

AGENDA BILL

08-07-18

For Council: July 28, 2008

Required Public Hearing: No
Contract Review Board: No
(Check above if applicable)

Subject: Clackamas County Wastewater
Partnership Recommendations

Department: CMO
Dept. Head Initials: *ef*

City Manager's Initials: *ef*

Attachments: No

Budget Impact:

**Expenditures
Required:**

**Amount
Budgeted:**

**Appropriation
Needed:**

Summary:

For several months the Clackamas County Community Wastewater Task Force met to discuss opportunities and challenges associated with providing wastewater treatment to all urban areas of the county. Currently, some areas have no access to treatment (such as Damascus) or have exceeded capacity of the Kellogg Treatment Plant – Clackamas County Service District No. 1 and its customers. Councilor Burgess served on the task force as West Linn’s representative.

The task force has now completed its work and forwarded recommendations to the Board of County Commissioners. The Board is now asking for each City to endorse the recommendations and appoint a representative to a provisional partnership committee.

Attached is a letter for the Board of County Commissioners and the recommendations of the Task Force. County Commissioner Lynn Peterson and Water Environment Services Director Mike Kuenzi are expected to attend the Council meeting to discuss this item.

Recommended Action:

If the Council agrees with the recommendations of the Task Force, the Council should pass a motion endorsing the recommendations and appoint a representative to serve on the provisional partnership committee.

Council Action Taken:

Approved:

Denied:

Continued:



Lynn Peterson
Chair

Bill Kennemer
Commissioner

Martha Schrader
Commissioner

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BOARD OF COUNTY COMMISSIONERS

PUBLIC SERVICES BUILDING
2051 KAEN ROAD | OREGON CITY, OR 97045

June 9, 2008

Mayor Norm King
City of West Linn
22500 Salamo Rd.
West Linn OR 97068

Dear Mayor King:

The Board of County Commissioners appointed the Community Partners Wastewater Task Force in early February to explore new ideas for a potential regional wastewater treatment partnership. The Task Force was composed of citizens and elected officials from throughout urban Clackamas County. Its members were given technical support by city managers, WES staff and technical consultants.

The Board recognizes that it gave the Task Force a difficult job. We asked the Task Force members to take a fresh look at the financial benefits of a collective approach to wastewater capacity management in Clackamas County's most populous areas. Questions of how to pay for and manage wastewater have been the cause of acrimony in our community for the past 25 years.

The Task Force overcame the weight of this history and submitted a series of well-conceived recommendations to us on June 3, 2008. We embrace these recommendations as the foundation for establishing a future regional wastewater management partnership and ask your City Council to do the same as soon as possible.

By taking positive action, your Council will affirm acceptance of the Task Force's recommendations and their willingness to participate in a provisional regional partnership. Once your Council has acted on this administrative request, please appoint a representative to participate in the work of the provisional partnership.

The purpose of the provisional partnership is to produce a clearly drawn partnership agreement built on the foundational assumptions established by the wastewater Task Force. We anticipate this work will be completed by October 2008. At that time the Board will review the provisional partnership's recommendations. Following this, each potential partner will be asked to ratify the partnership agreement.

Enclosed please find a copy of the Task Force's recommendations. We ask for an opportunity over the next six weeks to meet with your Council to discuss the

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recommendations in a workshop setting. At that time we will answer questions and seek your Council's decision about participation in the provisional partnership.

It is vital that your Council be fully aware of the key recommendations of the Task Force. We believe it is important that your Council embrace these as foundational assumptions as a condition of entry into the provisional partnership. The representatives of the provisional partners will build from this foundation, adding definition and detail as desired and necessary as parity is achieved.

The foundational assumptions are:

- Growth will pay for growth through service development charges and/or other financing mechanisms, as appropriate.
- The regional partnership will only be responsible for investment and management of wholesale wastewater treatment facilities. Each partner community will directly pay the costs associated with financing and management of local collection systems and conveyance to the regional treatment system.
- All partners will continue with their current and separate treatment rates that reflect their unique costs until all partners have addressed historical deficiencies necessary to serve their existing customer base and face similar treatment capacity needs. Existing advisory structures will remain in place as demanded by law or until partners choose to establish a new system of governance.
- The goal of the partnership is to move toward a common treatment rate after capacity parity is achieved to capture the benefits of the economy of scale.
- The Task Force used a representative system design to analyze the financial benefits of working together. The model was a composite of three low cost engineering options. However, no final design of a regional system was established. Those who agree to enter into a permanent regional wholesale partnership will evaluate and recommend a regional infrastructure strategy when appropriate. They will make collective investment decisions within the terms of the as-yet-to-be-defined partnership agreements and/or bylaws.
- The Kellogg Creek Treatment Plant will remain in operation, but the regional goal is to reduce its footprint as financially prudent.
- The regional partnership will be organized along the lines of the Washington County Clean Water Services "advise and consent" county service district model but modified to respect Clackamas County traditions. This means there will be a regional advisory board, with legal authority resting with the Board of County Commissioners.
- The decisions of the permanent partnership will be binding on all partners.

Again, we express our appreciation to the Community Partners Wastewater Task Force, the Citizen's Advisory Council, the consultants, staff, and many citizens who have helped us develop this solution. Our community is benefiting from the sincere efforts you have put into the wastewater issue. We look forward to your comments and continued participation. Please endorse the recommendation and confirm your representative to Lynn Peterson (LynnPet@co.clackamas.or.us), by July 31, 2008.

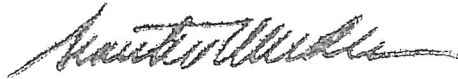
Sincerely,



Lynn Peterson
Chair



Bill Kennemer
Commissioner



Martha Schrader
Commissioner

✓ copy: Chris Jordan, City Manager

Community Partners Task Force – Summary Report and Recommendations

On January 2, 2008 the Clackamas County Board of Commissioners (the “Board”) created a Community Partners Task Force to facilitate discussions between all wastewater service providers in urbanized Clackamas County. The purpose of the Task Force was to explore the formation a collaborative partnership to capture the financial benefits of the economies of scale inherent in large capital investments.

The Task Force was made up of one elected representative from Damascus, Gladstone, Happy Valley, Lake Oswego, Milwaukie, Oak Lodge Sanitary District, Oregon City, West Linn, a County Commissioner, two business leaders, two citizens at large and a CAC member from CCSD#1. The Task Force was asked to assess the benefits of regional collaboration and to make recommendations to the Board regarding equity, fairness, and governance of a potential partnership by June 2008.

The Board asked the Task Force to answer three key questions:

Q1. Cost Benefits: Are there compelling financial benefits to ratepayers of each jurisdiction to make collective investment and management across current service district boundaries attractive? If so, what are the financial benefits for the region?

YES.

It makes good financial sense to work together. The analysis indicates that together the community can realize up to a \$300 million savings over the next twenty years by working and investing together. There is broad public support and understanding of the advantages (as demonstrated by survey data) of working together.

Q2. What is an equitable fiscal and operational model for future collective investments in wastewater treatment systems to recognize past and present investments made by participating jurisdictions and ratepayers? How do we ensure that those who benefit the most from development pay their fair share of new investments in public infrastructures? Can equity and fairness for each partner be achieved?

YES.

Regional equity and fairness can be gained if based on clearly defined assumptions. These assumptions are:

- a. The recommendation is to adopt a common regional treatment rate after capacity parity is reached by the participating service providers.

Treatment capacity parity is defined as the point at which all partners have addressed historical deficiencies and face similar capacity needs in the future.

- b. Service partners will make collective decisions regarding all future investments in treatment facilities after capacity parity is achieved.
- c. Decisions about common ownership of assets and district(s) consolidation will be delayed until treatment capacity parity is achieved and a permanent partnership agreement is in place.
- d. Conveyance and collection will remain the responsibility of individual entities. Each entity will be responsible for financing their own conveyance and local collection system to assure equity and fairness while securing the benefits of a regional treatment rate. Local entities may enter into contract relationship with Clackamas County to assist in design, construction, and management of local collection and conveyance systems.
- f. There will be no capacity expansion investments in Kellogg Treatment Plant with a goal of reducing the plant footprint over time and as economically feasible.
- g. Treatment capacity for future community growth will likely be constructed at Tri-City or utilizing another cost effective option after a regional strategy is adopted.
- h. Equity payments, subsidies and/or host fees may not be necessary to achieve equity and fairness.
- i. The partners will make collective decisions about desirable environmental improvements and livability amenities as future investment in regional wastewater treatment facilities are planned.
- j. The Board will facilitate regional equity by implementing a wastewater service policy after capacity parity has been reached. The foundation of this policy will be that no new service will be provided to customers in unincorporated areas outside existing districts. Service districts will only extend new service to areas already within a city boundary.
- k. Unincorporated areas being served before capacity parity is achieved will not be compelled to annex to a city to continue to receive service.
- l. Growth pays for growth through system development charge and related processes and other financial tools.

Q3. How can the financial and governance interests of all participants and their ratepayers be guaranteed into the future? What are the specific terms of these community covenants? Can the region agree to a governance model to guide a regional wastewater capacity management partnership?

YES.

- a. The Task Force recommends the creation of a wastewater partnership to serve as the foundation of regional wholesale wastewater treatment collaboration.
- b. The Task Force recommends adoption of the Washington County Clean Water Services “advise and consent” governance model as the operational model of the proposed wastewater partnership.
- c. The partnership recommends forming an advisory body composed of representatives appointed by each partner entity.
- d. The wastewater partnership will make recommendations about capital improvements, planning, policy, and financial decisions regarding rates, financing, and annual budgets.
- e. The Board is recognized as the legally accountable governing board of the regional partnership. The Board will act on the recommendations of the wastewater partnership, which will serve in an advisory capacity to the Board.
- f. Day-to-day system management, operations, programs, and permitting of partner assets will be or remain the responsibility of the County through its designated agency.
- g. Partners will be bound by all collective recommendations and resulting decisions by the Board.

Additional Task Force recommendations

The Task Force asks the Board of County Commissioners commit to the above recommendations as the foundational assumptions of a regional wastewater management partnership.

The Task Force asks that its recommendations be made explicit County policy through a formal Board action. Once this action is taken, the Task Force recommends the following:

- a. The Board should ask each partner entity to formally ratify the Board policy action.
- b. All those who ratify the Board's policy will be invited by the Board to form a provisional partnership. The purpose of the provisional partnership is to develop the by-laws, agreements and protocols for a permanent regional wastewater management partnership for consideration by the BCC and each of the partners.
- c. Each partner jurisdiction will nominate one representative to serve on the provisional partnership committee including Damascus, Gladstone, Happy Valley, Milwaukie, Oregon City, West Linn, and Oak Lodge Sanitary District. In addition, the Board will appoint one representative from the CCSD#1 unincorporated area and one representative from the Board.
- d. The provisional partnership will complete its work and submit its recommendations to the Board no later than 10/1/08.
- e. All partners will be asked to ratify and bind themselves to the agreements adopted by the Board.
- f. All parties choosing to ratify the agreements will enter into a permanent regional wholesale wastewater management partnership.

Additional items to be considered by the provisional committee:

- g. The Tri-City equity issues around Kellogg's final disposition need to be addressed by the interim committee.
- h. No regional rate setting will take place until the parties achieve capacity parity. Until then, partners will use their existing rate schedules.