

Willamette Water Supply System Commission

Board Meeting
Thursday, January 6, 2022
12:00 PM

Microsoft Teams Meeting

Willamette Water Supply System Commission

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**Willamette Water Supply System Commission
Board Meeting Agenda
Thursday, January 6, 2022 | 12:00 – 1:30 PM
Microsoft Teams Meeting**

If you wish to attend via conference call and need dial-in information, please contact annette.rehms@tvwd.org or call 971-222-5957 by 10:00 a.m. on January 6, 2022. If you wish to address the WWSS Board, please request the Public Comment Form and return it 48 hours prior to the day of the meeting. **All testimony is electronically recorded.**

REGULAR SESSION – 12:00 PM

CALL TO ORDER

1. GENERAL MANAGER'S REPORT – Dave Kraska

Brief presentation on current activities relative to the WWSS Commission

2. PUBLIC COMMENT

This time is set aside for persons wishing to address the Board on items on the Consent Agenda, as well as 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.

3. CONSENT AGENDA

These items are considered to be routine and may be approved in one motion without separate discussion. Any Board member 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 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 – Dave Kraska

B. Adopt PLM_5.3 Resolution of Need (fifth supplemental) – Joelle Bennett

5. INFORMATION ITEMS

A. Market Conditions and Outlook – Dave Kraska

B. Planned February Business Agenda Items – Joelle Bennett

C. A Special Board Meeting is scheduled on January 20, 2022, 12:00-12:30pm, via Microsoft Teams

D. The next Regular Board Meeting is scheduled on February 3, 2022, via Microsoft Teams

6. COMMUNICATIONS AND NON-AGENDA ITEMS

A. None scheduled

ADJOURNMENT

Willamette Water Supply System Commission

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GENERAL MANAGER'S REPORT

To: WWSS Board of Commissioners
From: David Kraska, P.E., WWSS General Manager
Date: January 6, 2022
Subject: Willamette Water Supply System General Manager's Report

This report provides an overview of current work efforts in the development of the Willamette Water Supply System (WWSS) under the direction of this Commission, beginning with a Safety Minute presentation.

- 1. Permitting and Communications Updates** – The Willamette Water Supply Program (WWSP) permitting efforts remain very active. Attached to this General Manager's Report is a tabulation of the permits and approvals recently granted, and the status of those currently in process.

A few Permitting Team highlights include:

- The City of Sherwood approved the Final Site Plan for the Water Treatment Plant.
- The Department of Environmental Quality (DEQ) issued the 1200-C Permit for Phase 2 of the Metzger Pipeline East (MPE_1.2) project. This Phase 2 permit is for the majority of the MPE_1.2 project, which includes everything but the project staging areas and the crossing of Highway 217 work. DEQ already issued the 1200-C permit for staging areas and Highway 217 work in September 2021.
- WWSP staff submitted a permit modification to the US Army Corp of Engineers (USACE) and the Department of State Lands (DSL) for the compressed air pipe repair at the Raw Water Facility (RWF) site. This pipe was found to be damaged days before the close of the annual In Water Work window in October. Upon discovering the damage, staff consulted with the regulatory agencies to request approval to perform this additional work before the close of the In Water Work window. The agencies approved completing the repair with the condition that staff would file a permit modification request after the work was completed.

A few Communications Team highlights include:

- Outreach efforts continued along the Metzger Pipeline East (MPE_1.2) and Scholls Ferry Road Project before the start of constructing the two 60-inch diameter tunnels crossing Highway 217. The team oversaw the installation of project signage along the Fanno Creek Trail at the Tualatin Hills Park and Recreation District Park. Staff performed additional neighborhood outreach and is preparing a mailer to be released in the weeks leading up to the start of construction.

- 2. Design Status Updates** – Three pipeline projects remain in the final stages of the design effort and are proceeding according to plan. All above-ground facilities design work is complete.

- 3. Construction Status Updates** – Attached to this General Manager's Report is a tabulation of the projects in construction and their current status; a few highlights include:
- On the RWF_1.0 Project, the 66-inch welded steel pipeline was successfully pressure tested. The pipeline will now be connected to the completed PLM_1.1 Project pipeline.
 - The PLM_5.1 Project pipeline was successfully disinfected and passed all tests. The next step is to connect it to the PLM_5.2 Project pipeline.
 - A second pipeline crew was mobilized to the PLW_1.3 Project, allowing simultaneous pipeline construction to occur on both sides of Butternut Creek. Current progress is ahead of schedule.
- 4. Steel Market Exposure Update** – Though the price of steel remains high relative to cost from one year ago, current market data indicates that the price of steel is declining. The market price of hot rolled band, the material used to fabricate WWSS transmission pipe, decreased by approximately 9.1 percent in the fourth quarter of 2021. Current pricing is consistent with pricing from July 2021. Market forecasters project steel prices to decrease into 2022. Staff are continuing to monitor the steel market and are not recommending a change in construction procurement plans and strategies at this time.
- 5. Acceptance of Financial Statements and Report of Independent Auditor** – One item in the consent agenda for today's meeting is to consider accepting by motion both the financial statements for the fiscal year ended June 30, 2021, and the report of the independent auditor. As managing agency, TVWD has prepared the WWSS Commission's financial statements for the fiscal year ended June 30, 2021. Moss Adams LLP, the Commission's independent auditor, has completed its audit of these financial statements. Moss Adams has provided an unmodified opinion on the Commission's financial statements. An unmodified opinion is commonly referred to as a "clean audit". Acceptance of the financial statements and the report of the independent auditor by the Commission Board validates the filing of the financial statements with the Oregon Secretary of State as required by Oregon law.

Willamette Water Supply Program Permits and Approvals – Recent Actions and Status

Date of Report: December 16, 2021

Permits and Approvals Recently Granted

Agency	Projects Involved	Permit or Approval Granted
Washington County	PLW_1.3	Utility ROW amendment
DEQ	MPE_1.2	1200-C Phase 2 for bulk of project (excluding staging areas and OR-217 work)
City of Beaverton	MPE_1.2	Conditional Use approved for PFC
City of Beaverton	MPE_1.2	Tree Mitigation Plan approved
City of Sherwood	WTP_1.0	Final site plan approval, building permit, mechanical and electrical permits

Permits and Approvals Submitted

Agency	Projects Involved	Permit or Approval Submitted
Washington County	RES_1.0 & PLM_5.3	Utility ROW permit
Washington County	RES_1.0	Building Permit
DSL & USACE	RWF_1.0	Compressed air pipe repair permit
US Fish & Wildlife	System-Wide	Migratory Bird Treaty Act permit renewal for 2022
BPA	PLM_1.3	Preliminary Engineering Agreement executed

Permits and Approvals in Progress

Agency	Projects Involved	Permit or Approval in Progress
DEQ	MPE_1.2	1200-C Phase 3 (PFC Facility)
City of Beaverton	MPE_1.2	Site Development Permit Amendment (PFC Facility)
City of Wilsonville	PLM_1.3	Tree permit and landscape plan modification
Washington County	RES_1.0	Washington County, preconstruction/trade permits
DEQ	PLM_4.3	1200-C

Anticipated Approvals

Agency	Projects Involved	Permit or Approval Anticipated
City of Beaverton	MPE_1.2	City of Beaverton Site Development Permit
City of Beaverton	MPE_1.2	Temporary use permit for the Whitford School Staging Area
Washington County	MPE_1.2	Washington County ROW Access to Whitford Staging Area
Pacific Northwest Railroad	MPE_1.2	Right of Entry/Crossing permits

Willamette Water Supply Program Projects Construction – Recent Status Update

Date of Report: December 16, 2021

Project	Description	Progress Since Last Month
1. RWF_1.0	Raw Water Facilities project located at the Willamette River Water Treatment Plant	<ul style="list-style-type: none"> - 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 RWPS - Began replacement of new air burst system - Completed permeable paving roadway south of RWPS - Continued landscape work at riverbank slope, pedestrian trails and overlook - Continued restoration/grading of upper site
2. PLM_4.1	Finished water pipeline project being completed in partnership with Washington County's Highway 99 Crossing Pipeline and Tualatin Sherwood Road – Langer Farms Parkway to Borchers Drive	<ul style="list-style-type: none"> - Sidewalk demolition - Clearing and grubbing - Early road widening activities - WWSP submittals and RFIs
3. PLM_5.1	Finished water pipeline project being completed in partnership with Washington County's Roy Rogers Road project	<ul style="list-style-type: none"> - Disinfection and Flushing complete - Tie-in to PLM_5.2 - Punch list work
4. PLW_1.3	Finished water pipeline project in South Hillsboro from SW Farmington Road to SE Blanton Street	<ul style="list-style-type: none"> - 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
5. MPE_1.1/ COB_1.1	Finished water pipeline project being completed in partnership with the City of Beaverton's SW Western Avenue project	<ul style="list-style-type: none"> - Storm drain installation - Beginning sewer pipeline work - Utility potholing - WWSP submittals and RFIs
6. MPE_1.2/ COB_1.2	Finished water pipeline project in Beaverton from SW Scholls Ferry Road at Greenway to SW Allen Boulevard at Western Avenue	<ul style="list-style-type: none"> - 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

Willamette Water Supply
Our Reliable Water

Safety Minute: National Bath Safety Month

WWSS Commission Board Meeting
January 6, 2022

1

JANUARY IS NATIONAL BATH SAFETY MONTH

Each year thousands of people of all ages visit the emergency room due to bathroom-related slips and falls



Willamette Water Supply
Our Reliable Water

2

2

JANUARY IS NATIONAL BATH SAFETY MONTH

Take extra precautions and save yourself from bathroom injuries.

- Install no-slip mats or strips in the bath
- Install safety bars or grab handles
- Ensure water temperature is at or around 120 degrees
- Childproof the bathroom



<https://nationaltoday.com/national-bath-safety-month/>

Willamette Water Supply
Our Reliable Water

3

NATIONAL BATH SAFETY MONTH RELATED HOLIDAYS

January 8th – National Bubble Bath Day

January 13th – National Rubber Ducky Day



Willamette Water Supply
Our Reliable Water

4

4

Willamette Water Supply System Commission
Board Meeting Minutes
Thursday, December 2, 2021

Attendance:

Commissioners present:

City of Beaverton:	David Winship (<i>alternate</i>)
City of Hillsboro:	David Judah
Tualatin Valley Water District (TVWD):	Jim Duggan

Committee Members present:

City of Hillsboro:	Niki Iverson, Lee Lindsey, Eric Hielema, Jessica Dorsey
TVWD:	Tom Hickmann, Carrie Pak

Managing Agency Staff present:

WWSS Commission General Manager / Willamette Water Supply Program (WWSP) Director	Dave Kraska
TVWD General Counsel	Clark Balfour
WWSP Assistant Director	Joelle Bennett
WWSP Program Manager	Bill Van Derveer
WWSP Permitting and Outreach Manager	Christina Walter
WWSP Finance Manager	Toby LaFrance
WWSS Commission Recorder / WWSP Executive Assistant	Annette Rehms

Other Attendees present:

TVWD Asset Management Division Manager	Matt Oglesby
TVWD Water Resources Division Manager	Joel Cary
TVWD Engineering Division Manager	Nick Augustus
City of Hillsboro JWC Water Treatment Manager	Chris Wilson
City of Beaverton Assistant Finance Director	Susan Cole

REGULAR SESSION – 12:00 PM

CALL TO ORDER

Chairman Judah called the regular Willamette Water Supply System (WWSS) Commission meeting to order at 12:00 p.m.

ROLL CALL

Ms. Rehms administered the roll call and noted attendance.

EXECUTIVE SESSION ACTION

No follow-up discussion.

1. GENERAL MANAGER'S REPORT

Mr. Kraska presented a safety minute on driving in construction work zones. *(presentation on file)*

The General Manager's report included permitting and communications, design, construction, and steel market exposure updates.

2. PUBLIC COMMENT

There were no public comments.

3. CONSENT AGENDA

- A. Approve the November 4, 2021, meeting minutes.

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

4. BUSINESS AGENDA

- A. Adopt PLM_1.3 Resolution of Need (fifth supplemental) – *Joelle Bennett*

Ms. Bennett described the project location and reported that the project has progressed to the point where additional property requirements are known for construction as well as the long-term operation and maintenance of the pipeline. She explained the proposed resolution enables the WWSS Commission's agents, including the WWSP team, to begin negotiation with respective property interest holders, and authorizes the acquisition of the property interests by eminent domain, to the extent negotiations fail. Today's proposed resolution corrects an error in a previously approved property interest on a single property for a temporary access easement. Estimated costs are included in the baseline budget. *(presentation on file)*

Motion was made by Duggan, seconded by Winship, to adopt Resolution No. WWSS-29-21 declaring public necessity to acquire property interests over, upon, under, and through real property for pipeline section PLM_1.3 for the Willamette Water Supply System. The motion passed unanimously with Winship, Duggan, and Judah voting in favor.

- B. Approve Emergency Procurement for WTP_1.0 Tree Clearing Scope Directive – *Dave Kraska*

Mr. Kraska explained that the Sundt Construction Inc. (Sundt) contract for construction manager/general contractor (CM/GC) services was planned to include tree clearing as part of the Guaranteed Maximum Price (GMP) for construction. However, the Sundt GMP negotiations will not be brought to the Board for approval until February 3, 2022, and the tree clearing work needs to begin in January 2022 in order to be complete by March 2022. He said this work will be removed from the Sundt contract and negotiated separately with another general contractor, under direct appointment. The tree clearing work has been competitively bid through the GMP process. This ratification will allow the Willamette Water Supply System (WWSS) General Manager to move forward with the early procurement and finalize negotiations with the general contractor while finishing GMP negotiations with Sundt.

Motion was made by Duggan, seconded by Winship, to ratify the emergency procurement process for WTP_1.0 tree clearing services and authorizing the Willamette Water Supply System (WWSS) General Manager to complete final contract negotiations. The motion passed unanimously with Winship, Duggan, and Judah voting in favor.

5. INFORMATION ITEMS

- A. Planned January 2022 Business Agenda Items – *Joelle Bennett*

Ms. Bennett presented information on business agenda items planned for the January 6, 2022, WWSS Commission Board meeting.

Staff anticipates recommending approval of:

1. PLM_5.3 Resolution of Need (fifth supplemental)
2. RES_1.0/PLM_5.3 GMP for Construction Hoffman-Fowler, LLC

- B. The next Board meeting is scheduled on January 6, 2022, 12:00 PM via Microsoft Teams.

6. COMMUNICATIONS AND NON-AGENDA ITEMS

- A. None scheduled.

ADJOURNMENT

There being no further business, Chairman Judah adjourned the meeting at 12:19 p.m.

David Judah, Chair

James Duggan, Vice Chair

Willamette Water Supply System Commission

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Willamette Water Supply System Commission

A component unit of the Tualatin Valley Water District



Financial Statements

For the fiscal years ended June 30, 2021 and 2020

Prepared by the Tualatin Valley Water District

1850 SW 170th Avenue, Beaverton, OR 97003 | www.tvwd.org/wwss

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

A component unit of the Tualatin Valley Water District
Beaverton, Oregon

Financial Statements and
Supplemental Information

Years Ended June 30, 2021 and 2020

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION
Beaverton, Oregon

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WILLAMETTE WATER SUPPLY SYSTEM COMMISSION
Beaverton, Oregon

Board Members as of June 30, 2021

David Judah, Chair
Commissioner, City of Hillsboro Utilities Commission

James Duggan, Vice Chair
Commissioner, Tualatin Valley Water District

Lacey Beaty, Board Member
Mayor, City of Beaverton

Commission Address

Willamette Water Supply System Commission
c/o Tualatin Valley Water District
1850 SW 170th Avenue
Beaverton, OR 97003
Ph: (503) 848-3000



Report of Independent Auditors

The Board of Commissioners
Willamette Water Supply System

Report on the Financial Statements

We have audited the accompanying basic financial statements of Willamette Water Supply System Commission (the "Commission") which comprise the statement of net position as of June 30, 2021 and the related statement of revenues, expenses, and changes in net positions, and cash flows for the year then ended, and the related notes to the basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Willamette Water Supply System Commission as of June 30, 2021, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of revenues, expenditures, and changes in fund balance – budget and actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2021 on our consideration of Willamette Water Supply System Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Willamette Water Supply System Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Willamette Water Supply System Commission's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 3, 2021, on our consideration of the Commission's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Julie Desimone, Partner
For Moss Adams LLP
Portland, Oregon
December 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020**

As management of the Willamette Water Supply System Commission (Commission), a joint venture of Tualatin Valley Water District (District) and the cities of Beaverton and Hillsboro, we offer readers of the Commission's financial statements this narrative overview and analysis of the Commission's financial activities for the fiscal years ended June 30, 2021 and June 30, 2020. The Commission, a Component Unit of the District, and was formed in July 2019 to own, operate, and maintain the Willamette Water Supply System to supply potable water to the District and cities of Beaverton and Hillsboro, and potentially, other municipal water providers.

These financial statements include this Management's Discussion and Analysis (MD&A) section to provide users of the basic financial statements with an overview and analysis of the statements.

Financial Highlights

- Net position (assets minus liabilities) was \$262.6 million and \$169.4 million at June 30, 2021 and June 30, 2020, respectively.
- Net investment in capital assets is the largest portion of the Commission's net position. Net position increased by \$93.2 million and \$169.4 million for years ended June 30, 2021 and June 30, 2020, respectively.
- Capital Assets, non-depreciable, which is mostly construction in progress, increased by \$97.9 million and \$166.4 million for years ended June 30, 2021 and June 30, 2020, respectively.

Overview of the Financial Statements

Taken together these sections provide a comprehensive financial look at the Commission. The individual components of the report include the following:

- **Management's Discussion and Analysis.** This section of the report provides an overview of financial highlights and economic factors affecting the Commission.
- **Basic Financial Statements.** This section includes the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and Notes to Basic Financial Statements. The statements focus on an entity-wide presentation using the accrual basis of accounting. They are designed to resemble more closely private-sector financial statements in that all activities are consolidated into a total for the Commission.
 - The statements of Net Position focus on resources available for future operations. The statements present a snap-shot view of the assets of the Commission, its liabilities, and the net difference.
 - The statements of Revenues, Expenses and Changes in Net Position focus on operating results and changes in capital for the two most recent fiscal years.

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION
Beaverton, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

- The statements of Cash Flows focus on how the Commission obtained and expended its available cash and investments.
- The notes to the Basic Financial Statements provide additional disclosures required by generally accepted accounting principles that are essential to a full understanding of the information provided in the Basic Financial Statements.

Statements of Net Position

The Commission's assets exceeded liabilities by \$262.6 million and \$169.4 million at June 30, 2021 and June 30, 2020, respectively. This represents an increase of 55%. Net investment in capital assets represents the largest portion of the Commission's net position at \$242.6 million and \$145.1 million at June 30, 2021 and June 30, 2020, respectively. A condensed version of the statement of Net Position as of June 30, 2021 and June 30, 2020, is as follows:

Table 1

	<u>2021</u>	<u>2020</u>	<u>2021 - 2020</u> <u>Change</u>
Cash and investments	\$ 2,844,135	\$ -	\$ 2,844,135
Accounts receivable	15,846,730	18,702,121	(2,855,391)
Deposits and prepaid expenses	1,355,851	1,376,753	(20,902)
Leased assets, net of accumulated amortization	13,343,574	13,703,624	(360,050)
Capital assets, non-depreciable	264,230,942	166,367,201	97,863,741
Asset held for sale	-	4,250,000	(4,250,000)
Total Assets	297,621,232	204,399,699	93,221,533
Accounts and retainage payables	20,046,716	20,078,874	(32,158)
Lease liabilities	14,970,737	14,921,781	48,956
Total Liabilities	35,017,453	35,000,655	16,798
Net investment in capital assets	242,567,101	145,089,853	97,477,247
Unrestricted	20,036,678	24,309,191	(4,272,512)
Net Position	\$ 262,603,779	\$ 169,399,044	\$ 93,204,735

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION
Beaverton, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

Statement of Revenues, Expenses and Changes in Net Position

A condensed version of the Commission's Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2021 and June 30, 2020, is as follows:

Table 2

	<u>2021</u>	<u>2020</u>	<u>2021 - 2020</u> <u>Change</u>
Administrative services	\$ 664,222	\$ 518,361	\$ 145,861
Operating expenses	<u>1,024,272</u>	<u>878,409</u>	<u>145,863</u>
Net Operating Loss	(360,050)	(360,048)	(2)
Non operating expenses	(488,655)	(436,073)	(52,582)
Capital contributions	<u>94,053,440</u>	<u>170,195,165</u>	<u>(76,141,725)</u>
Change in Net Position	93,204,735	169,399,044	(76,194,309)
Net Position, beginning of period	<u>169,399,044</u>	-	<u>169,399,044</u>
Net Position, end of period	<u>\$ 262,603,779</u>	<u>\$169,399,044</u>	<u>\$ 93,204,735</u>

The operating expenses for the Commission's activities totaled \$1.0 million and \$0.9 million for the years ended June 30, 2021 and June 30, 2020, respectively, a 16.6% increase from 2020. Operating expenses consist of administrative expenses and amortization expenses on lease assets. Nonoperating expenses consist mainly of interest expense for the lease liabilities and capital contributions consist of capital assets invested by the partners for the Commission.

Capital Assets

The Commission has net capital assets of approximately \$264.2 million and \$166.3 million as of June 30, 2021 and June 30, 2020, respectively. The Commission's capital assets include construction in progress of \$263.8 million and \$165.9 million as of June 30, 2021 and June 30, 2020, respectively, as well as \$0.4 million of non-depreciable easements as of June 30, 2021 and June 30, 2020.

Capital Assets, nondepreciable:	<u>2021</u>	<u>2020</u>
Construction in progress	\$ 263,791,297	\$ 165,927,556
Easements	<u>439,645</u>	<u>439,645</u>
Total Capital Assets, nondepreciable	<u>\$ 264,230,942</u>	<u>\$ 166,367,201</u>

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION
Beaverton, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

Long-Term Debt Activity

As of June 30, 2021 and June 30, 2020, the Commission reported lease liabilities of \$15.0 million and \$14.9 million, respectively. The leases are for subsurface land for the placement of a raw water pipeline and office space. The Commission had no bonded indebtedness at June 30, 2021.

Economic Factors

The Commission was formed in July 2019 to provide a reliable water supply for the region by helping water system operators balance supply during times of drought or other supply interruptions, as well as recover more quickly after a large natural disaster. Tualatin Valley Water District (the District) was appointed as the managing agency. Financial records are maintained by the District. Major goals of the Commission are to construct a new water filtration plant, more than 30 miles of water pipelines, and water storage tanks – all built to modern seismic standards. Construction of the WWSS infrastructure is anticipated to be completed by 2026.

Financial Contact

The Commission's financial statements are designed to present users including joint venturers, taxpayers, citizens, customers, investors, and creditors with a general overview of the Commission's finances and overall accountability. If you have questions about the contents of this report or need additional financial information, please contact Tualatin Valley Water District's Chief Financial Officer at 1850 SW 170th Avenue, Beaverton, Oregon 97003.

BASIC FINANCIAL STATEMENTS

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

STATEMENTS OF NET POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and investments	\$ 2,844,135	\$ -
Accounts receivable	15,846,730	18,702,121
Prepaid expenses	1,328,414	1,349,316
Deposits	27,437	27,437
Total Current Assets	<u>20,046,716</u>	<u>20,078,874</u>
Leased assets, net of accumulated amortization	13,343,574	13,703,624
Capital assets, nondepreciable	264,230,942	166,367,201
Asset held for sale	-	4,250,000
Total Noncurrent Assets	<u>277,574,516</u>	<u>184,320,825</u>
Total Assets	297,621,232	204,399,699
LIABILITIES		
Accounts payable and accrued liabilities	17,202,581	19,294,541
Retainage payable	2,844,135	784,333
Total Current Liabilities	<u>20,046,716</u>	<u>20,078,874</u>
Lease liabilities	<u>14,970,737</u>	<u>14,921,781</u>
Total Liabilities	35,017,453	35,000,655
NET POSITION		
Net investment in capital assets	242,567,101	145,089,853
Unrestricted	<u>20,036,678</u>	<u>24,309,191</u>
Total Net Position	<u>\$ 262,603,779</u>	<u>\$ 169,399,044</u>

The accompanying notes are an integral part of the financial statements.

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Administrative services	\$ 664,222	\$ 518,361
OPERATING EXPENSES		
General and administrative	664,222	518,361
Depreciation and amortization	<u>360,050</u>	<u>360,048</u>
Total Operating Expenses	<u>1,024,272</u>	<u>878,409</u>
Net Operating Loss	(360,050)	(360,048)
NONOPERATING REVENUES (EXPENSES)		
Other revenue	-	48,792
Interest expense	<u>(488,655)</u>	<u>(484,865)</u>
Total Nonoperating Expenses	<u>(488,655)</u>	<u>(436,073)</u>
Capital contributions	<u>94,053,440</u>	<u>170,195,165</u>
Changes in Net Position	93,204,735	169,399,044
Net Position, beginning of period	<u>169,399,044</u>	<u>-</u>
Net Position, end of period	<u><u>\$ 262,603,779</u></u>	<u><u>\$ 169,399,044</u></u>

The accompanying notes are an integral part of the financial statements.

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Reimbursements from joint venturers	\$ 686,274	\$ 518,361
Payments to suppliers for goods and services	(643,320)	(518,361)
Net Cash Provided By Operating Activities	<u>42,954</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Contributions from joint venturers	94,053,440	62,431,016
Capital outlay and purchases of capital assets	(93,882,731)	(62,047,861)
Proceeds from the sale of assets	3,070,171	-
Reimbursements from other agencies	-	48,792
Payments paid on leases	(439,699)	(431,947)
Net Cash Provided By Capital and Related Financing Activities	<u>2,801,181</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	2,844,135	-
Cash and Cash Equivalents, beginning of year	<u>-</u>	<u>-</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,844,135</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES		
Operating loss	\$ (360,050)	\$ (360,048)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	360,050	360,048
Changes in operating accounts:		
Accounts receivable	22,052	(18,702,121)
Prepaid expenses	20,902	(1,349,316)
Deposits	-	(27,437)
Accounts payable and accrued liabilities	-	19,294,541
Retainage payable	-	784,333
Net Cash Provided By Operating Activities	<u>\$ 42,954</u>	<u>\$ -</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital assets contributed by joint venturers	\$ -	\$ 108,569,340
Leased assets transferred in by joint venturers	-	14,063,672
Lease liability transferred in by joint venturers	-	(14,868,864)
Equity in leases transferred in	-	805,192

The accompanying notes are an integral part of the financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

**NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Willamette Water Supply System Commission (Commission), was organized in July 2019 under Oregon Revised Statutes (ORS), chapter 190 and was established by an agreement of the Tualatin Valley Water District, (District), and cities of Beaverton and Hillsboro.. The Commission is managed by the District, and is governed by a three-member board, with one member appointed by each party. The purpose of the Commission is to provide the water supply system infrastructure beginning at the Willamette Intake Facilities (WIF) System separation point and continuing to the points of delivery (turnouts).

The District holds a majority equity interest in the Commission; therefore, the Commission is considered a component unit of the District. The Commission is reported as a custodial (fiduciary) fund of the District in its Annual Comprehensive Financial Report.

Expenses are allocated using two formulas: one for administrative costs and the other for operating costs. Administrative costs are allocated to the parties based on two weighted factors, 25% based on equal shares and 75% based on ownership. The weighted allocations factors by party are:

Weighted Allocation Shares for Administrative Costs					
Party	Equal Share		Ownership		Total
	Unweighted	Weighted	Unweighted	Weighted	Weighted
TVWD	33.3%	8.3%	58.9%	44.2%	52.5%
Hillsboro	33.3%	8.3%	36.1%	27.1%	35.4%
Beaverton	33.3%	8.3%	5.0%	3.7%	12.1%
Total	100.0%	25.0%	100.0%	75.0%	100.0%
Weight		25.0%		75.0%	

Operations, maintenance, and repair expenses that are a result of use of the facilities are allocated based on each party's proportionate use of the WWSS. Operations, maintenance, and repair expenses unrelated to usage are allocated based on each party's proportionate ownership of the WWSS. During this preoperational period, the Commission treats all costs as administrative, (excluding for amortization and interest expenses on the leases, which are allocated based on each party's proportionate ownership).

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION
Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

Basis of Presentation and Accounting

For financial reporting purposes, the Commission reports its operations on an enterprise fund basis. Enterprise funds (a propriety fund type) are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and net position associated with the operations are included on the Statements of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in net position.

The accrual basis of accounting is used for financial reporting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Operating revenues result from providing services to the parties. All revenues not meeting this definition are reported as nonoperating revenues. Operating expenses are defined as those expenses directly related to providing services.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses, and other disclosures. Accordingly, actual results may differ from those estimates.

Cash and Investments

Cash and investments of the Commission are part of a common cash and investment pool maintained for all funds managed by the District. The Commission considers these items to be demand deposit accounts, where funds may be deposited or withdrawn without prior notice or penalty.

Accounts Receivable

Accounts receivable are recorded as earned and no allowance for doubtful accounts is required as all receivables are due from the joint venturers.

Capital Assets

Capital assets are recorded at cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. All costs associated with the acquisition or construction of capital assets are contributed by the joint venturers.

The Commission defines capital assets as assets with an initial cost of \$7,500 and an estimated useful life of more than one year.

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION
Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

Leased Assets

Leased assets are reported at the initial measurement of the lease liability adjusted by initial direct costs and payments made to the lessor at the commencement of the lease, less any lease incentives. Leased assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset.

Net Position

The Commission's net position consists of the net earnings from operating revenues and expenses and contributions of capital. Net position is classified in the following two components: net investment in capital assets, and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation, and capital-related liabilities. Unrestricted net position consists of all other net positions not included in other categories.

Lease Liabilities

Lease liabilities are initially measured at the present value of payments expected to be made during the lease term, including fixed and variable payments, residual guarantees, termination penalties, lease incentives and any other payments reasonably certain to be made in accordance with the lease agreement.

Budgets

The Commission is organized under ORS, Chapter 190 as an Intergovernmental Agreement (IGA). The IGA that forms the Commission requires the Board to adopt an annual work plan and budget. The Commission is accounted for as a fund within the structure of the District, where the budget is prepared and legally adopted for the Commission as part of the total budget for the District. The budget is prepared on a biennial basis as a separate fund on the modified accrual basis of accounting and complies with Oregon Local Budget Law. The level of budgetary control is established at the object classifications (personnel services, materials and services, capital outlay, operating transfers, and contingency).

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION
Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

2. CAPITAL ASSETS

The Commission has invested approximately \$263.8 million and \$165.9 million in construction in progress as of June 30, 2021, and June 30, 2020, respectively, as well as \$0.4 million of easements as of June 30, 2021, and June 30, 2020.

	Balance June 30, 2020	Additions	Transfers	Disposals	Balance June 30, 2021
Capital Assets, nondepreciable:					
Construction in progress	\$165,927,556	\$ 97,863,741			\$263,791,297
Easements	439,645				439,645
Total Capital Asset, nondepreciable	166,367,201	97,863,741	-	-	264,230,942

	Balance June 30, 2019	Additions	Transfers	Disposals	Balance June 30, 2020
Capital Assets, nondepreciable:					
Construction in progress	\$ -	\$165,927,556	\$ -	\$ -	\$165,927,556
Easements	-	439,645	-	-	439,645
Total Capital Assets nondepreciable	\$ -	\$166,367,201	\$ -	\$ -	\$166,367,201

At June 30, 2020, a parcel of land, not in use, had been recorded as asset held for sale and its costs removed from the overall project's costs. The Commission sold the parcel of land to Wilshire Sherwood Owner LLC. The sale of the property closed on September 30, 2020. The land was valued at and sold for \$4,250,000.

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION
Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

3. LEASED ASSETS

Leased assets consisted of the following at June 30, 2021, and June 30, 2020:

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Leased assets				
Land and easements	\$ 12,290,852	\$ -	\$ -	\$ 12,290,852
Buildings	1,772,820	-	-	1,772,820
Total leased assets	14,063,672	-	-	14,063,672
Less accumulated amortization for				
Land and easements	(128,029)	(128,030)	-	(256,059)
Buildings	(232,019)	(232,020)	-	(464,039)
Total accumulated amortization	(360,048)	(360,050)	-	(720,098)
Total leased assets being amortized, net	<u>\$ 13,703,624</u>	<u>\$ (360,050)</u>	<u>\$ -</u>	<u>\$ 13,343,574</u>

Leased assets consisted of the following at June 30, 2020, and June 30, 2019:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Leased assets				
Land and easements	\$ -	\$ 12,290,852	\$ -	\$ 12,290,852
Buildings	-	1,772,820	-	1,772,820
Total leased assets	-	14,063,672	-	14,063,672
Less accumulated amortization for				
Land and easements	-	(128,029)	-	(128,029)
Buildings	-	(232,019)	-	(232,019)
Total accumulated amortization	-	(360,048)	-	(360,048)
Total leased assets being amortized, net	<u>\$ -</u>	<u>\$ 13,703,624</u>	<u>\$ -</u>	<u>\$ 13,703,624</u>

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION
Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

4. LEASE LIABILITIES

The Commission entered into a lease for office space. Base rent increases by 3% per annum. The lease terminates in 2027. Commission also pays variable costs based on operating expenses which are not included in the measurement of the lease liability. In fiscal years (FY), 2021 and 2020, variable payments totaled \$5,151 and 5,823, respectively.

The Commission entered into a lease with the City of Wilsonville for subsurface land for the placement of a raw water pipeline in FY 2017. The lease terminates in 2115. Annual lease installments are payable through FY 2025 with a balloon payment in 2026. As the annual payments are less than the interest on the lease obligation, the liability will increase until FY 2026 when the balloon payment is made.

Principal and interest to maturity for the Commission's share of leases are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	(44,752)	492,435	447,683
2023	(40,295)	496,201	455,906
2024	(35,573)	499,949	464,376
2025	(30,578)	503,678	473,100
2026	15,121,935	1,010,823	16,132,758
Total minimum lease payments	<u>\$ 14,970,737</u>	<u>\$ 3,003,086</u>	<u>\$ 17,973,823</u>

5. NET POSITION BY PARTNER

Changes in net position by partner for the years ending June 30, 2021, and June 30, 2020, is as follow:

Net Position	<u>City of Beaverton</u>	<u>City of Hillsboro</u>	<u>Tualatin Valley Water District</u>	<u>Total</u>
Loss before contributions	\$ (28,223)	\$ (309,630)	\$ (458,268)	\$ (796,121)
Contributions	<u>9,508,277</u>	<u>70,584,316</u>	<u>90,102,572</u>	<u>170,195,165</u>
Balance June 30, 2020	9,480,054	70,274,686	89,644,304	169,399,044
Loss before contributions	(42,350)	(306,298)	(500,057)	(848,705)
Contributions	<u>5,097,251</u>	<u>33,670,508</u>	<u>55,285,681</u>	<u>94,053,440</u>
Balance June 30, 2021	<u>\$ 14,534,955</u>	<u>\$ 103,638,896</u>	<u>\$ 144,429,928</u>	<u>\$ 262,603,779</u>

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION
Beaverton, Oregon

NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020

Net investment in capital assets as of June 30, consists of the following:

	<u>2021</u>	<u>2020</u>
Capital assets, net	\$ 264,230,942	\$ 166,367,201
Leased assets, net	13,343,574	13,703,624
Less: lease liabilities	(14,970,737)	(14,921,781)
Less: retainage payable	(2,844,135)	(784,333)
Less: capital related accounts payable	<u>(17,192,543)</u>	<u>(19,274,858)</u>
Net investment in capital assets	<u>\$ 242,567,101</u>	<u>\$ 145,089,853</u>

6. OTHER INFORMATION

Risk Management

The Commission is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets, errors and omissions, and natural disasters for which the Commission carries commercial insurance. The Commission does not engage in risk financing activities where risk is retained (self-insurance).

Related-party Transactions

The Commission paid \$2.6 million and \$3.0 million in management fees for operations and construction in process for services provided by the District for years ended June 30, 2021, and June 30, 2020, respectively. Administrative services revenue and contributions from partners were as follows for the years ended June 30:

	<u>Administrative Service Revenue & Contributions</u>	
	<u>2021</u>	<u>2020</u>
City of Beaverton	\$ 5,148,764	\$ 9,585,642
City of Hillsboro	33,908,349	70,766,713
Tualatin Valley Water District	<u>55,660,549</u>	<u>90,361,172</u>
Contributions from Venturers	<u>\$ 94,717,662</u>	<u>\$ 170,713,527</u>

The Commission has entered into various contracts related to the construction of the Willamette Water Supply System (WWSS). Total outstanding commitments on contracts with greater than \$1.0 million outstanding is approximately \$176 million, (\$67 million is for ancillary projects for city of Beaverton and the District) and \$175 million as of June 30, 2021, and June 30, 2020, respectively.

SUPPLEMENTAL INFORMATION

WILLAMETTE WATER SUPPLY SYSTEM COMMISSION

Beaverton, Oregon

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2021

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Administrative Services	\$ 888,555	\$ 888,555	\$ 664,222	\$ (224,333)
Capital Contributions	125,763,556	125,763,556	94,053,440	(31,710,116)
Total Revenues	126,652,111	126,652,111	94,717,662	(31,934,449)
EXPENDITURES				
Materials and Services	808,555	808,555	664,222	144,333
Capital Outlay	125,763,556	125,763,556	94,053,440	31,710,116
Contingency	80,000	80,000	-	80,000
Total Expenditures	126,652,111	126,652,111	94,717,662	31,934,449
Excess (Deficiency) of revenues over expenditures, and net change in fund balance	-	-	-	-
Beginning Fund Balance	-	-	169,399,044	169,399,044
Ending Fund Balance	\$ -	\$ -	\$ 169,399,044	\$ 169,399,044
Reconciliation to Change in Net Position:				
Change in Fund Balance			\$ -	
Capital Outlay			94,053,440	
Depreciation			(360,050)	
Interest expense			(488,655)	
Change in Net Position			\$ 93,204,735	



MOSSADAMS

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Commissioners
Willamette Water Supply System Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Willamette Water Supply System Commission (the "Commission") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Willamette Water Supply System Commission's basic financial statements, and have issued our report thereon dated December 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Willamette Water Supply System Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Portland, Oregon
December 3, 2021



Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Oregon Auditing Standards

Board of Commissioners
Willamette Water Supply System Commission

We have audited, in accordance with the auditing standards generally accepted in the United States of America the basic financial statements of Willamette Water Supply System Commission (the "Commission") as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Willamette Water Supply System Commission basic financial statements, and have issued our report thereon dated December 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, noncompliance of which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to:

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to debt.
- The requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2020 and 2021.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

In connection with our testing nothing came to our attention that caused us to believe the Commission was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julie Desimone, Partner
for Moss Adams LLP
Portland, Oregon
December 3, 2021

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About the Willamette Water Supply System

Cities of Beaverton and Hillsboro and TVWD are developing the Willamette river at Wilsonville as an additional water supply source.



TUALATIN VALLEY
WATER DISTRICT

The WWSS Commission is a partnership formed under ORS Chapter 190 of the following parties:
Tualatin Valley Water District and the cities of Hillsboro and Beaverton.
For more information, visit www.tvwd.org/wwss.

STAFF REPORT

To: WWSS Board of Commissioners
From: David Kraska, PE, General Manager
Date: January 6, 2022
Subject: Election of Officers for 2022

Requested Board Action:

The WWSS Commission to elect a Chair and Vice-Chair for the 2022 calendar year.

Key Concepts:

- Currently WWSS officers include David Judah, Chair and James Duggan, Vice Chair.
- The Commission needs to nominate and elect officers for the 2022 calendar year.

Background:

The Willamette Water Supply System Intergovernmental Agreement, effective July 1, 2019, includes:

“5.3 Officers. The Board shall annually elect from its Members a chair (“Chair”) and a vice chair (“Vice Chair”), who shall be officers of the Board. The elections shall occur at the first meeting of the Board in each calendar year, unless otherwise agreed by the Board. The Chair shall serve as the presiding officer. In the absence of the Chair, the Vice Chair shall serve as presiding officer. Officers shall serve at the pleasure of the Board and may be replaced by the Board at any time. Officers will serve until a successor is appointed by the Board.”

Commissioners Judah and Duggan have been in their respective officer positions for the last year. For improved consistency, particularly during this dynamic time at the Willamette Water Supply Program, staff propose the WWSS Commission Board consider standardizing on two-year terms for officers. Were this proposal to be accepted, Commissioners Judah and Duggan would continue in their officer positions for the next calendar year.

Budget Impact:

None.

Staff Contact Information:

David Kraska, P.E., WWSS General Manager; 503-941-4561; david.kraska@tvwd.org

Attachments:

None

STAFF REPORT

To: WWSS Board of Commissioners

From: Joelle Bennett, P.E., WWSP Assistant Program Director

Date: January 6, 2022

Subject: Supplemental Resolution Declaring Public Necessity to Acquire Property Interests Over, Upon, Under, and Through Real Property for Pipeline Section PLM_5.3 for the Willamette Water Supply System

Requested Board Action:

Consider adopting a resolution declaring public necessity to acquire property interests over, upon, under, and through real property for pipeline section PLM_5.3 for the Willamette Water Supply System (WWSS).

Key Concepts:

The WWSS includes a section of pipeline referred to as PLM_5.3.

- The Willamette Water Supply Program (WWSP) has progressed the design of this pipeline section to enable identification of property requirements for construction and long-term operation and maintenance of the pipeline.
- After consideration of various alignments and alternatives, the identified route will be located in a manner that will be most compatible with the greatest public good and the least injury to private property owners.
- This resolution declares the public need for the property interests and enables the WWSS Commission's agents, including the WWSP team, to begin negotiating with respective property interest holders, and also authorizes the acquisition of the property interests by eminent domain, to the extent negotiations fail.
- This is the sixth resolution declaring property needs for PLM_5.3, updating needs on a specific property. The preceding resolutions were approved at the July, August, September, and December 2020 and January 2021 meetings.

Background:

The pipeline alignment for PLM_5.3 is located along SW Grabhorn Road, across private property from the RES_1.0 location to near Clark Hill Road, and across private property to the connection point with PLW_1.3 at SW Rosedale Road and the future Cornelius Pass Road. The majority of this pipeline is located in unincorporated Washington County. The project area is shown in the attached map. The pipeline will be a 66-inch diameter welded steel pipe.

The PLM_5.3 pipeline alignment, due to its unique location, requires different types of permanent and temporary easements than other pipeline projects to, among other purposes, fulfill WWSP standard construction work zone requirements and to provide for future maintenance and operations of the WWSS. This portion of the pipeline will include easements for:

- The WWSS pipeline and associated water system facilities
- Access roads to provide access to pipeline sections not located adjacent to the public right of way

- Limited use easements that protect the pipeline and associated water system facilities from potentially damaging activities such as aggregate mining
- Temporary easements for construction, access to construction areas, and access and monitoring/maintenance of restoration areas

This resolution updates the declared need on a specific property to allow WWSP to maintain business traffic across the construction work area. This addition increased the acquisition area.

Resolution Summary

The WWSS Commission has authority to acquire real property for the WWSS. The pipeline section PLM_5.3 requires the acquisition of temporary and permanent easements on private property. The PLM_5.3 pipeline alignment was selected through an extensive alternatives evaluation, and the preferred location was selected based on the best interests of the public and the least injury to private property owners. The resolution enables the initiation of the property acquisition process, including negotiations with interest holders, and also authorizes the acquisition of the property interests by eminent domain, to the extent negotiations fail.

Budget Impact:

The WWSP real estate team has completed an estimate that represents, in the professional judgment of the real estate team, the budget-level cost required to acquire the easements. Funds for purchase of the easements described in the resolution are included in the WWSP baseline budget.

Staff Contact Information:

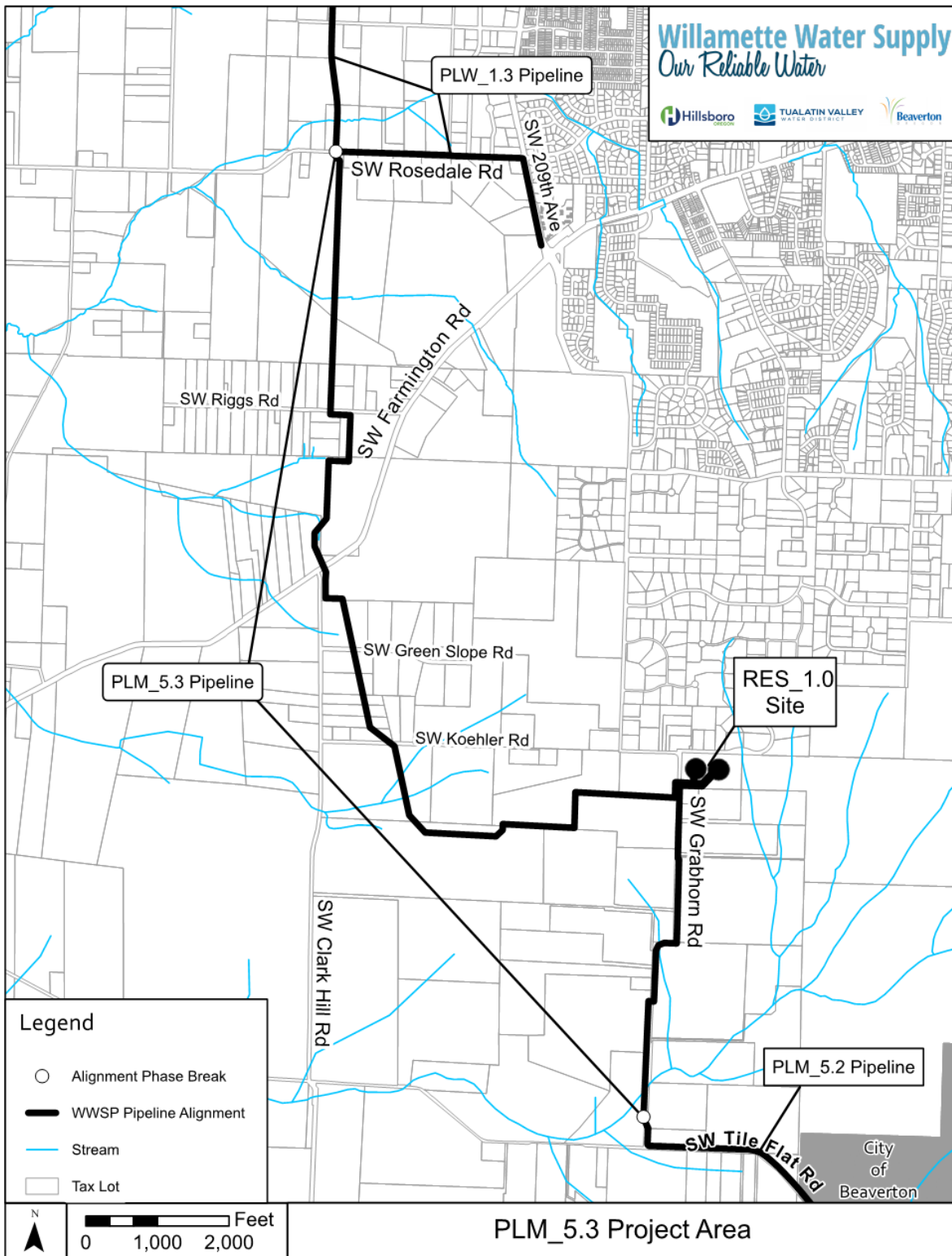
Dave Kraska, P.E., WWSS General Manager, 503-941-4561, david.kraska@tvwd.org

Joelle Bennett, P.E., WWSP Assistant Program Director, 503-941-4577, joelle.bennett@tvwd.org

Attachments:

- Project area map
- Proposed Resolution
- Exhibit 1: Property Interests (including Exhibit A Legal Descriptions and Exhibit B Acquisition Maps)

Project area map:



RESOLUTION NO. WWSS-01-22

RESOLUTION DECLARING PUBLIC NECESSITY TO ACQUIRE PROPERTY INTERESTS OVER, UPON, UNDER AND THROUGH REAL PROPERTY FOR PIPELINE SECTION PLM_5.3 FOR THE WILLAMETTE WATER SUPPLY SYSTEM.

WHEREAS, the above-entitled matter came before the Willamette Water Supply System Commission (WWSS Commission) at its regular meeting on January 6, 2022; and,

WHEREAS, the Willamette Water Supply System Intergovernmental Agreement (Agreement) between Tualatin Valley Water District (TVWD), the City of Hillsboro (Hillsboro), and the City of Beaverton (Beaverton) (collectively, Members) created the WWSS Commission, an ORS Chapter 190 intergovernmental entity, effective July 1, 2019, to exercise the powers and duties set forth in the Agreement; and,

WHEREAS, pursuant to the Agreement, TVWD has been designated as the Managing Agency of the WWSS Commission; and,

WHEREAS, the Willamette Water Supply System (WWSS) includes, but is not limited to, an expanded and improved water intake on the Willamette River in the City of Wilsonville currently owned by TVWD and the City of Wilsonville, along with a new raw water pipeline, potable water treatment plant, finished water pipelines, pumping, storage, and other necessary water system facilities to enable the WWSS to utilize existing water rights to provide water system ownership and reliability to the Members' water system users; and,

WHEREAS, the WWSS Commission has been delegated authority by its Members under the Agreement and ORS Chapter 190 pursuant to City Charters, ORS 223.005 to 223.105, ORS 264.240 and Oregon Revised Statutes Chapter 35 to acquire real property by purchase or through eminent domain proceedings; and,

WHEREAS, the WWSS Commissioners determine, consistent with the powers and purposes of the WWSS Commission, that it is necessary for the economic well-being, public health, safety and welfare of the WWSS Commission and the Members' water system users, to acquire fee title to certain real property, as well as necessary rights-of-way, easements, and other property interests, in order to design, locate, construct, operate, and implement the WWSS; and,

WHEREAS, after investigation of various routes for a water pipeline and related water system facilities, the WWSS Commission has determined that certain property interests are necessary for the construction, location, and operation of the WWSS, and in particular, pipeline section PLM_5.3, and that such use is planned and located in a manner that is most compatible with the greatest public benefit and the least injury to private property owners; and,

WHEREAS, such property interests are preliminarily described on Exhibit A and depicted for illustration purposes only on Exhibit B attached hereto and incorporated by reference, with final legal descriptions and easement documents to be determined by TVWD staff, including the Willamette Water Supply Program (WWSP) and its consultants, as the Managing Agency and on behalf of the WWSS

Willamette Water Supply
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Commission, to be reasonably necessary to accommodate the design and operation of the WWSS (the Easement Interests); and,

WHEREAS, the WWSS Commission finds that declaration by resolution to acquire the Easement Interests for the WWSS is necessary and being so advised.

NOW, THEREFORE, BE IT RESOLVED BY THE WILLAMETTE WATER SUPPLY SYSTEM COMMISSION THAT:

Section 1: The above recitals shall form an integral part of this resolution and shall have the same force and effect as if fully stated herein.

Section 2: It is necessary for the preservation of economic well-being, public health, safety and welfare of the public served by the Members and the WWSS that the WWSS Commission commence the acquisition process for the Easement Interests through exercise of the power of eminent domain.

Section 3: TVWD staff, including the WWSP, and counsel are authorized to retain real estate appraisers, negotiators, and other consultants, with said appraisals to be prepared under the auspices of WWSS Commission counsel, for initiation of proceedings as described below.

Section 4: TVWD staff, including WWSP, consultants, and counsel, are authorized to negotiate in good faith necessary agreements to acquire the Easement Interests on behalf of and in the name of the WWSS Commission and to pay just compensation and applicable compensable damages in accordance with applicable law without necessity of further approval by the WWSS Commission.

Section 5: TVWD staff, including WWSP, and counsel, are authorized to file complaints in condemnation, on behalf of and in the name of the WWSS Commission, and to take other steps as they determine necessary as the Managing Agency, and to prosecute to final determination such actions to acquire title to the Easement Interests if negotiations fail.

Section 6: Upon the trial of any suit or action instituted to acquire the Easement Interests, counsel acting for and on behalf of the WWSS Commission are authorized to make such stipulation, agreement or admission as in their judgment may be for the best interest of the WWSS Commission and to take possession of the Easement Interests at such time as appropriate in their judgment without necessity of further WWSS Commission approval.

Approved and adopted at a regular meeting held on the 6th day of January 2022.

David Judah, Chair

James Duggan, Vice Chair

EXHIBIT A

**Willamette Water Supply
December 15, 2021**

**Linda A. Eshraghi
Tax Map No. 1S226B003200**

PARCEL 1 – PERMANENT FACILITIES EASEMENT

A parcel of land lying in the Northwest Quarter of Section 26, Township 1 South, Range 2 West of the Willamette Meridian, Washington County, Oregon and being a portion of that property conveyed to Linda A. Eshraghi, recorded November 3, 2016 as Document No. 2016-090765, in the Washington County Book of Records, said parcel being that portion of said property included in a strip of land, variable in width, lying on each side of the following described Pipeline Centerline:

Beginning at Engineer's Centerline Station 957+00.00, said point being S 64°13'36 E, 956.35 feet from the Northwest corner of Section 36, Township 1 South, Range 2 West of the Willamette Meridian.

Thence along said pipeline the following courses;

N 89°15'16" W, 78.67 feet to Station 957+78.67;
 thence S 0°01'21" E, 215.81 feet to Station 959+94.49;
 thence N 88°27'18" W, 1393.61 feet to Station 973+88.10;
 thence S 0°03'04" E, 496.73 feet to Station 978+84.82;
 thence N 88°36'55" W, 1001.32 feet to Station 988+86.14;
 thence S 0°10'16" W, 84.89 feet to Station 989+71.03;
 thence S 45°46'40" W, 126.13 feet to Station 990+97.16;
 thence N 88°36'55" W, 988.72 feet to Station 1000+85.88;
 thence N 44°14'56" W, 328.47 feet to Station 1004+14.36;
 thence N 13°40'36" W, 985.84 feet to Station 1014+00.20, said point being S 86°03'21 W, 530.54 feet from the North 1/4 corner of Section 35;
 thence continuing along said pipeline N 54°06'50" W, 431.69 feet to Station 1018+31.89;
 thence N 13°40'36" W, 1838.00 feet to Station 1036+69.89;
 thence N 89°58'26" W, 235.89 feet to Station 1039+05.77;
 thence N 1°36'57" W, 264.23 feet to Station 1041+70.00;
 thence N 2°57'43" E, 99.44 feet to Station 1042+69.44;
 thence N 25°40'02" W, 395.23 feet to Station 1046+64.67;
 thence N 1°37'05" W, 187.89 feet to Station 1048+52.56;
 thence N 38°06'59" E, 260.68 feet to Station 1051+13.24, said point being S 77°11'34 E, 84.29 feet from the Northeast corner of the Hiram Johnson D.L.C. number 55;
 thence continuing along said pipeline N 0°32'41" E, 808.24 feet to Station 1059+21.48;
 thence S 89°26'00" E, 280.00 feet to Station 1062+01.48;
 thence N 0°32'40" E, 646.49 feet to Station 1068+47.97;
 thence N 89°25'41" W, 280.00 feet to Station 1071+27.97;
 thence N 0°32'41" E, 3542.23 feet to Station 1106+70.20;
 thence N 44°09'05" W, 88.58 feet to Station 1107+58.78;
 thence N 0°50'55" E, 47.38 feet to Station 1108+06.17 and the Terminus of said pipeline description. Said Terminus also being N 0°46'24 E, 5,089.47 feet from the Northeast corner of the Hiram Johnson D.L.C. number 55.

EXHIBIT A

**Willamette Water Supply
December 15, 2021**

**Linda A. Eshraghi
Tax Map No. 1S226B003200**

Widths in feet of said strip of land are described as follows:

<u>Station</u>	to	<u>Station</u>	<u>Width on Westerly and Northerly Side of Centerline</u>
1048+52.56		1050+50.00	15.00
1050+50.00		1051+42.94	30.00 in a straight line to 15.00
1051+42.94		1062+50.00	15.00

<u>Station</u>	to	<u>Station</u>	<u>Width on Easterly and Southerly Side of Centerline</u>
1048+52.56		1061+86.49	15.00
1061+86.49		1062+50.00	30.00

The parcel of land to which this description applies contains 39,973 square feet (0.92 acre), more or less.

PARCEL 2-1 – TEMPORARY CONSTRUCTION EASEMENT

That portion of said Eshraghi property included in a strip of land, variable in width, lying on each side of the above described Pipeline Centerline;

Widths in feet of said strip of land are described as follows:

<u>Station</u>	to	<u>Station</u>	<u>Width on Westerly and Northerly Side of Centerline</u>
1049+85.00		1051+86.28	41.39 in a straight line to 111.00
1051+86.28		1062+50.00	55.00

<u>Station</u>	to	<u>Station</u>	<u>Width on Easterly and Southerly Side of Centerline</u>
1048+52.56		1049+71.49	50.00
1049+71.49		1049+95.55	50.00 in a straight line to 30.00
1049+95.55		1051+07.04	30.00
1051+07.04		1051+13.24	30.00 in a straight line to 25.23

Thence S 89°24'18" E, 91.00 feet;
thence N 0°32'41" E, 88.67 feet to Engineer's Station
1051+86.44, 111.00 feet right of Pipeline Centerline;

1051+86.44		1058+81.47	20.00
1058+81.47		1062+50.00	40.00

EXHIBIT A

Willamette Water Supply
December 15, 2021

Linda A. Eshraghi
Tax Map No. 1S226B003200

EXCEPT THEREFROM that portion lying within the above described Parcel 1.

The parcel of land to which this description applies contains 66,916 square feet (1.54 acre), more or less.

PARCEL 2-2 – TEMPORARY CONSTRUCTION EASEMENT

That portion of said Eshraghi property lying southerly of a line being further described as follows;

Beginning at a point on the southerly West line of said Eshraghi property which bears S 1°37'05" E, 438.63 feet from the Northeast corner of the Johnson D.L.C. No. 55; Thence N 88°22'55" E, 12.00 feet; thence S 46°37'05" E, 18.22 feet; thence N 88°46'46" E, 136.24 feet; thence N 78°20'15" E, 127.29 feet; thence N 54°33'17" E, 119.05 feet; thence S 35°21'20" E, 55.00 feet to the northerly right-of-way of Farmington Road (County Road 1553) and the terminus of this description.

EXCEPT THEREFROM that portion lying within the right-of-way of Farmington Road (County Road 1553).

The parcel of land to which this description applies contains 6,310 square feet (0.14 acre), more or less.

Basis of Bearings is the Oregon Coordinate Reference System (OCRS), Portland Zone.

REGISTERED
PROFESSIONAL
LAND SURVEYOR

Aaron D. Willis

OREGON
JANUARY 8, 2015
AARON D. WILLIS
88798

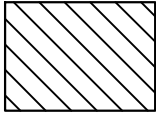
EXPIRES: 6/30/22

SIGNED: *12-27-21*

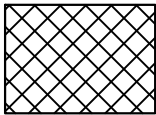
EXHIBIT B



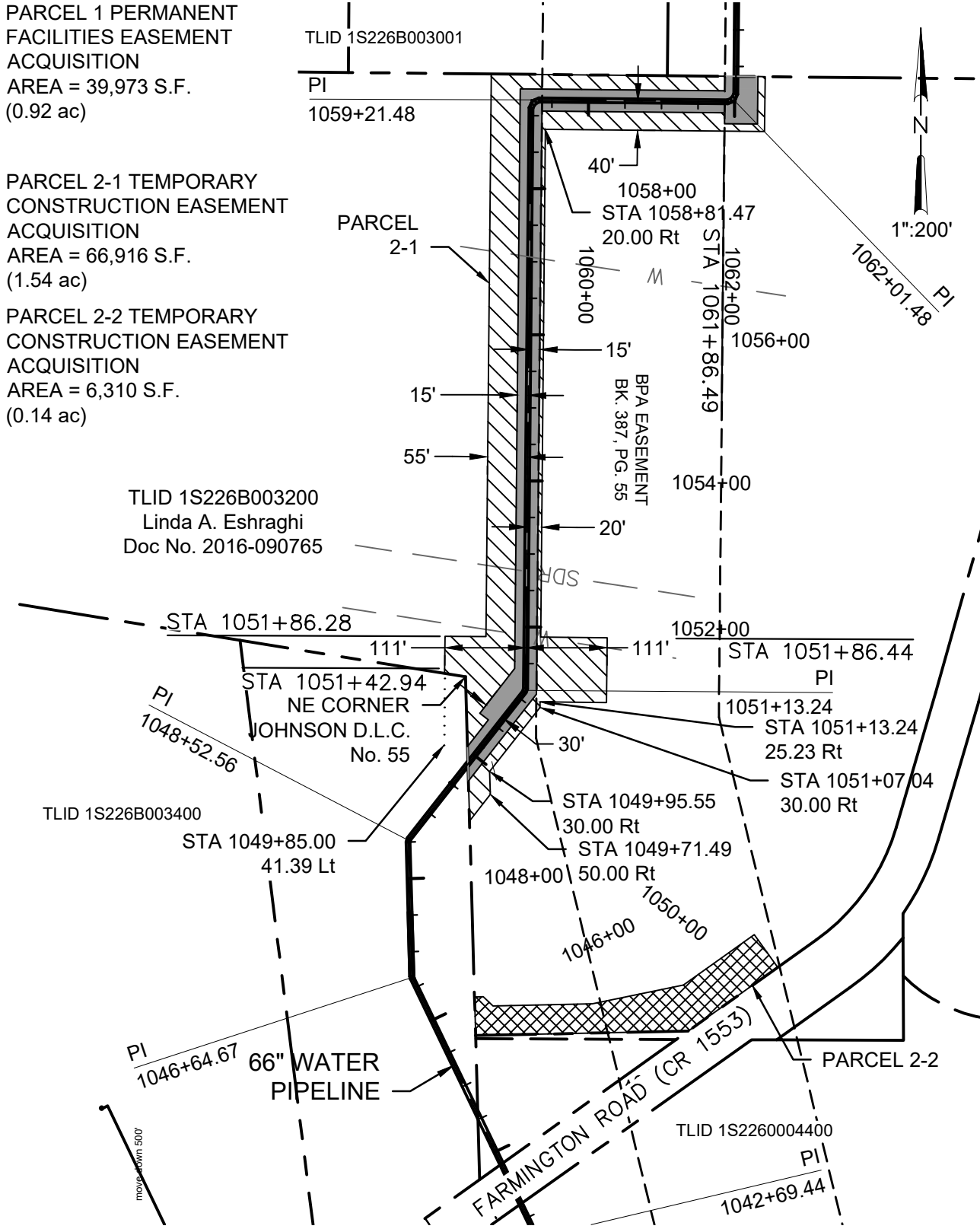
PARCEL 1 PERMANENT FACILITIES EASEMENT ACQUISITION
 AREA = 39,973 S.F.
 (0.92 ac)



PARCEL 2-1 TEMPORARY CONSTRUCTION EASEMENT ACQUISITION
 AREA = 66,916 S.F.
 (1.54 ac)



PARCEL 2-2 TEMPORARY CONSTRUCTION EASEMENT ACQUISITION
 AREA = 6,310 S.F.
 (0.14 ac)



TLID 1S226B003200
 Linda A. Eshraghi
 Doc No. 2016-090765

TLID 1S226B003400

TLID 1S2260004400

WILLAMETTE WATER SUPPLY PROGRAM

PIPELINE MAIN STEM, SECTION 5.3

ACQUISITION MAP

PAGE 1 OF 1



SURVEY & MAPPING

2020 SW 4TH AVE. SUITE 300 PORTLAND, OR 97201
 PH: (503) 235-5000

FILE No: PLM_5.3-008

SUBMITTAL DATE: DEC 15, 2021

TAX LOT: 1S226B003200

ADDRESS:

TAX MAP: T1S R2W Sec26B

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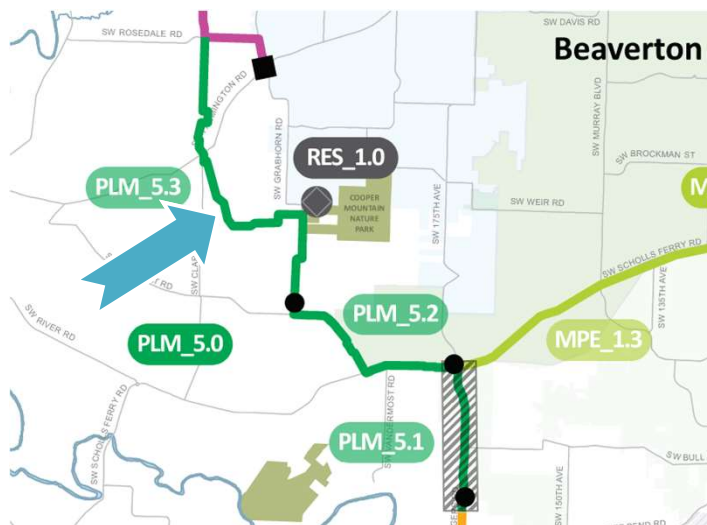
Willamette Water Supply *Our Reliable Water*

4.B. Approve PLM_5.3 Resolution of Need *(fifth supplemental)* – Joelle Bennett

WWSS Commission Board Meeting
January 6, 2022

1

PLM_5.3 Grabhorn Road/Clark Hill to Cornelius Pass Project



2

QUESTIONS?

3

4.B. Requested Board Action

Consider adopting Resolution No. WWSS 01-22 declaring public necessity to acquire property interests over, upon, under, and through real property for pipeline section PLM_5.3 for the Willamette Water Supply System (WWSS).

4

STAFF REPORT

To: WWSS Board of Commissioners
From: David Kraska, P.E., WWSS General Manager
Date: January 6, 2022
Subject: Market Conditions and Outlook

Key Concepts:

The current outlook for Willamette Water Supply Program (WWSP) costs indicates projects are trending above budget.

- Recent Guaranteed Maximum Prices (GMPs) on two major projects came in substantially above the values held in Baseline 6.1.
- These results portend a significant shift in the current market conditions for infrastructure construction costs.
- WWSP staff performed a preliminary evaluation of these market conditions on the expected costs remaining projects to be bid.
- The evaluation was used to prepare an early-release version of the draft Baseline 7.0.
- TVWD, Hillsboro, and Beaverton finance staff are currently evaluating funding options to accommodate the increased costs as projected in the early-release version of Baseline 7.0.

Background:

In Q4 2021, the WWSP received bid results on two of the larger projects: the RES_1.0/PLM_5.3 project and the WTP_1.0 project. Both projects are using the Construction Manager/General Contractor (CM/GC) model for delivery, therefore these bids came in the form of GMP proposals for which the CM/GC divided the project into separate bid packages that are advertised and competitively bid. The CM/GC then compiles the winning bid for each package into the GMP. The GMPs for both projects came in substantially higher than the values carried in Baseline 6.1.

Project	Baseline 6.1 Budget	GMP Result	Difference
RES_1.0/PLM_5.3	\$117M	\$143M (final)	\$26M
WTP_1.0	\$292M	\$427M (draft)	\$135M

As noted in the table above, the GMP for the WTP_1.0 is in draft form and currently being reviewed and negotiated with the CM/GC.

The GMPs were carefully evaluated by WWSP staff to verify that the projects were competitively bid and as such provide a fair representation of the current construction market. The review found that both projects were aggressively advertised to the construction market, and they were fairly and competitively bid. At the conclusion of our analysis, the WWSP staff find that these are high-quality GMPs and accurately reflect the current, local construction market. Our analysis found that there are numerous factors affecting the market, many of which are related to the ongoing COVID-19 pandemic.

Market Conditions and Outlook

January 6, 2022

Page 2 of 2

Given these results and the findings of our review, WWSP staff evaluated the remaining projects to be bid over the coming months to determine if the anticipated costs should be adjusted as part of our planning for Baseline 7.0. The projects that will be bid in 2022 include six pipeline projects and the second phase of the Raw Water Facilities project (RWF_1.0), the mechanical, electrical, and structural work related to the WWSS raw water pump station. As the RWF_1.0 project is also being completed using the CM/GC model, the WWSP received a preliminary budget for the second phase, and it is approximately \$10M higher than the value currently held in Baseline 6.1. The pipeline projects have trended closer to the Baseline 6.1 budget values, but there have been significant increases in materials and labor costs. The projected budgets for the pipeline projects were accordingly increased to account for the latest information.

Given the magnitude of these increases, it is necessary for the Willamette Water Supply System (WWSS) Partners' finance teams to evaluate the impact and potential funding options in order to provide guidance to the WWSS Commission Management Committee and Board. To support this effort, the WWSP prepared an early-release version of Baseline 7.0 that incorporates the latest known and projected cost information. In total, Baseline 7.0 is approximately \$315M higher than Baseline 6.1.

Budget Impact:

The draft early-release version of Baseline 7.0 is approximately \$315M higher than Baseline 6.1. This value will be revised as more WWSP projects are bid and the risk modeling work that informs the Management Reserve value is completed. The WWSS Partners' finance staff are using this early information to begin evaluating funding options for the increased costs. The official draft of Baseline 7.0 is on schedule to be released on January 31, 2022.

Staff Contact Information:

David Kraska, P.E., WWSS General Manager; 503-941-4561; david.kraska@tvwd.org

Attachments:

None

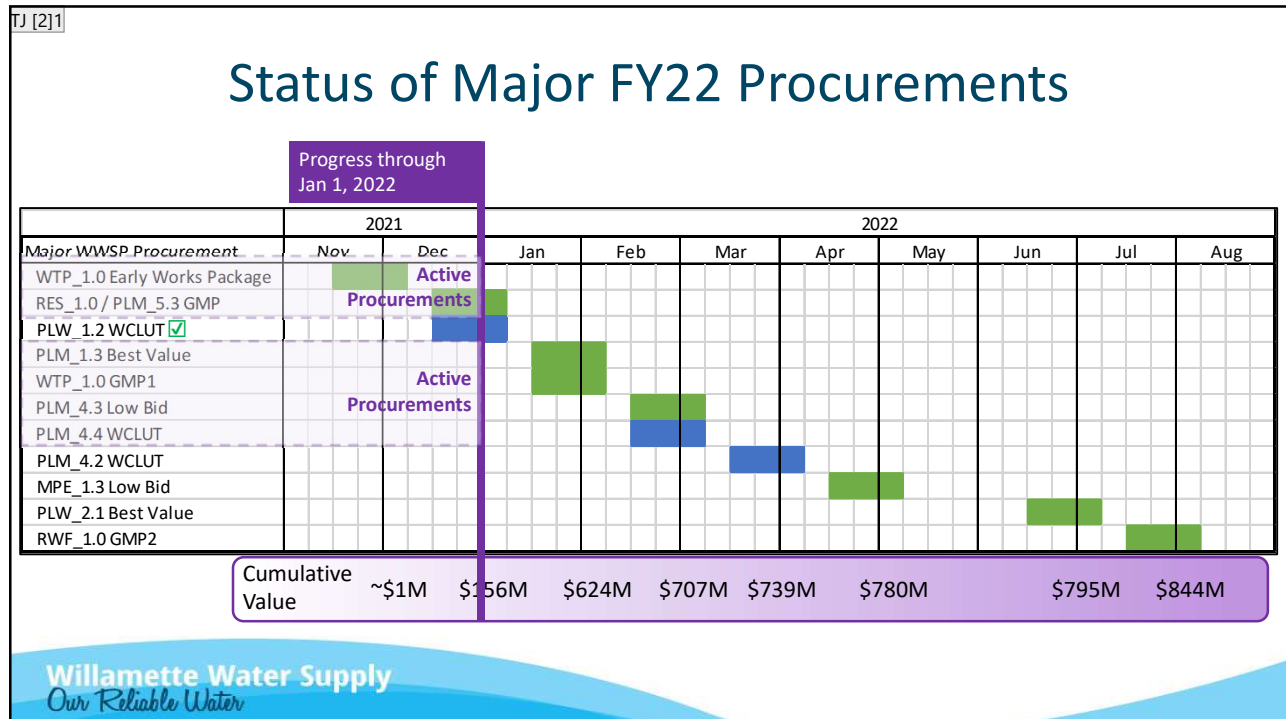
Willamette Water Supply

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5.A. Market Conditions and Outlook – *Dave Kraska*

WWSS Commission Board Meeting
January 6, 2022

1



2

Slide 2

TJ [2]1 Should this be updated to the beginning of January

Taylor, Jeremy, 1/4/2022

Recent Guaranteed Maximum Price (GMP) Results

RES_1.0/PLM_5.3

- Status: CM/GC's final (amounts may change)
- Value: ~\$143M (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: ~\$427M (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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Amounts include WWSP typical contingency

3

Quality of GMPs

Considerations	RES_1.0/PLM_5.3 GMP	WTP_1.0 GMP
Market Outreach	Local organizations outreach Prebid meetings with potential subs/vendors Advertisements (early and bids) Website	Local organizations outreach Prebid meetings with potential subs/vendors Advertisements (early and bid) Website (WTP bid page)
Bidders per Package	<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	<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
Bid Spreads	<u>Example Packages (low bid v. 2nd low)</u> Structural Concrete, 14.4% Earthwork, 2.1% Pipeline Install 1.8% Electrical 0.8%	<u>Example Packages (low bid v. 2nd low)</u> Concrete, 2.5% Earthwork/Utilities, 0.03% Process Install, 15% Electrical, 2.4%
Vetting Process	Reviewed bid packages (40) Reviewed and negotiated leveling SME/Estimator review GCs review Early staffing negotiations Determined escalation allowance	Reviewed bid packages (approx. 70) Reviewed and negotiated leveling SME/Estimator review GCs review (in process) <i>This process is continuing</i>

4

GMPs Cost Drivers

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

5

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

6

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

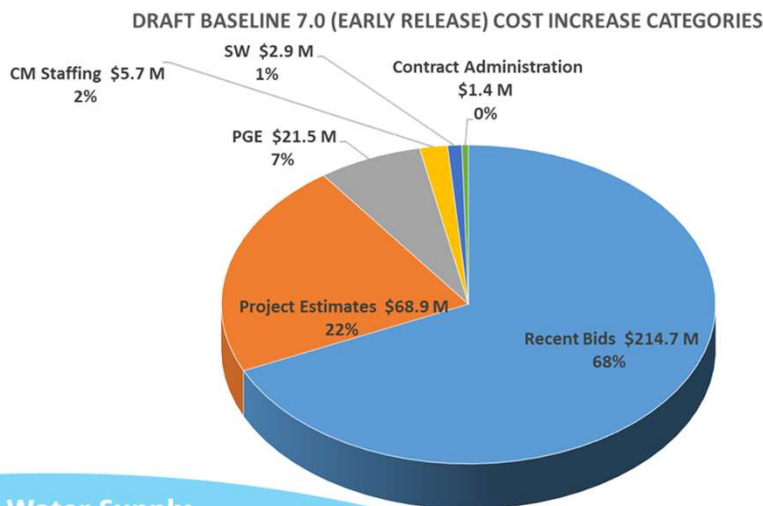
Owner	Project	Estimate (\$M)	Median Bid (\$M)	Median Bid / Estimate
South County Regional Wastewater Authority, CA	Plant Capacity Expansion Project	\$57.0	\$73.2	28%
Miami-Dade Water and Sewer Department, FL	Wastewater Plant 2 Digester Cluster 3 Facility Upgrade	\$36.8	\$51.1	39%
Tuolumne Utilities District, 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%

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Notes:
*Only winning (presumably lowest) bid amount available
**Complete bid data not available

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



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SW = System Wide

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Draft Baseline 7.0 (early release) Cost Impacts by Partner Compared to Baseline 6.1

Agency	Draft Baseline 7.0 (early release) - 10%	Draft Baseline 7.0 (early release)	Draft Baseline 7.0 (early release) +10%
Beaverton	\$18.4	\$20.2	\$22.3
Hillsboro	\$91.9	\$101.1	\$111.2
Sherwood	\$.1	\$.1	\$.1
Tigard	\$.2	\$.2	\$.2
TVWD	\$175.6	\$193.2	\$212.5
Wilsonville	\$.3	\$.3	\$.3
Total	\$286.5	\$315.1	\$346.6

\$ in millions

All cost shares are based on Baseline_6.1_Adopted_Updated July 2021

All numbers are preliminary and subject to change

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Draft Baseline 7.0 (early release) Cost Impacts by Partner Compared to Baseline 5.2

Agency	Draft Baseline 7.0 (early release) - 10%	Draft Baseline 7.0 (early release)	Draft Baseline 7.0 (early release) +10%
Beaverton	\$17.1	\$18.8	\$20.7
Hillsboro	\$64.6	\$71.1	\$78.2
Sherwood	\$.1	\$.1	\$.1
Tigard	\$.2	\$.2	\$.2
TVWD	\$158.7	\$174.6	\$192.1
Wilsonville	\$.3	\$.3	\$.3
Total	\$240.9	\$265.0	\$291.5

\$ in millions

All cost shares are based on Baseline_6.1_Adopted_Updated July 2021

All numbers are preliminary and subject to change

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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

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QUESTIONS?

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STAFF REPORT

To: WWSS Board of Commissioners

From: Joelle Bennett, P.E., WWSP Assistant Program Director

Date: January 6, 2022

Subject: Anticipated Business Agenda Items for the January 2022 Special Board Meeting and February 2022 Regular Meeting of the WWSS Board of Commissioners

Key Concepts:

The next Willamette Water Supply System (WWSS) Commission Board meeting agendas are anticipated to include staff recommendations for the following business agenda items:

1. RES_1.0/PLM_5.3 GMP for Construction (Special Board Meeting)
2. PLM_4.2 WCLUT Construction Agreement
3. Sherwood Emergency Intertie Intergovernmental Agreement (IGA)
4. PLM_1.3 Contract for Construction
5. WTP_1.0 GMP for Construction

Background:

The following action is the only anticipated business agenda item for the January 20, 2022, Special Board Meeting of the WWSS Board of Commissioners. Staff will notify Commissioners one week in advance if the agenda item must be moved to the regular meeting on February 3, 2022.

1. RES_1.0/PLM_5.3 GMP for Construction

The RES_1.0/PLM_5.3 project is being delivered using the Construction Manager/General Contractor (CM/GC) method. The CM/GC contractor Hoffman-Fowler, LLC, has been onboard since December 2020 participating in the RES_1.0/PLM_5.3 project's final design. Since the 100 percent design was completed in July, the CM/GC has been preparing the Guaranteed Maximum Price (GMP) for construction. WWSS staff have reviewed the GMP and recommended it to the Management Committee for Board approval.

The GMP is higher than anticipated, effected by global supply chain issues, inflation, and labor shortages. Approving the GMP requires an increase in project budget. The Management Committee is working with the Finance Committee members and agency finance staff to adapt financial plans to manage the increase in project cost. Once recommendation to proceed is secured from all Management Committee members, this item will be brought to the Board.

The following actions are anticipated business agenda items for the February 3, 2022, meeting of the WWSS Board of Commissioners. Due to the dynamic nature of the WWSS work, request for approval of some items may be delayed or new items may emerge on the business agenda next month. WWSS staff strive to provide preliminary information one month prior to requesting action and a full staff report describing the recommended action during the appropriate month.

2. PLM_4.2 WCLUT Construction Agreement

The design of the WWSS and Washington County Land Use and Transportation (WCLUT) partnered project PLM_4.2 on SW Tualatin-Sherwood Road, with pipeline and roadwork extending from SW 124th Avenue to SW Langer Farms Parkway, is nearly complete and WWSS and Washington County are readying bidding documents. The construction IGA will specify how the two projects will be constructed together and define each agency's specific responsibilities. Washington County will be the lead agency.

At the next WWSS Board meeting, WWSP staff plan to present the proposed intergovernmental agreement with a recommendation to the Board to adopt it through resolution.

3. Sherwood Emergency Intertie IGA

The WWSS and City of Sherwood desire to build on their history of cooperation to enable the cost-effective provision of safe and reliable water services to present and future customers by establishing an interconnection between the two systems near the future WWSS treatment plant. This IGA will describe the allowable uses for the intertie, allocation of initial capital costs and ongoing operations and maintenance costs, agreement term and renewals, as well as how either party can terminate the agreement in the future.

At the next WWSS Board meeting, WWSP staff plan to present the proposed intergovernmental agreement with a recommendation to the Board to adopt it through resolution.

4. PLM_1.3 Contract for Construction

The WWSS is delivering the PLM_1.3 pipeline project utilizing a best value contracting approach. WWSS published the request for proposals on November 8, 2021, and received four responses. Written proposals were due December 16, 2021, and price proposals will be publicly opened January 6, 2022.

At the next WWSS Board meeting, WWSP staff plan to present the proposed contract with a recommendation to the Board for approval.

5. WTP_1.0 GMP for Construction

The WTP_1.0 project is being delivered using the Construction Manager/General Contractor (CM/GC) method. The CM/GC contractor Sundt Construction, Inc., has been onboard since January 2019 participating in the WTP_1.0 final design. Since the 100 percent design was completed in July 2021 the CM/GC has been preparing the Guaranteed Maximum Price (GMP) for construction. WWSS staff are reviewing the GMP and anticipate recommending it to the Management Committee for Board approval this month.

The draft GMP is trending higher than anticipated and approving the GMP will require an increase in project budget. The Management Committee is working with the Finance Committee members and agency finance staff to develop financial plans to manage the increase in project cost. Once recommendation to proceed is secured from all Management Committee members, this item will be brought to the Board.

Anticipated Business Agenda Items for the January 2022 Special Board Meeting and February 2022 Regular Meeting of the WWSS Board of Commissioners

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Budget Impact:

Anticipated costs for the actions described in this staff report are reflected in the WWSP FY2022 budget. Regarding Items 1 and 5, the WWSP team is working through the annual Baseline process to adjust cost projections to reflect current market conditions, effecting most projects, but especially facilities construction projects.

Staff Contact Information:

Dave Kraska, P.E., WWSS General Manager, 503-941-4561, david.kraska@tvwd.org

Joelle Bennett, P.E., WWSP Assistant Director, 503-941-4577, joelle.bennett@tvwd.org

Attachments:

- Approvals and Procurement Forecast (December 2021 – February 2022)

Willamette Water Supply System Commission

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Approvals and Procurement Forecast: December 2021 through February 2022

This report provides a three-month projection of (1) forthcoming actions under the WWSS Management Authority Matrix and (2) ongoing and forthcoming procurements.

a = Actual date
 e = Email approval
 FC = Finance Committee
 LCRB = Local Contract Review Board
 MC = Management Committee
 N/A = Not applicable
 OC = Operations Committee

Rec. = Recommendation
 t = Tentative date
 TBD = To be determined; sufficient information not available to project a date
 Note: Dates in red text indicate meetings needed outside the normal meeting schedule

Type	Description	Projected Action	Body/Position (projected action date)		
			Program Director	WWSS Committees	WWSS Board
Program Baseline or Related Plans (above Program Director's Authority)	1. PLM_5.3 Add Accommodations for Temporary Pump Station Connection and Use during WWSS Commissioning	Approve	N/A	MC: 12/16/2021 t	N/A
		Execute	N/A	N/A	N/A
Real Estate	2. PLM_1.3 Resolution of Need (fifth supplemental approval)	Approve	N/A	MC: 11/18/2021 a	12/2/2021 a
		Approve	N/A	MC: 12/16/2021 t	1/6/2022 t
IGAs, MOUs, Permit Commitments, & Similar Agreements	4. DCS_1.0 Sherwood Broadband Services IGA	Approve	N/A	MC: 3/18/2021 a	4/1/2021 a
		Execute	12/30/2021 t	N/A	N/A
	5. PLM_1.3 BPA Reimbursement Agreement	Approve	N/A	MC: 5/20/2021 a	6/3/2021 a
		Execute	12/1/2021 a	N/A	N/A
	6. PLM_1.0 Wilsonville Ground Lease Amendment 1	Approve	N/A	MC: 8/19/2021 a	9/2/2021 a
		Execute	10/4/2021 a	N/A	N/A
	7. RES_1.0 WCLUT Grabhorn Road Realignment IGA	Approve	N/A	MC: 10/21/2021 a	11/4/2021 a
		Execute	12/30/2021 t	N/A	N/A
	8. PLM_4.4 WCLUT Construction IGA	Approve	N/A	MC: 10/21/2021 a	11/4/2021 a
		Execute	12/30/2021 t	N/A	N/A
9. PLM_4.2 WCLUT Construction IGA	Approve	N/A	MC: 1/20/2022 t	2/3/2022 t	
	Execute	2/28/2022 t	N/A	N/A	
10. Sherwood Emergency Intertie IGA	Approve	N/A	MC: 1/20/2022 t	2/3/2022 t	
	Execute	2/28/2022 t	N/A	N/A	
Contracts (above Program Director's Authority)	11. WTP_1.0 Tree Clearing Goal: Clear trees from WTP site before bird nesting season Value: \$1.1M Contractor: Emery & Sons Construction Group, LLC	Approve	N/A	MC: 11/18/2021 a	12/2/2021 a
		Execute	12/9/2021 a	N/A	N/A
	12. PLM_1.3 Contract for Construction Goal: Construct PLM_1.3 Value: \$37.6M (estimated) Contractor: TBD	Approve	N/A	MC: 1/20/2022 t	2/3/2022 t
		Execute	2/4/2022 t	TBA	N/A
Contract Amendments and Change Orders (above Program Director's Authority)	13. RES_1.0/PLM_5.3 GMP for Construction Goal: Construct RES_1.0 and PLM_5.3 Value: 127.5M Contractor: Hoffman-Fowler, LLC	Approve	N/A	MC: 12/16/2021 t	1/6/2022 t
		Execute	1/10/2022 t	N/A	N/A

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Type	Description	Projected Action	Body/Position (projected action date)		
			Program Director	WWSS Committees	WWSS Board
Contract Amendments and Change Orders (above Program Director's Authority) Continued	14. WTP_1.0 GMP for Construction Goal: Construct WTP_1.0 Value: TBD Contractor: Sundt Construction	Approve	N/A	MC: 1/20/2022 t	2/3/2022 t
		Execute	2/4/2022 t	N/A	N/A
Local Contract Review Board (LCRB) Actions	15. None	Approve	N/A	N/A	N/A

**Willamette Water Supply System Commission
Board Meeting**

January 6, 2022
