

Learn More

For questions about project costs, savings and rate impacts contact:



Joel Komarek, P.E.
Project Director
City of Lake Oswego
jkomarek@ci.oswego.or.us
503-697-6588



Dennis Koellermeier
Public Works Director
City of Tigard
dennis@tigard-or.gov
503-718-2596



lotigardwater.org · 503-697-6502

For more information about the Lake Oswego Tigard Water Partnership visit lotigardwater.org or contact:



Jane Heisler
Communications Director, Water Partnership
City of Lake Oswego
jheisler@ci.oswego.or.us
503-697-6502



Program Costs, Savings and Rates

In August 2008, the cities of Lake Oswego and Tigard formally endorsed a partnership agreement for sharing drinking water resources and costs. The Partnership is planning to expand Lake Oswego's existing drinking water infrastructure to serve both communities.

Lake Oswego's water supply system is near capacity, and key facilities need expansion and upgrades. The partnership approach allows Lake Oswego and Tigard to share costs for water system improvements and ongoing maintenance, saving both communities millions of dollars over other options.

Tigard Water Service Area customers in Tigard, Durham, King City, and Tigard Water District need a secure, dependable water source. They benefit by Tigard finally gaining ownership of a drinking water source, instead of continuing to purchase water from Portland.

Program costs have been updated for the Lake Oswego Tigard Partnership. With this new information, the two cities can project future water rate increases needed to support water system improvements. Customers in Lake Oswego and Tigard will save millions of dollars by sharing costs for needed water system upgrades.

Program Costs Updated

An updated cost estimate for the Partnership was prepared in September 2010. The estimate helps both cities with their ongoing financial planning and establishes a baseline for future cost estimates developed during the design phase.

The original total project estimate from the 2007 Joint Water System Supply (JWSS) report was \$135M (2006 dollars), escalated in 2009 to \$200M (2013 dollars) to account for inflation to the mid-point of construction. Based on a conceptual design, that early estimate was developed to allow both communities to compare the Partnership's costs/benefits relative to other water supply options.

The updated cost estimate of \$230M reflects current knowledge of facilities conditions, water treatment preferences, and current land use and environmental permit requirements. Recent engineering evaluations and investigations provided the information needed to refine early project cost estimates. Studies included geotechnical surveys, condition assessments of facilities and systems, and an evaluation of water treatment technologies.

Distinguishing factors for the increased program estimate include: the addition of ozone for its benefits to treated water quality and public health, a slightly larger reservoir proposed for construction near East Waluga Park, and inclusion of cost allowances for construction mitigation and contingencies. Of these factors, the addition of ozone and related water treatment plant improvements represent the greatest change in costs from the original feasibility estimate (see box above).

Water treatment technology and reliability improvements not considered in 2006 study estimate:

- ◆ Ozone treatment
- ◆ Emergency power supply
- ◆ Electrical service replacement
- ◆ New buildings for chemical storage, maintenance and administration, and electrical equipment to meet building codes and safety needs

Cost Allocation

The Partnership Intergovernmental Agreement (IGA) establishes that Lake Oswego will receive 18 million gallons per day (mgd) and Tigard 14 mgd of capacity in the expanded facilities. An additional 6 mgd of capacity could economically be added by the partners in the event future needs exceed 32 mgd.

The cost allocation accounts for Lake Oswego's ownership of existing supply facilities, some of which will remain in use. Program costs for the expansion project are currently allocated 46.47% to Lake Oswego, 53.53% to Tigard.

Partnership Savings

Drinking water customers in Lake Oswego and Tigard Water Service Area will save millions of dollars by sharing costs to jointly improve and operate Lake Oswego's water system.

With or without the Tigard partnership, Lake Oswego's water system needs immediate, major upgrades and expansion. The partnership approach allows Lake Oswego to share with Tigard the costs for water system improvements and ongoing maintenance, spreading capital and operating costs over a larger customer base.

For Tigard, owning a share of drinking water supply in partnership with Lake Oswego continues to offer long-term savings over a renewed contract with Portland.

Allocating Capital Costs

Capital costs to construct new facilities will be split according to each city's share of total capacity. Wherever existing facilities are upgraded/upsized and continue in use, each city will pay for their proportionate share of added capacity.

Allocating Operations and Maintenance Costs

Fixed O&M costs – costs that do not change with water flow – will be allocated to each city based on its share of total capacity. Variable O&M costs – those related to flow – will be allocated based on each city's actual water consumption.

Tigard Buy-In

Tigard will also pay Lake Oswego for the replacement cost of existing water system facilities (taking into account the facilities' reduced value due to wear and tear) that have capacity available to serve Tigard.

Lake Oswego Savings (25 year - Net Present Value*)		
Lake Oswego Tigard Water Partnership	Lake Oswego Go-It-Alone	Savings
38 MGD / Ozone	24 MGD / No Ozone	
\$165 M	\$229 M	\$64 M (Ozone)

*Net Present Value: an evaluation method used to compare long-term costs between alternative projects.

Tigard Savings (50 year - Net Present Value*)		
Lake Oswego Tigard Water Partnership		Savings
	\$124 M	
Willamette River (Tigard Go-It-Alone)	\$248 M	\$124 M
Tualatin Basin Water Supply Plan	\$244 M	\$120 M
Portland	No ownership share / escalating rates	

Project Funding

Cities typically sell bonds to fund large capital projects. Funding sources for the Partnership project include bonds issued by each city to be repaid over the years by customers' monthly water charges and SDCs (systems development charges). SDCs enable new connections to the system to pay for their respective share of capacity in the expanded system.

Water Rates

Both Lake Oswego and Tigard are increasing water rates to repay the principal and interest on bonds, and to operate and maintain the joint water supply system. Water customers in both cities will experience significant rate increases in the first years of the Partnership.

The Tigard City Council considered rate increases in November 2010 and Lake Oswego City Council in December 2010. Projected water rates for a typical household for Lake Oswego and Tigard customers are shown to the right.

Project costs are in line with community water financial plans and will remain comparable to peer communities. Portland, Beaverton, Hillsboro, Tualatin and many other cities in Oregon are planning or implementing major water supply projects and will be experiencing similar rate increases in the near future.

SDCs

Lake Oswego approved new SDCs that went into effect in January 2010. The new charges are being phased in over three years and January 2011 will be the second step increase in charges.

Since Tigard currently purchases water from the City of Portland, it has not had an ownership stake in a source of supply. Partnering with Lake Oswego establishes that source of supply and related infrastructure enabling Tigard to assess SDCs, so that new development can pay its proportionate share of costs for water system improvements. Tigard City Council considered water SDC increases at their December 28, 2010 meeting.

Next Steps

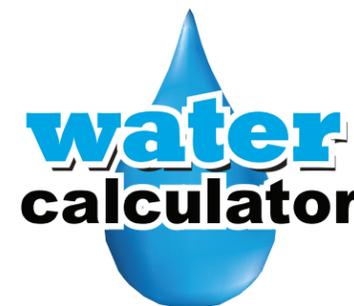
The cost estimate for the program and each project will be updated during the design phase, scheduled to run from 2011 to 2013.

Lake Oswego Estimated Water Rates		
Year	Average Monthly Bill*	Annual Rate Increase
Current	\$26.54	-
2011	\$33.31	25.5%
2012	\$41.80	25.5%
2013	\$46.67	11.7%
2014	\$52.11	11.7%
2015	\$58.18	11.6%
2016	\$60.51	4%
2017	\$62.93	4%

*Based on 1,000 cubic feet of water use.

Tigard Estimated Water Rates		
Year	Average Monthly Bill*	Annual Rate Increase
Current	\$27.55	-
2011	\$37.05	34.5%
2012	\$42.24	14%
2013	\$48.16	14%
2014	\$54.90	14%
2015	\$57.26	4.3%
2016	\$59.72	4.3%
2017	\$62.29	4.3%

*Based on 900 cubic feet of water use.



Online Rate Calculators

Lake Oswego and Tigard have online rate calculators to help customers estimate and plan for their upcoming water bills.



www.tigard-or.gov/city_hall/services/utilities/waterrates.asp



<http://www.lowaterconservation.com/calc>