

**MINUTES****MILWAUKIE CITY COUNCIL WORK SESSION****August 21, 2007**

**Mayor Bernard** called the work session to order at 5:30 p.m. in the City Hall Conference Room.

Council Present: Councilors Barnes, Collette, and Loomis

Staff Present: Community Development/Public Works Director Kenny Asher,  
Operations Director Paul Shirey

**Advisory Board Interviews**

Mayor and Council interviewed Parker Fitzpatrick for a vacant position on the Design and Landmarks Committee and David Hedges for a vacant at-large position on the Public Safety Advisory Committee.

**Scout Troop Interview**

Dennis Rangel and Troop 143 introduced themselves. Mr. Rangel explained that the troop was working on the communication merit badge. They were learning about communication and some different methods for communication. They created a make believe business to see how businesses are run, and they had a product and they used different methods of communication to tell people about their product. They wrote a letter to an editor regarding something they felt passionate about. The last step to earning their communication merit badge was coming to a City Council meeting and see how communication takes place between the citizenry and the elected officials. Troop 143 meets at the Elks Lodge and they have been there for over 50 years. He asked the troop to come up with some questions to ask the Council.

**Zach Jensen** asked when construction of Riverfront Park would start.

**Mayor Bernard** responded that the City needs money to construct the park. He said hopefully in two years they would begin construction. It will need to go before the Planning Commission and then City Council for approval before the project can start, and they have to raise the required funds to complete the project.

**Councilor Loomis** added that it is moving forward and that there is a plan that is being designed and he said that Council would be approving the contract extension with the corporation that will do the permitting process for the park. There are a lot of issues dealing with the water and the environment that have to be dealt with.

**Michael Thompson** asked do you think Milwaukie needs to industrialize or stay a small city and why?

**Councilor Barnes** said that right now there is a really good mixture of businesses that employ a lot of folks and bring in a strong economic base for

our community, which is very important. She explained without resources the City couldn't have police, library and all of the other necessary services our citizens need. There is a very good mix of wonderful residents and strong people committed to their community. There nice mixture of business and citizens make it a very livable community.

**Councilor Loomis** explained that the cost of serving industrial and commercial is much less than serving residential, so we need a balance of both.

**Mayor Bernard** said that the City is built out so it would be difficult to expand the industrial base. The industrial makes up 15% of the City's tax base.

**Aaron Leip** asked where the Farmer's Market be relocated?

**Mayor Bernard** responded likely near the post office on Main Street. He explained the format of the Market and role of the market master.

**Brett Amsen** said he was wondering if the many improvements that have been made would have to be eliminated when light rail to Milwaukie and would Council still support light rail if those improvements were eliminated.

**Mayor Bernard** said the City Council decided at the previous council meeting not to bring light rail on to McLoughlin Boulevard or Main Street and/or 21<sup>st</sup> Avenue. It will stay along the existing railroad tracks. It would not have an impact on the improvements that have been made.

**Michael Thompson** asked a three part questions. How much pollution does Milwaukie produce per day? What is being done to reduce it? What is the main cause?

**Councilor Loomis** said that one of the things the City does is they have a "Down to Earth Day" each year in City where they partner with the garbage collectors and at a nominal fee citizens can bring their garbage and they recycle everything brought there.

**Mayor Bernard** said they are looking at new lighting fixtures and other changes that could be made over time. The New Town Center Project will have green elements. Logus Road will be a green street with bio swales. The City is working on being a certified DEQ facility. He is unsure how much pollution that is generated, but they are trying to reduce the carbon footprint.

**Councilor Collette** said they are looking at trying to become a more sustainable City, and they hope in the next couple of months that the Mayor will be able to sign the Mayor's Agreement on Climate Protection. She explained that mayors' all around the United States are signing agreements in order to upgrade air and water quality and energy use of our cities. The #2 polluter in the US is auto traffic and the City is looking to reduce dependency on cars with light rail.

**Mayor Bernard** said the City has bio-diesel shop vehicles and the City purchased its first hybrid vehicle. The City is looking at other possibilities to reduce pollution.

**Michael Thompson** asked what is the hardest part in keeping Milwaukie a safe and well-organized City.

Council agreed it was getting and keeping good staff.

**Councilor Collette** said to keep the City livable we need to keep people involved so they can express their opinion. The most difficult thing is to move forward when people have differing opinions. They have to listen to all opinions and make decisions – getting to consensus and share the vision to how we move forward and paying for it.

**Councilor Loomis** asked if this was the troop that cared for Milwaukie Pioneer Cemetery.

**Mr. Rangel** responded that yes they do take care of the cemetery and have for as long as they have been there. They mow, weed and do the daily flag ceremonies. They have been interviewed by the Oregonian a couple of times. He thanked the Council for the opportunity to attend the meeting and complete the merit badge.

#### **Clackamas River Water (CRW) Contract Update**

**Mr. Shirey** briefed council on the status of efforts to engage CRW to discuss a change in the agreement. The contract was signed 9 years ago to purchase 500,000 gallons of water per day. The cost of that has increased to \$50,000 annually. At the time they were motivated by a desire to have a margin of safety if supply could not meet demand. As a result of the recent challenge with Well 8 and the need to ultimately re-drill that well they started about a year ago to look more closely to see if there was continuing need for that much water, and because of our decrease in demand that can be partly attributed to the fact that the rates were modified from fixed to variable rates and the assumption of water saving devices and conservation our demand has been going down for the past 4 years. In combination with an analysis of what Well 8 could produce and in light of a reduced demand they concluded they did not need to buy additional water every day from anyone else. Once well 8 is back on line, in the spring, we can meet peak day demand plus 25%. So in the ratepayers' best interest they went back to CRW to enter into negotiations under the terms of the agreement to restate our water use and eliminate the requirement for a fixed quantity of water. They would amend it to include an Emergency intertie with CRW and a new rate was the goal. They started about 1 year ago to enter into negotiations for reasons not clear to him he was stiff-armed for some time, and could not get CRW to sit down at the table and abide by the terms of the agreement that states "we have a right to restate the water and the right to ask to enter into negotiations to change the agreement". As a result in a change in the composition of the board and the election of a new board chair things started to turn around in July when they received a call from the new board chair apologizing for the delay recognizing that they do have an obligation under the terms of the agreement. It went to their board August 16, 2007 and they directed their staff to set up a time with a team from Milwaukie to commence negotiations. The board understands what was wanted which was seeking an elimination of the fixed purchase agreement while maintaining the emergency intertie to purchase water if needed. It is conceivable that they would be unable to reach an agreement and have to follow with arbitration or go to a legal proceeding. He is hopeful given the tone of

the conversations with the board chair that it will not need to turn to litigation. He hopes to come back to council with request to ratify a new contract.

**Councilor Barnes** asked if there was a date set yet.

**Mr. Shirey** responded not yet. The board directed the acting general manger to contact Mr. Shirey upon his return form vacation to set up a date to talk. It will probably be sometime in September.

**Councilor Barnes** said she was concerned that there has been a lot of, "we will call you". She said if Mr. Shirey does not hear from the general manager by next week the council needs to know - was this another stall. Every day it is literally money going down the drain. The attitude from CRW angered her as they were putting off all residents. She said if Mr. Shirey got a stall tactic next week they will need to think of something else to do.

**Mr. Shirey** said he would come back on September 4 with a report.

**Mr. Monahan** said in working through the CRW attorney they tried not to put the director in a position to force an attack from a different front and go over his head. It sounds as if there was an internal issue and the current board understood the matter. Their former attorney indicated they are making an effort so he felt confident that they would meet with them relatively soon. As Mr. Shirey stated and he cautioned there is no guarantee they would meet our demands. It is important to advocate the City's position because the next window of opportunity for discussion was in five years. They will put their best efforts forward.

**Councilor Collette** asked for clarification on the intertie. Was there a cost involved in creating a new one or was it existing and just how to we utilize it.

**Mr. Shirey** responded that it was existing and there was no cost. He understood from CRW that they saw this as a guaranteed source of revenue, but Milwaukie did not need the water. Conversations with the board chair have been very positive and she thought that some people she had talked with did not understand the agreement, and that may have something to do with the foot dragging. He will send Council an e-mail and provide a brief report on September 4.

**Councilor Loomis** asked if every 5 years they would talk about the contract.

**Mr. Monahan** replied that the contract states that once there is an initial request for discussion it requires that the terms of the contract be discussed, and then after that there isn't another mandatory window for another 5 years. The reason for that term is that is what was negotiated, and the situation the City was in when it was negotiated in 1998 is different than today. Perhaps the terms aren't as favorable to the City as we would like them to be because of that. You have to put the agreement in the context of the times. We can request it go to the next level. They will need to determine once all the information is on the table if it made sense to push to mediation and on to arbitration.

**Councilor Loomis** asked what if they say in the discussion that they are fine with the way things are. Can they do that?

**Mr. Monahan** replied they could request it go to the next level, but he thinks we will have to determine during the negotiations if it makes sense for us to seek to push it to mediation and then on to arbitration. We need to get the facts out on the table.

**Mayor Bernard** asked who paid for the intertie?

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**Mr. Shirey** responded that he did not know. He said he would find out who paid for the installation of the intertie. He thinks there was a cost sharing. The intertie goes both ways so Milwaukie can sell water to CRW. They have been approached by Oak Lodge water who is interested in establishing an intertie and the more interties there are the better the region will be. Milwaukie has an emergency intertie with the City of Portland. The cost per unit is very high.

**Adjournment**

**Mayor Bernard** adjourned the work session at 6:31 p.m.

  
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Pat DuVal, City Recorder

# AGENDA

## WORK SESSION MILWAUKIE CITY COUNCIL

**AUGUST 21, 2007**

### MILWAUKIE CITY HALL

Second Floor Conference Room  
10722 SE Main Street

A light dinner will be served.

### ***WORK SESSION – 5:30 p.m.***

#### Discussion Items:

	<u>Time</u>	<u>Topic</u>	<u>Presenter</u>
1.	5:30 p.m.	Advisory Board Interviews <ul style="list-style-type: none"><li>• Parker Fitzpatrick, Design &amp; Landmarks Committee</li><li>• David Hedges, Public Safety Advisory Committee (at-large position)</li></ul>	Mayor and Council
2.	5:45 p.m.	Scout Troop Interview	Mayor and Council
3.	6:15 p.m.	Clackamas River Water (CRW) Contract Update	Paul Shirey
4.	6:45 p.m.	Adjourn	

### ***EXECUTIVE SESSION***

Executive Session: The Milwaukie City Council may go into Executive Session pursuant to ORS 192.660(2). All discussions are confidential and those present may disclose nothing from the Session. Representatives of the news media are allowed to attend Executive Sessions as provided by ORS 192.660(3) but must not disclose any information discussed. No Executive Session may be held for the purpose of taking any final action or making any final decision. Executive Sessions are closed to the public.

### **Public Notice**

- The Council may vote in work session on non-legislative issues.
- The time listed for each discussion item is approximate. The actual time at which each item is considered may change due to the length of time devoted to the one previous to it.
- For assistance/service per the Americans with Disabilities Act (ADA) please dial TDD (503) 786-7555.
- The Council requests that all pagers and cell phones be either set on silent mode or turned off during the meeting.



**To:** Mayor and City Council

**Through:** Mike Swanson, City Manager  
Kenny Asher, Community Development/Public Works Director

**From:** Paul Shirey, Public Works Operations Director

**Subject:** Agreement between City and Clackamas River Water to Purchase Surplus Water

**Date:** August 7, 2007 for August 21, 2007 Council Work Session

### **Action Requested**

No action requested. Brief City Council on the status of 20-year agreement between the City of Milwaukie and Clackamas River Water (CRW) to purchase surplus water.

### **Background**

On July 1, 1998, the City and CRW entered into an Agreement for Water Supply wherein the City agreed to purchase "surplus" water from CRW over a period of twenty years. The Agreement stipulates that the City purchase 500,000 gallons per day on a uniform basis at a fixed rate regardless of whether the City actually has a need for the water. The annual cost of this was about \$50,000 last fiscal year. The City must pay for the water even if it does not have the physical capacity to "take" the water, which is sometimes the case.

The City has since developed better data on its daily water demand and the cost of operating the water system. It is clear that the City system is capable of meeting peak day demand and, in addition, retaining a 25% reserve capacity, without relying on CRW supply. Therefore, paying for water on a daily basis, whether needed or not is no longer in the best interest of Milwaukie ratepayers.

In addition to CRW, the City has an intertie with the City of Portland water system (emergency use only) and is considering an intertie with Oak Lodge Water District. Physical inter-connections, or interties among water providers, ensure a source of water in the event of emergency such as source contamination or infrastructure breakdown. The City needs to negotiate an amendment to the agreement so it would only have pay CRW to purchase water when needed.

Other issues or factors may be part of the negotiation, but the bottom line would be to eliminate the fixed payment requirement.

Under the terms of the agreement, the City has the right to notify CRW of its changing water needs and enter into negotiations to amend the agreement accordingly.

Beginning about a year ago, the City has tried to enter into negotiations on this matter with CRW to no avail. The following is a chronology of the events up to this point.

1. September 2006 Kenny Asher meets with CRW General Manager Gary Kerr regarding the Agreement. No follow up by CRW.
2. February 7, 2007 City sends letter to CRW with formal notice that City is declaring its election to amend the Agreement by revising the water supply requirements. No response from CRW.
3. May 2007 Paul Shirey meets with Kerr regarding February 7 letter. Kerr tells Shirey that CRW Board does not wish to take any action that adversely affects CRW revenues.
4. June 8, 2007 City sends letter to CRW restating the February 7 request and proposes a meeting between managers, legal counsel and possibly Board members. No response from CRW.
5. July 25, 2007 City sends letter to CRW Board President and General Manager Kerr stating that unless negotiations are agreed to by August 6, 2007, the City will be compelled to seek alternative remedies.
6. July 30<sup>th</sup>, 2007 Board Chair Holloway calls Shirey to apologize for delay and assure City that Board takes the request seriously and that CRW legal counsel will be in touch soon.
7. July 31<sup>st</sup> Holloway confirms by phone that the Milwaukie request (July 25<sup>th</sup> letter) is on CRW August 1<sup>st</sup> monthly meeting agenda.
8. August 2, 2007 Holloway assures Shirey that CRW legal counsel will be in touch very soon on the matter.
9. August 9, 2007 Holloway talks to Shirey and confirms that the Board is discussing Milwaukie's request at its regular meeting on August 16. She expected that a negotiation date could be set as soon as August 20 and sent an e-mail confirming this.

The Agreement stipulates mediation in the event of a disagreement and subsequent arbitration or legal proceedings at the Circuit Court level if necessary. The City hopes to be able to reach a new agreement with CRW without the need to resort to legal action. Staff will return to Council with proposed modifications to CRW agreement, or with a status report on the course of negotiations.

**Concurrence**

The City Manager, City Attorney and Water Supervisor have been kept informed of the progress of communication with CRW and support efforts to engage CRW to begin negotiations on this matter.

**Fiscal Impact**

The cost per unit for CRW water is fixed at \$0.36. Annual cost to the water fund is about \$50,000. The remaining term of the agreement is ten years, so the savings to the ratepayers if the terms of this contract are successfully renegotiated is potentially in excess of \$500,000.