

Joint Water Commission



General Manager

Kevin Hanway
150 E. Main Street
Hillsboro, OR 97123
503-615-6585

Board of Commissioners

City of Hillsboro

John Godsey
John Rosenberger
David Judah

City of Forest Grove

Rod Fuiten
Carl Heisler
Victoria Lowe

City of Beaverton

Denny Doyle
Marc San Soucie
Mark Fagin

Tualatin Valley Water District

Dick Schmidt
Marilyn McWilliams
Mark Knudson

HILLSBORO/FOREST GROVE/BEAVERTON/
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION (JWC)
PRELIMINARY AGENDA

City of Hillsboro
Civic Center
150 East Main St., **Room 113B**

January 10, 2014
12:30 p.m.
Regular Meeting

Assistive Listening Devices (ALD) and sign language interpreters are available, at no cost, and can be scheduled for this meeting. Please provide at least 72 hours notice prior to the meeting. To obtain these services, call (503) 681-6100 or TTY (503) 681-6284.

ALL TESTIMONY IS ELECTRONICALLY RECORDED.

The Commission lunches at 12:00 p.m.

CALL TO ORDER

Introductions.

1. **CONSENT AGENDA** (The entire Consent Agenda is normally considered in a single motion. Any Commissioner may request that an item be removed for separate consideration.)
 - A. Approve regular meeting minutes from Friday, October 11, 2013.
2. **COMMUNICATIONS AND NON-AGENDA ITEMS**
 - A. None scheduled.
3. **UNFINISHED BUSINESS**
 - A. None scheduled.
4. **NEW BUSINESS**
 - A. Election of Officers
 - B. Designation of Managing Agency
 - C. Consider Approval of FY 2014 Supplemental Budget Amendment.
Staff Report – Mellisa Franklin



- D. Consider Adoption of Revision to IGA Exhibit D: Transmission System and Exhibit N: Notices. *Staff Report – Niki Iverson*
- E. Consider Approval of WTP Immediate Electrical Items Replacement Project – Phase 2, Change Order #2. *Staff Report – Tyler Wubbena*

5. DISCUSSION ITEMS (These items may result in action by the Commission.)

- A. Presentation and Review of Audit Report. *Staff Report – Mellisa Franklin*
- B. Presentation of Financial Report. *Staff Report – Mellisa Franklin*
- C. Stored Water Status. *Staff Report – Niki Iverson*
- D. General Manager’s Report. *Staff Report – Kevin Hanway*

6. ADVICE/INFORMATION ITEMS

- A. The next JWC and BRJOC meetings are scheduled on Friday, April 11, 2014, at the Civic Center in Room 113B. The BRJOC meeting will be held at 12:30 p.m. with the JWC meeting following.

HILLSBORO/FOREST GROVE/BEAVERTON
TUALATIN VALLEY WATER DISTRICT
JOINT WATER COMMISSION (JWC)

MINUTES

City of Hillsboro
Civic Center Room 113B
150 East Main St.

October 11, 2013
12:30 p.m.
Regular Meeting

Commissioners Present:

Hillsboro: John Rosenberger and Dave Judah
Forest Grove: Victoria Lowe and Carl Heisler
Beaverton: Denny Doyle, Marc San Soucie and Mark Fagin
Tualatin Valley Water District: Dick Schmidt and Marilyn McWilliams

Staff Present:

Hillsboro: Kevin Hanway, Peter Martins, Tyler Wubbena, Rob Dixon,
Niki Iverson, Mellisa Franklin and Susan Howard
Beaverton: David Winship
Forest Grove: Michael Sykes and Derek Robbins
TVWD: Mike Britch

Others Present:

Wayne Gresh – Carollo Engineers
Bruce Barney – PGE
Kelly Cox – PGE
Clark Balfour – Attorney

The Commission lunches at 12:00 p.m. Call to order at 12:38 p.m.

CALL TO ORDER

Introductions.

1. **CONSENT AGENDA** (The entire Consent Agenda is normally considered in a single motion. Any Commissioner may request that an item be removed for separate consideration.)

- A. Approve regular meeting minutes from Friday, July 12, 2013.

Motion by San Soucie, seconded by Heisler, to approve the Consent Agenda as presented. Motion carried unanimously with Commissioners Rosenberger, Judah, Heisler, Lowe, Doyle, San Soucie Fagin, Schmidt and McWilliams all voting in favor.

2. **COMMUNICATIONS AND NON-AGENDA ITEMS**

A. None scheduled.

3. UNFINISHED BUSINESS

A. None scheduled.

4. NEW BUSINESS

A. Consider approval of wholesale water rate update. *Staff Report – Kevin Hanway*

Hanway stated on a periodic basis a review is conducted to analyze cost of service to wholesale customers to ensure rates charged are in line with service costs. He stated in that regard the City is requesting an approval of the proposed 1.7% increase authorized by Resolution 122-J.

Motion by San Soucie, seconded by McWilliams, to approve the Resolution 122-J increasing the wholesale water rate to \$1.23 per ccf, effective November 1, 2013. Motion carried unanimously with Commissioners Rosenberger, Judah, Heisler, Lowe, Doyle, San Soucie Fagin, Schmidt and McWilliams all voting in favor.

5. DISCUSSION ITEMS (These items may result in action by the Commission.)

A. Presentation by Portland General Electric on Standby Power Generation Project.
Staff Report – Tyler Wubbena

Wubbena stated the JWC approved a construction contract with Carollo Engineers for the continuation of the Standby Power Generation project. He then introduced Bruce Barney with Portland General Electric (PGE) to present background information on Dispatchable Standby Generation (DSG).

Barney stated the DSG program which began in 2000, partnerships with customers who own large generators to help PGE during grid events. This program also helps reduce customer O&M costs and provides capital for the generation plant. He stated goals for the DSG program are to reach 150MW of additional capacity from its current capacity of 96MW.

Barney stated this program benefits its customers by funding operations, maintenance and fuel costs for backup power and power quality monitoring for facility operations. McWilliams inquired what kind of program is in place to ensure crews are available for emergency repairs. Barney responded PGE over maintains the generators to ensure they function properly by running them through an exercise program. The program puts the generators up against the PGE grid for one hour under full load four times per year. McWilliams also inquired about fuel quality and testing. Barney responded PGE samples all fluids and runs the fuel through a filtration process to ensure quality.

Barney stated there are many benefits for customer who participate in the program including greater reliability due to high quality equipment and a relay protection system. There is also power quality monitoring and design assistance. He stated there is reduced operations and maintenance

due to free preventative switchgear and generator maintenance along with engine tune-ups and general repairs. The program also provides emissions permit modifications, renewals and fuel. McWilliams inquired if the grid went down how long before the generator would be back in operation. Barney responded within seconds.

Barney stated currently emissions from the generators are under new rules created by the EPA which states run time for generators is limited to 100 hours per year for emergency operation including 50 hours for required maintenance and 50 hours of optional run time. However, there is unlimited outage operation. Iverson inquired is there protection against surges. Barney responded a very reliability protection relay system is in place which is set very tightly to protect the generator.

Barney reviewed the funding strategy stating the total value to PGE is based on kW of the generator plant which is typically \$290.00 per kW. He then reviewed what the project funding is typically used for.

Hanway inquired at this time does the Commission have any objection to moving forward with the project. The Commission unanimously responded with no objections.

Wayne Gresh with Carollo Engineers reviewed the programs next steps including generator size, bid documents, bid period, evaluation of generator bids, the award of generator selection, complete final design, bid construction work, awarding the construction contract, constructing the facility and the commission facility.

B. Presentation on North Transmission Line emergency repair event response. *Staff Report – Peter Martins*

Martins reviewed the North Transmission Line (NTL) leak indicating the location of water seepage on Evergreen Road. He stated there were many factors in the urgency of the repair, including losing the road, losing a secure airport perimeter, the Air Show and County Fair only days away, loss of water to Hillsboro's industrial core and to TVWD water customers. Due to these factors, it was very important the repair took place immediately. Crews were dispatched, one mile of the NTL was dewatered, the location of the leak was pinpointed and digging began to replace the blow-off assembly. Martins stated notices of possible water pressure loss went out to all area users. Water users served from the NTL were informed of details throughout the entire process. He stated Evergreen Reservoir was continuously filled from the NTL and pumped out at the same time to service water customers. Martins stated the incident began on Wednesday, August 24 and by Saturday, August 27 the leak and road were repaired and open for traffic. There was no loss of service to Hillsboro or TVWD customers and there were no injuries to crew members.

C. Update Report on Willamette Water Supply System Program. *Staff Report – Mike Britch (TVWD) and Kevin Hanway*

Mike Britch with TVWD updated the Commission on the Willamette Water Supply System Program stating the TVWD Board met on April 24 and selected the Willamette River as its preferred long term water supply option. In August an ordinance was adopted which authorizes

the CEO to award contracts and directs staff to move forward with the project. He stated with the knowledge of TVWD's long-term thinking, Washington County approached TVWD to inquire if there was interest in taking advantage of the expansion of SW 124th Avenue as part of the pipeline project. He stated with the agreement to move forward with SW 124th, a contract was signed with HDR to assist in the design of the project. Currently a Preliminary Design is underway. The design will incorporate the entire supply system from the treatment plant in Wilsonville all the way to the North Transmission Line. The design also involves a new terminal storage facility on the south side of Cooper Mountain. He stated part of what the design project needs to accomplish is to go through the hydraulics and sizing of the pipe. Design guidelines will also be developed to ensure all the projects being built will be done consistently.

Britch reviewed TVWD's vision for the Willamette Water Supply stating it adds to its portfolio of supply, bringing the District to four separate water sources. It also provides greater reliability and resiliency. He stated water is the fuel for economic development in Washington County so having a reliable water supply is very important. He stated to enable the project to move forward, a number of agreements will need to fall into place. There will be an intergovernmental agreement between the TVWD and Hillsboro, along with a joinder agreement which will be developed between Beaverton, Tigard and Tualatin to enable them to participate in the preliminary design. Before any money is spent to purchase any real assets Hillsboro and TVWD will be working through the details of long term governmental agreements. Also there are a number of agreements that will be required for the SW 124th project.

D. Stored Water Status. *Staff Report – Niki Iverson*

Iverson reviewed the Barney Reservoir Fill Graph stating the reservoir was deregulated on September 30. Currently the reservoir is approximately 70% full. She also reviewed the Fill Graph for Scoggins Reservoir stating already this year the reservoir is very close to reaching the bottom of the flood curve.

E. General Manager's Report. *Staff Report – Kevin Hanway*

Hanway stated the Tualatin River Basin Supply Project is in the process of closing out. The dam raise will not happen due to Hillsboro and TVWD going to another water source. However Clean Water Services will continue working toward a 10-12 ft. dam raise to supply their need for additional water. Hillsboro, Beaverton and Forest Grove will continue working toward seismic upgrades. Hanway stated he, along with others, will be visiting Washington D.C. in November to encourage a decision regarding seismic upgrade funding.

Hanway stated the other issue is federal changes in the management of O&C land. The House and Senate have been revisiting timber management policies primarily with the purpose of creating revenues for Counties that are reliant on fee payments from timber activities. Hanway submitted a letter to Senator Wyden on behalf of the JWC to remind them that in addition to creating revenue for those Counties, the O&C lands must be managed for multiple purposes including maintaining water quality.

6. ADVICE/INFORMATION ITEMS

- A. The next JWC and BRJOC meetings are scheduled on Friday, January 10, 2014, at the Civic Center in Room 113B. The BRJOC meeting will be held at 12:30 p.m. with the JWC meeting following.

There being no further business to come before the Commission, the meeting adjourned at 2:33 p.m.

Chairman _____
Hillsboro/Forest Grove/ Beaverton/
TVWD Joint Water Commission

ATTEST: _____
Secretary



STAFF REPORT

To: Joint Water Commission

From: Kevin Hanway, General Manager

Date: December 31, 2013

Re: Agenda Item 4A & 4B – JWC 2014 Elections and Designation of Managing Agency

The Joint Water Commission IGA provides that each January the partners appoint a Chair, Vice-Chairs and Alternates.

Traditionally the position of Chair has rotated on an annual basis among the partners; under that rotation system, it is TVWD's turn to serve as Chair.

Each of the other partners is required to designate a Vice Chair and all four partners are required to appoint an alternate.

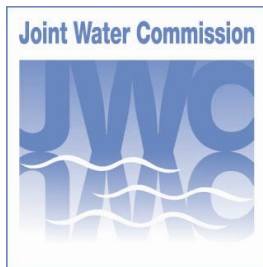
This table displays the appointments that need to be made by each partner for 2014 positions:

Agency	Chair	Vice-Chair	Alternate
Beaverton		✓	✓
Forest Grove		✓	✓
Hillsboro		✓	✓
TVWD	✓		✓

The Chair and Vice Chairs serve as the Executive Committee of JWC; the Executive Committee has certain limited authorities to meet and act between commission meetings.

Please be prepared to announce your agency's appointments at the Commission meeting as indicated in the above table.

Finally, the IGA requires that each year the Commission designate the Managing Agency, which manages the operations of the Joint Water Commission. The City of Hillsboro has served as the Commission's managing agency since its inception.



STAFF REPORT

To: Joint Water Commission

From: Mellisa Franklin, Management Analyst

Date: December 31, 2013

Re: Agenda Item 4C - Consider Approval of FY 2014 Supplemental Budget Amendment

Recommendation

Staff recommends approval of the proposed FY 2014 Supplemental Budget Amendment and Summary of Estimated Additional Revenues and Expenditures by Partner.

After the Commission approved the proposed budget for FY 2013/14 on April 12, 2013, a few events occurred that require the approval of a supplemental budget, as was discussed at the July meeting. [Approval of a supplemental budget is required when unanticipated revenues and corresponding expenditures occur after adoption of the budget.] These events include:

- the lease of water treatment plant (WTP) capacity by TVWD,
- the transfer from JWC to TVWD of the JWC ASR Phase II project and assets ,
- costs associated with the North Transmission Line Emergency Repair, and
- increased costs in insurance

The following provides additional detail for each of these items. On page 3 are tables showing the proposed Supplemental Budget Amendment and Summary of Estimated Additional Revenues and Expenditures by Partner.

1. Lease of WTP Capacity to TVWD approved at the 7/12/2013 JWC Meeting:
 - a. Revenue Received-\$287,244.00

Supplemental Budget Request

December 31, 2013

Page 2

b. Allocation of Revenue/Expenditure:

	Beaverton	Forest Grove	Hillsboro	Total
Offered (mgd)	4.75	4.0	4.0	12.75
% of Offered	37.25%	31.37%	31.37%	100.00%
Lease Value Allocation	\$107,012.47	\$ 90,115.76	\$ 90,115.76	\$287,244.00
Capacity Allocation (mgd)	2.2	1.9	1.9	6.0

2. ASR Agreement, approved on 7/12/2013 JWC Meeting:

a. Revenue Received from TVWD - \$769,446.66

b. Allocation of Revenue/Expenditure:

Category	Total Previously Invoiced
Hillsboro Reimbursement (Via JWC)	\$ 384,723.33
TVWD Reimbursement (Via JWC)	\$ 384,723.33

3. North Transmission Line (NTL) Emergency Repair Event, presented at the 10/11/2013 JWC Meeting:

a. Total Expenditure as of 12/2/2013-\$156,884.32

b. Allocation of Expenditures:

	Beaverton	TVWD	Hillsboro
% NTL Ownership	2.63%	48.685%	48.685%
\$ Allocation of Expenses	\$ 4,126.06	\$ 76,379.13	\$ 76,379.13

4. Insurance Increase over Budget

a. Difference between Budget and Actual
 Adopted Budget Insurance Exp - \$230,000
 Actual Expenditure - \$271,368
 Difference - \$41,368

b. Allocation of Expenditures:

	Beaverton	TVWD	Hillsboro	Forest Grove
Budget Amts	\$ 57,500	\$ 38,341	\$ 103,500	\$ 30,659
Actual Exp	\$ 67,842	\$ 45,237.05	\$ 122,115.60	\$ 36,173.35
Difference	\$ 10,342	\$ 6,896.05	\$ 18,615.60	\$ 5,514.35

Supplemental Budget Request

December 31, 2013

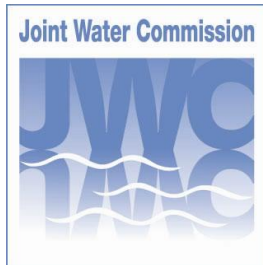
Page 3

Proposed Supplemental Budget Amendment and Summary of Estimated Additional Revenue and Expenditures by Partner:

	Budget	Adjustment	Revised	
Resources				
Beginning Working Capital	\$ -	\$ -	\$ -	
Water Sales	5,990,143	-	5,990,143	
Contributions in Aid	7,160,001	198,252	7,358,253	NTL Emergency Repair & Insurance
Lease Revenue	-	287,244	287,244	
Miscellaneous	-	769,447	769,447	ASR Payment
Equipment Reserve	<u>500,000</u>	<u>-</u>	<u>500,000</u>	
Total Resources	<u>\$ 13,650,144</u>	<u>\$ 1,254,943</u>	<u>\$ 14,905,087</u>	
Requirements				
Personnel Services	\$ 2,238,897	\$ -	\$ 2,238,897	
Materials & Services	3,026,090	156,884	3,182,974	NTL Emergency Repair
Capital Outlay	7,253,000	-	7,253,000	
Special Payments	632,157	1,098,059	1,730,216	ASR Payments, Lease Payment
Contingency	<u>500,000</u>	<u>-</u>	<u>500,000</u>	
Total Requirements	<u>\$ 13,650,144</u>	<u>\$ 1,254,943</u>	<u>\$ 14,905,087</u>	

Revenue Distribution	Beaverton	TVWD	Hillsboro	Forest Grove
Lease	\$ 107,012		\$ 90,116	\$ 90,116
ASR Asset Purchase		\$ 384,723	384,723	
Expense Distribution				
NTL Emergency	4,126	76,379	76,379	
Insurance	10,342	6,896	18,616	5,514

Please do not hesitate to contact staff with any questions you may have, so we may have time to answer them before the meeting.



STAFF REPORT

To: Joint Water Commission

From: Niki Iverson, Water Resources Manager

Date: December 30, 2013

Re: Agenda Item 4D – Adoption of Revision to IGA Exhibit D: Transmission System and Exhibit N: Notices

Recommendation

Staff recommends that the Commission adopt Resolution 123-J revising and replacing the current Exhibit D and Exhibit N.

As required by Sections 1.1.23 (Northside Water Transmission Facilities), 1.1.25 (Northside Water Transmission Facilities Phase II), and 1.1.38 (Transmission Facilities), the Joint Water Commission Water Service Agreement includes an Exhibit D listing the transmission system facilities held by JWC including the ownership percentage by transmission facility. In a recent review of Exhibit D, staff discovered that Beaverton's ownership had inadvertently been left out of the listing of the Northside Transmission Facilities. Beaverton's ownership and purchase was captured in Exhibit K (Transmission Capacity), but not in Exhibit D. Attached to this staff report is an updated Exhibit D, listing the ownership by transmission facility.

Exhibit N (Notices) also requires updating. The General Manager of Tualatin Valley Water District is now titled the Chief Executive Officer.

The JWC Water Service Agreement provides that Exhibits to the agreement may be modified by the Commission through adoption of a resolution. Proposed Resolution No. 123-J is attached.

RESOLUTION 123-J

**A RESOLUTION ADOPTING AMENDED EXHIBITS
TO THE WATER SERVICE AGREEMENT**

WHEREAS, attached to the Water Service Agreement are several Exhibits, setting forth information about Joint Water Commission assets and procedures, including Exhibit D which does not accurately reflect all of the partners' ownership holdings in the Northside Transmission Facilities; and

WHEREAS, attached to the Water Service Agreement are several Exhibits, setting forth information about Joint Water Commission assets and procedures, including Exhibit N which does not accurately reflect all of the partners' current notification information; and

WHEREAS, the Water Service Agreement provides that these Exhibits may be updated and revised by resolution of the Joint Water Commission; and being fully advised,

NOW, THEREFORE, IT IS RESOLVED BY THE COMMISSION:

1. The Joint Water Commission finds that the attached revised Exhibit D accurately reflects the transmission system facilities holdings of the partners and of the Joint Water Commission.
2. The Joint Water Commission finds that the attached revised Exhibit N accurately reflects the notification information of the partners and of the Joint Water Commission.
3. The Joint Water Commission hereby adopts the revised Exhibit D and Exhibit N, and incorporates it into the Water Service Agreement, replacing the previous Exhibit D and N.

THIS RESOLUTION WAS DULY ADOPTED BY the Joint Water Commission at its regular meeting on January 10, 2013.

JOINT WATER COMMISSION

By: _____
Rod Fuiten, Chair

ATTEST:

By: _____
Secretary

Exhibit D Transmission System

Transmission Facilities

Description:

The transmission lines between the Water Treatment Plant Facilities and Hillsboro, Beaverton and TVWD consisting of approximately 32,456 feet of 45-inch line and 25,520 feet of 42-inch line.

Transmission Facilities Ownership	
Owner	Percent
Hillsboro	44.11%
Beaverton	43.47%
TVWD	12.42%
Total	100.0%

The capacity and percentage ownership is determined by assuming the flows at the following points of diversion and a hydraulic grade line of 430 feet at the upstream side of the Beaverton Meter:

Capacity Assessment Transmission Facilities					
Member Agency	Demand (mgd) at Specified Diversions				
	1st Ave	21st Ave	234th	219th	Total
Hillsboro	6	5	5	4	20
Beaverton	-	-	-	14	14
TVWD	-	-	-	4	4

The Cost of the Transmission facilities is as follows:

Transmission Facilities Facility Cost			
Location	Year	Cost	
45" Fern Hill to Hwy. 219	1976	\$	4,650,350
42" Hwy 219 to SE 21 st	1981		1,383,465
42" SE 21 st Ave. to 239 th	1981		1,755,113
42" 239 th to 219 th	1981		779,274
Total		\$	8,568,205

(1) – 1993 Appraisal

Northside Water Transmission Facilities Phase I

Description:

The transmission facilities which consist of approximately 7,728 feet of 42 inch line (intertie) which connect to the Transmission Facilities at approximately where the 45 inch line and 42 inch line connect, 11,652 feet of 72 inch line and 19,570 feet of 66 inch line which runs to and around the north of Hillsboro and connects to the 48 inch line constructed by TVWD to the Springville reservoir (Phase I).

Northside Water Transmission Facilities Ownership		
Owner		Percent
Hillsboro		48.685%
TVWD		48.685%
Beaverton		2.63%
Total		100%

Facilities Cost		
Description	Year	Value
Intertie	1999	\$ 7,197,939
Phase I	1999	10,038,780
Total		\$ 17,236,719

Northside Water Transmission Facility Phase II

Description:

The transmission line which consists of approximately 35,000 feet of 72 inch line, which connects the Water Treatment Plan Facilities with the Northside Water Transmission Facilities at approximately the point of connection of the 42 inch line, and 72 inch line of the Northside Water Transmission Facilities.

Northside Water Transmission Facilities Phase II Ownership		
Owner		Percent
Hillsboro		48.685%
TVWD		48.685%
Beaverton		2.63%
Total		100%

Facilities Cost		
Description	Year	Value
Phase IIA	2001	\$ 13,870,966
Phase IIB (1)	2004 (1)	21,332,509
Total		\$ 35,203,475

(1) Estimated – Still under construction

Forest Grove Transmission Line

Description:

The 24-inch transmission line (owned fifty percent by Hillsboro and fifty percent by Forest Grove) running between the Water Treatment Plant Facilities and the meters of the City of Forest Grove and the City of Hillsboro.

Forest Grove Transmission Line Ownership	
Owner	Percent
Hillsboro	50%
Forest Grove	50%
Total	100%

Facilities Cost		
Description	Year	Value
Total		\$ 644,268

Exhibit N
Notices

If to the City of Hillsboro

City Manager
City of Hillsboro
150 E. Main St.
Hillsboro, OR 97123

If to the City of Forest Grove:

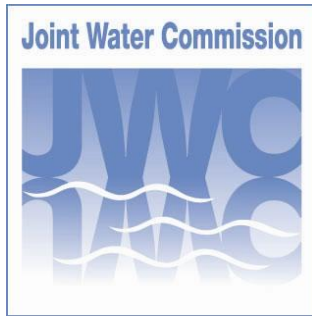
City Manager
City of Forest Grove
P.O. Box 326
Forest Grove, OR 97116

If to Tualatin Valley Water District

Chief Executive Officer
Tualatin Valley Water District
1850 SW 170th Avenue
Beaverton, OR 97006

If to the City of Beaverton

Mayor
City of Beaverton
4755 SW Griffith Drive
P.O. Box 4755
Beaverton, OR 97076



STAFF REPORT

To: Joint Water Commission

From: Bernie Monahan, PE

Date: December 31, 2013

Re: Agenda Item 4E – Consider Approval of WTP Immediate Electrical Items Replacement Project – Phase 2, Change Order #2

Recommendation

Staff recommends that the Commission approve Change Order #2 to the contract with Tice Electric Company for the WTP Immediate Electrical Items, Phase 2, including extension of the completion date to March 31, 2014, and authorize the General Manager to sign the change order.

At its meeting on April 12, 2013, the Commission approved the award of a contract to Tice Electric Company for the replacement of electrical equipment that had been identified as urgent priorities. The approved contract amount for this Immediate Electrical Items Phase 2 work was \$935,929.

The Phase 2 improvements include replacement of Transformers T1 and T2, replacement of switchgear located in the High Service Pump Building; replacement of the MV circuit interrupter feeding transformers T1 through T4; replacement of original cable, feeder circuits, and motor feeders; and several items added to improve performance or to facilitate the project.

R&W Engineering (JWC's electrical design consultant) produced the project plans based on the best available knowledge of the existing buried infrastructure. However, as this project has progressed, the contractor (Tice Electric Co) has encountered existing site conditions which were previously unknown and which conflict with the intended design. These conflicts require alternate designs and additional construction. R&W has worked with the Contractor to prepare alternate designs and to implement the required changes with the least impact to cost and schedule. However, the modifications have resulted in requests for change orders and additional costs. This agenda item requests approval for the second change order request.

Change Order 1

Work under Change Order #1 was approved administratively. The JWC Intergovernmental Agreement authorizes the General Manager to “approve change orders not exceeding ten percent (10%) in aggregate of the original contract amount.” The first change order was within that limit, at 8.6% of the contract amount. Authorizing that change order maintained the project schedule with minimal delays. It included the following items:

- Camera inspection of existing spare conduit to transformer T4 to verify acceptable condition prior to cable pull, and repair of blocked spare conduit.
- Revised design of Secondary Raceways and Conductor installation due to discovery of conflicts with existing buried conduits.
- Furnish and install additional grounding conductors to match those discovered during construction in existing conduits.
- Remove and replace existing corroded MV cable support rack system, on an as-needed basis with corrosion-resistant fiberglass and stainless steel for durability in the frequently flooded electrical manholes.

Total Change Order 1 Amount (8.6%) **\$ 80,814.02**

Proposed Change Order 2

Subsequent to approval of Change Order 1, the contractor identified and recommended two additional revisions. The amount of the proposed change order would increase the aggregate change order amount to \$125,661.97, which exceeds the 10% administrative authority granted to the General Manager. The two proposed revisions are:

- Revise wiring design for Pumps 3, 4 and 5 to downsize the wire size requirement, which is offset by a requirement to replace the applicable connecting lugs. In addition, there is a credit for the deletion of the starter-to-motor conductors to Pump 1. **\$ 1,715.13**
- Rewiring of Pumps 2 and 6 to replace existing aluminum conductors, to match the remaining pumps (3, 4 and 5) that are being re-wired as part of the original project. **43,132.82**

Total Proposed Change Order 2 Amount (4.8%) **\$ 44,847.95**

Staff supports R&W's recommendation to approve the change order. Rewiring pumps 2 and 6 will enhance the overall reliability of Pump Station 1 by eliminating the aluminum conductors from all of the pumps; the aluminum conductors now in place have been problematic. With the addition of the second change order, the aggregate contract amount of \$1,061,590.97 remains below the current budget amount for this project (\$1,150,000).

Work on this change order will not begin until after Commission approval of the Change Order. Staff also recommends that the project completion date be extended to March 13, 2014, at no extra cost to the JWC.



JWC Immediate Electrical Items – Phase 2 Construction
CHANGE ORDER NO. 2
January 10, 2014

MUNIS Project No. 80054200-7040-10684

Contractor: Tice Electric Company

Original Contract amount:	\$	935,929.00 (100%)
Change Order No. 1:	\$	80,814.02 (8.6%)
Change Order No. 2:	\$	<u>44,847.95 (4.8%)</u>

REVISED CONTRACT AMOUNT: \$ 1,061,590.97 (113.4%)

The project work scope for this contract is hereby revised by the Joint Water Commission (JWC) as follows:

EXPLANATION:

Revised wire sizes will require the addition of lug kits for terminations at Pumps #3, 4, and 5. (see RFI #6 and attached Tice proposal).

\$ **1,715.13**

JWC staff and Engineer recommend replacement of existing aluminum conductors serving the two 800 hp pumps (Pumps #2 and #6) to eliminate operating problems caused by the old conductors. Doing the work at this time will realize cost savings because the Contractor has already mobilized on site to pull new conductors to the other pumps in PS 1.

\$ **43,132.82**

Total Change Order No. 2 Amount \$ 44,847.95

PROJECT COMPLETION:

The final contract date is not changed. The project completion date is March 13, 2014. All other requirements of the existing contract remain intact and in full effect.

General Manager
Kevin Hanway
150 E. Main Street
Hillsboro, OR 97123
503-615-6585

Board of Commissioners

City of Hillsboro
John Godsey
John Rosenberger
David Judah

City of Forest Grove
Rod Fuiten
Carl Heisler
Victoria Lowe

City of Beaverton
Denny Doyle
Marc San Soucie
Mark Fagin

Tualatin Valley Water District
Dick Schmidt
Marilyn McWilliams
Mark Knudson



Authorized Signatures

Tice Electric Company

Date

Bernie Monahan, Project Manager

Date

Kevin Hanway, JWC General Manager

Date

DRAFT



STAFF REPORT

To: Joint Water Commission

From: Jon Grover, Accounting Manager

Date: January 10, 2014

Re: Agenda Item 5A – Presentation and Review of Audit Report for the Year Ended June 30, 2013

Presented for your review are the financial statements for the Joint Water Commission for the year ended June 30, 2013, and required communications (prescribed by auditing standards) from the auditors. The audit was performed by Talbot, Korvola and Warwick, LLP, who has been our auditors since 1994. The financial statements received an unqualified or “clean” opinion with no reportable findings. There are no surprises in the communication piece from the auditors.

An area of interest in the financial statements is the existence of cash and investments totaling approximately \$232,000 as of June 30, 2013. Due to significant activity occurring near year end, current liabilities were approximately \$166,000 higher than the previous year. Because Hillsboro is the managing partner, we were able to apply Hillsboro’s cash payment for the June billing as of June 30, 2013, resulting in positive cash. However, comparing total current assets to total current liabilities, you will see we remain in a negative working capital of approximately \$147,000. Joint venturers’ capital decreased primarily due to depreciation on capital assets. As partners, we have elected collectively to not fund depreciation. Therefore without adequate capital contributions to offset depreciation, joint venture capital will decrease annually. To see the change in joint venturers’ capital by partner, refer to page 15 of the financial statements.

The financial statements are additionally available for interested parties online at:

<http://www.hillsboro-oregon.gov/index.aspx?page=1100>

Please feel free to contact me at 503-681-5361 or jon.grover@hillsboro-oregon.gov should you have any questions or would like more hard copies of the financial statements.

Exhibits:

- Ending Letter – Talbot, Korvola & Warwick, LLP
- Financial Statement



Talbot, Korvola
& Warwick, LLP

Certified Public Accountants
& Consultants

4800 Meadows Road, Suite 200
Lake Oswego, Oregon 97035-4293

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www.tkw.com

November 21, 2013

Board of Commissioners
Hillsboro-Forest Grove-Beaverton-
Tualatin Valley Water District
Joint Water Commission
Hillsboro, Oregon

This letter is to inform the Board of Commissioners of the Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission, Hillsboro, Oregon, (the Commission) about significant matters related to the conduct of the annual audit so that it can appropriately discharge its oversight responsibility, and we can comply with our professional responsibilities.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

The Respective Responsibilities of the Auditor and Management

Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated April 26, 2013. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated April 26, 2013, regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit response to significant risks of material misstatement.

Significant Accounting Practices, Including Policies, Estimates and Disclosures

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Commission. Following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

The Commission implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*. This Statement codifies all sources of

Significant Accounting Practices, Including Policies, Estimates and Disclosures (Continued)

accounting principles generally accepted in the United States of America for state and local governments so that they derive from a single source. For enterprise funds and business-type activities this Statement eliminates the reference in the footnotes related to application of post-November 30, 1989, FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements.

The Commission also implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement replaces the Statement of Net Assets with a Statement of Net Position, and provides guidance on the presentation of deferred outflows of resources and deferred inflows of resources, and their effects on a government's net position.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimate reflected in the Commission's June 30, 2013 basic financial statements.

- Depreciation of capital assets, as described in Note 1 of the Notes to Basic Financial Statements, is computed using the straight-line method based on the estimated useful lives of the individual assets.

Consultation with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Recently Issued Accounting Standards

- **GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities***
This Statement will be effective for the Commission beginning with its fiscal year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Recently Issued Accounting Standards (Continued)

- **GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62***
This Statement will be effective for the Commission beginning with its fiscal year ending June 30, 2014. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
- **GASB Statement No. 69, *Government Combinations and Disposals of Government Operations***
This Statement will be effective for the Commission beginning with its fiscal year ending June 30, 2015. Earlier application is encouraged. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.
- **GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees***
This Statement will be effective for the Commission beginning with its fiscal year ending June 30, 2014. Earlier application is encouraged. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees.

Management Representations

A copy of the management representation letter is included as Attachment A.

Closing

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Commission.

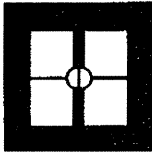
This report is intended solely for the information and use of management and the Board of Commissioners and is not intended to be, and should not be, used by anyone other than these specified parties.


Certified Public Accountants

ATTACHMENT A
WRITTEN COMMUNICATIONS
BETWEEN MANAGEMENT AND OUR FIRM

- Representation Letter

CITY OF HILLSBORO



November 21, 2013

Talbot, Korvola & Warwick, LLP
4800 Meadows Rd, Ste. 200
Lake Oswego, OR 97035

This representation letter is provided in connection with your audit of the basic financial statements of Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District Joint Water Commission, Hillsboro, Oregon, (the Commission), as of and for the year ended June 30, 2013, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of November 21, 2013, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated April 26, 2013, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party transactions, including those with other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's statements to be misleading or incomplete, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
7. The following have been properly recorded and/or disclosed in the financial statements:
 - a. The fair value of investments.

Financial Statements (Continued)

- b. Contractual obligations for construction and purchase of real property or equipment not included in the liabilities recorded on the books.
 - c. All significant estimates and material concentrations known to management which are required to be disclosed. The fair value of investments.
 - d. Deposits and investment securities categories of risk.
8. We have no plans or intentions that may materially affect the carrying value or classification of assets.
- a. The Commission has no significant amounts of idle property or equipment.
 - b. The Commission has no plans or intentions to discontinue the operations of any activities or programs or to discontinue any significant operations.
9. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made to reduce receivables to their estimated net collectable amounts.
10. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic Contingencies and/or GASB Statement No. 10.
 - d. Guarantees, whether written or oral, under which the Commission is contingently liable.
 - e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - f. Lines of credit or similar arrangements.
 - g. Agreements to repurchase assets previously sold.
 - h. Security agreements in effect under the Uniform Commercial Code.
 - i. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - j. Liabilities which are subordinated in any way to any other actual or possible liabilities.
 - k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - l. Leases or material amounts of rental obligations under long-term leases.
 - m. Authorized but unissued bonds and/or notes.

Financial Statements (Continued)

- n. Risk financing activities.
 - o. Derivative financial instruments.
 - p. Special or extraordinary items.
 - q. Arbitrage rebate liabilities.
 - r. Impairments of capital assets.
 - s. Assets that have permanently declined in value.
 - t. Uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2013, and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2013.
 - u. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - v. Material losses to be sustained as a result of purchase commitments.
 - w. Environmental clean-up obligations.
 - x. Known actual or possible litigation or claims that need to be accounted for and disclosed in accordance with U.S. GAAP.
11. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic *Contingencies* and/or GASB Statement No.10.
12. We have no direct or indirect, legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
13. We have satisfactory title to all owned assets.
14. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
15. Capital assets are properly capitalized, reported, and depreciated.
16. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

17. We have provided you with:
- a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the Commission from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
18. All transactions have been recorded in the accounting records and are reflected in the financial statements.

Information Provided (Continued)

19. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
20. We have no knowledge of any allegations of fraud or suspected fraud affecting the Commission's financial statements involving:
 - a. Management.
 - b. Employees who have significant roles in the internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
21. We have no knowledge of any allegations of fraud or suspected fraud affecting the Commission's financial statements received in communication from employees, former employees, analysts, regulators, or others.
22. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing the financial statements.
23. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
24. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
25. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Commission's ability to record, process, summarize, and report financial data.
26. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
27. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
28. With respect to Management's Discussion and Analysis presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.

Talbot, Korvola & Warwick, LLP

November 21, 2013

Page 5

29. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Hillsboro-Forest Grove-Beaverton-Tualatin Valley Water District
Joint Water Commission



Suzanne Linneen, Finance Director



Michelle Wareing, Assistant Finance Director