

Tualatin Valley Water District



Delivering the Best Water • Service • Value



BOARD MEETING AGENDA*

January 19, 2022

President Todd Sanders

Treasurer Bernice Bagnall

Vice President Jim Duggan

Secretary Jim Doane

Acting Secretary Dick Schmidt

*To slow the spread of COVID-19, this meeting is only available via phone or the web. It will not be held at a physical location. If you wish to attend, please email debbie.carper@tvwd.org or call 503-848-3014 by 4:30 p.m. on January 19, 2022.

The meeting is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made at least 48 hours before the meeting to the contact listed above.

For online meeting information, Commissioner bios and more, visit www.tvwd.org.

VISION

Delivering the best water • service • value

MISSION STATEMENT

To provide our community quality water and customer service

VALUES

Reliability • Integrity • Stewardship • Excellence • Safety

REGULAR SESSION – 6:00 PM – MICROSOFT TEAMS MEETING*

CALL TO ORDER

REPORTS BY THE CHIEF EXECUTIVE OFFICER AND MANAGEMENT STAFF

COMMISSIONER COMMUNICATIONS

- A. Reports of meetings attended
- B. Topics to be raised by the Commissioners

PUBLIC COMMENT

This time is set aside for persons wishing to address the Board on items on the Consent Agenda and matters not on the agenda. Additional public comment will be invited on agenda items as they are presented. Each person is limited to five minutes, unless an extension is granted by the Board. Should three or more people testify on the same topic, each person will be limited to three minutes.

1. CONSENT AGENDA

These items are considered to be routine and may be approved in one motion without separate discussion. Any Board members may request that an item be removed by motion for discussion and separate action. Any items requested to be removed from the Consent Agenda for separate discussion will be considered immediately after the Board has approved those items which do not require discussion.

- A. Approve the December 15, 2021 regular meeting minutes.
- B. Approve the January 4, 2022 work session minutes.

2. BUSINESS AGENDA

- A. Consider adopting Resolution 01-22, a resolution adopting the Investment Policy for the Tualatin Valley Water District. *Staff Report – Paul Matthews*
- B. Consider approving a motion in support of proceeding with Willamette Water Supply System's RES_1.0/PLM_5.3 Project GMP. *Staff Report – David Kraska*

ADJOURNMENT

Tualatin Valley Water District



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Board Meeting Minutes

December 15, 2021

This meeting was held by phone and the internet.

REGULAR SESSION – 6:00 PM

CALL TO ORDER

Commissioners Present: Bernice Bagnall; Jim Doane, PE; Jim Duggan, PE; Todd Sanders; Dick Schmidt

Staff Present: Tom Hickmann, PE, Chief Executive Officer; Clark Balfour, General Counsel; Paul Matthews, Chief Financial Officer; Carrie Pak, PE, Chief Engineer; Dave Kraska, PE, Water Supply Program Director; David Shick, Controller; Andrea Watson, Communications and Public Affairs Supervisor; Debbie Carper, District Recorder

Other Attendees: Teri Doherty; Julie Desimone and Laurel Stevens from Moss Adams

REPORTS BY THE CHIEF EXECUTIVE OFFICER AND MANAGEMENT STAFF

Mr. Hickmann reported on Portland *Cryptosporidium* testing results, highlighted the next Talkin' Water on January 19, announced the availability of 2022 emergency preparation calendars, provided a response to the collections question from the November 17 regular meeting and said the January 4 work session will be held (see attached memo).

Mr. Balfour presented the safety moment on holiday fire prevention. He also provided the Legal Department report on his current projects (see attached presentation).

COMMISSIONER COMMUNICATIONS

- A. Reports of meetings attended

Commissioners described and submitted a list of recently attended meetings (see attached forms).

- B. Topics to be raised by the Commissioners

There were none.

PUBLIC COMMENT

There was none.

1. CONSENT AGENDA

- A. Approve the November 17, 2021 regular meeting minutes.
- B. Approve the December 7, 2021 work session minutes.
- C. Approve and authorize the Board President to execute the second amendment to the employment agreement between the District and the Chief Executive Officer.
- D. Adopt Resolution 13-21, a resolution establishing regular monthly meeting dates of the Board of Commissioners for calendar year 2022.
- E. Adopt a resolution authorizing the Chief Executive Officer, Tom Hickmann, to be the designated agent, authorized to execute all required forms and documents for the purpose of obtaining financial assistance for the Hazard Mitigation Grant Program.

Motion was made by Doane, seconded by Duggan, to approve the Consent Agenda as presented. The motion passed unanimously with Bagnall, Doane, Duggan, Sanders and Schmidt voting in favor.

2. BUSINESS AGENDA

- A. Consider accepting the report of the independent auditor and the District's Annual Comprehensive Financial Report for the fiscal years ended June 30, 2021 and 2020. *Staff Report – Paul Matthews*

Mr. Matthews noted changes to the report for 2021 and introduced the audit staff present (see attached presentation).

Ms. Desimone highlighted the Moss Adams staff who worked on the District's audit, the services they provided and significant areas of the audit. Then Ms. Stevens said the firm issued an unmodified (clean) opinion with no reportable findings or material weaknesses. She reviewed the required communications and noted one audit adjustment was made (see attached presentation).

Motion was made by Bagnall, seconded by Schmidt, to accept the report of the independent auditor and the District's Annual Comprehensive Financial Report for the fiscal years ended June 30, 2021 and 2020. The motion passed unanimously with Bagnall, Doane, Duggan, Sanders and Schmidt voting in favor.

- B. Consider approving TVWD representative appointments and officer nominations to the Barney Reservoir Joint Ownership Commission (BRJOC) and Joint Water Commission (JWC) for calendar year 2022. *Staff Report – Tom Hickmann*

Motion was made by Bagnall, seconded by Duggan, to approve TVWD representative appointments and officer nominations to the BRJOC and JWC for calendar year 2022 as listed below:

JWC Chair: Commissioner Sanders
JWC Alternate: Commissioner Bagnall
JWC Backup: Commissioner Doane

BRJOC Vice Chair: Commissioner Sanders
BRJOC Alternate: Commissioner Bagnall

The motion passed unanimously with Bagnall, Doane, Duggan, Sanders and Schmidt voting in favor.

- C. Consider approving a motion for a second reading by title only and adopt proposed Ordinance 01-21 amending and restating Rules and Regulations to provide for Civil Penalties for Unauthorized Work Upon or Tampering with the District's Water System. *Staff Report – Clark Balfour*

Mr. Balfour reviewed the Board action taken in to date in considering adoption of the ordinance.

Motion was made by Schmidt, seconded by Bagnall, to read by title only Ordinance 01-21. The motion passed unanimously with Bagnall, Doane, Duggan, Sanders and Schmidt voting in favor.

Ms. Carper read the ordinance title for the record.

Motion was made by Bagnall, seconded by Doane, to adopt Ordinance 01-21 amending and restating Rules and Regulations to provide for Civil Penalties for Unauthorized Work Upon or Tampering with the District's Water System. The motion passed unanimously with Bagnall, Doane, Duggan, Sanders and Schmidt voting in favor.

- D. Consider adopting Resolution 14-21, a resolution restating and amending Resolution 10-21 to establish civil penalties, fines and other charges for the Tualatin Valley Water District effective January 15, 2022. *Staff Report – Clark Balfour*

Mr. Balfour said this resolution is tied to the adoption of Ordinance 01-21.

Motion was made by Bagnall, seconded by Schmidt, to adopt Resolution 14-21, a resolution restating and amending Resolution 10-21 to establish civil penalties, fines and other charges for the Tualatin Valley Water District effective January 15, 2022. The motion passed unanimously with Bagnall, Doane, Duggan, Sanders and Schmidt voting in favor.

ADJOURNMENT

There being no further business, President Sanders adjourned the meeting at 7:03 p.m.

Todd Sanders, President

Jim Doane, Secretary



MEMO

Date: December 15, 2021
To: Tualatin Valley Water District Board of Commissioners
From: Tom Hickmann, CEO
Re: Chief Executive Officer and Management Staff Report

The following items will be covered during the report by the CEO:

- 1. Portland *Cryptosporidium* Results** – For the month of November 2021, the Portland Water Bureau reported 10 *Cryptosporidium* oocyst detections in water samples collected from the Bull Run Headworks. Portland Water Bureau will continue increased sampling four times per week until there are at least three weeks without any detections. Complete results of Portland’s *Cryptosporidium* monitoring are posted on the City’s website:
<https://www.portland.gov/water/water-quality/test-results#toc-cryptosporidium>.
- 2. January Talkin’ Water** – Save January 19, at noon, for Talkin’ Water about the 209th Farmington Facility project, which will break ground in the spring 2022. Our project team will share the site’s future layout, explain the facility’s function in the overall water system and discuss the upcoming construction impacts to the surrounding area. Please join us to learn more about this project and the investment of today’s water system funds for tomorrow’s infrastructure. Pre-registration is not required for this event. Customers will be sent the invitation and meeting link by email. You can find the link at: www.tvwd.org/talkingwater.
- 3. 2022 Emergency Prep Calendars Available Now** – A copy of the TVWD calendar is being mailed to customers by email request, while supplies last. This year, the theme is Emergency Preparation. A supply of calendars was also provided at the Aloha Library, Cedar Mill Library, Cedar Hills Ready, Community Action and Homes Association of Cedar Hills.
- 4. Collections Update** – In response to a question posed at the November 17th regular meeting, the heat map hot spot near Walker Road and Highway 217 is the result of a single account with a large balance; the heat map noted this due to the disparity of the account balance in relation to those of nearby properties. This particular account originated as a residence but may have converted to a business. This may result in the class code being modified from residential to

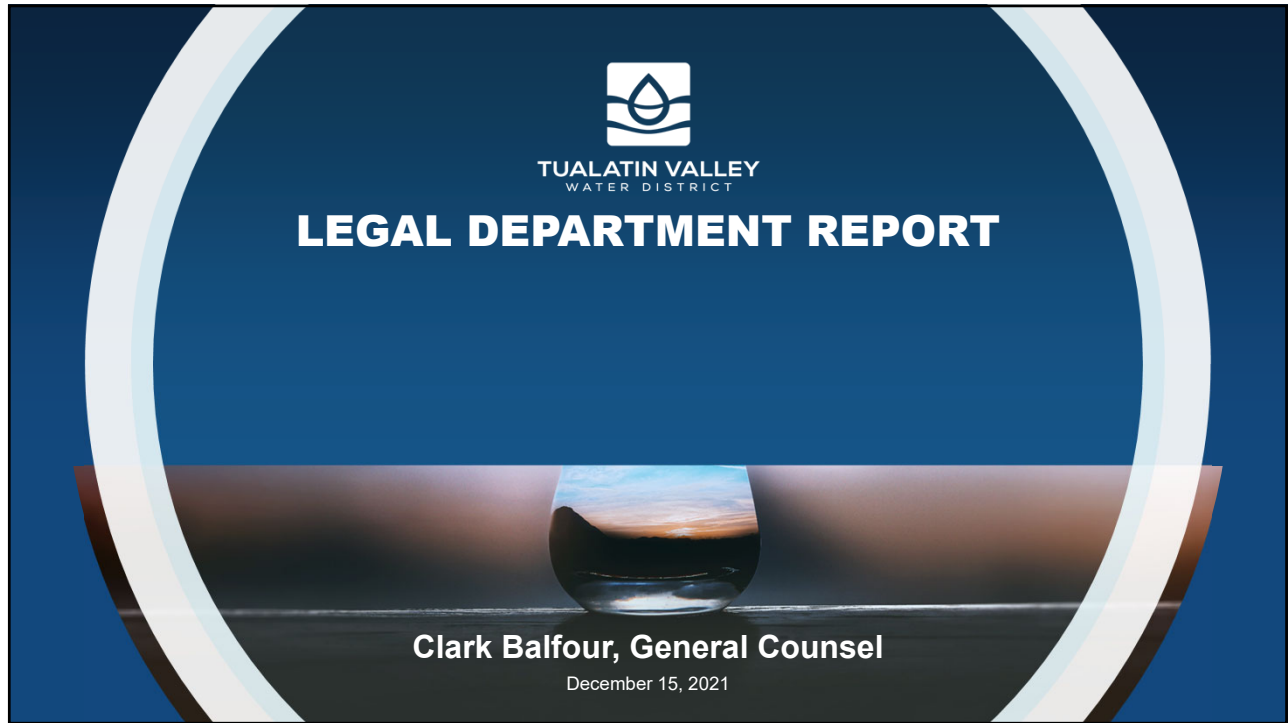
CEO & Management Staff Report to the TVWD Board of Commissioners

December 15, 2021

Page 2

commercial. Staff account research has identified this account as well as 20 other accounts which are being researched for possible rate class changes. This data review is being done as part of the ARPA fund claiming process, as well as for the Customer Information System (CIS) implementation.


- 5. January 4 Work Session** – New information arose during the last week that requires us to hold the January 4 work session that we had previously recommended to cancel. A detailed presentation on the WWSP will be provided at this work session with an opportunity for the Board to ask questions.
 - 6. Safety Minute and Department Report** – Clark Balfour, General Counsel, will present the safety minute and department report this evening.
-



1

ONGOING MATTERS



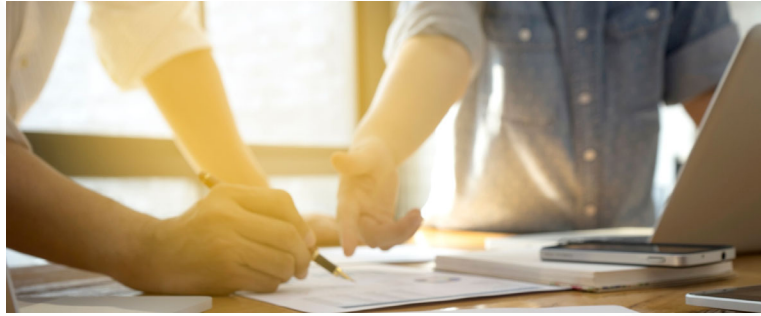
- CIS 
- Kemmer Road Intertie/Walker Road Connection

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1

CONTRACTING

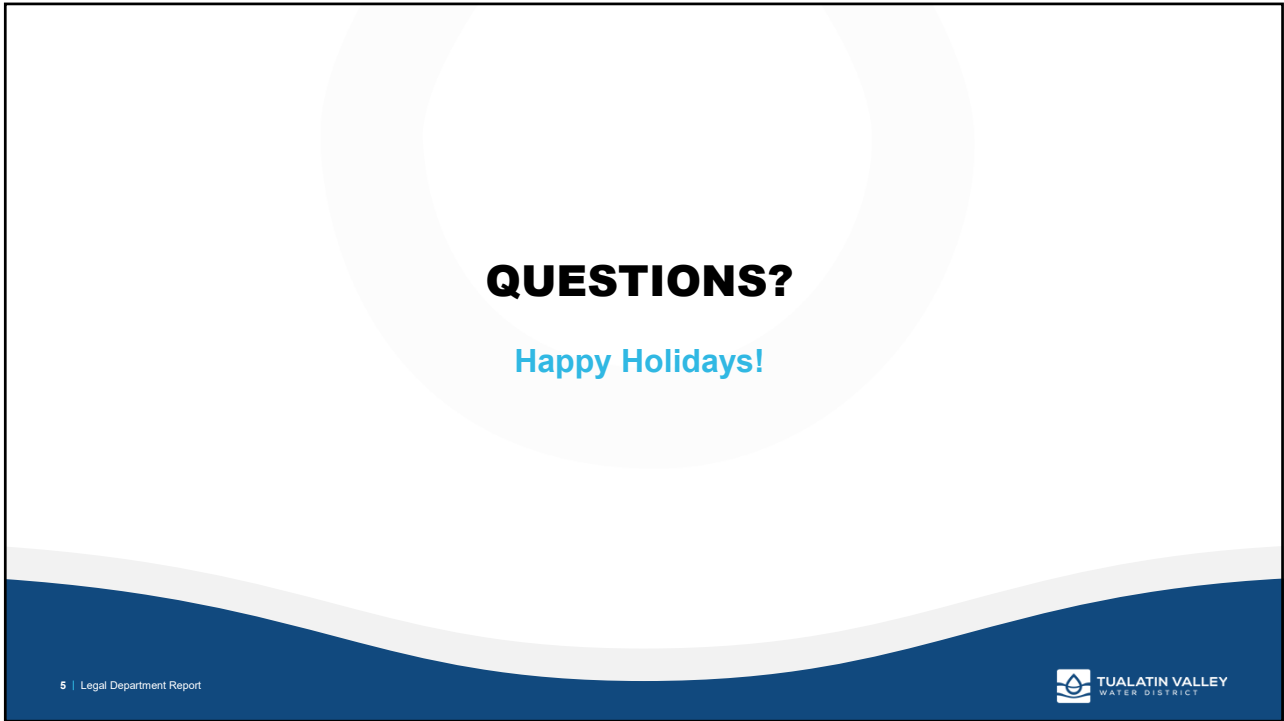
- Project Documents and Questions
- Review of Templates
- Project Management
- Taylor's Ferry RFP



OTHER ITEMS

- Rules and Regulations
 - Fees, Charges and Civil Penalties
- WIF/WWSS Easement Finalization
- Pending Litigation





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3

OVERVIEW OF PRESENTATION

Tonight's Presentation

- Quick updates
- Presentation by Moss Adams



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CHANGES FOR FY2021

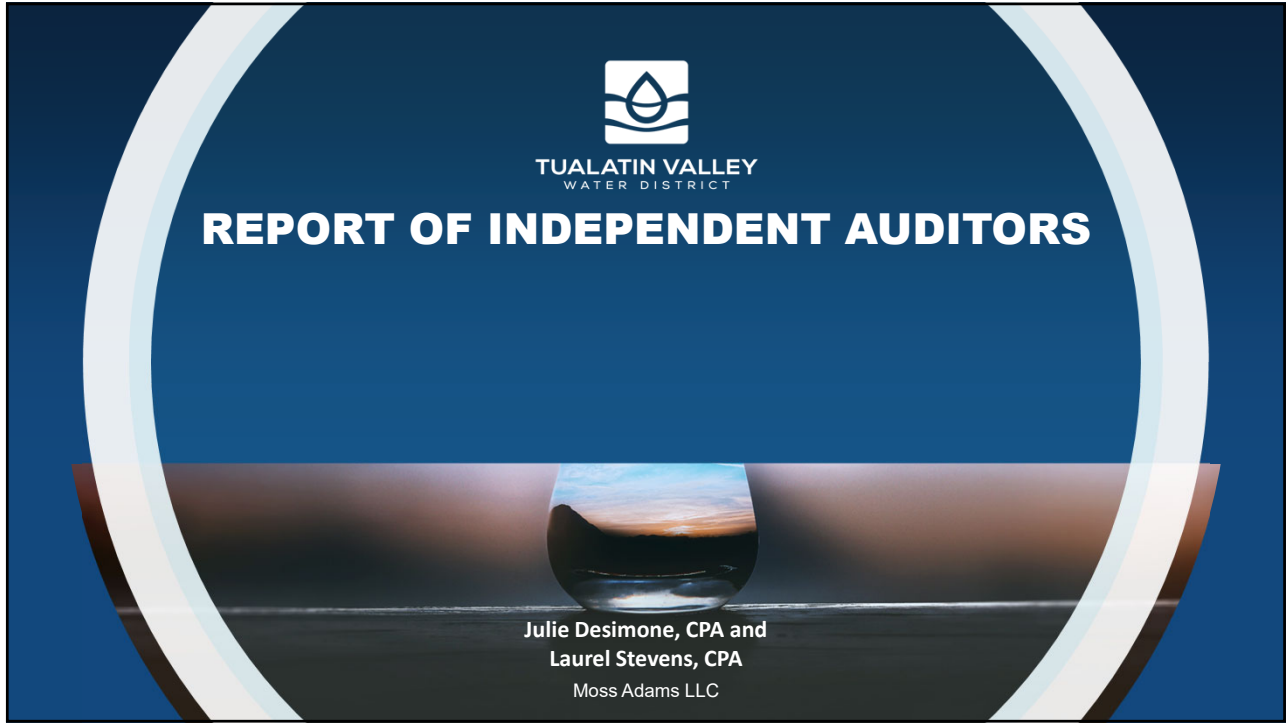
New Descriptions

- **Annual Comprehensive Financial Report (ACFR)**
- **Willamette Water Supply System is now a component unit of the Tualatin Valley Water District**

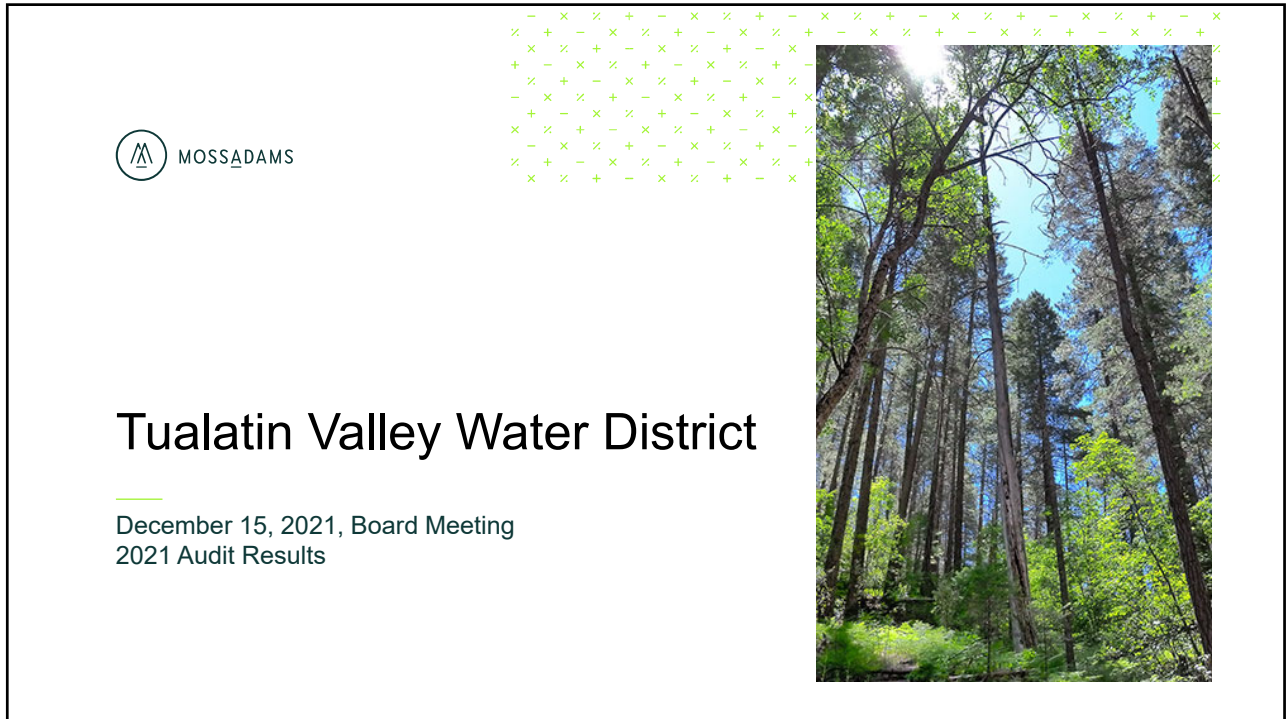


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10

5

Agenda

- 1. Engagement Team
- 2. Nature of Services Provided
- 3. Significant Audit Areas
- 4. Auditor Opinions / Reports
- 5. Required Communications
- 6. Audit Adjustments
- 7. Internal Control Matters



11

11

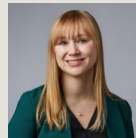
Your Dedicated Team



Julie Desimone
Partner



Scott Simpson
Partner



Laurel Stevens
Audit Manager



Jack Strother-Blood
Senior, In-Charge Auditor



12

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Nature of Services Provided

1 Independent Auditors' Report on the financial statements of Tualatin Valley Water District

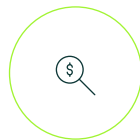
2 Assistance with, and technical review of the ACFR for compliance with GAAP as well as GFOA Certificate of Excellence requirements

3 Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance in Accordance with *Oregon Minimum Auditing Standards*

4 Communication to Those Charged with Governance



Significant Audit Areas



CONSTRUCTION WORK
IN PROCESS –
CLASSIFICATION



CUSTOMER BILLINGS –
ACCURACY



OREGON MINIMUM
STANDARDS



INVESTMENTS AND
COMPONENT UNIT
REPORTING





Audit Opinion/ Reports



15

Financial
Statements

Unmodified
(clean) opinion
on financial
statements

Oregon
Minimum
Standards
Report

No reportable
findings

Communication
to Those
Charged with
Governance

No material
weaknesses

15

Required Communication

- Auditor's responsibility under auditing standards
- Significant accounting policies
- Management judgements & accounting estimates
- Management's consultation with other accountants
- No disagreements with management
- No difficulties in performing the audit



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Audit Adjustments

Audit Adjustments	Amount
To adjust WIP balance for misclassification of completed project C12702	\$83,002
Passed Audit Adjustments	Amount
None noted	

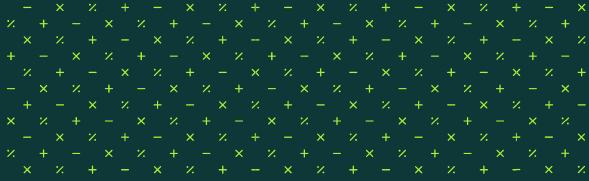



Contact Us



+ Julie Desimone
Julie.desimone@mossadams.com
 (503) 478-2101


+ Laurel Stevens
Laurel.stevens@mossadams.com
 (503) 478-2307



Thank You

STAFF RECOMMENDATION

By motion of the Board, accept the report of the independent auditor and the District's Annual Comprehensive Financial Report for the fiscal years ended June 30, 2021 and 2020.



Tualatin Valley Water District



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Report of Meetings Attended

Commissioner Bagnall

Date	Meeting or Function	Purpose	\$	Claimed
11/18/2021	WEA – Josh Lehner	Oregon’s economy	50.00	X Yes <input type="checkbox"/> No
12/7/2121	Board work session	WWSS/Branding update	50.00	X Yes <input type="checkbox"/> No
12/15/2021	Regular Board meeting	District Business	50.00	X Yes <input type="checkbox"/> No
			\$150 OK to pay	<input type="checkbox"/> Yes <input type="checkbox"/> No
			D Carper	<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No

ORS 198.190, “A member of the governing body of a district may receive, not to exceed \$50.00 for each day or portion thereof as compensation for services performed as a member of the governing body. Such compensation shall not be deemed lucrative. The governing body may provide for reimbursement of a member for actual and reasonable traveling and other expenses necessarily incurred by a member in performing official duties.” *Please note that in accordance with ORS 294.331 (3), members of the budget committee shall receive no compensation for their services as members of such committee.*

In accordance with Board Policies, an amount equal to the unclaimed reimbursements for meetings will be transferred to the District’s Customer Emergency Assistance Fund.

Report of Meetings Attended

Commissioner Doane

Date	Meeting or Function	Purpose	\$	Claimed
12/15	Regular Meeting		50	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
12/14	Andrea Watson	Color Issues	50	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
12/14	Computer Set Up		0	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
12/10	CEO	Annual Staff Increase	50	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
12/7	Todd Sanders	Performance Discussion	0	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
12/7	Work Session and Exec Session		50	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
			\$200 OK to pay CEAP D Carper	<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No

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Tualatin Valley Water District



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Report of Meetings Attended

Commissioner Jim Duggan

Date	Meeting or Function	Purpose	\$	Claimed
12/02/2021	WWSS Meeting & Exec. Session	Regular Monthly Mtg.	50	× Yes <input type="checkbox"/> No
12/07/2021	Board Work & Exec. Sessions	Updates/CEO Eval.	50	× Yes <input type="checkbox"/> No
12/14/2021	Board Agenda Planning Meeting	Agenda Review w/CEO	50	× Yes <input type="checkbox"/> No
12/15/2021	TVWD Board Meeting & Exec. S.	Regular Monthly Mtg.	50	× Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
			\$200 OK to pay D Carper	<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No

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In accordance with Board Policies, an amount equal to the unclaimed reimbursements for meetings will be transferred to the District's Customer Emergency Assistance Fund.



Report of Meetings Attended

Commissioner Dick Schmidt

Date	Meeting or Function	Purpose	\$	Claimed
12072021	Work Session	Finances CEO eval.	50	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
12152021	Regular Board Meeting	CEO eval	50	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
			\$100 OK to pay D Carper	<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No

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By Board Resolution 02-14, an amount equal to the unclaimed funds for services will be transferred to the District's Customer Emergency Assistance Program.

Debbie Carper

From: Todd Sanders
Sent: Friday, December 17, 2021 1:50 PM
To: Debbie Carper
Subject: Re: Meetings attended forms approval

I'm sorry. Got caught up in finishing final exam grades. I approve the attached Monthly Meetings attended forms for December 2021.

From: Debbie Carper
Sent: Friday, December 17, 2021 9:34 AM
To: Todd Sanders
Subject: RE: Meetings attended forms approval

Good morning! Just checking on this approval so we can get these processed with Payroll.

Debbie C.

Debbie Carper
District Recorder
Debbie.Carper@tvwd.org
phone: (503) 848-3014



www.tvwd.org

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From: Debbie Carper
Sent: Wednesday, December 15, 2021 6:11 PM
To: Todd Sanders
Subject: Meetings attended forms approval

Hi Commissioner Sanders,

In lieu of a physical signature, can you please email me your approval of the attached forms?

Debbie Carper
District Recorder
Debbie.Carper@tvwd.org
phone: (503) 848-3014



www.tvwd.org

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Tualatin Valley Water District



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Report of Meetings Attended

Commissioner Todd Sanders

Date	Meeting or Function	Purpose	\$	Claimed
11/19/21	Meeting with Consultant Eder	How does SDAO work for TVWD	50	X Yes <input type="checkbox"/> No
11/22/21	Meeting with CEO	How does SDAO work for TVWD	50	X Yes <input type="checkbox"/> No
11/30/21	Meeting with CEO	Staffing changes	50	X Yes <input type="checkbox"/> No
12/06/21	Meeting with CEO	Regional water issues	50	X Yes <input type="checkbox"/> No
12/07/21	Executive Session & Work Session	Executive Session	50	X Yes <input type="checkbox"/> No
12/13/21	Meeting with CEO	Partnership communications	50	X Yes <input type="checkbox"/> No
12/14/21	Meeting with VP and CEO	Agenda planning	50	X Yes <input type="checkbox"/> No
12/15/21	TVWD Monthly Board meeting	Auditor's Report	50	X Yes <input type="checkbox"/> No
			\$400 OK to pay	<input type="checkbox"/> Yes <input type="checkbox"/> No
			D Carper	<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No
				<input type="checkbox"/> Yes <input type="checkbox"/> No

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By Board Resolution 02-14, an amount equal to the unclaimed funds for services will be transferred to the District's Customer Emergency Assistance Program.

Debbie Carper

From: Jim Doane
Sent: Wednesday, December 15, 2021 7:54 PM
To: Debbie Carper; Todd Sanders; Jim Doane
Subject: Re: Approval of Commissioner Sanders' form

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

I approved his form.

Jim Doane

On Wed, Dec 15, 2021 at 5:45 PM Debbie Carper wrote:

Hi Commissioner Doane,

In lieu of a physical signature, could I please get your email approval of the attached form?

Debbie Carper

District Recorder

Debbie.Carper@tvwd.org

phone: (503) 848-3014



TUALATIN VALLEY
WATER DISTRICT



www.tvwd.org

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Tualatin Valley Water District



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Tualatin Valley Water District



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Board Work Session Minutes

January 4, 2022

This meeting was held by phone and the internet.

WORK SESSION – 6:00 PM

CALL TO ORDER

Commissioners Present: Bernice Bagnall; Jim Doane, PE; Jim Duggan, PE; Todd Sanders; Dick Schmidt

Staff Present: Tom Hickmann, PE, Chief Executive Officer; Paul Matthews, Chief Financial Officer; Dave Kraska, PE, Water Supply Program Director; Joelle Bennett, PE, Water Supply Program Assistant Director; Clark Balfour, General Counsel; Tim Boylan, IT Services Director; Andrew Carlstrom, Customer Service Manager; Matt Oglesby, Asset Management Division Manager; Andrea Watson, Communications and Public Affairs Supervisor; Debbie Carper, District Recorder

Other Attendee: Teri Doherty

ANNOUNCEMENTS

Mr. Hickmann highlighted the upcoming Talkin' Water presentation on the 209th Farmington Facility Project on January 19 (see attached memo).

He also said that Washington County Commissioner Roy Rogers would like to attend an upcoming Board meeting to share his long-term vision for Washington County. Commissioners were in support of hearing his perspective at the February 1 Board work session.

Mr. Kraska gave the safety moment on frostbite and hypothermia prevention.

1. DISCUSSION ITEMS

- A. Willamette Water Supply System (WWSS) Commission Update and Cost Trends.
Staff Report – Dave Kraska

Mr. Kraska reviewed the WWSS Commission January agenda, the current approvals and procurement forecast and recent Willamette Water Supply Program activities. He also described how the Willamette Water Supply Program (WWSP) team, including partners, are strategizing regarding the higher-than-expected project bid amounts received for the RES_1.0/PLM_5.3 and WTP_1.0 projects (see attached presentation). Mr. Kraska explained the construction

manager/general contractor project approach, where the contract is brought into the process at the 30% design completion stage and works with the team through full design completion. The contractor then breaks up the project into bid packages and assembles those packages into a guaranteed maximum price (GMP) to complete all of the work. He shared how the WWSP team is analyzing GMP results for both projects.

In response to questions, staff said:

- Partnering agencies remained committed to the completion of the WWSS on time.
- The projects that have already been approved to be deferred until around 2029 are not included in these budget impact assessments.
- Any additional information that has been collected between now and the special WWSS Commission Board meeting on January 20 will be provided to the TVWD Board at their January 19 regular meeting.
- There will be meetings of both the Board subcommittees for both finance and water supply in the near term to discuss potential financial options and strategies.

Commissioners expressed support for continuing toward WWSS completion in 2026.

ADJOURNMENT

There being no further business, President Sanders adjourned the meeting at 7:31 p.m.

Todd Sanders, President

Jim Doane, Secretary



MEMO

Date: January 4, 2022
To: TVWD Board of Commissioners
From: Tom Hickmann, CEO
Re: CEO Announcements

The following Announcements will be covered during the work session:

1. **Be Sure to Unmute and Mute** – Please remember to unmute whenever you are speaking and mute yourself when you are done during the work session this evening.
2. **January 19 Talkin' Water** – As a reminder, TVWD's next virtual forum event will be held noon, January 19, and feature the 209th Farmington Facility project, which will break ground in the spring 2022. Our project team will discuss the site's future layout, functionality, and the upcoming construction impacts to bring the project from conceptual to completed. The 209th & Farmington Facility will be an important location for TVWD as we transition the water system to the WWSS in 2026 and beyond. Pre-registration is not required for this event. You can find the link at: www.tvwd.org/talkingwater.
3. **Board Communications Log** – There were no updates to the Board communications log this month.
4. **Safety Minute** – Dave Kraska, Willamette Water Supply Program Director, will present tonight's safety minute.

Willamette Water Supply
Our Reliable Water

**Willamette Water Supply System
Commission Update**
TVWD Work Session
January 4, 2022

1

Outline

Review January WWSS Commission Board Meeting Agenda → Review Approvals and Procurements Forecast → Update on WWSP Activities

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2

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REVIEW JANUARY WWSS COMMISSION BOARD MEETING AGENDA

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Willamette Water Supply System Commission January 6, 2022 Board Meeting Agenda

1. General Manager's Report
2. Public Comment
3. Consent Agenda
 - A. Approve the December 2, 2021 meeting minutes
 - B. Accept Financial Statements and Report of Independent Auditor for the Fiscal Year Ended June 30, 2021
4. Business Agenda
 - A. Election of Officers
 - B. Adopt PLM_5.3 Resolution of Need (fifth supplemental)
5. Information Items
 - A. Market Conditions and Outlook
 - B. Planned February Business Agenda items

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REVIEW APPROVALS AND PROCUREMENTS FORECAST

5

Approvals and Procurement Forecast for December 2021 – February 2022 Program Baseline or Related Plans

Description	Program Director	WWSS Management Committee	WWSS Commission Board
PLM_5.3 Add Accommodations for Temporary Pump Station Connection and Use during WWSS Commissioning	NA	12/16/2021	NA

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Approvals and Procurement Forecast for December 2021 – February 2022

Real Estate

Description	Program Director	WWSS Management Committee	WWSS Commission Board
PLM_1.3 Resolution of Need (5 th supplemental)	NA	11/18/2021	12/2/2021
PLM_5.3 Resolution of Need (5 th supplemental)	NA	12/16/2021	1/6/2022

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Approvals and Procurement Forecast for December 2021 – February 2022

IGAs, MOUs, Permit Commitments

City of Sherwood

- DCS_1.0 Broadband Services IGA (April)
- Emergency Intertie IGA (February)

Bonneville Power Administration

- PLM_1.3 Reimbursement Agreement (June)

City of Wilsonville

- PLM_1.0 Ground Lease Amendment 1 (September)

Washington County Land Use & Trans

- RES_1.0 Grabhorn Road Realignment IGA (November)
- PLM_4.4 Construction IGA (November)
- PLM_4.2 Construction IGA (February)

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Approvals and Procurement Forecast for December 2021 – February 2022

Contracts

Title	Goal	Value	Key Dates
WTP_1.0 Tree Clearing	Clear trees from WTP site before bird nesting season	\$1.1M	WWSS Board Approval: 12/2/2021
PLM_1.3 Contract for Construction	Construct PLM_1.3	~\$37.6M	WWSS Board Approval: 2/3/2022

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Approvals and Procurement Forecast for December 2021 – February 2022

Contract Amendments and Change Orders*

Title	Goal	Value	Key Dates
RES_1.0/PLM_5.3 GMP for Construction	Construct RES_1.0 and PLM_5.3	\$127.5M	WWSS Board Approval: 1/6/2021
WTP_1.0 GMP for Construction	Construct WTP_1.0	TBD	WWSS Board Approval: 2/3/2021

*having values higher than the Program Director's authority

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Approvals and Procurement Forecast for December 2021 – February 2022

Local Contract Review Board Rule Exemption

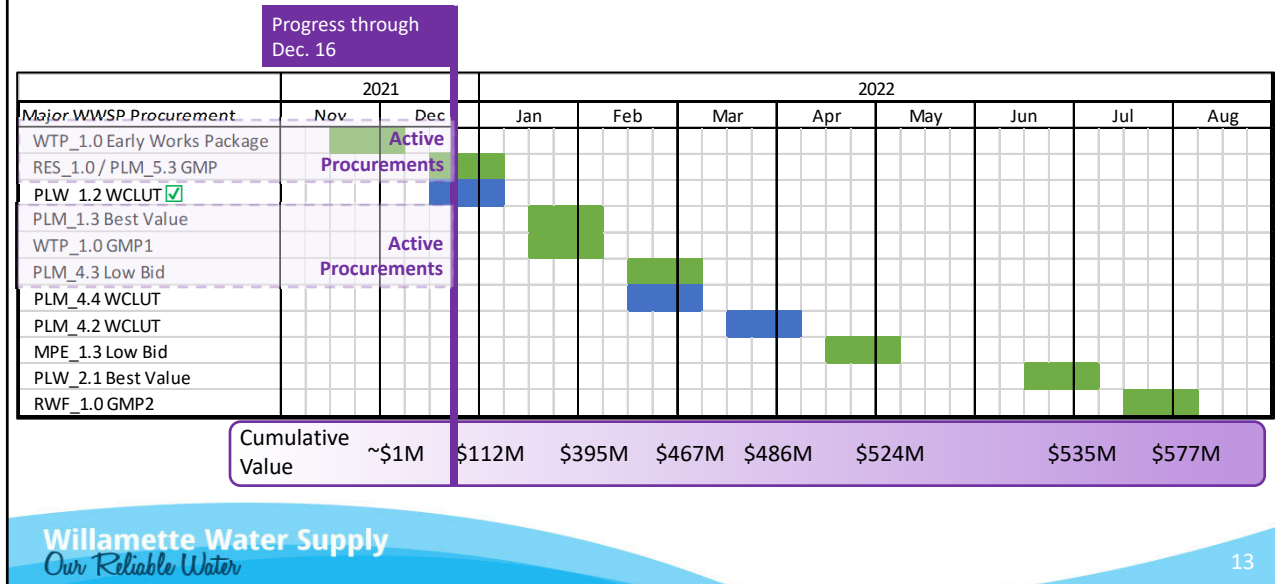
Title	WWSS Management Committee Approval	WWSS Board Informational Item	WWSS Board Consider Approval
--	--	--	--

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UPDATE ON WWSP ACTIVITIES

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Status of Major FY22 Procurements



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Recent Guaranteed Maximum Price Results

RES_1.0/PLM_5.3

- Status: CM/GC's final (amounts may change)
- Value: ~\$150M (GMP 1, GMP2)
- Baseline: \$117M
- Baseline Schedule:
 - Final Submittal – Dec 7
 - Stage Gate – Dec 9
 - MC – Dec 16
 - Board – Jan 6
- Proposed Approval: Jan 20, 2022 Special WWSS Board Meeting

WTP_1.0

- Status: Draft (amounts may change)
- Value: ~\$420M (Tree clearing, GMP1, GMP2)
- Baseline: \$292M (w/MR "earmark")
- Baseline Schedule:
 - Draft Submittal – Dec 17
 - Final Submittal – Jan 12
 - Stage Gate – Jan 19
 - MC – Jan 20
 - Board – Feb 3
- Proposed Approval: Mar 3, 2022 Regular WWSS Board Meeting

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Quality of GMPs

Considerations	WTP_1.0 GMP	RES_1.0/PLM_5.3 GMP
Market Outreach	Local organizations outreach Prebid meetings with potential subs/vendors Advertisements (early and bid) Website (WTP bid page)	Local organizations outreach Prebid meetings with potential subs/vendors Advertisements (early and bids) Website
Bidders per Package	<u>Example Packages (~60% of cost)</u> Concrete, 2 bids, \$41.0M Earthwork/Utilities, 2 bids, \$57.0M Process Install, 3 bids, \$48.9M Electrical, 5 bids, \$41.1M	<u>Bid Response for GMP2 Packages and Total Cost</u> 1 bidder, \$5.5M 2 bidders, \$10.2M 3 bidders, \$74.9M >3 bidders, \$2.0M
Bid Spreads	<u>Example Packages (low bid v. 2nd low)</u> Concrete, 2.5% Earthwork/Utilities, 0.03% Process Install, 15% Electrical, 2.4%	<u>Example Packages (low bid v. 2nd low)</u> Structural Concrete, 14.4% Earthwork, 2.1% Pipeline Install 1.8% Electrical 0.8%
Vetting Process	Reviewed bid packages (approx. 70) Reviewed and negotiated leveling SME/Estimator review GCs review (in process) <i>This process is continuing</i>	Reviewed bid packages (40) Reviewed and negotiated leveling SME/Estimator review GCs review Early staffing negotiations Determined escalation allowance

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GMPs Cost Drivers

Cost Drivers	WTP_1.0 GMP	RES_1.0/PLM_5.3 GMP
Supply chain interruptions	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Labor availability (including competition & vaccine mandates)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Trucking and shipping (availability and fuel cost)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Project duration (future market risk)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> (to re-bid fencing & site concrete)
Market escalation (including compounding)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Bid exclusions	<input checked="" type="checkbox"/> (to be resolved)	<input checked="" type="checkbox"/>
General material and market uncertainty	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Project elements (scope development/clarification since Baseline 6.1)	Scope clarifications for 124 th Ave and City of Sherwood requirements	2 nd retaining wall for detention basin, security system, Flow & Eddy materials, landscaping (rock excavation & temp. irrigation), fencing

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Cost Drivers for Recent GMPs are Consistent With Prevailing Market Conditions

San Francisco Public Utilities Commission

- Construction activity increasing rapidly due to pent up demand
- Large increases in raw materials prices and labor shortages
- Anticipate bids to continue coming in 30 – 40% over estimate

Association of General Contractors of America

- “The construction industry is in the midst of a period of exceptionally steep and fast-rising costs for a variety of materials”

Clark Construction Market Insight (Q3 2021)

- “All indicators denote a large amount of work coming to market in the next 12 months and beyond”

Sundt

- Experiencing similar cost increases across the country
- Highest increases are in markets with limited competition – in other words, the smaller Oregon market is seeing higher increases than in larger metropolitan markets like San Francisco or Los Angeles
- Increases are due in part to the current market uncertainty combined with the long project duration
 - Everyone is short on staff – admin, craft, delivery
 - No one is certain of the direction materials prices will take, and our GMP needs to hold into 2025
- The construction industry is not seeing a let up even with the higher prices
- The private industrial market is competing with the public side – private industrial projects have hard deadlines and owners are willing to pay whatever it takes to meet them including paying a premium to get the craft they need
- Facilities project like the WTP are very different from pipeline projects – with pipelines, all materials are bought within 30 days of NTP and far fewer trades are involved

Recent (2021) Water Infrastructure Examples from Other Utilities Completing Similar Projects

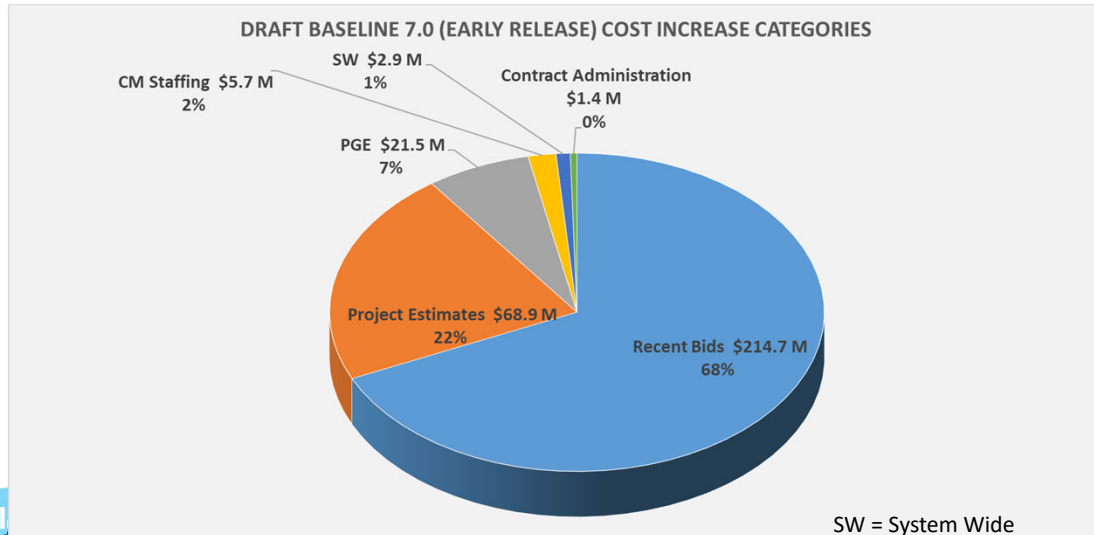
Owner	Project	Estimate (\$M)	Median Bid (\$M)	Median Bid / Estimate
South County Regional Wastewater Authority, CA	Plant Capacity Expansion Project	\$57.0	\$73.2	28%
Miami-Dade Water and Sewer Department, FL	Wastewater Plant 2 Digester Cluster 3 Facility Upgrade	\$36.8	\$51.1	39%
Tuolumne Utilities District, CA	Sonora Regional Wastewater Treatment Facility Upgrades *	\$25.0	>\$35.0	>40%
East Bay Municipal Utilities District, CA	San Pablo Reservoir Hypolimnetic Oxygen System	\$7.1	\$10.0	41%
City of Antioch, CA	Antioch Brackish Water Desalination	\$67.0	\$95.0	42%
Santa Clara Valley Water District, CA	Rinconada Water Treatment Plant	\$17.3	\$24.5	42%
Central Contra Costa Sanitary District, CA	Dewatering Project **	\$130.0	>\$200.0	>54%
Confidential Client (Seattle Area)	Pump Station *	\$16.0	>\$25.0	>56%
Union Sanitation District, CA	Aeration Basin Upgrades	\$84.0	\$142.0	68%
			Overall Median	>42%

Notes:

*Only winning (presumably lowest) bid amount available

**Complete bid data not available

Preliminary Evaluation of Market Conditions on Remaining WWSP Work Forecasts Overall \$315M Increase

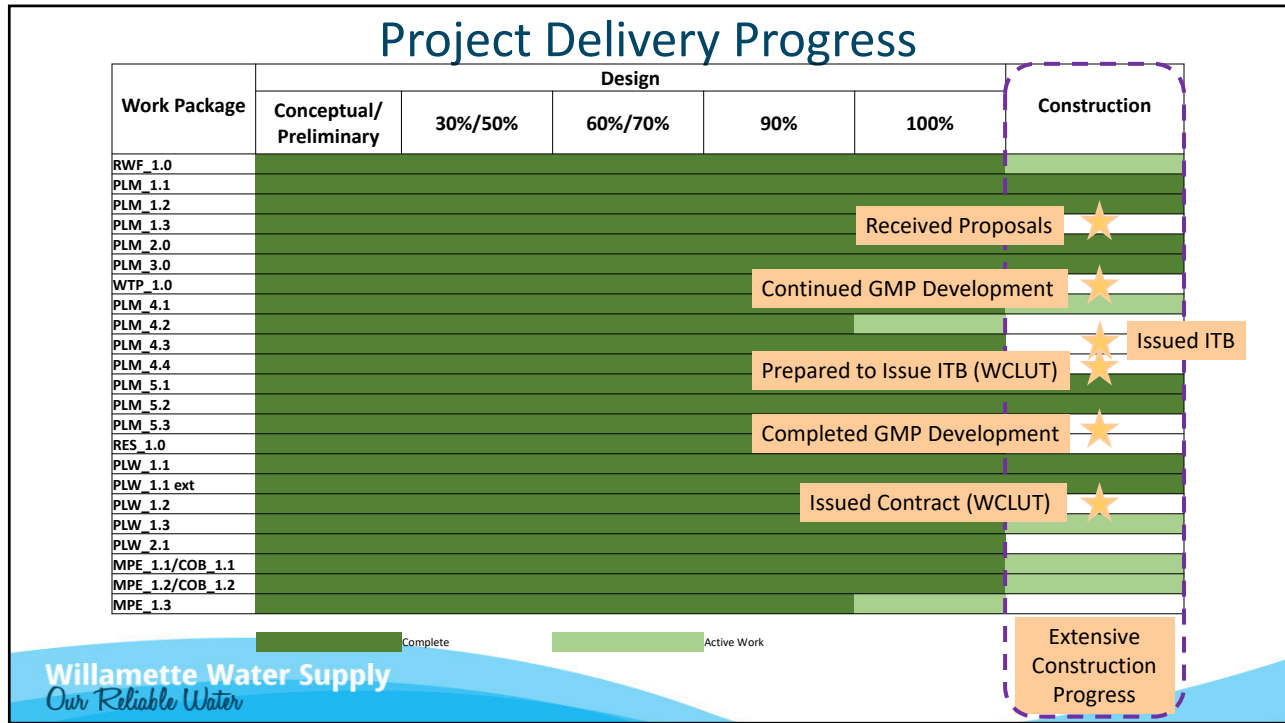


19

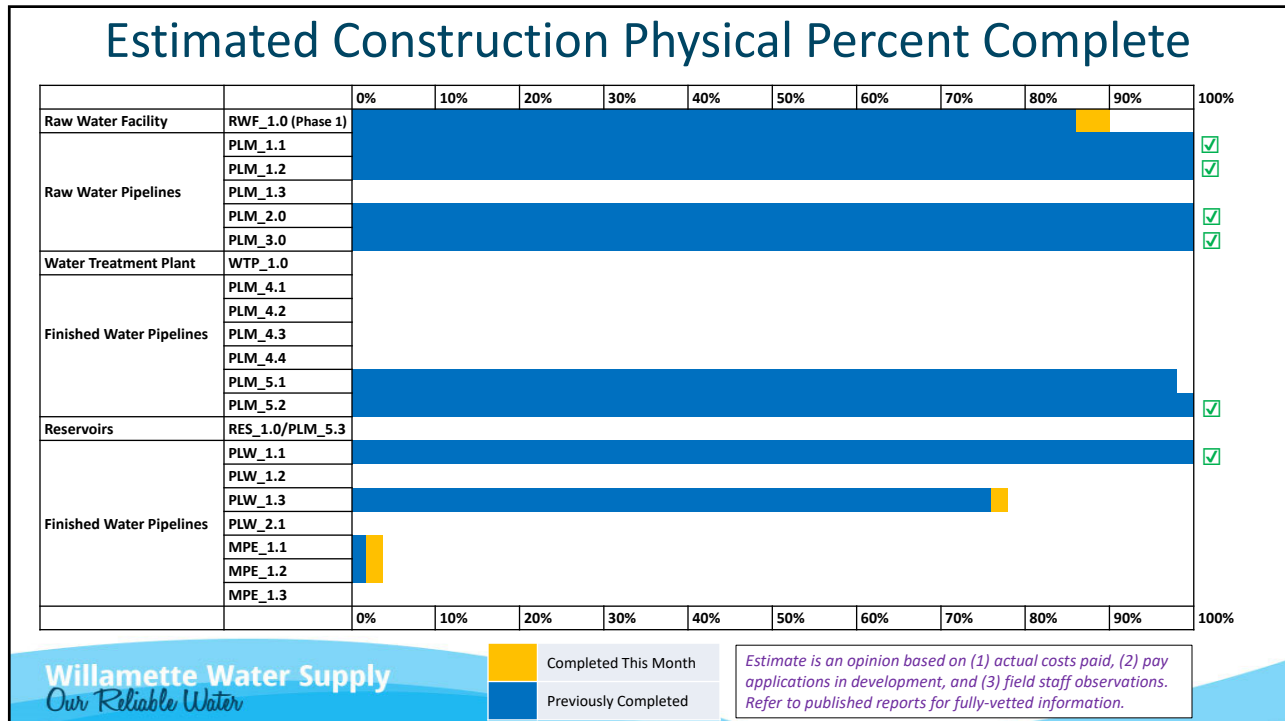
Financial Evaluations are Underway, but Schedule Maintenance Remains a Key Concern

- WWSP provided updated cash flow spreadsheets (early-release version of Baseline 7.0) on December 28 to the Partners
- Finance teams are reviewing the impacts of these cost changes
- Finance coordination meeting scheduled for February 11
- Approving the RES_1.0/PLM_5.3 GMP on January 20 is critical to staying on schedule for permitted work
- Approving the WTP_1.0 GMP on March 3 is critical to maintain schedule and avoid rebidding work

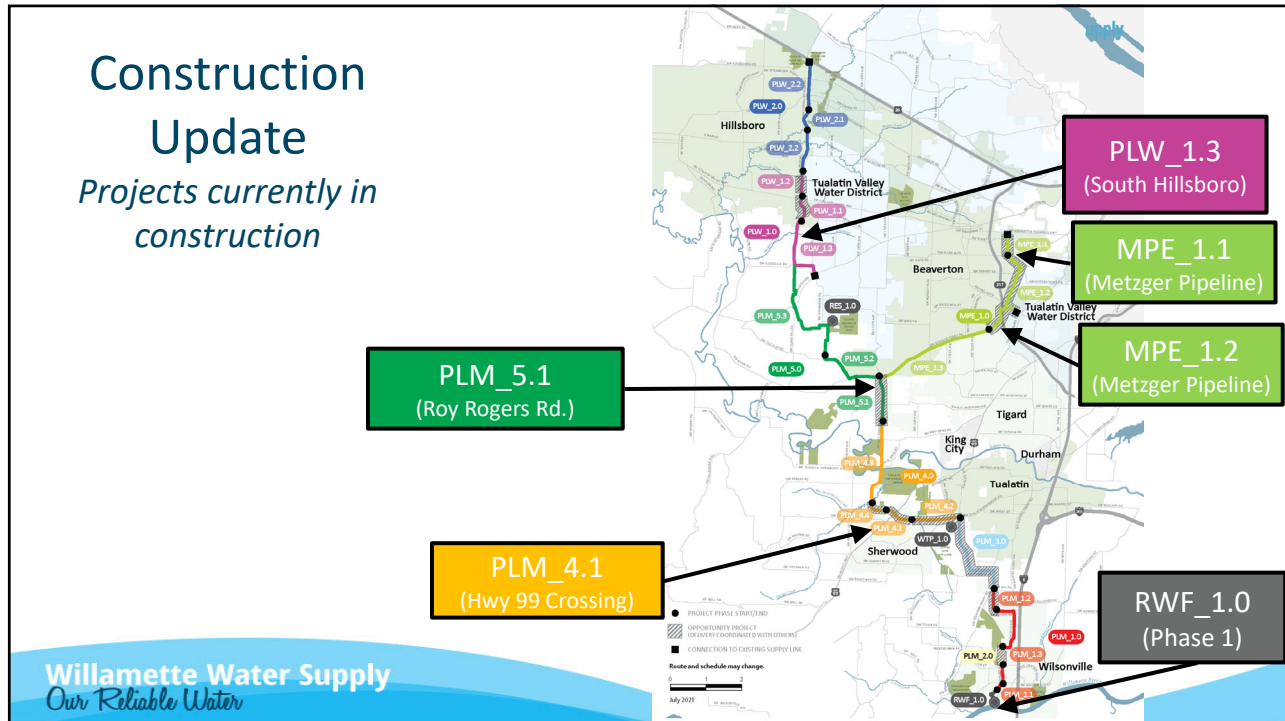
20



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RWF_1.0

Contractor: Kiewit Infrastructure West Co.
Designer: Black & Veatch

Current and Planned Activities:

- Completed sediment removal from existing intake piping
- Completed seismic reinforcing at all joints on existing intake piping
- Completed all seismic structural modifications all RWPS walls and roof
- Completed roof repairs/reinstallation at Raw Water Pump Station
- Began replacement of new air burst system
- Completed permeable paving roadway
- Continued landscape work at riverbank slope, pedestrian trails and overlook
- Continued restoration/grading of upper site

RWF_1.0: Raw Water Facilities
Construction: 2020-2024

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Construction Photos – RWF_1.0

Raw Water Pump Station
concrete complete, lower
slope landscaping work



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Construction Photos – RWF_1.0

Raw Water Pump Station
seismic modifications and
new concrete walls
complete



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Construction Photos – RWF_1.0

Hillside reconstruction
at sending shaft



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Construction Photos – RWF_1.0

Precasting concrete for
flowmeter vault lid



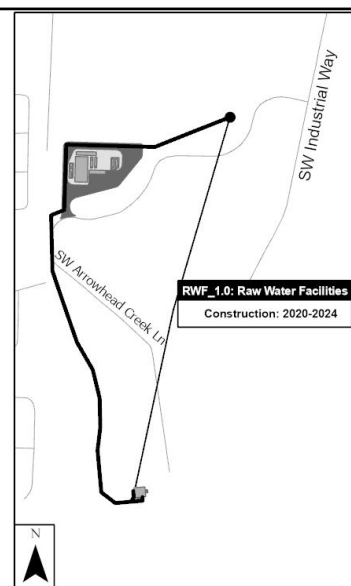
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RWF_1.0 Notable Topics

- External Coordination
 - Continued coordination w/City of Wilsonville and Veolia Operations staff.
- Potential Claims
 - None.
- Delivery Challenges
 - None.



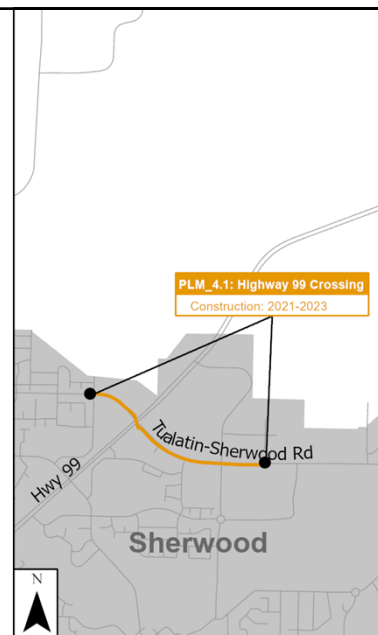
29

PLM_4.1

Partner: Washington County
 Contractor: Moore Excavation Inc.
 Designer: Brown & Caldwell

Current and Planned Activities:

- Sidewalk demolition
- Clearing and grubbing
- Early road widening activities
- WWSP submittals and RFIs



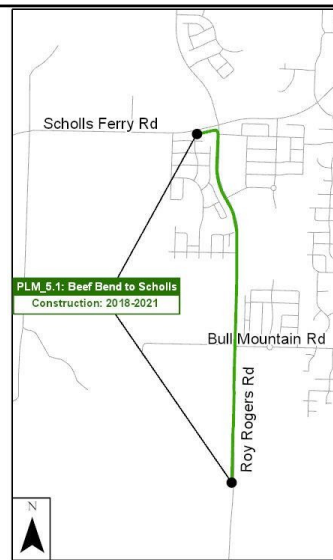
30

PLM_5.1

Partner: Washington Co.
 Contractor: Tapani, Inc.
 (Moore Excavation Inc. – Waterline Sub)
 Designer: Jacobs

Current and Planned Activities:

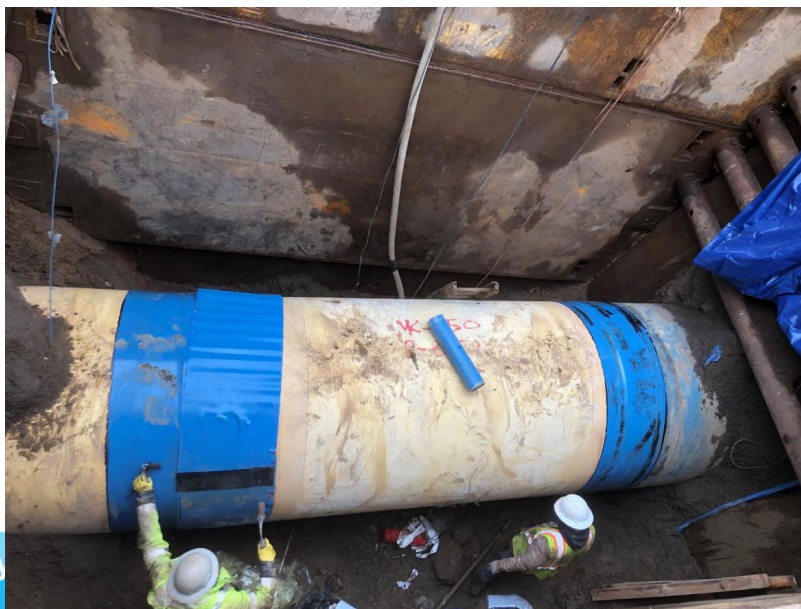
- Disinfection and flushing complete
- Tie-in to PLM_5.2
- Punch list work



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Construction Photos – PLM_5.1

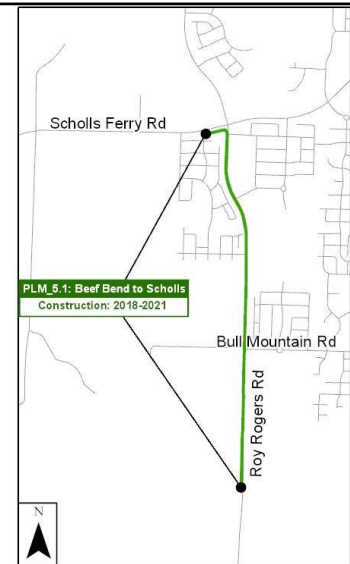
Tie-in connection to
 PLM_5.2.
 Shrink sleeve
 installation



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PLM_5.1 Notable Topics

- Partner Coordination
 - No issues
- Potential Claims
 - None
- Delivery Challenges
 - Late completion



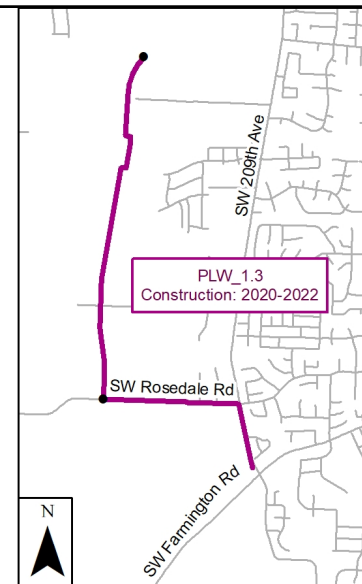
33

PLW_1.3

Contractor: Tapani, Inc.
Designer: Kennedy/Jenks

Current and Planned Activities:

- Continue 66-inch open cut pipe installation (approx. 4600 LF or 68% installed)
- Haul road and wetland restoration
- Completed retaining wall construction for Butternut Creek turnout vaults
- South shaft backfill completed



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Construction Photos – PLW_1.3

Retaining wall construction at Hillsboro turnout



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Construction Photos – PLW_1.3

Backfill of 66" waterline north of Butternut Creek



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Construction Photos – PLW_1.3

Placing 66" waterline south of Butternut Creek



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Construction Photos – PLW_1.3

Wetland restoration and haul road removal on south end of alignment



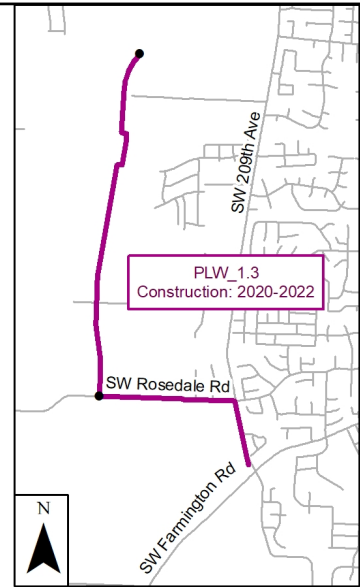
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PLW_1.3 Notable Topics

- External Coordination
 - No issues
- Potential Claims
 - None
- Delivery Challenges
 - None



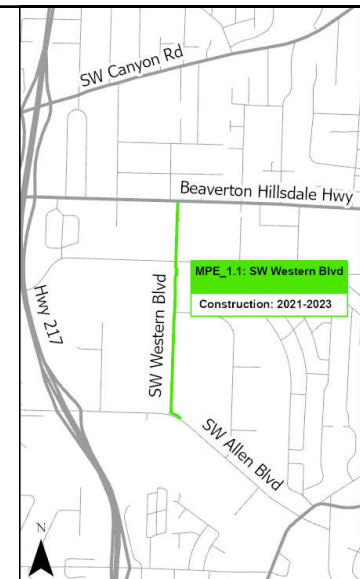
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MPE_1.1

Partner: City of Beaverton
Contractor: Moore Excavation Inc.
Designer: Brown & Caldwell

Current and Planned Activities:

- Storm drain installation
- Beginning sewer pipeline work
- Utility potholing
- WWSP submittals and RFIs



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Construction Photos – MPE_1.1



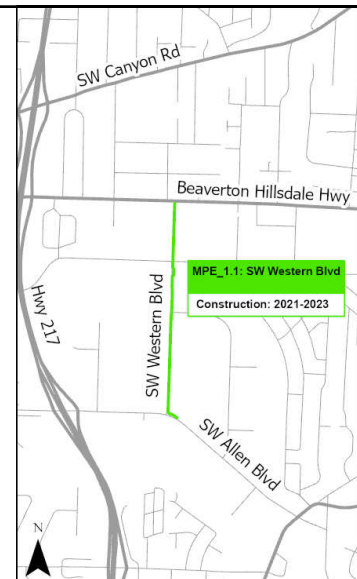
Utility potholing



Fiber optic conduit in pothole

MPE_1.1 Notable Topics

- Partner Coordination
 - Ongoing coordination with City of Beaverton
- Potential Claims
 - None
- Delivery Challenges
 - None



MPE_1.2

Contractor: Emery & Sons
Designer: Brown & Caldwell

Current and Planned Activities:

- Excavate and install shoring for jacking pit on west side of Hwy 217
- Excavate and install shoring for receiving pit on east side of Hwy 217
- Settlement monitoring
- Dewatering and erosion and sediment control



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Construction Photos – MPE_1.2

Excavation and shoring for Hwy 217 tunnel jacking pit



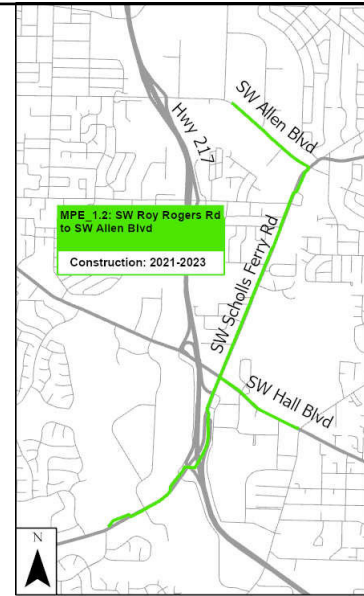
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MPE_1.2 Notable Topics

- External Coordination
 - Coordinating with ODOT on adjacent projects
- Potential Claims
 - None
- Delivery Challenges
 - None



QUESTIONS?

Tualatin Valley Water District



Delivering the Best Water 💧 Service 💧 Value

To: Board of Commissioners

From: Paul Matthews, Chief Financial Officer

Date: January 19, 2022

Subject: Annual Adoption of the Investment Policy for the Tualatin Valley Water District

Requested Board Action:

Consider adopting Resolution 01-22, a resolution adopting the Investment Policy for the Tualatin Valley Water District.

Key Concepts:

- Oregon Revised Statute (ORS) 294.135 requires the District to adopt its Investment Policy annually to allow for the purchase of securities with maturities that exceed 18 months.
- In consultation with the District's investment advisor, Government Portfolio Advisors (GPA), staff is not recommending changes to the District's current Investment Policy.
- The Investment Policy attached in the proposed resolution maintains compliance with Oregon statutes and Oregon Short Term Fund (OSTF) Board guidance.

Background:

The District's Investment Policy allows for the purchase of securities with maturities exceeding 18 months, making it subject to ORS 294.135 and the requirement that it be adopted by the Board of Commissioners annually. Each year staff reviews the existing policy with GPA, the District's Investment Advisor, to verify that the policy meets the District's portfolio management needs and complies with statutory requirements.

Based on the advice from GPA, staff is not recommending changes for 2022.

In 2009, the OSTF Board approved the District's Investment Policy. All subsequent amendments to the Investment Policy have conformed to OSTF Board guidance. The current policy was adopted on January 20, 2021 (Resolution 01-21).

Budget Impact:

None

Staff Contact Information:




Paul Matthews; Chief Financial Officer; 503-848-3017; paul.matthews@tvwd.org
Joe Healy; Senior Management Analyst; 503-848-3085; joe.healy@tvwd.org

Attachments:

Proposed resolution

Exhibit A: Investment Policy

Management Staff Initials:

Chief Executive Officer		Customer Service Manager	N/A
Chief Engineer	N/A	IT Services Director	N/A
Chief Financial Officer		Human Resources Director	N/A
General Counsel		Water Supply Program Director	N/A



RESOLUTION NO. 01-22

A RESOLUTION ADOPTING THE INVESTMENT POLICY FOR THE TUALATIN VALLEY WATER DISTRICT.

WHEREAS, the Board of Commissioners (Board), in compliance with ORS 294.135, adopts the District's Investment Policy annually; and

WHEREAS, the Investment Policy was last adopted by the Board through its approval of Resolution 01-21 on January 20, 2021; and

WHEREAS, the Investment Policy provides guidance on investment decisions and operating principles for the effective management of financial risk, portfolio diversification and internal controls, and allows for the purchase of investments having a maturity longer than 18 months as allowed by ORS 294.135; and

WHEREAS, the Investment Policy remains in compliance with ORS 294.035 regulating the investment of public funds by municipal subdivisions and policy guidelines established by the State of Oregon Short Term Fund (OSTF) Board; and

WHEREAS, the OSTF Board approved the District's Investment Policy in April 2009, and subsequent amendments to the Investment Policy since that time have conformed with OSTF guidance; and

WHEREAS, there are no recommended changes for the Investment Policy, and being fully advised.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE TUALATIN VALLEY WATER DISTRICT THAT:

Section 1: The Investment Policy attached hereto as Exhibit A and incorporated by reference is hereby adopted, and staff is directed to implement in the ordinary course of the District business.

Approved and adopted at a regular meeting held on the 19th day of January 2022.

Todd Sanders, President

Jim Doane, Secretary

Exhibit A

INVESTMENT POLICY



Adopted January 19, 2022

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1. SCOPE

This policy applies to activities of Tualatin Valley Water District (District) with regard to investing the financial assets of all funds as defined by the District in its Chart of Accounts except that funds held by trustees or fiscal agents are excluded from these rules; however, all funds are subject to regulations established by the State of Oregon.

The purpose of this Investment Policy is to establish the investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures necessary for the prudent management and investment of the funds of the District.

This policy has been adopted by Resolution No. 01-22 by the District's Board of Commissioners on January 19, 2022 and replaces the District's previous Investment Policy.

Other than bond proceeds or other unusual situations, the total of all funds ranges from \$40,000,000 to \$130,000,000. The Chart of Accounts currently defines the following funds that are not held by trustee or fiscal agent:

- 1.) Cash Pool
- 2.) General Fund
- 3.) Capital Improvement Fund
- 4.) Capital Reserve Fund
- 5.) Debt Proceeds Fund
- 6.) Revenue Bond Debt Service Fund
- 7.) Willamette River Water Coalition
- 8.) Customer Emergency Assistance Fund
- 9.) Willamette Intake Facilities
- 10.) Willamette Water Supply System

If, in the course of its activities, the District should define further funds (not held by trustee or fiscal agent), these rules shall also apply to the investment of the financial assets of those new funds. These funds will be invested in compliance with the provisions of, but not necessarily limited to, ORS 294.035 through ORS 294.048; and ORS 294.125 through ORS 294.155. Investment of any tax-exempt borrowing proceeds and any related debt service funds will comply with the arbitrage restrictions on all applicable Internal Revenue Codes.

The District acts as collection agent for several other utilities. These funds are to be transferred to the respective agency in compliance with the intergovernmental agreements. Currently the agreements vary from two business days from receipt, the second business day following the week of collection, and twice a month following the 15th and end of month. The method of transfer is by requesting a Pool-to-Pool account transfer at the Local Government Investment Pool (LGIP), a check, or an automated clearing house (ACH) deposit if the agency requests it.

2. GOVERNING AUTHORITY

The investment program shall be operated in conformance with federal, state, and other legal requirements. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145 and 294.810. All funds within the scope of this policy are subject to regulations established by the state of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

3. OBJECTIVES

The District's investment objectives are as follows:

3.1: Safety

- Preservation of capital and the protection of principal.
- Diversification to avoid incurring unreasonable risks regarding specific security types or individual issuers.

3.2: Liquidity

- Maintenance of sufficient liquidity to meet operating requirements.

3.3: Limit Risk

- Avoidance of imprudent credit, market, or speculative risk.

3.4: Legality

- Conformance with federal, state, and other legal requirements.

3.5: Return

- Attainment of a market rate of return throughout all economic and fiscal cycles.

4. STANDARDS OF CARE

4.1: Delegation of Authority

- The Chief Financial Officer is the designated Investment Officer of the District and is responsible for investment decisions, under the review of the Board of Commissioners. The Chief Financial Officer may delegate authority to another member of the Finance Department to perform all or some of the duties of the Investment Officer.
- The Investment Officer is responsible for setting investment policy and guidelines subject to review and adoption by the Board of Commissioners and, if required, review and comment by the Oregon Short Term Fund Board. Further, the Investment Officer will be responsible for the day-to-day operations of the investment process which include, but are not limited to, choosing what to buy or sell, from whom investments will be purchased, executing the buy/sell orders, producing necessary reports, and supervising staff. In addition to the active management of the investment portfolio, the Investment Officer is responsible for the maintenance of other written administrative procedures consistent with this policy and the requisite compliance.
- To further manage the risk and return of the investment portfolio, the Investment Officer will administer an active cash management program that maintains historical cash flow information (e.g., debt service, payroll, revenue receipts, and any extraordinary expenditures).
- Subject to required procurement procedures, the District may engage the support services of outside professionals and services as necessary for the efficient management of the investment program. External service providers shall be subject to Oregon Revised Statutes and the provisions of this Investment Policy. The Advisor shall provide non-discretionary advisory services, which requires prior approval from the Investment Officer. If the District hires an Investment Advisor to provide investment advisory services, the Advisor is authorized to transact with its direct dealer relationships on behalf of the District.

4.2: Prudence

- The standard of prudence to be used by the Investment Officer in the context of managing the financial resources shall be the “prudent person” standard, which states: “Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.”
- The Investment Officer and staff, acting in accordance with the Investment Policy and exercising due diligence, shall not be held personally responsible for a specific security’s credit risk, market price changes, or loss of principal if securities are liquidated prior to maturity provided these deviations and losses are reported as soon as practical and action is taken to control adverse developments.

4.3: Ethics and Conflict of Interest

- District officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose to the Chief Executive Officer any material interests in financial institutions with which they conduct business. They shall further disclose any person financial/investment positions that could be related to the performance of the investment portfolio. Employees, officers and their families shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the District. Officers and employees shall, at all times, comply with the State of Oregon’s Government Ethics requirements set forth in ORS 244.

5. SAFEKEEPING, ACCOUNTING, AND CONTROLS

5.1: Safekeeping and Collateralization

- All trades of marketable securities will be executed on a delivery vs. payment (DVP) basis to ensure that securities are deposited in the District’s safekeeping institution prior to the release of funds. The trust department of a bank may be designated as custodian for safekeeping securities purchased from that bank. The custodian shall provide monthly statements and accrual basis reports to Tualatin Valley Water District listing security holdings, issuer, coupon, maturity, CUSIP number, purchase or sale price, transaction date, accrued interest, and other pertinent information. The custodian shall also provide daily access regarding pending investment transactions, future call notices, and any other important information. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.
- Demand and time deposits shall be collateralized through the State collateral pool as required by ORS 295 for any excess over the amount insured by an agency of the US Government. Additional collateral requirements may be required if the Chief Financial Officer or the Investment Officer deems increased collateral is beneficial to the protection of the monies under the District’s management.

5.2: Accounting Method

- The District shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of the authoritative bodies including, but not necessarily limited to, the American Institute of Certified Public Accountants (AICPA); the Financial Accounting Standards Board (FASB); and the Government Accounting Standards Board (GASB).

5.3: Internal Controls

- The Investment Officer shall maintain a system of written internal controls which shall be reviewed and tested by the independent auditor at least annually or upon any extraordinary event, e.g., turnover of key personnel, the discovery of any inappropriate activity. The internal controls shall address the following points at a minimum:
 - i. Compliance with Investment Policy
 - ii. Control of Collusion
 - iii. Separation of transaction authority from accounting and record keeping
 - iv. Custodial safekeeping
 - v. Avoidance of physical delivery of securities whenever possible and address control requirements for physical delivery where necessary
 - vi. Clear delegation of authority to subordinate staff members
 - vii. Confirmation of transactions for investments and wire transfers in written or digitally verifiable electronic form
 - viii. Dual authorizations of wire and automated clearing house (ACH) transfers
 - ix. Staff training
 - x. Review, maintenance and monitoring of security procedures both manual and automated

6. QUALIFIED INSTITUTIONS, INVESTMENT ADVISORY SERVICES, AND COMPETITIVE TRANSACTIONS

6.1: Qualified Financial Institutions – Broker/Dealers

- The Investment Officer, and if applicable, the investment advisory firm as described in Section 6.3, shall maintain a list of all authorized broker/dealers and financial institutions which are approved for investing funds within the scope of this investment policy. Any firm is eligible to make an application to the District, and on due consideration and approval, may be added to the list. Additions or deletions to the list will be made at the Investment Officer's discretion. The following minimum criteria must be met prior to authorizing investment transactions. The Investment Officer may impose more stringent criteria.
 - a. Broker/Dealer firms must meet the following minimum criteria:
 - i. Be registered with the Securities and Exchange Commission (SEC);
 - ii. Be registered with the Financial Industry Regulatory Authority (FINRA).
 - iii. Provide most recent audited financials.
 - iv. Provide FINRA Focus Report filings.
 - b. Approved broker/dealer employees who execute transactions with the District must meet the following minimum criteria:
 - i. Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
 - ii. Be licensed by the state of Oregon;
 - iii. Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this investment policy.
- At the request of the District, the firms performing investment services shall provide their most recent financial statements for review. Further, there should be in place, proof as to all the necessary credentials and licenses held by employees of the broker/dealers who will have contact with the District as specified by, but not necessarily limited to, the Financial Industry Regulatory Authority (FINRA), Securities and Exchange Commission (SEC), etc. The District, or District's Investment Advisory Firm, shall conduct an annual evaluation of each firm's creditworthiness to determine if it should remain on the list. Securities broker/dealers not affiliated with a bank shall be required to be registered in the state of Oregon or be classified as reporting dealers affiliated with the Federal Reserve as primary dealers.

- If an investment advisory firm is retained by the District to execute transactions on the District's behalf, it will have authority to execute investment trades and transactions from its list of authorized broker/dealers and financial institutions. The advisor's broker/dealer list will be provided to the Investment Officer for approval. The Investment Officer can assign the responsibility of the broker/dealer due diligence process to the advisor, and all licensing information on the counterparties will be maintained by the advisor and available upon request.

The advisor broker/dealer review should include:

- i. FINRA Certification check
- ii. Firm Profile
- iii. Firm History
- iv. Firm Operations
- v. Disclosures of Arbitration Awards, Disciplinary and Regulatory Events
- vi. State Registration Verification
- vii. Financial review of acceptable FINRA capital requirements or letter of credit for clearing settlements.

The advisor must provide the District with any changes to the list prior to transacting on behalf of the District.

6.2: Qualified Financial Institutions – Banks

- All bank financial institutions that provide deposits, certificates or any other deposit of the District must be either fully covered by the Federal Deposit Insurance Corporation (FDIC) or the bank must be a participant of the State of Oregon – Public Funds Collateralization Program (PFCP). ORS Chapter 295 governs the collateralization program for banks at the State level. Bank depositories are required to pledge collateral against any public fund deposits in excess of the FDIC insurance amounts. This provides additional protection for public funds in the event of a bank loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected.

6.3: Investment Advisory Services

- The District may enter into contracts with external investment advisory firms as it applies to the investment of its short-term operating funds and capital funds including bond proceeds and bond reserve funds. The investment advisory firm must work on a non-discretionary basis, which requires that the Investment Officer approves all transactions prior to execution.
- If an investment advisor is hired, the advisor will serve as fiduciary for the District and comply with all requirements of this Investment Policy. The Investment Officer remains the person ultimately responsible for the prudent management of the portfolio.
- Factors to be considered when hiring an investment advisory firm may include, but are not limited to:
 - i. The firm's major business
 - ii. Ownership and organization of the firm
 - iii. The background and experience of key members of the firm, including portfolio manager expected to be responsible for the District's account
 - iv. The size of the firm's asset base, and the portion of that base which would be made up by Tualatin Valley Water District's portfolio if the firm were hired
 - v. Management fees
 - vi. Cost analysis by Investment Officer

- A periodic (at least annual) review of all authorized investment advisors under contract will be conducted by the Investment Officer to determine their continued eligibility within the portfolio guidelines.
- Requirements of Investment Advisors
 - i. The investment advisor firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon; *(Note: Investment advisor firms with assets under management exceeding \$100 million must be registered with the SEC, otherwise the firm must be licensed by the State of Oregon).*
 - ii. All investment advisor firm representatives conducting investment transactions on behalf of the District must be registered representatives with FINRA.
 - iii. All investment advisor firm representatives conducting investment transactions on behalf of District must be licensed by the State of Oregon.
 - iv. Contract terms will include that the Investment advisor will comply with the District's Investment Policy.
- The Investment Advisor must notify the District immediately if any of the following issues arise while serving under a District Contract:
 - i. Pending investigations by securities regulators
 - ii. Significant changes in net capital
 - iii. Pending customer arbitration cases
 - iv. Regulatory enforcement actions

6.4: Competitive Selection of Bids or Offers

- Each investment transaction shall be competitively transacted with broker/dealers who have been authorized by the District or investment advisory firm. At least two broker/dealers shall be contacted for each transaction and their bids and offering prices shall be recorded. A record, subject to District archiving policy, shall be maintained by the District of all bids and offerings for security transactions in order to ensure that the District receives competitive pricing.
- If the District is offered a security for which there is no readily available competitive offering, then the Investment Officer shall document quotations for comparable or alternative securities. When purchasing original issue instrumentality securities, no competitive offerings will be required as all dealers in the selling group offer those securities at the same original issue price.

7. AUTHORIZED AND SUITABLE INVESTMENTS

7.1: Authorized Investments

- All investments of the District shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for Investment Officer including not committing to invest funds or sell securities more than 14 business days prior to the anticipated date of settlement), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately on being enacted.
- This policy recognizes S&P, Moody's, and Fitch Ratings as the major Nationally Recognized Statistical Ratings Organizations (NRSRO).
- In the case of split ratings, where the major NRSROs issue different ratings, the lower rating shall be used to determine compliance with this investment policy. Minimum credit ratings and percentage limitations apply to the time of purchase.

7.2: Suitable Investments

US Treasury Obligations: Direct obligations of the United States Treasury whose payment is guaranteed by the United States. [ORS 294.035(3)(a)]

US Agency Obligations Primary: Senior debenture obligations of US federal agencies and instrumentalities or U.S. government sponsored enterprises (GSE) that have actively traded markets and provide a higher level of liquidity. These include: Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), and the Federal Farm Credit Bureau (FFCB).

US Agency Obligations Secondary: Other US government sponsored enterprises that are less marketable are considered secondary GSEs. They include but are not limited to: Private Export Funding Corporation (PEFCO), Tennessee Valley Authority (TVA), Financing Corporation (FICO) and Federal Agricultural Mortgage Corporation, (Farmer Mac).

Municipal Debt: Lawfully issued debt obligations of the States of Oregon, California, Idaho, and Washington and political subdivisions of those states if the obligations have a long-term rating of AA- or better by S&P, Aa3 or better by Moody's, or AA- or better by Fitch.

Corporate Notes: Corporate Notes must be rated AA- or better by S&P, Aa3 or better by Moody's, or AA- or better by Fitch [ORS 294.035(3)(b)].

Commercial Paper: Commercial Paper must be rated A1 or better by Standard and Poor's, P1 or better by Moody's Services, or F1 or better by Fitch [ORS 294.035(3)(b)] and has long-term bonds which have a minimum rating of AA- by Standard and Poor's and Aa3 by Moody's. Issuer constraints for commercial paper combined with corporate notes will be limited by statute to 5% of market value per issuer.

Bank Deposit/ Savings Accounts: Time deposit open accounts or savings accounts in insured institutions as defined in ORS Section 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in Oregon [ORS Section 294.035(3)(d)].

Certificates of Deposit: Certificates of deposit in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in Oregon [ORS Section 294.035(3)(d)].

Bankers' Acceptances: Bankers' acceptances, if the bankers' acceptances are: (i) Guaranteed by, and carried on the books of, a qualified financial institution; (ii) Eligible for discount by the Federal Reserve System; and (iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated AAA by S&P, Aaa by Moody's, or AAA by Fitch. For the purposes of this paragraph, "qualified financial institution" means: (i) A financial institution that is located and licensed to do banking business in the State of Oregon; or (ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon. [ORS 294.035(3)(h)]

Local Government Investment Pool: State treasurer's local short-term investment fund up to the statutory limit per ORS 294.810.

8. INVESTMENT PARAMETERS

8.1: Investment Maturity

- The Investment Officer may invest funds that are related to cash flows for future construction projects or that are being accumulated for future renewal and replacement of infrastructure, by purchasing

securities that will be held for a maximum of 5 years. Except for the aforesaid funds and funds requiring special handling (bond proceeds subject to arbitrage, etc.), investments beyond 5 years require the express approval of the Board of Commissioners. The first priority will be to invest in maturities that match liquidity needs of the District. Thereafter, the District shall target to maintain maturities within the following parameters for the total portfolio:

Maturity Constraints	Minimum % of Total Portfolio
Under 30 days	10%
Under 1 year	25%
Under 5 years	100%
Maturity Constraints	Maximum of Total Portfolio in Years
Weighted Average Maturity	2.00
Security Structure Constraint	Maximum % of Total Portfolio
Callable Agency Securities	25%

- Five-years maximum maturity of any single issue.
- Further, the District shall target the weighted average maturity (WAM) of the total fund to one year which includes both liquidity funds and core investments.
- Cash flow projections will be reviewed and updated at least monthly and will be the controlling guide to establishing maturities. Maturities will be selected to ensure that sufficient cash is available to meet requirements. At least one month’s estimated cash operating requirements will be maintained in the Local Government Investment Pool (LGIP) at all times.

8.2: Portfolio Diversification

**Diversification Constraints on Total Holdings:
Liquidity and Core Funds**

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P	Ratings Moody’s
US Treasury Obligations	100%	None	N/A	N/A
US Agency Primary Securities FHLB, FNMA, FHLMC, FFCB	100%	40%	N/A	N/A
US Agency Secondary Securities FICO, FARMER MAC etc.	10%	5%	Security must be rated	Security must be rated
Municipal Bonds (OR, CA, ID, WA)	10%	5%	AA-	Aa3
Corporate Notes	35%*	5%**	AA-	Aa3
Commercial Paper			A1	P1
Bank Time Deposits/Savings Accounts	20%	10%	Oregon Public Depository	Oregon Public Depository
Certificates of Deposit	10%	5%	Oregon Public Depository	Oregon Public Depository
Banker’s Acceptance	25%	5%	AAA Underlying	Aaa Underlying
Oregon Short Term Fund	Maximum allowed per ORS 294.810	None	N/A	N/A

*35% maximum combined corporate and commercial paper per ORS.

**Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

8.3: Prohibited Investments

- The District shall not invest in “144A” private placement securities, this includes commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933.
- The District shall not lend securities nor directly participate in a securities lending or reverse repurchase program.
- The District shall not purchase mortgage backed securities.
- The District will not purchase, per ORS 294.040, any bonds of issuers listed in ORS 294.035(3)(a) to (c) that have a prior default history.

8.4: Investment of Proceeds from Debt Issuance

- Investments of bond proceeds are restricted under bond covenants that may be more restrictive than the investment parameters included in this policy. Bond proceeds shall be invested in accordance with the parameters of this policy and the applicable bond covenants and tax laws.
- Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for resale and are maturity matched with outflows. Consequently, surplus funds within the scope of ORS 294.052 are not subject to this policy’s liquidity risk constraints within Section 8.1.

8.5: Investment of Reserve or Capital Improvements

- Pursuant to ORS 294.135(1)(b), reserve or capital Improvement project monies may be invested in securities exceeding three years when the funds in question are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the governing body of the county, municipality, school district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

9. INVESTMENT POLICY COMPLIANCE

9.1: Compliance Report

- A compliance report shall be maintained quarterly to document the portfolio versus the investment policy.

9.2: Compliance Measurement and Adherence

- Compliance Measurement
 - i. Guideline measurements will use market value of investments based in investment parameters.
 - ii. Rating and distribution criteria will be based on the settlement date of each purchase.
- Compliance Procedures
 - i. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.
 - ii. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the Board of Commissioners.

- iii. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.
- iv. As determined on any date that the security is held within the portfolio. If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Investment Officer shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Investment Officer will apply the general objectives of safety, liquidity and legality to make the decision.

10. REPORTING REQUIREMENTS AND PERFORMANCE MEASUREMENT

10.1: Reporting Requirements

- The Investment Officer shall generate monthly reports for management purposes. The Board of Commissioners will be provided with reports which will include but not necessarily be limited to; portfolio activity, instruments held by type, investment allocations by maturity, estimated market valuations, as well as any narrative necessary for adequate clarification.

10.2: Performance Evaluation

- The portfolio will be invested into a predetermined structure that will be measured against a selected benchmark portfolio. The structure will be based upon a chosen minimum and maximum effective duration and will have the objective to achieve market rates of returns over long investment horizons. The purpose of the benchmark is to appropriately manage the risk in the portfolio given interest rate cycles. The core portfolio is expected to provide similar returns to the benchmark over interest rate cycles but may underperform or outperform in certain periods. The portfolio will be positioned to first protect principal and then achieve market rates of return. The benchmark used will be a 0-3 year or 0-5 year standard market index and comparisons will be calculated monthly and reported quarterly.
- When comparing the performance of the District's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.
- The mark to market pricing will be calculated monthly and be provided in a monthly report.
- The Investment Advisor shall make available quarterly and annual reports to the District that contains sufficient information to permit an informed outside reader to evaluate the performance of the investment program.

10.3: Monitoring and Adjusting the Portfolio

- The Investment Officer will routinely monitor the contents of the portfolio comparing the holdings to the markets, relative values of competing instruments, changes in credit quality, and benchmarks. If there are advantageous transactions, the portfolio may be adjusted accordingly.
- The policies set forth in this document will be adhered to and monitored on a monthly basis.

11. INVESTMENT POLICY ADOPTION

This Investment Policy will be formally adopted by the Board of Commissioners; and thereafter, this policy will be readopted annually, even if there are no changes. Prior to adoption by the Board of Commissioners, if changes to the Investment Policy require review and comment by the Oregon Short Term Fund Board, such review will be sought prior to formal adoption.

12. GLOSSARY OF INVESTMENT TERMS

Accrued Interest: The interest accumulated on a security since the issue date or since the last coupon payment. The buyer of the security pays the market price plus accrued interest.

Agency Securities: Government sponsored enterprises of the US Government.

Basis Point: One-hundredth of 1 percent. One hundred basis points equal 1 percent.

Bond: An interest-bearing security issued by a corporation, government, governmental agency, or other body. It is a form of debt with an interest rate, maturity, and face value, and it is usually secured by specific assets. Most bonds have a maturity of greater than one year and generally pay interest semiannually.

Bond Discount: The difference between a bond's face value and a selling price, when the selling price is lower than the face value.

Broker: An intermediary who brings buyers and sellers together and handles their orders, generally charging a commission for this service. In contrast to a principal or a dealer, the broker does not own or take a position in securities.

Callable: A bond that may be redeemed by the issuer before maturity for a call price specified at the time of issuance.

Call Date: The date before maturity on which a bond may be redeemed at the option of the issuer.

Collateral: Securities or other property that a borrower pledges as security for the repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: Short-term, unsecured, negotiable promissory notes issued by businesses.

Commission: Broker's or agent's fee for purchasing or selling securities for a client.

Core Fund: Core funds are defined as operating fund balance which exceeds the District's daily liquidity needs.

Corporate Notes: A debt instrument issued by a corporation with a maturity of greater than one year and less than ten years.

Coupon Rate: The annual rate of interest that the issuer of a bond promises to pay to the holder of the bond.

Coupon Yield: The annual interest rate of a bond, divided by the bond's face value and stated as a percentage. This usually is not equal to the bond's current yield or its yield to maturity.

Current Maturity: The amount of time left until an obligation matures. For example, a one-year bill issued nine months ago has a current maturity of three months.

Current Yield: The remaining or final interest due on a security as a percentage of a security's market price.

CUSIP: The Committee on Uniform Security Identification Procedures, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities.

Dealer: An individual or firm that ordinarily acts as a principal in security transactions. Typically, dealers buy for their own account and sell to a customer from their inventory. The dealer's profit is determined by the difference between the price paid and the price received.

Delivery: Either of two methods of delivering securities: delivery vs. payment and delivery vs. receipt (also called “free”). Delivery vs. payment is delivery of securities with an exchange of money for the securities. Delivery vs. receipt is delivery of securities with an exchange of a signed receipt for the securities.

Discount: The reduction in the price of a security; the difference between its selling price and its face value at maturity. A security may sell below face value in return of such things as prompt payment and quantity purchase. “At a discount” refers to a security selling at less than the face value, as opposed to “at a premium”, when it sells for more than the face value.

Full Faith and Credit: Indicator that the unconditional guarantee of the issuer (e.g., the United States government, State of Oregon) backs the repayment of a debt.

Government Bonds: Securities issued by the federal government; they are obligations of the U.S. Treasury. Also known as “governments.”

Government Sponsored Enterprise (GSE): Financial services corporations created by the United States government. Their function is to enhance the flow of credit to targeted sectors of the economy, make those segments of the capital market more efficient, and reduce the risk to investors. The desired effect of the GSEs is to enhance the availability and reduce the cost of credit to the targets. Examples include Federal Home Loan Banks (FHLB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Federal Farm Credit Banks (FFCB).

Interest: Compensation paid, or to be paid, for the use of money. The rate of interest is generally expressed as an annual percentage.

Interest Rate: The interest payable each year on borrowed funds, expressed as a percentage of the principal.

Investment Advisor or Manager: An investment advisor that acts on a non-discretionary basis to provide investment and risk strategies. The advisor must act in a fiduciary capacity.

Investment Portfolio: A collection of securities owned by the District and held by a custodian.

Investment Securities: Securities purchased for an investment portfolio, as opposed to those purchased for resale to customers.

Liquidity: The ease at which a security can be bought or sold (converted to cash) in the market. A large number of buyers and sellers and a high volume of trading activity are important components of liquidity.

Liquidity Component: A percentage of the total portfolio dedicated to providing liquidity needs for the District.

Local Government Investment Pool: Oregon's Local Government Investment Pool (LGIP) created by Oregon Laws in 1973, Chapter 748. It is a diversified portfolio offered to eligible participants of the State of Oregon. The Local Government Investment Pool is an alternate investment vehicle offered to participants that includes, but is not limited to, any municipality, political subdivision or public corporation of Oregon that by law is made the custodian of, or has control of, any public funds. The LGIP is commingled with the State's short-term funds.

Mark to Market: Adjustment of an account or portfolio to reflect actual market price rather than book price, purchase price, or some other valuation.

Mortgage-Backed Securities: Mortgage-backed securities are debt obligations that represent claims to the cash flows from pools of mortgage loans, most commonly on residential property. Mortgage loans are purchased from banks, mortgage companies, and other originators and then assembled into pools by a

governmental, quasi-governmental, or private entity. The entity then issues securities that represent claims on the principal and interest payments made by borrowers on the loans in the pool, a process known as securitization. Senior debentures of GSE's Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) are not considered mortgage-backed securities.

Municipals (Munis): Securities, usually bonds, issued by a state or its agencies. The interest on munis is generally exempt from federal income taxes and state and local income taxes in the state of issuance. Municipal securities may or may not be backed by the issuing agency's taxation powers.

Par Value: The value of a security expressed as a specific dollar amount marked on the face of the security, or the amount of money due at maturity. Par value should not be confused with market value.

Portfolio: A collection of securities held by an individual or institution.

Prudent Person Rule: A long-standing common-law rule that requires a trustee who is investing for another to behave in the same way as a prudent individual of reasonable discretion and intelligence who is seeking a reasonable income and preservation of capital.

Quotation, or Quote: The highest bid to buy or the lowest offer to sell a security at a particular time.

Settlement Date: The actual date when a security is purchased and comes under the ownership of the buyer.

Spread: The difference between two figures or percentages. E.g. the difference between the bid and ask prices of a quote or between the amount paid when a security is bought and an amount received when sold.

Trade Date: The date when a security transaction is executed.

Treasury Bill (T-Bill): An obligation of the U.S. government with a maturity of one year or less. T-bills bear no interest but are sold at a discount.

Treasury Bonds and Notes: Obligations of the U.S. government that bear interest. Notes have maturities of one to ten years; bonds have longer maturities.

Weighted Average Maturity: The weighted sum of the average years to maturity of the investments held by the District.

Yield: The annual rate of return on an investment, expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Yield to Maturity: The average annual yield on a security, assuming it is held to maturity; equals to the rate at which all principal and interest payments would be discounted to produce a present value equal to the purchase price of the bond.

Tualatin Valley Water District



Delivering the Best Water 💧 Service 💧 Value

To: Board of Commissioners

From: David Kraska, P.E., Willamette Water Supply Program Director

Date: January 19, 2022

Subject: Consider Approving a Motion in Support of Proceeding with Willamette Water Supply System's RES_1.0/PLM_5.3 Project GMP

Requested Board Action:

Consider approving a motion in support of proceeding with Willamette Water Supply System's (WWSS's) RES_1.0/PLM_5.3 Project Guaranteed Maximum Price (GMP).

Key Concepts:

- The RES_1.0/PLM_5.3 project is a component of the Willamette Water Supply System (WWSS) that includes one 15-million-gallon reservoir (tank) and approximately 20,000 feet of 66-inch diameter welded steel pipe.
- The guaranteed maximum price (GMP) for this project from the contractor is approximately \$143 million M, which is about \$26 million over budget.
- Financial review of this and other higher costs on the WWSP is currently underway by agency finance staff.
- Approval of the RES_1.0/PLM_5.3 GMP at the January 20, 2022, Special WWSS Commission Board meeting is critical to maintaining the project schedule.
- Staff expect to present the WWSS Management Committee's recommendation to proceed with the GMP approval at the TVWD Board meeting.

Background:

The RES_1.0/PLM_5.3 project (Project) entails approximately 20,000 feet of 66-inch diameter, welded steel pipe and one 15-million-gallon reservoir (tank). The PLM_5.3 pipeline alignment begins near the intersection of SW Tile Flat and SW Grabhorn Roads, to connect to the recently completed PLM_5.2 pipeline. The pipeline alignment moves north following Grabhorn Road to the future water storage tanks (RES_1.0) at the intersection of SW Grabhorn and SW Stonecreek Drive. The pipeline alignment then travels west on private property until it reaches the existing Bonneville Power Administration (BPA) corridor where it will move north following the BPA corridor to SW Farmington Road. North of Farmington Road, the pipeline alignment is within a potential future Cornelius Pass Road corridor through private property where it will connect to the South Hillsboro Pipeline Project (PLW_1.0), which is currently under construction and is anticipated to be complete in 2022.

The Project is being delivered using the Construction Manager/General Contractor (CM/GC) delivery method. The CM/GC was brought on during the design phase to help value engineer and otherwise improve the constructability of the project. The CM/GC was also charged with bidding the work and

Consider Approving a Motion in Support of Proceeding with Willamette Water Supply System's RES_1.0/PLM_5.3 Project GMP

assembling the bids into a GMP. The final negotiated price for the GMP is approximately \$143 million, which is about \$26 million higher than the Baseline 6.1 budget for the Project.

In December 2022, the WWSP also received information that the GMP for the WTP_1.0 project was also trending significantly higher than its budget. In response, the WWSP performed a preliminary evaluation of the projected WWSP costs and generated a preliminary version of the budget for next year (early-release Baseline 7.0). Early-release Baseline 7.0 was delivered by the WWSP to the finance staff at TVWD, Hillsboro, and Beaverton on December 28, 2021. It is currently being reviewed by each agency to assess financing options.

Some of the construction permits for the Project include limitations in terms of when the work can be performed. For example, certain areas need to be cleared of trees before construction can begin, and the permits require this work to be performed before the bird-nesting season that begins in March. As such, staying on schedule with approving the GMP at the Special Willamette Water Supply Commission Board meeting on January 20, 2022, will be critical to facilitate staying on schedule.

At the January 19, 2022, TVWD Board meeting, staff will provide a summary of the status of the financial review being performed by the agencies, and the recommendation of the WWSS Management Committee on whether to proceed with approving the Project GMP.

Budget Impact:

The GMP for the RES_1.0/PLM_5.3 project is \$26M higher than the budget included in the WWSP Baseline 6.1. The impact of this higher cost as well as other known and projected higher WWSP-related costs on TVWD financial planning is currently under review.





Staff Contact Information:

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Attachments:

None

Management Staff Initials:

Chief Executive Officer		Customer Service Manager	N/A
Chief Engineer		IT Services Director	N/A
Chief Financial Officer		Human Resources Director	N/A
General Counsel		Water Supply Program Director	