



## Legislation Text

---

File #: 20-280, Version: 1

---

Resolution No. 20-15, Declaring Oregon City's Position to Provide Water Service with Water Supplied by South Fork Water Board to Current and Future Citizens of Oregon City

### **RECOMMENDED ACTION (Motion):**

Approve Resolution No. 20-15, declaring the City of Oregon City's desire to provide water service and water supplied by South Fork Water Board to current and future citizens of Oregon City.

### **BACKGROUND:**

In 2012, the City adopted the Citywide Water Distribution System Master Plan (WMP). The WMP was written for the entirety of the City's distribution system for both existing and future demands within the Urban Growth Boundary (UGB), inclusive of the Beavercreek Road (Thimble Creek) Concept Area. The WMP projected a water storage deficiency to serve the Beavercreek Concept Area and identified the need for a new reservoir located beyond the City's existing Henrici Reservoir, at a higher elevation. The 2019 CIP update confirmed this need.

In 2014, the City, Clackamas River Water (CRW), and the South Fork Water Board (SFWB) entered into a Settlement Agreement. The Agreement required the City and CRW to engage in discussions regarding the potential adjustment of service area boundaries, including possible withdrawal and annexation of certain lands, to better reflect the appropriate entity to serve certain areas based on which entity is most able to serve future development lands. In November 2016, CRW and the City entered into a Memorandum of Understanding (MOU) authorizing a Joint Engineering Study (Study) to meet the terms of the Agreement. The Study was presented in a joint work session to the City Commission and Clackamas River Water Board on March 13, 2018, and the Study was finalized June 11, 2018.

In the subject Study, the City identified the following goals:

- The City wants to be the water service provider to existing and future annexed City residents and businesses.
- The City is part owner of the SFWB and, therefore, prefers to supply the City's customers with water sourced from the SFWB Water Treatment Plant (WTP), thereby serving the City's ultimate service area and customers. This results in better utilization of excess capacity at the WTP, higher certainty and control of water supply, control over water supply costs, control over planning, and implementation of capacity expansions, etc.

CRW's goal was to service its customers with water sourced from the CRW WTP.

While strategies to provide long-term service in multiple Study areas were identified in the Study, most areas were smaller and were undisputed regarding whether Oregon City would be the long-term service provider.

In the Beavercreek Area, the Study identified a concept providing service with shared infrastructure, including a pump station, transmission main, and reservoirs. This approach reduces the City capital costs to serve the area, since major infrastructure costs are shared with CRW.

Our updated CIP was presented to the City Commission at the August 7, 2019 work session. As presented, the City provides service to the area including water supplied by South Fork Water Board (SFWB), of which the City is co-owner with West Linn.

Since Capital Improvement Projects (CIP) are affected by pursuit of a joint option and the CIP informs water rates and SDC updates, direction is needed by the Commission to confirm their intent on how to serve the Beavercreek Concept Area prior to completing our Water Master Plan amendment through the land-use process.

## **Discussion**

Staff is prepared to move forward with the land use approval process for adoption of the WMP Amendment, inclusive of the 2019 CIP. Prior to doing so, direction from the Commission whether or not to proceed as planned or to pursue a Joint Engineering option for service to the Beavercreek Concept Area is needed.

In both scenarios, the City provides service to all residents within the City and UGB long term, therefore, the customer base remains the same. The two primary differences are water supply and capital improvements required to serve the area, both in scope and cost. The 2019 CIP reflects Oregon City as the long-term service provider of the Beavercreek Concept Area, including water supplied by SFWB. The Joint Engineering option includes water supply from SFWB and CRW.

In terms of capital projects, both scenarios require construction of additional storage capacity (reservoirs) and new pump stations and transmission mains. The primary difference is the scope (size of reservoirs, pump stations, and length and size of transmission mains) and resulting cost to the City. To help better understand the differences, attached is a map showing the 2019 CIP compared to the Joint Option for the Beavercreek Concept Area (Attachment 1) and a cost comparison of how the 2019 CIP would differ including scope, cost and funding source (SDC's or Rates) compared to the Joint Engineering option (Attachment 2).

While there is a difference in overall cost to the City, most of it is paid for through System Development Charges (SDCs) from development and not rates. What is clear is that growth in this area requires an investment in infrastructure to support development. Both Oregon City and CRW systems required upgrades to support this area and look to SDCs and developer investment to fund the improvements.

For years, the City and SFWB have planned for the Beavercreek area. It was not until recently that CRW developed plans to serve the Beavercreek area. In 2016, CRW initiated the design of the first phase of their "Backbone." The Backbone projects (Attachment 2) extend CRW supply and distribution across the Clackamas River (CRW South Service Area). Most of the Phase I work is complete and much of the area outside the City and south of the Clackamas River is now receiving water from the CRW Water Treatment Plant. Phase II of the Backbone project is still under consideration, but planning and engineering is underway to make less significant improvements in their existing distribution areas (Redland and Beaver Lake) to further increase their capability to distribute water further south, with the long-range goal to limit their demand for Oregon City/SFWB

supply. For Oregon City and SFWB, the Backbone projects and other CRW supply system upgrades provide the benefits of supply and distribution redundancy but also add a new complication in the form of a competing service provider that could also serve new development in and around Oregon City.

In 2014 during the Joint Engineering Study, it was established through study goals that a new jointly-owned reservoir would need to be supplied with water sourced from the SFWB Water Treatment Plant (WTP). The City and CRW share the Boynton reservoir, so operational and maintenance agreements are industry standard. However, water supply is typically fed from one source. During the Joint Engineering Study, Oregon City conditioned the outcome of the study based on the foundation that this new jointly-owned reservoir and the supply to City customers must be with water sourced from the SFWB Water Treatment Plant (WTP). Recent conversations with CRW staff indicate that SFWB supply would infringe on the CRW capital investments in the Backbone project. So, while a shared approach may reduce each agency's initial infrastructure improvement costs, it comes at a consequence which affects who will be supplying water to the area (SFWB or CRW).

If the City wishes to pursue a Joint Engineering solution, it will require CRW to enter into an agreement for this area reflecting a Joint Engineering solution triggering updates to each of the agency master plans and corresponding CIPs to reflect the agreed upon improvements. Should an agreement not be reached, each agency would proceed with their original plans to serve the same area independently and the City would exercise its withdrawal authority over time, as the City system improvements are made to support the area.

### **Direction Needed**

Based on discussion at the May 12, 2020 Commission Work Session, the Commission would like to formalize its intent to serve the residents of Oregon City with City facilities including water supplied by SFWB, inclusive of the Beaver Creek Road (Thimble Creek) Concept Area, and not pursue a Joint Engineering solution via a Resolution, thereby directing staff to proceed with amendment of the 2012 Water Distribution Master Plan inclusive of the 2019 Capital Improvement Plan showing City facilities serving the area.

The Resolution presented for your approval reflects the City's desire to provide City water service with water supplied by South Fork Water Board, to the residents within the city Limits, inclusive of the Beaver Creek Road (Thimble Creek) Concept Area.

### **OPTIONS:**

1. Adopt Resolution 20-15
2. Deny Resolution 20-15 and provide staff with direction and different instructions.