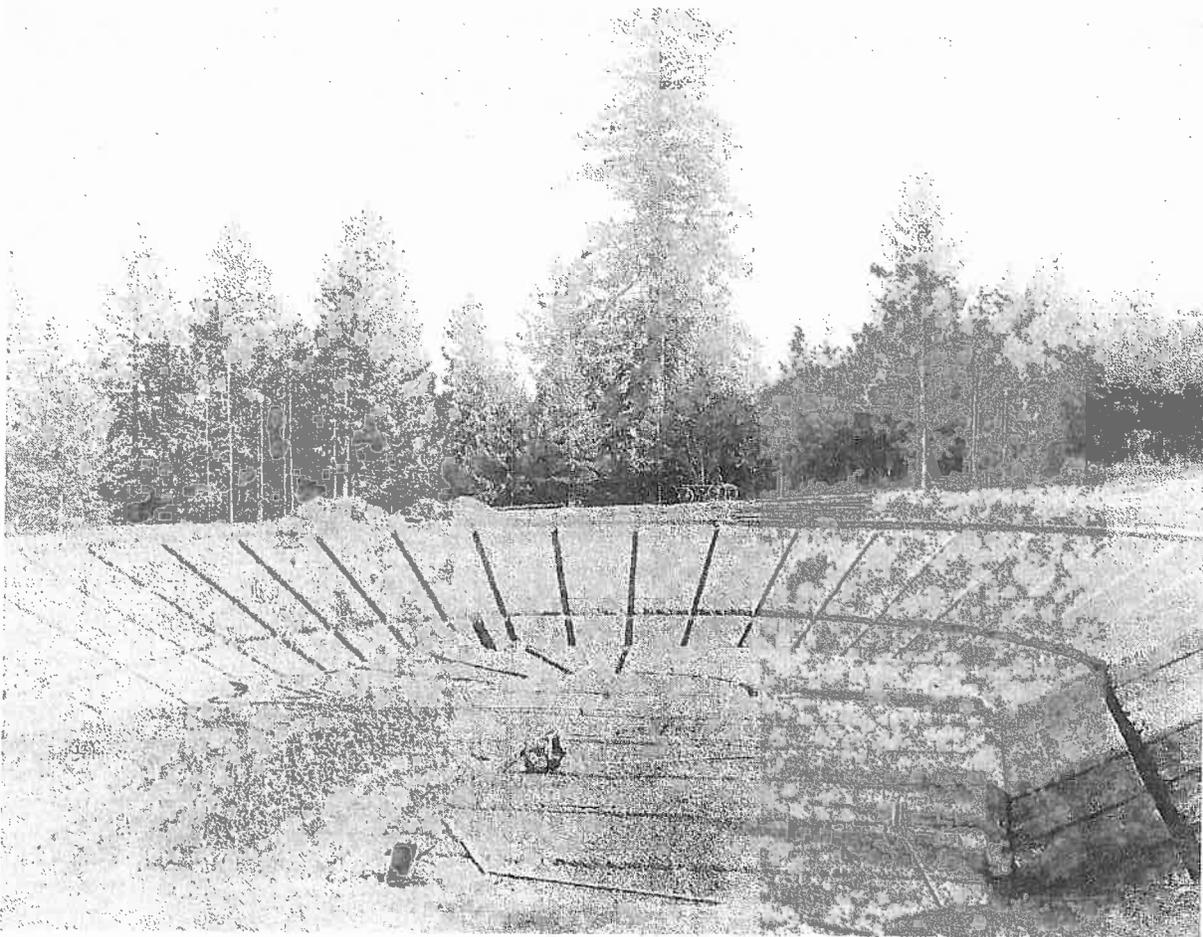
Attachment B provides a short discussion of reservoir capacity and water demand studies conducted by one of the UAB members, Bill Frazier. He concludes that the capacity of the Bolton reservoir needs to be increased to at least 4.0 million gallons and the water pipe from the South Fork Water Board, which feeds the Bolton reservoir, should be increased in size from 18 inches in diameter to 24 inches.

Attachment C provides a summary of the funding alternatives and a discussion of rate issues. This attachment provides a preliminary discussion on how the UAB

determined that City use general obligations bonds to fund the replacement of the Bolton reservoir and water rate increases to support revenue bonds to fund the water line repairs and replacements.

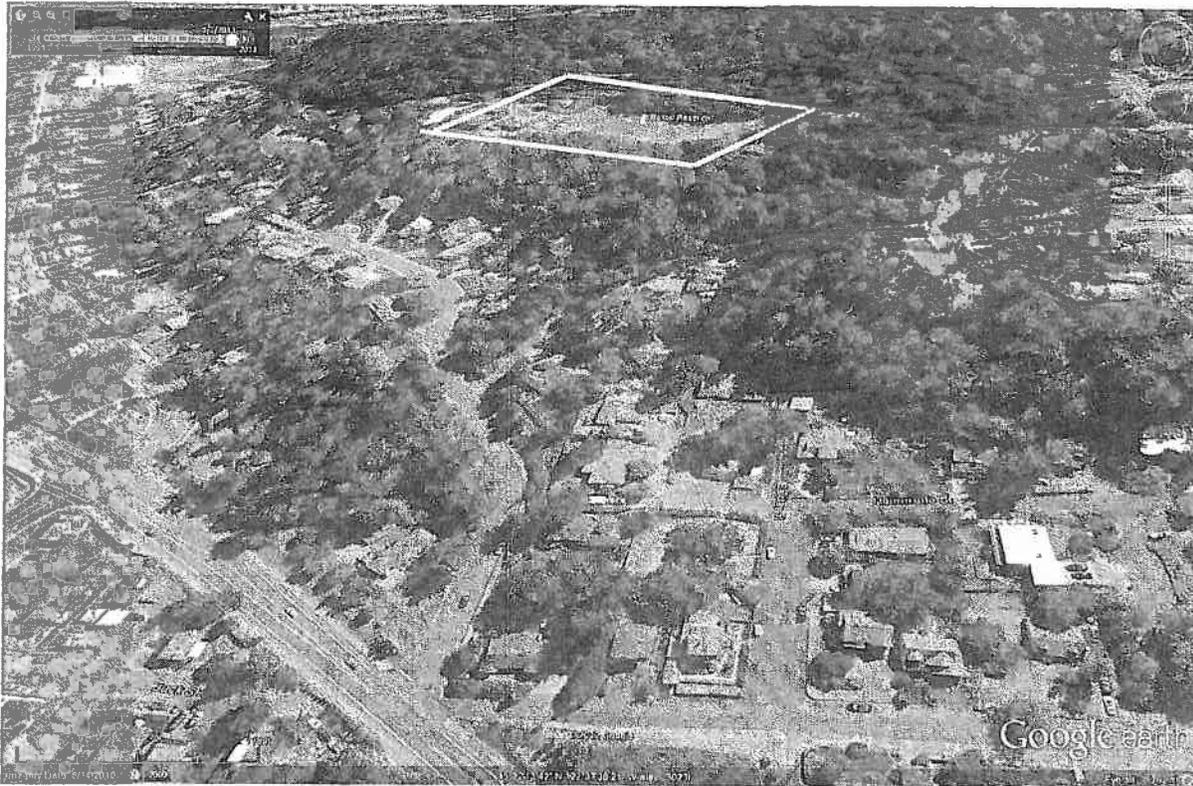
The West Linn water system infrastructure while generally in satisfactory condition has two significant deficiencies, the Bolton Water Reservoir and a large amount of aging and deteriorated pipe.

The Bolton water reservoir, built in 1913 is almost 100 years old and has exceeded its design life. This reservoir which is the central hub of the West Linn water system has major deficiencies. Every Water Master Plan since at least 1982 has identified this reservoir for replacement as a high priority but has been continuously deferred.



The reservoir is physically located in the Bolton neighborhood off above Caulfield Street and Highway 43, a central location at the correct elevation to most efficiently serve the needs of West Linn. Relocation of the reservoir is not an option without major reconstruction of infrastructure and likely significant property expense. This location receives and supplies an average of 4+ million gallons of water daily from the Southfork Water Plant, establishes the pressure zones for the rest of the city, and feeds the smaller reservoirs.

The reservoir is currently 2.5 MG of which only 2.0 is usable due to previous failures of the outflow pipe and reservoir modification. It is not possible to economically repair the original outlet. Originally providing several days of storage for West Linn population, the Bolton reservoir with existing constraints currently stores only about 20% of the peak day water use.



Specific deficiencies for the reservoir are:

1. It is not structurally sound. Built 100 years ago, the concrete slab construction has significant spalling and cracks. This deterioration has required retrofit with a liner in 1992 when the reservoir was leaking badly. This liner, reaching the end of its useful life, does not stop the continued deterioration of the concrete structure. During recent maintenance during which the reservoir was drained, groundwater intrusion revealed a large crack.
2. Constructed prior to the development of current seismic standards, the reservoir does not meet the requirements for seismic survivability for both structural restraint and slope stability. The reservoir is located at the top edge of the Bolton fault, one of the most well-known and active faults in the Portland area which forms the steep bluff above Hwy 43 and created Willamette Falls. The fault has numerous landslides along its length and although the major fault has not moved in recorded history, erosion along the edge results in localized failures. The reservoir is unlikely to have adequate restraint against shaking and is subject to major damage from a seismic event.

3. Increasing the seismic risk is the well documented high magnitude earthquakes affecting the Pacific Northwest coastal regions when the Juan de Fuca Plate slips. With magnitudes estimated as high as 9.0, the best science anticipates major damage to infrastructure in the Willamette Valley when the next event occurs. With the last event occurring in 1700 it is still early in the anticipated return period of 600 years to predict an earthquake, archeological evidence does show at least one return period of less than 300 years. Although no real prediction of damage can be made without extensive geotechnical and structural investigations, based on age and known deficiencies, it seems unlikely that the reservoir will survive a subduction zone earthquake.
4. Located at the top of the bluff, any leakage from the reservoir presents a problem for the environment and residents. Prior failure of the aging pipes connected to the reservoir has identified that damage to downhill residences will occur. Major damage to the structural integrity of the reservoir and possible displacement of earth of as might occur as a result of leakage or with a slope failure from erosion or an earthquake could result in a release of portion of the 2.5 MG of stored water.
5. It is well documented that groundwater is the primary cause of landslides. As revealed during liner maintenance earlier this year, when water was shooting into the reservoir from cracks, there is significant groundwater around the reservoir which is no longer adequately drained from the structure. This situation aggravates an already risky situation.
6. In addition to long term ongoing deterioration, basic maintenance for the reservoir is also much higher than acceptable. Retrofit with a liner, a cover, repiped inlets and outlets, which are essentially band-aids to stretch the life of the structure, the reservoir is an annual maintenance burden which further aggravates the struggle of the water department personnel in maintaining the most critical water infrastructure component for the City of West Linn. Already past its economic life, further delays in replacing the reservoir structure will result in greater risks, higher costs, and further deterioration of other infrastructure components.
7. The reservoir is documented in the master plan as undersized. Utilizing well known and documented engineering design principles intended to protect and serve the West Linn citizens, the city requires 2 MG of additional storage to adequately provide for peak day usage and firefighting capacity. Currently on the peak summer day it is documented that the water system cannot keep up with demand. Considering that it was built in 1913 to serve a much smaller population, that is readily understandable. Even with the addition of newer and smaller reservoirs also serving the West Linn population, we have much less service capacity with this reservoir than when it was constructed. While this statement has caused controversy due to the Stafford Basin development opposition, there is no connection to West Linn's need for a new reservoir with more capacity.
8. In consideration of its age, size and the critical nature of the requirement, the risk of not replacing the reservoir in a timely manner is very high. Any serious problem with the reservoir will result in high costs to continue basic services throughout the city. Major damage to the reservoir will result in very high emergency service repairs which will be temporary in nature. The reservoir is not an item which can be replaced on short notice like most waterlines. Long

range planning, studies, design and funding must occur to best meet the future needs of the City of West Linn.

Water line replacement is an expensive and ongoing maintenance requirement of all water systems. While there are known examples of century old piping still in service, in general the pipes will deteriorate in less 75 years to the point where ongoing maintenance of breaks and leaks exceed the cost of replacements. Currently West Linn has over 14 miles of pipe, about 12%, overdue for replacement due to size or condition.

Undersized pipe is the result of changing requirements. Typically installed to service a single house or a small number of homes and without providing for firefighting capabilities, these lines range from 2" to 6" and cannot provide adequate services or flow capabilities. Increasing density and higher standards for fire safety dictate that these lines be replaced with new adequately sized pipe. In addition as these lines are generally the oldest pipes in the system, they have much higher maintenance requirements. Total repairs and maintenance typically average around \$75,000 per year with approximately 50% or \$35,000 for fixing leaks and breaks , efforts which diverted funds and personnel from preventive maintenance tasks which would extend system life and reduce long term life cycle costs.

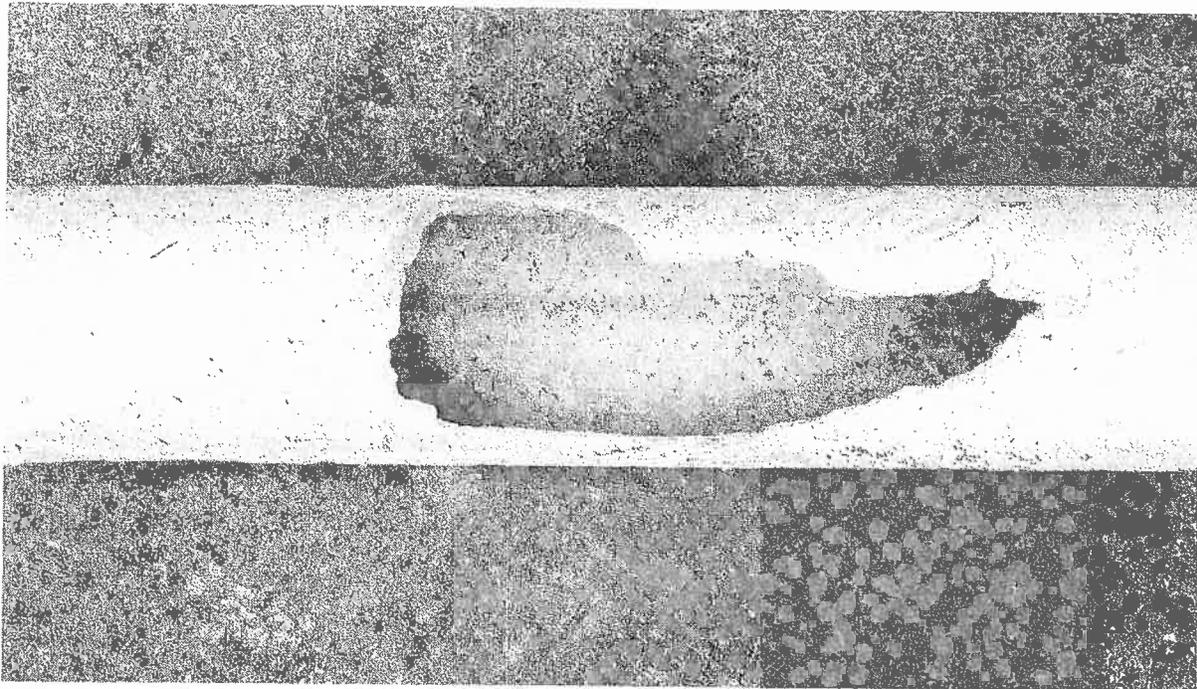


Deterioration of water lines occur for many reasons which include wear from water movement, corrosion, aging of gasketing material, displacements due to natural ground movement, changing requirements, construction activities and changing loading conditions. Much of the pipe due for replacement is Asbestos Concrete (AC) pipe which is no longer approved for municipal waterline construction in the United States.

There are some examples of major and expensive water line breaks the last few years such as the break on the 18" Bolton Reservoir Supply line in, 2010. While we are lucky to have avoided spectacular reservoir draining breaks such as those caused by and causing landslides, these efforts ultimately end up costing more than replacement of deteriorated pipe over the years through increased operating costs and repeated repairs.



There are also just over 12 miles of AC Pipe in the city. These pipes, installed in the 1950-70 timeframe (but no longer approved for potable water systems) are approaching the end of their expected life. While not inherently dangerous when undisturbed, the AC pipe has become very brittle and is much more fragile than current approved materials. Increased maintenance on these lines has been tracked over the last decade and is expected to increase as the pipe continues to age and deteriorate. Increasing the costs related to AC pipe is the extra environmental considerations needed when working on it. As almost all work and repairs result in disturbance of the pipe, costs are increased for personnel protection and containment due to the asbestos contained in the pipe material.



Misc comments

West Linn has enjoyed low water rates for years. While seemingly advantageous, these rates are actually just deferring costs to the future. Eventually, the bills will come due and are likely to be much higher than prudent expenditures today. The costs for emergency repairs and replacement for the Bolton reservoir will be much higher than planning and funding replacement now. Water lines we can continue to fix as they break but ultimately, just like maintaining a 15 year old high mileage automobile, the cost of maintenance exceeds the cost of replacement. And just like the driving experience in the older vehicle, making due with an aging infrastructure means leaks and drips; decreased quality, higher risks, and higher costs. This was not the legacy passed on to us and it should not be the legacy we pass on to the next generation.

The West Linn Water Fund's Budget is approximately \$3.2 million per year comprising of \$2.7 million for operations, cost of the water purchased, electricity, repairs, and maintenance; \$150K for debt service, and rest for capital outlay. In FY 2010, the water department reduced personnel by 1 FTE due to the last three fiscal years of flat to declining total water revenues. The cut was a utility worker position needed for the efficient long term operation of the water system further pushing off needed work and projects into the future.

May 31, 2012

Summary of capacity and demand studies by Bill Frazier

From memos dated December 4, 2011 and January 6, 2012

West Linn water supply system capability to supply peak hourly and maximum daily demands.

The 2008 water system master plan projected maximum daily demands (MDD) to the year 2030 when all of West Linn is built out. However the demand rate dropped from 2008 onward, perhaps due to the economic downturn. Should these lesser demands continue, what effect, if any, would this have on proposed projects such as greater reservoir capacity or new, larger piping from the SFWB?

If nothing was done, the system would not meet the 2030 predicted hourly or MDD that occur in July-August when lawns and gardens need watering. This would also affect the ability to supply water for fire suppression.

If the Boulton reservoir was replaced with a 4.0 Million gallon (MG) reservoir, which is a 1.5 MG increase over current useable capacity, the system could barely meet the master plan prediction, even using the Lake Oswego intertie. Using a prediction based on the current, reduced demand the greater reservoir capacity is needed although the current supply from the SFWB plus the L.O. intertie makes it still somewhat marginal. This configuration can however, adequately supply water for fire suppression at either predicted demand rate.

A new 4.0 MG reservoir and changing piping from 18 inch to 24 inch from the SFWB (giving 10 MGD) would provide adequate capacity for current peak demands based on the 2008 plan and offer increased capability in case the intertie supply is not available or one of the smaller reservoirs is off line.

IV. Funding Alternatives--Submitted by Jon Miller & Ed Keonjian

i. Current Rates.

South Fork Water Board (SFWB): The City of West Linn (COWL) and the City of Oregon City (COOC) split ownership of the SFWB 50/50. SFWB wholesale water rates (38.5% in 1993; 68.3% in 1994; 10% in 2010) and debt bail out (COOC \$2.4 million loan to SFWB in 2010 to pay off SFWB bonds, a result of SFWB not meeting its 125% of annual debt service bond covenant) often exceed the COWL water rate 5% voter limitation. SFWB projections indicate that essential long-term capital improvements and wholesale water rates will easily exceed 5%. Hence, how does the COWL continue to absorb these increases while maintaining the 5% annual rate increase to water rate payers?

Water Master Plans: Five Water Master Plans specifying essential water infrastructure projects have been completed and/or updated since 1982 (1982, 1987, 1999, 2004, 2008). The last one, 2008, recommended \$33 million (\$21 million in existing infrastructure and \$12 million system development charges (SDC's) for essential water projects.

Water Fund Financials: The City of West Linn (COWL) Water Fund spawns approximately \$3 million in water revenue per year to cover \$1 million in wholesale water cost and \$1.5 million in annual operating costs, before necessary standard capital improvement are considered. Current revenues have been flat over the last several years, even with 5% annual increases. Thus, essential system capital improvements are insufficiently funded.

Existing Water Rate Structure: The 1994 COWL Council adopted water rate structure includes 7 units of water in the monthly base fee amount charged City residences. As a result, residences using less than 7 units of water per month pay the same as their neighbors using 7 units of water. Two challenges result from this inequity:

1. As the median water usage in West Linn is 7 units, 50% of residences are affected by this inequity. How does the COWL structure a new rate that voters will approve addressing this inequity while still achieving the overall targeted revenue?
2. How to best project the rate level in a conservation-based rate structure, anticipating a certain level of water consumption (assuming conservation will inspire less consumption), while still realizing overall targeted revenue?

5% Plus Voter-Approval Requirement: The 5% plus Charter Amendment has resulted in the lowest utility bills in the region, with the burden of meeting the requirement of keeping in reserve 125% of annual debt service bond covenant for a previous municipal bond. As a result, numerous essential infrastructure improvements have been left unfunded (replacement of the Bolton Reservoir & asbestos pipes are two examples). Although the Charter Amendment provides West Linn voters more control over water rate increases, it presents fiscally unsustainable challenges to adequately fund its aging water system and maintaining in reserves 125% of the annual debt service bond covenant.

ii. Rate increases, General Obligation Bonds and/or Revenue Bonds.

When a state, city, hospital or any other issuer issues a bond, the issuer expects to pay back the borrowed money at some point in the future. The issuer guarantees repayment of the money in one of two basic ways:

1. Taxation such as income taxes, property taxes, sales taxes, etc. (G.O. Bonds)
2. By collecting revenues from the project(s) financed with the bonds (revenue bonds).

General Obligation Bonds (G.O. bonds): When a state, city or other issuer issues general obligation bonds, this means that the issuer is guaranteeing repayment of the bonds using any means necessary. The full faith, credit, and taxing power of the issuer are backing the bonds. This means that the issuer is going to use any taxation power in its authority to make sure you get paid back; the issuer is putting the revenues from every type of tax on the hook to guarantee the bonds: Income taxes, corporate taxes, property taxes, sales taxes, excise taxes, gas taxes, any tax that can be levied by the issuer. This is why it is called a general obligation bond: The issuer is generally obligated. If the issuer has any problems paying you back, the issuer has to raise taxes or come up with the money somehow, some way to pay you back. The issuer may even have to sell assets to do it. If the issuer misses a payment, known as a "default", a judge can order the issuer to take corrective action to raise money to satisfy the bondholders.

Revenue Bonds: Issuers such as transportation systems and authorities, hospitals, power systems, sewer systems, water systems, and other issuers that generate revenues from providing services to the public can issue revenue bonds. The specific revenues generated by the issuer guarantee revenue bonds.

The bonds issued are guaranteed paid back from the revenues that the issuer receives from selling tickets to the public. This is why they are called *revenue bonds*. Water districts can issue revenue bonds with the revenues from people's water bills guaranteeing the repayment of the bonds. Water, power, and sewer services are considered essential services. This means that bondholders can generally feel secure in knowing that people will pay their water, sewer, and electric bills as the services are essential to living in a modern society. People may skip out on other bills before they stop paying for electricity, water, or sewer services.

iii. How much funding is needed?

Generally, \$9-10 million for replacement of Bolton Reservoir & \$10 million for pipe replacement. These figures are based on the November, 2008 Water Master Plan figures and adjusted for inflation. They also were projected for the purpose of standardizing the May survey questions.

The purposes of generalization, funding amounts and timing of the funding reduce to either issuing one bond (G.O. or revenue) for a total of \$19-20 million or two bonds, one for the reservoir (\$9-10 million-either G.O. or revenue) and one for pipe replacement (\$10 million-either G.O. or revenue).

With the G.O. bond option, property tax increases pertaining to the G.O. bond automatically go after 20 years when the G.O. bond is paid off. G.O. water rates would range from just continuing 5% increases when all \$20 million are sold using G.O. bonds (the 100% G.O. bond option), to the 100% revenue bond option, which would show 25% increase if \$10 million of revenue bonds were sold in year one and laddering the other \$10 million over the next 20 years. Moreover, revenue bond option would require future action by the City to decrease water rate increases once it is paid off.

iv. Equity issue:

As a general rule, General Obligations bonds will result in a relatively small higher repayment cost on property owners who live within the city limits as opposed to those who reside outside these limits. However, this advantage should be weighed against the historical reality that, for example, revenue bonds have higher starting costs, that their servicing has to be periodically readjusted subject to such factors as deviations from revenue projections, property vacancy rates, the need to "smooth out" rate increases, and technical financial considerations which affect their desirability for bond purchasers. . Thus, the "equity" answer may not lie in a discussion of only the immediate and relatively predictable burden on property owners, but should also take into consideration factors, which could raise everyone's obligations over the life of the subject bonds.