

**CLACKAMAS RIVER WATER  
WORK SESSION  
SUMMARY OF MEETING  
February 28, 2019  
4:00pm**

**COMMISSIONERS PRESENT:**

Naomi Angier, Sherry French, Rusty Garrison, Hugh Kalani, Dave McNeel

**STAFF PRESENT:**

General Manager, Todd Heidgerken; Executive Assistant, Karin Holzgang; Chief Engineer, Adam Bjornstedt; Chief Financial Officer, Carol Bryck; Engineering Manager, Joe Eskew; Emergency Manager, Donn Bunyard; IT Manager, Kham Keobunnam; Human Resources Generalist, Adora Campbell; Water Resources Manager, Rob Cummings

**VISITORS PRESENT:** Kenneth Sernach

**Call to Order**

The meeting was called to order at 4:00pm

**1. Progress Report on 2018 Board Goals for the General Manager-**

Mr. Heidgerken had provided the Board with an update on the approved 2018 goals in the Work Session packet. The areas that were highlighted were

- update on the Water System Master Plan and that the plan will be on the April Board agenda for approval
- NCCWC agreement and how this will play out for the new water sales agreement. Either a direct agreement with CRW and NCCWC or one that goes through the CRWSC.
- Strategic planning that was originally discussed for 2018 was moved off into 2019 since there were several Board vacancies this past year
- Moving forward with the Water Treatment Plan Master Plan and getting a consultant on Board.
- Finished phase 1 of the VHF radio system and are continuing to work on phases 2 & 3 and will have those completed by end of FY 2019
- Continuing into the next FY will be the work with Oregon City on next steps as a result of the joint engineering study
- There will be a 2018 State of the District report provided to the Board at the March work session.
- An agreement for water sales with South Fork Water Board will continue into the next FY

**2. Backbone Quarterly Update-**

Project Status Overview

- Butterfield Transmission –complete
- Carver-Springwater- complete
- 152<sup>nd</sup> Ave Reservoir- 65% complete Dec. 2019

- Redland Reservoir – 75% complete June 2019
- HWY 224 Intertie- Pre-construction June 2019
- Hattan Rd. Pump Station – 30% complete August 2019
- Hattan Rd. Transmission- 40% complete August 2019

152<sup>nd</sup> Ave. Reservoir

-Major work completed since November

- Floor construction
- Wall construction
- Column construction

-Continuing with community outreach and response

-Original bonded amount \$10,015,000

-Spent through January 2019 \$8,064,000

-Projected total spend (includes deduct from the SWA contribution) \$9,400,000

-Construction cost approx. \$3.2 million higher than original estimate

-Engineering cost approx.

\$1.015 million higher than original estimate

Redland Reservoir

-Major work completed since November

- Tank painting
- Telemetry control building constructed
- Retaining walls
- Storm and reservoir drainage system
- Other site work

-Original bonded amount \$2,160,000

-Spent through January 2019 \$2,925,000

-Projected total spend \$4,125,000

-Construction costs approx. \$1.05 million higher than originally estimated

-Engineering costs approx. \$633,000 higher than originally estimated

Hattan Rd. Pump Station

-Major work completed since November

- Site grading and preparation
- Pump station and surge building construction and framing
- Site piping and pump can enclosures
- Storm system work
- Electrical vault and site conduit construction

-Original bonded amount \$2,190,000

-Spent through January 2019 \$1,423,000

-Projected total spend \$4,400,000

- Construction costs \$1.22 million higher than originally estimated

-Engineering costs approx. \$650,000 higher than originally estimated

Hattan Transmission Main

Major work completed since November

- Hattan Rd section of 20" mainline installed
- Hydrants, service work and lateral connections
- Preliminary testing activities
- Layout and planning of hillside portion (Hattan to Redland Res.)

-Original bonded amount \$3,465,000

- Spent through January 2019 \$1,541,000
- Projected total spend \$3,820,000
- Cost increases for upsizing transmission mains due to updated hydraulic requirement from 2018 master planning

Highway 224 Intertie Transmission Main

- Contract awarded in January to Trenchline Excavation for \$1.8 million
- Pre construction activities underway; construction to start early March 2019
- Easements and permits completed
- Original bonded amount \$1,746,000
- Spent through January 2019 \$131,000
- Projected total spend \$2,410,000
- Cost increases for upsizing transmission mains due to updated hydraulic requirements from 2018 Master planning

Carver Springwater Transmission Main- budget- PROJECT COMPLETE

- Original bonded amount \$790,000
- Spent through January 2019 \$1,918,000
- Projected total spend \$1,918,000
- Construction costs approx. \$747,000 higher than original estimate
- Engineering costs approx. \$220,000 higher than original estimate

Butterfield Transmission Main- PROJECT COMPLETE

- Original bonded amount \$2,930,000
- Spent through January 2019- Final Spend \$2,567,000
- Favorable bidding close to bond funding date allowed for project to remain within original estimate, even with additional costs for added water main and roadway restoration.

Backbone Budgetary Review

- Budgeted/funded amount \$23,296,000
- Actual expenditures to date \$18,810,000
- Project total expenditures \$29,232,000

Budgeted project diff. (\$5,936,000)

Why Have Cost for Phase 1 increased?

- ✓ 2015 budgetary estimates and contingencies were low
- ✓ Inflationary considerations
- ✓ Project scope considerations

Estimating Comparison

- Comparing 2015 estimates with industry standard
  - Construction, Project Admin & Planning contingencies 28% (ok for regular CIP not for Specialty projects)
  - AACE Class 4 "Study Feasibility contingencies 75%

Inflationary factors

- Bond budget used 2015 dollars
- Didn't update the budgeted dollars annually
  - o Necessary for longer term, multi-year projects

- Projects bid farther from original estimates were under current engineering estimates but not original budget
- Using inflationary values from 2016-2019 results in overall 10% increase

**Project Scope Considerations**

-Specific project scope changes

- 152<sup>nd</sup> Reservoir- offsite piping, control building, property, etc.
- Redland Reservoir #3- reservoir location, Res #1 removal, Res. #2 upgrades, etc.
- Hattan Pump Station – design requirements, architectural enhancements
- Carver-Springwater transmission main- Carver portion, etc.
- Outside engineering costs significantly exceeded original estimates for all projects
- General Admin costs
- Adding in the cost of Phase 2 property purchases
- Original 2015 bond budgets were low
- Inflation was not factored in
- Project scope changed as designs were finalized
- Value of work- all work will meet goal of getting CRW water to south side, including related enhancements to existing system

**Plan to take care of the unfunded bonded amount**

1. BN 2017-2019 Supplemental budget for \$2.4 million

Resources available

- Interest earning from bond proceed \$0.9 million
- Transfer from Capital reserve fund \$1.5 million
- Available resources** \$2.4 million

2. BN 2019-2021 Proposed Budget

Budget requirements for phase 1	\$3.5 million
SDC reserves	\$2.0 million
Capital reserves	<u>\$1.5 million</u>
<b>Available resources</b>	\$3.5 million

**BN 2019-2021**

Ending Fund Balances

	Est. FY 2019	BN 19-21 adds*	BN 19-21 Uses**	End Bal 6/30/21
Capital Res. Fund	\$4,243,394	\$5,500,000	\$4,500,000	\$5,243,394
SDC Reserve Fund	\$2,319,830	\$1,000,000	\$2,000,000	\$1,319,830

\*Capital reserve adds \$2 million per year from General fund and third payment of \$1.5 million from SWA

\*\* Capital reserve fund proposed use of \$1.5 million for completion of phase 1 and \$1.5 million for CIP per year

*How Staff will improve moving forward*

- More conservative high-level budget estimates including inflation for “specialty” multi-year projects
- Real time cost tracking month to month

- Focus on life-of-project and fiscal year costs
- More financial/status information in Board monthly updates
- Reviewing final design engineer estimates compared to available budget

*What was missed?*

- More conservative estimates
- Real time life of project cost tracking and reporting
- Too much focus on 85% spend goal, fiscal yr. balances vs. overall

**3. Review of Oregon Health Authority Comments on the Water System Master Plan**

The final comments (there were very minor edits/comments) will be going to the consultant Carollo for inclusion in the final plan and then the Board will be approving the plan at the March Board meeting.

Commissioner Garrison asked about what measures/policies/procedures will be put in place to avoid having this type of underfunding occur again in the future.

**4. Commissioner Communications-** Performance review for the GM will be starting at the Exec. Session following the March Work Session. Mr. Steringer will be facilitating the performance review. The evaluation forms will be sent out to the Board members ahead of the meeting. The Board will then again meet in an Exec. Session in April to finalize the review.

**5. General Manager update**

CRWS meeting will be held on March 11, 2019 at SWA at 4pm

Setting up the next interagency meeting with Clackamas Fire- Commissioner McNeel will need the meeting to be at 9am or 4pm

Open meeting is adjourned.

**Adjourned Work Session at 5:48pm**