

AGENDA

Thursday, November 3, 2016 - 10:00 AM
BOARD OF COUNTY COMMISSIONERS

Beginning Board Order No. 2016-114

CALL TO ORDER

- Roll Call
- Pledge of Allegiance

I. CITIZEN COMMUNICATION *(The Chair of the Board will call for statements from citizens regarding issues relating to County government. It is the intention that this portion of the agenda shall be limited to items of County business which are properly the object of Board consideration and may not be of a personal nature. Persons wishing to speak shall be allowed to do so after registering on the blue card provided on the table outside of the hearing room prior to the beginning of the meeting. Testimony is limited to three (3) minutes. Comments shall be respectful and courteous to all.)*

II. PUBLIC HEARINGS *(The following items will be individually presented by County staff or other appropriate individuals. Persons appearing shall clearly identify themselves and the department or organization they represent. In addition, a synopsis of each item, together with a brief statement of the action being requested shall be made by those appearing on behalf of an agenda item.)*

1. Board Order No. _____ for Boundary Change Proposal CL 16-009 for Consolidation of Oak Lodge Water District and Oak Lodge Sanitary District (Ken Martin, Boundary Change Consultant, Chris Storey, County Counsel)
2. Ordinance No. _____ for the Formation of the Water Environment Services (WES) Partnership with the Tri-City Service District for Wastewater and Surface Water Services and Declaring an Emergency (Greg Geist, WES and Chris Storey, County Counsel)
3. Ordinance No. _____ for the Formation of the Water Environment Services (WES) Partnership with Clackamas County Service District No. 1 for Wastewater and Surface Water Services and Declaring an Emergency (Greg Geist, WES and Chris Storey, County Counsel)
4. Resolution No. _____ for a Clackamas County Supplemental Budget Greater than 10% and Budget Reduction for Fiscal Year 2016-2017 (Diane Padilla, Budget Manger)

III. CONSENT AGENDA *(The following Items are considered to be routine, and therefore will not be allotted individual discussion time on the agenda. Many of these items have been discussed by the Board in Work Sessions. The items on the Consent Agenda will be approved in one motion unless a Board member requests, before the vote on the motion, to have an item considered at its regular place on the agenda.)*

A. Health, Housing & Human Services

1. Approval for the Interagency Agreement with Clackamas County Community Corrections for the Naloxone Distribution Project – *Public Health*
2. Approval of a Local Grant Agreement with Children’s Center for Child Abuse Medical Assessments – *Children, Youth & Families*
3. Approval of Amendment No. 2 of the Subrecipient Agreement #16-022 with El Programa Hispano Catolico for Bi-Lingual/Bi-Cultural Victim Advocacy in Rural Clackamas County – *Children, Youth & Families*
4. Approval of an Agency Service Contract with Clackamas Women’s Services for Homelessness Prevention, Shelter Diversion, and Rapid Re-Housing Services for Victims of Domestic Violence – *Social Services*

B. Finance Department

1. Resolution No. _____ for a Clackamas County Supplemental Budget Less than 10% for Fiscal Year 2016-2017
2. Resolution No. _____ for Clackamas County for Budgeting of New Specific Purpose Revenue for Fiscal Year 2016-2017

C. Elected Officials

1. Approval of Previous Business Meeting Minutes – *BCC*
2. Resolution No. _____ Appointing Justices of the peace Pro Tempore for the Clackamas County Justice of the Peace District – *Justice Court*

D. Business & Community Services

1. Approval of a Purchase and Sale Agreement with Weyerhaeuser Company for the Acquisition of Real Property – *County Parks*

E. Technology Services

1. Approval of the Purchase of Nimble Enterprise Storage Hardware from CDW-G to Upgrade and Expand the County Data Storage System - *Procurement*

IV. NORTH CLACKAMAS PARKS & RECREATION DISTRICT

1. Approval of a Facility Use Agreement with Clackamas County Master Gardeners Association for Gardening Services at the Milwaukie Center Community Garden

V. COUNTY ADMINISTRATOR UPDATE

VI. COMMISSIONERS COMMUNICATION

NOTE: Regularly scheduled Business Meetings are televised and broadcast on the Clackamas County Government Channel. These programs are also accessible through the County’s Internet site. DVD copies of regularly scheduled BCC Thursday Business Meetings are available for checkout at the Clackamas County Library in Oak Grove. You may also order copies from any library in Clackamas County or the Clackamas County Government Channel. www.clackamas.us/bcc/business.html



OFFICE OF COUNTY COUNSEL

PUBLIC SERVICES BUILDING
2051 KAEN ROAD OREGON CITY, OR 97045

November 3, 2016

Board of County Commissioners
Clackamas County

Members of the Board:

Consideration of Consolidation of Oak Lodge Water District
and Oak Lodge Sanitary District

Stephen L. Madkour
County Counsel

Kathleen Rastetter
Chris Storey
Scott C. Ciecko
Alexander Gordon
Amanda Keller
Nathan K. Boderman
Christina Thacker
Shawn Lillegren
Jeffrey D. Munns
Assistants

Purpose/Outcomes	Conduct Public Hearing/Approve Resolution
Dollar Amount and Fiscal Impact	None
Funding Source	Not Applicable
Duration	Permanent
Previous Board Action	None
Strategic Plan Alignment	Build Public Trust Through Good Government, hold transparent and clear public processes regarding jurisdictional boundaries
Contact Person	Ken Martin, Boundary Change Consultant - 503 222-0955 Chris Storey, Assistant County Counsel
Contract No.	Not Applicable

BACKGROUND:

Proposal No. CL 16-009 is a consolidation of Oak Lodge Water District and Oak Lodge Sanitary District (together, the "Districts") which is being processed under ORS 198. This proposal was initiated by resolutions from the two Districts' Boards. The resolutions met the requirement for initiation set forth in ORS 198.898(5). The election called for under ORS 198.903 was ordered by the two District's boards and held on May 17, 2016 and the matter was approved in both districts. The Districts have requested that the County review the proposal under provisions of the Metro Code prior to their completion of the final steps outlined in ORS 198.

As required by the Metro Code notice of this hearing invited testimony from any interested party. Notice consisted of: 1) Posting ten notices in the territory and one notice near the County hearing room 20 days prior to the hearing; 2) Published notice twice in the Clackamas County Review; and 3) Mailed notice sent to affected local governments.

OVERVIEW:

According to the Districts' Explanatory Statement for the election ballot title:

Oak Lodge Water District and Oak Lodge Sanitary District provide drinking water, sewage collection and treatment, and surface water management services in the Oak Lodge/Jennings Lodge area. The two Districts' boundaries are nearly the same.

Since 2013, the elected Boards of both Districts have jointly conducted legal and financial studies to evaluate the pros and cons of consolidation. The studies demonstrate a single consolidated District could save ratepayers \$4.25 million over the first 10 years. Savings come from: not replacing three duplicative positions that will be vacant due to retirement and attrition; combining financial systems; and sharing office space – there is room for everyone in the Water District building.

REASONS FOR CONSOLIDATION:

The Districts cite the following reasons in support of consolidation:

- Cost savings: Estimated at \$4.25 million over first 10 years
- More efficient: eliminates overlap and duplication.
- Improved customer service through single point of contact.
- Better prepared for natural disasters and emergencies.
- Shared mission: provide clean water, protect public health and the environment in most cost-effective manner.
- Customers receive combined water/sewer bill.
- No job losses. Only vacant, duplicative management and administrative positions will be eliminated.
- Maintains independent, local service for water, sewer and surface water management.

CRITERIA:

The Metro Code requires a staff report that addresses the criteria cited below and that includes the following information:

1. The extent to which urban services are available to serve the affected territory, including any extraterritorial extensions of service;
2. Whether the proposed boundary change will result in the withdrawal of territory from the legal boundary of any necessary party¹; and
3. The proposed effective date of the boundary change.

The consolidating Districts already provide water, sewer and surface water management services to the area. Service availability is covered in the section below. Staff has examined the statutes and determined that approval of this consolidation will not cause the withdrawal of territory from the boundary of any necessary party. The effective date of the consolidation will be established when the process laid out in ORS 198.910 is complete (joint meeting of the two districts' boards, selection of new board, and adoption of resolution of new board declaring consolidation complete).

ORS 198 specified a role for the Board of County Commissioners ("BCC") with respect to boundary changes for special districts regarding formation, annexation, withdrawal, and

¹ A "necessary party" is another governmental entity which includes the same area or provides an urban service to the area.

dissolution within the County. The statute is silent regarding the role of the BCC with respect to mergers and consolidations. Metro Code Chapter 3.09 requires action by a “reviewing entity.” The Districts have asked the BCC to serve in the role of a reviewing entity with respect to their consolidation to ensure complete compliance with all applicable laws.

The Metro Code requires consideration of the following criteria:

The reviewing entity should:

- (1) Find that the change is consistent with expressly applicable provisions in:
 - (A) Any applicable urban service agreement adopted pursuant to ORS 195.065;
 - (B) Any applicable annexation plan adopted pursuant to ORS 195.205;
 - (C) Any applicable cooperative planning agreement adopted pursuant to ORS 195.020 (2) between the affected entity and a necessary party;
 - (D) Any applicable public facility plan adopted pursuant to a statewide planning goal on public facilities and services; and
 - (E) Any applicable comprehensive plan;
 - (F) Any applicable concept plan; and
- (2) Consider whether the boundary change would:
 - (A) Promote the timely, orderly and economic provision of public facilities and services;
 - (B) Affect the quality and quantity of urban services; and
 - (C) Eliminate or avoid unnecessary duplication of facilities and services.

There are no cooperative agreements, urban service agreements or annexation plans specifically adopted pursuant to ORS 195 in effect in this area. No changes in public service planning or land use planning are affected by this consolidation. No concept plans cover this area. Studies conducted by the Districts indicated that some savings and efficiencies would be achieved by the consolidation thus promoting the timely, orderly and economic provision of services. The quality and quantity of services could be improved by the increased efficiencies and economies available as a result of the consolidation. Some management efficiencies will be accomplished through reduction of duplicated positions.

REGIONAL PLANNING

This territory is inside of Metro's jurisdictional boundary and inside the regional Urban Growth Boundary (UGB).

Regional Framework Plan

The law that requires Metro to adopt criteria for boundary changes specifically states that Metro shall “. . . ensure that a boundary change is in compliance with the Metro regional framework plan as defined in ORS 197.015 and cooperative agreements and urban service agreements adopted pursuant to ORS chapter 195.” ORS 197.015 says “Metro regional framework plan means the regional framework plan required by the 1992 Metro Charter or its separate components.” The Regional Framework Plan was reviewed and found not to contain specific criteria applicable to boundary changes.

There are two adopted regional functional plans, the Urban Growth Management Functional Plan and the Regional Transportation Plan, which were examined and found not to contain any directly applicable standards and criteria for major boundary changes.²

FACILITIES AND SERVICES

ORS 195 Agreements. ORS 195 requires agreements between providers of urban services. Urban services are defined as: sanitary sewers, water, fire protection, parks, open space, recreation and streets, roads and mass transit. These agreements are to specify which governmental entity will provide which service to which area in the long term. The counties are responsible for facilitating the creation of these agreements. There are no urban service agreements under ORS 195 relative to sewer or water service in this area of Clackamas County.

Sewer. The Oak Lodge Sanitary District provides sewer service within the boundary of the district. Territory in the Oak Lodge Water District which is not also in the Sanitary District is served by Clackamas County Service District No. 1. This area includes roughly 1500 properties. These properties will continue to receive service from CCSD#1 until that status is changed by a contract or formal withdrawal from CCSD#1. This condition is reflected in the proposed order attached hereto.

Water. The Oak Lodge Water District provides water service within the boundary of the district.

Police Service. The area receives police service from Clackamas County Sheriff's Department.

Fire. The territory is within the Clackamas County R.F.P.D. #1. This service will not be affected by the consolidation of the water and sanitary districts.

Parks and Recreation. Both districts are within the North Clackamas County Parks & Recreation District, which will not be affected by the consolidation.

RECOMMENDATION:

The staff recommends approval of the attached Order.

Respectfully submitted,

Chris Storey
Assistant County Counsel

² A consolidation is defined as a “Major boundary change” in the Metro Code.

In the Matter of Approving
the Consolidation of
Oak Lodge Sanitary District and
Oak Lodge Water District

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WHEREAS, this matter coming before the Board of Commissioners of Clackamas County (“BCC”) at this time, and it appearing that Oak Lodge Sanitary District (the “OLSD”) and Oak Lodge Water District (“OLWD” and, together with OLSD, the “Districts”) have proposed a consolidation of the Districts pursuant to Oregon Revised Statutes (“ORS”) Chapter 198 to create one service entity, the Oak Lodge Water Services District (the “New District”); and

WHEREAS, it further appearing that the governing body of each of OLSD and OLWD adopted resolutions that met the requirement for initiation set forth in ORS 198.898(5); and

WHEREAS, it further appearing that the election called for under ORS 198.903 was ordered by the two district’s boards and held on May 17, 2016 and the matter was approved by a sufficient number of voters in each district as being in favor of the consolidation; and

WHEREAS, it further appearing that the Districts have requested that the County act as the “reviewing entity” under Metro Code Chapter 3.09 prior to their completion of the final steps outlined in ORS 198 pursuant to the petition attached hereto as Exhibit A; and

WHEREAS, it further appearing that the BCC, while not clearly designated as a reviewing entity under ORS 198 for mergers and consolidations, is willing to serve in that role to facilitate the proposed consolidation and creation of the New District; and

WHEREAS, it further appearing that the New District is willing to assume the necessary agreements as designed by OLSD and OLWD for continued service by such necessary parties; and

WHEREAS, it further appearing that the boundaries of the New District, which will be empowered to provide sewer and surface water services, overlap with those of Clackamas County Service District No. 1 (“CCSD#1”), which provides the same services, covering approximately 1500 parcels (the “Overlap Area”); and

WHEREAS, it further appearing that a criteria for the review of the consolidation is the consideration of the extent to which urban services are available to the affected territory and whether the proposed boundary change would result in the withdrawal of the affected territory from the legal boundary of any affected party; and

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WHEREAS, it further appearing that OLSD and OLWD do not seek to provide sanitary sewer or surface water management services in the area served by CCSD#1 nor to withdraw the Overlap Area from its boundaries because CCSD#1 is already providing urban services in that area; and

WHEREAS, it further appearing that in order for the consolidation of OLSD and OLWD to be approved the Overlap Area must be clearly addressed;

NOW, THEREFORE, IT IS HEREBY ORDERED that for the purposes described in ORS 198 and Metro Chapter 3.09, a consolidated service district named the "Oak Lodge Water Services District" as legally described on Exhibit B and as shown on the map attached as Exhibit C consistent with the findings set forth on Exhibit D is hereby created effective as of January 1, 2017, with the express condition that the Oak Lodge Water Services District not provide sewer or surface water services in any areas currently within Clackamas County Service District No. 1 until such time as mutual agreement is reached between Oak Lodge Water Services District and Clackamas County Service District No. 1 regarding the provision of services therein.

DATED this 3rd day of November, 2016.

BOARD OF COUNTY COMMISSIONERS

Chair

Recording Secretary

Petition for Boundary Change

District Consolidation:

Oak Lodge Water District and Oak Lodge Sanitary District

This petition is submitted pursuant to the requirements of Metro Code chapter 3.09; Oregon Revised Statutes ("ORS") 268.347 to 268.354; and ORS 198.890(3 and ORS 198.895(5). Copies of these authorities are attached hereto as Exhibit A.

WHEREAS, the Oak Lodge Water District is a domestic water supply district duly formed and authorized by ORS chapter 264 as its principal Act; and the Oak Lodge Sanitary District is a sanitary sewer district duly formed and authorized by ORS chapter 450.005 to 405.303 as its principal Act; and

WHEREAS, both the Oak Lodge Water District and the Oak Lodge Sanitary District (collectively, "the Districts") are Oregon special districts subject to ORS chapter 198, and ORS 198.895(3) provides that a water district and sanitary district operating under their respective Acts may consolidate and form a single district with authorities of both entities; and

WHEREAS, by and through the processes described in ORS 198.890 through 198.915, the respective boards of the Districts passed resolutions attached hereto as Exhibit B that placed before their respective voters on May 17, 2016, the question of whether the Districts should consolidate; and

WHEREAS, as indicated on the Clackamas County voting abstracts attached hereto as Exhibit C, 68 percent of voters approved the consolidation of the two entities, to be called the Oak Lodge Water Services District; and

WHEREAS, the respective boards of the Districts have certified the ballot as required by law, and the election is uncontested; and

WHEREAS, because both Districts are located within unincorporated Clackamas County, the consolidation is subject to requirements established for a "major boundary change" under the Metro Code [see ORS chapter 268.354; ORS chapter 199.11; and Metro Code section 3.09.02(H)]; and

WHEREAS, according to ORS 268.354 Metro's role in the boundary change is "ministerial only," and requires Metro to do the following:

- (a) Establish a uniform hearing and notification process.
- (b) Establish an expedited process for uncontested boundary changes.

- (c) Establish clear and objective criteria for a boundary change.
- (d) Ensure that a boundary change is in compliance with the Metro regional framework plan, as defined in ORS 197.015, and cooperative agreements and urban service agreements adopted pursuant to ORS chapter 195; and

WHEREAS, the appropriate reviewing entity for purposes of the Metro Code is the Clackamas County Board of Commissioners, which is responsible for coordinating urban services agreements within the County and nearly all of the boundaries of the Districts are in the unincorporated area ; and

WHEREAS, Metro Code Section 3.09 describes requirements for a petition, notice, and hearing relating to review of the boundary change, and this Petition is submitted in compliance therewith;

NOW, THEREFORE, before the Clackamas County Board of Commissioners, the respective boards of the Oak Lodge Water District and the Oak Lodge Sanitary District make the following petition:

PETITION

1. Jurisdiction of the Reviewing Entity. Both the Oak Lodge Water District and the Oak Lodge Sanitary District are located wholly within Clackamas County, Oregon, which is subject to the Metro Code. Pursuant to ORS 268.347, Metro may exercise jurisdiction over a boundary change within its boundaries.

According to Metro Code Section 3.09.020(L), the "reviewing entity" is the governing body of the affected city, county, Metro or its designee. The purpose of the review is to "ensure that a boundary change is in compliance with the Metro regional framework plan (which considers respective comprehensive plans adopted by the three counties within its jurisdiction). Because Clackamas County is responsible for developing the county's comprehensive plan under ORS chapter 197, and for coordinating cooperative agreements and urban services agreements under ORS chapter 195, the Clackamas County Board of Commissioners is the appropriate "reviewing body" for purposes of this petition.

2. Boundary Map. The Oak Lodge Water District and the Oak Lodge Sanitary District serve substantially the same customers, but their respective boundaries are not identical. Attached to the petition and marked Exhibit D are a map showing the respective service areas of the individual entities, and a map showing the boundaries of the consolidated entity. The legal descriptions for each entity, and the consolidated entity, are attached as Exhibit E.
3. Necessary Parties. Metro Code Section 3.09.030 states that, within 45 days after a reviewing entity determines that a petition is complete, the entity shall set a time for

deliberations on the boundary change, and must give notice of the deliberations to all necessary parties. According to Metro Code Section 3.09.020(J), a “necessary party” is “any county, city, or district whose jurisdictional boundary or adopted urban service area includes any part of the affected territory or who provides any urban service to any portion of the affected territory; Metro; or any other unit of local government that is party to any agreement for provision of an urban service to the affected territory.”

For purposes of this boundary change, the following are “necessary parties” to whom notice must be sent:

ENTITY	REASON FOR “NECESSARY” STATUS
City of Milwaukie	Contracts for Service: Water, Sanitary and SWM
City of Gladstone	Contracts for Service: Water, Sanitary and SWM
Clackamas County	Provides Urban Services within the affected territory: Planning, Transportation, Public Safety—law enforcement
North Clackamas Parks District	Provides Urban Services within the affected territory: Parks and Open Space
Clackamas County Service District No. 1	Provides Urban Services within the affected territory: Sanitary Sewers and SWM
Tri-Met	Provides Urban Services within the affected territory: mass transit
Clackamas County Fire District	Provides Public Safety Urban Services within the affected territory: fire and EMS
Metro	Provides regional coordination and oversight of planning and boundary changes

If a party is a “necessary” party by virtue of a written agreement, that agreement is addressed in Section 4, below.

4. Agreements. According to ORS 268.354, the purpose of the boundary change review is to ensure that a boundary change complies with the Metro regional framework plan, as defined in ORS 197.015, and with cooperative agreements and urban service agreements adopted pursuant to ORS chapter 195. According to Metro Code Section 3.09.050, the reviewing entity must determine:

- A. **The extent to which urban services are available to serve the affected territory, including any extra-territorial extensions of service.**

Attached to this petition as Exhibit F are copies of all known agreements with necessary parties described in section 3, above. The agreements demonstrate the extent to which urban services (including extra-territorial extensions of service) are available to the affected territory.

B. Whether the proposed boundary change will result in the withdrawal of the affected territory from the legal boundary of any necessary party.

As stated above, the consolidation of the Districts will require adjustments of boundaries to ensure that the two boundaries are identical. However, the adjustment will not require any territory to be withdrawn from the legal boundary of a necessary party. Service boundaries and service arrangements as they currently exist will remain in effect.

C. The effective date of the boundary change.

Because the consolidation has already been approved by voters, the anticipated effective date of the boundary change will be the date when all required filings with the County Assessor, Department of Revenue, and Secretary of State are completed pursuant to Section 3.09.060 of the Code. At that time the respective districts will be deemed dissolved and the districts' respective assets will be conveyed to the consolidated entity.

The Districts request that the Board, by its approving order, fix an effective date of January 1, 2017 or earlier, but in no event later than June 30, 2017.

5. Criteria for Consideration. Pursuant to Metro Code Section 3.08.050(D), to approve the boundary change the following findings are required:

A. The change is consistent with expressly applicable provisions in:

- (1) Any applicable urban service agreement adopted pursuant to ORS 295.065
- (2) Any applicable annexation plan adopted pursuant to ORS 195.205;
- (3) Any applicable cooperative planning agreement adopted pursuant to ORS 195.020(2) between the affected entity and a necessary party;
- (4) Any applicable public facility plan adopted pursuant to statewide planning goal on public facilities and services;
- (5) Any applicable comprehensive plan; and
- (6) Any applicable concept plan.

B. The boundary change would:

- (1) Promote the timely, orderly, and economic provision of public facilities and services;
- (2) Affect the quality and quantity of urban services; and
- (3) Eliminate or avoid unnecessary duplication of facilities or services.

Attached to this Petition as Exhibit G are the Petitioners' responses to each of these criteria. The former districts' respective facility plans are attached to this Petition as Exhibit H.

6. Debt Distribution Plan. ORS 198.900 provides that any proposal for consolidation may include a Debt Distribution Plan, which is attached hereto as Exhibit I. The OLSD voters approved general obligation bonded indebtedness of \$44 million by vote dated November 3, 2009, for a new Water Reclamation Facility, and bonds were sold. The OLSD Board of Directors has made payments of principal and interest on the bonds from sanitary system revenues paid by all users of the OLSD system and has not levied a property tax. The Plan provides that OLSD system users will continue to pay for the bonded debt through rates, but if a property tax is levied to make payments, only those properties within the current boundary will be subject to assessment and taxation. Properties within OLWD which are not current OLSD system users will not be subject to assessment and taxation for the outstanding bonded indebtedness.

PETITIONERS HEREBY RESPECTFULLY REQUEST that the Clackamas County Commission:

1. Consider this petition, and the information provided therein, according to the criteria set forth in Oregon law and the Metro Code.
2. Set a date for a hearing to hold deliberations on the boundary change as required by Code Section 3.09.030(B).
3. Issue notice of the deliberations to all necessary parties, as provided in Code Section 3.09.030(C).
4. Upon completion of all necessary steps, issue a final decision on the boundary change as provided in Code Section E.
5. After issuing of the final decision, complete the necessary steps to make the boundary change effective, pursuant to Code Section 3.08.060.

SIGNED this 28 day of July, 2016:



Board Chair, Oak Lodge Water District



Board Chair, Oak Lodge Sanitary District

LIST OF EXHIBITS

- Exhibit A: Table of Authorities
- Exhibit B: Board Resolutions Calling Election on Consolidation
- Exhibit C: Voting Abstracts Showing Voter Approval of Consolidation
- Exhibit D: Maps
- Exhibit E: Legal Descriptions
- Exhibit F: Agreements with Necessary Parties
- Exhibit G: Petitioners' Responses to Metro Criteria
- Exhibit H: Facility Plans
- Exhibit I: Proposed Debt Distribution Plan

Oak Lodge Water Services District Boundary

Beginning at the Northwest corner of the Orin Kellogg Donation Land Corner (DLC) No. 55 and the Southeast corner of the Joseph Kellogg DLC No 47, said point is also a point on the range line between Range 1 East and Range 2 East of the Willamette Meridian (WM);

1. Thence North along said range line and the East line of said DLC No. 47, 1750 feet, more or less, to a point on the centerline of Kellogg Creek and the TRUE POINT OF BEGINNING;
2. Thence Northwesterly along the center of Kellogg Creek, 3,450 feet, more or less, to the most Southerly corner of CEDARCROFT, Plat No. 2616, a duly recorded subdivision in Clackamas County, Oregon;
3. Thence North $57^{\circ} 47' 48''$ West along the Southwesterly line of said CEDARCROFT, 261.07 feet to the most Westerly corner of Lot 5 of said CEDARCROFT and a point on the Easterly right-of-way line of SE Oatfield Road;
4. Thence Westerly across SE Oatfield Road, 60 feet, more or less, to the most Southerly corner of Tract "H", COGSWELLS FIRST ADDITION, Plat No. 154, a duly recorded subdivision in Clackamas County, Oregon;
5. Thence Northwesterly along the Southwesterly line of said Tract "H", 200 feet, more or less, to the most Westerly corner of said Tract "H", said point also being the most Northerly corner of a parcel of land conveyed to Erich P. Reich in Instrument No. 69-18486, Clackamas County Deed Records;
6. Thence South $29^{\circ} 41'$ West along the Northwesterly line of said Reich Tract, 192.54 feet to the most Westerly corner of said Reich Tract;
7. Thence South $53^{\circ} 08'$ East along the Southwesterly line of said Reich Tract, 182.0 feet to the Westerly right-of-way line of SE Oatfield Road;
8. Thence Southwesterly along said right-of-way line of SE Oatfield Road, 20.0 feet, more or less, to the most Northerly Northeast corner of Lot 13, FILBERT KNOLL, Plat No. 751, a duly recorded subdivision in Clackamas County, Oregon;
9. Thence North $52^{\circ} 55'$ West along the Northerly line of said FILBERT KNOLL, 180.67 feet to the most Northerly corner of said FILBERT KNOLL;
10. Thence South $28^{\circ} 13'$ West along the Northwesterly line of said FILBERT KNOLL, 233.02 feet to an angle point in the Westerly line of said FILBERT KNOLL;
11. Thence South $1^{\circ} 00'$ East along the Westerly line of said FILBERT KNOLL, 211.35

feet to the Northeast corner of that tract of land conveyed to H. Louise Pinney in Book 291, Page 595, Clackamas County Deed Records;

12. Thence South 88° 39' West along the North line of said Pinney tract, 295.1 feet to a point on the Easterly line of Lot 3, Block 58, MILWAUKIE HEIGHTS, Plat No. 111, a duly recorded subdivision in Clackamas County, Oregon;
13. Thence North 1° 00' West along the Easterly line of said MILWAUKIE HEIGHTS, 260.0 feet, more or less, to the Northeast corner of Lot 2, Block 58 of said MILWAUKIE HEIGHTS;
14. Thence North 73° 14' West along the Northerly line of said Lot 2 and the extension thereof, 81.0 feet, more or less, to the Southeast corner of Lot 15, Block 55 of said MILWAUKIE HEIGHTS and a point on the Westerly line of Whitcomb Drive;
15. Thence Northerly along the Easterly line of said Block 55 and the Westerly line of said Whitcomb Drive, 621.60 feet to the most Northerly corner of Lot 1 in said Block 55;
16. Thence Southwesterly along the Northwesterly line of said Block 55, 200.0 feet to the most Westerly corner of Lot 2 of said Block 55;
17. Thence Northwesterly across Short Street (AKA 26th Avenue), 60.0 feet to the most Southerly corner of Lot 22, Block 56 in said MILWAUKIE HEIGHTS;
18. Thence Northeasterly along the Southeasterly line of said Block 56 150.0 feet, more or less, to the most Westerly corner of said Lot 20 and a point on the Northeasterly right-of-way line of Lakewood Drive;
19. Thence Westerly across SE McLoughlin Blvd (US 99E), 200.0 feet, more or less, to the intersection of the centerline of SE Sparrow Street (formerly 5th Street) and the Easterly right-of-way line of the abandoned Portland Traction Company Railroad;
20. Thence Southerly along the Easterly right-of-way line of said Portland Traction Company Railroad, 1,640 feet, more or less, to the North right-of-way line of SE Lark Street;
21. Thence Westerly along the North right-of-way line of SE Lark Street, 50 feet, more or less, to the Westerly right-of-way line of said Portland Traction Company Railroad;
22. Thence Northerly along the Southerly line of said Lark Street, 50 feet, more or less, to the Easterly right-of-way line of SE 27th Avenue (formerly 11th Avenue);
23. Thence South along the Easterly right-of-way line of SE 27th Avenue, 50.0 feet, more or less, to a point that is East, 60.0 feet from Northeast corner of Lot 3, Block 47 of said MILWAUKIE HEIGHTS;

24. Thence West, 60.0 feet to a point on the Westerly right-of-way line of SE 27th Avenue, said point also being on the Northeast corner of said Lot 3;
25. Thence South along the Easterly line of said Block 47, 62.5 feet to a point on the Easterly line of Lot 5 of said Block 47 that is 25.0 feet South of the Northeast corner of said Lot 5;
26. Thence West parallel with and 25.0 feet South of the North line of said Lot 5, 100.0 feet to a point on the West line of said Lot 5 that is 25.0 feet South of the Northwest corner of said Lot 5;
27. Thence South along the West line of Lots 5, 7, and 9, of said Block 47, 125.0 feet to the Southwest corner of said Lot 9, which is also the Northeast corner of Lot 12 of said Block 47;
28. Thence West along the North line of said Lot 12, 100 feet to the Northwest corner of said Lot 12 and a point on the Easterly right-of-way line of SE 26th Avenue (formerly 10th Avenue);
29. Thence West 60 feet to a point on the west right-of-way line of SE 26th Avenue (formerly 10th Avenue) being on the east line of Block 44 of said Milwaukie Heights;
30. Thence South along the Westerly right-of-way line of SE 26th Avenue, 210.0 feet to the Southwest corner of Lot 3, Block 45 of said MILWAUKIE HEIGHTS;
31. Thence West along the South line of said Lot 3, 100.0 feet to the Southwest corner thereof, which point is also the Northeast corner of Lot 6 of said Block 45;
32. Thence North along the East line of Lots 4, and 2 of said Block 45 and the Northerly extension thereof, 210.0 feet to the Southeast corner of Lot 12, Block 44 of said MILWAUKIE HEIGHTS and a point on the Northerly right-of-way line of SE Dove Street (formerly 7th Street);
33. Thence West along the Northerly right-of-way line of SE Dove Street, 370.0 feet to the Northeast corner of the intersection of SE Dove Street and SE 24th Avenue (formerly 8th Avenue);
34. Thence North along the Easterly right-of-way of SE 24th Avenue, 150.0 feet to an angle point in said right-of-way line;
35. Thence East, 10.0 feet to the Southwest corner of Lot 6, Block 37 of said MILWAUKIE HEIGHTS;
36. Thence North along the West line of said Lot 6, 50.0 feet to the Northwest corner thereof;

37. Thence West 30.0 feet to the centerline of said 24th Avenue;
38. Thence North along the centerline of said 24th Avenue (now vacated under City of Milwaukie Ordinance 77-780, Instrument No. 77-20890, Clackamas County Deed Records), 100.0 feet to a point on the Southerly right-of-way line of SE Lark Street (formerly 6th Street);
39. Thence West along the Southerly right-of-way line of SE Lark Street, 875.0 feet, more or less, to Northeast corner of that tract of land conveyed to Ernest Aebi in Book 329, Page 232, Clackamas County Deed Records;
40. Thence South along the Easterly line of said Aebi tract, 100.0 feet to the Southeast corner thereof;
41. Thence West along the Southerly line of said Aebi tract, 100.0 feet to the Southwest corner thereof and the most Westerly Northwest corner of that tract of land conveyed to Donald Bumpus and Faye Bumpus in Instrument No. 93-94056, Clackamas County Deed Records;
42. Thence North along the Westerly line of said Aebi tract, 100.0 feet to the South right-of-way line of SE Lark Street;
43. Thence West along the South right-of-way-line of said Lark Street and its Westerly extension across the Southern Pacific Railroad right-of-way to the Westerly right-of-way-line of said railroad;
44. Thence Southerly along the Westerly right of way line of said railroad to the Southeast corner of a tract of land conveyed to Eric Shilling and Marie Hoskins in instrument No. 2007-098727 Clackamas County Deed Records;
45. Thence South along the Southerly right-of-way line of said Schilling and Hoskins tract to the low water line of the Willamette River;
46. Thence Southerly along the low water line of the Willamette River, 25,000 feet, more or less, to the most Southerly corner of Tract "A" of RIVERCOVE, Plat No. 801, a duly recorded subdivision in Clackamas County, Oregon;
47. Thence South 43° 23' West along the Southwesterly extension of the Southeasterly line of said Tract "A", 20.0 feet, more or less, to the most Westerly corner of that tract of land described as Parcel 2 in that tract of land conveyed to Cornell V. Saffencu in Instrument No. 2005-050728, Clackamas County Deed Records;
48. Thence South 26° 00' East along the Southwesterly line of said Saffencu tract, 106.84 feet to the most Southerly corner thereof, which point is also the most Westerly corner of Lot 40, ROBINWOOD RIVIERE, Plat No. 1943, a duly recorded subdivision in Clackamas County, Oregon;

49. Thence South 69° 20' 11" East along the Southerly line of said Lot 40, 83.56 feet to an angle point;
50. Thence South 82° 42' 56" East continuing along the Southerly line of said Lot 40, 80.00 feet to another angle point;
51. Thence South 74° 43' 26" East continuing along the Southerly line of said Lot 40, 90.00 feet to another angle point;
52. Thence North 57° 04' 19" East continuing along the Southerly line of said Lot 40, 80.00 feet to another angle point;
53. Thence South 84° 15' 56" East continuing along the Southerly line of said Lot 40, 280.00 feet to another angle point;
54. Thence South 70° 11' 56" East continuing along the Southerly line of said Lot 40, 185.00 feet to a point on the division line of Peter M. Rinearson DLC;
55. Thence North 63° 34' 19" East along said division line and the Southeasterly boundary of said Lot 40, 220.0 feet, more or less, to the most Southerly corner of a tract of land conveyed to the State of Oregon, by and through its Department of Transportation, Highway Division in Instrument No. 74-6136, Clackamas County Deed Records and then to the City of Gladstone in Instrument No. 92-30263, Clackamas County Deed Records;
56. Thence North 43° 26' East along said Southeasterly boundary of said Lot 40 and the Northwesterly line of said City of Gladstone tract, 103.16 feet, more or less, to the most Southwesterly corner of a tract of land conveyed as a Triangular Lot to Nancy Jo Towle and Carl E. Poston, an undivided one-third (1/3rd) interest, in Instrument No. 2002-30122, Clackamas County Deed Records, said point also being an angle point in the Northwesterly line of said City of Gladstone tract;
57. Thence North 64° East along the Northwesterly line of said City of Gladstone tract, 390.0 feet, more or less, to the most Northerly corner thereof, said point also being on the Southwesterly boundary of MELDRUM ACRES, Plat No. 504, a duly recorded subdivision in Clackamas County, Oregon;
58. Thence South 46° 40' East along the Southwesterly line of said MELDRUM ACRES, 37.0 feet, more or less, to the most Easterly corner of said City of Gladstone tract and a point on the division line of Peter M. Rinearson DLC No. 41, said point also being the most Southerly corner of said MELDRUM ACRES;
59. Thence South 64° West along the Southeasterly line of said City of Gladstone tract and said Division Line of Peter M. Rinearson DLC, 126.12 feet to a 5/8 inch iron rod marking a point on said Division Line that bears North 64° 00' 00" East, 1214 feet from

the Southwest end of said Division Line;

60. Thence South $26^{\circ} 11' 00''$ East, 15.00 feet to the most Northerly corner of that tract described as the "Rectangular Lot" conveyed to Nancy Jo Towle and Carl E. Poston in Instrument No. 2002-80122, Clackamas County Deed Records;
61. Thence South 64° West along the Northwesterly line of said Towle and Poston tract, 130.00 feet to the most Westerly corner thereof;
62. Thence Southeasterly along the Southwesterly line of said Towle and Poston tract, 100.0 feet to the most Southerly corner thereof;
63. Thence Northeasterly along the Southeasterly line of said Towle and Poston tract, 130.0 feet to the most Easterly corner thereof, and a point on the Southwesterly line of Lot 3, RINEARSON CREEK, Plat No. 4163, a duly recorded subdivision in Clackamas County, Oregon;
64. Thence South $26^{\circ} 00' 00''$ East along the Southwesterly line of said RINEARSON CREEK, 230.42 feet to the Southwest corner of Lot 9 of said RINEARSON CREEK;
65. Thence South $64^{\circ} 00' 00''$ West along the Northwesterly line of Tract "B" of said RINEARSON CREEK, 67.25 feet to the most Westerly corner thereof;
66. Thence South $26^{\circ} 00' 00''$ East along the Southwesterly line of said Tract "B", 390.91 feet to the most Southerly corner thereof;
67. Thence North $63^{\circ} 50' 10''$ East along the Southeasterly line of said Tract "B", 210.58 feet to the most Easterly corner thereof;
68. Thence North $25^{\circ} 54' 44''$ West along the Northeasterly line of said Tract "B", 222.80 feet to the most Southerly corner of that tract of land described as Parcel I in Instrument No. 2013-001526, a corrected legal description in Clackamas County Deed Records, said point also being the most Westerly corner of that tract of land conveyed to Janet Kent Trust in Instrument No. 92-51378, Clackamas County Deed Records;
69. Thence Northeasterly along the Northwesterly line of said Kent Trust tract, 496.07 feet to the Southeast corner of Tract "A" of RINEARSON ESTATES, Plat No. 4126, a duly recorded subdivision in Clackamas County, Oregon;
70. Thence North $26^{\circ} 12' 16''$ West along the Easterly line of said Tract "A", 35.65 feet to an angle point in said Easterly line of Tract "A";
71. Thence North $09^{\circ} 40' 15''$ East along said Easterly line of Tract "A" and the Easterly line of Lot 8 of said RINEARSON ESTATES, 129.90 feet to an angle point in the Easterly line of said Lot 8;

72. Thence North 28° 37' 45" West along the Easterly line of said RINEARSON ESTATES and the Northeasterly extension thereof, 349.27 feet, more or less, to the Southeasterly line of the aforementioned MELDRUM ACRES;
73. Thence Northeasterly along said Southeasterly line of said MELDRUM ACRES and its Northeasterly extension, to a point on the Easterly right-of-way line of SE McLoughlin Blvd (US 99E);
74. Thence Northwesterly along the Easterly right-of-way line of said SE McLoughlin Blvd., 1,480.0 feet, more or less, to the Southwesterly right-of-way line of SE Mildred Street;
75. Thence Southeasterly along the Southwesterly right-of-way line of said SE Mildred Street, 627.0 feet to the centerline of SE Glen Echo Avenue;
76. Thence North 43° 23' East along the centerline of said SE Glen Echo Avenue, 1,078.0 feet, more or less, to the intersection with the Northeasterly right-of-way line of SE Addie Street;
77. Thence South 46° 37' East along the Northeasterly right-of-way of SE Addie Street, 125.0 feet to the most Southerly corner of that tract of land conveyed to Alice M. Freeman in Instrument No. 94-42206, Clackamas County Deed Records;
78. Thence Northeasterly parallel with and 100.0 feet distant from the Southeasterly right-of-way line of SE Glen Echo Avenue, 490.0 feet, more or less, to the most Easterly corner of that tract of land conveyed to Don J. Cozart and Marilyn J. Cozart in Book 581, Page 119, Clackamas County Deed Records and a point on the Northeasterly line of Block 10, MELDRUM, Plat No. 228, a duly recorded subdivision in Clackamas County, Oregon, said point also being on the Southwesterly right-of-way line of a 50.0 foot wide unnamed and unimproved street;
79. Thence Southeasterly along the Westerly right of way line of said 50 foot wide unnamed street 171 feet more or less;
80. Thence North 62° 08' 46" East across said unnamed street to the most Southerly corner of Tract A Mason Estates a duly recorded subdivision in Clackamas County, Oregon;
81. Thence along the southerly line of said Mason Estates, 587 feet to the centerline of SE Portland Avenue;
82. Thence Northwesterly along the centerline of said Portland Avenue to a point opposite the most westerly corner of the access strip to Lot 3 Lynne Estates, Plat No. 3122, a duly recorded subdivision on Clackamas County, Oregon;
83. Thence North 44° 58' 39" East , 26.5 feet to the westerly corner of said Lot 3;

84. Thence North $44^{\circ} 58' 39''$ East along the most Southerly Northwesterly line of said Lot 3, 100.35 feet;
85. Thence South $45^{\circ} 11' 35''$ East along the most Westerly Southwesterly line of said Lot 3, 79.7 feet to the most Southerly corner thereof;
86. Thence North $44^{\circ} 58' 36''$ East along the most Southerly line of said Lot 3, 114.24 feet to the most Easterly corner of said Lot 3 and a point on the Southwesterly line of Lot 5, Block 3, MAYWOOD, Plat No. 164, a duly recorded subdivision in Clackamas County, Oregon;
87. Thence Northwesterly along the Southwesterly line of said Lot 5, 513.9 feet to a point on the centerline of SE Hull Avenue;
88. Thence Northeasterly along the centerline of said SE Hull Avenue, 1,630.0 feet, more or less, to a point on the centerline of SE Oatfield Road
89. Thence Southeasterly leaving said centerline of SE Oatfield Road, to the most Easterly corner of that tract of land conveyed to Ken Brazer in Instrument No. 98-056673, Clackamas County Deed Records;
90. Thence Southwesterly, along the Southerly line of said Brazer tract to a point on the Easterly line of Birchwood Terrace, a duly recorded Subdivision in Clackamas County, Oregon ;
91. Thence South 45° East along the Northerly extension and the Easterly line of Lots 6 and 7 Birchwood, 219 feet to an angle point in Lot 7 of said subdivision;
92. Thence North $44^{\circ} 57'$ East along the Northerly line of said Lot 7, 50.23 feet to the most Northerly corner of said Lot 7;
93. Thence South $45^{\circ} 30'$ East along the Easterly lines of Lots 7 and 8 so said Birchwood Terrace 181 feet to the most Easterly corner of said Lot 8;
94. Thence South 45° West along the Southerly line of said Lot 8, 10 feet to the Northerly corner of Lot 9 Birchwood Terrace;
95. Thence along the Northerly line of a tract of land conveyed to Harold and Jacquelynn Clarke in instrument No. 79-21540, Clackamas County Deed Records to the centerline of Oatfield Road;
96. Thence Southeasterly along the centerline of said Oatfield Road to a point on the Southwesterly extension of the Southeasterly line of OAKRIDGE NO. 1, Plat No. 1889, a duly recorded subdivision in Clackamas County, Oregon
97. Thence North $26^{\circ} 16' 40''$ East along said extension and said Southeasterly line of said

- OAKRIDGE NO. 1 and the Southeasterly line of OAKRIDGE NO. 2, Plat No. 2028, a duly recorded subdivision in Clackamas County, Oregon and the Southeasterly line of Partition Plat No. 1996-81, a duly recorded plat in Clackamas County, Oregon, 1,633.75 feet, more or less, to a point on the Northeasterly right-of-way line of SE Valley View Road, County Road No. 2258;
98. Thence Northwesterly along said Northeasterly right-of-way of SE Valley View Road, 1,152.45 feet, more or less, to a point on the Southerly line of Parcel 1 of Partition Plat 1993-036, a duly recorded plat in Clackamas County, Oregon;
99. Thence North 45° 30' 30" East, 101.10 feet to the Easterly corner of said Parcel 1 Partition Plat 1993-036;
100. Thence North 44° 19' 50" East, 150.00 feet to the Northerly corner of Parcel 2 of said Partition Plat 1993-036, being on the Southerly right of way line of Jennings Avenue;
101. Thence Northeasterly crossing said SE Jennings Avenue, 398.70 feet, more or less, to the Southwest corner of Lot 4 Block 2, SHERWOOD FOREST, Plat No. 1380, a duly recorded subdivision in Clackamas County, Oregon;
102. Thence South 45° 00' 31" West along the most Westerly Southeasterly line of said Block 2, 375.09 feet, more or less, to the most Westerly corner of Lot 1, McFEE'S ADDITION, Plat No. 2483, a duly recorded subdivision in Clackamas County, Oregon;
103. Thence Southeasterly along the Southwesterly line of said McFEE'S ADDITION, 183.02 feet, more or less, to the most easterly corner of a tract of land conveyed to Housing Authority of the County of Clackamas in Instrument No. 81-12986 Clackamas County Deed Records;
104. Thence South 40° 48' West, 136.29 feet along the Easterly line of said Housing Authority tract to the Easterly right of way line of SE Shadow Court;
105. Thence Westerly crossing said SE Shadow Court to the Southeast corner of Lot 2 Shadow Green Plat No. 1720, a duly recorded subdivision in Clackamas County, Oregon;
106. Thence along the Southerly lines of Lot 2 and 3 of said Shadow Green subdivision to the Southwesterly corner of Lot 3 of said Shadow Green, also being on the Easterly line of Lot 2 Pagoda Park #1, Plat no. 1088 a duly recorded subdivision in Clackamas County, Oregon;
107. Thence Northwesterly along the westerly line of Lots 3,4, and 5 of said SHADOW GREEN, to the most Westerly corner of Lot 5 of said Shadow Green;
108. Thence North 44° 42' West along the Northeasterly line of said PAGODA PARK #1, 410.0 feet to the most Northerly corner thereof and a point on the Southeasterly line of Lot 17, Block 2, SHERWOOD FOREST NO. 2, Plat No. 1477, a duly recorded

subdivision in Clackamas County, Oregon;

109. Thence South 45° 18' West along the Northwesterly line of said PAGODA PARK #1 and the Southeasterly line of said SHERWOOD FOREST NO. 2, 329.70 feet to the most Southerly corner thereof;
110. Thence North 45° 00' West along the Southwesterly line of said SHERWOOD FOREST NO. 2, 90.00 feet to an angle point;
111. Thence South 45° 01' West, 5.00 feet to a point;
112. Thence North 45° 00' West along the Southwesterly line of said SHERWOOD FOREST NO. 2 and the Northwesterly extension thereof, 123.91 feet to the most Northerly corner of a tract of land conveyed to Claudia Beth Ringler and Earl Dennis Ringler in Instrument No. 2013-020298, Clackamas County Deed Records as Parcel III, said point being 8.0 feet Northwesterly from the Southeasterly line of Lot 26, SHERWOOD FOREST NO. 3, Plat No. 1871, a duly recorded subdivision in Clackamas County, Oregon, when measured at right angles thereto;
113. Thence South 45° 00' 31" West parallel with the Southeasterly line of said SHERWOOD FOREST NO. 3, 157.83 feet to a point on the Southerly line of Lot 25 of said SHERWOOD FOREST NO. 3;
114. Thence Westerly along the Southerly line of said SHERWOOD FOREST NO. 3, 768.45 feet, more or less, to the most Westerly corner of Lot 18 of said SHERWOOD FOREST NO. 3;
115. Thence North 52° 36' 55" East along the Northwesterly lines of Lots 18, 17, and 16 of said SHERWOOD FOREST NO. 3, 262.52 feet to the most Northerly corner of said Lot 16;
116. Thence North 37° 32' 09" West along the Southwesterly lines of Lot 8 and 7 of said SHERWOOD FOREST NO. 3, 199.71 feet to the most Westerly corner of said Lot 7;
117. Thence North 52° 29' 14" East along the Northwesterly line of Lots 7, 6, and 5 of said SHERWOOD FOREST NO. 3, 330.46 feet to the most Northerly corner of said Lot 5;
118. Thence South 45° 35' 50" East along the Northeasterly line of said SHERWOOD FOREST NO. 3, 349.41 feet to the most Westerly corner of Lot 1, Block 7, SHERWOOD FOREST NO. 2;
119. Thence North 45° 01' 32" East along the Northwesterly lines of Lot 1, 2, and 3 of said Block 7, 242.00 feet to the most Southerly corner of Lot 5 of said Block 7;
120. Thence North 45° 35' 50" West along the Southwesterly lines of Lots 5, 6, and 7 of

said Block 7, 270.00 feet to the most Westerly corner of said Lot 7 and a point on the Southeasterly line of McNARY MEADOWS, Plat No. 3751, a duly recorded subdivision in Clackamas County, Oregon;

121. Thence North 45° 01' 32" East along the Northwesterly line of said SHERWOOD FOREST NO. 2 and the Southeasterly lines of said McNARY MEADOWS, McCABE ESTATES, Plat No. 2954 and BREWSTER PARK, Plat No. 2902, all duly recorded subdivisions in Clackamas County, Oregon, 892.91 feet to the most Northerly corner of said SHERWOOD FOREST NO. 2, said point also being the most Westerly corner of Partition Plat No. 1995-56, a duly recorded plat in Clackamas County, Oregon;
122. Thence South 45° 35' 50" East along the Southwesterly line of said Partition Plat No. 1995-56, 319.70 feet to the most Southerly corner thereof;
123. Thence North 45° 55' 52" East along the Southeasterly line of said Partition Plat No. 1995-56, 184.94 feet to the most Easterly corner of said Partition Plat 1995-56 and the most westerly corner of Herman Park a subdivision duly recorded in Clackamas County, Oregon;
124. Thence Northeasterly crossing Ormae Road a distance of 20.00 feet to the most westerly corner of Lot 4 of said Herman Park;
125. Thence North 45° 51' 00" East, along the northerly lines of Lots 4, 5 and 6 to the most Northerly corner of Lot 6 of said Herman Park subdivision, said point being the most Easterly corner of that tract of land conveyed to Thomas Stewart and Sharon Ann Blake in Instrument No. 93-63493, Clackamas County Deed Records;
126. Thence Northwesterly along the Easterly line of said Stewart and Blake tract to the most Northerly corner of a tract of land conveyed to Tony and Brenda Sullivan in Instrument No. 95-018286, Clackamas County Deed Records, being the most Southerly corner of Lot 14, Block 1 of McNary Heights a duly recorded subdivision in Clackamas County, Oregon;
127. Thence North 45° 12' 06" East along the Southeasterly line of said McNARY HEIGHTS, 985.72 feet to the most Easterly corner thereof and a point Westerly line of Lot 32 Webster Acres a duly recorded subdivision in Clackamas County, Oregon;
128. Thence Northwesterly along said Westerly line of the Webster Acres Plat and the Westerly line of Tract A Autumnhill a duly recorded subdivision in Clackamas County Oregon, 973 feet, more or less, to the Southwest corner of Lot 8 Willamette Park a duly recorded subdivision in Clackamas County, Oregon;
129. Thence West along the North line of said Tract A Autumnhill and the South line of Lot 8 Willamette Park to the Westerly right of way line of SE Stohler Road;
130. Thence Northerly along the West right of way line of Stohler Road and the East line

of Lot 8 Willamette Park to the Northeast corner of said Lot 8;

131. Thence Northwesterly along the North line of said Lot 8 Willamette Park to the Southwest corner of Tract B, Majestic Woods, a subdivision duly recorded in Clackamas County, Oregon;;
132. Thence Northwesterly along the westerly line of said Tract B, Majestic Woods, and Tracts A and B Majestic Woods North a duly recorded subdivision in Clackamas County, Oregon, to the most Northerly corner of Lot 20 Premier Estates No. 2 a duly recorded subdivision in Clackamas County, Oregon;
133. Thence South $45^{\circ} 32' 45''$ West along the Northerly line of said Lot 20 Premier Estates No. 2, 228 feet more or less to the Southwest corner of a tract of land conveyed in Instrument 93-58844;
134. Thence North $44^{\circ} 24' 51''$ West along the Westerly line of said instrument 93-58844, 199 feet more or less to the Northwest corner of said instrument;
135. Thence North $43^{\circ} 31' 45''$ East, 208 feet more or less to the Northeast corner of said instrument 93-58844, being on the Westerly right of way line of SE Minerva Lane;
136. Thence North $44^{\circ} 24' 25''$ West along the Northwesterly right-of-way line of SE Minerva Road (County Road No. 2177) and the Northwesterly extension thereof, 542.0 feet, more or less, to a point on the centerline of SE Oetkin Road;
137. Thence South $43^{\circ} 39'$ West along said centerline, 100.0 feet, more or less, to a point on the Southeasterly extension of the Southwesterly line of HICKORY HILL, Plat No. 2648, a duly recorded subdivision in Clackamas County, Oregon;
138. Thence North $46^{\circ} 20' 00''$ West 199.06 feet along said extension and the Southwesterly line of said HICKORY HILL lots 1 and 2 to the Southeast corner of Lot 6 E-Komo-Mai a duly recorded subdivision in Clackamas County, Oregon;
139. Thence South $43^{\circ} 41' 07''$ West along said lots 6 and 5 of said E-Komo-Mai subdivision to the Southwest corner of Lot 5;
140. Thence North $46^{\circ} 19' 18''$ West 579.58 feet along the Southerly line of said E-Komo-Mai to the Northwest corner of Lot 2;
141. Thence North $43^{\circ} 36' 02''$ East 174.45 feet along the northerly line of Lots 2 and 1 of said E-Komo-Mai to the Northeast corner of Lot 1;
142. Thence Northwesterly along the Westerly lines of a tract of land conveyed to Daniel R. and Grace Casale in Instrument 2014-032137, a tract of land conveyed to Dennis Sanford Carlson in Instrument 72-24081, a tract of land conveyed to Lorilee Ann Carlson in instrument 92-73900, a tract of land conveyed to Jody W. Ausmus in

instrument 2014-034844, a tract of land conveyed to Jan W. Jahnke in instrument 96-036701 to a point in the centerline of SE Thiessen Road (County Road No. 1936);

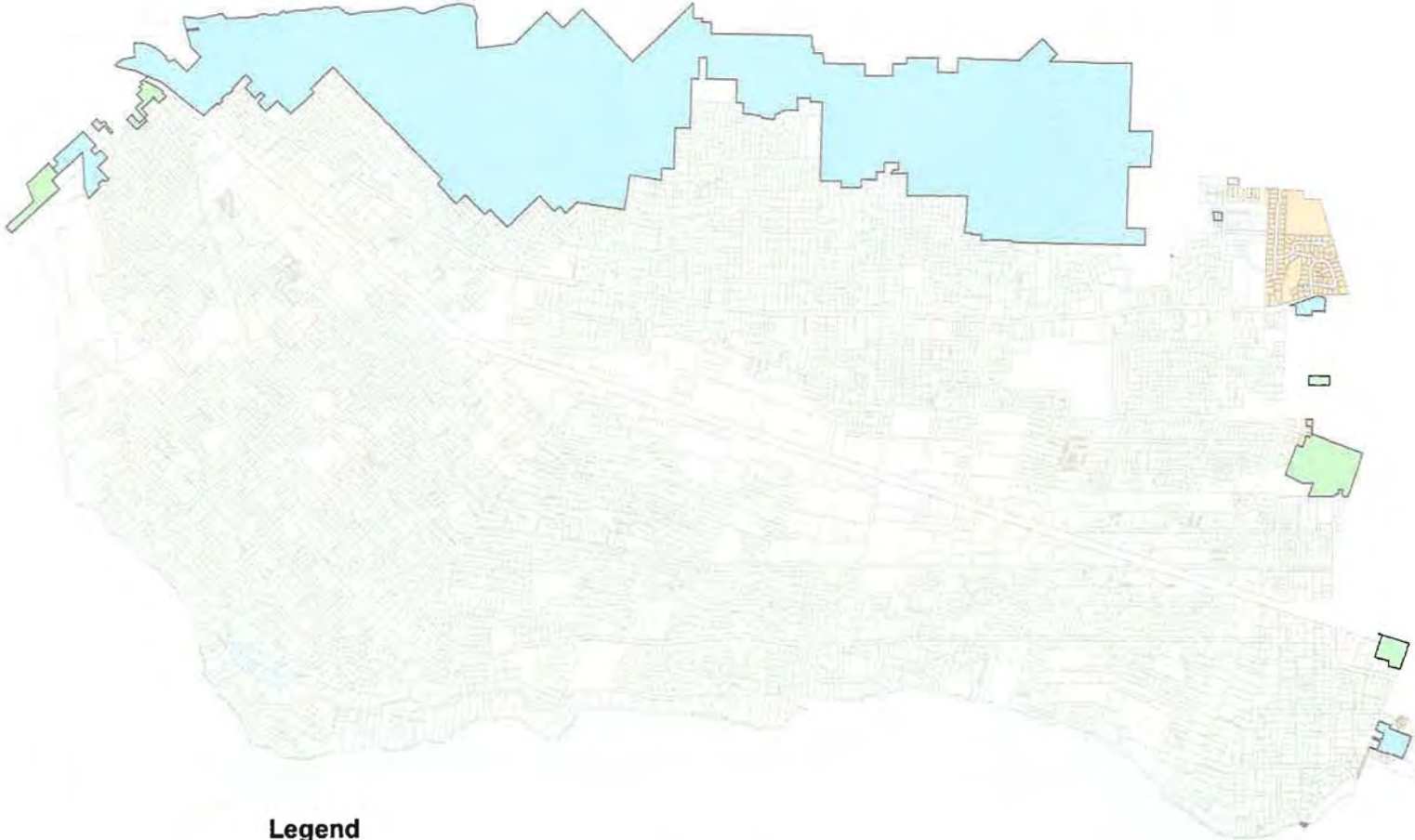
143. Thence North 45° 20' East along said centerline 60.0 feet more or less to the centerline of SE Hil Road (County Road No 1936);
144. Thence Northeasterly crossing said Thiessen Road to the Southwest corner of Lot 1, Block 1 Alder Crest Acres a duly recorded subdivision in Clackamas County, Oregon;
145. Thence Along the Northerly right of way line of SE Thiessen Road to the most southerly corner of a tract of land conveyed to Marie A Winston in instrument No. 2001-038508;
146. Thence North 45° West along the South and West lines of said Winston tract to the most Northerly corner thereof, said point being on the Southerly line of a tract of land conveyed to Loancity in Instrument No. 2015-068094;
147. Thence Northwesterly and Northeasterly along the southerly and westerly lines of said Loancity tract to the most Northerly corner thereof, said point being at the most Westerly corner of a tract of land conveyed to Steve and Marcia Busken in Instrument No. 83-4776;
148. Thence Northeasterly along the Northwesterly line of said Busken tract to the most Northerly corner thereof;
149. Thence North 45° West along the southerly extension of the Northerly line of Partition Plat 1991-123 a duly recorded Plat in Clackamas County, Oregon to the most northerly corner of Parcel II of said Partition Plat, said point being the Southeast corner of Rooster Hill a duly recorded Plat in Clackamas County, Oregon;
150. Thence North 45° West along the Southerly boundary of said Rooster Hill to the most Westerly corner thereof;
151. Thence continuing North 45° West along a tract of land conveyed in Instrument No. 87-12278 to the Southwest corner thereof, said point being the most southerly corner of Parcel 3 of Partition Plat No. 2004-004 a duly recorded Plat in Clackamas County, Oregon;
152. Thence North 45° 17' 33" West, 132.00 feet to the most westerly corner of said Parcel 3;
153. Thence North 44° 37' 58" East 204.74 feet along the Westerly lines of Parcel 3 and 2 said Partition to the Southerly corner of a tract of land conveyed in Book 897, Page 477 Clackamas County Deed Records;

154. Thence Northwesterly along the Southerly boundary of said Book 897, Page 477 to the westerly corner thereof;
155. Thence Northeasterly 25 feet more or less along the Westerly line of said Book 897, Page 477 to the Southerly corner of a tract of land conveyed to Roger and Gloria Simonatti In Instrument No. 79-5978;
156. Thence Northwesterly along the Westerly boundary of said Simonatti Tract and the Westerly boundary of a tract of land conveyed to Ryan and Heather Bigbee in Instrument 2004-024559 to the Easterly corner of Lot 2, Block C of View Acres a duly recorded subdivision in Clackamas County, Oregon;
157. Thence Westerly 1107.6 feet more or less along the Northerly line of Lot 2, Block C and Lots 4 thru 8, Block D of said View Acres to the Northwest corner of said lot 4;
158. Thence North 00° 26' 48" East, 643.13 feet along the West line of Lots 1 thru 3 Block D, and Lots 1 thru 3 Block B of said View Acres to the Northwest corner of Lot 1, Block B thereof, said point being the Southeast corner of Lot 1, Block 13 Milwaukie Hillcrest a duly recorded Plat in Clackamas County, Oregon;
159. Thence North 00° 47' West 411.16 feet along the Southeast line of said Lot 1, Block 13 Milwaukie Hillcrest to the Northeast corner thereof;
160. Thence North 89° 26' West 396 feet along the North line of said Lot 1 Block 13 Milwaukie Hillcrest to the Northwest corner thereof, said corner being on the East line of Lot 13, Block 10 of said Milwaukie Hillcrest;
161. Thence North 00° 47' West 330 feet along the East line of said Lot 13, Block 10 Milwaukie Hillcrest to the Northeast corner thereof;
162. Thence North 89° 26' West 659 feet more or less along the North lines of Lots 13 thru 16, Block 10, of said Milwaukie Hillcrest to the North west corner of said lot 16, said corner being on the Northerly right of way line of SE Kellogg Road;
163. Thence North 53° 18' 36" West 265.94 feet along the North right of way line of Said Kellogg road, and the most westerly line of Parcel 2 of Partition Plat 2006-082 a duly recorded Plat in Clackamas County, Oregon, to the most westerly Northwest corner of said parcel 2;
164. Thence continuing Northwesterly along the North right of way line of SE Kellogg Road and the Southerly line of a tract of land conveyed to Rod Maguire-Rust and Melissa Maguire in Instrument No. 2005-104902, Clackamas County Deed Records, and Lot 4 Block 10 of said Milwaukie Hillcrest to the most westerly corner of said Lot 4 Block 10;
165. Thence Northeasterly leaving the North right of way line of SE Kellogg Road along




the Northwesterly line of said Lot 4 Block 10 Milwaukie Hillcrest to the most Northerly corner thereof being on the South right of way line of SE Aldercrest Road;

166. Thence Northeasterly 60 feet more or less to the North right of way line of SE Aldercrest Road and the Southwest corner of a tract of land conveyed to Glenn and Freda Green in Instrument No. 2001-015304 Clackamas County Deed Records;
167. Thence Northerly along the West line of said Green tract to the centerline of Kellogg Creek;
168. Thence Northwesterly along the centerline of Kellogg Creek to the TRUE POINT OF BEGINNING;



OAK LODGE WATER/SEWER

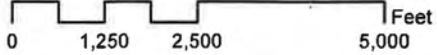


Legend

-  water x
-  sewer x
-  stm_fill

Taxlots

-  Common Taxlots
- OL Water Serving**
-  GLADSTONE



FINDINGS

Based on the study and the public hearing the Board found:

1. Proposal No. CL 16-009 is a consolidation of Oak Lodge Water District and Oak Lodge Sanitary District (together, the "Districts") which is being processed under ORS 198. This proposal was initiated by resolutions from the two Districts' Boards. The resolutions met the requirement for initiation set forth in ORS 198.898(5). The election called for under ORS 198.903 was ordered by the two Districts boards and held on May 17, 2016 and the matter was approved in both districts. The districts requested that the County review the proposal under provisions of the Metro Code prior to their completion of the final steps outlined in ORS 198.
2. As required by the Metro Code notice of this hearing invited testimony from any interested party. Notice consisted of: 1) Posting ten notices in the territory and one notice near the County hearing room 20 days prior to the hearing; 2) Published notice twice in the Clackamas County Review; and, 3) Mailed notice sent to affected local governments.
3. According to the Districts' Explanatory Statement for the election ballot title:

Oak Lodge Water District and Oak Lodge Sanitary District provide drinking water, sewage collection and treatment, and surface water management services in the Oak Lodge/Jennings Lodge area. The two Districts' boundaries are nearly the same.

Since 2013, the elected Boards of both Districts have jointly conducted legal and financial studies to evaluate the pros and cons of consolidation. The studies demonstrate a single consolidated District could save ratepayers \$4.25 million over the first 10 years. Savings come from: not replacing three duplicative positions that will be vacant due to retirement and attrition; combining financial systems; and sharing office space – there is room for everyone in the Water District building.
4. The Districts cite the following reasons in support of consolidation:
 - Cost savings: Estimated at \$4.25 million over first 10 years
 - More efficient: eliminates overlap and duplication.
 - Improved customer service through single point of contact.
 - Better prepared for natural disasters and emergencies.
 - Shared mission: provide clean water, protect public health and the environment in most cost-effective manner.
 - Customers receive combined water/sewer bill.
 - No job losses. Only vacant, duplicative management and administrative positions will be eliminated.

- Maintains independent, local service for water, sewer and surface water management.
5. The Metro Code requires a staff report that addresses the criteria cited below and that includes the following information:
1. The extent to which urban services are available to serve the affected territory, including any extraterritorial extensions of service;
 2. Whether the proposed boundary change will result in the withdrawal of territory from the legal boundary of any necessary party¹; and
 3. The proposed effective date of the boundary change.

The consolidating Districts already provide water, sewer and surface water management services to the area. Service availability is covered in the Findings below. Staff has examined the statutes and determined that approval of this consolidation will not cause the withdrawal of territory from the boundary of any necessary party. The effective date of the consolidation will be established when the process laid out in ORS 198.910 is complete (joint meeting of the two districts' boards, selection of new board and adoption of resolution of new board declaring consolidation complete.)

6. ORS 198 specified a role for the Board of County Commissioners ("BCC") with respect to boundary changes for special districts regarding formation, annexation, withdrawal, and dissolution within the County. The statute is silent regarding the role of the BCC with respect to mergers and consolidations. Metro Code Chapter 3.09 requires action by a "reviewing entity." The Districts have asked the BCC to serve in the role of a reviewing entity with respect to their consolidation to ensure complete compliance with all applicable laws.
7. The Metro Code requires consideration of the following criteria:

The reviewing entity should:

- (1) Find that the change is consistent with expressly applicable provisions in:
 - (A) Any applicable urban service agreement adopted pursuant to ORS 195.065;
 - (B) Any applicable annexation plan adopted pursuant to ORS 195.205;
 - (C) Any applicable cooperative planning agreement adopted pursuant to ORS 195.020 (2) between the affected entity and a necessary party;

¹ A "necessary party" is another governmental entity which includes the same area or provides an urban service to the area.

- (D) Any applicable public facility plan adopted pursuant to a statewide planning goal on public facilities and services; and
 - (E) Any applicable comprehensive plan; and
 - (F) Any applicable concept plan.
- (2) Consider whether the boundary change would:
- (A) Promote the timely, orderly and economic provision of public facilities and services;
 - (B) Affect the quality and quantity of urban services; and
 - (C) Eliminate or avoid unnecessary duplication of facilities and services.

There are no cooperative agreements, urban service agreements or annexation plans specifically adopted pursuant to ORS 195 in effect in this area. No changes in public service planning or land use planning are affected by this consolidation. No concept plans cover this area. Studies conducted by the two Districts indicated that some savings and efficiencies would be achieved by the consolidation thus promoting the timely, orderly and economic provision of services. The quality and quantity of services could be improved by the increased efficiencies and economies available as a result of the consolidation. Some management efficiencies will be accomplished through reduction of duplicated positions.

8. This territory is inside of Metro's jurisdictional boundary and inside the regional Urban Growth Boundary (UGB).

The law that requires Metro to adopt criteria for boundary changes specifically states that Metro shall " . . . ensure that a boundary change is in compliance with the Metro regional framework plan as defined in ORS 197.015 and cooperative agreements and urban service agreements adopted pursuant to ORS chapter 195." ORS 197.015 says "Metro regional framework plan means the regional framework plan required by the 1992 Metro Charter or its separate components." The Regional Framework Plan was reviewed and found not to contain specific criteria applicable to boundary changes.

There are two adopted regional functional plans, the Urban Growth Management Functional Plan and the Regional Transportation Plan, which were examined and found not to contain any directly applicable standards and criteria for major boundary changes.²

9. ORS 195 requires agreements between providers of urban services. Urban services are

² A consolidation is defined as a "Major boundary change" in the Metro Code.

defined as: sanitary sewers, water, fire protection, parks, open space, recreation and streets, roads and mass transit. These agreements are to specify which governmental entity will provide which service to which area in the long term. The counties are responsible for facilitating the creation of these agreements. There are no urban service agreements under ORS 195 relative to sewer or water service in this area of Clackamas County.

10. The Oak Lodge Water District is larger than the Oak Lodge Sanitary District. The Oak Lodge Sanitary District provides sewer service within its boundary. Territory in the Oak Lodge Water District which is not also in the Sanitary District is served by Clackamas County Service District No. 1. This area includes roughly 1500 properties. These properties will continue to receive service from CCSD#1 until that status is changed by a contract or formal withdrawal from CCSD#1.
12. The area receives police service from Clackamas County Sheriff's Department.
13. The territory is within the Clackamas County R.F.P.D. #1. This service will not be affected by the consolidation of the water and sanitary districts.
14. Both Districts are within the North Clackamas County Parks & Recreation District which will not be affected by the consolidation.

CONCLUSIONS AND REASONS FOR DECISION

Based on the Findings, the Board determined:

1. In compliance with the Metro Code the County has issued a report addressing the extent to which urban services are available, whether the consolidation will cause a withdrawal of territory from any unit of government and addressing the effective date of the proposal.
2. The County considered the factors in sections 1 & 2 of Metro Code 3.09.045 (D) as called for in 3.09.050 (D) and found there to be consistency with the applicable portions of these criteria.



Gregory L. Geist
Director

November 3, 2016

Board of County Commissioners
Clackamas County acting as the
governing body of Clackamas County
Service District No. 1

Members of the Board:

Formation of the Water Environment Services Partnership with
the Tri-City Service District
for Wastewater and Surface Water Services

Purpose/Outcomes	Ordinance Adoption and Agreement Execution to create a new municipal entity for wastewater and surface water services.
Dollar Amount and Fiscal Impact	Minimal in current budget year. Savings in future fiscal years.
Funding Source	Not Applicable
Duration	Permanent
Previous Board Action	Multiple governance conversations over the past several years. Receipt of 2008 Committee recommendation for partnership between CCSD#1 and TCSD.
Strategic Plan Alignment	Build strong infrastructure. Ensure safe, healthy and secure communities. Honor, utilize, promote and invest in our natural resources. Grow a vibrant economy.
Contact Person	Greg Geist, WES Director Chris Storey, Assistant County Counsel
Contract No.	Not Applicable

ISSUE

One of the most challenging aspects of management of Clackamas County Service District No. 1 (“CCSD#1”) has been a lack of certainty regarding its long term plan for investment and operations. It has rented space and leased space, but does not yet have agreement on a multi-decade investment strategy to meet the needs of its ratepayers. This certainty is key to the long range planning necessary in the wastewater treatment industry. The infrastructure is expensive and needs to be online prior to the failure of old equipment or the arrival of additional flows, while serving the community for up to 100 years. The creation of a 190 Partnership with the Tri-City Service District (“TCSD” and, together with CCSD#1, the “Partners”) for mutual operation and investment would provide that level of certainty to ensure that there are no stranded investments or service failures.

BACKGROUND

CCSD#1 has partnered with TCSD since TCSD was formed by public vote in 1980. The two districts currently contract with Clackamas County ("County") for management of operations and administration, resulting in significantly lower costs to ratepayers.

This cooperative approach expanded in 1996 with the construction of a shared laboratory facility and again in 1999 through an agreement for the rental by CCSD#1 of wastewater treatment capacity at the Tri-City Water Pollution Control Facility ("Tri-City Facility") and construction of an intertie pipeline to allow flows to reach the treatment works. In 2003 agreement was reached to consolidate future wastewater treatment for both districts at the Tri-City Facility pursuant to a plan that was ultimately rescinded for non-technical reasons.

The economic incentives for cooperative investment and operation brought the Partners together when CCSD#1 was considering options to expand its treatment capacity. After reaching agreement, CCSD#1 opted to buy in to the Tri-City Facility infrastructure for a lump sum payment of \$4 million dollars. CCSD#1 leased space there and invested approximately \$90 million for a high-technology membrane bio-reactor wastewater liquids treatment facility (the "MBR Facilities"). In addition, another \$30+ million was invested by CCSD#1 to construct pump stations and pipes to deliver the flows to the Tri-City Facility, enhancing the interconnected network between the TCSD and CCSD#1 systems.

This cooperative agreement allows for flow management and balancing between the two districts' systems to better ensure compliance with regulatory requirements and to allow equipment to go offline for routine maintenance. The MBR Facility now produces the highest quality effluent of any treatment plant in the State of Oregon, and significantly assists the Tri-City Facility in meeting current and future regulatory requirements of the Clean Water Act.

Currently, CCSD#1 pays for a portion of the operating costs of the Tri-City Facility relative to its flow. The MBR Facilities are designed to allow ease of expansion on a smaller footprint to meet the needs of both Partners, allowing for continued high performance in meeting regulatory requirements and environmental goals at a substantially lower cost now and into the future.

To confirm the willingness of the entities to work together as partners, a regionally-representative 2008 blue ribbon group was formed, consisting of members of the business community, environmental groups, ratepayers, and elected officials from all affected cities including Gladstone, Happy Valley, Oregon City, Milwaukie, and West Linn (the "Blue Ribbon Committee"). This Blue Ribbon Committee participated in a thorough examination of the potential costs and benefits of closer cooperation and partnership between the Partners. The Blue Ribbon Committee found that: (i) there were significant financial benefits to each of the Partners' ratepayers by making collective investment and management decisions, with millions in projected savings; (ii) there was an equitable fiscal and operational model that ensured fairness for all; and (iii) governance and ratepayer interests of all stakeholders could be addressed in a collective investment and operational approach.

One of the conditions of the Blue Ribbon Committee's findings was that each Partner's ratepayers would be responsible for their prior debt. This Agreement follows that condition by requiring CCSD#1 ratepayers to be responsible for all of CCSD#1's currently outstanding debt going forward. Blue Ribbon Committee members, including the elected officials of component cities of the Partners, made a recommendation to the Board of Commissioners of Clackamas County ("BCC") to have the Partners operate more closely together as partners, with the ultimate goal of a

regional consolidation forming a single county service district under the governance of the BCC with appropriate input from stakeholders.

The concept of regionalization of wastewater efforts was further discussed by the Regional Wastewater Treatment Capacity Advisory Committee (“Regional Committee”) over several years. In 2012, after a recommendation from the Regional Committee, the Partners agreed to mutually invest and acquire the Blue Heron lagoon and associated Clean Water Act permit, with each Partner equally sharing in all related costs to avoid approximately \$80 million in infrastructure expenditures imposed by regulatory requirements. Further investigations and conversations at the Regional Committee in 2015-16 have indicated substantial cost savings to ratepayers through a joint investment strategy for solids handling infrastructure.

In short, when addressing three types of projects (liquids treatment, regulatory discharge permits, solids handling) over a decade, in each case there were substantial cost savings gained by the Partners working together to address mutual challenges. A white paper analysis of a regional approach to service delivery by the Partners provided an overview of the many issues in which staff anticipate ratepayers will benefit in the future as well. A copy of the white paper is attached.

To implement that regional approach, staff has evaluated several options that have been discussed publicly. At this point staff feels it is important to provide the certainty necessary to allow for a mutual investment strategy that gives assurances to both Partners that they will not be abandoned in the future. This can best be accomplished by forming a partnership between CCSD#1 and TCSD, the “Water Environment Services” partnership pursuant to Oregon Revised Statutes Chapter 190. This newly-formed regional entity would allow for a cohesive, effective, and efficient approach to service delivery that should hold costs lower and give confidence to ratepayers and the community at large that the critical elements of wastewater infrastructure will be provided in a timely manner to meet the needs of the region.

An agreement to implement this partnership approach is attached hereto.

To effectuate the agreement, the Board would also need to adopt an ordinance. A draft ordinance is attached as well.

RECOMMENDATION

The staff recommends the adoption of the attached Ordinance in a single reading through the declaration of an emergency to allow for immediate effectiveness, and execution of the attached Agreement.

Respectfully submitted,

Gregory Geist
Director

ORDINANCE NO. _____
OF TRI-CITY SERVICE DISTRICT

AN ORDINANCE AUTHORIZING AN INTERGOVERNMENTAL PARTNERSHIP AGREEMENT BETWEEN CLACKAMAS COUNTY SERVICE DISTRICT NO. 1 AND TRI-CITY SERVICE DISTRICT CREATING THE WATER ENVIRONMENT SERVICES PARTNERSHIP and Declaring an Emergency

WHEREAS, the Board of County Commissioners as the governing body of Tri-City Service District (the "District") is desirous of entering into partnership with Clackamas County Service District No. 1 for the purposes of providing more efficient and cost-effective wastewater and surface water services on a more regionalized basis; and

WHEREAS, the attached Intergovernmental Partnership Agreement ("Agreement") creates a new municipal entity to be known as "Water Environment Services," to accomplish that purpose as more fully stated in the Agreement pursuant to Oregon Revised Statutes Chapter 190;

NOW THEREFORE, TR-CITY SERVICE DISTRICT BOARD ORDAINS AS FOLLOWS:

Section 1. The Intergovernmental Partnership Agreement between Clackamas County Service District No. 1 and the Tri-City Service District creating a new municipal entity known as "Water Environment Services" as attached hereto as Exhibit A and incorporated herein, is hereby adopted.

Read first time at a regular meeting of the District Board held on the 3rd day of November, 2016, and the foregoing ordinance was finally enacted by the City Commission this 3rd day of November, 2016.

ADOPTED this 3rd day of November, 2016.

BOARD OF COUNTY COMMISSIONERS
as the governing body of
TRI-CITY SERVICE DISTRICT

Chair

Recording Secretary

ORDINANCE NO. _____

Effective Date: November 3, 2016

AN INTERGOVERNMENTAL PARTNERSHIP AGREEMENT
FORMING THE
WATER ENVIRONMENT SERVICES
PARTNERSHIP

THIS INTERGOVERNMENTAL PARTNERSHIP AGREEMENT (this “Agreement”), dated as of November 3, 2016, is entered into by and between Clackamas County Service District No. 1, a county service district formed under Oregon Revised Statute (“ORS”) Chapter 451 (“CCSD#1”), and the Tri-City Service District, a county service district formed under ORS Chapter 451 (“TCSD”), pursuant to ORS Chapter 190 for the creation of a new intergovernmental entity. The parties are herein individually referred to as “Partner” and collectively as the “Partners.”

RECITALS

History.

TCSD has partnered with CCSD#1 to share the costs of administrative and management services since formation by public vote in 1980. The Partners currently contract with Clackamas County (“County”) for management of operation and administration, resulting in significantly lower costs to ratepayers. This cooperative approach expanded in 1999 through an agreement for the rental by CCSD#1 of wastewater treatment capacity at the Tri-City Water Pollution Control Facility (“Tri-City Facility”) and construction of an intertie pipeline to allow flows to reach the treatment works. The Partners have also shared the costs of creating and staffing a certified laboratory in support of meeting Clean Water Act requirements at all facilities. The relationship was financially beneficial for both districts, and in 2003 agreement was reached to consolidate future wastewater treatment for both districts at the Tri-City Facility pursuant to a plan that was ultimately rescinded for non-technical reasons.

The economic incentives for cooperative investment and operation brought the Partners together when CCSD#1 was considering options to expand its treatment capacity. After reaching agreement, CCSD#1 opted to buy in to the Tri-City Facility infrastructure for a lump sum payment of \$4 million dollars. CCSD#1 leased space there and invested approximately \$93 million for a high-technology membrane bio-reactor wastewater liquids treatment facility (the “MBR Facilities”). In addition, another \$40 million was invested by CCSD#1 to construct pump stations and pipes to deliver the flows to the Tri-City Facility, enhancing the interconnected network between the TCSD and CCSD#1 systems.

This cooperative agreement allows for flow management and balancing between the two districts’ systems to better ensure compliance with regulatory requirements and to allow equipment to go offline for routine maintenance. The MBR Facility now produces the highest

quality effluent of any treatment plant in the State of Oregon, and significantly assists the Tri-City Facility in meeting current regulatory requirements of the Clean Water Act.

Currently, CCSD#1 pays for a portion of the operating costs of the Tri-City Facility relative to its flow. The MBR Facilities are designed to allow ease of expansion on a smaller footprint to meet the needs of both Partners, allowing for continued high performance in meeting current and future regulatory requirements and environmental goals at a substantially lower cost now and into the future.

To confirm the willingness of the entities to work together as partners, a regionally-representative 2008 blue ribbon group was formed, consisting of members of the business community, environmental groups, ratepayers, and elected officials from all affected cities including Gladstone, Happy Valley, Oregon City, Milwaukie, and West Linn (the “Blue Ribbon Committee”). This Blue Ribbon Committee participated in a thorough examination of the potential costs and benefits of closer cooperation and partnership between the Partners. The Blue Ribbon Committee found that: (i) there were significant financial benefits to each of the Partners’ ratepayers by making collective investment and management decisions, with millions in projected savings; (ii) there was an equitable fiscal and operational model that ensured fairness for all; and (iii) governance and ratepayer interests of all stakeholders could be addressed in a collective investment and operational approach.

One of the conditions of the Blue Ribbon Committee’s findings was that each Partner’s ratepayers would be responsible for their prior debt and actions. This Agreement follows that condition by requiring CCSD#1 ratepayers to be responsible for all of CCSD#1’s currently outstanding debt going forward. Blue Ribbon Committee members, including the elected officials of component cities of the Partners, made a recommendation to the Board of Commissioners of Clackamas County (“BCC”) to have the Partners operate more closely together as partners, with the ultimate goal of a regional consolidation forming a single county service district under the governance of the BCC with appropriate input from stakeholders, all as more fully described on Exhibit A attached hereto.

The concept of regionalization of wastewater efforts was further discussed by the Regional Wastewater Treatment Capacity Advisory Committee (“Regional Committee”) over several years. In 2012, after a recommendation from the Regional Committee, the Partners agreed to mutually invest and acquire the Blue Heron lagoon site and associated Clean Water Act permit, with each Partner equally sharing in all related costs in an estimated \$35 million project, which would allow both Partners to avoid approximately \$80 million in infrastructure expenditures imposed by regulatory requirements.

Further investigations and conversations at the Regional Committee in 2015-16 have indicated substantial cost savings to ratepayers through a joint investment strategy for solids handling infrastructure. In short, when addressing three types of projects (liquids treatment, regulatory discharge permits, solids handling) over a decade, in each case there were

substantial cost savings and efficiencies gained by the Partners working together to address mutual challenges.

Current Challenges.

One of the most challenging aspects of management of the Partners has been a lack of certainty regarding long term investments and operations. The plans of each Partner are inextricably linked to the other given the investments made for construction of the MBR Facility and the Blue Heron lagoon project. Each capital project has been evaluated and discussed as a standalone question, when better management practices dictate that a more comprehensive look be taken to maximize efficiencies and opportunities for ratepayers. Gaining this certainty is a key requirement in the long range planning necessary in an industry such as wastewater treatment. The infrastructure is expensive and relatively permanent once constructed, and needs to be online prior to the imposition of new regulatory requirements, the failure of old equipment, or the arrival of additional flows.

In addition to the lack of certainty, there are barriers to efficiency that arise from the regulatory structure required when operating as separate districts, even with common management. The current legal structure of the Partners holding separate National Pollution Discharge Elimination System (“NPDES”) permits at the Tri-City Facility and at the Kellogg Creek Wastewater Treatment Facility (“Kellogg Facility”) creates regulatory inefficiencies that can lead to duplicative requirements and avoidable expenses.

For example, solids generated at the Tri-City Plant cannot be applied to fields authorized for CCSD#1, and vice versa. This results in the inefficiency of having to send two solids trucks to eastern Oregon to apply on fields that are fairly close to each other, due to a regulatory prohibition to mixing solids, even in the truck. Discharge limitations are unique to each facility and require duplicative investment to meet a discharge restriction even when the overall system is well below the regulatory threshold. These and other similar issues could be significantly improved if there were a single entity that held all NPDES and other regulatory permits.

Benefits.

Overall, evaluations from elected officials, community groups, and professional staff, as well as nationwide industry trends, all indicate that customers of both Partners would be best served by a regional approach to wastewater and surface water services. Current capital planning by the Partners anticipate that the majority of the investment costs required going forward will be driven by the need for asset replacement and regulatory requirements, which can be more effectively managed utilizing a regional approach.

In addition, urban Clackamas County is covered by a joint Municipal Separate Storm Sewer System (“MS4”) permit. CCSD#1 provides the lead for surface water services for many

cities throughout the urban area. The inclusion of such services in this partnership may be of benefit to TCSD member cities if a city elects to use them.

A permanent partnership agreement to cooperate together in addressing regional needs is in the best interests of the customers of CCSD#1 and TCSD. This formal partnership will provide long term certainty to the Partners in working together to realize the many millions in savings recognized by each of the public processes used to examine the issue over the last two decades. That certainty allows for efficient and non-duplicative capital planning, improved operations, and redirects the focus and energy of staff and stakeholders to better address the existing challenges to the wastewater and surface water systems.

It is the intention of the Parties that the formation of a partnership entity to hold all the assets of the Partners and provide for singular management of the same would allow for a regional, consistent, and efficient way to plan for and provide north Clackamas County's future wastewater and surface water needs in a way that protects public health and the environment and supports economic development (the "Purpose"). Consistent with this Purpose, both Partners have a stated policy of having "growth pay for growth" by the charging of appropriate system development charges to ensure current ratepayers are not unduly burdened by new connections, which would continue under this Partnership.

The Partners remain committed to ensuring that an appropriate and stable form of governance and public input is sought from all affected stakeholders. The governing body of the Partners has publicly stated that they are willing to consider alternatives to this Agreement, including the possibility of a vote to change governance structures, or modifications to this Agreement to allow for a different governance structure, or financial principals different than stated in this Agreement, or operating arrangements between the Partners and affected jurisdictions. In addition, the Partners are open to considering additional partner entities to join into this Agreement, including but not limited to the Cities of Milwaukie and Johnson City. The Partners believe the formation of the partnership reflected in this Agreement is a crucial positive step forward in realizing the benefits of joint operation and investment between the Partners.

NOW, THEREFORE, in consideration of the statements made above and the mutual promises and covenants contained herein, the Partners hereby agree as follows:

Article I. PURPOSE AND SCOPE.

Section 1.01 Purpose of Agreement. The objective of this Agreement is to provide for a new structure to support the Purpose. The Partners hereby form, establish and organize a municipal partnership pursuant to ORS 190.010(5), to be known as “Water Environment Services,” an ORS 190 municipal partnership (“WES”). This entity shall have the full set of powers and authority allowed under ORS 190, as more fully described below. The Partners intend that all current and future facilities, including the Tri-City Facility and the Kellogg Facility, other treatment and surface water assets previously held by the Partners, and all future assets shall be operated as a combined system for the benefit of all the Partners and their ratepayers in the manner set forth herein.

Section 1.02 Governance. WES shall be governed by the WES Board (defined below), and its primary function shall be to carry out the Purpose and this Agreement, as both may be amended or supplemented from time to time. The Partners intend for WES to function as a regional agency that provides wholesale and, where applicable, retail wastewater collection, conveyance, treatment and management services and surface water management services in the public interest to protect public health and the environment and comply with all applicable laws, regulations and permits.

Section 1.03 Partnership Contribution. The Partners intend to contribute the ownership and management of all existing facilities, assets whether tangible or intangible and all related properties and interests into WES, including but not limited to monetary and regulatory assets, contracts, and other agreements shall be deemed part of the WES Facilities (as defined below) so that the entire system is under WES’s sole management and control. This full “Contribution” can occur only after all outstanding CCSD#1 Bonds (defined below) have been paid or defeased, or when the applicable bond covenants are no longer valid, or when it is otherwise legally feasible. The Partners herein commit to work together in good faith, to use their best efforts, and to take all necessary actions to accomplish Contribution as provided herein. It is the intention of the Parties that each will take all available steps as soon as reasonably possible to effectuate the Contribution and will not wait for action by the other to accomplish this goal. Until such time as CCSD#1 is able to make the complete Contribution, it agrees that all of its WES Facilities shall under its ownership but under the management and direction of WES to the maximum extent allowable by law and the CCSD#1 Bond covenants.

Section 1.04 Transition Period. The Partners recognize that a transition period will be necessary to identify and accomplish all required and appropriate Contribution steps and to coordinate the assumption by WES of responsibilities and legal obligations related to the respective Partner’s systems. It is further acknowledged that due to the complexity and cycles

required by Oregon Local Budget Law, that each of the Partners will operate consistent with their currently adopted budgets for the 2016-17 fiscal year. In addition to the Contribution referenced in Section 1.03 above, the Partners shall evaluate and proceed with a budgetary integration plan consistent with the Purpose, with the goal of having full budgetary integration with WES being the lead entity no later than July 1, 2018 (the “Transition Period”).

Section 1.05 Extraordinary Cooperative Efforts. The Partners recognize that, during at least the Transition Period, extraordinary cooperative efforts will be required to coordinate the legal and service obligations of the WES System (defined below) and to complete all of the legal and administrative steps necessary to consolidate the Partners’ wastewater and surface water operations. The Partners shall undertake all actions and cooperate as may be necessary to enable WES and the WES Board to operate as a legal and independent municipal entity.

Section 1.06 Termination of Prior Agreements. While acknowledging that the Contribution may take significant time to effectuate through the Transition Period, it is the intention of the Parties to move forward under this Agreement consistent with the Purpose. Therefore the Partners hereby terminate all prior intergovernmental agreements exclusively between them, including but not limited to the (i) agreement regarding the construction and operation of wastewater treatment facilities and the Tri-City Plant signed December 18, 2008 as subsequently amended on May 12, 2011; (ii) mutual investment agreement regarding the Blue Heron Lagoon site dated December 13, 2012; and (iii) alternative biosolids disposal agreement dated June 25, 2015. This termination shall be effective as of November 3, 2016; *provided, however,* that the operative terms of all such agreements shall continue as if incorporated by reference into this Agreement. This incorporation shall be conditional. The Administrator of the Partners or Director of WES may designate any provision or provisions of any or all such agreements as non-operative at any time and such provisions shall then have no force or effect. All such incorporated provisions, if not earlier designated non-operative, shall cease to be effective in all respects at the end of the Transition Period.

Section 1.07 Commitment & Access to Facilities. Consistent with prior agreements and the Blue Ribbon Committee recommendation, the Partners commit to deliver all sewage flows to WES for treatment and disposal or reuse. Each Partner foregoes the opportunity to treat and dispose or reuse its wastewater flows individually and decides to share control of access to and capacity in wastewater treatment facilities, as more fully set forth below. Because this Agreement contemplates that all Partners will be using WES Facilities and because most, if not all, Partners or their component communities will be transporting wastewater flows through the political jurisdictions of one or more other Partners, the Partners declare and confirm (i) that this Agreement is not intended as an instrument to permit one Partner to control the wastewater collection services furnished by another Partner, and (ii) that each Partner will cooperate to provide the others with access for wastewater flow to the WES Facilities either by sharing conveyance capacity, if reasonably available, or by facilitating the acquisition of

necessary rights-of-way, franchises, and permits through and under public streets, rights-of-way, and property under reasonable conditions and terms for such access.

Section 1.08 Ownership of Assets. The Partners recognize that they have developed and maintained their respective systems, and that several such systems are integrated between the Partners to serve the ratepayers of both districts. The Partners hereby reconfirm that they each have a quantified or unquantified interest in existing facilities based on past financial contributions to the development, operation and maintenance of the facilities and related systems. In this Agreement, the Partners commit to transfer all right, title and interest in and to existing facilities to WES. Each Partner further agrees to execute or approve any and all deeds, leases, instruments, documents, and resolutions or ordinances necessary to give effect to the terms of this Agreement. To the extent a bill of sale, agreement, or other written instrument is required to document such transfer, the Partners each do hereby convey such assets hereunder without need of any further action, subject to any restrictions on transfer such as the CCSD#1 Bonds covenant.

Section 1.09 Release of Claims. Each Partner hereby releases and agrees to hold each other Partner harmless from any and all claims, demands, and causes of action arising from or relating to the legal or equitable ownership of any part of the WES System prior to effective date of this Agreement. In consideration for the mutual promises and covenants and establishment of WES, each Partner waives all potential claims against the other as to ownership of existing facilities, rights for payments under prior agreements, and as to monetary reimbursement or compensation arising from the ownership of existing facilities or its transfer to WES, *provided, however*, that the ratepayers of TCSD shall not be required to pay for any of the CCSD#1 Bonds.

Section 1.10 Contract Documents. The following exhibits are incorporated by reference into this Agreement as though fully set forth herein:

Exhibit A — 2008 Blue Ribbon Committee Findings & Membership

Exhibit B — WES Service Area Description and Maps

Section 1.11 Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

- (a) “CCSD#1 Bonds” means all outstanding debt of CCSD#1 as of the effective date of this Agreement, including but not limited to the Series 2002A Obligations, Series 2009A

Obligations, Series 2009B Obligations, Series 2010 Obligations, Series 2016 Obligations, and any Oregon State Revolving Fund loans.

- (b) "CCSD#1 Debt Service" means the principal of, interest on, sinking fund requirements, reserve account requirements and any coverage requirement required by a resolution or order authorizing the issuance of the CCSD#1 Bonds.
- (c) "Connection Charge" means the one-time connection charge collected at issuance of building permit for each new connection to a Local System or directly to the WES System, as required by WES Regulations. This is distinct from a System Development Charge, defined below.
- (d) "Equivalent Dwelling Unit" or "EDU" shall initially have the meaning set forth in the ordinances of the Tri-City Service District. The Partners agree that the WES Board may change such definition at a future date and nothing in this Agreement shall be construed to restrict such change.
- (e) "Equivalent Service Unit" or "ESU" shall initially have the meaning set forth in the ordinances of Clackamas County Service District No. 1. The Partners agree that the WES Board may change such definition at a future date and nothing in this Agreement shall be construed to restrict such change.
- (f) "General Pretreatment Regulations" shall mean the United States Environmental Protection Agency General Pretreatment Regulations for existing and new sources as set forth in 40 CFR Part 403.
- (g) "Local System" means sewer or surface water facilities that are owned or operated by a local government other than a Partner for the local collection, pretreatment, transmission, and delivery of wastewater or surface water flows to WES Facilities.
- (h) "Partners" means CCSD#1 and TCSD, and any subsequently admitted Partners added pursuant to an amendment to this Agreement.
- (i) "Stakeholder" means a group or entity with a material interest in the performance, goals and objectives of WES. This shall automatically include the Cities of Gladstone, Happy Valley, Johnson City, Milwaukie, Oregon City, and West Linn, and may include other interested parties such as business chambers, environmental coalitions, ratepayer groups, and technical groups as designated by the WES Board.

- (j) "Surface Water Service Charge" means the WES monthly rate charged for each Equivalent Service Unit connected to Local Systems or directly to the WES System.
- (k) "System Development Charge" means charges authorized by ORS 223 and implemented by WES Regulations for the payment by new connections for the impact of such new connection on the existing WES System.
- (l) "WES" means the WES Partnership created by this Agreement pursuant to ORS 190.
- (m) "WES Board" means the board of directors who manage and oversee WES, who shall be the Board of Commissioners of Clackamas County. The composition of the WES Board may be changed by amendment to this Agreement.
- (n) "WES Debt" means any notes, bonds or other obligation of WES issued to finance or refinance improvements, betterments, or extensions to any facilities or any other costs related to the WES System but shall not include the CCSD#1 Bonds.
- (o) "WES Debt Service" means the principal of, interest on, sinking fund requirements, reserve account requirements and any coverage requirement required by a resolution authorizing the issuance of WES Debt.
- (p) "WES Facilities" means all wastewater or surface water treatment or reclaimed water facilities or conveyance contributed to, acquired by, constructed, managed by, received, or developed after the effective date of this Agreement by WES, including but not limited to the Tri-City Facility, the Kellogg Facility, the Hoodland Sewage Treatment Facility, the Boring Sewage Treatment Facility, the Fisher's Forest Park Water Pollution Control Facility, the Blue Heron lagoon and outfall, trunk sewer lines, sewage pumping stations, sewage force mains, other sewage treatment facilities and outfall lines, resource management basins, reclamation and groundwater recharge facilities, flow reduction improvements, and other improvements, properties, rights, or interests used or useful in the conveyance, treatment, disposal, storage, or management of wastewater or surface water flows or reclaimed wastewater or water products, including any appurtenances thereto, and any improvements or replacements of facilities.

- (q) “WES Facilities Maintenance and Operation Expenses” means all costs and expenses relating to labor, fringe benefits, power, light, water, heat, chemicals, equipment including repair and replacement thereof, tools, materials, vehicles, supplies, insurance premiums, contract services, inspections and taxes and “in lieu of taxes” directly and properly chargeable to the operation and maintenance of the WES Facilities plus administrative overhead expenses, and any other similar costs chargeable to the WES Facilities.
- (r) “WES Regulations” shall mean the regulations, ordinances and rules adopted by the WES Board regarding the functions of the WES System, as may be amended from time to time by the WES Board.
- (s) “WES System” means the total wastewater and surface water regional service system owned, operated, or controlled by one or more of the Partners or by WES, including the WES Facilities, or anything that is used or useful in the performance of WES’s functions, including all contracts, permits, rights, and interests that are necessary or useful for operation of said facilities.
- (t) “Wastewater Service Charge” means the WES monthly rate charged for each Equivalent Dwelling Unit (EDU) connected to Local Systems or directly to the WES System.

Article II. WES POWERS AND DUTIES.

Section 2.01 WES Powers. WES, an independent Oregon municipal legal entity, acting through the WES Board and duly authorized employees and agents, shall have all the powers of a county service district organized under ORS 451. Among its powers but without limiting the foregoing, WES shall have the full power and authority to:

- (a) Acquire, construct, receive, own, manage, lease, sell, and otherwise dispose of real property, personal property, intangible property, and WES Facilities;
- (b) Plan, develop, replace, operate and maintain WES Facilities;
- (c) Enter into contracts for goods, services, work, or other benefits to WES;

- (d) Borrow money and issue debt instruments, bonds, securities or provide for the borrowing of money and issuance of debt instruments in support of any lawful purpose of WES;
- (e) Receive gifts or grants for the planning, design, development, construction, or operation of WES Facilities, or assets or programs to further WES's purposes, or for other purposes necessary to carry out WES's purposes;
- (f) Lend money or provide services or facilities to any Partner or other governmental utility or governmental service provider in furtherance of WES's purposes;
- (g) Invest its funds consistent with applicable state law;
- (h) Sue and be sued;
- (i) Hire and fire employees, agents, and other service providers. The Partners acknowledge that services are currently being provided by the County and do not intend this Agreement to change that relationship.
- (j) Fix salaries, wages and other compensation of officers and employees, whether directly, by contract with the County, or otherwise;
- (k) Employ or retain engineering, legal, financial, architectural, or other specialized personnel and consultants as may be necessary to carry out the purposes of WES;
- (l) Impose, alter, regulate, control, and collect rates, charges, and assessments in one or more zones, including the ability to charge non-equal rates to customers as may be determined by the WES Board;
- (m) Purchase insurance and participate in pooled insurance and self-insurance programs;
- (n) Indemnify the Partners and their officers, elected officials, agents and employees in accordance with law;

- (o) Adopt ordinances, rules, policies, guidelines, or requirements to effectuate the Purpose and carry out its powers and responsibilities;
- (p) Regulate and be regulated as a single entity;
- (q) Exercise all other powers within the authority of and that may be exercised individually by any of the Partners which are necessary to efficiently effectuate the Purpose, including regarding wastewater or surface water conveyance, treatment, discharge, disposal, reclamation, reuse, conservation, or other WES purposes or functions as set forth herein, including but not limited to the power of eminent domain; and
- (r) Take any other actions as the WES Board deems necessary to implement the Purpose, to protect and advance the interests of the WES System, its Partners, and its ratepayers consistent with applicable law.

Section 2.02 Public Accountability. The Partners intend for WES to operate and function as a public agency. The WES Board shall conduct its deliberations and take action openly. Therefore, WES shall operate and conduct its business subject to the Oregon Public Meetings Law, Oregon Public Records Law, any local government accountancy statutes, and other applicable laws, regulations, and self-imposed policies.

Section 2.03 No Effect on Partner Powers. Nothing in this Agreement shall be deemed to limit the exercise of a Partner's powers as may be required or allowed by law. The WES Board may comment on proposed changes by Partners or component local government entities on land use plans and zoning codes where such changes could affect the WES System.

Section 2.04 WES Board. With respect to the WES Board, the Partners agree that:

- (a) *Procedures and Voting*. Each WES Board representative shall have one vote. The WES Board shall establish procedures for conducting its meetings consistent with Roberts Rules of Order and its decisions shall be by a majority vote except when otherwise provided herein.
- (b) *Unanimous votes*. For the actions that require unanimous votes identified below, proposed WES Board resolutions or motions must be distributed to the Clerk of each Partners' legislative body at least twenty-one (21) calendar days in advance of final

action by the WES Board. The following actions shall require unanimous votes by the WES Board:

- (i) The proposed dissolution of WES; or
 - (ii) Revisions or changes with respect to payments on the CCSD#1 Bonds.
- (c) *Local government representation.* To the extent that in the future the WES Board does not exactly overlap with the governing body of the Partners, the Partners hereby agree that legislative or administrative oversight by their respective local governments shall not be required for any WES Board decisions, except as expressly provided herein. WES Board members shall represent the interests of their respective local governments and constituent ratepayers in carrying out their responsibilities to act in the best interests of WES.
- (d) *Local Government Review and Comment.* The WES Board shall, in a timely manner, solicit the review and comment by affected local governments of proposed changes in WES comprehensive master plans and five year capital programs. The WES Board shall consult with an affected local government on any specific WES Facility capital project proposed within such entity's jurisdiction prior to approving the final design for such project. Nothing contained herein shall be deemed to require that such local entity consent to such an action before it may proceed, and equally that nothing in this Agreement is intended to limit, impair or otherwise modify a jurisdiction's independent land use authority.

Section 2.05 Committees. The WES Board may form and convene committees and advisory bodies as it deems appropriate for review and comment, public input, efficient staff and Board work, and other purposes.

Section 2.06 Books and Records. WES shall maintain appropriate books and records as would be required of a governmental utility of similar nature including but not limited to annuals budget and audits, and any document that would be deemed a public record under Oregon Public Records Law. Any member of the WES Board or a representative of such member may examine the books and records of WES. The WES Board may appoint an auditor or accountant to review any such books and records and the costs of such review shall be charged to WES which in turn may include such costs as a WES Facilities Maintenance and Operations Expense.

Section 2.07 Executive Officer. The WES Board may, by contract, ordinance, resolution, or otherwise, appoint a chief executive officer for WES. At the time of formation, the Partners agree that the County Administrator of Clackamas County shall serve as the executive officer of WES, and further that the County Administrator may appoint a Director to provide for the management of WES. There shall be no conflict of interest in having the County Administrator or a county employee serve as the Executive Officer, Director and/or any subordinate officers, employees or agents.

Article III. WES FINANCES.

Section 3.01 WES Rates & Charges. WES shall establish rates and collect fees for wastewater and/or surface water services that will be at least sufficient to pay the expenses of maintenance and operation of the WES System and will meet the principal, interest and coverage requirements and other bond covenants of all obligations issued by WES or by a Partner on behalf of WES that are related to improvements and extensions to the WES System or refunding bonds issued for the WES System and that constitute a charge upon the revenue of such system. WES may establish billing and collection systems and rules as necessary to effectuate the appropriate funding of WES.

Section 3.02 Rate Zones and Differentials. The WES Board shall establish rates for each rate zone of WES. Upon formation, there shall be two rate zones. "Rate Zone One" shall be coterminous with the boundaries of TCSD as they may be adjusted from time to time, and "Rate Zone Two" shall be coterminous with the boundaries of CCSD#1 as they may be adjusted from time to time. For illustrative purposes, maps and a general description of Rate Zone One and Rate Zone Two are attached hereto as Exhibit B. The WES Board shall have full power and authority to levy different rates between and within the rate zones. Rate Zones shall generally each pay a wholesale charge for wastewater treatment service. At the time of formation of WES, Rate Zone Two shall also pay sufficient amounts to meet the CCSD#1 Debt Service, retail wastewater service, and surface water services. As levels of service change, the WES Board may add or subtract charges within the Rate Zones; *provided, however*, that the WES Board may not add any payment for the CCSD#1 Debt Service to Rate Zone One except as provided in Section 2.04. The WES Board may create sub-zones within each Rate Zone as it deems advisable for reasons consistent with the Purpose, including but not limited to the exclusion of retail charges if that service is provided by a local government whose boundaries are within one of the Partners or the inclusion of a rate surcharge to recover the cost of right of way fees levied by a local government entity.

Section 3.03 Partner Covenants to Make Payments. During the Transition Period and until the Contribution is complete, and in consideration for WES maintaining and operating the WES Facilities and as a condition for use thereof and service therefrom, each Partner

irrevocably covenants, obligates and binds itself to timely bill, collect and pay the Surface Water Service Charge, Wastewater Service Charge, and the Connection Charge. Each Partner shall pay its share of costs attributable to WES Debt Service on and other costs associated with WES Debt throughout the term of this Agreement whether or not the WES Facilities or the WES System is operating or operable and notwithstanding the performance or nonperformance of this Agreement by any Partner. Nothing in this Agreement shall be interpreted to cause WES not to charge the Partners for WES Debt Service or to relieve a Partner from paying its share of WES Debt Service. The Partners acknowledge and agree that it is their intention that WES will levy directly such rates, charges, and fees necessary for the operation of the WES System and payment of any WES Debt Service at the conclusion of the Transition Period, as allowed by existing obligations and laws.

Section 3.04 Reporting and Payment of EDU and ESU Counts. By the 25th day of each month each Partner shall deliver to WES a statement specifying the number of EDUs and ESUs served or billed by it as of the last day of the immediate preceding month. If any Partner fails to furnish such count in a timely manner, WES may estimate such EDU count and bill that Partner according to that estimate. No dispute over any such charges shall relieve a Partner from its duty to pay a monthly bill. In the event an adjustment or correction must be made, it shall be effective for a credit or additional charges in the next succeeding month. WES may adopt, as part of the WES Regulations, a program to support low income, elderly and/or handicapped persons, provided the program is consistent with applicable State law and regulations. WES may initiate, at its own expense, an audit of the EDU and/or ESU counts of a Partner or Stakeholder government entity that is served by the WES System.

Section 3.05 Connection Charge and System Development Charge. Until at least the end of the Transition Period, each Partner shall collect a Connection Charge and System Development Charge equal to the amount established by the WES Board for every additional structure connected to the WES System beginning with the effective date established by the WES Board. After the Transition Period, the WES Board may directly charge a Connection Charge or direct a Partner to continue charging the same until otherwise directed by the WES Board. Upon change in the character in use of any structure connected to the WES System resulting in increased wastewater or surface water discharge, an additional WES Connection Charge and System Development Charge shall be collected so as to account for actual use, giving appropriate credit for connection charges already paid. After the Transition Period concludes, all Connection Charges and/or System Development Charges shall be paid to WES with the Partner's next monthly payment following the month in which the charges are collected. At least annually and more frequently as necessary, the WES Board shall consider the Connection Charge and confirm or adjust the amount of the Connection Charge as needed to cover costs of additional conveyance, treatment and management capacity.

Section 3.06 Local System Expenses. The Wastewater Service Charge and System Development Charge shall be deemed a maintenance and operation expense to the maximum extent possible under existing bond resolutions and ordinances and shall expressly be made a part of the maintenance and operation expenses of the systems of each Partner in any future bond issue or other financing payable in whole or in part from the revenues of such systems and shall be payable and constitute a charge prior and superior to any charge or lien of any revenue bonds, or any obligation, issued by the Partners payable from the net revenues (gross revenues less operations and maintenance expenses) of their respective systems.

Section 3.07 Existing Partner Debt. The Partners acknowledge that CCSD#1 has currently outstanding debt, namely the CCSD#1 Bonds, relating to its existing system, and that TCSD does not have any outstanding debt. The Partners acknowledge and agree that the ratepayers of TCSD shall not be responsible in any case for the CCSD#1 Bonds and related CCSD#1 Debt Service. Nothing in this Agreement is intended or shall be construed to violate any covenant of these outstanding bonds, and such covenants, to the extent there is a conflict between them and this Agreement, shall control with respect to such outstanding bonds and any debt issued on a parity with such bonds and required to have the same covenants as the outstanding bonds.

Section 3.08 Future WES Debt. On and after the effective date of this Agreement, no Partner shall issue any debt secured by existing or future WES sewerage charges or connection revenue, WES Facilities, or any other WES revenues or assets; however, with the approval of the WES Board a Partner may issue such debt on behalf of or for the benefit of WES. It is the intention of the Partner that all future debt necessary to support the WES System shall be issued by WES if revenue-based, or by a Partner or Partners if a general obligation bond.

Section 3.09 Transition Period Capital Project. The Partners anticipate moving forward with a solids handling capital project to be located at the Tri-City Facility (the "Solids Handling Project") during the Transition Period. This may require borrowings by the Partners individually or by WES. To allow for the greatest efficiency in moving forward with said project, the Partners agree that Rate Zone One ratepayers shall be responsible for thirty-six percent (36%) of any and all costs or debt associated with the Solids Handling Project, and Rate Zone Two ratepayers shall be responsible for sixty-four percent (64%) of any and all costs or debt associated with the Solids Handling Project. This ratio shall only apply to the Solids Handling Project. As set forth in Section 3.07, Rate Zone Two shall remain solely obligated for the CCSD#1 Bonds, and Section 3.10 shall govern future WES projects.

Section 3.10 Allocation of WES Debt Amongst Rate Zones. Except as provided for in Section 3.09, whether WES Debt is issued as revenue bonds, revenue obligations, or general

obligation bonds through the Partners, or otherwise, each ratepayer within a Rate Zone shall share equally in the cost of such WES Debt, whether for capacity expansion, asset replacement, regulatory requirements, or system efficiency reasons. The WES Board shall not allocate expenses for WES Debt unevenly but shall treat all ratepayers within all Rate Zones the same with respect to such WES Debt.

Section 3.11 County Services. It is the intention of the Partners to initially contract with the County for the provision of various services. During the Transition Period, the Partners may continue to contract directly with the County for such services. No later than the end of the Transition Period, WES shall directly contract with the County for such services unless otherwise determined by the WES Board.

Section 3.12 Monetary Powers. The WES Board shall control and direct the disposition of all WES funds and monies. The County shall, consistent with Oregon law, establish appropriate accounting to ensure clear tracking of WES funds, and keep separate and adequate books and records of the same, all as required by law and regulations and as the WES Board may direct. At the end of the Transition Period, unless otherwise restricted by bond covenants or laws, the Partners shall contribute their funds to WES and the WES budget, as discussed below, shall be the primary means for the accomplishment of the Purpose and operation of the WES System.

Section 3.13 WES Budgeting. Beginning July 1, 2018, WES shall adopt and operate pursuant to an annual budget adopted consistent with Oregon Local Budget Law, including a duly composed budget committee and appropriate public hearings. The WES Board shall have full authority over such budget, including the ability to amend or adjust the same as allowed by applicable law. WES shall operate within its annual budget.

Section 3.14 Short-Term Financial Assistance for Emergency Sewer or Surface Water Repairs. Upon request from a Partner or Stakeholder local government, WES may consider providing short-term financial assistance to any Partner or Stakeholder component unit facing an emergent need to repair or replace failed sewer or surface water facilities when that emergency involves a threat to public health or public safety, poses a significant threat to the natural environment, or presents a threat to or operational difficulty for the WES System. In dealing with such emergencies, time is of the essence. The temporary financing is intended to provide financial assistance between the time of the emergency and the time when the requesting Partner has opportunity to secure other financing. It is understood the requesting Partner will make all reasonable efforts to effectively use its own financial resources and any other available funding to assure minimum use of assistance from WES.

WES resources available for use in providing emergency repair assistance to a requesting Partner shall be limited to WES funds in excess of that required by bond covenants and other debt and that which is not otherwise committed or programmed according to the adopted current WES budget and Capital Improvement Program during the term of the requested temporary financing. The amount of the requested temporary financing may not exceed the total cost of the engineering and construction of repairs necessary to restore sewer service, end the public health or safety emergency, end the threat to the natural environment, or end the threat to or operational difficulty for WES Facilities plus the cost of liquidation losses and interest as provided herein.

Temporary financing for emergency repairs may be extended for a term of up to eighteen months from the time of first withdrawal at which time it will be due and payable in full including the principal amount, the added cost of losses due to liquidation, and all interest. The Partners hereby recognize that, due to the emergency nature of the financial assistance covered by this Agreement, invested WES money may be subject to losses due to liquidation of investments as a result of providing for temporary financing assistance. Every reasonable effort will be made to avoid such losses; however, the amount of these losses will be added to the principal amount of the temporary financing and will be subject to interest charges as described herein.

Article IV. WASTEWATER CONVEYANCE AND TREATMENT.

Section 4.01 WES Service Obligation in Service Area. WES shall accept all Partner sewage flows delivered to WES Facilities within the WES System service area, except as may be allowed pursuant to Sections 4.03 and 5.03. The service area is defined as all areas within the boundaries of a Partner or areas who receive service contractually from a Partner or WES.

Section 4.02 Flow Control. A Partner shall not deliver sewage or wastewater flows generated in the WES System service area to an agency other than WES for treatment and disposal or treat such flows at its own sewage treatment facilities without the consent of the WES Board.

Section 4.03 WES System Capacity. The WES System shall be available to receive and treat wastewater flows delivered to WES Facilities by the Partners so long as the WES System has capacity to accept, treat, and manage such flows. WES shall use its best efforts to provide for increased capacity pursuant to the Purpose, in a manner designed to allow the WES System to accept, treat, and manage all flows proposed to be delivered to the WES Facilities by the Partners. The WES Board shall have the authority to limit flows from the Partners only to ensure preservation of public health and compliance with applicable laws, regulations, permits

and provisions of the Clean Water Act. Any such flow limitation shall not in any way excuse or reduce any Partner's obligation to make payments to WES under this Agreement. WES shall not be in default of its obligations under this Agreement or any other intergovernmental contract in the event that the WES Board determines that insufficient capacity exists to accept, treat, and manage sewerage flows, despite using best efforts to develop sufficient capacity. The existence of a capacity constraint or the unavailability of additional capacity shall not excuse or reduce any Partner's obligation to make payments to WES under this Agreement.

Article V. COOPERATION IN MANAGEMENT & DEVELOPMENT OF WES FACILITIES.

Section 5.01 WES Facilities. WES shall plan, construct, acquire, replace, operate, and maintain all WES Facilities such that the entire WES System and the WES Facilities are built, operated and maintained as an integrated wastewater system and surface water system in accordance with high engineering standards and in conformity with the standards of the American Public Works Association, the Water Environment Federation and requirements of the state, federal and local agencies having jurisdiction over the same. WES shall, at its sole discretion, determine the name, location, and time of construction of WES Facilities. WES shall maintain through responsible insurers, including insurance pools, public liability insurance for WES Facilities operations and responsibilities in accordance with industry standards.

Section 5.02 Local Systems. The Partners shall ensure, and WES may adopt regulations or contracts directly requiring, that the Stakeholders, customers by contract or other contributors to the WES System shall maintain and operate their respective Local Systems in accordance with high engineering standards and in conformity with the standards established by the state and federal agencies having jurisdiction over the same. Modifications and additions to Local Systems that contribute to the WES System shall be constructed and operated in accordance with the sewer standards of American Public Works Association, the Water Environment Federation and requirements of the state and federal agencies having jurisdiction over the same and made after due consultation with WES. The local units of government shall be required to secure and maintain with responsible insurers, including insurance pools, all such insurance as is customarily maintained with respect to sewage systems of like character against loss of or damage to the Local Systems against public and other liability to the extent that such insurance can be secured and maintained at reasonable cost.

Section 5.03 Liability. Any liability incurred by WES as a result of the operation of the WES System shall be the sole liability of WES, and any liability incurred by a wastewater wholesale service only customer as a result of the operation of its Local System shall be the sole liability of that entity. WES may, at its option, require any owner of a Local System become

either a named entity on the applicable permit, including but not limited to an NPDES permit, to obtain their own permit to operate the Local System, or to sign an agreement to pay all liabilities arising under the Local System as a condition of continued service, notwithstanding Section 4 above.

Section 5.04 WES Facilities Operations. WES shall operate the WES System consistent with the requirements of all applicable laws and regulations, including but not limited to the Clean Water Act. The Partners shall undertake all actions necessary to support this effort. The WES System shall be operated as an integrated whole for the benefit of all ratepayers within all Rate Zones.

Section 5.05 WES as Lead Regulatory Agency. Pursuant to this Agreement, WES will own and operate the WES System, and will hold permits required to operate the WES System, including all NPDES waste discharge permits for the various facilities, including the Blue Heron permit. The Partners will take all action reasonably necessary to support and aid WES in fully integrating the regulatory permits and requirements to achieve optimal efficiencies and operations for the WES System.

Section 5.06 Partner Commitments to Assist WES. To the extent legally feasible, each Partner agrees to give good faith consideration to WES requests for necessary zoning, land use, eminent domain proceedings and other permits and approvals to implement the Purpose. In the event that a Partner completes an eminent domain proceeding for the benefit of WES to secure property or property rights for WES Facilities, WES shall compensate the Partner for its expenses and for just compensation paid for such property and property rights.

Section 5.07 Pretreatment Program. Various facilities located within the Partners' respective jurisdictions currently contribute wastewater which includes commercial and industrial waste to the WES System. Such facilities are referred to in this Article as "Industrial Users." WES must implement and enforce a pretreatment program to control discharges from all Industrial Users of the WES System pursuant to requirements set out in 40 CFR Part 403 and the NPDES Permits. In this Article, the Partners agree to adopt and maintain sewer use ordinances that subject Industrial Users within their respective boundaries to the necessary pretreatment controls, and to implement and enforce such sewer use ordinances through the Transition Period, and thereafter support WES in the adoption and enforcement of direct regulations of the same pursuant to the WES Regulations. No Partner shall retain or adopt any ordinance provisions conflicting with or purporting to supersede the WES Regulations. WES may also implement a fats, oil and grease ("FOG") reduction program in the WES System and in Local Systems in conjunction with the affected Stakeholders or any other program related to the accomplishment of the Purpose and compliance with applicable laws and regulations.

Section 5.08 WES Regulations. WES shall promulgate and maintain the WES Regulations, and prepare any revisions necessary to provide adequate protection of the WES System and maintain compliance with the Clean Water Act, applicable federal regulations and applicable state regulations. Any proposed revisions shall be submitted to the WES Board for approval. During the Transition Period, the current rules and regulations of the Partners shall apply unless otherwise superseded by the WES Regulations. To the extent there is any conflict between Partner ordinances, rules and regulations and the WES Regulations, the Parties agree that the WES Regulations shall control.

Section 5.09 Inspections. The Partners agree that WES personnel, or WES's agents, shall coordinate with the appropriate Local System jurisdiction personnel to conduct activities to collect information on compliance with the WES Regulations, federal regulations, and state requirements. In order to accomplish these requirements the Partners agree that Agents of WES may, enter and inspect at any reasonable time, to the extent allowed by law, any part of the Local System. Further, the Partners shall support and enable, to the extent allowed by law, entry onto private property to inspect Industrial Users or hazardous conditions within the WES System or Local System. If the Partner has untransferable jurisdiction or authority to allow any of the above, the Partners shall promptly make all necessary legal and administrative arrangements for these inspections.

Section 5.10 Imminent Danger. Where a discharge to the wastewater treatment system or surface water system reasonably appears to present an imminent danger to the health and welfare of persons, or an imminent danger to the environment, or threatens to interfere with the operation of the WES system, WES may immediately take steps to identify the source of the discharge and take all reasonable actions necessary to halt or prevent the discharge.

Section 5.11 Enforcement. Whenever a discharger into the WES System or Local System has failed or has refused to fulfill any requirements of either the WES Regulations, an Industrial Discharge Permit, a Compliance Schedule, or any applicable law or regulation, WES may use any and all available legal authority that otherwise would be available to a Partner to enforce the applicable regulations, permits, conditions, or laws. Such enforcement may include collection of permit fees and industrial surcharges, application of fines and/or civil penalties, seeking injunctive relief, interruption of services, or requiring disconnection from the WES System.

Section 5.12 Accountability. A majority of the WES Board may penalize any single Partner for failure to apply and enforce the WES Regulations. This penalty may include requiring that the total of all fines, fees and other charges which are due and payable be paid by the offending Partner to WES for each day the Partner fails to apply and enforce the regulations. The offending Partner shall indemnify and hold harmless WES and its officers, elected officials, agents and employees against any damages, penalties or other losses incurred as a result of the Partner's failure to enforce the WES Regulations or applicable laws and/or regulations. Without limitation, WES may obtain the remedy of specific performance from a court of competent jurisdiction to require the offending Partner to enforce the WES Regulations or applicable laws and/or regulations.

Section 5.13 Assignment of Agreements. Any existing agreements between a Partner and any other entity that can be assigned to WES, will be assigned throughout the Transition Period. Any agreements that cannot be assigned, will continued to be operated by the Partner consistent with the terms of this Agreement and the Purpose under the direction of the WES Board until its expiration, after which a new agreement with WES as the party should be reached if feasible.

Article VI. ADDITIONAL TERMS.

Section 6.01 Effective Date & Term of Agreement. This Agreement shall become effective as of November 3, 2016, and shall have a perpetual duration until terminated as set forth in Section 6.13 below.

Section 6.02 Withdrawal by a Partner. Any Partner may individually withdraw from the obligations of this Agreement with the consent of all of the other Partners, provided that (i) all WES Debt is retired, or (ii) payment of such Partner's share, calculated by the number of EDUs and/or ESU's, as applicable, of such WES Debt thereof is fully provided for, secured and funded, by such withdrawing Partner, and the remaining Partner(s) shall continue to be bound by this Agreement as it may be amended. A withdrawing Partner shall not have any right to any assets of the WES System, including any assets contributed by such Partner into the WES System, unless specifically agreed to by the WES Board in its sole and absolute discretion.

Section 6.03 Amendment of Agreement. This Agreement may be amended with the approval of all the Partners.

Section 6.04 Notice. Notices required to be given to Partners shall be deemed given when served on the respective Clerk of the governing body of such Partner or three business days after mailed to the business address of such Partner.

Section 6.05 Governing law & Venue. This Agreement shall be governed by the laws of the State of Oregon, without giving effect to the conflict of law provisions thereof. The exclusive jurisdiction and venue for any lawsuit between the Partners arising out of this Agreement shall be in Clackamas County Circuit Court.

Section 6.06 Assignment. This Agreement shall be binding on each Partner and the successors to them and may not be assigned in any respect without the consent of all Partners except by operation of law.

Section 6.07 No Third Party Beneficiaries. The Partners expressly do not intend to create any right, obligation or liability, or promise any performance, to any third party, even if such party's jurisdictional boundaries are partially or wholly contained within one or more Partners. The Partners have not created any right for any third party to enforce this Agreement.

Section 6.08 Severability. It is the belief of the Partners that all provisions of this Agreement are lawful. If any covenant or provision of this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, such adjudication shall not affect the validity, obligation or performance of any other covenant or provision, or part thereof, which in itself is valid if such remainder conforms to the terms and requirements of applicable law and the intent of this Agreement. In such event, the Partners shall enter into immediate negotiations for the purpose of arriving at a mutually satisfactory replacement of such covenant or provision.

Section 6.09 Entire Agreement. This Agreement embodies the Partners' entire agreement on the issues covered by it, except as supplemented by subsequent written agreements that the Parties make. All prior negotiations, discussions, and draft written agreements are merged into and superseded by this Agreement.

Section 6.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be considered for all purposes as an original.

Section 6.11 Waiver. No waiver by any party of any term or condition of this Agreement shall be deemed or construed as a waiver of any other term or condition, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach whether of the same or a different provision of this Agreement.

Section 6.12 Remedies. In addition to the remedies provided by law, this Agreement shall be specifically enforceable by any Partner.

Section 6.13 Termination. This WES partnership Agreement may be terminated only upon the unanimous agreement of all of the Partners. The withdrawal of a Partner from the partnership shall not cause a dissolution or otherwise impair the continued operation of WES.

IN WITNESS WHEREOF, each party has caused this Agreement to be signed by its duly authorized officer or representative as of November 3, 2016.

Clackamas County Service District No. 1

Tri-City Service District

Chair

Chair

Clerk

Clerk

June 3, 2008

Board Clackamas County Commissioners
Public Service Building
2051 Kaen Road
Oregon City, Oregon 97045

Dear Commissioners:

I am pleased to submit the recommendations of the Community Partners Task Force on wastewater management for your consideration.

The committee was composed of representatives from Clackamas County Service District #1, Oak Lodge Sanitary District, Milwaukie, Happy Valley, Damascus, Lake Oswego, and the three cities that make up the Tri-City Service District, Gladstone, Oregon City, and West Linn. Lake Oswego voluntarily withdrew from the committee when it became clear that its participation was premature.

The work of the task force and its recommendations offers Clackamas County a fresh start on an issue that has eluded community consensus for over 20 years. While we have not resolved all the challenges around wastewater management, we agreed on many core assumptions that will form the foundation of a future community partnership. We are confident that this partnership will protect our environment, save ratepayers millions of dollars of avoided costs, and ensure that the economy will continue to grow.

Our report to the Board is not unanimous. The representative from CCSD#1's Citizen Advisory Council and from Oak Lodge Sanitary District voted not to support the recommendations. Neither challenged the environmental, management or community economic benefit of the proposed regional wastewater partnership. They supported the vast majority of recommendations but did not agree with the majority of the Task Force on issues of representation and governance. The representative from the Oak Lodge Sanitary District wanted it recognized that the Oak Lodge did not receive a specific rate benefit based on the financial modeling.

We have further offered the Board a road map forward. The members of the task committee believe this will help you and the community to define the nature and scope of the regional wastewater partnership.

Respectfully yours,

Greg DeGrazia
Chair, Community Partners Task Force

Community Partners Task Force – Summary Report and Recommendations

On January 2, 2008 the Clackamas County Board of Commissioners (the "Board") created a Community Partners Task Force to facilitate discussions between all wastewater service providers in urbanized Clackamas County. The purpose of the Task Force was to explore the formation a collaborative partnership to capture the financial benefits of the economies of scale inherent in large capital investments.

The Task Force was made up of one elected representative from Damascus, Gladstone, Happy Valley, Lake Oswego, Milwaukie, Oak Lodge Sanitary District, Oregon City, West Linn, a County Commissioner, two business leaders, two citizens at large and a CAC member from CCSD#1. The Task Force was asked to assess the benefits of regional collaboration and to make recommendations to the Board regarding equity, fairness, and governance of a potential partnership by June 2008.

The Board asked the Task Force to answer three key questions:

Q1. Cost Benefits: Are there compelling financial benefits to ratepayers of each jurisdiction to make collective investment and management across current service district boundaries attractive? If so, what are the financial benefits for the region?

YES.

It makes good financial sense to work together. The analysis indicates that together the community can realize up to a \$300 million savings over the next twenty years by working and investing together. There is broad public support and understanding of the advantages (as demonstrated by survey data) of working together.

Q2. What is an equitable fiscal and operational model for future collective investments in wastewater treatment systems to recognize past and present investments made by participating jurisdictions and ratepayers? How do we ensure that those who benefit the most from development pay their fair share of new investments in public infrastructures? Can equity and fairness for each partner be achieved?

YES.

Regional equity and fairness can be gained if based on clearly defined assumptions. These assumptions are:

- a. The recommendation is to adopt a common regional treatment rate after capacity parity is reached by the participating service providers.

Treatment capacity parity is defined as the point at which all partners have addressed historical deficiencies and face similar capacity needs in the future.

- b. Service partners will make collective decisions regarding all future investments in treatment facilities after capacity parity is achieved.
- c. Decisions about common ownership of assets and district(s) consolidation will be delayed until treatment capacity parity is achieved and a permanent partnership agreement is in place.
- d. Conveyance and collection will remain the responsibility of individual entities. Each entity will be responsible for financing their own conveyance and local collection system to assure equity and fairness while securing the benefits of a regional treatment rate. Local entities may enter into contract relationship with Clackamas County to assist in design, construction, and management of local collection and conveyance systems.
- f. There will be no capacity expansion investments in Kellogg Treatment Plant with a goal of reducing the plant footprint over time and as economically feasible.
- g. Treatment capacity for future community growth will likely be constructed at Tri-City or utilizing another cost effective option after a regional strategy is adopted.
- h. Equity payments, subsidies and/or host fees may not be necessary to achieve equity and fairness.
- i. The partners will make collective decisions about desirable environmental improvements and livability amenities as future investment in regional wastewater treatment facilities are planned.
- j. The Board will facilitate regional equity by implementing a wastewater service policy after capacity parity has been reached. The foundation of this policy will be that no new service will be provided to customers in unincorporated areas outside existing districts. Service districts will only extend new service to areas already within a city boundary.
- k. Unincorporated areas being served before capacity parity is achieved will not be compelled to annex to a city to continue to receive service.
- l. Growth pays for growth through system development charge and related processes and other financial tools.

Q3. How can the financial and governance interests of all participants and their ratepayers be guaranteed into the future? What are the specific terms of these community covenants? Can the region agree to a governance model to guide a regional wastewater capacity management partnership?

YES.

- a. The Task Force recommends the creation of a wastewater partnership to serve as the foundation of regional wholesale wastewater treatment collaboration.
- b. The Task Force recommends adoption of the Washington County Clean Water Services "advise and consent" governance model as the operational model of the proposed wastewater partnership.
- c. The partnership recommends forming an advisory body composed of representatives appointed by each partner entity.
- d. The wastewater partnership will make recommendations about capital improvements, planning, policy, and financial decisions regarding rates, financing, and annual budgets.
- e. The Board is recognized as the legally accountable governing board of the regional partnership. The Board will act on the recommendations of the wastewater partnership, which will serve in an advisory capacity to the Board.
- f. Day-to-day system management, operations, programs, and permitting of partner assets will be or remain the responsibility of the County through its designated agency.
- g. Partners will be bound by all collective recommendations and resulting decisions by the Board.

Additional Task Force recommendations

The Task Force asks the Board of County Commissioners commit to the above recommendations as the foundational assumptions of a regional wastewater management partnership.

The Task Force asks that its recommendations be made explicit County policy through a formal Board action. Once this action is taken, the Task Force recommends the following:

- a. The Board should ask each partner entity to formally ratify the Board policy action.
- b. All those who ratify the Board's policy will be invited by the Board to form a provisional partnership. The purpose of the provisional partnership is to develop the by-laws, agreements and protocols for a permanent regional wastewater management partnership for consideration by the BCC and each of the partners.
- c. Each partner jurisdiction will nominate one representative to serve on the provisional partnership committee including Damascus, Gladstone, Happy Valley, Milwaukie, Oregon City, West Linn, and Oak Lodge Sanitary District. In addition, the Board will appoint one representative from the CCSD#1 unincorporated area and one representative from the Board.
- d. The provisional partnership will complete its work and submit its recommendations to the Board no later than 10/1/08.
- e. All partners will be asked to ratify and bind themselves to the agreements adopted by the Board.
- f. All parties choosing to ratify the agreements will enter into a permanent regional wholesale wastewater management partnership.

Additional items to be considered by the provisional committee:

- g. The Tri-City equity issues around Kellogg's final disposition need to be addressed by the interim committee.
- h. No regional rate setting will take place until the parties achieve capacity parity. Until then, partners will use their existing rate schedules.

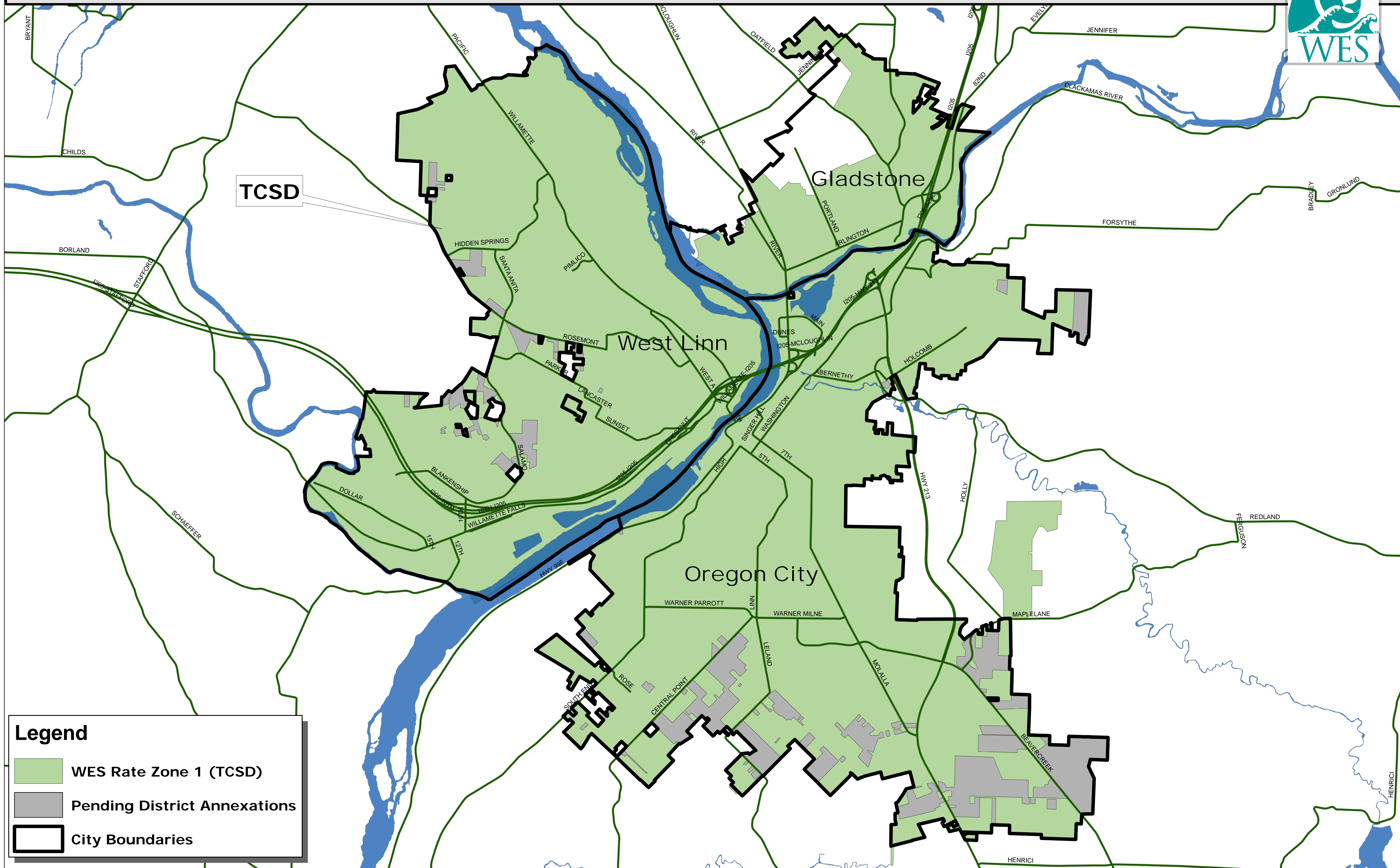
EXHIBIT B

WES Service Area Description

The service area of Water Environment Services (“WES”) encompasses the geographic boundaries of (i) the Tri-City Service District (“TCSD”), which includes the City of West Linn, the City of Oregon City, the City of Gladstone, and certain unincorporated areas; and (ii) Clackamas County Service District No. 1 (“CCSD#1”), which includes unincorporated areas of Clackamas County, the City of Happy Valley and the communities of Hoodland, Boring and Fischer’s Forest Park. CCSD#1 also contractually serves the cities of Milwaukie and Johnson City, and both contractual customers will be deemed ratepayers of WES Rate Zone 2. WES Rate Zone 1 is coterminous with the boundaries of TCSD, as they may be adjusted from time to time. WES Rate Zone 2 is coterminous with the boundaries of CCSD#1, as they may be adjusted from time to time.



Exhibit B - WES Rate Zone 1 (TCSD)

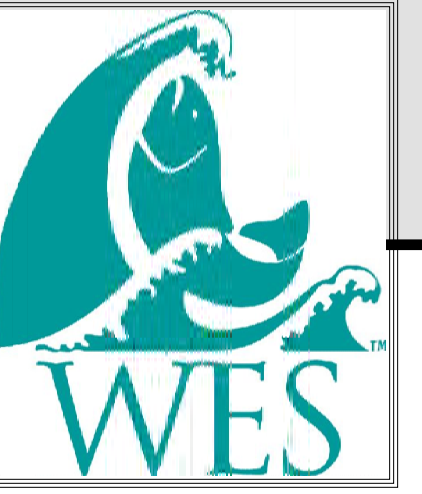


Legend


- WES Rate Zone 1 (TCSD)
- Pending District Annexations
- City Boundaries

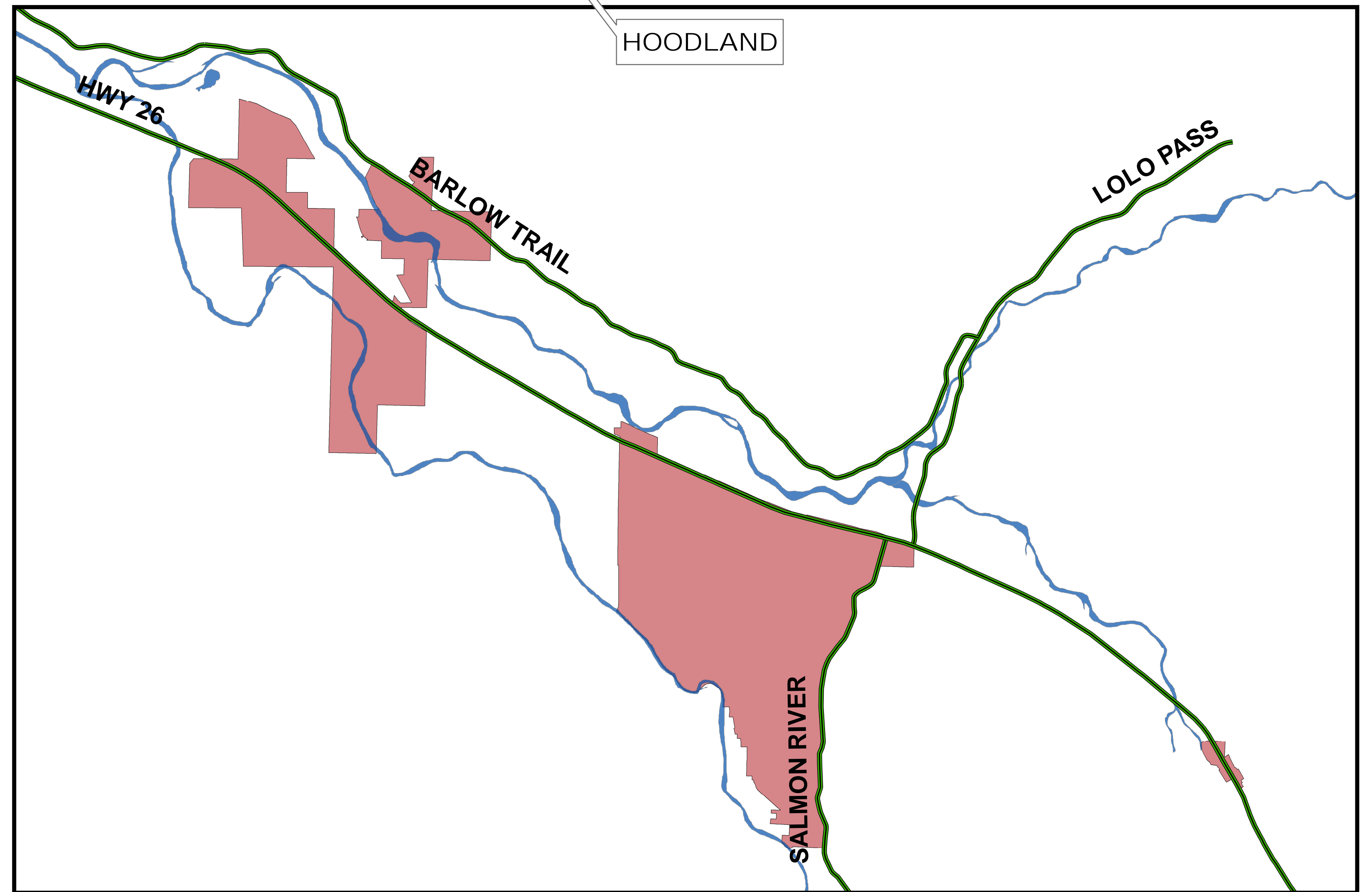
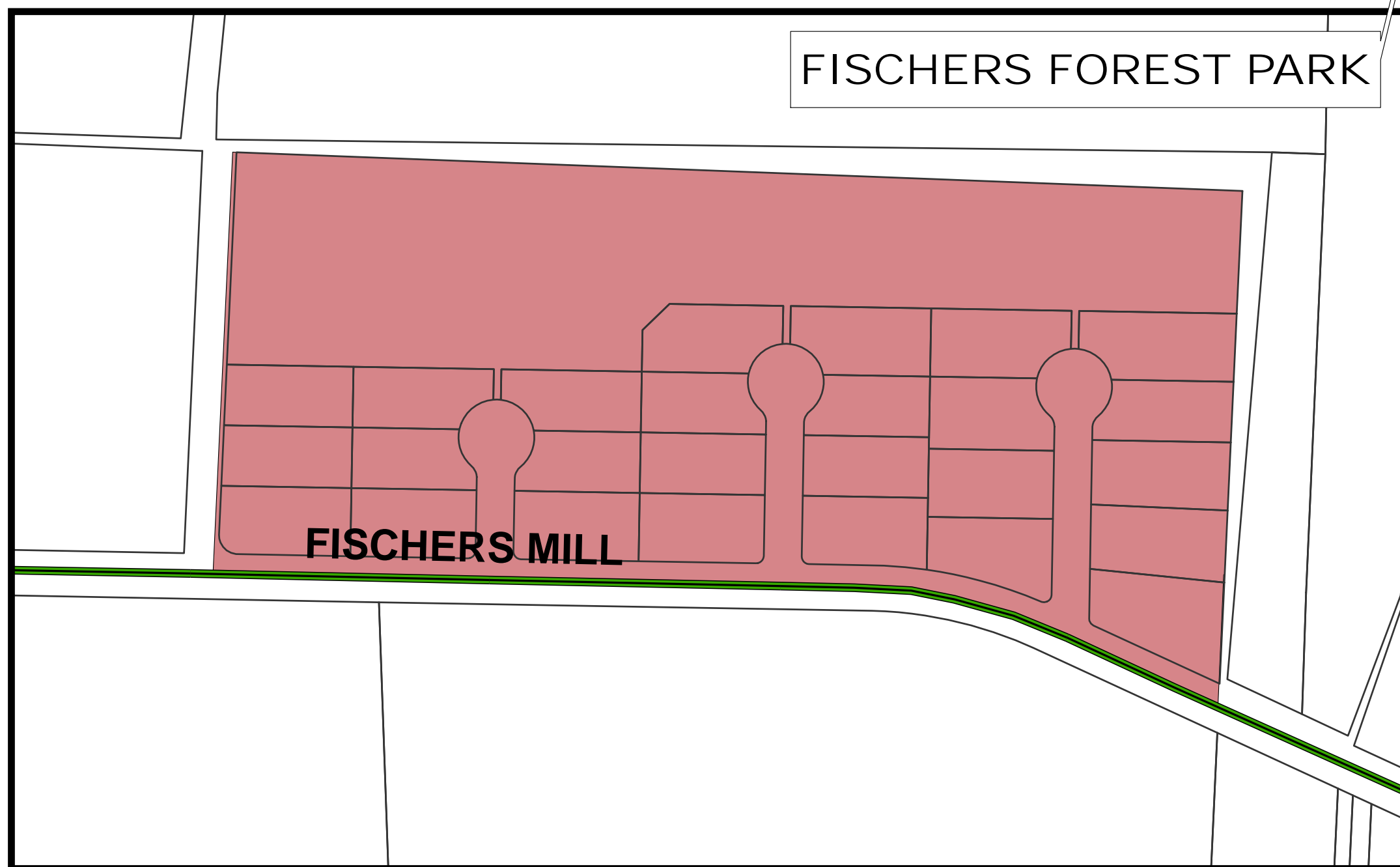
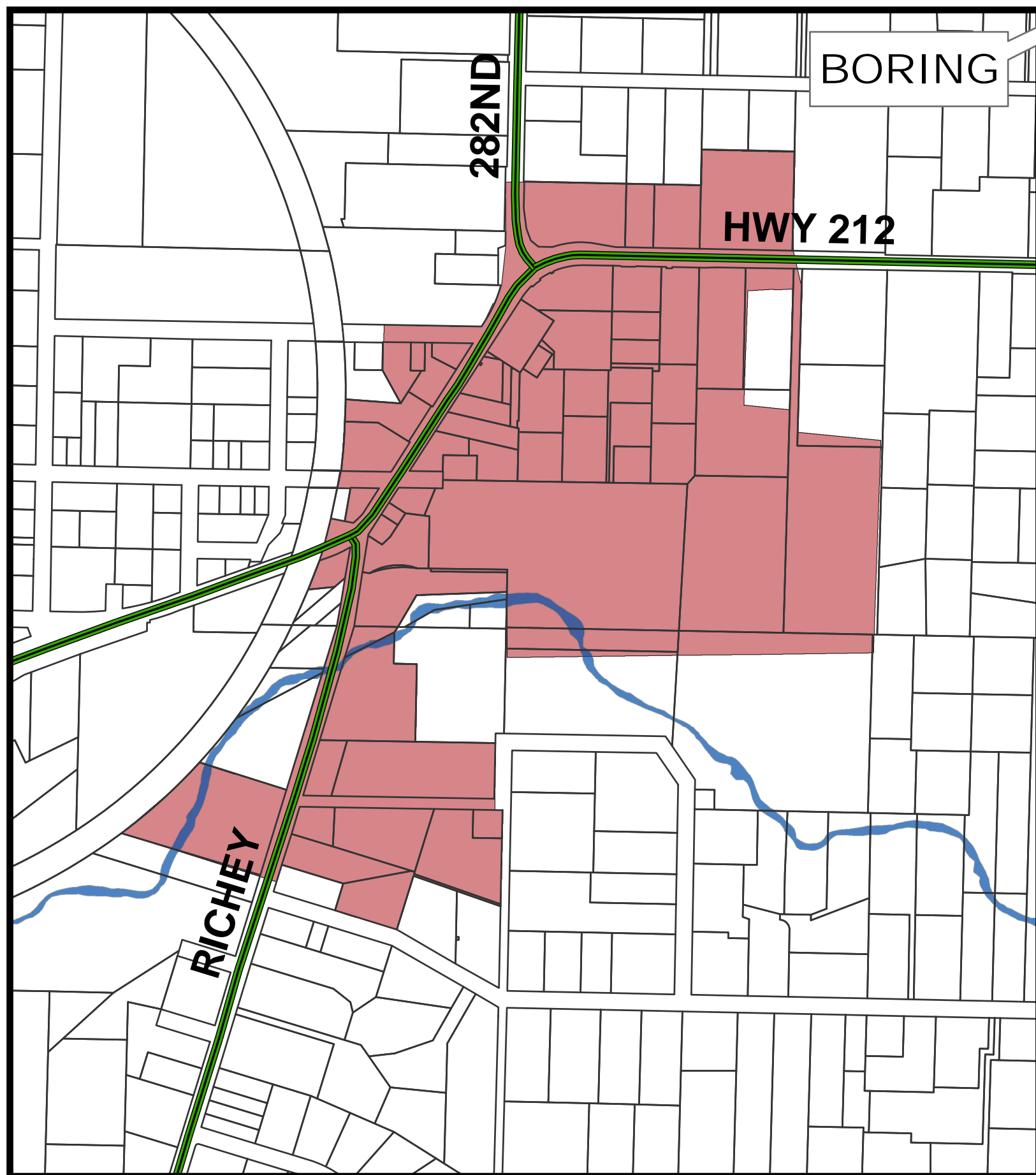
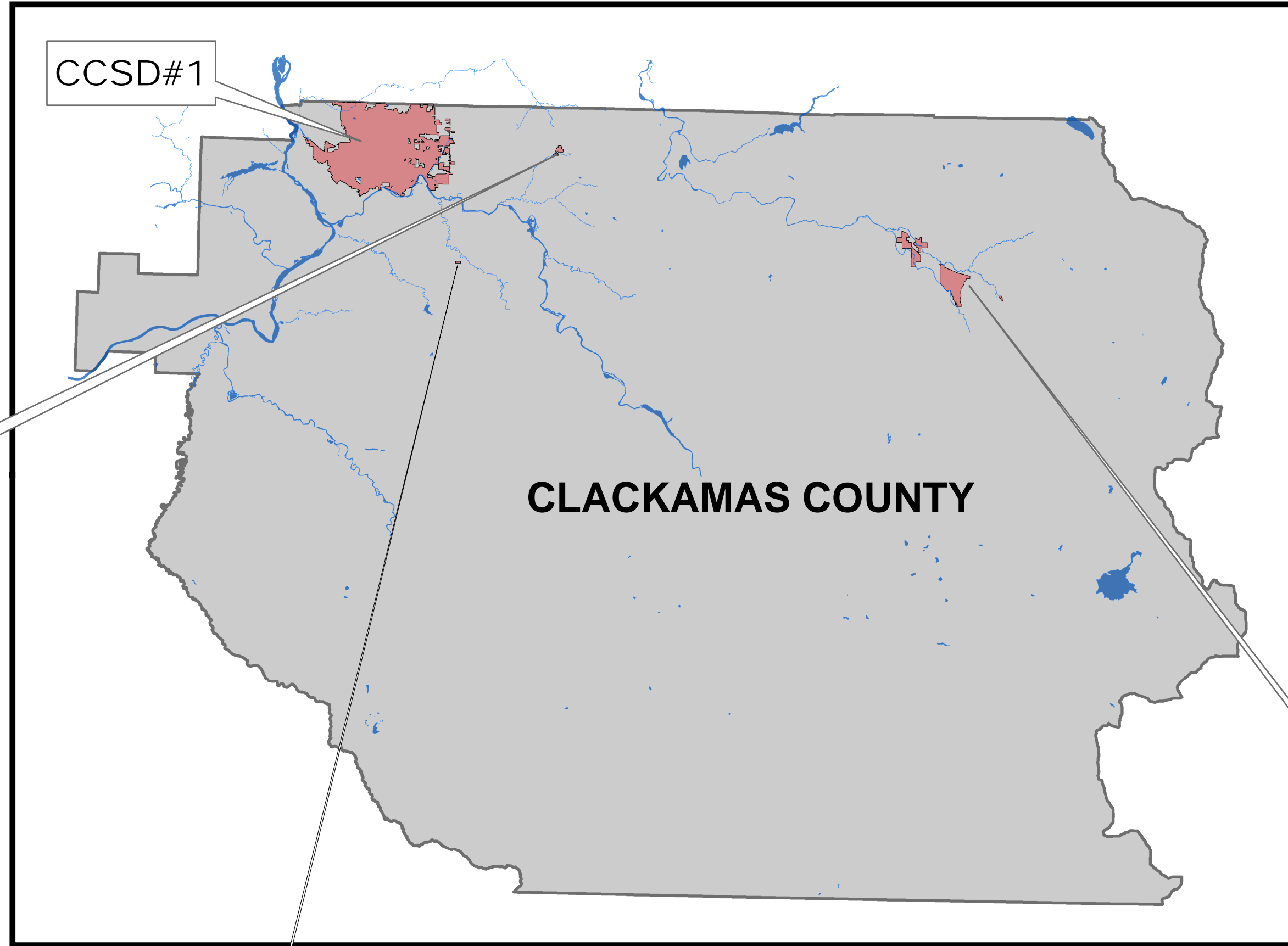


Exhibit B - WES Rate Zone 2 (CCSD#1)



Legend

 WES Rate Zone 2 (CCSD#1)



WHITE PAPER: ANALYSIS OF BENEFITS
OF REGIONALIZATION TO
CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
AND
THE TRI-CITY SERVICE DISTRICT

July 2015

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Executive Summary

On May 27, 2015, the Regional Wastewater Treatment Capacity Advisory Committee (“Regional Committee”) voted to have a discussion regarding governance of both Clackamas County Service District No. 1 (“CCSD#1”) and the Tri-City Service District (“TCSD”) at the Regional Committee level. This discussion is being held in the context of the Regional Committee examining whether or not there are ratepayer benefits to the two districts co-investing in solids infrastructure (digesters). The Board of County Commissioners (“BCC”), as the governing body of each CCSD#1 and TCSD, voted to support having the governance conversation with the Regional Committee. Therefore, staff has developed this white paper to articulate some the factors that would be relevant to the Regional Committee in considering the issue.

It has been a common point of discussion within Water Environment Services (“WES”) that the current structure of two separate service districts, while saving ratepayers a certain amount of money, is somewhat inefficient and complicates long-range capital planning efforts. The concept of the two districts working together has shown up in several documents throughout the two districts' history. One example is the intergovernmental agreement entered into between CCSD#1, the City of Gladstone, and TCSD in 1999 allowing for the portion of Gladstone that is served by CCSD#1 to be annexed into TCSD and pay only the TCSD wholesale rate. Section 13.1 of this agreement states that, “[t]he parties agree to consider use of ORS 190 to create new service entities or other methods to more cost-effectively provide services.” While WES staff internally recognized the value of a regionalized approach, they continue to diligently ensure that each district maintains separate funding, budgeting, expense tracking, and accounting.

While history of the districts began as one of separateness, the opportunity to take advantage of the savings that arise from a joint operation has led to several significant decisions along the path towards greater integration. These include sharing staff, laboratory services, facility maintenance equipment, and space on the operating side, to rental and ultimate capital investments. In 2008, a regional advisory body was formed to consider regional service issues and, supported by reports and estimates provided by a third party engineering firm, reached the conclusion that the ratepayers in each district would be substantially better off with full integration of the two districts. And now, as it has multiple times over the last three decades, the issue has again become a matter of policy deserving of the attention of decision makers.

Staff made certain assumptions in evaluating this position. The first is the scope of the discussion. The work of the prior 2008 blue ribbon group assumed an integrated regional wastewater service provider that could provide both wholesale and retail services, as desired by constituent members. Similarly, the purpose of the Regional Committee is to evaluate, on an ad hoc basis, the similar idea of whether there are benefits to cooperative investment across the two districts. Therefore staff’s framework for this evaluation is to provide the Regional Committee sufficient information to test the proposition of whether the ratepayers of the two districts would experience material benefits from regionalizing the provision of wastewater services. From a timing perspective, staff assumed a planning horizon of 30 years to match several of the existing studies or alternatives analyses. With respect to implementation, there are several possible mechanisms to achieve regionalization. In brief, they are:

- Merger of CCSD#1 and TCSD into a single, larger ORS 451 county service district with the Board of County Commissioners (“BCC”) remaining as the governing body. This would presumably include reforming the advisory committee to reflect the combined stakeholder group, and the subsequent annexation of Milwaukie into the merged 451 district.
- Formation of an ORS 450 sewer district that contains the boundaries of CCSD#1 and TCSD, as well as the City of Milwaukie. The governing body of the district would be directly elected by the residents of the newly-formed district.
- Creation of a partnership entity pursuant to ORS 190 in which the impacted entities would vest the new partnership with a range of authority and assets. For the purposes of this paper, staff assumed that the partnership would hold all the assets and regulatory permits required for current level wastewater service delivery. The governing body of the partnership would be constituted based upon the terms of the partnership agreement.

While each of those three options has benefits and challenges associated with them, they will not be explored herein. If desired by the Regional Committee, staff can subsequently provide a thorough written examination of the three main regionalization options. Rather, a baseline level of integration can be assumed from implementation of any of the three options (referred collectively to herein as “Regionalization”). Assuming this, staff analyzed what benefits arise through Regionalization that would not be available to the districts if they remained separate.

Staff evaluated four key areas of what information would be relevant to the Regional Committee in considering the Regionalization issue: Regulatory, Capital, Governance (decision-making), and Administrative. Staff also reviewed prior work done by the community, industry publications and commentary from relevant discussion of similar issues. Overall, the analysis shows that substantial savings would be achieved for all ratepayers concerned through a regional approach that results in a consistent, integrated, and streamlined organization. The greatest savings stem from combined efforts in dealing with regulatory and capital issues, with lesser monetary benefits emerging from governance and administrative efficiency gains. In total, the savings that could be available to ratepayers of each district through an integrated and collaborative approach amount to hundreds of millions of dollars over the next 30 years. Below is a summary of these findings:

Regulatory:

Under the current system, TCSD and CCSD#1 each hold separate Clean Water Act permits for their facilities. Despite the infrastructure integration between the districts by the membrane bioreactor treatment train and intertie pipelines, the regulatory schemes are wholly separate. Currently, the load allocations available under one permit are not transferrable or available under another. However, it is possible to link all the districts' permits together under what is known as a watershed permit. This permit is what is used in Washington County, which has four treatment plants operating under one watershed-based Clean Water Act permit. Staff

have explored this opportunity with the Oregon Department of Environmental Quality (“DEQ”), and has been informed that in order to secure a watershed permit, a single entity to be the permit holder for facilities included in the watershed permit. Therefore, the option of a watershed permit would only become available when a single entity holds the permits for the Kellogg Plant, the Tri-City Plant, and the newly-acquired Blue Heron facility (collectively, the “Permits”).

Combining the aforementioned Permits into a single watershed permit would create significant efficiencies in meeting discharge limitations. This new watershed permit would not be less restrictive, but it would allow compliance to be measured across the broader watershed. That is, if there is excess capacity for meeting a limitation, such as biological oxygen demand at the Kellogg Plant, that excess could be used to meet the requirements at the Tri-City Plant. This could result in substantial savings by allowing for the most cost-effective means of meeting permit limits to be constructed at the most appropriate facility, rather than having to separately construct treatment infrastructure at each facility to meet each discharge limitation.

Possession of a watershed-based permit can also help avoid unnecessary investment in required redundancy by allowing the collective system of investments to meet the required thresholds, rather than having to meet them at each individual treatment facility. The watershed permitting approach has been identified as an excellent way to meet anticipated regulatory challenges that will affect both districts, including temperature discharge limitations, ammonia discharge restrictions, metal removal requirements, etc.

Overall, a watershed-based permit would result in various benefits to the permittee, the permitting authority, and the environment. For both entities, one permit is easier to administer and implement, and provides the optimal economy of scale for meeting regulatory requirements. Both districts would be better able to focus their resources on the most critical problems, while the integrated permit would provide a greater level of protection for the environment than what might have been realized under the existing system of multiple permits.

Capital:

Wastewater treatment efficiencies can typically be realized by economies of scale. Historically, TCSD and CCSD#1 have each experienced relatively low rates due to federal grants subsidizing a large portion of costs associated with construction of treatment facilities. As those grants are no longer available, both districts are faced with paying the full cost of capital improvements for regulatory compliance, asset replacement and growth. Staff anticipates that each district's ratepayers would save hundreds of millions of dollars through a mutual investment strategy that leverages a larger scale operation in all three of those investment areas.

Regulatory Compliance. As noted above, each district is faced with the high likelihood of required investment to meet increasingly restrictive discharge limitations. The membrane bio-reactor facility (“MBR Facility”), constructed by CCSD#1 at the Tri-City Plant, produces the highest quality effluent of all the treatment processes, and in doing so, is helping the Tri-City Plant meet permit requirements. It is sized for easy expansion and, therefore, remains the most cost-effective way for increasing the levels of treatment being achieved for existing or future wastewater streams. Similarly, the mutual investments made by both CCSD#1 and TCSD in the

Blue Heron permit and outfall, as a strategy to meet temperature discharge restrictions being imposed on the Tri-City Plant and Kellogg Plant, have the potential to save each district significant monies. The initial design and planning estimate of the cost to implement the Blue Heron permit approach is approximately \$40 million, while the non-Blue Heron alternative of constructed wetlands is estimated to cost approximately \$120 million and have a significantly higher annual operating cost.

Asset Replacement. Asset replacement costs are anticipated to become the largest capital cost for the districts over the next few decades, as the initial investments dating from the 1970s and 1980s wear out. Prioritizing and optimizing the reinvestment strategy across a regional system is the lowest cost option. Currently, the districts benefit from shared maintenance crews, as well as a staff of engineers and inspectors, who ensure projects are completed properly and at the lowest possible cost that meets operational needs. Regionalizing asset replacement efforts would enhance that existing productivity and provide for the lowest cost provision of this required investment.

Growth. The Regional Committee has already received presentations on savings that are anticipated to result from joint investment in meeting the needs of growth. Regarding the solids handling project alone, the districts are anticipated to save nearly \$120 million by working together in a co-investment strategy to solve the digester capacity issue. Staff notes that the districts have reached “capacity parity” at this time, meaning they are faced with similar needs on similar timelines going forward from a service level standpoint. Further, each district is uniquely positioned to address a particular need of the region - TCSD is better situated to address solids handling, and CCSD#1 is better situated to address liquids handling. Through Regionalization, each district would save hundreds of millions of dollars.

Another benefit of Regionalization would be the addition of new ratepayers to the existing system. As new connections join, WES charges both a system development charge to recover costs for newly-constructed infrastructure, as well as a connection charge. These new connections in essence become partners in an ongoing enterprise; they share equally in the responsibility for paying for regulatory-driven investment or asset replacement of assets whose useful life was exhausted prior to their connection to the system. These additional connections spread the cost of regulatory investment and asset replacement across a broader base, reducing the per-household charges for the existing ratepayers. Operating together with an expanded ratepayer base allows for a lower overall cost for the provision of wastewater services and helps to control rate increases for existing and future ratepayers.

Governance:

Currently, the Board of County Commissioners serves as the governing body of each of CCSD#1 and TCSD. The BCC also has broad responsibilities for a wide range of other issues. Ensuring that the interests of ratepayers are being heard and reflected in decisions, WES supports seven different advisory committees, as well as briefings to and decisions by the BCC, for a total of eight. Of those, six relate to the Districts. This leads to a multitude of sometimes inconsistent voices coming to the governing body. Through Regionalization, the decision-making process could reduce that number down to two, all while improving both transparency and collaboration.

One of the material challenges facing each of the districts is a lack of certainty. The current status quo is that the districts work together on some projects from an operational standpoint, and may work together from a capital standpoint on some, but not all future projects. It is undecided which, if any, may be included in a co-investment approach. The question of whether or not the districts will work together has been an ad hoc discussion for each project vetted through the appropriate advisory committees. This leads to substantial difficulty in making long term plans for the districts. WES staff has tried to create the lowest-cost capital plan for regulatory investments, asset replacement, and meeting the needs of growth; plans that are being reviewed and revised from a comprehensive perspective at this time. Often, the lowest-cost approach requires an assumption that the two districts will work together on an investment. However, the ad hoc nature of decision-making for each investment places a barrier to reliance on those assumptions.

Regionalization would allow certainty in realizing the many cost-saving benefits anticipated in those future plans. It would enhance the stability of decision-making by allowing all affected stakeholders to have a voice in all material decisions on a consistent basis, and ensure transparency and collaboration in that decision-making process. It would also reduce the amount of time and money spent supporting the eight current decision-making or advisory bodies. This approach would provide clear direction regarding these major policy issues, allowing staff to better plan for future requirements, develop a consistent and reliable rate profile designed to levelize rate changes, optimize sequencing of efforts and realize the hundreds of millions of dollars in projected savings.

Administrative:

WES staff currently provides administrative support to three districts. As part of that effort, they carefully track expenses across each district and allocate shared employees based on a real time level-of-effort measure. Because the affairs of all three districts are managed by WES employees simultaneously, complex accounting systems have been implemented to assure all costs are properly assigned to the correct district, including the allocation of many costs that are common to all three. Budgets and audits are prepared each year by WES for each district. To legally have the authority to do the currently agreed upon work, WES manages a number of intergovernmental agreements between the districts and also with the County. Each effort at tracking, budgeting, auditing, and ensuring legal compliance add to the administrative overhead of the districts. While this current arrangement is still a lower cost option than each district going it alone, it does have room for improved efficiencies.

A significant challenge that will face the districts, especially TCSD, is the manner of financing combined capital projects. Currently, CCSD#1 is rated AA for municipal debt issuance; however, TCSD is not rated at all since it does not have any outstanding tradable debt. Under the current independent structure, each district will need to separately pursue extensive and complicated procedures to borrow funds sufficient to pay for any agreed-upon portion of a project. Even then, funding from both must be ready at the time a project starts. This is a challenge that would be greatly mitigated if done by a single regional entity that would likely be able to achieve a higher bond rating, reduce borrowing costs, as well as eliminate other risks.

History of the Districts

This section summarizes the history and structure of the districts to ensure that all participants in the conversation are operating from the same set of common facts.

History of CCSD#1:

CCSD#1 was organized in March of 1967 pursuant to Oregon Revised Statutes (“ORS”) Chapter 451 to service the urban unincorporated areas of northern Clackamas County and the City of Milwaukie. CCSD#1 and Milwaukie jointly applied for and received Clean Water Act grants in 1970 for the construction of the Kellogg Creek Wastewater Treatment Plant (“Kellogg Plant”) that was completed in 1975, and expanded in 1988 to include digester capacity for solids handling. Its original design rating was for 10 million gallons per day average dry weather flow. The Kellogg Plant discharges into the Willamette River under the Clean Water Act National Pollutant Discharge Elimination System (“NPDES”) Permit Number 100983 (the “Kellogg Permit”). The cities of Milwaukie and Johnson City contract with CCSD#1 for wholesale wastewater treatment services. The served urban unincorporated areas and the subsequently-annexed City of Happy Valley receive retail services, including maintenance and management of sewer and storm water infrastructure, from the initial line in the street to the treatment plant. Several investments were made to maintain the Kellogg facility and comply with regulatory issues from 1975 to 1999. More are anticipated to occur in the next few years.

CCSD#1 was originally managed by the County through an agreement with its Road Department. Upon formation of TCSD in 1986, the Department of Utilities, later renamed as Water Environment Services, provided a common, dedicated pool of staff to support both districts at a lower cost than could be achieved if each went its separate way. This arrangement has been implemented for the last 30 years. Under it, CCSD#1 is billed for the cost of employees that support only CCSD#1 activities, such as line maintenance crew or Kellogg Plant operators, but share the cost of certain administrative positions such as director, water quality manager or finance manager, with TCSD and the Surface Water Management Agency of Clackamas County (“SWMACC”). Since CCSD#1 also provides surface water services for the areas within its boundaries, those staff are managed as part of WES as well. The cost of shared employees is allocated as a real-time percentage, applied monthly, based on the total number of hours spent on CCSD#1 work versus TCSD work or SWMACC work. The current allocation, based on hours, is 65.50% for CCSD#1 sewer, 13.40% for CCSD#1 surface water, 20.65% TCSD (sewer only), and 0.45% for SWMACC (surface water only). The employees are managed by Clackamas County pursuant to an agreement, the most recent version of which was adopted in 2006 (“CCSD#1-County IGA”, attached hereto as Attachment A), that allows the district access to support services in an a-la-carte, marginal cost approach that has consistently resulted in a very low overhead charge – substantially lower than the overhead charge levied by member cities on their own utility funds.

In the 1980s, small areas that were struggling to operate effective or efficient sewer service were subsequently annexed into CCSD#1, including Hoodland, Boring, and the Fisher’s Forest Park mobile home site. Each of those areas has their own water quality permit. The Hoodland area is served by the Hoodland Plant, which has a permitted hydraulic capacity of 0.9

million gallons per day, and currently treats approximately 300,000 gallons per day. The Boring facility and Fisher's Forest Park are substantially smaller. During the same time period, failing septic systems serving two mobile home parks in the Carver area were also annexed into CCSD#1, which upon incorporation meant that CCSD#1 was serving a portion of the City of Damascus.

In 1997, the Kellogg Plant was reaching its maximum treatment capacity and experiencing Clean Water Act violations. The district needed to either increase the plant's capacity or offload some of its flow to come back into compliance and avoid a moratorium. In 1998-99, instead of increasing Kellogg's capacity (consistent with Milwaukie's stated long-term desire to have CCSD#1 decommission the plant), the district built a diversion pipeline for the area of the district east of I-205 and rented treatment capacity at the Tri-City Wastewater Treatment Plant ("Tri-City Plant"), diverting approximately 15 percent of CCSD#1's flow away from Kellogg. In 1999, CCSD#1 entered into an agreement with TCSD to rent that capacity at the Tri-City Plant, paying all associated costs plus a premium to TCSD (the "1999 Rental Agreement").

In 2006, the Kellogg Plant again began experiencing Clean Water Act and NPDES permit violations due to its aging condition and the fact that the plant had reached its maximum liquid capacity, even with the 15 percent diversion to the Tri-City Plant. To further complicate matters, TCSD indicated that it needed to use the 15 percent diversion capacity it was renting to CCSD#1 due to its own growth. CCSD#1 had to finalize a plan for capacity expansion or Kellogg's permit violations would only increase, leading to significant fines and a possible moratorium order from DEQ.

In late 2007, the BCC developed the Capacity Management Program ("CMP"), a multi-phase plan intended to address the urgent capacity problems. Under Phase 1 of the CMP, the District built the a high-technology MBR Facility, intertie pipelines between the MBR Facility and District customers, and conducted maintenance improvements at Kellogg. Engineering studies demonstrated that constructing the MBR Facility at the Tri-City Plant would be the lowest cost option for CCSD#1. The same studies demonstrated that the facility would significantly improve the Clean Water Act permit performance for the Tri-City Plant, have a lower cost for future liquid treatment expansion needs of either district, and result in the lowest overall cost to the region. In total, CCSD#1 expended approximately \$136 million between the MBR Facility (\$89 million), Interties 1 and 2, and a pump station to support the pipelines. The MBR Facility was overbuilt in Phase I to reduce the overall cost of expansion, including construction of full foundations and treatment bays for the next increment of needed liquids treatment capacity. CCSD#1 rates increased over a period of five years from \$22 per equivalent dwelling unit ("EDU") retail to approximately \$37 per EDU retail to pay for the debt associated with the Phase 1 program.

Representatives from CCSD#1's advisory board negotiated an agreement with TCSD regarding the permanent location of the MBR Facility at the Tri-City Plant (the "2008 Agreement", attached hereto as Attachment B), which superseded and terminated the 1999 Rental Agreement. In the 2008 Agreement, CCSD#1 leased the land the MBR Facility was to be located on through December 31, 2030, and paid \$4,000,000 as rent for the land; use of the

existing infrastructure of the Tri-City Plant including but not limited to head works, pumps, connection lines, digesters, the outfall; the right to include wastewater treated by the MBR Facility under the Tri-City Permit (defined below); and a premium for the opportunity to lease the land and utilize the existing infrastructure. The MBR Facility, commonly referred to as Phase I of the CMP, came online in 2011.

History of Tri-City Service District:

Prior to formation of the Tri-City Service District, the City of Oregon City operated a sewage treatment plant, of which Gladstone was a partner, located along Highway 99E next to Clackamette Park, at the present location of the McDonalds. West Linn operated its own sewage treatment plants at two different sites that currently house TCSD pump stations. In 1977, the Oregon Department of Environmental Quality (“DEQ”) issued a building moratorium for Oregon City and Gladstone for failing to appropriately maintain, operate and/or expand their existing treatment facility, and warned West Linn that it would face a similar restriction in two years if sewer treatment improvements were not made at its facilities.

The leadership of the cities at that time met and found that mutual investment in an economy-of-scale business such as wastewater treatment was the most economically viable response to the moratoriums. Rather than trying to coordinate each city proposing a general obligation bond to a vote as the source of funds for mutual investment, the idea of a service district was explored. Clackamas County signaled a willingness to facilitate a district, so an initial plan to form a service district including a substantial unincorporated area was proposed through the County and put to a vote, which failed. After additional consideration, the three cities proposed that the district cover only their incorporated areas and the County put the matter to a vote. Upon passage in 1980, TCSD was formed with the BCC to act as the governing body.

TCSD was then able to leverage that vote of support to obtain Clean Water Act grants that paid approximately seventy-five percent of the construction costs of the Tri-City Plant. The remainder of the construction costs, approximately \$25 million, needed to be a local contribution. In lieu of direct rates, city bonding, or rate bonds, TCSD was able to issue a general obligation bonds that crossed the three cities’ jurisdictional boundaries. This construction bond was fully paid off in 2003 and no replacement bond was sought. Since TCSD’s inception in 1980, direct user rates have paid only for operational expenses and minor asset replacement. Therefore, TCSD boasts by far the lowest wholesale sewer rate in the Metro region. The bond and grant money was also used to decommission the existing city sewer plants and construct interceptor sewers.

The Tri-City Plant construction was completed in 1986 and has been operating continuously since that time, discharging to the Willamette River pursuant to NPDES permit number 101168 (the “Tri-City Permit”). The Tri-City Plant has held sufficient capacity to support the steady growth of its member cities. Over the past 30 years, Gladstone has experienced relatively little growth, West Linn moderate growth, and Oregon City high growth. The Tri-City Plant is now beyond its maximum original design capacity for solids handling based on flows solely originating from TCSD ratepayers. Please see Attachment C for supporting information regarding capacity issues as already provided to the Regional Committee.

Upon formation of TCSD in 1986, the Department of Utilities (later renamed Water Environment Services) provided a common, dedicated pool of staff to support both districts at a lower cost than could be achieved if each went its separate way. This arrangement has been implemented for the last 30 years, and under it, TCSD is billed for the full cost of employees that support only TCSD activities, such as Tri-City Plant operators or mechanics, but share the cost of certain administrative positions such as director, water quality manager or finance manager, with CCSD#1 and SWMACC. The cost of shared employees is allocated as a real-time percentage, applied monthly, based on the total number of hours spent on TCSD work versus CCSD#1 work or SWMACC work. The current allocation, based on hours, is 65.50% for CCSD#1 sewer, 13.40% for CCSD#1 surface water, 20.65% TCSD (sewer only), and 0.45% for SWMACC (surface water only). The employees are managed by Clackamas County pursuant to an agreement, the most recent version of which was adopted in 2006 (“TCSD-County IGA,” attached hereto as Attachment D) that allows the district access to support services in an a-la-carte, marginal cost approach that consistently has resulted in a very low overhead charge – substantially lower than the overhead charge levied by member cities on their own utility funds.

The initial investment in the Tri-City Plant gave TCSD an underutilized asset. Beginning in 1999, TCSD rented out its unused capacity to CCSD#1 for a profit under the 1999 Rental Agreement. By relying on that profit, TCSD was able to completely avoid rate increases in some years and maintain an overall a rate growth profile that was below inflation. However, in doing so, TCSD’s revenue generated from ratepayers soon was insufficient to pay current operating costs. The revenue from the 1999 Rental Agreement ended in 2011 once the MBR Facility came online. Since 2011, TCSD rates have been climbing steadily in an effort to get the district back on sound financial footing. The district is now able to generate sufficient revenue to pay for its own operating costs without spending from reserves. At this time, TCSD has a very limited ability to issue minor amounts of rate-supported debt for capital projects. TCSD has never issued rate bonds and is not rated by the bond rating agencies.

Continued growth in all three cities, with Oregon City experiencing the highest rate of growth over the history of TCSD, has now consumed the original design capacity of the Tri-City Plant. As reported to the Regional Committee, even without any flows coming from CCSD#1 or the existence of the MBR Facility, TCSD would require investments in solids handling. Solids handling needs have matured earlier than liquids needs in part because of adoption of low-flow toilets and other water saving devices. The volume of wastewater has decreased per household, but there has been a concomitant increase in the concentration of the wastewater stream; systems originally designed to be in sync from a treatment perspective are now on a different capacity timeline. Construction of solids handling would have triggered heightened regulatory requirements that would have been very difficult for TCSD to meet, but for the existence of CCSD#1’s MBR Facility. Under the current structure, when TCSD requires additional liquid treatment facilities, it will need to buy into CCSD#1’s MBR Facility to allow for the lowest cost expansion.

Common History:

Since 1986, both districts have been jointly managed by WES. This arrangement has been utilized to minimize the expenses to ratepayers. In doing so, each district only has to pay a share of 107 full time employees that are available and would be necessary to support district operations. The result is a long history of the districts saving on operating and administrative expenses. However, at the time of formation, each had a separate pool of grants and rate-supported investments for capital infrastructure.

Beginning with the 1999 Rental Agreement and the construction of Intertie 1, the capital infrastructure of CCSD#1 was linked with that of TCSD. This resulted in a significantly increased return on investment for TCSD as more of the Tri-City Plant was utilized, and CCSD#1 avoided some capital costs for a period of time. However, this move meant that CCSD#1 fell behind in having the treatment infrastructure necessary to meet its ratepayer needs.

Recognizing the need for a long term solution and because TCSD required the use of the rented liquid treatment capacity, the CMP was developed to provide the lowest cost service to the ratepayers. With the 2008 Agreement and construction of the MBR Facility, CCSD#1 reached “capacity parity” with TCSD and the two districts were in equivalent places in terms of current and future infrastructure needs. Since 2011, when the MBR Facility came online, the two districts have shared proportionally in the operational costs of the Tri-City Plant. Each district has realized cost savings and efficiencies through this arrangement. This arrangement, however, deals only with operational cost sharing and does not address capital needs. Under the current structure, those issues are brought before the Regional Committee for consideration.

While operationally integrated, the capital components of the districts are only integrated on an ad hoc basis based on single-issue agreements, such as the Blue Heron investment. Each district is distinct financially and legally. This leads to an odd quasi-partnership that provides some cost savings, but creates uncertainty and challenges for long term strategic planning and project efforts. The below analysis examines whether there are greater benefits that could be realized by closer integration between CCSD#1 and TCSD. The analysis concludes that each district would save its ratepayers hundreds of millions of dollars by more closely working together.

2008 Committee Findings:

After discussions around the CMP and Phase I construction program, there was a recognition that, much like the current discussion, there could be substantial savings by the districts working together. The Board of County Commissioners chose to seek the input from the full range of stakeholders that could be affected by a decision regarding some kind of regionalization. A blue ribbon group, called the Community Partners Task Force, was formed, consisting of elected representatives from the Board of County Commissioners, Damascus, Gladstone, Happy Valley, Milwaukie, Oak Lodge Sanitary District, Oregon City, and West Linn, and appointed representatives for the business community and direct ratepayers from the

unincorporated area (collectively, the “Task Force”).¹ Lake Oswego initially participated, but subsequently withdrew after realizing that its participation was premature given its relationship with the City of Portland’s Tryon Creek plant. The Task Force began meeting in February 2008 and submitted a final recommendation in November 2008.

The Task Force discussions began by identifying common jurisdictional interests and examining potential regional savings that could result from a common capital investment approach. It explored several issues regarding wastewater treatment with an independent engineer-consultant. In its findings, the Task Force concluded (i) that there were compelling financial benefits to ratepayers by making collective investments across service district boundaries, (ii) that there was a model for regional equity and fairness that could be implemented, and (iii) a governance structure could be implemented to reasonably achieve the first two findings.

After excluding retail services to ensure an “apples to apples” comparison, the Task Force found that by working together the collective ratepayers would save between \$314 million and \$384 million over a 30 year period. Those figures do not include savings that would result from a shared regulatory strategy, but arise only from shared investment in infrastructure required for meeting asset replacement and growth needs. Staff considers these numbers to be the minimum savings that would result through Regionalization. The key factual supports for reaching those conclusions were both the overall cost savings projected and the rate profiles, based on engineering estimates that projected substantially lower rates for every district beginning no later than the 2014-15 fiscal year.

Regulatory Benefits

Each of the four facilities managed by CCSD#1 and the Tri-City Plant has a Clean Water Act-authorized National Pollution Discharge Elimination System (“NPDES”) permit that establishes limits and parameters for discharges into the waters of the United States. Within this paper, staff will focus on the Kellogg NPDES permit, the Tri-City NPDES permit, and the Blue Heron NPDES permit recently acquired jointly by the districts (together, the “Permits”).

Regulators such as the Oregon Department of Environmental Quality (“DEQ”) and the Environmental Protection Agency (“EPA”) continue to promulgate rules that increase restrictions and/or requirements on dischargers. The Permits are covered by what is known colloquially as the “anti-backsliding rule,” which means that regulations only get tighter. DEQ uses water quality standards to assess whether the quality of Oregon’s rivers and lakes are adequate for fish and other aquatic life, human recreation, a source for safe drinking water, agriculture, industry

¹ The Committee Members were: Chair Greg DeGrazia, business representative; Deborah Barnes, Milwaukie City Counselor; Scott Burgess, West Linn City Counselor; Wade Byers, Gladstone Mayor; Charmaine Coleman, CCSD#1 ratepayer; Markley Drake, Happy Valley Counselor; Julie Harvey, CCSD#1 ratepayer; John Hickey, JD, PE, business representative; Kristin Johnson, Lake Oswego Counselor; Jim Knapp, CCSD#1 Advisory Committee Chair; David Marks, business representative; Alice Norris, Oregon City Mayor; Ernie Platt, Homebuilders’ Association representative; Paul Savas, Oak Lodge Sanitary Director; and Randy Shannon, Damascus Counselor.

and other beneficial uses. DEQ also uses the standards as regulatory tools to prevent pollution of the state's waterways. The Clean Water Act requires all states to adopt water quality standards designating beneficial uses of the state's waters and sets criteria designed to protect those uses. The Clean Water Act requires wastewater treatment facilities, and any other dischargers into the waters of the United States, to operate under NPDES permits, which set limits on what can be discharged, based on water quality standards promulgated for that specific discharge area. In addition, each plant has separate biosolids programs and industrial pretreatment programs, which also result in separate requirements for each district based upon the receiving stream capacity.

It is important to emphasize the significant regulatory drivers for the business of the districts. The Clean Water Act has a complex process for establishing and imposing regulatory requirements on “point sources,” such as treatment plants, and substantial fines for violations. The regulatory process, in summary form, is that a water quality standard is developed by identifying the beneficial uses sensitive to the particular pollutant and then establishing a parameter. Specific criteria are then established based on the levels needed to protect the sensitive beneficial uses. For example, the uses typically most sensitive to dissolved oxygen are fish and aquatic life. Fish and other aquatic organisms need an adequate supply of oxygen in the water to be healthy and productive. In this case, the criteria identify the minimum amounts of dissolved oxygen that need to be in the water to protect the fish or other aquatic life. In other cases, as with many of the toxic pollutants, the criteria may identify the maximum amount that may be in the water without risk to human health or the aquatic biota. For other parameters, such as bacteria or some toxic compounds, human health is almost exclusively the most sensitive beneficial use. An analysis of each potential pollutant that could be discharged into the Willamette River and its watershed, in the case of the Permits, is made to determine the maximum that can be discharged to the river as a whole and by each permitted dischargee. DEQ then builds those limits into its NPDES permitting regime, ensuring that at both an individual facility level and watershed-wide the beneficial uses are protected.

The State of Oregon has a requirement to continually update their water quality standards, which are becoming amongst the most challenging in the country, to provide for beneficial use of the State's water ways. The Districts continues to face increasingly stringent regulations, which likely will impact the technology needed to remove such pollutants if current treatment will not treat to the appropriate levels.

One of the difficulties in meeting current water quality standards is that the existing treatment infrastructure was designed to the lower standards that existed at the time of their construction. Several improvements have had to be made to both the Kellogg Plant and the Tri-City Plant to meet current water quality standards. This is exacerbated by the current rule structure that imposes even more stringent standards every time a treatment facility undertakes major improvements. For example, the Tri-City Plant's NPDES permit shifted from a “20/20” permit to a “10/10” NPDES permit, reducing in half certain allocations and pollutant discharge limits. Fortunately, the MBR Facility generated a high enough quality effluent that, when mixed with the lower-quality conventional treatment system used for the remainder of the plant flows, was more than sufficient to meet the enhanced compliance point requirements. There is a high likelihood that continued and even greater reliance on the MBR Facility will be necessary for effluent at the Tri-City Plant to meet the requirements of the Clean Water Act.

New standards can be imposed without the triggering requirement of additional construction that can necessitate additional investment or operational changes at the treatment plants. New technology, testing, analysis, and environmental studies can define new pollutants of concern. For example, Senate Bill 737, which passed in the 2007 session, required DEQ to develop a list of all priority persistent bioaccumulative toxics (the “Priority Persistent Pollutant List”) that have a documented effect on human health, wildlife and aquatic life. The bill also required fifty-two of the largest municipal wastewater plants (including the Kellogg Plant and Tri-City Plant) to pay a fee between \$10-\$20,000 over two years to fund the research behind the Prior Persistent Pollutant List, and draw samples of each major treatment facility’s effluent to identify whether they had any of the toxics of concern. If any were identified, the facility had some come up with a strategy to deal with them by 2011. Fortunately, the studies found that the only toxics found in the two major treatment plants’ waste streams during sampling were primarily byproducts of human digestion, and DEQ deferred the requirement for the strategy to be submitted pending additional discussion and review. Similarly, the EPA's Office of Science is continually researching the environmental impacts of existing or new products or issues in an effort to provide the scientific support for any additional regulations that may be required.

In the near term, staff anticipated that both the Tri-City Plant and Kellogg Plant will be dealing with compliance challenges arising from several existing discharge limitations, including: (i) temperature, (ii) ammonia, (iii) biological oxygen demand (“BOD”) loading, (iv) total suspended solids (“TSS”) loading, and (v) copper. Some arise from additional connections to the systems, while others are likely to become issues because of decreased allowances for existing discharges. In addition to anticipated problems in existing discharge limitations, staff also anticipates that some or all of the following “pollutants” may be added as new limitations within the NPDES Permits in the next several years: mercury, cadmium, silver, zinc, nickel, lead, and chromium.

In complying with the NPDES permits and associated regulatory structure, the districts currently achieve some costs savings by sharing staff to perform tasks. However, they are separate districts, and accordingly WES must maintain a degree of separation to follow the individual permits and legal requirements. Additionally, technical analyses are required for each district as well. The districts must also have separate rules and regulations, which govern activities that may impact the collection system and treatment works. Hence, the department has separate accounting, reporting and administrative needs to meet permit requirements of each district.

The current system of administration and compliance meets the demands of the regulatory system, but is not the most efficient. However, the primary gains that could be experienced by the Districts through a cooperative partnership are not on the staff side, but on regulatory permit compliance efforts themselves through the utilization of a watershed-based permit.

Watershed Based Permitting

Watershed-based NPDES permitting is a process that emphasizes addressing all stressors within a hydrologically-defined drainage basin, rather than addressing individual pollutant sources on a discharge-by-discharge basis. Watershed-based permitting can encompass a variety of activities ranging from synchronizing permits within a basin to developing water quality-based effluent limits using a multiple discharger modeling analysis. The type of permitting activity will vary depending on the unique characteristics of the watershed and the sources of pollution impacting it. The ultimate goal of this effort is to develop and issue NPDES permits that better protect entire watersheds.

Having a watershed based permit would greatly benefit the districts in meeting their Clean Water Act obligations, potentially allowing the two Districts to combine their respective allocations so that trading of NPDES permit discharge allocations could occur, as long as the collective discharge would be below the combined allocation. For example, under the current permitting situation if there is a high flow event at the Tri-City Plant that leads to an exceedance on TSS allowed to be discharged, TCSD is fined under the Clean Water Act, which can result in fines of up to \$50,000 per day per parameter within the NPDES Permit that is violated. It would not matter if the Kellogg Plant is substantially below the required TSS loadings because they are distinct permits. However, if there was a single watershed permit, then there would only be a fine if the total discharged from both plants exceeds the total amount allowed to be discharged by both plants. So in this hypothetical, there is no violation because the Kellogg Plant's available loading can be combined with the Tri-City Plant via a "trade" to result in compliance.

This is not a radical innovation, but rather an existing local fact. Our neighboring Washington County wastewater provider, Clean Water Services, uses a watershed-based integrated permit covering four treatment plants via a county service district model. Oregon DEQ states that a single watershed-based, integrated municipal permit does not reduce the requirements that were previously contained in separate permits. Instead, it provides a number of advantages and efficiencies in allowing for use of multiple parameters across permits to meet requirements, or even from sources external to the allocations of treatment facilities (such as generating temperature credits for discharges by creating shade on upstream tributaries within the watershed).

The single watershed –based permit would result in various benefits to the permittee and the permitting authority and the environment. One permit is easier to administer and implement for both entities. The integrated permit also provides an economy of scale for both permittee and the permitting authority in terms of resource use. Both organizations will be better able to focus their resources on the most critical problems, while the integrated permit provides a greater level of protection for the environment than what might have been realized under the current system of multiple permits.

Putting a watershed permit in place for the districts is the best available strategy for meeting the existing and anticipated regulatory challenges facing the current and future ratepayers at the lowest cost. A single parameter, such as temperature, can drive investments into the tens of millions of dollars and pooling regulatory allocation resources to most efficiently

meet those requirements makes the most sense from a professional management standpoint. This pooling of resources via a watershed permit can only be achieved if a single, regional entity holds and controls the NPDES permits for all involved facilities.

A regionalized, watershed permit approach would also create efficiencies in the solids disposal portion of the districts' business. Currently, solids that are generated in the treatment process are loaded onto trucks and applied to farm fields in either the Willamette Valley or eastern Oregon. Each field must be specifically authorized by DEQ for application of biosolids by a particular entity. Currently, solids generated at one district's plant cannot be applied at the fields approved for the other district. This leads to operational challenges and increased costs in disposal.

In summary, a single watershed-based permit obtained through Regionalization would allow the districts to achieve water quality goals in a more cost-effective and efficient manner. The districts would experience enhanced environmental results for the watershed where ratepayers live, work and play, as well as target and maximize the available resources to achieve the greatest service level and environmental results. Additionally, a single watershed-based permit would create administrative efficiencies and provide opportunities for water quality trading programs that could support non-point source contributions to watershed health and regulatory compliance.

Capital Benefits:

The Regional Committee was originally formed to consider the possibility of shared investment in capital projects for growth, given the strong likelihood that each district would substantially benefit from a shared investment strategy. It is an industry truism that wastewater treatment efficiencies can typically be realized by scale, which is why it was more cost effective to decommission the three treatment plants serving Gladstone, Oregon City and West Linn and combine them into the Tri-City Plant. Washington County's Clean Water Services decommissioned twenty-six treatment plants and consolidated them into four facilities. Growth is only one component of the overall capital program each district must implement. Staff has evaluated each type of major capital project for the districts to determine whether or not a permanent partnership would have material benefits: regulatory investments, asset replacement, and growth infrastructure. In all three areas of investment, we anticipate that each district's ratepayers would realize hundreds of millions of dollars of savings through a regionalized capital investment strategy.

Regulatory Compliance. With respect to regulatory compliance, as noted in the Regulatory Benefit section above, each district is faced with the high likelihood of required investment to meet heightened discharge limitations. The plethora of new and enhanced regulatory requirements that may be imposed on the treatment plants are projected to require tens to hundreds of millions of dollars of additional investment. Regionalization, as an approach to capital investment, is the operative theory behind several programs currently being implemented by WES staff. TCSD is able to rely on and utilize the high quality effluent treatment of the MBR Facility to meet permit requirements, and CCSD#1 will be able to rely on and utilize the superior

Blue Heron outfall, of which it is co-owner, that is scheduled to be connected to the Tri-City Plant.

An example of how shared investment in assets can improve regulatory compliance can be found during the negotiations over the Tri-City Plant's currently-issued NPDES permit. DEQ's initial draft of the permit included a discharge limit for ammonia, a notoriously difficult parameter to treat for – the typical strategy is called nitrification, and requires the treatment plant's conventional treatment systems for liquids to be reduced to approximately 60% of its design capacity. This would have triggered a requirement that TCSD construct a new conventional treatment train for liquids at the costs of tens of millions, including early remediation of the Rossman landfill space. However, the improved performance from the MBR Facility was sufficient to give rise to an argument that with a minor investment in the outfall and assurances that future expansions in liquid treatment at the Tri-City Plant would be via CCSD#1's MBR Facility, no ammonia limit needed to be included. Staff was able to negotiate an order with DEQ that kept the term out of the NPDES permit (thus avoiding the anti-backsliding rule) and make an investment of only \$300,000 in improved outfall configuration to make regulatory compliance under the appropriate analysis. TCSD would have faced a large capital cost to serve only existing customers if not for the MBR Facility and shared investment in outfall improvements.

Mutual investment made by each CCSD#1 and TCSD in the Blue Heron NPDES permit and outfall (previously held by the now-liquidated Blue Heron Paper Company) were a strategic approach to meeting temperature discharge restrictions being imposed on the Tri-City Plant and Kellogg Plant and also has the potential to save each district significant monies. The initial design and planning estimate of the cost to implement the Blue Heron permit approach is approximately \$40 million, while the non-Blue Heron alternative of constructed wetlands is estimated to cost approximately \$120 million and have a significantly higher annual operating cost.

Therefore, Regionalization not only would allow realization of cost avoidance in the operation and performance of the treatment plants, but also in any required investments needed to meet regulatory requirements. This would greatly reduce costs to serve current customers, let alone future connections. A co-investment strategy for regulatory compliance has already been implemented by the districts on an ad-hoc basis, and all available evidence suggests that savings in the hundreds of millions of dollars would result in a combined investment strategy.

Asset Replacement. Asset replacement is anticipated to become the largest capital cost for the districts over the next few decades, as the initial investments from the 1970s and 1980s wear out. This is of significant concern, as both districts' major assets are nearing the projected end of their useful life; both the Kellogg Plant and Tri-City Plant's original assets are fully depreciated. Staff is developing an asset management program to implement the necessary tools, processes and procedures necessary to make the best decisions about the repair and replacement of existing assets. This program will assist in predicting and best managing the anticipated high cost of asset replacement.

Prioritizing and optimizing the reinvestment strategy across a regional system is the lowest cost option. Through WES, the districts currently benefit through shared maintenance crews, as well as a staff of engineers and inspectors, who ensure that projects are done per spec and at the lowest possible cost that meets operational needs. Regionalizing asset replacements efforts would enhance this productivity while providing the lowest cost provision of this crucial investment.

Growth. The Regional Committee has already received presentations on the savings that are anticipated through joint investment to meet the needs of growth. The districts are anticipated to save nearly \$120 million by working together to solve the solids handling capacity issue, as an example. Staff notes that the districts have reached “capacity parity” at this time, in that they are faced with similar needs in similar timelines going forward from a service level standpoint. Each district is uniquely positioned to address a particular regional need - TCSD is better situated to address solids handling and CCSD#1 is better situated to address liquids handling. Together, each district would save at least of millions by working collaboratively on this area of capital investment with one another than they would alone.

Another benefit of a partnership would be to share in the combined benefit of adding new ratepayers to the existing system. As new connections join, WES charges both a system development charge to recover costs for newly-constructed infrastructure, as well as a connection charge. These new connections in essence become partners in an ongoing enterprise, with equal responsibility for paying for regulatory-driven investment or asset replacement for assets whose useful life was exhausted prior to their connection to the system. This spreads the cost of regulatory and asset replacement costs across a broader base, reducing the per-household charges for the existing ratepayers. Both CCSD#1 and TCSD broaden their individual ratepayer base by operating together, which allows for a lower overall cost for the provision of wastewater services.

Overall, multiple studies and examination from an engineering and service level perspective undertaken by the districts consistently show that the ratepayers of each district would save tens to hundreds of millions of dollars through Regionalization. That idea has driven investments since the 1990s and remains even truer today as the regulatory environment becomes ever more restrictive and the needs of asset replacement become the dominant capital requirements for both districts. Regionalizing infrastructure investment to provide for the projected capital needs of both districts would save hundreds of millions of dollars over the next few decades.

Governance Benefits:

Currently, the Board of County Commissioners (“BCC”) serves as the governing body of each of CCSD#1 and TCSD. The BCC also has broad responsibilities for a wide range of other issues. WES supports seven different advisory committees, as well as briefings to and decisions by the BCC, for a total of eight, to ensure that the interests of ratepayers are being heard and reflected in decisions. Of those, six relate to the Districts. This leads to a multitude of sometimes

inconsistent voices coming to the governing body. A more unified decision-making process could reduce that number to two.

One of the material challenges facing each of the districts is a lack of certainty. The current status quo is that the districts work together to a limited extent from an operational standpoint, and may work together from a capital standpoint on some, but not all future projects. The question of whether or not the districts will work together is an ad hoc discussion for each project vetted through the appropriate advisory committees. This leads to difficulty in making long term plans to meet the needs of the districts. WES staff has tried to create the lowest-cost capital plan for regulatory investments, asset replacement and meeting the needs of growth, plans which are being reviewed and revised from a comprehensive perspective at this time. Often the lowest-cost approach requires an assumption that the two districts will work together on an investment. However, the ad hoc nature of decision-making for each investment places a barrier to reliance on those assumptions.

Regionalization would allow for the realization of the many cost-saving benefits anticipated in those future plans. It would enhance the stability of decision-making by allowing all affected stakeholders have a voice in all material decisions on a consistent basis. It would also reduce the amount of time and money spent supporting the eight current decision-making or advisory bodies. In having all the decision-makers together and obtaining certainty regarding co-investment, staff can better plan for future requirements, develop a consistent and reliable rate profile designed to levelize rate changes, optimize sequencing of efforts and more assuredly realize the tens of millions of dollars in savings projected by the two districts working together on a permanent basis.

Overall, the substantial intangible value of certainty would be a great aid in allowing staff to conceive, propose and ultimately implement the optimal lowest-cost management strategy for the infrastructure and services entrusted to them.

Administrative Benefits:

Currently, WES staff provides accounting and administrative services to the three independent districts of CCSD#1, SWMACC, and TCSD. Each of these districts are “municipal corporations” as defined by statute, requiring separate accounting and reporting. County service districts provide a way to localize the financing of services that benefit only specific areas, while retaining responsibility within county government rather than an independently elected board. The Board of Directors for each district is comprised by statute of the individuals who are elected as Clackamas County Commissioners.

The administration of the Districts is done by Clackamas County employees that are organizationally housed in WES. Because the affairs of all three districts are managed by WES employees simultaneously, complex accounting systems have been implemented to assure all costs are properly assigned to the correct district, including the allocation of many costs that are common to all three. Budgets and audits are prepared each year by WES for each district.

The principal driver for these discussions about Regionalizing the districts is efficiency and the potential advantage to ratepayers resulting from some form of combined services. The

purpose of this discussion is to look at whether the potential advantages of Regionalization translate into efficiencies and cost savings to ratepayers. The approach has been to develop a list of administrative costs the districts incur to deliver utility services and align them with future costs that could be avoided by merging the three Districts into one comprehensive utility service provider. This discussion should not be construed as a rate study. Itemized below are some of the administrative areas that would result in either lower-cost or more efficient provision of services under Regionalization:

- Accounting – Extensive resources are required to provide accurate and reliable cost accounting to all three districts. Investments and expenses may be the responsibility of one, two, or all three districts. In the cases of more than one district, allocations vary from agreed on amounts to percentage splits to those based on actual direct labor charges of the districts. This adds in turn to the number of journal entries and complicated tracking arrangements. Vehicle and equipment usage becomes complicated when they are shared between districts. Significant reductions in cost accounting related to all of the issues noted could be achieved under a combined entity with a combined monthly service rate.
- Agreements – Agreements are required whenever assets are shared between districts. This in turn requires briefings to advisory committees reflecting their separate interests, the creation of detailed IGAs by County Counsel, possible study sessions and ultimate adoption by the Board. One larger entity will not produce these issues whenever assets are used or co-located. This is important, as WES will continue to look for efficiencies through asset sharing.
- Borrowing Costs/Logistics – For the first time, a costly capital project (solids handling) needs to be undertaken by two of the districts simultaneously, requiring significant external funding. Under the current independent financing structure, each district will need to separately pursue extensive and complicated procedures to borrow funds sufficient to pay for their agreed upon portion of the project. The financial condition of TCSD is very different than that of CCSD#1, which may require very different approaches to that financing for each district. Even then, funding from both must be ready at the time the project starts. This will be a challenge that would be greatly reduced if done by a combined, financially stronger entity. One larger entity should be able to achieve a higher bond rating, reducing borrowing costs, as well as eliminate many of the risks noted here.
- Facilities planning and Asset Management – In most cases, facilities planning is currently done at the individual district level. This approach does not take advantage of the economies of scale that could be achieved by planning on a basin-wide, regional basis. Clean Water Services in Washington County has adopted this basin-wide planning strategy, resulting in the consolidation of twenty-six wastewater treatment plants in 1970 down to four treatment plants today. Asset management will be an even greater financial challenge than growth over the longer term. Even small efficiencies in this area will result in significant savings over time.
- Risk – Separate insurances are required for each district, with variations between each of them resulting in greater complexity in the management of risk. One larger entity should not only reduce overall insurance costs, but would reduce the complexity in its management.

Overall, the districts are experiencing some administrative savings already, therefore, the impact of Regionalization would be a limited improvement in terms of dollars. However, the unknowns around TCSD's ability to effectively enter into the municipal markets and the almost-certain reduced borrowing costs and interest rate savings from a Regionalized borrowing strategy

provide sufficient reason to find that there would be material administrative savings to the ratepayers of the districts.

Industry Trends:

Cities' roles are to oversee the care of basic services that the taxpayers require, such as education, parks and recreation, safety, and utilities. In reality, most cities do not handle all governmental services alone, or at least not easily. In order to deliver a service in a way that is most fiscally responsible, cities commonly work together with their neighbors to provide the same service for all parties involved, at a reduced cost for each contributor. Over time, these mutually beneficial relationships result in deep ties of co-invested programs, projects, and infrastructure. Specifically, in the realm of wastewater conveyance and treatment, the ties can become crucial to the overall economic and public health of an entire region. In Clackamas County, the collaboration of TCSD and CCSD#1 has resulted in substantial savings to date, with more possible with greater integration. In order to understand the relationship between the two districts, the fundamentals of public investment in infrastructure must first be examined. Below are some common questions that were reflected in industry literature that may be helpful to the Regional Committee:

What is the relationship between public investment in infrastructure and private investment?

In his 1990 report entitled "Why is infrastructure important?", David Alan Aschauer sought to determine the magnitude of impact that investment in infrastructure has on economic output and found that government investment in infrastructure has a far greater impact on private investment decisions than any other type of government expenditure. "Given that public capital complements private capital, an increase in the public capital stock can be expected to stimulate private capital through its effect on the profitability of private capital."²

What is the return on investment in public infrastructure?

In 2012, Isabelle Cohen, Thomas Freiling, and Eric Robinson at the College of William and Mary published a paper that attempted to understand the short- and long-term financial return generated by infrastructure investment. They found that, "In the short-run, spending on infrastructure produces twice as much economic activity as the level of initial spending. These effects are most heavily concentrated in the manufacturing and professional and business services sectors, but also accrue to smaller sectors like agriculture. In the long-run, spending on all types of infrastructure generates substantial permanent positive effects across the economy as

² Aschauer, David Alan, 1990. "Why is infrastructure important?" Conference Series; Federal Reserve Bank of Boston, p 21-68.

a whole. Money spent now will produce significant tax revenue returns to the government's budget over twenty years."³

Over the long term, they found that the results of public investment are amplified. In particular, the group determined that every \$1 invested at the beginning of a 20 year period would yield \$3.21 in GDP growth at the conclusion of the period. In addition, in the aggregate, \$1 invested in infrastructure would generate almost \$0.96 in new taxes over 20 years.

What impact does investment in water and sewer infrastructure have?

In 1995, researchers from the University of Oklahoma, Clarkson University, and Northern Illinois University analyzed the effects of investment in different infrastructure components individually and found a greater impact resulting from investment in water and sewer infrastructure than other types of infrastructure. Their report concluded that "aggregate public capital and two of its components (highways, water and sewer) make a positive contribution to state output. Water and sewer systems have a much larger effect on state output than highways and 'other' public capital stock."⁴

They further found that, "The implication is that additional investment in waste disposal and water systems offers a greater stimulant to the regional economy than increased public funding for highways. Also, willingness to facilitate the building of water and sewer infrastructure may allow states to maintain or enhance their competitive advantage in attracting new facilities and jobs." Businesses looking to establish themselves further in the area would be discouraged by a lack of treatment capacity, and may consider options in other parts of the region. Additionally, residents of the region do not specifically limit their day-to-day business within the political boundaries of each city or district; rather, they work, shop, and recreate freely across all of boundaries in each of the cities served by the districts.

A study by the U.S. Department of Agriculture looked at the impact of specific infrastructure investments made by the U.S. Department of Commerce, Economic Development Administration ("EDA") in 1989 and 1990 and found positive benefits from investment in water and sewer infrastructure where it helped businesses expand or locate in a community. "Water/sewer projects can save and/or create jobs, spur private sector investment, attract government funds, and enlarge the property tax base. The 87 water/sewer projects studied, on average, created 16 full-time-equivalent construction jobs. Direct beneficiaries (businesses) saved, on average, 212 permanent jobs, created 402 new permanent jobs, made private investments of \$17.8 million, leveraged \$2.1 million of public funds, and added \$17.0 million to the local property tax base. Indirect beneficiaries saved, on average, 31 permanent jobs, created 172 new permanent jobs, attracted \$3.34 million in private-sector investment, leveraged \$905,000 of public funds, and added \$3.0 million to the local property tax base. This enlarged

³ Cohen, Isabelle, Freiling, Thomas, and Robinson, Eric, 2012, "The Economic Impact and Financing of Infrastructure Spending," Thomas Jefferson Program in Public Policy, College of William & Mary, for Associated Equipment Dealers.

⁴ Moomaw, Ronald L. Mullen, John K. and Williams, Martin, 1995, "The Interregional Impact of Infrastructure Capital," *Southern Economic Journal*, Vol. 61, No. 3 (January), pp 830-845.

property tax base, at a mere 1-percent tax rate, would yield \$200,000 in annual property tax to the community.” In their work attempting to quantify the effects of financial investment in infrastructure, Cohen, Freiling, and Robinson at the College of William and Mary found that a \$1 investment in a water and sewer project would yield \$6.77 in GDP growth over a 20 year period. The same \$1 would also generate \$2.03 in new taxes over the same period, on average, of which \$0.68 is new state and local tax revenue.

Would these same regional benefits to shared wastewater capacity infrastructure development apply in Clackamas County?

Yes. District-specific studies undertaken in the 1990s, 2000s, and 2010s all demonstrate the substantial savings that emerge from a more integrated, economy-of-scale system apply in the case of both districts. There is little doubt that the ratepayers of the districts would be best served by a long term, consistent cooperative approach between the districts.

Conclusion:

Overall, a staff review of the issues, opportunities and challenges facing each of CCSD#1 and TCSD found that ratepayers stand to save hundreds of millions of dollars through Regionalization. The greatest benefits are realized in collectively meeting regulatory requirements for current services, and allowing for the least-cost capital investment strategy to meet regulatory, asset replacement, and growth needs. There are smaller, but tangible benefits that emerge in the arenas of administration and governance, resulting in a more streamlined organization that is efficient and effective. In particular, the introduction of certainty for a long term investment strategy, and improved transparency and collaborative opportunities are significant positives. In totality, Regionalization is consistent with the trajectory of the two districts’ relationship over the past two decades and results in savings by all ratepayers on the order of hundreds of millions of dollars.



Gregory L. Geist
Director

November 3, 2016

Board of County Commissioners
Clackamas County acting as the
governing body of the Tri-City Service
District

Members of the Board:

Formation of the Water Environment Services Partnership with
Clackamas County Service District No. 1
for Wastewater and Surface Water Services

Purpose/Outcomes	Ordinance Adoption and Agreement Execution to create a new municipal entity for wastewater and surface water services.
Dollar Amount and Fiscal Impact	Minimal in current budget year. Savings in future fiscal years.
Funding Source	Not Applicable
Duration	Permanent
Previous Board Action	Multiple governance conversations over the past several years. Receipt of 2008 Committee recommendation for partnership between TCSD and CCSD#1.
Strategic Plan Alignment	Build strong infrastructure. Ensure safe, healthy and secure communities. Honor, utilize, promote and invest in our natural resources. Grow a vibrant economy.
Contact Person	Greg Geist, WES Director Chris Storey, Assistant County Counsel
Contract No.	Not Applicable

ISSUE

One of the most challenging aspects of management of the Tri-City Service District (“TCSD”) has been a lack of certainty regarding its long term plan for investment and operations. The plans of TCSD and Clackamas County Service District No. 1 (“CCSD#1”) are inextricably linked to the other given the investments made for construction of the MBR Facility and the Blue Heron lagoon project. TCSD relies upon access to the MBR to avoid additional regulatory requirements. And since 1999, TCSD has benefitted from the revenue being contributed by CCSD#1 for a portion of operating costs related to treatment of its flow, which has allowed them to maintain low rates, but given the fact that TCSD is going to have to borrow for its share of the solids handling project, it needs certainty to generate an appropriate rate profile and establish a credit rating.

While each capital project has been evaluated and discussed as a standalone question, better management practices dictate that a more comprehensive look be taken to maximize efficiencies and opportunities for ratepayers. Gaining this certainty is key to the long range planning necessary in the wastewater treatment industry. The infrastructure is expensive and needs to be online prior to the failure of old equipment or the arrival of additional flows, while serving the community for up

to 100 years. The creation of a 190 Partnership with CCSD#1 and TCSD (together the “Partners”) for mutual operation and investment would provide certainty to ensure that there are no stranded investments or service failures.

BACKGROUND

TCSD has partnered with CCSD#1 since TCSD was formed by public vote in 1980. The two districts currently contract with Clackamas County (“County”) for management of operations and administration, resulting in significantly lower costs to ratepayers.

This cooperative approach expanded in 1996 with the construction of a shared laboratory facility and again in 1999 through an agreement for the rental by CCSD#1 of wastewater treatment capacity at the Tri-City Water Pollution Control Facility (“Tri-City Facility”) and construction of an intertie pipeline to allow flows to reach the treatment works. In 2003 agreement was reached to consolidate future wastewater treatment for both districts at the Tri-City Facility pursuant to a plan that was ultimately rescinded for non-technical reasons.

The economic incentives for cooperative investment and operation brought the Partners together when CCSD#1 was considering options to expand its treatment capacity. After reaching agreement, CCSD#1 opted to buy in to the Tri-City Facility infrastructure for a lump sum payment of \$4 million dollars. CCSD#1 leased space there and invested approximately \$90 million for a high-technology membrane bio-reactor wastewater liquids treatment facility (the “MBR Facilities”). In addition, another \$30+ million was invested by CCSD#1 to construct pump stations and pipes to deliver the flows to the Tri-City Facility, enhancing the interconnected network between the TCSD and CCSD#1 systems.

This cooperative agreement allows for flow management and balancing between the two districts’ systems to better ensure compliance with regulatory requirements and to allow equipment to go offline for routine maintenance. The MBR Facility now produces the highest quality effluent of any treatment plant in the State of Oregon, and significantly assists the Tri-City Facility in meeting current and future regulatory requirements of the Clean Water Act.

Currently, CCSD#1 pays for a portion of the operating costs of the Tri-City Facility relative to its flow. The MBR Facilities are designed to allow ease of expansion on a smaller footprint to meet the needs of both Partners, allowing for continued high performance in meeting regulatory requirements and environmental goals at a substantially lower cost now and into the future.

To confirm the willingness of the entities to work together as partners, a regionally-representative 2008 blue ribbon group was formed, consisting of members of the business community, environmental groups, ratepayers, and elected officials from all affected cities including Gladstone, Happy Valley, Oregon City, Milwaukie, and West Linn (the “Blue Ribbon Committee”). This Blue Ribbon Committee participated in a thorough examination of the potential costs and benefits of closer cooperation and partnership between the Partners. The Blue Ribbon Committee found that: (i) there were significant financial benefits to each of the Partners’ ratepayers by making collective investment and management decisions, with millions in projected savings; (ii) there was an equitable fiscal and operational model that ensured fairness for all; and (iii) governance and ratepayer interests of all stakeholders could be addressed in a collective investment and operational approach.

One of the conditions of the Blue Ribbon Committee’s findings was that each Partner’s ratepayers would be responsible for their prior debt. This Agreement follows that condition by requiring

CCSD#1 ratepayers to be responsible for all of CCSD#1's currently outstanding debt going forward. Blue Ribbon Committee members, including the elected officials of component cities of the Partners, made a recommendation to the Board of Commissioners of Clackamas County ("BCC") to have the Partners operate more closely together as partners, with the ultimate goal of a regional consolidation forming a single county service district under the governance of the BCC with appropriate input from stakeholders.

The concept of regionalization of wastewater efforts was further discussed by the Regional Wastewater Treatment Capacity Advisory Committee ("Regional Committee") over several years. In 2012, after a recommendation from the Regional Committee, the Partners agreed to mutually invest and acquire the Blue Heron lagoon and associated Clean Water Act permit, with each Partner equally sharing in all related costs to avoid approximately \$80 million in infrastructure expenditures imposed by regulatory requirements. Further investigations and conversations at the Regional Committee in 2015-16 have indicated substantial cost savings to ratepayers through a joint investment strategy for solids handling infrastructure.

In short, when addressing three types of projects (liquids treatment, regulatory discharge permits, solids handling) over a decade, in each case there were substantial cost savings gained by the Partners working together to address mutual challenges. A white paper analysis of a regional approach to service delivery by the Partners provided an overview of the many issues in which staff anticipate ratepayers will benefit in the future as well. A copy of the white paper is attached.

To implement that regional approach, staff has evaluated several options that have been discussed publicly. At this point staff feels it is important to provide the certainty necessary to allow for a mutual investment strategy that gives assurances to both Partners that they will not be abandoned in the future. This can best be accomplished by forming a partnership between CCSD#1 and TCSD, the "Water Environment Services" partnership pursuant to Oregon Revised Statutes Chapter 190. This newly-formed regional entity would allow for a cohesive, effective, and efficient approach to service delivery that should hold costs lower and give confidence to ratepayers and the community at large that the critical elements of wastewater infrastructure will be provided in a timely manner to meet the needs of the region.

An agreement to implement this partnership approach is attached hereto.

To effectuate the agreement, the Board would also need to adopt an ordinance. A draft ordinance is attached as well.

RECOMMENDATION

The staff recommends the adoption of the attached Ordinance in a single reading through the declaration of an emergency to allow for immediate effectiveness, and execution of the attached Agreement.

Respectfully submitted,

Gregory Geist
Director

ORDINANCE NO. _____
OF CLACKAMAS COUNTY SERVICE DISTRICT NO. 1

AN ORDINANCE AUTHORIZING AN INTERGOVERNMENTAL PARTNERSHIP AGREEMENT BETWEEN CLACKAMAS COUNTY SERVICE DISTRICT NO. 1 AND TRI-CITY SERVICE DISTRICT CREATING THE WATER ENVIRONMENT SERVICES PARTNERSHIP and Declaring an Emergency

WHEREAS, the Board of County Commissioners as the governing body of Clackamas County Service District No. 1 (the "District") is desirous of entering into partnership with Tri-City Service District for the purposes of providing more efficient and cost-effective wastewater and surface water services on a more regionalized basis; and

WHEREAS, the attached Intergovernmental Partnership Agreement creates a new municipal entity to be known as "Water Environment Services," to accomplish the above purpose as more fully stated in the Agreement pursuant to Oregon Revised Statutes Chapter 190;

NOW THEREFORE, CLACKAMAS COUNTY SERVICE DISTRICT NO. 1 BOARD ORDAINS AS FOLLOWS:

Section 1. The Intergovernmental Partnership Agreement between Clackamas County Service District No. 1 and the Tri-City Service District creating a new municipal entity known as "Water Environment Services" as attached hereto as Exhibit A and incorporated herein, is hereby adopted.

Read first time at a regular meeting of the District Board held on the 3rd day of November, 2016, and the foregoing ordinance was finally enacted by the City Commission this 3rd day of November, 2016.

ADOPTED this 3rd day of November, 2016.

BOARD OF COUNTY COMMISSIONERS
as the governing body of
CLACKAMAS COUNTY SERVICE DISTRICT NO. 1

Chair

Recording Secretary

ORDINANCE NO. _____

Effective Date: November 3, 2016

AN INTERGOVERNMENTAL PARTNERSHIP AGREEMENT
FORMING THE
WATER ENVIRONMENT SERVICES
PARTNERSHIP

THIS INTERGOVERNMENTAL PARTNERSHIP AGREEMENT (this “Agreement”), dated as of November 3, 2016, is entered into by and between Clackamas County Service District No. 1, a county service district formed under Oregon Revised Statute (“ORS”) Chapter 451 (“CCSD#1”), and the Tri-City Service District, a county service district formed under ORS Chapter 451 (“TCSD”), pursuant to ORS Chapter 190 for the creation of a new intergovernmental entity. The parties are herein individually referred to as “Partner” and collectively as the “Partners.”

RECITALS

History.

TCSD has partnered with CCSD#1 to share the costs of administrative and management services since formation by public vote in 1980. The Partners currently contract with Clackamas County (“County”) for management of operation and administration, resulting in significantly lower costs to ratepayers. This cooperative approach expanded in 1999 through an agreement for the rental by CCSD#1 of wastewater treatment capacity at the Tri-City Water Pollution Control Facility (“Tri-City Facility”) and construction of an intertie pipeline to allow flows to reach the treatment works. The Partners have also shared the costs of creating and staffing a certified laboratory in support of meeting Clean Water Act requirements at all facilities. The relationship was financially beneficial for both districts, and in 2003 agreement was reached to consolidate future wastewater treatment for both districts at the Tri-City Facility pursuant to a plan that was ultimately rescinded for non-technical reasons.

The economic incentives for cooperative investment and operation brought the Partners together when CCSD#1 was considering options to expand its treatment capacity. After reaching agreement, CCSD#1 opted to buy in to the Tri-City Facility infrastructure for a lump sum payment of \$4 million dollars. CCSD#1 leased space there and invested approximately \$93 million for a high-technology membrane bio-reactor wastewater liquids treatment facility (the “MBR Facilities”). In addition, another \$40 million was invested by CCSD#1 to construct pump stations and pipes to deliver the flows to the Tri-City Facility, enhancing the interconnected network between the TCSD and CCSD#1 systems.

This cooperative agreement allows for flow management and balancing between the two districts’ systems to better ensure compliance with regulatory requirements and to allow equipment to go offline for routine maintenance. The MBR Facility now produces the highest

quality effluent of any treatment plant in the State of Oregon, and significantly assists the Tri-City Facility in meeting current regulatory requirements of the Clean Water Act.

Currently, CCSD#1 pays for a portion of the operating costs of the Tri-City Facility relative to its flow. The MBR Facilities are designed to allow ease of expansion on a smaller footprint to meet the needs of both Partners, allowing for continued high performance in meeting current and future regulatory requirements and environmental goals at a substantially lower cost now and into the future.

To confirm the willingness of the entities to work together as partners, a regionally-representative 2008 blue ribbon group was formed, consisting of members of the business community, environmental groups, ratepayers, and elected officials from all affected cities including Gladstone, Happy Valley, Oregon City, Milwaukie, and West Linn (the “Blue Ribbon Committee”). This Blue Ribbon Committee participated in a thorough examination of the potential costs and benefits of closer cooperation and partnership between the Partners. The Blue Ribbon Committee found that: (i) there were significant financial benefits to each of the Partners’ ratepayers by making collective investment and management decisions, with millions in projected savings; (ii) there was an equitable fiscal and operational model that ensured fairness for all; and (iii) governance and ratepayer interests of all stakeholders could be addressed in a collective investment and operational approach.

One of the conditions of the Blue Ribbon Committee’s findings was that each Partner’s ratepayers would be responsible for their prior debt and actions. This Agreement follows that condition by requiring CCSD#1 ratepayers to be responsible for all of CCSD#1’s currently outstanding debt going forward. Blue Ribbon Committee members, including the elected officials of component cities of the Partners, made a recommendation to the Board of Commissioners of Clackamas County (“BCC”) to have the Partners operate more closely together as partners, with the ultimate goal of a regional consolidation forming a single county service district under the governance of the BCC with appropriate input from stakeholders, all as more fully described on Exhibit A attached hereto.

The concept of regionalization of wastewater efforts was further discussed by the Regional Wastewater Treatment Capacity Advisory Committee (“Regional Committee”) over several years. In 2012, after a recommendation from the Regional Committee, the Partners agreed to mutually invest and acquire the Blue Heron lagoon site and associated Clean Water Act permit, with each Partner equally sharing in all related costs in an estimated \$35 million project, which would allow both Partners to avoid approximately \$80 million in infrastructure expenditures imposed by regulatory requirements.

Further investigations and conversations at the Regional Committee in 2015-16 have indicated substantial cost savings to ratepayers through a joint investment strategy for solids handling infrastructure. In short, when addressing three types of projects (liquids treatment, regulatory discharge permits, solids handling) over a decade, in each case there were

substantial cost savings and efficiencies gained by the Partners working together to address mutual challenges.

Current Challenges.

One of the most challenging aspects of management of the Partners has been a lack of certainty regarding long term investments and operations. The plans of each Partner are inextricably linked to the other given the investments made for construction of the MBR Facility and the Blue Heron lagoon project. Each capital project has been evaluated and discussed as a standalone question, when better management practices dictate that a more comprehensive look be taken to maximize efficiencies and opportunities for ratepayers. Gaining this certainty is a key requirement in the long range planning necessary in an industry such as wastewater treatment. The infrastructure is expensive and relatively permanent once constructed, and needs to be online prior to the imposition of new regulatory requirements, the failure of old equipment, or the arrival of additional flows.

In addition to the lack of certainty, there are barriers to efficiency that arise from the regulatory structure required when operating as separate districts, even with common management. The current legal structure of the Partners holding separate National Pollution Discharge Elimination System (“NPDES”) permits at the Tri-City Facility and at the Kellogg Creek Wastewater Treatment Facility (“Kellogg Facility”) creates regulatory inefficiencies that can lead to duplicative requirements and avoidable expenses.

For example, solids generated at the Tri-City Plant cannot be applied to fields authorized for CCSD#1, and vice versa. This results in the inefficiency of having to send two solids trucks to eastern Oregon to apply on fields that are fairly close to each other, due to a regulatory prohibition to mixing solids, even in the truck. Discharge limitations are unique to each facility and require duplicative investment to meet a discharge restriction even when the overall system is well below the regulatory threshold. These and other similar issues could be significantly improved if there were a single entity that held all NPDES and other regulatory permits.

Benefits.

Overall, evaluations from elected officials, community groups, and professional staff, as well as nationwide industry trends, all indicate that customers of both Partners would be best served by a regional approach to wastewater and surface water services. Current capital planning by the Partners anticipate that the majority of the investment costs required going forward will be driven by the need for asset replacement and regulatory requirements, which can be more effectively managed utilizing a regional approach.

In addition, urban Clackamas County is covered by a joint Municipal Separate Storm Sewer System (“MS4”) permit. CCSD#1 provides the lead for surface water services for many

cities throughout the urban area. The inclusion of such services in this partnership may be of benefit to TCSD member cities if a city elects to use them.

A permanent partnership agreement to cooperate together in addressing regional needs is in the best interests of the customers of CCSD#1 and TCSD. This formal partnership will provide long term certainty to the Partners in working together to realize the many millions in savings recognized by each of the public processes used to examine the issue over the last two decades. That certainty allows for efficient and non-duplicative capital planning, improved operations, and redirects the focus and energy of staff and stakeholders to better address the existing challenges to the wastewater and surface water systems.

It is the intention of the Parties that the formation of a partnership entity to hold all the assets of the Partners and provide for singular management of the same would allow for a regional, consistent, and efficient way to plan for and provide north Clackamas County's future wastewater and surface water needs in a way that protects public health and the environment and supports economic development (the "Purpose"). Consistent with this Purpose, both Partners have a stated policy of having "growth pay for growth" by the charging of appropriate system development charges to ensure current ratepayers are not unduly burdened by new connections, which would continue under this Partnership.

The Partners remain committed to ensuring that an appropriate and stable form of governance and public input is sought from all affected stakeholders. The governing body of the Partners has publicly stated that they are willing to consider alternatives to this Agreement, including the possibility of a vote to change governance structures, or modifications to this Agreement to allow for a different governance structure, or financial principals different than stated in this Agreement, or operating arrangements between the Partners and affected jurisdictions. In addition, the Partners are open to considering additional partner entities to join into this Agreement, including but not limited to the Cities of Milwaukie and Johnson City. The Partners believe the formation of the partnership reflected in this Agreement is a crucial positive step forward in realizing the benefits of joint operation and investment between the Partners.

NOW, THEREFORE, in consideration of the statements made above and the mutual promises and covenants contained herein, the Partners hereby agree as follows:

Article I. PURPOSE AND SCOPE.

Section 1.01 Purpose of Agreement. The objective of this Agreement is to provide for a new structure to support the Purpose. The Partners hereby form, establish and organize a municipal partnership pursuant to ORS 190.010(5), to be known as “Water Environment Services,” an ORS 190 municipal partnership (“WES”). This entity shall have the full set of powers and authority allowed under ORS 190, as more fully described below. The Partners intend that all current and future facilities, including the Tri-City Facility and the Kellogg Facility, other treatment and surface water assets previously held by the Partners, and all future assets shall be operated as a combined system for the benefit of all the Partners and their ratepayers in the manner set forth herein.

Section 1.02 Governance. WES shall be governed by the WES Board (defined below), and its primary function shall be to carry out the Purpose and this Agreement, as both may be amended or supplemented from time to time. The Partners intend for WES to function as a regional agency that provides wholesale and, where applicable, retail wastewater collection, conveyance, treatment and management services and surface water management services in the public interest to protect public health and the environment and comply with all applicable laws, regulations and permits.

Section 1.03 Partnership Contribution. The Partners intend to contribute the ownership and management of all existing facilities, assets whether tangible or intangible and all related properties and interests into WES, including but not limited to monetary and regulatory assets, contracts, and other agreements shall be deemed part of the WES Facilities (as defined below) so that the entire system is under WES’s sole management and control. This full “Contribution” can occur only after all outstanding CCSD#1 Bonds (defined below) have been paid or defeased, or when the applicable bond covenants are no longer valid, or when it is otherwise legally feasible. The Partners herein commit to work together in good faith, to use their best efforts, and to take all necessary actions to accomplish Contribution as provided herein. It is the intention of the Parties that each will take all available steps as soon as reasonably possible to effectuate the Contribution and will not wait for action by the other to accomplish this goal. Until such time as CCSD#1 is able to make the complete Contribution, it agrees that all of its WES Facilities shall under its ownership but under the management and direction of WES to the maximum extent allowable by law and the CCSD#1 Bond covenants.

Section 1.04 Transition Period. The Partners recognize that a transition period will be necessary to identify and accomplish all required and appropriate Contribution steps and to coordinate the assumption by WES of responsibilities and legal obligations related to the respective Partner’s systems. It is further acknowledged that due to the complexity and cycles

required by Oregon Local Budget Law, that each of the Partners will operate consistent with their currently adopted budgets for the 2016-17 fiscal year. In addition to the Contribution referenced in Section 1.03 above, the Partners shall evaluate and proceed with a budgetary integration plan consistent with the Purpose, with the goal of having full budgetary integration with WES being the lead entity no later than July 1, 2018 (the “Transition Period”).

Section 1.05 Extraordinary Cooperative Efforts. The Partners recognize that, during at least the Transition Period, extraordinary cooperative efforts will be required to coordinate the legal and service obligations of the WES System (defined below) and to complete all of the legal and administrative steps necessary to consolidate the Partners’ wastewater and surface water operations. The Partners shall undertake all actions and cooperate as may be necessary to enable WES and the WES Board to operate as a legal and independent municipal entity.

Section 1.06 Termination of Prior Agreements. While acknowledging that the Contribution may take significant time to effectuate through the Transition Period, it is the intention of the Parties to move forward under this Agreement consistent with the Purpose. Therefore the Partners hereby terminate all prior intergovernmental agreements exclusively between them, including but not limited to the (i) agreement regarding the construction and operation of wastewater treatment facilities and the Tri-City Plant signed December 18, 2008 as subsequently amended on May 12, 2011; (ii) mutual investment agreement regarding the Blue Heron Lagoon site dated December 13, 2012; and (iii) alternative biosolids disposal agreement dated June 25, 2015. This termination shall be effective as of November 3, 2016; *provided, however,* that the operative terms of all such agreements shall continue as if incorporated by reference into this Agreement. This incorporation shall be conditional. The Administrator of the Partners or Director of WES may designate any provision or provisions of any or all such agreements as non-operative at any time and such provisions shall then have no force or effect. All such incorporated provisions, if not earlier designated non-operative, shall cease to be effective in all respects at the end of the Transition Period.

Section 1.07 Commitment & Access to Facilities. Consistent with prior agreements and the Blue Ribbon Committee recommendation, the Partners commit to deliver all sewage flows to WES for treatment and disposal or reuse. Each Partner foregoes the opportunity to treat and dispose or reuse its wastewater flows individually and decides to share control of access to and capacity in wastewater treatment facilities, as more fully set forth below. Because this Agreement contemplates that all Partners will be using WES Facilities and because most, if not all, Partners or their component communities will be transporting wastewater flows through the political jurisdictions of one or more other Partners, the Partners declare and confirm (i) that this Agreement is not intended as an instrument to permit one Partner to control the wastewater collection services furnished by another Partner, and (ii) that each Partner will cooperate to provide the others with access for wastewater flow to the WES Facilities either by sharing conveyance capacity, if reasonably available, or by facilitating the acquisition of

necessary rights-of-way, franchises, and permits through and under public streets, rights-of-way, and property under reasonable conditions and terms for such access.

Section 1.08 Ownership of Assets. The Partners recognize that they have developed and maintained their respective systems, and that several such systems are integrated between the Partners to serve the ratepayers of both districts. The Partners hereby reconfirm that they each have a quantified or unquantified interest in existing facilities based on past financial contributions to the development, operation and maintenance of the facilities and related systems. In this Agreement, the Partners commit to transfer all right, title and interest in and to existing facilities to WES. Each Partner further agrees to execute or approve any and all deeds, leases, instruments, documents, and resolutions or ordinances necessary to give effect to the terms of this Agreement. To the extent a bill of sale, agreement, or other written instrument is required to document such transfer, the Partners each do hereby convey such assets hereunder without need of any further action, subject to any restrictions on transfer such as the CCSD#1 Bonds covenant.

Section 1.09 Release of Claims. Each Partner hereby releases and agrees to hold each other Partner harmless from any and all claims, demands, and causes of action arising from or relating to the legal or equitable ownership of any part of the WES System prior to effective date of this Agreement. In consideration for the mutual promises and covenants and establishment of WES, each Partner waives all potential claims against the other as to ownership of existing facilities, rights for payments under prior agreements, and as to monetary reimbursement or compensation arising from the ownership of existing facilities or its transfer to WES, *provided, however*, that the ratepayers of TCSD shall not be required to pay for any of the CCSD#1 Bonds.

Section 1.10 Contract Documents. The following exhibits are incorporated by reference into this Agreement as though fully set forth herein:

Exhibit A — 2008 Blue Ribbon Committee Findings & Membership

Exhibit B — WES Service Area Description and Maps

Section 1.11 Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:

- (a) "CCSD#1 Bonds" means all outstanding debt of CCSD#1 as of the effective date of this Agreement, including but not limited to the Series 2002A Obligations, Series 2009A

Obligations, Series 2009B Obligations, Series 2010 Obligations, Series 2016 Obligations, and any Oregon State Revolving Fund loans.

- (b) "CCSD#1 Debt Service" means the principal of, interest on, sinking fund requirements, reserve account requirements and any coverage requirement required by a resolution or order authorizing the issuance of the CCSD#1 Bonds.
- (c) "Connection Charge" means the one-time connection charge collected at issuance of building permit for each new connection to a Local System or directly to the WES System, as required by WES Regulations. This is distinct from a System Development Charge, defined below.
- (d) "Equivalent Dwelling Unit" or "EDU" shall initially have the meaning set forth in the ordinances of the Tri-City Service District. The Partners agree that the WES Board may change such definition at a future date and nothing in this Agreement shall be construed to restrict such change.
- (e) "Equivalent Service Unit" or "ESU" shall initially have the meaning set forth in the ordinances of Clackamas County Service District No. 1. The Partners agree that the WES Board may change such definition at a future date and nothing in this Agreement shall be construed to restrict such change.
- (f) "General Pretreatment Regulations" shall mean the United States Environmental Protection Agency General Pretreatment Regulations for existing and new sources as set forth in 40 CFR Part 403.
- (g) "Local System" means sewer or surface water facilities that are owned or operated by a local government other than a Partner for the local collection, pretreatment, transmission, and delivery of wastewater or surface water flows to WES Facilities.
- (h) "Partners" means CCSD#1 and TCSD, and any subsequently admitted Partners added pursuant to an amendment to this Agreement.
- (i) "Stakeholder" means a group or entity with a material interest in the performance, goals and objectives of WES. This shall automatically include the Cities of Gladstone, Happy Valley, Johnson City, Milwaukie, Oregon City, and West Linn, and may include other interested parties such as business chambers, environmental coalitions, ratepayer groups, and technical groups as designated by the WES Board.

- (j) "Surface Water Service Charge" means the WES monthly rate charged for each Equivalent Service Unit connected to Local Systems or directly to the WES System.
- (k) "System Development Charge" means charges authorized by ORS 223 and implemented by WES Regulations for the payment by new connections for the impact of such new connection on the existing WES System.
- (l) "WES" means the WES Partnership created by this Agreement pursuant to ORS 190.
- (m) "WES Board" means the board of directors who manage and oversee WES, who shall be the Board of Commissioners of Clackamas County. The composition of the WES Board may be changed by amendment to this Agreement.
- (n) "WES Debt" means any notes, bonds or other obligation of WES issued to finance or refinance improvements, betterments, or extensions to any facilities or any other costs related to the WES System but shall not include the CCSD#1 Bonds.
- (o) "WES Debt Service" means the principal of, interest on, sinking fund requirements, reserve account requirements and any coverage requirement required by a resolution authorizing the issuance of WES Debt.
- (p) "WES Facilities" means all wastewater or surface water treatment or reclaimed water facilities or conveyance contributed to, acquired by, constructed, managed by, received, or developed after the effective date of this Agreement by WES, including but not limited to the Tri-City Facility, the Kellogg Facility, the Hoodland Sewage Treatment Facility, the Boring Sewage Treatment Facility, the Fisher's Forest Park Water Pollution Control Facility, the Blue Heron lagoon and outfall, trunk sewer lines, sewage pumping stations, sewage force mains, other sewage treatment facilities and outfall lines, resource management basins, reclamation and groundwater recharge facilities, flow reduction improvements, and other improvements, properties, rights, or interests used or useful in the conveyance, treatment, disposal, storage, or management of wastewater or surface water flows or reclaimed wastewater or water products, including any appurtenances thereto, and any improvements or replacements of facilities.

- (q) “WES Facilities Maintenance and Operation Expenses” means all costs and expenses relating to labor, fringe benefits, power, light, water, heat, chemicals, equipment including repair and replacement thereof, tools, materials, vehicles, supplies, insurance premiums, contract services, inspections and taxes and “in lieu of taxes” directly and properly chargeable to the operation and maintenance of the WES Facilities plus administrative overhead expenses, and any other similar costs chargeable to the WES Facilities.
- (r) “WES Regulations” shall mean the regulations, ordinances and rules adopted by the WES Board regarding the functions of the WES System, as may be amended from time to time by the WES Board.
- (s) “WES System” means the total wastewater and surface water regional service system owned, operated, or controlled by one or more of the Partners or by WES, including the WES Facilities, or anything that is used or useful in the performance of WES’s functions, including all contracts, permits, rights, and interests that are necessary or useful for operation of said facilities.
- (t) “Wastewater Service Charge” means the WES monthly rate charged for each Equivalent Dwelling Unit (EDU) connected to Local Systems or directly to the WES System.

Article II. WES POWERS AND DUTIES.

Section 2.01 WES Powers. WES, an independent Oregon municipal legal entity, acting through the WES Board and duly authorized employees and agents, shall have all the powers of a county service district organized under ORS 451. Among its powers but without limiting the foregoing, WES shall have the full power and authority to:

- (a) Acquire, construct, receive, own, manage, lease, sell, and otherwise dispose of real property, personal property, intangible property, and WES Facilities;
- (b) Plan, develop, replace, operate and maintain WES Facilities;
- (c) Enter into contracts for goods, services, work, or other benefits to WES;

- (d) Borrow money and issue debt instruments, bonds, securities or provide for the borrowing of money and issuance of debt instruments in support of any lawful purpose of WES;
- (e) Receive gifts or grants for the planning, design, development, construction, or operation of WES Facilities, or assets or programs to further WES's purposes, or for other purposes necessary to carry out WES's purposes;
- (f) Lend money or provide services or facilities to any Partner or other governmental utility or governmental service provider in furtherance of WES's purposes;
- (g) Invest its funds consistent with applicable state law;
- (h) Sue and be sued;
- (i) Hire and fire employees, agents, and other service providers. The Partners acknowledge that services are currently being provided by the County and do not intend this Agreement to change that relationship.
- (j) Fix salaries, wages and other compensation of officers and employees, whether directly, by contract with the County, or otherwise;
- (k) Employ or retain engineering, legal, financial, architectural, or other specialized personnel and consultants as may be necessary to carry out the purposes of WES;
- (l) Impose, alter, regulate, control, and collect rates, charges, and assessments in one or more zones, including the ability to charge non-equal rates to customers as may be determined by the WES Board;
- (m) Purchase insurance and participate in pooled insurance and self-insurance programs;
- (n) Indemnify the Partners and their officers, elected officials, agents and employees in accordance with law;

- (o) Adopt ordinances, rules, policies, guidelines, or requirements to effectuate the Purpose and carry out its powers and responsibilities;
- (p) Regulate and be regulated as a single entity;
- (q) Exercise all other powers within the authority of and that may be exercised individually by any of the Partners which are necessary to efficiently effectuate the Purpose, including regarding wastewater or surface water conveyance, treatment, discharge, disposal, reclamation, reuse, conservation, or other WES purposes or functions as set forth herein, including but not limited to the power of eminent domain; and
- (r) Take any other actions as the WES Board deems necessary to implement the Purpose, to protect and advance the interests of the WES System, its Partners, and its ratepayers consistent with applicable law.

Section 2.02 Public Accountability. The Partners intend for WES to operate and function as a public agency. The WES Board shall conduct its deliberations and take action openly. Therefore, WES shall operate and conduct its business subject to the Oregon Public Meetings Law, Oregon Public Records Law, any local government accountancy statutes, and other applicable laws, regulations, and self-imposed policies.

Section 2.03 No Effect on Partner Powers. Nothing in this Agreement shall be deemed to limit the exercise of a Partner's powers as may be required or allowed by law. The WES Board may comment on proposed changes by Partners or component local government entities on land use plans and zoning codes where such changes could affect the WES System.

Section 2.04 WES Board. With respect to the WES Board, the Partners agree that:

- (a) *Procedures and Voting*. Each WES Board representative shall have one vote. The WES Board shall establish procedures for conducting its meetings consistent with Roberts Rules of Order and its decisions shall be by a majority vote except when otherwise provided herein.
- (b) *Unanimous votes*. For the actions that require unanimous votes identified below, proposed WES Board resolutions or motions must be distributed to the Clerk of each Partners' legislative body at least twenty-one (21) calendar days in advance of final

action by the WES Board. The following actions shall require unanimous votes by the WES Board:

- (i) The proposed dissolution of WES; or
 - (ii) Revisions or changes with respect to payments on the CCSD#1 Bonds.
- (c) *Local government representation.* To the extent that in the future the WES Board does not exactly overlap with the governing body of the Partners, the Partners hereby agree that legislative or administrative oversight by their respective local governments shall not be required for any WES Board decisions, except as expressly provided herein. WES Board members shall represent the interests of their respective local governments and constituent ratepayers in carrying out their responsibilities to act in the best interests of WES.
- (d) *Local Government Review and Comment.* The WES Board shall, in a timely manner, solicit the review and comment by affected local governments of proposed changes in WES comprehensive master plans and five year capital programs. The WES Board shall consult with an affected local government on any specific WES Facility capital project proposed within such entity's jurisdiction prior to approving the final design for such project. Nothing contained herein shall be deemed to require that such local entity consent to such an action before it may proceed, and equally that nothing in this Agreement is intended to limit, impair or otherwise modify a jurisdiction's independent land use authority.

Section 2.05 Committees. The WES Board may form and convene committees and advisory bodies as it deems appropriate for review and comment, public input, efficient staff and Board work, and other purposes.

Section 2.06 Books and Records. WES shall maintain appropriate books and records as would be required of a governmental utility of similar nature including but not limited to annuals budget and audits, and any document that would be deemed a public record under Oregon Public Records Law. Any member of the WES Board or a representative of such member may examine the books and records of WES. The WES Board may appoint an auditor or accountant to review any such books and records and the costs of such review shall be charged to WES which in turn may include such costs as a WES Facilities Maintenance and Operations Expense.

Section 2.07 Executive Officer. The WES Board may, by contract, ordinance, resolution, or otherwise, appoint a chief executive officer for WES. At the time of formation, the Partners agree that the County Administrator of Clackamas County shall serve as the executive officer of WES, and further that the County Administrator may appoint a Director to provide for the management of WES. There shall be no conflict of interest in having the County Administrator or a county employee serve as the Executive Officer, Director and/or any subordinate officers, employees or agents.

Article III. WES FINANCES.

Section 3.01 WES Rates & Charges. WES shall establish rates and collect fees for wastewater and/or surface water services that will be at least sufficient to pay the expenses of maintenance and operation of the WES System and will meet the principal, interest and coverage requirements and other bond covenants of all obligations issued by WES or by a Partner on behalf of WES that are related to improvements and extensions to the WES System or refunding bonds issued for the WES System and that constitute a charge upon the revenue of such system. WES may establish billing and collection systems and rules as necessary to effectuate the appropriate funding of WES.

Section 3.02 Rate Zones and Differentials. The WES Board shall establish rates for each rate zone of WES. Upon formation, there shall be two rate zones. "Rate Zone One" shall be coterminous with the boundaries of TCSD as they may be adjusted from time to time, and "Rate Zone Two" shall be coterminous with the boundaries of CCSD#1 as they may be adjusted from time to time. For illustrative purposes, maps and a general description of Rate Zone One and Rate Zone Two are attached hereto as Exhibit B. The WES Board shall have full power and authority to levy different rates between and within the rate zones. Rate Zones shall generally each pay a wholesale charge for wastewater treatment service. At the time of formation of WES, Rate Zone Two shall also pay sufficient amounts to meet the CCSD#1 Debt Service, retail wastewater service, and surface water services. As levels of service change, the WES Board may add or subtract charges within the Rate Zones; *provided, however*, that the WES Board may not add any payment for the CCSD#1 Debt Service to Rate Zone One except as provided in Section 2.04. The WES Board may create sub-zones within each Rate Zone as it deems advisable for reasons consistent with the Purpose, including but not limited to the exclusion of retail charges if that service is provided by a local government whose boundaries are within one of the Partners or the inclusion of a rate surcharge to recover the cost of right of way fees levied by a local government entity.

Section 3.03 Partner Covenants to Make Payments. During the Transition Period and until the Contribution is complete, and in consideration for WES maintaining and operating the WES Facilities and as a condition for use thereof and service therefrom, each Partner

irrevocably covenants, obligates and binds itself to timely bill, collect and pay the Surface Water Service Charge, Wastewater Service Charge, and the Connection Charge. Each Partner shall pay its share of costs attributable to WES Debt Service on and other costs associated with WES Debt throughout the term of this Agreement whether or not the WES Facilities or the WES System is operating or operable and notwithstanding the performance or nonperformance of this Agreement by any Partner. Nothing in this Agreement shall be interpreted to cause WES not to charge the Partners for WES Debt Service or to relieve a Partner from paying its share of WES Debt Service. The Partners acknowledge and agree that it is their intention that WES will levy directly such rates, charges, and fees necessary for the operation of the WES System and payment of any WES Debt Service at the conclusion of the Transition Period, as allowed by existing obligations and laws.

Section 3.04 Reporting and Payment of EDU and ESU Counts. By the 25th day of each month each Partner shall deliver to WES a statement specifying the number of EDUs and ESUs served or billed by it as of the last day of the immediate preceding month. If any Partner fails to furnish such count in a timely manner, WES may estimate such EDU count and bill that Partner according to that estimate. No dispute over any such charges shall relieve a Partner from its duty to pay a monthly bill. In the event an adjustment or correction must be made, it shall be effective for a credit or additional charges in the next succeeding month. WES may adopt, as part of the WES Regulations, a program to support low income, elderly and/or handicapped persons, provided the program is consistent with applicable State law and regulations. WES may initiate, at its own expense, an audit of the EDU and/or ESU counts of a Partner or Stakeholder government entity that is served by the WES System.

Section 3.05 Connection Charge and System Development Charge. Until at least the end of the Transition Period, each Partner shall collect a Connection Charge and System Development Charge equal to the amount established by the WES Board for every additional structure connected to the WES System beginning with the effective date established by the WES Board. After the Transition Period, the WES Board may directly charge a Connection Charge or direct a Partner to continue charging the same until otherwise directed by the WES Board. Upon change in the character in use of any structure connected to the WES System resulting in increased wastewater or surface water discharge, an additional WES Connection Charge and System Development Charge shall be collected so as to account for actual use, giving appropriate credit for connection charges already paid. After the Transition Period concludes, all Connection Charges and/or System Development Charges shall be paid to WES with the Partner's next monthly payment following the month in which the charges are collected. At least annually and more frequently as necessary, the WES Board shall consider the Connection Charge and confirm or adjust the amount of the Connection Charge as needed to cover costs of additional conveyance, treatment and management capacity.

Section 3.06 Local System Expenses. The Wastewater Service Charge and System Development Charge shall be deemed a maintenance and operation expense to the maximum extent possible under existing bond resolutions and ordinances and shall expressly be made a part of the maintenance and operation expenses of the systems of each Partner in any future bond issue or other financing payable in whole or in part from the revenues of such systems and shall be payable and constitute a charge prior and superior to any charge or lien of any revenue bonds, or any obligation, issued by the Partners payable from the net revenues (gross revenues less operations and maintenance expenses) of their respective systems.

Section 3.07 Existing Partner Debt. The Partners acknowledge that CCSD#1 has currently outstanding debt, namely the CCSD#1 Bonds, relating to its existing system, and that TCSD does not have any outstanding debt. The Partners acknowledge and agree that the ratepayers of TCSD shall not be responsible in any case for the CCSD#1 Bonds and related CCSD#1 Debt Service. Nothing in this Agreement is intended or shall be construed to violate any covenant of these outstanding bonds, and such covenants, to the extent there is a conflict between them and this Agreement, shall control with respect to such outstanding bonds and any debt issued on a parity with such bonds and required to have the same covenants as the outstanding bonds.

Section 3.08 Future WES Debt. On and after the effective date of this Agreement, no Partner shall issue any debt secured by existing or future WES sewerage charges or connection revenue, WES Facilities, or any other WES revenues or assets; however, with the approval of the WES Board a Partner may issue such debt on behalf of or for the benefit of WES. It is the intention of the Partner that all future debt necessary to support the WES System shall be issued by WES if revenue-based, or by a Partner or Partners if a general obligation bond.

Section 3.09 Transition Period Capital Project. The Partners anticipate moving forward with a solids handling capital project to be located at the Tri-City Facility (the "Solids Handling Project") during the Transition Period. This may require borrowings by the Partners individually or by WES. To allow for the greatest efficiency in moving forward with said project, the Partners agree that Rate Zone One ratepayers shall be responsible for thirty-six percent (36%) of any and all costs or debt associated with the Solids Handling Project, and Rate Zone Two ratepayers shall be responsible for sixty-four percent (64%) of any and all costs or debt associated with the Solids Handling Project. This ratio shall only apply to the Solids Handling Project. As set forth in Section 3.07, Rate Zone Two shall remain solely obligated for the CCSD#1 Bonds, and Section 3.10 shall govern future WES projects.

Section 3.10 Allocation of WES Debt Amongst Rate Zones. Except as provided for in Section 3.09, whether WES Debt is issued as revenue bonds, revenue obligations, or general

obligation bonds through the Partners, or otherwise, each ratepayer within a Rate Zone shall share equally in the cost of such WES Debt, whether for capacity expansion, asset replacement, regulatory requirements, or system efficiency reasons. The WES Board shall not allocate expenses for WES Debt unevenly but shall treat all ratepayers within all Rate Zones the same with respect to such WES Debt.

Section 3.11 County Services. It is the intention of the Partners to initially contract with the County for the provision of various services. During the Transition Period, the Partners may continue to contract directly with the County for such services. No later than the end of the Transition Period, WES shall directly contract with the County for such services unless otherwise determined by the WES Board.

Section 3.12 Monetary Powers. The WES Board shall control and direct the disposition of all WES funds and monies. The County shall, consistent with Oregon law, establish appropriate accounting to ensure clear tracking of WES funds, and keep separate and adequate books and records of the same, all as required by law and regulations and as the WES Board may direct. At the end of the Transition Period, unless otherwise restricted by bond covenants or laws, the Partners shall contribute their funds to WES and the WES budget, as discussed below, shall be the primary means for the accomplishment of the Purpose and operation of the WES System.

Section 3.13 WES Budgeting. Beginning July 1, 2018, WES shall adopt and operate pursuant to an annual budget adopted consistent with Oregon Local Budget Law, including a duly composed budget committee and appropriate public hearings. The WES Board shall have full authority over such budget, including the ability to amend or adjust the same as allowed by applicable law. WES shall operate within its annual budget.

Section 3.14 Short-Term Financial Assistance for Emergency Sewer or Surface Water Repairs. Upon request from a Partner or Stakeholder local government, WES may consider providing short-term financial assistance to any Partner or Stakeholder component unit facing an emergent need to repair or replace failed sewer or surface water facilities when that emergency involves a threat to public health or public safety, poses a significant threat to the natural environment, or presents a threat to or operational difficulty for the WES System. In dealing with such emergencies, time is of the essence. The temporary financing is intended to provide financial assistance between the time of the emergency and the time when the requesting Partner has opportunity to secure other financing. It is understood the requesting Partner will make all reasonable efforts to effectively use its own financial resources and any other available funding to assure minimum use of assistance from WES.

WES resources available for use in providing emergency repair assistance to a requesting Partner shall be limited to WES funds in excess of that required by bond covenants and other debt and that which is not otherwise committed or programmed according to the adopted current WES budget and Capital Improvement Program during the term of the requested temporary financing. The amount of the requested temporary financing may not exceed the total cost of the engineering and construction of repairs necessary to restore sewer service, end the public health or safety emergency, end the threat to the natural environment, or end the threat to or operational difficulty for WES Facilities plus the cost of liquidation losses and interest as provided herein.

Temporary financing for emergency repairs may be extended for a term of up to eighteen months from the time of first withdrawal at which time it will be due and payable in full including the principal amount, the added cost of losses due to liquidation, and all interest. The Partners hereby recognize that, due to the emergency nature of the financial assistance covered by this Agreement, invested WES money may be subject to losses due to liquidation of investments as a result of providing for temporary financing assistance. Every reasonable effort will be made to avoid such losses; however, the amount of these losses will be added to the principal amount of the temporary financing and will be subject to interest charges as described herein.

Article IV. WASTEWATER CONVEYANCE AND TREATMENT.

Section 4.01 WES Service Obligation in Service Area. WES shall accept all Partner sewage flows delivered to WES Facilities within the WES System service area, except as may be allowed pursuant to Sections 4.03 and 5.03. The service area is defined as all areas within the boundaries of a Partner or areas who receive service contractually from a Partner or WES.

Section 4.02 Flow Control. A Partner shall not deliver sewage or wastewater flows generated in the WES System service area to an agency other than WES for treatment and disposal or treat such flows at its own sewage treatment facilities without the consent of the WES Board.

Section 4.03 WES System Capacity. The WES System shall be available to receive and treat wastewater flows delivered to WES Facilities by the Partners so long as the WES System has capacity to accept, treat, and manage such flows. WES shall use its best efforts to provide for increased capacity pursuant to the Purpose, in a manner designed to allow the WES System to accept, treat, and manage all flows proposed to be delivered to the WES Facilities by the Partners. The WES Board shall have the authority to limit flows from the Partners only to ensure preservation of public health and compliance with applicable laws, regulations, permits

and provisions of the Clean Water Act. Any such flow limitation shall not in any way excuse or reduce any Partner's obligation to make payments to WES under this Agreement. WES shall not be in default of its obligations under this Agreement or any other intergovernmental contract in the event that the WES Board determines that insufficient capacity exists to accept, treat, and manage sewerage flows, despite using best efforts to develop sufficient capacity. The existence of a capacity constraint or the unavailability of additional capacity shall not excuse or reduce any Partner's obligation to make payments to WES under this Agreement.

Article V. COOPERATION IN MANAGEMENT & DEVELOPMENT OF WES FACILITIES.

Section 5.01 WES Facilities. WES shall plan, construct, acquire, replace, operate, and maintain all WES Facilities such that the entire WES System and the WES Facilities are built, operated and maintained as an integrated wastewater system and surface water system in accordance with high engineering standards and in conformity with the standards of the American Public Works Association, the Water Environment Federation and requirements of the state, federal and local agencies having jurisdiction over the same. WES shall, at its sole discretion, determine the name, location, and time of construction of WES Facilities. WES shall maintain through responsible insurers, including insurance pools, public liability insurance for WES Facilities operations and responsibilities in accordance with industry standards.

Section 5.02 Local Systems. The Partners shall ensure, and WES may adopt regulations or contracts directly requiring, that the Stakeholders, customers by contract or other contributors to the WES System shall maintain and operate their respective Local Systems in accordance with high engineering standards and in conformity with the standards established by the state and federal agencies having jurisdiction over the same. Modifications and additions to Local Systems that contribute to the WES System shall be constructed and operated in accordance with the sewer standards of American Public Works Association, the Water Environment Federation and requirements of the state and federal agencies having jurisdiction over the same and made after due consultation with WES. The local units of government shall be required to secure and maintain with responsible insurers, including insurance pools, all such insurance as is customarily maintained with respect to sewage systems of like character against loss of or damage to the Local Systems against public and other liability to the extent that such insurance can be secured and maintained at reasonable cost.

Section 5.03 Liability. Any liability incurred by WES as a result of the operation of the WES System shall be the sole liability of WES, and any liability incurred by a wastewater wholesale service only customer as a result of the operation of its Local System shall be the sole liability of that entity. WES may, at its option, require any owner of a Local System become

either a named entity on the applicable permit, including but not limited to an NPDES permit, to obtain their own permit to operate the Local System, or to sign an agreement to pay all liabilities arising under the Local System as a condition of continued service, notwithstanding Section 4 above.

Section 5.04 WES Facilities Operations. WES shall operate the WES System consistent with the requirements of all applicable laws and regulations, including but not limited to the Clean Water Act. The Partners shall undertake all actions necessary to support this effort. The WES System shall be operated as an integrated whole for the benefit of all ratepayers within all Rate Zones.

Section 5.05 WES as Lead Regulatory Agency. Pursuant to this Agreement, WES will own and operate the WES System, and will hold permits required to operate the WES System, including all NPDES waste discharge permits for the various facilities, including the Blue Heron permit. The Partners will take all action reasonably necessary to support and aid WES in fully integrating the regulatory permits and requirements to achieve optimal efficiencies and operations for the WES System.

Section 5.06 Partner Commitments to Assist WES. To the extent legally feasible, each Partner agrees to give good faith consideration to WES requests for necessary zoning, land use, eminent domain proceedings and other permits and approvals to implement the Purpose. In the event that a Partner completes an eminent domain proceeding for the benefit of WES to secure property or property rights for WES Facilities, WES shall compensate the Partner for its expenses and for just compensation paid for such property and property rights.

Section 5.07 Pretreatment Program. Various facilities located within the Partners' respective jurisdictions currently contribute wastewater which includes commercial and industrial waste to the WES System. Such facilities are referred to in this Article as "Industrial Users." WES must implement and enforce a pretreatment program to control discharges from all Industrial Users of the WES System pursuant to requirements set out in 40 CFR Part 403 and the NPDES Permits. In this Article, the Partners agree to adopt and maintain sewer use ordinances that subject Industrial Users within their respective boundaries to the necessary pretreatment controls, and to implement and enforce such sewer use ordinances through the Transition Period, and thereafter support WES in the adoption and enforcement of direct regulations of the same pursuant to the WES Regulations. No Partner shall retain or adopt any ordinance provisions conflicting with or purporting to supersede the WES Regulations. WES may also implement a fats, oil and grease ("FOG") reduction program in the WES System and in Local Systems in conjunction with the affected Stakeholders or any other program related to the accomplishment of the Purpose and compliance with applicable laws and regulations.

Section 5.08 WES Regulations. WES shall promulgate and maintain the WES Regulations, and prepare any revisions necessary to provide adequate protection of the WES System and maintain compliance with the Clean Water Act, applicable federal regulations and applicable state regulations. Any proposed revisions shall be submitted to the WES Board for approval. During the Transition Period, the current rules and regulations of the Partners shall apply unless otherwise superseded by the WES Regulations. To the extent there is any conflict between Partner ordinances, rules and regulations and the WES Regulations, the Parties agree that the WES Regulations shall control.

Section 5.09 Inspections. The Partners agree that WES personnel, or WES's agents, shall coordinate with the appropriate Local System jurisdiction personnel to conduct activities to collect information on compliance with the WES Regulations, federal regulations, and state requirements. In order to accomplish these requirements the Partners agree that Agents of WES may, enter and inspect at any reasonable time, to the extent allowed by law, any part of the Local System. Further, the Partners shall support and enable, to the extent allowed by law, entry onto private property to inspect Industrial Users or hazardous conditions within the WES System or Local System. If the Partner has untransferable jurisdiction or authority to allow any of the above, the Partners shall promptly make all necessary legal and administrative arrangements for these inspections.

Section 5.10 Imminent Danger. Where a discharge to the wastewater treatment system or surface water system reasonably appears to present an imminent danger to the health and welfare of persons, or an imminent danger to the environment, or threatens to interfere with the operation of the WES system, WES may immediately take steps to identify the source of the discharge and take all reasonable actions necessary to halt or prevent the discharge.

Section 5.11 Enforcement. Whenever a discharger into the WES System or Local System has failed or has refused to fulfill any requirements of either the WES Regulations, an Industrial Discharge Permit, a Compliance Schedule, or any applicable law or regulation, WES may use any and all available legal authority that otherwise would be available to a Partner to enforce the applicable regulations, permits, conditions, or laws. Such enforcement may include collection of permit fees and industrial surcharges, application of fines and/or civil penalties, seeking injunctive relief, interruption of services, or requiring disconnection from the WES System.

Section 5.12 Accountability. A majority of the WES Board may penalize any single Partner for failure to apply and enforce the WES Regulations. This penalty may include requiring that the total of all fines, fees and other charges which are due and payable be paid by the offending Partner to WES for each day the Partner fails to apply and enforce the regulations. The offending Partner shall indemnify and hold harmless WES and its officers, elected officials, agents and employees against any damages, penalties or other losses incurred as a result of the Partner's failure to enforce the WES Regulations or applicable laws and/or regulations. Without limitation, WES may obtain the remedy of specific performance from a court of competent jurisdiction to require the offending Partner to enforce the WES Regulations or applicable laws and/or regulations.

Section 5.13 Assignment of Agreements. Any existing agreements between a Partner and any other entity that can be assigned to WES, will be assigned throughout the Transition Period. Any agreements that cannot be assigned, will continued to be operated by the Partner consistent with the terms of this Agreement and the Purpose under the direction of the WES Board until its expiration, after which a new agreement with WES as the party should be reached if feasible.

Article VI. ADDITIONAL TERMS.

Section 6.01 Effective Date & Term of Agreement. This Agreement shall become effective as of November 3, 2016, and shall have a perpetual duration until terminated as set forth in Section 6.13 below.

Section 6.02 Withdrawal by a Partner. Any Partner may individually withdraw from the obligations of this Agreement with the consent of all of the other Partners, provided that (i) all WES Debt is retired, or (ii) payment of such Partner's share, calculated by the number of EDUs and/or ESU's, as applicable, of such WES Debt thereof is fully provided for, secured and funded, by such withdrawing Partner, and the remaining Partner(s) shall continue to be bound by this Agreement as it may be amended. A withdrawing Partner shall not have any right to any assets of the WES System, including any assets contributed by such Partner into the WES System, unless specifically agreed to by the WES Board in its sole and absolute discretion.

Section 6.03 Amendment of Agreement. This Agreement may be amended with the approval of all the Partners.

Section 6.04 Notice. Notices required to be given to Partners shall be deemed given when served on the respective Clerk of the governing body of such Partner or three business days after mailed to the business address of such Partner.

Section 6.05 Governing law & Venue. This Agreement shall be governed by the laws of the State of Oregon, without giving effect to the conflict of law provisions thereof. The exclusive jurisdiction and venue for any lawsuit between the Partners arising out of this Agreement shall be in Clackamas County Circuit Court.

Section 6.06 Assignment. This Agreement shall be binding on each Partner and the successors to them and may not be assigned in any respect without the consent of all Partners except by operation of law.

Section 6.07 No Third Party Beneficiaries. The Partners expressly do not intend to create any right, obligation or liability, or promise any performance, to any third party, even if such party's jurisdictional boundaries are partially or wholly contained within one or more Partners. The Partners have not created any right for any third party to enforce this Agreement.

Section 6.08 Severability. It is the belief of the Partners that all provisions of this Agreement are lawful. If any covenant or provision of this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, such adjudication shall not affect the validity, obligation or performance of any other covenant or provision, or part thereof, which in itself is valid if such remainder conforms to the terms and requirements of applicable law and the intent of this Agreement. In such event, the Partners shall enter into immediate negotiations for the purpose of arriving at a mutually satisfactory replacement of such covenant or provision.

Section 6.09 Entire Agreement. This Agreement embodies the Partners' entire agreement on the issues covered by it, except as supplemented by subsequent written agreements that the Parties make. All prior negotiations, discussions, and draft written agreements are merged into and superseded by this Agreement.

Section 6.10 Counterparts. This Agreement may be executed in counterparts, each of which shall be considered for all purposes as an original.

Section 6.11 Waiver. No waiver by any party of any term or condition of this Agreement shall be deemed or construed as a waiver of any other term or condition, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach whether of the same or a different provision of this Agreement.

Section 6.12 Remedies. In addition to the remedies provided by law, this Agreement shall be specifically enforceable by any Partner.

Section 6.13 Termination. This WES partnership Agreement may be terminated only upon the unanimous agreement of all of the Partners. The withdrawal of a Partner from the partnership shall not cause a dissolution or otherwise impair the continued operation of WES.

IN WITNESS WHEREOF, each party has caused this Agreement to be signed by its duly authorized officer or representative as of November 3, 2016.

Clackamas County Service District No. 1

Tri-City Service District

Chair

Chair

Clerk

Clerk

June 3, 2008

Board Clackamas County Commissioners
Public Service Building
2051 Kaen Road
Oregon City, Oregon 97045

Dear Commissioners:

I am pleased to submit the recommendations of the Community Partners Task Force on wastewater management for your consideration.

The committee was composed of representatives from Clackamas County Service District #1, Oak Lodge Sanitary District, Milwaukie, Happy Valley, Damascus, Lake Oswego, and the three cities that make up the Tri-City Service District, Gladstone, Oregon City, and West Linn. Lake Oswego voluntarily withdrew from the committee when it became clear that its participation was premature.

The work of the task force and its recommendations offers Clackamas County a fresh start on an issue that has eluded community consensus for over 20 years. While we have not resolved all the challenges around wastewater management, we agreed on many core assumptions that will form the foundation of a future community partnership. We are confident that this partnership will protect our environment, save ratepayers millions of dollars of avoided costs, and ensure that the economy will continue to grow.

Our report to the Board is not unanimous. The representative from CCSD#1's Citizen Advisory Council and from Oak Lodge Sanitary District voted not to support the recommendations. Neither challenged the environmental, management or community economic benefit of the proposed regional wastewater partnership. They supported the vast majority of recommendations but did not agree with the majority of the Task Force on issues of representation and governance. The representative from the Oak Lodge Sanitary District wanted it recognized that the Oak Lodge did not receive a specific rate benefit based on the financial modeling.

We have further offered the Board a road map forward. The members of the task committee believe this will help you and the community to define the nature and scope of the regional wastewater partnership.

Respectfully yours,

Greg DeGrazia
Chair, Community Partners Task Force

Community Partners Task Force – Summary Report and Recommendations

On January 2, 2008 the Clackamas County Board of Commissioners (the "Board") created a Community Partners Task Force to facilitate discussions between all wastewater service providers in urbanized Clackamas County. The purpose of the Task Force was to explore the formation a collaborative partnership to capture the financial benefits of the economies of scale inherent in large capital investments.

The Task Force was made up of one elected representative from Damascus, Gladstone, Happy Valley, Lake Oswego, Milwaukie, Oak Lodge Sanitary District, Oregon City, West Linn, a County Commissioner, two business leaders, two citizens at large and a CAC member from CCSD#1. The Task Force was asked to assess the benefits of regional collaboration and to make recommendations to the Board regarding equity, fairness, and governance of a potential partnership by June 2008.

The Board asked the Task Force to answer three key questions:

Q1. Cost Benefits: Are there compelling financial benefits to ratepayers of each jurisdiction to make collective investment and management across current service district boundaries attractive? If so, what are the financial benefits for the region?

YES.

It makes good financial sense to work together. The analysis indicates that together the community can realize up to a \$300 million savings over the next twenty years by working and investing together. There is broad public support and understanding of the advantages (as demonstrated by survey data) of working together.

Q2. What is an equitable fiscal and operational model for future collective investments in wastewater treatment systems to recognize past and present investments made by participating jurisdictions and ratepayers? How do we ensure that those who benefit the most from development pay their fair share of new investments in public infrastructures? Can equity and fairness for each partner be achieved?

YES.

Regional equity and fairness can be gained if based on clearly defined assumptions. These assumptions are:

- a. The recommendation is to adopt a common regional treatment rate after capacity parity is reached by the participating service providers.

Treatment capacity parity is defined as the point at which all partners have addressed historical deficiencies and face similar capacity needs in the future.

- b. Service partners will make collective decisions regarding all future investments in treatment facilities after capacity parity is achieved.
- c. Decisions about common ownership of assets and district(s) consolidation will be delayed until treatment capacity parity is achieved and a permanent partnership agreement is in place.
- d. Conveyance and collection will remain the responsibility of individual entities. Each entity will be responsible for financing their own conveyance and local collection system to assure equity and fairness while securing the benefits of a regional treatment rate. Local entities may enter into contract relationship with Clackamas County to assist in design, construction, and management of local collection and conveyance systems.
- f. There will be no capacity expansion investments in Kellogg Treatment Plant with a goal of reducing the plant footprint over time and as economically feasible.
- g. Treatment capacity for future community growth will likely be constructed at Tri-City or utilizing another cost effective option after a regional strategy is adopted.
- h. Equity payments, subsidies and/or host fees may not be necessary to achieve equity and fairness.
- i. The partners will make collective decisions about desirable environmental improvements and livability amenities as future investment in regional wastewater treatment facilities are planned.
- j. The Board will facilitate regional equity by implementing a wastewater service policy after capacity parity has been reached. The foundation of this policy will be that no new service will be provided to customers in unincorporated areas outside existing districts. Service districts will only extend new service to areas already within a city boundary.
- k. Unincorporated areas being served before capacity parity is achieved will not be compelled to annex to a city to continue to receive service.
- l. Growth pays for growth through system development charge and related processes and other financial tools.

Q3. How can the financial and governance interests of all participants and their ratepayers be guaranteed into the future? What are the specific terms of these community covenants? Can the region agree to a governance model to guide a regional wastewater capacity management partnership?

YES.

- a. The Task Force recommends the creation of a wastewater partnership to serve as the foundation of regional wholesale wastewater treatment collaboration.
- b. The Task Force recommends adoption of the Washington County Clean Water Services "advise and consent" governance model as the operational model of the proposed wastewater partnership.
- c. The partnership recommends forming an advisory body composed of representatives appointed by each partner entity.
- d. The wastewater partnership will make recommendations about capital improvements, planning, policy, and financial decisions regarding rates, financing, and annual budgets.
- e. The Board is recognized as the legally accountable governing board of the regional partnership. The Board will act on the recommendations of the wastewater partnership, which will serve in an advisory capacity to the Board.
- f. Day-to-day system management, operations, programs, and permitting of partner assets will be or remain the responsibility of the County through its designated agency.
- g. Partners will be bound by all collective recommendations and resulting decisions by the Board.

Additional Task Force recommendations

The Task Force asks the Board of County Commissioners commit to the above recommendations as the foundational assumptions of a regional wastewater management partnership.

The Task Force asks that its recommendations be made explicit County policy through a formal Board action. Once this action is taken, the Task Force recommends the following:

- a. The Board should ask each partner entity to formally ratify the Board policy action.
- b. All those who ratify the Board's policy will be invited by the Board to form a provisional partnership. The purpose of the provisional partnership is to develop the by-laws, agreements and protocols for a permanent regional wastewater management partnership for consideration by the BCC and each of the partners.
- c. Each partner jurisdiction will nominate one representative to serve on the provisional partnership committee including Damascus, Gladstone, Happy Valley, Milwaukie, Oregon City, West Linn, and Oak Lodge Sanitary District. In addition, the Board will appoint one representative from the CCSD#1 unincorporated area and one representative from the Board.
- d. The provisional partnership will complete its work and submit its recommendations to the Board no later than 10/1/08.
- e. All partners will be asked to ratify and bind themselves to the agreements adopted by the Board.
- f. All parties choosing to ratify the agreements will enter into a permanent regional wholesale wastewater management partnership.

Additional items to be considered by the provisional committee:

- g. The Tri-City equity issues around Kellogg's final disposition need to be addressed by the interim committee.
- h. No regional rate setting will take place until the parties achieve capacity parity. Until then, partners will use their existing rate schedules.



Exhibit B - WES Rate Zone 1 (TCSD)

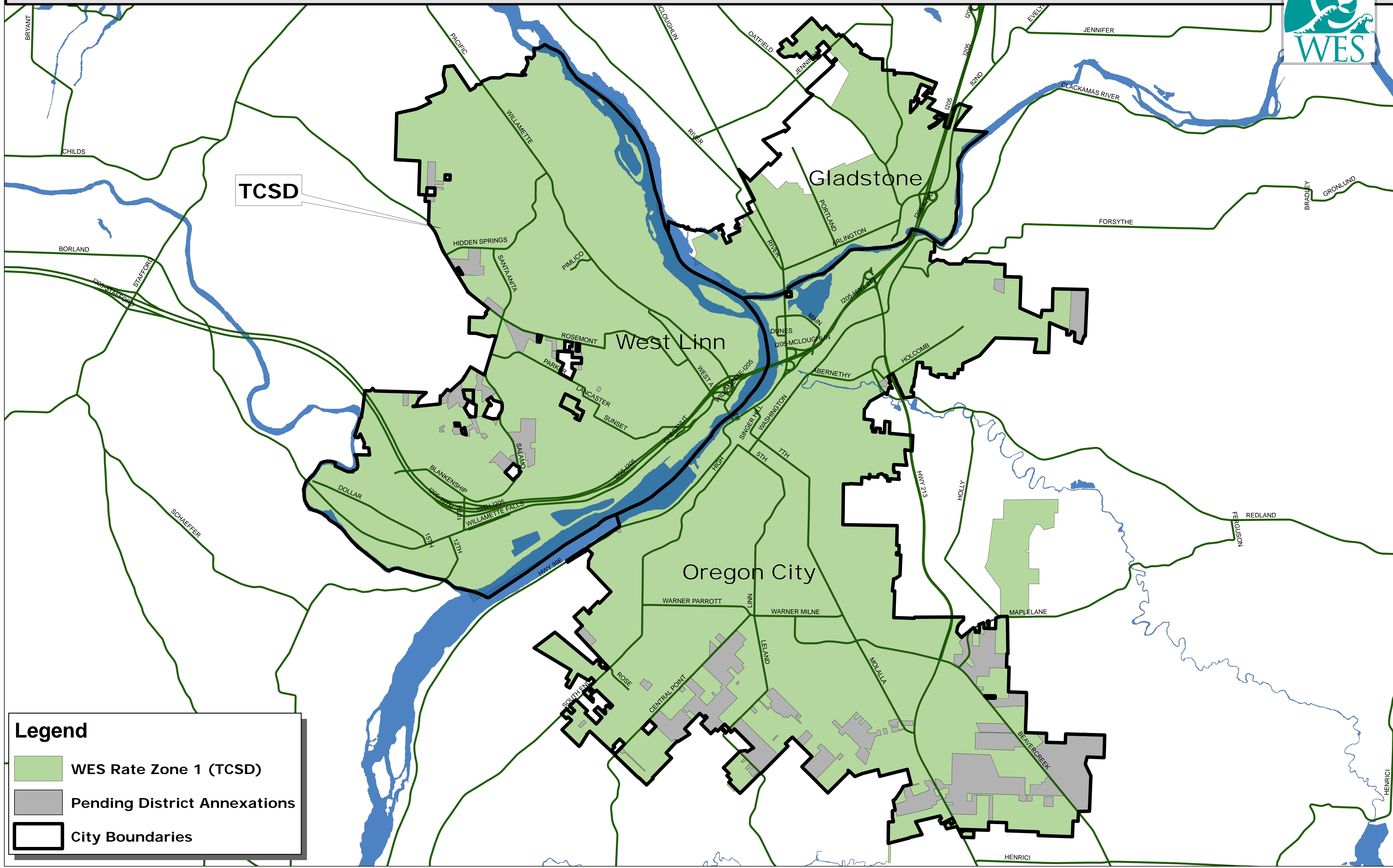
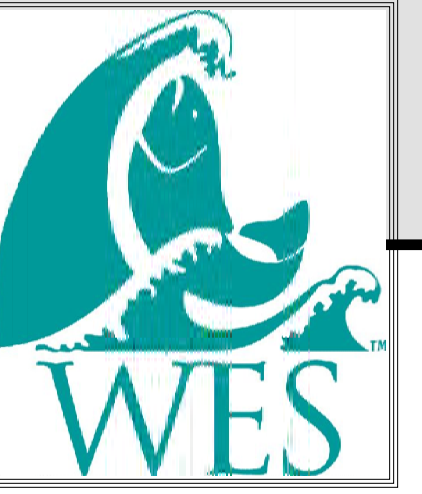



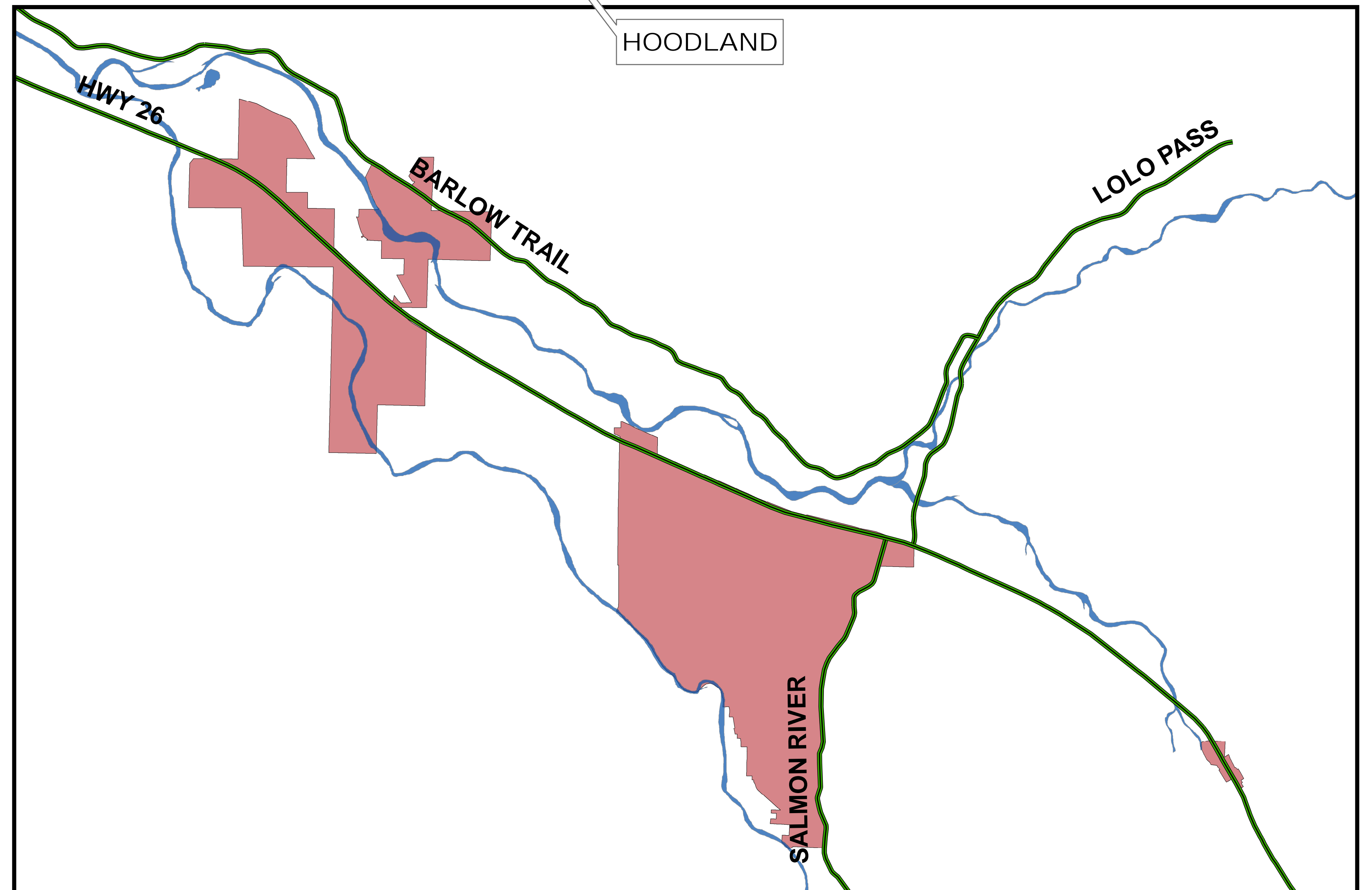
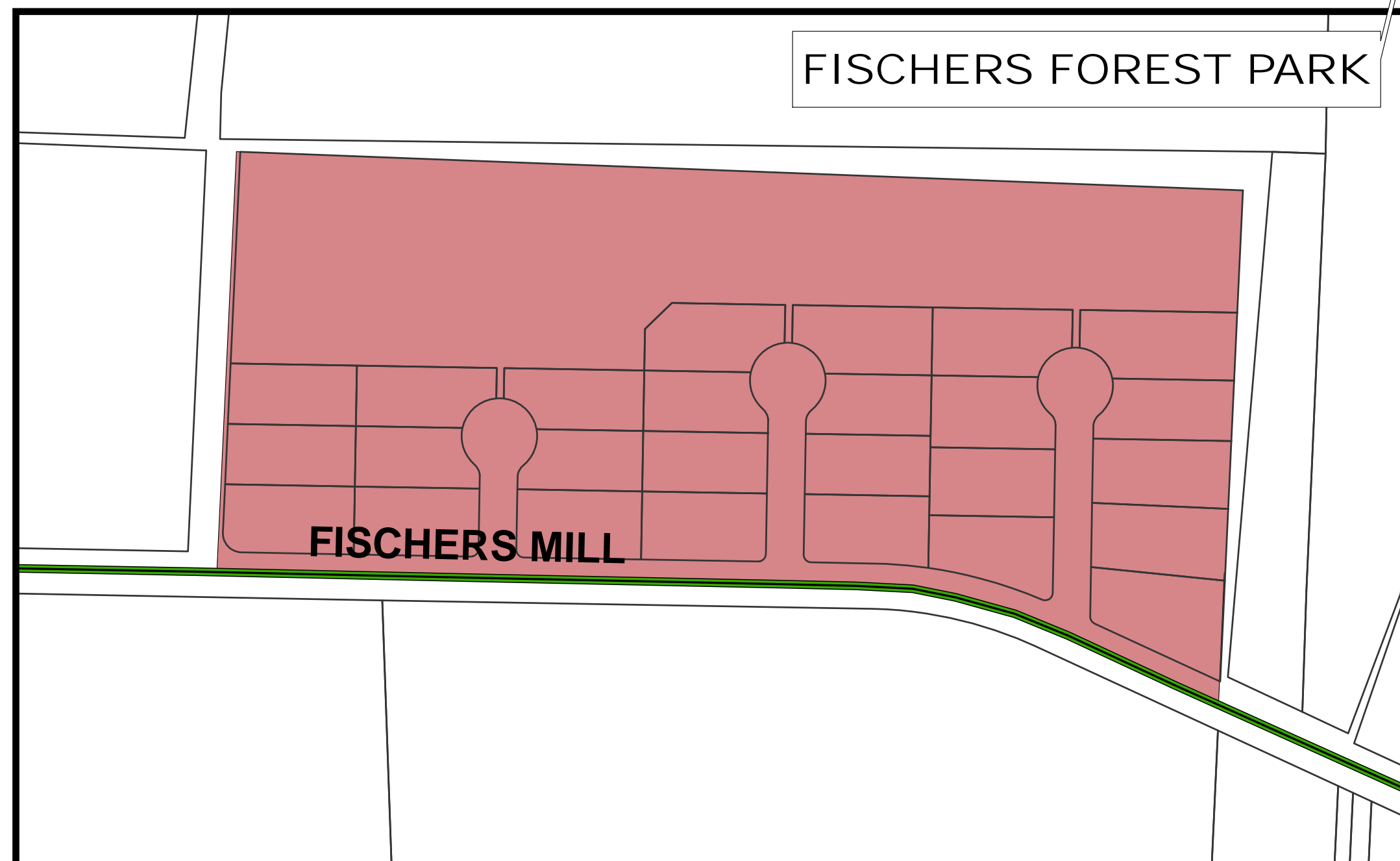
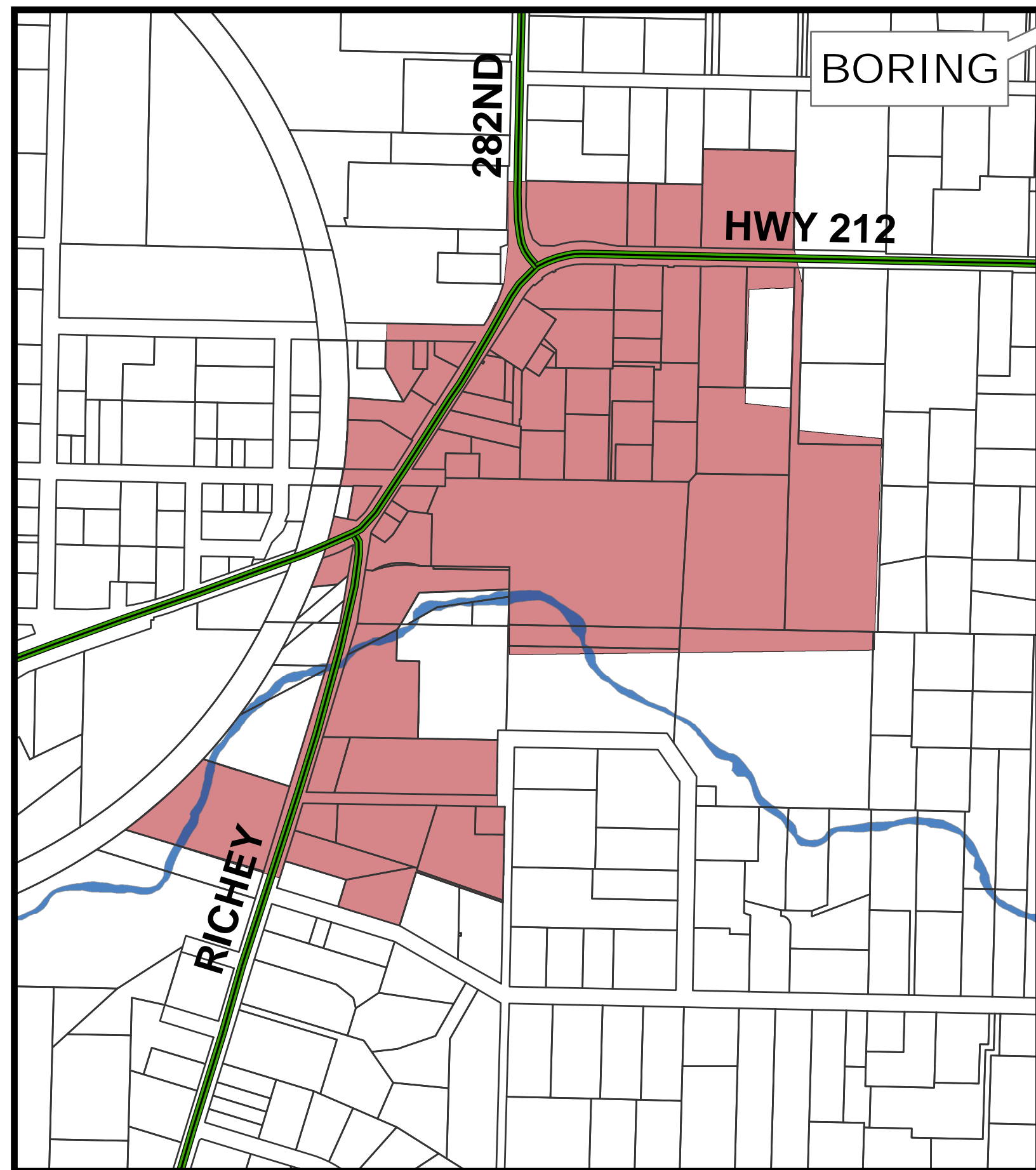
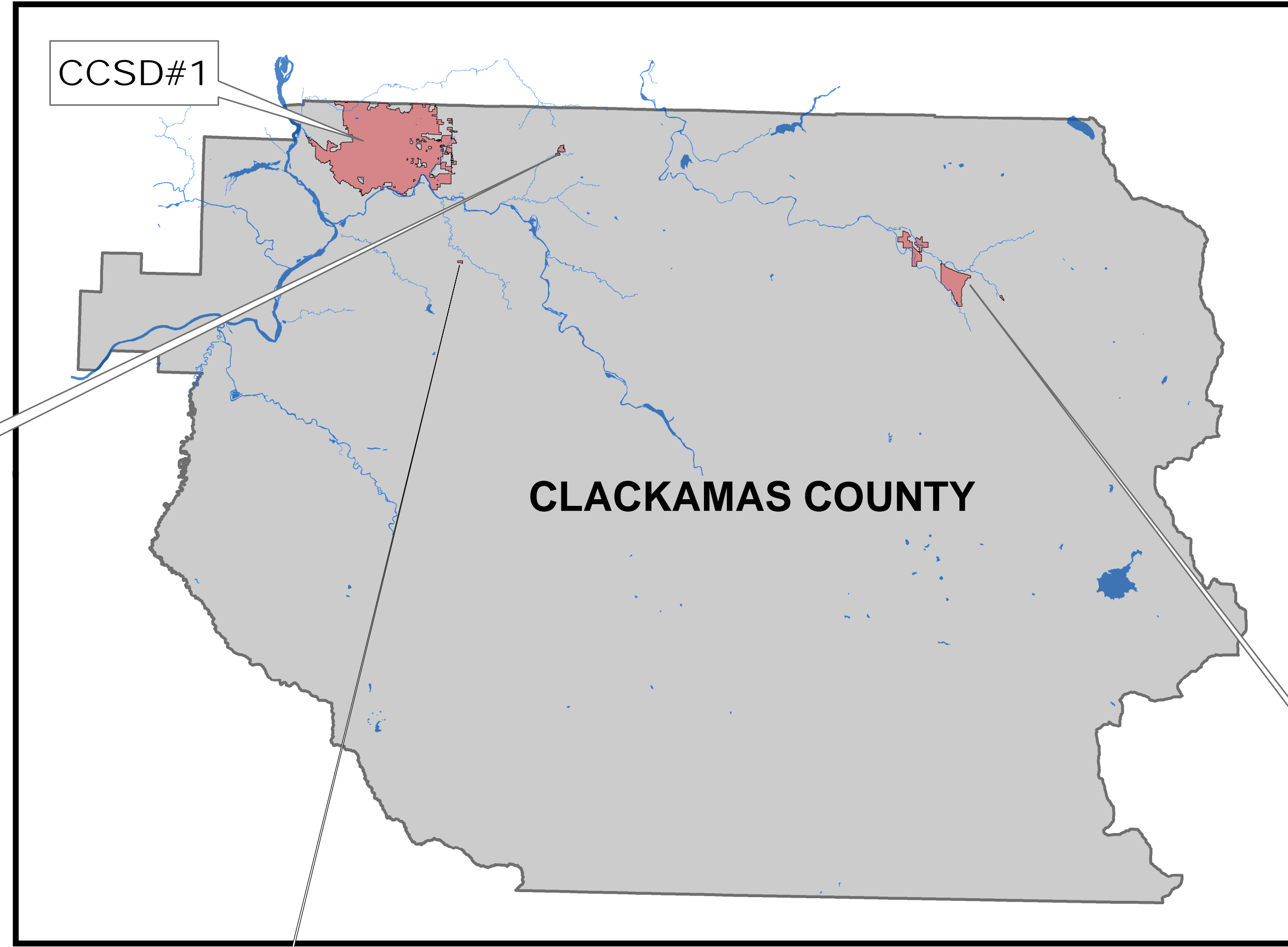


Exhibit B - WES Rate Zone 2 (CCSD#1)



Legend

 WES Rate Zone 2 (CCSD#1)



WHITE PAPER: ANALYSIS OF BENEFITS
OF REGIONALIZATION TO
CLACKAMAS COUNTY SERVICE DISTRICT NO. 1
AND
THE TRI-CITY SERVICE DISTRICT

July 2015

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Executive Summary

On May 27, 2015, the Regional Wastewater Treatment Capacity Advisory Committee (“Regional Committee”) voted to have a discussion regarding governance of both Clackamas County Service District No. 1 (“CCSD#1”) and the Tri-City Service District (“TCSD”) at the Regional Committee level. This discussion is being held in the context of the Regional Committee examining whether or not there are ratepayer benefits to the two districts co-investing in solids infrastructure (digesters). The Board of County Commissioners (“BCC”), as the governing body of each CCSD#1 and TCSD, voted to support having the governance conversation with the Regional Committee. Therefore, staff has developed this white paper to articulate some the factors that would be relevant to the Regional Committee in considering the issue.

It has been a common point of discussion within Water Environment Services (“WES”) that the current structure of two separate service districts, while saving ratepayers a certain amount of money, is somewhat inefficient and complicates long-range capital planning efforts. The concept of the two districts working together has shown up in several documents throughout the two districts' history. One example is the intergovernmental agreement entered into between CCSD#1, the City of Gladstone, and TCSD in 1999 allowing for the portion of Gladstone that is served by CCSD#1 to be annexed into TCSD and pay only the TCSD wholesale rate. Section 13.1 of this agreement states that, “[t]he parties agree to consider use of ORS 190 to create new service entities or other methods to more cost-effectively provide services.” While WES staff internally recognized the value of a regionalized approach, they continue to diligently ensure that each district maintains separate funding, budgeting, expense tracking, and accounting.

While history of the districts began as one of separateness, the opportunity to take advantage of the savings that arise from a joint operation has led to several significant decisions along the path towards greater integration. These include sharing staff, laboratory services, facility maintenance equipment, and space on the operating side, to rental and ultimate capital investments. In 2008, a regional advisory body was formed to consider regional service issues and, supported by reports and estimates provided by a third party engineering firm, reached the conclusion that the ratepayers in each district would be substantially better off with full integration of the two districts. And now, as it has multiple times over the last three decades, the issue has again become a matter of policy deserving of the attention of decision makers.

Staff made certain assumptions in evaluating this position. The first is the scope of the discussion. The work of the prior 2008 blue ribbon group assumed an integrated regional wastewater service provider that could provide both wholesale and retail services, as desired by constituent members. Similarly, the purpose of the Regional Committee is to evaluate, on an ad hoc basis, the similar idea of whether there are benefits to cooperative investment across the two districts. Therefore staff’s framework for this evaluation is to provide the Regional Committee sufficient information to test the proposition of whether the ratepayers of the two districts would experience material benefits from regionalizing the provision of wastewater services. From a timing perspective, staff assumed a planning horizon of 30 years to match several of the existing studies or alternatives analyses. With respect to implementation, there are several possible mechanisms to achieve regionalization. In brief, they are:

- Merger of CCSD#1 and TCSD into a single, larger ORS 451 county service district with the Board of County Commissioners (“BCC”) remaining as the governing body. This would presumably include reforming the advisory committee to reflect the combined stakeholder group, and the subsequent annexation of Milwaukie into the merged 451 district.
- Formation of an ORS 450 sewer district that contains the boundaries of CCSD#1 and TCSD, as well as the City of Milwaukie. The governing body of the district would be directly elected by the residents of the newly-formed district.
- Creation of a partnership entity pursuant to ORS 190 in which the impacted entities would vest the new partnership with a range of authority and assets. For the purposes of this paper, staff assumed that the partnership would hold all the assets and regulatory permits required for current level wastewater service delivery. The governing body of the partnership would be constituted based upon the terms of the partnership agreement.

While each of those three options has benefits and challenges associated with them, they will not be explored herein. If desired by the Regional Committee, staff can subsequently provide a thorough written examination of the three main regionalization options. Rather, a baseline level of integration can be assumed from implementation of any of the three options (referred collectively to herein as “Regionalization”). Assuming this, staff analyzed what benefits arise through Regionalization that would not be available to the districts if they remained separate.

Staff evaluated four key areas of what information would be relevant to the Regional Committee in considering the Regionalization issue: Regulatory, Capital, Governance (decision-making), and Administrative. Staff also reviewed prior work done by the community, industry publications and commentary from relevant discussion of similar issues. Overall, the analysis shows that substantial savings would be achieved for all ratepayers concerned through a regional approach that results in a consistent, integrated, and streamlined organization. The greatest savings stem from combined efforts in dealing with regulatory and capital issues, with lesser monetary benefits emerging from governance and administrative efficiency gains. In total, the savings that could be available to ratepayers of each district through an integrated and collaborative approach amount to hundreds of millions of dollars over the next 30 years. Below is a summary of these findings:

Regulatory:

Under the current system, TCSD and CCSD#1 each hold separate Clean Water Act permits for their facilities. Despite the infrastructure integration between the districts by the membrane bioreactor treatment train and intertie pipelines, the regulatory schemes are wholly separate. Currently, the load allocations available under one permit are not transferrable or available under another. However, it is possible to link all the districts' permits together under what is known as a watershed permit. This permit is what is used in Washington County, which has four treatment plants operating under one watershed-based Clean Water Act permit. Staff

have explored this opportunity with the Oregon Department of Environmental Quality (“DEQ”), and has been informed that in order to secure a watershed permit, a single entity to be the permit holder for facilities included in the watershed permit. Therefore, the option of a watershed permit would only become available when a single entity holds the permits for the Kellogg Plant, the Tri-City Plant, and the newly-acquired Blue Heron facility (collectively, the “Permits”).

Combining the aforementioned Permits into a single watershed permit would create significant efficiencies in meeting discharge limitations. This new watershed permit would not be less restrictive, but it would allow compliance to be measured across the broader watershed. That is, if there is excess capacity for meeting a limitation, such as biological oxygen demand at the Kellogg Plant, that excess could be used to meet the requirements at the Tri-City Plant. This could result in substantial savings by allowing for the most cost-effective means of meeting permit limits to be constructed at the most appropriate facility, rather than having to separately construct treatment infrastructure at each facility to meet each discharge limitation.

Possession of a watershed-based permit can also help avoid unnecessary investment in required redundancy by allowing the collective system of investments to meet the required thresholds, rather than having to meet them at each individual treatment facility. The watershed permitting approach has been identified as an excellent way to meet anticipated regulatory challenges that will affect both districts, including temperature discharge limitations, ammonia discharge restrictions, metal removal requirements, etc.

Overall, a watershed-based permit would result in various benefits to the permittee, the permitting authority, and the environment. For both entities, one permit is easier to administer and implement, and provides the optimal economy of scale for meeting regulatory requirements. Both districts would be better able to focus their resources on the most critical problems, while the integrated permit would provide a greater level of protection for the environment than what might have been realized under the existing system of multiple permits.

Capital:

Wastewater treatment efficiencies can typically be realized by economies of scale. Historically, TCSD and CCSD#1 have each experienced relatively low rates due to federal grants subsidizing a large portion of costs associated with construction of treatment facilities. As those grants are no longer available, both districts are faced with paying the full cost of capital improvements for regulatory compliance, asset replacement and growth. Staff anticipates that each district's ratepayers would save hundreds of millions of dollars through a mutual investment strategy that leverages a larger scale operation in all three of those investment areas.

Regulatory Compliance. As noted above, each district is faced with the high likelihood of required investment to meet increasingly restrictive discharge limitations. The membrane bio-reactor facility (“MBR Facility”), constructed by CCSD#1 at the Tri-City Plant, produces the highest quality effluent of all the treatment processes, and in doing so, is helping the Tri-City Plant meet permit requirements. It is sized for easy expansion and, therefore, remains the most cost-effective way for increasing the levels of treatment being achieved for existing or future wastewater streams. Similarly, the mutual investments made by both CCSD#1 and TCSD in the

Blue Heron permit and outfall, as a strategy to meet temperature discharge restrictions being imposed on the Tri-City Plant and Kellogg Plant, have the potential to save each district significant monies. The initial design and planning estimate of the cost to implement the Blue Heron permit approach is approximately \$40 million, while the non-Blue Heron alternative of constructed wetlands is estimated to cost approximately \$120 million and have a significantly higher annual operating cost.

Asset Replacement. Asset replacement costs are anticipated to become the largest capital cost for the districts over the next few decades, as the initial investments dating from the 1970s and 1980s wear out. Prioritizing and optimizing the reinvestment strategy across a regional system is the lowest cost option. Currently, the districts benefit from shared maintenance crews, as well as a staff of engineers and inspectors, who ensure projects are completed properly and at the lowest possible cost that meets operational needs. Regionalizing asset replacement efforts would enhance that existing productivity and provide for the lowest cost provision of this required investment.

Growth. The Regional Committee has already received presentations on savings that are anticipated to result from joint investment in meeting the needs of growth. Regarding the solids handling project alone, the districts are anticipated to save nearly \$120 million by working together in a co-investment strategy to solve the digester capacity issue. Staff notes that the districts have reached “capacity parity” at this time, meaning they are faced with similar needs on similar timelines going forward from a service level standpoint. Further, each district is uniquely positioned to address a particular need of the region - TCSD is better situated to address solids handling, and CCSD#1 is better situated to address liquids handling. Through Regionalization, each district would save hundreds of millions of dollars.

Another benefit of Regionalization would be the addition of new ratepayers to the existing system. As new connections join, WES charges both a system development charge to recover costs for newly-constructed infrastructure, as well as a connection charge. These new connections in essence become partners in an ongoing enterprise; they share equally in the responsibility for paying for regulatory-driven investment or asset replacement of assets whose useful life was exhausted prior to their connection to the system. These additional connections spread the cost of regulatory investment and asset replacement across a broader base, reducing the per-household charges for the existing ratepayers. Operating together with an expanded ratepayer base allows for a lower overall cost for the provision of wastewater services and helps to control rate increases for existing and future ratepayers.

Governance:

Currently, the Board of County Commissioners serves as the governing body of each of CCSD#1 and TCSD. The BCC also has broad responsibilities for a wide range of other issues. Ensuring that the interests of ratepayers are being heard and reflected in decisions, WES supports seven different advisory committees, as well as briefings to and decisions by the BCC, for a total of eight. Of those, six relate to the Districts. This leads to a multitude of sometimes inconsistent voices coming to the governing body. Through Regionalization, the decision-making process could reduce that number down to two, all while improving both transparency and collaboration.

One of the material challenges facing each of the districts is a lack of certainty. The current status quo is that the districts work together on some projects from an operational standpoint, and may work together from a capital standpoint on some, but not all future projects. It is undecided which, if any, may be included in a co-investment approach. The question of whether or not the districts will work together has been an ad hoc discussion for each project vetted through the appropriate advisory committees. This leads to substantial difficulty in making long term plans for the districts. WES staff has tried to create the lowest-cost capital plan for regulatory investments, asset replacement, and meeting the needs of growth; plans that are being reviewed and revised from a comprehensive perspective at this time. Often, the lowest-cost approach requires an assumption that the two districts will work together on an investment. However, the ad hoc nature of decision-making for each investment places a barrier to reliance on those assumptions.

Regionalization would allow certainty in realizing the many cost-saving benefits anticipated in those future plans. It would enhance the stability of decision-making by allowing all affected stakeholders to have a voice in all material decisions on a consistent basis, and ensure transparency and collaboration in that decision-making process. It would also reduce the amount of time and money spent supporting the eight current decision-making or advisory bodies. This approach would provide clear direction regarding these major policy issues, allowing staff to better plan for future requirements, develop a consistent and reliable rate profile designed to levelize rate changes, optimize sequencing of efforts and realize the hundreds of millions of dollars in projected savings.

Administrative:

WES staff currently provides administrative support to three districts. As part of that effort, they carefully track expenses across each district and allocate shared employees based on a real time level-of-effort measure. Because the affairs of all three districts are managed by WES employees simultaneously, complex accounting systems have been implemented to assure all costs are properly assigned to the correct district, including the allocation of many costs that are common to all three. Budgets and audits are prepared each year by WES for each district. To legally have the authority to do the currently agreed upon work, WES manages a number of intergovernmental agreements between the districts and also with the County. Each effort at tracking, budgeting, auditing, and ensuring legal compliance add to the administrative overhead of the districts. While this current arrangement is still a lower cost option than each district going it alone, it does have room for improved efficiencies.

A significant challenge that will face the districts, especially TCSD, is the manner of financing combined capital projects. Currently, CCSD#1 is rated AA for municipal debt issuance; however, TCSD is not rated at all since it does not have any outstanding tradable debt. Under the current independent structure, each district will need to separately pursue extensive and complicated procedures to borrow funds sufficient to pay for any agreed-upon portion of a project. Even then, funding from both must be ready at the time a project starts. This is a challenge that would be greatly mitigated if done by a single regional entity that would likely be able to achieve a higher bond rating, reduce borrowing costs, as well as eliminate other risks.

History of the Districts

This section summarizes the history and structure of the districts to ensure that all participants in the conversation are operating from the same set of common facts.

History of CCSD#1:

CCSD#1 was organized in March of 1967 pursuant to Oregon Revised Statutes (“ORS”) Chapter 451 to service the urban unincorporated areas of northern Clackamas County and the City of Milwaukie. CCSD#1 and Milwaukie jointly applied for and received Clean Water Act grants in 1970 for the construction of the Kellogg Creek Wastewater Treatment Plant (“Kellogg Plant”) that was completed in 1975, and expanded in 1988 to include digester capacity for solids handling. Its original design rating was for 10 million gallons per day average dry weather flow. The Kellogg Plant discharges into the Willamette River under the Clean Water Act National Pollutant Discharge Elimination System (“NPDES”) Permit Number 100983 (the “Kellogg Permit”). The cities of Milwaukie and Johnson City contract with CCSD#1 for wholesale wastewater treatment services. The served urban unincorporated areas and the subsequently-annexed City of Happy Valley receive retail services, including maintenance and management of sewer and storm water infrastructure, from the initial line in the street to the treatment plant. Several investments were made to maintain the Kellogg facility and comply with regulatory issues from 1975 to 1999. More are anticipated to occur in the next few years.

CCSD#1 was originally managed by the County through an agreement with its Road Department. Upon formation of TCSD in 1986, the Department of Utilities, later renamed as Water Environment Services, provided a common, dedicated pool of staff to support both districts at a lower cost than could be achieved if each went its separate way. This arrangement has been implemented for the last 30 years. Under it, CCSD#1 is billed for the cost of employees that support only CCSD#1 activities, such as line maintenance crew or Kellogg Plant operators, but share the cost of certain administrative positions such as director, water quality manager or finance manager, with TCSD and the Surface Water Management Agency of Clackamas County (“SWMACC”). Since CCSD#1 also provides surface water services for the areas within its boundaries, those staff are managed as part of WES as well. The cost of shared employees is allocated as a real-time percentage, applied monthly, based on the total number of hours spent on CCSD#1 work versus TCSD work or SWMACC work. The current allocation, based on hours, is 65.50% for CCSD#1 sewer, 13.40% for CCSD#1 surface water, 20.65% TCSD (sewer only), and 0.45% for SWMACC (surface water only). The employees are managed by Clackamas County pursuant to an agreement, the most recent version of which was adopted in 2006 (“CCSD#1-County IGA”, attached hereto as Attachment A), that allows the district access to support services in an a-la-carte, marginal cost approach that has consistently resulted in a very low overhead charge – substantially lower than the overhead charge levied by member cities on their own utility funds.

In the 1980s, small areas that were struggling to operate effective or efficient sewer service were subsequently annexed into CCSD#1, including Hoodland, Boring, and the Fisher’s Forest Park mobile home site. Each of those areas has their own water quality permit. The Hoodland area is served by the Hoodland Plant, which has a permitted hydraulic capacity of 0.9

million gallons per day, and currently treats approximately 300,000 gallons per day. The Boring facility and Fisher's Forest Park are substantially smaller. During the same time period, failing septic systems serving two mobile home parks in the Carver area were also annexed into CCSD#1, which upon incorporation meant that CCSD#1 was serving a portion of the City of Damascus.

In 1997, the Kellogg Plant was reaching its maximum treatment capacity and experiencing Clean Water Act violations. The district needed to either increase the plant's capacity or offload some of its flow to come back into compliance and avoid a moratorium. In 1998-99, instead of increasing Kellogg's capacity (consistent with Milwaukie's stated long-term desire to have CCSD#1 decommission the plant), the district built a diversion pipeline for the area of the district east of I-205 and rented treatment capacity at the Tri-City Wastewater Treatment Plant ("Tri-City Plant"), diverting approximately 15 percent of CCSD#1's flow away from Kellogg. In 1999, CCSD#1 entered into an agreement with TCSD to rent that capacity at the Tri-City Plant, paying all associated costs plus a premium to TCSD (the "1999 Rental Agreement").

In 2006, the Kellogg Plant again began experiencing Clean Water Act and NPDES permit violations due to its aging condition and the fact that the plant had reached its maximum liquid capacity, even with the 15 percent diversion to the Tri-City Plant. To further complicate matters, TCSD indicated that it needed to use the 15 percent diversion capacity it was renting to CCSD#1 due to its own growth. CCSD#1 had to finalize a plan for capacity expansion or Kellogg's permit violations would only increase, leading to significant fines and a possible moratorium order from DEQ.

In late 2007, the BCC developed the Capacity Management Program ("CMP"), a multi-phase plan intended to address the urgent capacity problems. Under Phase 1 of the CMP, the District built the a high-technology MBR Facility, intertie pipelines between the MBR Facility and District customers, and conducted maintenance improvements at Kellogg. Engineering studies demonstrated that constructing the MBR Facility at the Tri-City Plant would be the lowest cost option for CCSD#1. The same studies demonstrated that the facility would significantly improve the Clean Water Act permit performance for the Tri-City Plant, have a lower cost for future liquid treatment expansion needs of either district, and result in the lowest overall cost to the region. In total, CCSD#1 expended approximately \$136 million between the MBR Facility (\$89 million), Interties 1 and 2, and a pump station to support the pipelines. The MBR Facility was overbuilt in Phase I to reduce the overall cost of expansion, including construction of full foundations and treatment bays for the next increment of needed liquids treatment capacity. CCSD#1 rates increased over a period of five years from \$22 per equivalent dwelling unit ("EDU") retail to approximately \$37 per EDU retail to pay for the debt associated with the Phase 1 program.

Representatives from CCSD#1's advisory board negotiated an agreement with TCSD regarding the permanent location of the MBR Facility at the Tri-City Plant (the "2008 Agreement", attached hereto as Attachment B), which superseded and terminated the 1999 Rental Agreement. In the 2008 Agreement, CCSD#1 leased the land the MBR Facility was to be located on through December 31, 2030, and paid \$4,000,000 as rent for the land; use of the

existing infrastructure of the Tri-City Plant including but not limited to head works, pumps, connection lines, digesters, the outfall; the right to include wastewater treated by the MBR Facility under the Tri-City Permit (defined below); and a premium for the opportunity to lease the land and utilize the existing infrastructure. The MBR Facility, commonly referred to as Phase I of the CMP, came online in 2011.

History of Tri-City Service District:

Prior to formation of the Tri-City Service District, the City of Oregon City operated a sewage treatment plant, of which Gladstone was a partner, located along Highway 99E next to Clackamette Park, at the present location of the McDonalds. West Linn operated its own sewage treatment plants at two different sites that currently house TCSD pump stations. In 1977, the Oregon Department of Environmental Quality (“DEQ”) issued a building moratorium for Oregon City and Gladstone for failing to appropriately maintain, operate and/or expand their existing treatment facility, and warned West Linn that it would face a similar restriction in two years if sewer treatment improvements were not made at its facilities.

The leadership of the cities at that time met and found that mutual investment in an economy-of-scale business such as wastewater treatment was the most economically viable response to the moratoriums. Rather than trying to coordinate each city proposing a general obligation bond to a vote as the source of funds for mutual investment, the idea of a service district was explored. Clackamas County signaled a willingness to facilitate a district, so an initial plan to form a service district including a substantial unincorporated area was proposed through the County and put to a vote, which failed. After additional consideration, the three cities proposed that the district cover only their incorporated areas and the County put the matter to a vote. Upon passage in 1980, TCSD was formed with the BCC to act as the governing body.

TCSD was then able to leverage that vote of support to obtain Clean Water Act grants that paid approximately seventy-five percent of the construction costs of the Tri-City Plant. The remainder of the construction costs, approximately \$25 million, needed to be a local contribution. In lieu of direct rates, city bonding, or rate bonds, TCSD was able to issue a general obligation bonds that crossed the three cities’ jurisdictional boundaries. This construction bond was fully paid off in 2003 and no replacement bond was sought. Since TCSD’s inception in 1980, direct user rates have paid only for operational expenses and minor asset replacement. Therefore, TCSD boasts by far the lowest wholesale sewer rate in the Metro region. The bond and grant money was also used to decommission the existing city sewer plants and construct interceptor sewers.

The Tri-City Plant construction was completed in 1986 and has been operating continuously since that time, discharging to the Willamette River pursuant to NPDES permit number 101168 (the “Tri-City Permit”). The Tri-City Plant has held sufficient capacity to support the steady growth of its member cities. Over the past 30 years, Gladstone has experienced relatively little growth, West Linn moderate growth, and Oregon City high growth. The Tri-City Plant is now beyond its maximum original design capacity for solids handling based on flows solely originating from TCSD ratepayers. Please see Attachment C for supporting information regarding capacity issues as already provided to the Regional Committee.

Upon formation of TCSD in 1986, the Department of Utilities (later renamed Water Environment Services) provided a common, dedicated pool of staff to support both districts at a lower cost than could be achieved if each went its separate way. This arrangement has been implemented for the last 30 years, and under it, TCSD is billed for the full cost of employees that support only TCSD activities, such as Tri-City Plant operators or mechanics, but share the cost of certain administrative positions such as director, water quality manager or finance manager, with CCSD#1 and SWMACC. The cost of shared employees is allocated as a real-time percentage, applied monthly, based on the total number of hours spent on TCSD work versus CCSD#1 work or SWMACC work. The current allocation, based on hours, is 65.50% for CCSD#1 sewer, 13.40% for CCSD#1 surface water, 20.65% TCSD (sewer only), and 0.45% for SWMACC (surface water only). The employees are managed by Clackamas County pursuant to an agreement, the most recent version of which was adopted in 2006 (“TCSD-County IGA,” attached hereto as Attachment D) that allows the district access to support services in an a-la-carte, marginal cost approach that consistently has resulted in a very low overhead charge – substantially lower than the overhead charge levied by member cities on their own utility funds.

The initial investment in the Tri-City Plant gave TCSD an underutilized asset. Beginning in 1999, TCSD rented out its unused capacity to CCSD#1 for a profit under the 1999 Rental Agreement. By relying on that profit, TCSD was able to completely avoid rate increases in some years and maintain an overall a rate growth profile that was below inflation. However, in doing so, TCSD’s revenue generated from ratepayers soon was insufficient to pay current operating costs. The revenue from the 1999 Rental Agreement ended in 2011 once the MBR Facility came online. Since 2011, TCSD rates have been climbing steadily in an effort to get the district back on sound financial footing. The district is now able to generate sufficient revenue to pay for its own operating costs without spending from reserves. At this time, TCSD has a very limited ability to issue minor amounts of rate-supported debt for capital projects. TCSD has never issued rate bonds and is not rated by the bond rating agencies.

Continued growth in all three cities, with Oregon City experiencing the highest rate of growth over the history of TCSD, has now consumed the original design capacity of the Tri-City Plant. As reported to the Regional Committee, even without any flows coming from CCSD#1 or the existence of the MBR Facility, TCSD would require investments in solids handling. Solids handling needs have matured earlier than liquids needs in part because of adoption of low-flow toilets and other water saving devices. The volume of wastewater has decreased per household, but there has been a concomitant increase in the concentration of the wastewater stream; systems originally designed to be in sync from a treatment perspective are now on a different capacity timeline. Construction of solids handling would have triggered heightened regulatory requirements that would have been very difficult for TCSD to meet, but for the existence of CCSD#1’s MBR Facility. Under the current structure, when TCSD requires additional liquid treatment facilities, it will need to buy into CCSD#1’s MBR Facility to allow for the lowest cost expansion.

Common History:

Since 1986, both districts have been jointly managed by WES. This arrangement has been utilized to minimize the expenses to ratepayers. In doing so, each district only has to pay a share of 107 full time employees that are available and would be necessary to support district operations. The result is a long history of the districts saving on operating and administrative expenses. However, at the time of formation, each had a separate pool of grants and rate-supported investments for capital infrastructure.

Beginning with the 1999 Rental Agreement and the construction of Intertie 1, the capital infrastructure of CCSD#1 was linked with that of TCSD. This resulted in a significantly increased return on investment for TCSD as more of the Tri-City Plant was utilized, and CCSD#1 avoided some capital costs for a period of time. However, this move meant that CCSD#1 fell behind in having the treatment infrastructure necessary to meet its ratepayer needs.

Recognizing the need for a long term solution and because TCSD required the use of the rented liquid treatment capacity, the CMP was developed to provide the lowest cost service to the ratepayers. With the 2008 Agreement and construction of the MBR Facility, CCSD#1 reached “capacity parity” with TCSD and the two districts were in equivalent places in terms of current and future infrastructure needs. Since 2011, when the MBR Facility came online, the two districts have shared proportionally in the operational costs of the Tri-City Plant. Each district has realized cost savings and efficiencies through this arrangement. This arrangement, however, deals only with operational cost sharing and does not address capital needs. Under the current structure, those issues are brought before the Regional Committee for consideration.

While operationally integrated, the capital components of the districts are only integrated on an ad hoc basis based on single-issue agreements, such as the Blue Heron investment. Each district is distinct financially and legally. This leads to an odd quasi-partnership that provides some cost savings, but creates uncertainty and challenges for long term strategic planning and project efforts. The below analysis examines whether there are greater benefits that could be realized by closer integration between CCSD#1 and TCSD. The analysis concludes that each district would save its ratepayers hundreds of millions of dollars by more closely working together.

2008 Committee Findings:

After discussions around the CMP and Phase I construction program, there was a recognition that, much like the current discussion, there could be substantial savings by the districts working together. The Board of County Commissioners chose to seek the input from the full range of stakeholders that could be affected by a decision regarding some kind of regionalization. A blue ribbon group, called the Community Partners Task Force, was formed, consisting of elected representatives from the Board of County Commissioners, Damascus, Gladstone, Happy Valley, Milwaukie, Oak Lodge Sanitary District, Oregon City, and West Linn, and appointed representatives for the business community and direct ratepayers from the

unincorporated area (collectively, the “Task Force”).¹ Lake Oswego initially participated, but subsequently withdrew after realizing that its participation was premature given its relationship with the City of Portland’s Tryon Creek plant. The Task Force began meeting in February 2008 and submitted a final recommendation in November 2008.

The Task Force discussions began by identifying common jurisdictional interests and examining potential regional savings that could result from a common capital investment approach. It explored several issues regarding wastewater treatment with an independent engineer-consultant. In its findings, the Task Force concluded (i) that there were compelling financial benefits to ratepayers by making collective investments across service district boundaries, (ii) that there was a model for regional equity and fairness that could be implemented, and (iii) a governance structure could be implemented to reasonably achieve the first two findings.

After excluding retail services to ensure an “apples to apples” comparison, the Task Force found that by working together the collective ratepayers would save between \$314 million and \$384 million over a 30 year period. Those figures do not include savings that would result from a shared regulatory strategy, but arise only from shared investment in infrastructure required for meeting asset replacement and growth needs. Staff considers these numbers to be the minimum savings that would result through Regionalization. The key factual supports for reaching those conclusions were both the overall cost savings projected and the rate profiles, based on engineering estimates that projected substantially lower rates for every district beginning no later than the 2014-15 fiscal year.

Regulatory Benefits

Each of the four facilities managed by CCSD#1 and the Tri-City Plant has a Clean Water Act-authorized National Pollution Discharge Elimination System (“NPDES”) permit that establishes limits and parameters for discharges into the waters of the United States. Within this paper, staff will focus on the Kellogg NPDES permit, the Tri-City NPDES permit, and the Blue Heron NPDES permit recently acquired jointly by the districts (together, the “Permits”).

Regulators such as the Oregon Department of Environmental Quality (“DEQ”) and the Environmental Protection Agency (“EPA”) continue to promulgate rules that increase restrictions and/or requirements on dischargers. The Permits are covered by what is known colloquially as the “anti-backsliding rule,” which means that regulations only get tighter. DEQ uses water quality standards to assess whether the quality of Oregon’s rivers and lakes are adequate for fish and other aquatic life, human recreation, a source for safe drinking water, agriculture, industry

¹ The Committee Members were: Chair Greg DeGrazia, business representative; Deborah Barnes, Milwaukie City Counselor; Scott Burgess, West Linn City Counselor; Wade Byers, Gladstone Mayor; Charmaine Coleman, CCSD#1 ratepayer; Markley Drake, Happy Valley Counselor; Julie Harvey, CCSD#1 ratepayer; John Hickey, JD, PE, business representative; Kristin Johnson, Lake Oswego Counselor; Jim Knapp, CCSD#1 Advisory Committee Chair; David Marks, business representative; Alice Norris, Oregon City Mayor; Ernie Platt, Homebuilders’ Association representative; Paul Savas, Oak Lodge Sanitary Director; and Randy Shannon, Damascus Counselor.

and other beneficial uses. DEQ also uses the standards as regulatory tools to prevent pollution of the state's waterways. The Clean Water Act requires all states to adopt water quality standards designating beneficial uses of the state's waters and sets criteria designed to protect those uses. The Clean Water Act requires wastewater treatment facilities, and any other dischargers into the waters of the United States, to operate under NPDES permits, which set limits on what can be discharged, based on water quality standards promulgated for that specific discharge area. In addition, each plant has separate biosolids programs and industrial pretreatment programs, which also result in separate requirements for each district based upon the receiving stream capacity.

It is important to emphasize the significant regulatory drivers for the business of the districts. The Clean Water Act has a complex process for establishing and imposing regulatory requirements on “point sources,” such as treatment plants, and substantial fines for violations. The regulatory process, in summary form, is that a water quality standard is developed by identifying the beneficial uses sensitive to the particular pollutant and then establishing a parameter. Specific criteria are then established based on the levels needed to protect the sensitive beneficial uses. For example, the uses typically most sensitive to dissolved oxygen are fish and aquatic life. Fish and other aquatic organisms need an adequate supply of oxygen in the water to be healthy and productive. In this case, the criteria identify the minimum amounts of dissolved oxygen that need to be in the water to protect the fish or other aquatic life. In other cases, as with many of the toxic pollutants, the criteria may identify the maximum amount that may be in the water without risk to human health or the aquatic biota. For other parameters, such as bacteria or some toxic compounds, human health is almost exclusively the most sensitive beneficial use. An analysis of each potential pollutant that could be discharged into the Willamette River and its watershed, in the case of the Permits, is made to determine the maximum that can be discharged to the river as a whole and by each permitted dischargee. DEQ then builds those limits into its NPDES permitting regime, ensuring that at both an individual facility level and watershed-wide the beneficial uses are protected.

The State of Oregon has a requirement to continually update their water quality standards, which are becoming amongst the most challenging in the country, to provide for beneficial use of the State's water ways. The Districts continues to face increasingly stringent regulations, which likely will impact the technology needed to remove such pollutants if current treatment will not treat to the appropriate levels.

One of the difficulties in meeting current water quality standards is that the existing treatment infrastructure was designed to the lower standards that existed at the time of their construction. Several improvements have had to be made to both the Kellogg Plant and the Tri-City Plant to meet current water quality standards. This is exacerbated by the current rule structure that imposes even more stringent standards every time a treatment facility undertakes major improvements. For example, the Tri-City Plant's NPDES permit shifted from a “20/20” permit to a “10/10” NPDES permit, reducing in half certain allocations and pollutant discharge limits. Fortunately, the MBR Facility generated a high enough quality effluent that, when mixed with the lower-quality conventional treatment system used for the remainder of the plant flows, was more than sufficient to meet the enhanced compliance point requirements. There is a high likelihood that continued and even greater reliance on the MBR Facility will be necessary for effluent at the Tri-City Plant to meet the requirements of the Clean Water Act.

New standards can be imposed without the triggering requirement of additional construction that can necessitate additional investment or operational changes at the treatment plants. New technology, testing, analysis, and environmental studies can define new pollutants of concern. For example, Senate Bill 737, which passed in the 2007 session, required DEQ to develop a list of all priority persistent bioaccumulative toxics (the “Priority Persistent Pollutant List”) that have a documented effect on human health, wildlife and aquatic life. The bill also required fifty-two of the largest municipal wastewater plants (including the Kellogg Plant and Tri-City Plant) to pay a fee between \$10-\$20,000 over two years to fund the research behind the Priority Persistent Pollutant List, and draw samples of each major treatment facility’s effluent to identify whether they had any of the toxics of concern. If any were identified, the facility had to come up with a strategy to deal with them by 2011. Fortunately, the studies found that the only toxics found in the two major treatment plants’ waste streams during sampling were primarily byproducts of human digestion, and DEQ deferred the requirement for the strategy to be submitted pending additional discussion and review. Similarly, the EPA’s Office of Science is continually researching the environmental impacts of existing or new products or issues in an effort to provide the scientific support for any additional regulations that may be required.

In the near term, staff anticipated that both the Tri-City Plant and Kellogg Plant will be dealing with compliance challenges arising from several existing discharge limitations, including: (i) temperature, (ii) ammonia, (iii) biological oxygen demand (“BOD”) loading, (iv) total suspended solids (“TSS”) loading, and (v) copper. Some arise from additional connections to the systems, while others are likely to become issues because of decreased allowances for existing discharges. In addition to anticipated problems in existing discharge limitations, staff also anticipates that some or all of the following “pollutants” may be added as new limitations within the NPDES Permits in the next several years: mercury, cadmium, silver, zinc, nickel, lead, and chromium.

In complying with the NPDES permits and associated regulatory structure, the districts currently achieve some cost savings by sharing staff to perform tasks. However, they are separate districts, and accordingly WES must maintain a degree of separation to follow the individual permits and legal requirements. Additionally, technical analyses are required for each district as well. The districts must also have separate rules and regulations, which govern activities that may impact the collection system and treatment works. Hence, the department has separate accounting, reporting and administrative needs to meet permit requirements of each district.

The current system of administration and compliance meets the demands of the regulatory system, but is not the most efficient. However, the primary gains that could be experienced by the Districts through a cooperative partnership are not on the staff side, but on regulatory permit compliance efforts themselves through the utilization of a watershed-based permit.

Watershed Based Permitting

Watershed-based NPDES permitting is a process that emphasizes addressing all stressors within a hydrologically-defined drainage basin, rather than addressing individual pollutant sources on a discharge-by-discharge basis. Watershed-based permitting can encompass a variety of activities ranging from synchronizing permits within a basin to developing water quality-based effluent limits using a multiple discharger modeling analysis. The type of permitting activity will vary depending on the unique characteristics of the watershed and the sources of pollution impacting it. The ultimate goal of this effort is to develop and issue NPDES permits that better protect entire watersheds.

Having a watershed based permit would greatly benefit the districts in meeting their Clean Water Act obligations, potentially allowing the two Districts to combine their respective allocations so that trading of NPDES permit discharge allocations could occur, as long as the collective discharge would be below the combined allocation. For example, under the current permitting situation if there is a high flow event at the Tri-City Plant that leads to an exceedance on TSS allowed to be discharged, TCSD is fined under the Clean Water Act, which can result in fines of up to \$50,000 per day per parameter within the NPDES Permit that is violated. It would not matter if the Kellogg Plant is substantially below the required TSS loadings because they are distinct permits. However, if there was a single watershed permit, then there would only be a fine if the total discharged from both plants exceeds the total amount allowed to be discharged by both plants. So in this hypothetical, there is no violation because the Kellogg Plant's available loading can be combined with the Tri-City Plant via a "trade" to result in compliance.

This is not a radical innovation, but rather an existing local fact. Our neighboring Washington County wastewater provider, Clean Water Services, uses a watershed-based integrated permit covering four treatment plants via a county service district model. Oregon DEQ states that a single watershed-based, integrated municipal permit does not reduce the requirements that were previously contained in separate permits. Instead, it provides a number of advantages and efficiencies in allowing for use of multiple parameters across permits to meet requirements, or even from sources external to the allocations of treatment facilities (such as generating temperature credits for discharges by creating shade on upstream tributaries within the watershed).

The single watershed –based permit would result in various benefits to the permittee and the permitting authority and the environment. One permit is easier to administer and implement for both entities. The integrated permit also provides an economy of scale for both permittee and the permitting authority in terms of resource use. Both organizations will be better able to focus their resources on the most critical problems, while the integrated permit provides a greater level of protection for the environment than what might have been realized under the current system of multiple permits.

Putting a watershed permit in place for the districts is the best available strategy for meeting the existing and anticipated regulatory challenges facing the current and future ratepayers at the lowest cost. A single parameter, such as temperature, can drive investments into the tens of millions of dollars and pooling regulatory allocation resources to most efficiently

meet those requirements makes the most sense from a professional management standpoint. This pooling of resources via a watershed permit can only be achieved if a single, regional entity holds and controls the NPDES permits for all involved facilities.

A regionalized, watershed permit approach would also create efficiencies in the solids disposal portion of the districts' business. Currently, solids that are generated in the treatment process are loaded onto trucks and applied to farm fields in either the Willamette Valley or eastern Oregon. Each field must be specifically authorized by DEQ for application of biosolids by a particular entity. Currently, solids generated at one district's plant cannot be applied at the fields approved for the other district. This leads to operational challenges and increased costs in disposal.

In summary, a single watershed-based permit obtained through Regionalization would allow the districts to achieve water quality goals in a more cost-effective and efficient manner. The districts would experience enhanced environmental results for the watershed where ratepayers live, work and play, as well as target and maximize the available resources to achieve the greatest service level and environmental results. Additionally, a single watershed-based permit would create administrative efficiencies and provide opportunities for water quality trading programs that could support non-point source contributions to watershed health and regulatory compliance.

Capital Benefits:

The Regional Committee was originally formed to consider the possibility of shared investment in capital projects for growth, given the strong likelihood that each district would substantially benefit from a shared investment strategy. It is an industry truism that wastewater treatment efficiencies can typically be realized by scale, which is why it was more cost effective to decommission the three treatment plants serving Gladstone, Oregon City and West Linn and combine them into the Tri-City Plant. Washington County's Clean Water Services decommissioned twenty-six treatment plants and consolidated them into four facilities. Growth is only one component of the overall capital program each district must implement. Staff has evaluated each type of major capital project for the districts to determine whether or not a permanent partnership would have material benefits: regulatory investments, asset replacement, and growth infrastructure. In all three areas of investment, we anticipate that each district's ratepayers would realize hundreds of millions of dollars of savings through a regionalized capital investment strategy.

Regulatory Compliance. With respect to regulatory compliance, as noted in the Regulatory Benefit section above, each district is faced with the high likelihood of required investment to meet heightened discharge limitations. The plethora of new and enhanced regulatory requirements that may be imposed on the treatment plants are projected to require tens to hundreds of millions of dollars of additional investment. Regionalization, as an approach to capital investment, is the operative theory behind several programs currently being implemented by WES staff. TCSD is able to rely on and utilize the high quality effluent treatment of the MBR Facility to meet permit requirements, and CCSD#1 will be able to rely on and utilize the superior

Blue Heron outfall, of which it is co-owner, that is scheduled to be connected to the Tri-City Plant.

An example of how shared investment in assets can improve regulatory compliance can be found during the negotiations over the Tri-City Plant's currently-issued NPDES permit. DEQ's initial draft of the permit included a discharge limit for ammonia, a notoriously difficult parameter to treat for – the typical strategy is called nitrification, and requires the treatment plant's conventional treatment systems for liquids to be reduced to approximately 60% of its design capacity. This would have triggered a requirement that TCSD construct a new conventional treatment train for liquids at the costs of tens of millions, including early remediation of the Rossman landfill space. However, the improved performance from the MBR Facility was sufficient to give rise to an argument that with a minor investment in the outfall and assurances that future expansions in liquid treatment at the Tri-City Plant would be via CCSD#1's MBR Facility, no ammonia limit needed to be included. Staff was able to negotiate an order with DEQ that kept the term out of the NPDES permit (thus avoiding the anti-backsliding rule) and make an investment of only \$300,000 in improved outfall configuration to make regulatory compliance under the appropriate analysis. TCSD would have faced a large capital cost to serve only existing customers if not for the MBR Facility and shared investment in outfall improvements.

Mutual investment made by each CCSD#1 and TCSD in the Blue Heron NPDES permit and outfall (previously held by the now-liquidated Blue Heron Paper Company) were a strategic approach to meeting temperature discharge restrictions being imposed on the Tri-City Plant and Kellogg Plant and also has the potential to save each district significant monies. The initial design and planning estimate of the cost to implement the Blue Heron permit approach is approximately \$40 million, while the non-Blue Heron alternative of constructed wetlands is estimated to cost approximately \$120 million and have a significantly higher annual operating cost.

Therefore, Regionalization not only would allow realization of cost avoidance in the operation and performance of the treatment plants, but also in any required investments needed to meet regulatory requirements. This would greatly reduce costs to serve current customers, let alone future connections. A co-investment strategy for regulatory compliance has already been implemented by the districts on an ad-hoc basis, and all available evidence suggests that savings in the hundreds of millions of dollars would result in a combined investment strategy.

Asset Replacement. Asset replacement is anticipated to become the largest capital cost for the districts over the next few decades, as the initial investments from the 1970s and 1980s wear out. This is of significant concern, as both districts' major assets are nearing the projected end of their useful life; both the Kellogg Plant and Tri-City Plant's original assets are fully depreciated. Staff is developing an asset management program to implement the necessary tools, processes and procedures necessary to make the best decisions about the repair and replacement of existing assets. This program will assist in predicting and best managing the anticipated high cost of asset replacement.

Prioritizing and optimizing the reinvestment strategy across a regional system is the lowest cost option. Through WES, the districts currently benefit through shared maintenance crews, as well as a staff of engineers and inspectors, who ensure that projects are done per spec and at the lowest possible cost that meets operational needs. Regionalizing asset replacements efforts would enhance this productivity while providing the lowest cost provision of this crucial investment.

Growth. The Regional Committee has already received presentations on the savings that are anticipated through joint investment to meet the needs of growth. The districts are anticipated to save nearly \$120 million by working together to solve the solids handling capacity issue, as an example. Staff notes that the districts have reached “capacity parity” at this time, in that they are faced with similar needs in similar timelines going forward from a service level standpoint. Each district is uniquely positioned to address a particular regional need - TCSD is better situated to address solids handling and CCSD#1 is better situated to address liquids handling. Together, each district would save at least of millions by working collaboratively on this area of capital investment with one another than they would alone.

Another benefit of a partnership would be to share in the combined benefit of adding new ratepayers to the existing system. As new connections join, WES charges both a system development charge to recover costs for newly-constructed infrastructure, as well as a connection charge. These new connections in essence become partners in an ongoing enterprise, with equal responsibility for paying for regulatory-driven investment or asset replacement for assets whose useful life was exhausted prior to their connection to the system. This spreads the cost of regulatory and asset replacement costs across a broader base, reducing the per-household charges for the existing ratepayers. Both CCSD#1 and TCSD broaden their individual ratepayer base by operating together, which allows for a lower overall cost for the provision of wastewater services.

Overall, multiple studies and examination from an engineering and service level perspective undertaken by the districts consistently show that the ratepayers of each district would save tens to hundreds of millions of dollars through Regionalization. That idea has driven investments since the 1990s and remains even truer today as the regulatory environment becomes ever more restrictive and the needs of asset replacement become the dominant capital requirements for both districts. Regionalizing infrastructure investment to provide for the projected capital needs of both districts would save hundreds of millions of dollars over the next few decades.

Governance Benefits:

Currently, the Board of County Commissioners (“BCC”) serves as the governing body of each of CCSD#1 and TCSD. The BCC also has broad responsibilities for a wide range of other issues. WES supports seven different advisory committees, as well as briefings to and decisions by the BCC, for a total of eight, to ensure that the interests of ratepayers are being heard and reflected in decisions. Of those, six relate to the Districts. This leads to a multitude of sometimes

inconsistent voices coming to the governing body. A more unified decision-making process could reduce that number to two.

One of the material challenges facing each of the districts is a lack of certainty. The current status quo is that the districts work together to a limited extent from an operational standpoint, and may work together from a capital standpoint on some, but not all future projects. The question of whether or not the districts will work together is an ad hoc discussion for each project vetted through the appropriate advisory committees. This leads to difficulty in making long term plans to meet the needs of the districts. WES staff has tried to create the lowest-cost capital plan for regulatory investments, asset replacement and meeting the needs of growth, plans which are being reviewed and revised from a comprehensive perspective at this time. Often the lowest-cost approach requires an assumption that the two districts will work together on an investment. However, the ad hoc nature of decision-making for each investment places a barrier to reliance on those assumptions.

Regionalization would allow for the realization of the many cost-saving benefits anticipated in those future plans. It would enhance the stability of decision-making by allowing all affected stakeholders have a voice in all material decisions on a consistent basis. It would also reduce the amount of time and money spent supporting the eight current decision-making or advisory bodies. In having all the decision-makers together and obtaining certainty regarding co-investment, staff can better plan for future requirements, develop a consistent and reliable rate profile designed to levelize rate changes, optimize sequencing of efforts and more assuredly realize the tens of millions of dollars in savings projected by the two districts working together on a permanent basis.

Overall, the substantial intangible value of certainty would be a great aid in allowing staff to conceive, propose and ultimately implement the optimal lowest-cost management strategy for the infrastructure and services entrusted to them.

Administrative Benefits:

Currently, WES staff provides accounting and administrative services to the three independent districts of CCSD#1, SWMACC, and TCSD. Each of these districts are “municipal corporations” as defined by statute, requiring separate accounting and reporting. County service districts provide a way to localize the financing of services that benefit only specific areas, while retaining responsibility within county government rather than an independently elected board. The Board of Directors for each district is comprised by statute of the individuals who are elected as Clackamas County Commissioners.

The administration of the Districts is done by Clackamas County employees that are organizationally housed in WES. Because the affairs of all three districts are managed by WES employees simultaneously, complex accounting systems have been implemented to assure all costs are properly assigned to the correct district, including the allocation of many costs that are common to all three. Budgets and audits are prepared each year by WES for each district.

The principal driver for these discussions about Regionalizing the districts is efficiency and the potential advantage to ratepayers resulting from some form of combined services. The

purpose of this discussion is to look at whether the potential advantages of Regionalization translate into efficiencies and cost savings to ratepayers. The approach has been to develop a list of administrative costs the districts incur to deliver utility services and align them with future costs that could be avoided by merging the three Districts into one comprehensive utility service provider. This discussion should not be construed as a rate study. Itemized below are some of the administrative areas that would result in either lower-cost or more efficient provision of services under Regionalization:

- Accounting – Extensive resources are required to provide accurate and reliable cost accounting to all three districts. Investments and expenses may be the responsibility of one, two, or all three districts. In the cases of more than one district, allocations vary from agreed on amounts to percentage splits to those based on actual direct labor charges of the districts. This adds in turn to the number of journal entries and complicated tracking arrangements. Vehicle and equipment usage becomes complicated when they are shared between districts. Significant reductions in cost accounting related to all of the issues noted could be achieved under a combined entity with a combined monthly service rate.
- Agreements – Agreements are required whenever assets are shared between districts. This in turn requires briefings to advisory committees reflecting their separate interests, the creation of detailed IGAs by County Counsel, possible study sessions and ultimate adoption by the Board. One larger entity will not produce these issues whenever assets are used or co-located. This is important, as WES will continue to look for efficiencies through asset sharing.
- Borrowing Costs/Logistics – For the first time, a costly capital project (solids handling) needs to be undertaken by two of the districts simultaneously, requiring significant external funding. Under the current independent financing structure, each district will need to separately pursue extensive and complicated procedures to borrow funds sufficient to pay for their agreed upon portion of the project. The financial condition of TCSD is very different than that of CCSD#1, which may require very different approaches to that financing for each district. Even then, funding from both must be ready at the time the project starts. This will be a challenge that would be greatly reduced if done by a combined, financially stronger entity. One larger entity should be able to achieve a higher bond rating, reducing borrowing costs, as well as eliminate many of the risks noted here.
- Facilities planning and Asset Management – In most cases, facilities planning is currently done at the individual district level. This approach does not take advantage of the economies of scale that could be achieved by planning on a basin-wide, regional basis. Clean Water Services in Washington County has adopted this basin-wide planning strategy, resulting in the consolidation of twenty-six wastewater treatment plants in 1970 down to four treatment plants today. Asset management will be an even greater financial challenge than growth over the longer term. Even small efficiencies in this area will result in significant savings over time.
- Risk – Separate insurances are required for each district, with variations between each of them resulting in greater complexity in the management of risk. One larger entity should not only reduce overall insurance costs, but would reduce the complexity in its management.

Overall, the districts are experiencing some administrative savings already, therefore, the impact of Regionalization would be a limited improvement in terms of dollars. However, the unknowns around TCSD's ability to effectively enter into the municipal markets and the almost-certain reduced borrowing costs and interest rate savings from a Regionalized borrowing strategy

provide sufficient reason to find that there would be material administrative savings to the ratepayers of the districts.

Industry Trends:

Cities' roles are to oversee the care of basic services that the taxpayers require, such as education, parks and recreation, safety, and utilities. In reality, most cities do not handle all governmental services alone, or at least not easily. In order to deliver a service in a way that is most fiscally responsible, cities commonly work together with their neighbors to provide the same service for all parties involved, at a reduced cost for each contributor. Over time, these mutually beneficial relationships result in deep ties of co-invested programs, projects, and infrastructure. Specifically, in the realm of wastewater conveyance and treatment, the ties can become crucial to the overall economic and public health of an entire region. In Clackamas County, the collaboration of TCSD and CCSD#1 has resulted in substantial savings to date, with more possible with greater integration. In order to understand the relationship between the two districts, the fundamentals of public investment in infrastructure must first be examined. Below are some common questions that were reflected in industry literature that may be helpful to the Regional Committee:

What is the relationship between public investment in infrastructure and private investment?

In his 1990 report entitled "Why is infrastructure important?", David Alan Aschauer sought to determine the magnitude of impact that investment in infrastructure has on economic output and found that government investment in infrastructure has a far greater impact on private investment decisions than any other type of government expenditure. "Given that public capital complements private capital, an increase in the public capital stock can be expected to stimulate private capital through its effect on the profitability of private capital."²

What is the return on investment in public infrastructure?

In 2012, Isabelle Cohen, Thomas Freiling, and Eric Robinson at the College of William and Mary published a paper that attempted to understand the short- and long-term financial return generated by infrastructure investment. They found that, "In the short-run, spending on infrastructure produces twice as much economic activity as the level of initial spending. These effects are most heavily concentrated in the manufacturing and professional and business services sectors, but also accrue to smaller sectors like agriculture. In the long-run, spending on all types of infrastructure generates substantial permanent positive effects across the economy as

² Aschauer, David Alan, 1990. "Why is infrastructure important?" Conference Series; Federal Reserve Bank of Boston, p 21-68.

a whole. Money spent now will produce significant tax revenue returns to the government's budget over twenty years."³

Over the long term, they found that the results of public investment are amplified. In particular, the group determined that every \$1 invested at the beginning of a 20 year period would yield \$3.21 in GDP growth at the conclusion of the period. In addition, in the aggregate, \$1 invested in infrastructure would generate almost \$0.96 in new taxes over 20 years.

What impact does investment in water and sewer infrastructure have?

In 1995, researchers from the University of Oklahoma, Clarkson University, and Northern Illinois University analyzed the effects of investment in different infrastructure components individually and found a greater impact resulting from investment in water and sewer infrastructure than other types of infrastructure. Their report concluded that "aggregate public capital and two of its components (highways, water and sewer) make a positive contribution to state output. Water and sewer systems have a much larger effect on state output than highways and 'other' public capital stock."⁴

They further found that, "The implication is that additional investment in waste disposal and water systems offers a greater stimulant to the regional economy than increased public funding for highways. Also, willingness to facilitate the building of water and sewer infrastructure may allow states to maintain or enhance their competitive advantage in attracting new facilities and jobs." Businesses looking to establish themselves further in the area would be discouraged by a lack of treatment capacity, and may consider options in other parts of the region. Additionally, residents of the region do not specifically limit their day-to-day business within the political boundaries of each city or district; rather, they work, shop, and recreate freely across all of boundaries in each of the cities served by the districts.

A study by the U.S. Department of Agriculture looked at the impact of specific infrastructure investments made by the U.S. Department of Commerce, Economic Development Administration ("EDA") in 1989 and 1990 and found positive benefits from investment in water and sewer infrastructure where it helped businesses expand or locate in a community. "Water/sewer projects can save and/or create jobs, spur private sector investment, attract government funds, and enlarge the property tax base. The 87 water/sewer projects studied, on average, created 16 full-time-equivalent construction jobs. Direct beneficiaries (businesses) saved, on average, 212 permanent jobs, created 402 new permanent jobs, made private investments of \$17.8 million, leveraged \$2.1 million of public funds, and added \$17.0 million to the local property tax base. Indirect beneficiaries saved, on average, 31 permanent jobs, created 172 new permanent jobs, attracted \$3.34 million in private-sector investment, leveraged \$905,000 of public funds, and added \$3.0 million to the local property tax base. This enlarged

³ Cohen, Isabelle, Freiling, Thomas, and Robinson, Eric, 2012, "The Economic Impact and Financing of Infrastructure Spending," Thomas Jefferson Program in Public Policy, College of William & Mary, for Associated Equipment Dealers.

⁴ Moomaw, Ronald L. Mullen, John K. and Williams, Martin, 1995, "The Interregional Impact of Infrastructure Capital," *Southern Economic Journal*, Vol. 61, No. 3 (January), pp 830-845.

property tax base, at a mere 1-percent tax rate, would yield \$200,000 in annual property tax to the community.” In their work attempting to quantify the effects of financial investment in infrastructure, Cohen, Freiling, and Robinson at the College of William and Mary found that a \$1 investment in a water and sewer project would yield \$6.77 in GDP growth over a 20 year period. The same \$1 would also generate \$2.03 in new taxes over the same period, on average, of which \$0.68 is new state and local tax revenue.

Would these same regional benefits to shared wastewater capacity infrastructure development apply in Clackamas County?

Yes. District-specific studies undertaken in the 1990s, 2000s, and 2010s all demonstrate the substantial savings that emerge from a more integrated, economy-of-scale system apply in the case of both districts. There is little doubt that the ratepayers of the districts would be best served by a long term, consistent cooperative approach between the districts.

Conclusion:

Overall, a staff review of the issues, opportunities and challenges facing each of CCSD#1 and TCSD found that ratepayers stand to save hundreds of millions of dollars through Regionalization. The greatest benefits are realized in collectively meeting regulatory requirements for current services, and allowing for the least-cost capital investment strategy to meet regulatory, asset replacement, and growth needs. There are smaller, but tangible benefits that emerge in the arenas of administration and governance, resulting in a more streamlined organization that is efficient and effective. In particular, the introduction of certainty for a long term investment strategy, and improved transparency and collaborative opportunities are significant positives. In totality, Regionalization is consistent with the trajectory of the two districts’ relationship over the past two decades and results in savings by all ratepayers on the order of hundreds of millions of dollars.



MARC GONZALES
DIRECTOR

DEPARTMENT OF FINANCE

PUBLIC SERVICES BUILDING

2051 KAEN ROAD | OREGON CITY, OR 97045

November 3, 2016

Board of County Commissioners
Clackamas County

Members of the Board:

Approval of a Resolution for a Clackamas County Supplemental Budget
(Greater Than Ten Percent and Budget Reduction) for Fiscal Year 2016-2017

Purpose/Outcome	Supplemental budget change FY 2016-2017
Dollar Amount and Fiscal Impact	The effect is an increase in appropriations of \$4,776,833.
Funding Source	Includes Fund Balance, Miscellaneous Revenue, Other Financing Sources and Interfund Transfer
Duration	July 1, 2016-June 30, 2017
Previous Board Action/Review	Budget Adopted June 29, 2016 and amended August 18, 2016
Strategic Plan Alignment	Build public trust through good government
Contact Person	Diane Padilla, 503-742-5425

BACKGROUND:

Each fiscal year it is necessary to reduce allocations or allocate additional sources of revenue and appropriate additional expenditures to more accurately meet the changing requirements of the operating departments. The attached resolution reflects such changes requested by departments in keeping with a legally accurate budget. These changes are in compliance with O.R.S. 294.473 (4) which allows for governing body approval of supplemental budget changes for items ten percent or greater of the qualifying expenditures of the budget funds(s) being adjusted. The required notices have been published.

The Countywide Transportation SDC Fund is recognizing an interfund transfer from the Happy Valley/Clackamas Joint Transportation Fund and lower than anticipated fund balance and budgeting an increase in contingency.

The Happy Valley / Clackamas Joint Transportation Fund is recognizing fund balance and other revenue sources and budgeting for an interfund transfer to the Countywide Transportation SDC Fund, increasing special payments to pay off the remaining balance on an Oregon Transportation Infrastructure Bank loan ahead of schedule and increasing contingency.

The Risk Management Claims Fund is transferring contingency to reserve.

The effect of this Resolution is an increase in appropriations of \$4,776,833 including revenues as detailed below:

Fund Balance	\$ 3,607,983.
Miscellaneous Revenue	41,000.
Other Financing Sources	264,850.
Interfund Transfer	<u>863,000.</u>
Total Recommended	<u>\$ 4,776,833.</u>

RECOMMENDATION:

Staff respectfully recommends adoption of the attached supplemental budget and Exhibit A in keeping with a legally accurate budget.

Sincerely,

Diane Padilla
Budget Manager

In the Matter of Providing Authorization
Regarding Adoption of a Supplemental
Budget for Items Greater Than 10
Percent of the Total Qualifying Expenditures
and Making Appropriations for Fiscal
Year 2016-17

Resolution No _____

WHEREAS, during the fiscal year changes in appropriated expenditures may become necessary and appropriations may need to be increased, decreased or transferred from one appropriation category to another;

WHEREAS, a supplemental budget for the period of July 1, 2016 through June 30, 2017, inclusive, has been prepared, published and submitted to the taxpayers as provided by statute;

WHEREAS; a hearing to discuss the supplemental budget was held before the Board of County Commissioners on November 3, 2016.

WHEREAS; the funds being adjusted are:

- . Countywide Transportation SDC Fund
- . Happy Valley/Clackamas Joint Transportation Fund
- . Risk Management Claims Fund;

It further appearing that it is in the best interest of the County to approve this greater than 10 percent change in appropriations for the period of July 1, 2016 through June 30, 2017.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS THAT:

Pursuant to its authority under OR 294.473, the supplemental budget be adopted and appropriations established as shown in the attached Exhibit A which by this reference is made a part of this Resolution.

Dated this ____ day of _____, 2016

CLACKAMAS COUNTY BOARD OF COMMISSIONERS

Chair

Recording Secretary

SUMMARY OF SUPPLEMENTAL BUDGET
Exhibit A
CHANGES OF GREATER THAN 10% OF BUDGET
November 3, 2016

Recommended items by revenue source:

Fund Balance	\$ 3,607,983
Miscellaneous Revenue	41,000
Other Financing Sources	264,850
Interfund Transfers	863,000
Total Recommended	<u>\$ 4,776,833</u>

COUNTYWIDE TRANSPORTATION SDC FUND

Revenues:	
Fund Balance	\$ (310,967)
Interfund Transfer	863,000
Total Revenue	<u>\$ 552,033</u>
Expenses:	
Not Allocated to Organizational Unit	
Contingency	\$ 552,033
Total Expenditures	<u>\$ 552,033</u>

Countywide Transportation SDC Fund is recognizing an interfund transfer from the Happy Valley/Clackamas Joint Transportation Fund and lower than anticipated fund balance and budgeting an increase in contingency.

HAPPY VALLEY/CLACKAMAS JOINT TRANSPORTATION FUND

Revenues:	
Fund Balance	\$ 3,918,950
Miscellaneous Revenue	41,000
Other Financing Sources	264,850
Total Revenue	<u>\$ 4,224,800</u>
Expenses:	
Not Allocated to Organizational Unit	
Special Payments	\$ 3,081,364
Interfund Transfer	863,000
Contingency	280,436
Total Expenditures	<u>\$ 4,224,800</u>

Happy Valley / Clackamas Joint Transportation Fund is recognizing fund balance and other revenue sources and budgeting for an interfund transfer to the Countywide Transportation SDC Fund, increasing special payments to pay off the remaining balance on an Oregon Transportation Infrastructure Bank loan ahead of schedule and increasing contingency.

RISK MANAGEMENT CLAIMS FUND

Expenses:	
Not Allocated to Organizational Unit	
Contingency	(1,874,727)
Reserve	1,874,727
Total Expenditures	<u>\$ -</u>

Risk Management Claims Fund is transferring contingency to reserve.

November 3, 2016

Board of County Commissioner
Clackamas County

Members of the Board:

Approval for the Interagency Agreement with Clackamas County
Community Corrections for the Naloxone Distribution Project

Purpose/Outcomes	Clackamas County Community Corrections to purchase Naloxone at Public Health's public entity pricing. Naloxone is used by Corrections to treat a narcotic overdose in an emergency situation.
Dollar Amount and Fiscal Impact	Agreement maximum value of \$5,625.
Funding Source	Clackamas County Community Corrections Act Funds provided by the State. No County General Funds are involved.
Duration	Effective upon signature and terminates on April 30, 2018
Strategic Plan Alignment	1. Improved community safety and health 2. Ensure safe, health and secure communities
Previous Board Action	The Board has not previously reviewed this agreement.
Contact Person	Dawn Emerick, Public Health Director – 503-655-8479
Contract No.	7963

BACKGROUND:

The Clackamas County Public Health Division (CCPHD) of the Health, Housing & Human Services Department requests the approval of an Interagency Agreement with Clackamas County Community Corrections. This Agreement allows Clackamas County Community Corrections to purchase Naloxone at Public Health's public entity pricing. Naloxone is used by Corrections to treat a narcotic overdose in an emergency situation.

This Agreement is effective upon signature and continues through April 30, 2018. This Agreement has been reviewed by County Counsel on October 3, 2016.

RECOMMENDATION:

Staff recommends the Board approval of this amendment and authorizes Richard Swift, H3S Director to sign on behalf of Clackamas County.

Respectfully submitted,

Richard Swift, Director
Health, Housing, and Human Services

**INTRA-AGENCY AGREEMENT
BETWEEN
CLACKAMAS COUNTY PUBLIC HEALTH DIVISION
AND
CLACKAMAS COUNTY COMMUNITY CORRECTIONS**

Contract # 7963

I. Purpose

This agreement is made between **Clackamas County Public Health Division herein referred to as CCPHD** and **Clackamas County Community Corrections, herein referred to as CCCC**. The parties agree to work together on the Naloxone Distribution Project.

II. Scope of Work and Cooperation

A. CCPHD agrees to:

- a. Purchase 150 doses of Naloxone using public entity pricing for use in CCCC programs.
- b. Will assist in coordination of training for Parole and Probation and other Community Corrections staff on how to respond to overdose victims and administer Naloxone.
- c. Will assist in creating workflows to determine eligibility to receive a dose of Naloxone through the Transition Center.
- d. Assist in tracking, reporting and evaluation of the project.

B. CCCC agrees to:

- a. Reimburse CCPHD for 150 Doses of Naloxone.
- b. Store doses of Naloxone.
- c. Will assist in coordination of training for Parole and Probation and other Community Corrections staff on how to respond to overdose victims and administer Naloxone.
- d. Will assist in creating workflows to determine eligibility to receive a dose of Naloxone through the Transition Center.
- e. Assist in tracking, reporting and evaluation of the project.

III. Compensation

150 Doses \$37.50 each

The maximum compensation for this agreement is **\$5,625**. CCPHD will invoice CCCC via interfund.

IV. Liaison Responsibility

Apryl Herron will act as liaison from CCPHD for this project. Jenna Morrison will act as liaison from CCCC.

V. Special Requirements

CCCC will track dispensing history and submit quarterly reports to CCPHD.

VI. Amendments

This agreement may be amended at any time by the written agreement of both parties. Amendments become a part of this agreement only after the written amendment has been signed by both parties and the Department Director.

VII. Term of Agreement

This agreement becomes effective upon signature and is scheduled to terminate April 30, 2018.

This agreement is subject to cancellation by either of the parties when thirty (30) days' written notice has been provided.

Termination. This contract may be terminated by mutual consent of both parties, or by either party, upon 30 days' notice, in writing and delivered by certified mail or in person.

This agreement consists of seven (7) sections.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their duly authorized officers.

**CLACKAMAS COUNTY
COMMUNITY CORRECTIONS**

**CLACKAMAS COUNTY
PUBLIC HEALTH DIVISION**

Jenna Morrison
Director

Dawn Emerick
Director

Date

Date

**CLACKAMAS COUNTY
HEALTH, HOUSING, AND HUMAN SERVICES DEPARTMENT**

Richard Swift
Director

Date

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November 3, 2016

Board of Commissioners
Clackamas County

Members of the Board:

Approval of a Local Grant Agreement with
Children’s Center for Child Abuse Medical Assessments

Purpose/Outcomes	Child abuse medical assessment will be provided for a minimum of 75 children suspected of being abused.
Dollar Amount and Fiscal Impact	\$202,000 No County staff are funded through this contract
Funding Source	County General Fund
Duration	July 1, 2016 through June 30, 2017
Previous Board Action	N/A
Strategic Plan Alignment	<ul style="list-style-type: none"> • Individuals and families in need are healthy and safe • Ensure safe, healthy and secure communities
Contact Person	Rodney A. Cook 503-650-5677
Contract No.	7988

BACKGROUND:

The Children, Youth & Families Division of the Health, Housing and Human Services Department requests the approval of Local Grant Agreement with Children’s Center to provide Child Abuse Medical Assessments to a minimum of 75 children. Children who are determined to have been abused and their families will be referred to resources, services, and treatment, as appropriate.

This Agreement has been reviewed and approved by County Counsel. Its funding source is County General Funds and it has a maximum value of \$202,000. The Agreement is effective as of July 1, 2016 and it terminates June 30, 2017 and is retroactive because County Counsel and Procurement Division needed time to determine if it could be sole sourced.

RECOMMENDATION:

Staff recommends the Board approval of this type of agreement and authorizes Richard Swift, H3S Director to sign on behalf of Clackamas County.

Respectfully submitted,

Richard Swift, Director
Health, Housing & Human Services

CLACKAMAS COUNTY, OREGON LOCAL GRANT AGREEMENT H3S/CYF – 7988	
Program Name: <i>Child Abuse Medical Assessment</i> Program/Project Number:	
This Agreement is between <u>Clackamas County, Oregon</u> , acting by and through its Department of Health, Housing & Human Services (COUNTY) and <u>Children's Center</u> (RECIPIENT), an Oregon Non-profit Organization.	
COUNTY Data	
Grant Accountant: Bryant Scott	Program Manager: Korene Mather
Clackamas County Children, Youth & Families Division 150 Beaver Creek Rd. Oregon City, OR 97045 503-650-5675 bscott@clackamas.us	Clackamas County Children, Youth & Families Division 150 Beaver Creek Rd. Oregon City, OR 97045 503-650-5683 korenemat@clackamas.us
RECIPIENT Data	
Finance/Fiscal Representative: Leslie Everson	Program Representative: Tom Soma
Children's Center 1713 Penn Lane Oregon City, OR 97045 503-655-7725 leslie@childrenscentercc.org	Children's Center 1713 Penn Lane Oregon City, OR 97045 503-655-7725 tom@childrenscentercc.org
FEIN: 75-3027143	

RECITALS

1. Child abuse is defined as physical injury, general and/or severe neglect, sexual abuse, sexual assault, exploitation, emotional maltreatment and or willful harm or endangerment. Without treatment, child victims of abuse are likely to suffer long-term trauma that can adversely affect the course of their lives. According to data for federal fiscal year 14/15, there were a total of 426 founded cases of child abuse and neglect in Clackamas County.
2. Children's Center will provide child abuse medical assessments and forensic interviews for children suspected of experiencing abuse to determine whether or not abuse has occurred and if there is a need for further treatment. Approximately 75 children will be served under this award. The children and their families will be connected to other treatment, as appropriate.
3. County General Fund dollars will be used to finance this grant agreement as part of its commitment to end Child Abuse in Clackamas County. Children's Center is a private, non-profit child abuse Intervention center accredited by the National Children's Alliance. It supports Clackamas County Children and families experiencing suspected physical abuse, sexual abuse, emotional abuse and neglect, including drug endangerment and witness to violence.
4. Children's Center is the only agency located in Clackamas County able to provide this unique and specialized service to children and families in crisis due to child abuse. It has demonstrated capacity and expertise to provide the services outlined in this agreement.

5. This Grant Agreement of financial assistance sets forth the terms and conditions pursuant to which RECIPIENT agrees on delivery of the Program.

NOW THEREFORE, according to the terms of this Local Grant Agreement the COUNTY and RECIPIENT agree as follows:

AGREEMENT

1. **Term and Effective Date.** This Agreement shall be effective as of **July 1, 2016** and shall expire on **June 30, 2017**, unless sooner terminated or extended pursuant to the terms hereof.
2. **Program.** The Program is described in Attached Exhibit A: Work Plan and Quarterly Reporting. RECIPIENT agrees to perform the Program in accordance with the terms and conditions of this Agreement.
3. **Standards of Performance.** RECIPIENT shall perform all activities and programs in accordance with the requirements set forth in this Agreement and all applicable laws and regulations.
4. **Grant Funds.** The COUNTY's funding for this Agreement is General Fund. The maximum, not to exceed, grant amount that the COUNTY will pay is **\$202,000**.
5. **Disbursements.** This is a cost reimbursement grant and disbursements will be made monthly in accordance with the requirements contained in Exhibit D: Request for Reimbursement. Failure to comply with the terms of this Agreement may result in withholding of payment.
6. **Amendments.** The terms of this Agreement shall not be waived, altered, modified, supplemented, or amended, in any manner whatsoever, except by written instrument signed by both parties. **RECIPIENT must submit a written request including a justification for any amendment to the COUNTY in writing at least forty five (45) calendar days before this Agreement expires.** No payment will be made for any services performed before the beginning date or after the expiration date of this Agreement. If the maximum compensation amount is increased by amendment, the amendment must be fully effective before RECIPIENT performs work subject to the amendment.
7. **Termination.** This Agreement may be terminated by the mutual consent of both parties or by a party upon written notice from one to the other. This notice may be transmitted in person, by mail, facsimile, or by email, with confirming record of delivery confirmation through electronic mail return-receipt, or by confirmation that the electronic mail was accessed, downloaded, or printed.
8. **Funds Available and Authorized.** The COUNTY certifies that it has allocated funds sufficient to finance the costs of this Agreement. RECIPIENT understands and agrees that payment of amounts under this Agreement is contingent on the COUNTY receiving appropriations or other expenditure authority sufficient to allow the COUNTY, in the exercise of its reasonable administrative discretion, to continue to make payments under this Agreement.
9. **Future Support.** COUNTY makes no commitment of future support and assumes no obligation for future support for the activity contracted herein except as set forth in this agreement.
10. **Administrative Requirements.** RECIPIENT agrees to its status as a RECIPIENT, and accepts among its duties and responsibilities the following:

- a) **Financial Management.** RECIPIENT shall comply with Generally Accepted Accounting Principles (GAAP) or another equally accepted basis of accounting, use adequate internal controls, and maintain necessary sources documentation for all costs incurred.
- b) **Revenue Accounting.** Grant revenue and expenses generated under this Agreement should be recorded in compliance with generally accepted accounting principles and/or governmental accounting standards. This requires that the revenues are treated as unearned income or "deferred" until the compliance requirements and objectives of the grant have been met. Revenue may be recognized throughout the life cycle of the grant as the funds are "earned". All grant revenues not fully earned and expended in compliance with the requirements and objectives at the end of the period of performance must be returned to the County within 15 days.
- c) **Budget.** RECIPIENT use of funds may not exceed the amounts specified in the Exhibit B: RECIPIENT Program Budget. RECIPIENT may not transfer grant funds between budget lines without the prior written approval of the COUNTY. At no time may budget modifications change the scope of the original grant application or agreement.
- d) **Allowable Uses of Funds.** RECIPIENT shall use funds only for those purposes authorized in this Agreement.
- e) **Period of Availability.** RECIPIENT may charge to the award only allowable costs resulting from obligations incurred during the term and effective date. Cost incurred prior or after this date will be disallowed.
- f) **Match.** Matching funds are not required for this Agreement.
- g) **Payment.** Routine requests for reimbursement should be submitted monthly by the 15th of the following month using the form and instructions in Exhibit D: Request for Reimbursement. RECIPIENT must submit a final request for payment no later than fifteen (15) days after the end date of this Agreement.
- h) **Performance and Financial Reporting.** RECIPIENT must submit Performance Reports according to the schedule specified in Exhibit C: Performance Reporting and Exhibit D.1: Demographic Reporting. RECIPIENT must submit Financial Reports according to the schedule specified in Exhibit D: Request for Reimbursement. All reports must be submitted on the templates provided, must reference this agreement number, and be signed and dated by an authorized official of RECIPIENT.
- i) **Lobbying.** Recipient certifies that lobbying is not a substantial part of its total activities in compliance with 26 U.S.C. §501(C)(3).
- j) **Audit.** RECIPIENT shall comply with the audit requirements prescribed by State and Federal law.
- k) **Monitoring.** RECIPIENT agrees to allow access to conduct site visits and inspections of financial and programmatic records for the purpose of monitoring. COUNTY, and their duly authorized representatives shall have access to such records and other books, documents, papers, plans, records of shipments and payments and writings of RECIPIENT that are pertinent to this Agreement, whether in paper, electronic or other form, to perform examinations and audits and make excerpts, copies and transcripts. Monitoring may be performed onsite or offsite, at the COUNTY's discretion.
- l) **Record Retention.** RECIPIENT will retain and keep accessible all such financial records, books, documents, papers, plans, records of shipments and payments and writings for a minimum of six (6) years following the Project End Date (June 30, 2017), or such longer period as may be required

by applicable law, or until the conclusion of any audit, controversy or litigation arising out of or related to this Agreement, whichever date is later.

- m) **Failure to Comply.** RECIPIENT acknowledges and agrees that this agreement and the terms and conditions therein are essential terms in allowing the relationship between COUNTY and RECIPIENT to continue, and that failure to comply with such terms and conditions represents a material breach of the original contract and this agreement. Such material breach shall give rise to the COUNTY's right, but not obligation, to withhold RECIPIENT grant funds until compliance is met, reclaim grant funds in the case of omissions or misrepresentations in financial or programmatic reporting, or to terminate this relationship including the original contract and all associated amendments.

11. Compliance with Applicable Laws

- a) **Public Policy.** RECIPIENT expressly agrees to comply with all public policy requirements, laws, regulations, and executive orders issued by the Federal government, to the extent they are applicable to the Agreement: (i) Titles VI and VII of the Civil Rights Act of 1964, as amended; (ii) Sections 503 and 504 of the Rehabilitation Act of 1973, as amended; (iii) the Americans with Disabilities Act of 1990, as amended; (iv) Executive Order 11246, as amended; (v) the Health Insurance Portability and Accountability Act of 1996; (vi) the Age Discrimination in Employment Act of 1967, as amended, and the Age Discrimination Act of 1975, as amended; (vii) the Vietnam Era Veterans' Readjustment Assistance Act of 1974, as amended; (viii) all regulations and administrative rules established pursuant to the foregoing laws; and (ix) all other applicable requirements of federal and state civil rights and rehabilitation statutes, rules and regulations; and as applicable to RECIPIENT.
- b) **State Statutes.** RECIPIENT expressly agrees to comply with all statutory requirements, laws, rules, and regulations issued by the State of Oregon, to the extent they are applicable to the agreement.
- c) **Conflict Resolution.** If conflicts are discovered among federal, state and local statutes, regulations, administrative rules, executive orders, ordinances and other laws applicable to the Services under the Agreement, RECIPIENT shall in writing request COUNTY resolve the conflict. RECIPIENT shall specify if the conflict(s) create a problem for the design or other Services required under the Agreement.

12. General Agreement Provisions.

- a) **Indemnification.** RECIPIENT agrees to indemnify and hold COUNTY harmless with respect to any claim, cause, damage, action, penalty or other cost (including attorney's and expert fees) arising from or related to RECIPIENT's negligent or willful acts or those of its employees, agents or those under RECIPIENT's control. RECIPIENT is responsible for the actions of its own agents and employees, and COUNTY assumes no liability or responsibility with respect to RECIPIENT's actions, employees, agents or otherwise with respect to those under its control.
- b) **Insurance.** During the term of this agreement, RECIPIENT shall maintain in force, at its own expense, each insurance noted below:
 - 1) **Commercial General Liability.** RECIPIENT shall obtain, at RECIPIENT's expense, and keep in effect during the term of this agreement, Commercial General Liability Insurance covering bodily injury, death, and property damage on an "occurrence" form in the amount of not less than \$1,000,000 per occurrence/ \$2,000,000 general aggregate for the protection of COUNTY, its officers, commissioners, and employees. This coverage shall include Contractual Liability insurance for the indemnity provided under this

- agreement. This policy(s) shall be primary insurance as respects to the COUNTY. Any insurance or self-insurance maintained by COUNTY shall be excess and shall not contribute to it.
- 2) **Commercial Automobile Liability.** If the Agreement involves the use of vehicles, RECIPIENT shall obtain at RECIPIENT expense, and keep in effect during the term of this agreement, Commercial Automobile Liability coverage including coverage for all owned, hired, and non-owned vehicles. The combined single limit per occurrence shall not be less than \$1,000,000.
 - 3) **Professional Liability.** If the Agreement involves the provision of professional services, RECIPIENT shall obtain and furnish the COUNTY evidence of Professional Liability Insurance covering any damages caused by an error, omission, or negligent act related to the services to be provided under this agreement, with limits not less than \$2,000,000 per occurrence for the protection of the COUNTY, its officers, commissioners and employees against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and damages because of negligent acts, errors and omissions in any way related to this agreement. COUNTY, at its option, may require a complete copy of the above policy.
 - 4) **Additional Insured Provisions.** All required insurance, other than Professional Liability, Workers' Compensation, and Personal Automobile Liability and Pollution Liability Insurance, shall include "Clackamas County, its agents, officers, and employees" as an additional insured, but only with respect to RECIPIENT's activities under this agreement.
 - 5) **Notice of Cancellation.** There shall be no cancellation, material change, exhaustion of aggregate limits or intent not to renew insurance coverage without 30 days written notice to the COUNTY. Any failure to comply with this provision will not affect the insurance coverage provided to COUNTY. The 30 day notice of cancellation provision shall be physically endorsed on to the policy.
 - 6) **Insurance Carrier Rating.** Coverage provided by RECIPIENT must be underwritten by an insurance company deemed acceptable by COUNTY. Insurance coverage shall be provided by companies admitted to do business in Oregon or, in the alternative, rated A- or better by Best's Insurance Rating. COUNTY reserves the right to reject all or any insurance carrier(s) with an unacceptable financial rating.
 - 7) **Certificates of Insurance.** As evidence of the insurance coverage required by this agreement, RECIPIENT shall furnish a Certificate of Insurance to COUNTY. No agreement shall be in effect until the required certificates have been received, approved, and accepted by COUNTY. A renewal certificate will be sent to COUNTY 10 days prior to coverage expiration.
 - 8) **Primary Coverage Clarification.** RECIPIENT coverage will be primary in the event of a loss and will not seek contribution from any insurance or self-insurance maintained by, or provided to, the additional insureds listed above.
 - 9) **Cross-Liability Clause.** A cross-liability clause or separation of insured's condition will be included in all general liability, professional liability, and errors and omissions policies required by the agreement.
 - 10) **Waiver of Subrogation.** RECIPIENT agrees to waive their rights of subrogation arising from the work performed under this Agreement.

- c) **Assignment.** RECIPIENT shall not enter into any subcontracts or subawards for any of the Program activities required by the Agreement without prior written approval. This Agreement may not be assigned in whole or in part with the express written approval of the COUNTY.
- d) **Independent Status.** RECIPIENT is independent of the COUNTY and will be responsible for any federal, state, or local taxes and fees applicable to payments hereunder. RECIPIENT is not an agent of the COUNTY and undertakes this work independent from the control and direction of the COUNTY excepting as set forth herein. RECIPIENT shall not seek or have the power to bind the COUNTY in any transaction or activity.
- e) **Notices.** Any notice provided for under this Agreement shall be effective if in writing and (1) delivered personally to the addressee or deposited in the United States mail, postage paid, certified mail, return receipt requested, (2) sent by overnight or commercial air courier (such as Federal Express), (3) sent by facsimile transmission, with the original to follow by regular mail; or, (4) sent by electronic mail with confirming record of delivery confirmation through electronic mail return-receipt, or by confirmation that the electronic mail was accessed, downloaded, or printed. Notice will be deemed to have been adequately given three days following the date of mailing, or immediately if personally served. For service by facsimile or by electronic mail, service will be deemed effective at the beginning of the next working day.
- f) **Governing Law.** This Agreement is made in the State of Oregon, and shall be governed by and construed in accordance with the laws of that state. Any litigation between the COUNTY and RECIPIENT arising under this Agreement or out of work performed under this Agreement shall occur, if in the state courts, in the Clackamas County court having jurisdiction thereof, and if in the federal courts, in the United States District Court for the State of Oregon.
- g) **Severability.** If any provision of this Agreement is found to be illegal or unenforceable, this Agreement nevertheless shall remain in full force and effect and the provision shall be stricken.
- h) **Counterparts.** This Agreement may be executed in any number of counterparts, all of which together will constitute one and the same agreement. Facsimile copy or electronic signatures shall be valid as original signatures.
- i) **Third Party Beneficiaries.** Except as expressly provided in this Agreement, there are no third party beneficiaries to this Agreement. The terms and conditions of this Agreement may only be enforced by the parties.
- j) **Binding Effect.** This Agreement shall be binding on all parties hereto, their heirs, administrators, executors, successors and assigns.
- k) **Integration.** This agreement contains the entire agreement between COUNTY and RECIPIENT and supersedes all prior written or oral discussions or agreements.

(Signature Page Attached)

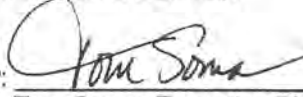
SIGNATURE PAGE TO RECIPIENT AGREEMENT
(CLACKAMAS COUNTY)

AGREED as of the Effective Date.

CLACKAMAS COUNTY, OREGON

CHILDREN'S CENTER

By: _____
Richard Swift, H3S Director
Signing on behalf of the Board

By: 
Tom Soma, Executive Director

Dated: _____

Dated: 10-19-16


By: 
Rodney A. Cook, CYF Director

Dated: 10/20/16

By: _____
Recording Secretary

Dated: _____

Approved to Form

By:  _____
County Counsel Date 10/18/16

- Exhibit A: Work Plan and Quarterly Reporting
- Exhibit B: Program Budget
- Exhibit C: Performance Reporting
- Exhibit D: Request for Reimbursement
- Exhibit D.1: Demographic Reporting

EXHIBIT A
Work Plan and Quarterly Reporting

Activities/Outputs	Intermediate Outcomes/Measurement Tool		Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun
By June 30, 2017, a minimum of 75 children will receive a psychosocial history assessment by clinical professionals with training and expertise handling child abuse cases. <i>*Target: approximately 21 children per quarter; Duration of service averages 45 minutes</i>	100% of children will have psychosocial history in their file.	# Children served				
By June 30, 2017, a minimum of 75 children will receive a medical examination by a clinical professional with specific training and expertise to detect, document and treat child abuse cases. <i>*Target: approximately 21 children per quarter; Duration of service averages 45 minutes.</i>	100% of children examined will have a complete medical examination documentation in their file 95 % of families will report satisfaction with quality of assessment <i>*Measured by Client Surveys</i>	# Children examined				
		# with psychosocial history in file				
		# with complete documentation				
By June 30, 2017, Children's Center funding from other sources will allow for approximately 340 additional children to receive complete medical assessment and examination to determine possible abuse and/or the need for further treatment. <i>*Target: approximately 85 additional children per quarter; Duration of services averages 180 minutes.</i>	Reported quarterly	# Families surveyed				
By June 30, 2017, a minimum of 75 children will receive a professional forensic child interview characterized by non-leading questions, appropriate rapport building, assessment of safety risks and disclosure of specific information obtained. <i>*Target: approximately 21 children per quarter; Duration of services averages 45 minutes</i>	95 % of families will report satisfaction with quality of forensic interview <i>*Measured by Client Surveys</i>	# Additional children served				
		# Satisfied with quality of assess.				
By June 30, 2017, a minimum of 75 children and their families will be referred to appropriate treatment per linkage agreements with treatment partners. <i>*Target: approximately 21 children and their families per quarter</i>	90% of children and their families will be connected to appropriate treatment	# Families surveyed				
		# Satisfied with quality of interview				
		# Families referred				
		# Families connected				

November 3, 2016

Board of Commissioners
Clackamas County

Members of the Board:

Approval of Amendment #2 of the Subrecipient Agreement #16-022 with El Programa Hispano Catolico for Bi-Lingual/Bi-Cultural Victim Advocacy in Rural Clackamas County

Purpose/Outcomes	A minimum of 30 rural victims will be offered advocacy, resources, safety planning, and crisis intervention services.
Dollar Amount and Fiscal Impact	Amendment adds \$47,789 for a new contract total of \$95,578. No County General Funds are involved
Funding Source	Office on Violence Against Women Rural Grant #2013-WR-AX-0031
Duration	October 1, 2016 through September 30, 2017
Previous Board Action	N/A
Strategic Plan Alignment	<ul style="list-style-type: none"> • Individuals and families in need are healthy and safe • Ensure safe, healthy and secure communities
Contact Person	Rodney A. Cook, 503-650-5677
Contract No.	7936

BACKGROUND:

The Children, Youth & Families Division of the Health, Housing and Human Services Department requests approval of Amendment #2 of the Subrecipient Agreement with El Programa Hispano Catolico for bi-lingual/bi-cultural advocacy services in rural Clackamas County. Expected outcomes are that 85% of persons receiving these services will report having increased knowledge of services and resources to keep themselves and their children safe, and that they have developed a short and long term safety plan.

No County General Funds are involved in this amendment and it is effective as of October 1, 2016 and terminates September 30, 2017. It has a maximum value of \$95,578 (\$47,789 for FY15/16, \$47,789 for FY16/17). This agreement has been reviewed and approved by County Counsel.

RECOMMENDATION:

Staff recommends the Board approval of this Amendment and authorizes Richard Swift, H3S Director to sign on behalf of Clackamas County.

Respectfully submitted,

Richard Swift, Director
Health, Housing & Human Services

Contract Amendment (FY 16-17)
Health, Housing and Human Services

HHHS Contract Number: 7455

Subrecipient Agreement Number: 16-022

Board Order Number:

Division: CYF/HHHS

Amendment No. 2

Subrecipient: El Programa Hispano Catolico

Amendment Requested By: CYF

Changes: Scope of Service

Contract Budget

Contract Time

Other:

Justification for Amendment:

This agreement provides for resources to be used for victim safety in cases of domestic violence, dating violence, sexual assault, and stalking in rural areas of Clackamas County.

This amendment extends the agreement term to 9/30/2017, adds to the maximum compensation, and expands the scope of the project.

Maximum compensation is increased by \$47,789 to a revised value of \$95,578. This amendment is effective **upon signature** and continues through **September 30, 2017**.

Except as amended hereby, all other terms and conditions of the contract remain in full force and effect. The County has identified the changes with "***bold/italic***" font for easy reference.

AMEND:

Clackamas County Data

Grant Accountant: **Judy Anderson-Smith**
Clackamas County – Finance
2051 Kaen Road
Oregon City, OR 97045
503-742-5422
Jsmith2@co.clackamas.or.us

TO READ:

Clackamas County Data

Grant Accountant: **Mike Morasko**
Clackamas County – Finance
2051 Kaen Road
Oregon City, OR 97045
503-742-5435
mmorasko@clackamas.us

AMEND:

1. **Term and Effective Date.** Pursuant to the terms of the grant award, this Agreement shall be effective as of the [sic] October 1, 2015 and shall expire on September 30, 2016, unless sooner terminated or extended pursuant to the terms hereof.

TO READ:

1. **Term and Effective Date.** Pursuant to the terms of the grant award, this Agreement shall be effective as **of October 1, 2015** and shall expire on **September 30, 2017**, unless sooner terminated or extended pursuant to the terms hereof.

AMEND:

2. **Program.** The Program is described in Attached Exhibit A: Subrecipient Statement of Program Objectives. SUBRECIPIENT agrees to perform the Project in accordance with the terms and conditions of this Agreement.

TO READ:

2. **Program.** The Program is described in Attached Exhibit A: Subrecipient Statement of Program Objectives **#1 and Attached Exhibit A.1: Subrecipient Statement of Program Objectives #2**. SUBRECIPIENT agrees to perform the Program in accordance with the terms and conditions of this Agreement.

AMEND:

3. **Grant Funds.** The COUNTY's funding for this Agreement is the OVV FY 2013 Rural Sexual Assault, Domestic Violence, Dating Violence, and Stalking Assistance Program (Catalogue of Federal Domestic Assistance [CFDA]#: 16.589) issued to the COUNTY by the U.S. Department of Justice Office on Violence Against Women (Federal Award Identification #2013-WR-AX-0031). The maximum, not to exceed, grant amount that the COUNTY will pay is \$46,789. This is a cost reimbursement grant and disbursements will be made in accordance with the schedule and requirements contained in Exhibit D: Required Financial Reporting and Reimbursement Request and Exhibit E: Monthly/Quarterly/Final Performance Report. Failure to comply with the terms of this Agreement may result in withholding of payment.

TO READ:

3. **Grant Funds.** The COUNTY's funding for this Agreement is the OVV FY 2013 Rural Sexual Assault, Domestic Violence, Dating Violence, and Stalking Assistance Program (Catalogue of Federal Domestic Assistance [CFDA]#: 16.589) issued to the COUNTY by the U.S. Department of Justice Office on Violence Against Women (Federal Award Identification #2013-WR-AX-0031). The maximum, not to exceed, grant amount that the COUNTY will pay is **\$95,578**. This is a cost reimbursement grant and disbursements will be made in accordance with the schedule and requirements contained in **Exhibits D & D.1 and Exhibits E, E.1 & E.2**. Failure to comply with the terms of this Agreement may result in withholding of payment. **Total funding for this Agreement is divided between funding periods as follows:**
 - a. **October 1, 2015 to September 30, 2016: \$47,789**
 - b. **October 1, 2016 to September 30, 2017: \$47,789**

AMEND:

- 9.
- e) **Budget.** The SUBRECIPIENT use of funds may not exceed the amounts specified in the Exhibit B: Subrecipient Program Budget. SUBRECIPIENT may not transfer grant funds between budget lines without the prior written approval of the COUNTY. At no time may budget modification change the scope of the original grant application or Agreement.

TO READ:

- 9.
- e) **Budget.** The SUBRECIPIENT use of funds may not exceed the amounts specified in the Exhibit B & *Exhibit B.1. SUBRECIPIENT will track and account for program expenditures separately by each program budget within SUBRECIPIENT's financial system(s).* SUBRECIPIENT may not transfer grant funds between budget lines without the prior written approval of the COUNTY. At no time may budget modification change the scope of the original grant application or Agreement.

REPLACE:

- 9.
- f) **Indirect Cost Recovery.** SUBRECIPIENT chooses to use the federally-authorized de-minimis indirect cost rate of 10%, which is incorporated by reference into the SUBRECIPIENT program budget in Exhibit B.

WITH:

- 9.
- f) **Administrative Costs.** SUBRECIPIENT is authorized to charge a portion of incurred administrative costs according to the attached SUBRECIPIENT program budgets in Exhibit B & B.1. SUBRECIPIENT administrative costs will be justified by the entity's cost allocation plan(s) in effect during the term of this Agreement.

AMEND:

- 9.
- i) **Performance Reporting.** The SUBRECIPIENT must submit Performance Reports as specified in Exhibit E and E-1 for each period (monthly, quarterly, and final) during the term of this Agreement.

TO READ:

- 9.
- i) **Performance Reporting.** The SUBRECIPIENT must submit Performance Reports as specified in Exhibit E, **E.1, and E.2** for each period (monthly, quarterly, and final, as applicable) during the term of this Agreement.

AMEND:

- 10.
- c) **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et seq.).** SUBRECIPIENT agrees that if this Agreement is in excess of \$100,000, the recipient agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act, 42 U.S.C. 7401 et seq., and the Federal Water Pollution Control Act, as amended 33 U.S.C. 1251 et seq. Violations shall be reported to the awarding Federal Department and the appropriate Regional Office of the Environmental Protection Agency.

TO READ:

- 10.
- c) **Clean Air Act (42 U.S.C. 7401 et seq.) and the Federal Water Pollution Control Act as amended (33 U.S.C. 1251 et seq.).** SUBRECIPIENT agrees that if this Agreement is in excess of **\$150,000**, the recipient agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act, 42 U.S.C. 7401 et seq., and the Federal Water Pollution Control Act, as amended 33 U.S.C. 1251 et seq. Violations shall be reported to the awarding Federal Department and the appropriate Regional Office of the Environmental Protection Agency.

AMEND:

12.

c.

- 2) **Commercial Automobile Liability.** If the Agreement involves the use of vehicles, SUBRECIPIENT shall obtain at SUBRECIPIENT expense, and keep in effect during the term of this Agreement, Commercial Automobile Liability coverage including coverage for all owned, hired, and non-owned vehicles. The combined single limit per occurrence shall not be less than \$1,000,000.

TO READ:

12.

c.

- 2) **Commercial Automobile Liability.** If the Agreement involves the use of vehicles, SUBRECIPIENT shall obtain at SUBRECIPIENT expense, and keep in effect during the term of this Agreement, Commercial Automobile Liability coverage including coverage for all owned, hired, and non-owned vehicles. **The combined single limit per occurrence shall not be less than \$1,000,000, or SUBRECIPIENT shall obtain at SUBRECIPIENT expense, and keep in effect during the term of the Agreement, personal auto coverage. The limits shall be no less than \$250,000/occurrence, \$500,000/aggregate, and \$100,000 property damage.**

AMEND:

12.

c.

- 8) **Primary Coverage Clarification.** SUBRECIPIENT coverage will be primary in the event of a loss.

TO READ:

12.

c.

- 8) **Primary Coverage Clarification.** SUBRECIPIENT coverage will be primary in the event of a loss **and will not seek contribution from any insurance or self-insurance maintained by, or provided to, the additional insureds listed above.**

ADD:

12.

c.

10) Waiver of Subrogation. SUBRECIPIENT agrees to waive their rights of subrogation arising from the work performed under this Agreement.

ADD TO AGREEMENT:

12.

m. Except as set forth herein, COUNTY and SUBRECIPIENT ratify the remainder of the Agreement and affirm that no other changes are made hereby.

REPLACE:

EXHIBIT F: FINAL FINANCIAL REPORT

WITH:

EXHIBIT F: FINAL FINANCIAL REPORT (AMENDED)

Project Name: OVV Rural Domestic Violence Advocacy Services Program Years #1 & #2	Agreement #: 16-022 A.1
Federal Award #: 2013-WR-AX-0031	Date of Submission: XX/XX/XX
Subrecipient: El Programa Hispano	
Has Subrecipient submitted all requests for reimbursement? Y/N	
Has Subrecipient met all programmatic closeout requirements? Y/N	

Final Financial Report

Report of Funds received, expended,
and reported as match (if applicable)
under this agreement

Total Federal Funds authorized on this agreement:	\$94,578
Year-to-Date Federal Funds requested for reimbursement on this agreement:	
Total Federal Funds received on this agreement:	
Total match reported on this agreement (if required):	N/A
Balance of unexpended Federal Funds (Line 1 minus Line 2):	

By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).

Subrecipient's Certifying Official (printed): _____

Subrecipient's Certifying Official (signature): _____

Subrecipient's Certifying Official's title: _____

Subrecipient's Certifying Official's telephone: _____

ADD TO AGREEMENT:

Exhibit A.1: Statement of Program Objectives Program Year 16-17

Exhibit B.1: Subrecipient Budget 16-17 Program Year

Exhibit D.1: Program Year 16-17 SUBRECIPIENT Request for Reimbursement

Exhibit E.1: 16-17 Work Plan and Quarterly Reporting Template

Exhibit E.2: Quarterly Demographics Report

EXHIBIT A.1: STATEMENT OF PROGRAM OBJECTIVES PROGRAM YEAR 16-17

BACKGROUND

The Department of Justice Office on Violence Against Women Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program implements certain provisions of the Violence Against Women Act, which was enacted in September 1994 as Title IV of the Violent Crime Control and Law Enforcement Act of 1994; reauthorized through the Violence Against Women Act of 2000 and again through the Violence Against Women and Department of Justice Reauthorization Act of 2005. Rural program grant funds are used to support programs that:

- Identify, assess, and appropriately respond to child, youth, and adult victims of domestic violence, dating violence, sexual assault and stalking in rural communities by encouraging collaboration among domestic violence, dating violence, sexual assault, and stalking victim service providers, law enforcement, prosecutors, courts, other criminal justice service providers, human and community services providers, educational institutions, and health care providers
- Establish and expand nonprofit, nongovernmental, State, Tribal territorial, and local government victim services in rural communities
- Increase the safety and well-being of women and children in rural communities by dealing directly and immediately with domestic violence, dating violence, sexual assault and stalking occurring in rural communities
- Creating and implementing strategies to increase awareness and prevent domestic violence, dating violence, sexual assault, and stalking.

PROJECT

Through this project, El Programa Hispano Catolico will employ 0.8 FTE bi-lingual/bi-cultural advocate to provide services and support to a minimum of 30 unduplicated rural victims of domestic violence, dating violence, sexual assault, and stalking.

The advocate will provide ongoing support to rural victims including:

- Crisis intervention
- Lethality protocol follow-ups
- Short and long term safety planning,
- Information & referrals
- Advocacy and ongoing emotional support

The Advocate will conduct a minimum of 8 Community Presentations related to domestic violence stalking and sexual assault outreach and awareness of available services.

Presentations will take place throughout rural Clackamas County with at least one in each of the following locations: Canby, Molalla, Estacada and Sandy.

PERFORMANCE REPORTING

1. SUBRECIPIENT must submit a **Work Plan and Quarterly Report Exhibit E.1**, to the Clackamas County Program Manager, no later the 15th day of each month following the month in which the services were performed. All reports must be submitted in the format shown in **Exhibit E.1 Work Plan and Quarterly Report**.
 - A comparison of actual accomplishments to the outputs/outcomes established in the program description above for the period. The Final Performance Report should cover the entire program period.
 - The reasons for slippages if established outputs/outcomes were not met.
 - Other pertinent information on the progress of the Project.
2. **Exhibit D.1: Required Financial Reporting and Reimbursement Request** shall be submitted with participant demographics served as shown in **Exhibit E.2: Quarterly Demographics Report**.
3. SUBRECIPIENT must submit a **Final Work Plan and Quarterly Report no later than October 15, 2017**.
4. The reports should be submitted electronically to Tiffany Hicks (thicks@clackamas.us), COUNTY Program Manager.

In addition to the Annual Performance Reports, SUBRECIPIENT must notify Clackamas County Program Manager of developments that have a significant impact on the grant supported activities. The SUBRECIPIENT must inform Clackamas County Program Manager as soon as problems, delays or adverse conditions become known which will materially impair the ability to meet the outputs/outcomes specified above. This notification shall include a statement of the action taken or contemplated and any assistance needed to resolve the situation.

EXHIBIT B.1: SUBRECIPIENT BUDGET 16-17 PROGRAM YEAR

Organization: El Programa Hispano Catolico

Program: OVW Rural Domestic Violence Advocacy Services

Program Contact: Patricia Rojas

Agreement Term: October 1, 2016 - September 30, 2017

	Approved Award Amount	Approved Match Amount
Approved Award Budget Categories		
Personnel (List salary, FTE & Fringe costs for each position)		
8 FTE Rural Advocate	\$ 23,376.00	
8 FTE Rural Advocate Fringe	\$ 10,715.00	
Supervisor .05 FTE	\$ 2,026.00	
Total Personnel Svcs	\$ 36,117.00	
Supplies		
Program Supplies	\$ 1,266.00	<i>No match is required on this award</i>
Utilities		
Phone	\$ 1,200.00	
Travel		
Mileage (.54/miles x est 385 miles/mo)	\$ 2,500.00	
Additional (please specify)		
Client assistance (bus tickets, etc.)	\$ 2,027.00	
Total Program Costs	\$ 6,993.00	
Administrative Costs (based on SUBRECIPIENT's Cost Allocation Plan)	\$ 4,679.00	
Total Grant Costs	\$ 47,789.00	

**EXHIBIT D.1: PROGRAM YEAR 16-17 SUBRECIPIENT REQUEST FOR REIMBURSEMENT
CLACKAMAS COUNTY CHILDREN, YOUTH AND FAMILIES DIVISION**

Organization: El Programa Hispano						CLAIM PERIOD: Oct-16	Note: This form derives from the approved budget in your grant agreement. All expenditures must have adequate supporting documentation.		
Service: OVW Rural Domestic Violence Advocacy Services									
Program Contact: Patricia Rojas									
Agreement Term: October 1, 2016 - September 30, 2017									
Agreement Number: 16-022 A.1									
Category	Approved Grant Amount	Approved Match Amount	Monthly Grant Expenditure	Monthly Match Expenditure	Total Monthly Expenditure	YTD Grant Expenditure	YTD Match Expenditure	Total YTD Expenditure	
Personnel (List salary, FTE & Fringe costs for each position)									
8 FTE Rural Advocale	\$ 23,376.00		\$ -		\$ -	\$ -		\$ -	
8 FTE Rural Advocale Fringe	\$ 10,715.00		\$ -		\$ -	\$ -		\$ -	
Supervisor 05 FTE	\$ 2,026.00		\$ -		\$ -	\$ -		\$ -	
Total Personnel Svcs	\$ 36,117.00		\$ -		\$ -	\$ -		\$ -	
Supplies									
Program Supplies	\$ 1,266.00		\$ -		\$ -	\$ -		\$ -	
Utilities									
Phone	\$ 1,200.00		\$ -		\$ -	\$ -		\$ -	
Travel									
Mileage (.54/miles x est 385 miles/mo)	\$ 2,500.00		\$ -		\$ -	\$ -		\$ -	
Additional (please specify)									
Client assistance (bus tickets, etc.)	\$ 2,027.00		\$ -		\$ -	\$ -		\$ -	
Total Program Costs	\$ 6,993.00		\$ -		\$ -	\$ -		\$ -	
Administrative Costs (based on SUBRECIPIENT's Cost Allocation Plan)	\$ 4,679.00		\$ -		\$ -	\$ -		\$ -	
Total Grant Costs	\$ 47,789.00		\$ -		\$ -	\$ -		\$ -	

Clackamas County and the Federal government retain the right to inspect all financial records and other books, documents, papers, plans, records of shipments and payments and writings of Recipient that are pertinent to this Agreement.

CERTIFICATION

By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).

Prepared by: _____
 Authorized SUBRECIPIENT Official: _____
 Date: _____

Department Review.

Program Officer Name: _____

Department: _____

Signature: _____

Date: _____

Department: forward to Grant Accountant for review and processing

Grant Accountant Initial/Date:

**Children, Youth & Families
Work Plan and Quarterly Report/Final Performance Report
Exhibit E.1**

Provider:	El Programa Hispano Catolico
Program Contact:	Gabriella Gomez
	GGomez@EIPrograma.org
Contract Dates:	October 1, 2016 to September 30, 2017

Activities/Outputs	Intermediate Outcomes/Measurement Tool		Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Total
<p>Provide a 0.8 FTE bi-lingual/ bi-cultural advocate to serve and support to a minimum of 30 unduplicated, exclusively rural victims of domestic violence, dating violence, sexual assault, and stalking.</p> <p>The advocate will provide ongoing support including:</p> <ul style="list-style-type: none"> • Crisis intervention • Lethality protocol follow-ups • Short and long term safety planning • Information & referrals • Advocacy and ongoing emotional support 	<p>85% of all rural survivors accepting EPHC services will self-disclose that they have:</p> <ul style="list-style-type: none"> • Developed a basic short/long term safety plan, • Gained skills to exercise their voice in the criminal justice system • Know how to access community referrals, as needed, for support • Learned new ways to keep themselves and their children safe <p>Measured by: Surveys and personal response (self-disclosure) assessing:</p> <ul style="list-style-type: none"> • Effectiveness of the advocacy support • Increased knowledge of community resources and ways they can keep themselves and their children safe and living in an abuse free environment. 	# of victims receiving requested services					
		# of victims seeking services who were partially served					
		# of victims seeking services who were not served					
		% of victims receiving requested services					
		# of victims requesting protective orders					
		# of victims receiving assistance filing protection orders					
		# of protection orders granted					
		# of victims reporting increased knowledge (safety planning) and awareness of resources to support their life in a violence-free environment					

		% of victims reporting increased knowledge (safety planning) and awareness of resources to support their life in a violence-free environment					
		# of victims reporting that services met their needs					
		% of victims reporting that services met their needs					
<p>By September 30, 2016, a minimum of 4 Community Presentations related to domestic violence stalking and sexual assault outreach and awareness of available services.</p> <p>Advocate will promote rural services through a minimum of 4 Community Outreach Events, such as; tabling at events and hosting women's health events for rural Latino communities, with at least one in Canby, Molalla, Estacada and Sandy.</p>	<p>Number of presentations, number of participants at each presentation, location and type/name of groups.</p> <p>Post surveys should indicate participants have increased knowledge.</p> <p>Quarterly reports should indicate progress toward the overall goal of 4 throughout the term of the contract</p>	# of presentations					
		# of participants					
		Type/name and location/community					
		% of participants indicating increased knowledge					
		# Tabling/Community Outreach Activities					
		# of people reached (estimate is fine)					
<p>When not serving Rural DV Victims, the Advocate's time will be spent conducting outreach in rural communities promoting services.</p>	Advocate will spend 1 day per week at the Sandy Health Center	# Days at the Sandy Health Center					
	Advocate will spend time as needed at A Safe Place Family Justice Center	# Days at A Safe Place					
	Advocate will conduct extensive outreach promoting services in the rural communities of Clackamas County	# Outreach activities in rural communities					
Advocate will regularly attend Rural Domestic Violence Collaborative meetings (as scheduled quarterly)	90% participation at the RDVC meetings	% participation at RDVC mtgs.					

EPHC will submit quarterly work plan reports on this form by the 20 th of January, April, July & September						
EPHC Supervisor will attend online OVW training to learn how to fill out OVW semi-annual reports						
EPHC will fill out the OVW semi-annual rural reporting form and submit to CYF by January 9, 2017 and July 10, 2017						

Children, Youth & Families Division
Work Plan October 2015 – September 2016
Comments and Narrative

October-December Narrative:

Explanation of victims partially or not served:

Explanation of why a request for assistance to file a protective order was not appropriate:

Support services provided:

Referrals to which agencies/resources:

Success story:

January-March Narrative:

Explanation of victims partially or not served:

Explanation of why a request for assistance to file a protective order was not appropriate:

Support services provided:

Referrals to which agencies/resources:

Success story:

April-June Narrative:

Explanation of victims partially or not served:

Explanation of why a request for assistance to file a protective order was not appropriate:

Support services provided:

Referrals to which agencies/resources:

Success story:

July-September Narrative:

Explanation of victims partially or not served:

Explanation of why a request for assistance to file a protective order was not appropriate:

Support services provided:

Referrals to which agencies/resources:

Success story:

Exhibit E.2: Quarterly Demographics Report

Race/Ethnicity	Program Participants Served								TOTAL SERVED D YTD
	First quarter count. All counts as new								
	July-Sept 16 NEW	Oct-Dec 16 NEW	Jan-Mar 17 NEW	Apr-Jun 16 NEW	July-Sept 16 CLOSED	Oct-Dec 16 CLOSED	Jan-Mar 17 CLOSED	Apr-Jun 16 CLOSED	
<i>Participants should be counted in one category of race/ethnicity</i>									
<i>Participants that identify as multi-racial should be counted in that category</i>									
<i>and the particular racial mix should be included in a narrative</i>									
American Indian and Alaska Native									
American Indian									0
Alaska Native									0
Canadian Inuit, Metis or First Nation please identify in narrative									0
Asian									
Chinese									0
Vietnamese									0
Korean									0
Laotian									0
Filipino									0
Japanese									0
South Asian									0
Asian Indian									0
Other Asian please identify in narrative									0
Black/African American									
African American									0
African									0
Caribbean									0
Other Black please identify in narrative									0
Hispanic or Latino									
Hispanic or Latino Mexican									0
Hispanic or Latino Central American									0
Hispanic or Latino South American									0
Other Hispanic or Latino please identify in narrative									0
Indigenous Mexican, Central American or South American please identify									0
Pacific Islander									
Native Hawaiian									0
Guamanian or Chamorro									0
Tongan									0
Other Pacific Islander please identify in narrative									0
White									0
Slavic									0
Middle Eastern									0
North African									0
Multi-Racial please identify in narrative									0
Decline to Answer									0
Unknown									0
TOTAL RACE/ETHNICITY	0	0	0	0	0	0	0	0	0
Gender									
Female									0
Male									0
Transgender									0
Unknown or Declined to Say									0
TOTAL GENDER	0	0	0	0	0	0	0	0	0
Age									
0-5									0
7-12									0
13-17									0
18-24									0
25-59									0
60+									0
Unknown or Declined									0
TOTAL by AGE	0	0	0	0	0	0	0	0	0
Race/Ethnicity TOTAL, Gender TOTAL and Age TOTALs should match									

November 3, 2016

Board of County Commissioners
Clackamas County

Members of the Board:

Approval of an Agency Service Contract with
Clackamas Women’s Services for Homelessness Prevention, Shelter Diversion,
and Rapid Re-Housing Services for Victims of Domestic Violence

Purpose/Outcomes	Contractor will provide homelessness prevention, shelter diversion, and rapid re-housing services to people in our community experiencing domestic violence.
Dollar Amount and Fiscal Impact	\$145,169
Funding Source	State of Oregon Housing and Community Services funds. No County General Funds are involved.
Duration	Upon Signature through June 30, 2017
Previous Board Action	None
Strategic Plan Alignment	1. This funding aligns with H3S’s strategic priority to increase self-sufficiency for our clients. 2. This funding aligns with the County’s strategic priority to ensure safe, healthy and secure communities.
Contact Person	Brenda Durbin, Director – Social Services Division – (503) 655-8641
Contract No.	7972

BACKGROUND:

Social Services Division of the Health, Housing and Human Services Department requests approval of an Agency Service Contract with Clackamas Women’s Services (CWS). CWS will provide homelessness prevention, shelter diversion, and rapid re-housing services for victims of domestic violence.

Homelessness prevention as a strategy to prevent people from becoming homeless by providing financial assistance and services. Shelter diversion prevents people who are homeless from entering the homeless system by helping them identify immediate alternate housing arrangements. Rapid re-housing reduces the length of homelessness by providing short-term financial assistance and services to help people who are homeless with access and support to maintain permanent and stable rental housing quickly. This is a project designed to prevent and reduce homelessness in Clackamas County.

This Agency Service Contract is effective upon signature through June 30, 2017. The agreement is for \$145,169. There are no County General Funds involved. This agreement was approved by County Counsel.

RECOMMENDATION:

Staff recommends approval of this Agency Service Contract and authorizes Richard Swift, H3S Director to sign on behalf of Clackamas County.

Respectfully submitted,

Richard Swift, Director
Health, Housing and Human Services Department

AGENCY SERVICE CONTRACT

Contract # 7972

This contract is between Clackamas County, acting by and through its department of Health, Housing, & Human Services, Social Services Division, hereinafter called "COUNTY," and **Clackamas Women's Services**, hereinafter called "AGENCY."

I. SCOPE OF SERVICES

- A. AGENCY agrees to accomplish the following work under this contract:

Provide Homelessness Prevention, Shelter Diversion and Rapid Re-Housing for survivors of domestic violence as outlined in *Exhibit 1: Scope of Work* attached hereto.

- B. Services required under the terms of this agreement shall commence upon signature of this agreement and shall terminate June 30, 2017.

II. COMPENSATION AND RECORDS

- A. Compensation. COUNTY shall compensate the AGENCY for satisfactorily performing the services identified in Section I as described in *Exhibit 1: Scope of Work* attached hereto.

Total maximum compensation under this contract shall not exceed **\$145,169**.

Payment shall be full compensation for work performed, for services rendered, and for all labor, materials, supplies, equipment, travel expenses, mileage, and incidentals necessary to perform the work and services.

- B. Method of Payment. To receive payment, AGENCY shall submit invoices as follows:

AGENCY shall submit invoices by the 10th of the month following the month services were performed. AGENCY may use the invoice template provided in Attachment 1. The invoice shall include the contract # 7972, dates of service and the total amount due for all service provided during the month. Invoices shall be submitted to:

Clackamas County Social Services Division
Attn: Luellen Oakley
2051 Kaen Road
Oregon City, Oregon 97045

Or electronically to:

luellenoak@clackamas.us

When submitting electronically, designate AGENCY name and contract # 7972 in the subject of the e-mail.

Within thirty (30) days after receipt of the bill, provided COUNTY has approved the service specified on the invoice, COUNTY shall pay the amount requested to AGENCY.

Withholding of Contract Payments. Notwithstanding any other payment provision of this agreement, should AGENCY fail to submit required reports when due, or submit reports which appear patently inaccurate or inadequate on their face, or fail to perform or document the

Clackamas Women's Services

Agency Service Contract # 7972

Page 2

performance of contracted services, COUNTY shall immediately withhold payments hereunder. Such withholding of payment for causes may continue until AGENCY submits required reports, performs required services, or establishes COUNTY's satisfaction that such failure arose out of causes beyond the control, and without the fault or negligence, of AGENCY.

- C. Record and Fiscal Control System. All payroll and financial records pertaining in whole or in part to this contract shall be clearly identified and readily accessible. Such records and documents should be retained for a period of three (3) years after receipt of final payment under this contract and all other pending matters are closed.
- D. Access to Records. COUNTY, the State of Oregon and the Federal Government, and their duly authorized representatives shall have access to the books, documents, papers, and records of AGENCY which are directly pertinent to this contract for the purpose of making audit, examination, excerpts, and transcripts.

If an audit discloses that payments to AGENCY were in excess of the amount to which AGENCY was entitled, then AGENCY shall repay the amount of the excess to COUNTY.

III. MANNER OF PERFORMANCE

- A. Compliance with Applicable Laws and Regulations, and Special Federal Requirements. AGENCY shall comply with all Federal and State regulations and laws, Oregon Administrative Rules, local laws and ordinances applicable to work performed under this agreement, including, but not limited to, all applicable Federal and State civil rights and rehabilitation statutes, rules and regulations, and as listed in Exhibit D, Special Requirements, attached hereto and incorporated herein. AGENCY must, throughout the duration of this contract and any extensions, comply with all tax laws of this state and all applicable tax laws of any political subdivision of this state. Any violation of this section shall constitute a material breach of this contract. Further, any violation of AGENCY's warranty, in this contract that AGENCY has complied with the tax laws of this state and the applicable tax laws of any political subdivision of this state also shall constitute a material breach of this contract. Any violation shall entitle COUNTY to terminate this contract, to pursue and recover any and all damages that arise from the breach and the termination of this contract, and to pursue any or all of the remedies available under this contract, at law, or in equity, including but not limited to:
 - a. Termination of this contract, in whole or in part;
 - b. Exercise of the right of setoff, and withholding of amounts otherwise due and owing to AGENCY, in an amount equal to COUNTY'S setoff right, without penalty; and
 - c. Initiation of an action or proceeding for damages, specific performance, declaratory or injunctive relief. COUNTY shall be entitled to recover any and all damages suffered as the result of AGENCY's breach of this contract, including but not limited to direct, indirect, incidental and consequential damages, costs of cure, and costs incurred in securing replacement performance.

These remedies are cumulative to the extent the remedies are not inconsistent, and COUNTY may pursue any remedy or remedies singly, collectively, successively, or in any order whatsoever.

- B. Precedence. When a requirement is listed both in the main boilerplate of the contract and in an Exhibit, the Exhibit shall take precedence.

Clackamas Women's Services

Agency Service Contract # 7972

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- C. Subcontracts. AGENCY shall not enter into any subcontracts for any of the work scheduled under this contract without obtaining prior written approval from COUNTY.
- D. Independent Contractor. AGENCY certifies that it is an independent contractor and not an employee or agent of Clackamas County, State or Oregon or Federal government. AGENCY is not an officer, employee or agent of Clackamas County as those terms are used in ORS 30.265. Responsibility for all taxes, assessments, and any other charges imposed upon employers shall be the sole responsibility of AGENCY.
- E. Tax Laws. The AGENCY represents and warrants that, for a period of no fewer than six calendar years preceding the effective date of this contract, has faithfully complied with:
 - 1. All tax laws of this state, including but not limited to ORS 305.620 and ORS chapters 316, 317, and 318;
 - 2. Any tax provisions imposed by a political subdivision of this state that applied to C AGENCY, to AGENCY's property, operations, receipts, or income, or to AGENCY's performance of or compensation for any work performed by AGENCY;
 - 3. Any tax provisions imposed by a political subdivision of this state that applied to AGENCY, or to goods, services, or property, whether tangible or intangible, provided by AGENCY; and
 - 4. Any rules, regulations, charter provisions, or ordinances that implemented or enforced any of the foregoing tax laws or provisions.

IV. GENERAL CONDITIONS

- A. Indemnification. AGENCY agrees to indemnify, save, hold harmless, and defend COUNTY and its officers, commissioners and employees from and against all claims and actions, and all expenses incidental to the investigation and defense thereof, arising out of actions, suits, claims or demands attributable in whole or in part to the acts or omissions of AGENCY, and AGENCY's officers, agents and employees, in performance of this contract.

If AGENCY is a public body, AGENCY's liability under this contract is subject to the limitations of the Oregon Tort Claims Act.

- B. Insurance.

- 1. Commercial General Liability Insurance

Required by COUNTY Not required by COUNTY

AGENCY shall obtain, at AGENCY's expense, and keep in effect during the term of this contract, Commercial General Liability Insurance covering bodily injury and property damage on an "occurrence" form in the amount of not less than \$1,000,000 per occurrence/\$2,000,000 general aggregate for the protection of COUNTY, its officers, commissioners, and employees. This coverage shall include Contractual Liability insurance for the indemnity provided under this contract. This policy(s) shall be primary insurance as respects to the COUNTY. Any insurance or self-insurance maintained by COUNTY shall be excess and shall not contribute to it.

Clackamas Women's Services

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2. Commercial Automobile Insurance

Required by COUNTY Not required by COUNTY

AGENCY shall also obtain, at AGENCY's expense, and keep in effect during the term of the contract, "Symbol 1" Commercial Automobile Liability coverage including coverage for all owned, hired, and non-owned vehicles. The combined single limit per occurrence shall not be less than \$1,000,000.

3. Professional Liability Insurance

Required by COUNTY Not required by COUNTY

AGENCY agrees to furnish COUNTY evidence of Professional Liability Insurance in the amount of not less than \$1,000,000 combined single limit per occurrence/ \$2,000,000 general annual aggregate for malpractice or errors and omissions coverage for the protection of COUNTY, its officers, commissioners and employees against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and damages because of negligent acts, errors and omissions in any way related to this contract. COUNTY, at its option, may require a complete copy of the above policy.

4. Tail Coverage. If liability insurance is arranged on a "claims made" basis, "tail" coverage will be required at the completion of this contract for a duration of thirty-six (36) months or the maximum time period the AGENCY's insurer will provide "tail" coverage as subscribed, or continuous "claims made" liability coverage for thirty-six (36) months following the contract completion. Continuous "claims made" coverage will be acceptable in lieu of "tail" coverage, provided its retroactive date is on or before the effective date of this contract.

5. Additional Insured Provision. The insurance, other than Professional Liability, Workers' Compensation, and Personal Automobile Liability insurance, shall include "Clackamas County, its agents, officers, and employees" as an additional insured.

6. Notice of Cancellation. There shall be no cancellation, material change, exhaustion of aggregate limits or intent not to renew insurance coverage without 60 days' written notice COUNTY. Any failure to comply with this provision will not affect the insurance coverage provided to COUNTY. The 60 days' notice of cancellation provision shall be physically endorsed on to the policy.

7. Insurance Carrier Rating. Coverages provided by AGENCY must be underwritten by an insurance company deemed acceptable by COUNTY. Insurance coverage shall be provided by companies admitted to do business in Oregon or, in the alternative, rated A- or better by Best's Insurance Rating. COUNTY reserves the right to reject all or any insurance carrier(s) with an unacceptable financial rating.

8. Certificates of Insurance. As evidence of the insurance coverage required by this contract, AGENCY shall furnish a Certificate of Insurance to county. No contract shall be in effect until the required certificates have been received, approved and accepted by COUNTY. A renewal certificate will be sent to COUNTY 10 days prior to coverage expiration.

Clackamas Women's Services

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9. Primary Coverage Clarification. AGENCY's coverage will be primary in the event of a loss.
 10. Cross-Liability Clause. A cross-liability clause or separation of insureds condition will be included in all general liability, professional liability, and errors and omissions policies required by this contract.
- C. Governing Law; Consent to Jurisdiction. This agreement shall be governed by and construed in accordance with the laws of the State of Oregon. Any claim, action, or suit between COUNTY and AGENCY that arises out of or relates to performance under this agreement shall be brought and conducted solely and exclusively within the Circuit Court for Clackamas County, State of Oregon. Provided, however, that if any such claim, action or suit may be brought only in a federal forum, it shall be brought and conducted solely and exclusively within the United States District Court for the District of Oregon. AGENCY by execution of this agreement consents to the in personam jurisdiction of said courts.
 - D. Amendments. The terms of this contract shall not be waived, altered, modified, supplemented or amended, in any manner whatsoever, except by written instrument signed by AGENCY and COUNTY.
 - E. Severability. If any term or provision of this agreement is declared by a court of competent jurisdiction to be illegal or in conflict with any law, the validity of the remaining terms or provisions shall not be affected, and the rights and obligations of the parties shall be construed and enforced as if the agreement did not contain the particular term or provision held to be invalid.
 - F. Waiver. The failure of either party to enforce any provision of this agreement shall not constitute a waiver of that or any other provision.
 - G. Future Support. COUNTY makes no commitment of future support and assumes no obligation for future support for the activity contracted herein except as set forth in this agreement.
 - H. Oregon Constitutional Limitations. This contract is expressly subject to the debt limitation of Oregon counties set forth in Article XI, Section 10 of the Oregon Constitution, and is contingent upon funds being appropriated therefore. Any provision herein, which would conflict with such law, is deemed inoperative to that extent.
 - I. Oregon Public Contracting Requirements. Pursuant to the requirements of ORS 279B.020 and ORS 279B.220 through 279B.235 the following terms and conditions are made a part of this contract:
 1. AGENCY shall:
 - a. Make payments promptly, as due, to all persons supplying to AGENCY labor or materials for the prosecution of the work provided for in this contract.
 - b. Pay all contributions or amounts due the Industrial Accident Fund from such agency or subcontractor incurred in performance of this contract.
 - c. Not permit any lien or claim to be filed or prosecuted against COUNTY on account of any labor or material furnished.

Clackamas Women's Services

Agency Service Contract # 7972

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- d. Pay to the Department of Revenue all sums withheld from employees pursuant to ORS 316.167.
2. If AGENCY fails, neglects, or refuses to make prompt payment of any claim for labor or services furnished to AGENCY or a subcontractor by any person in connection with this contract as such claim becomes due, the proper officer representing COUNTY may pay such claim to the person furnishing the labor or services and charge the amount of the payment against funds due or to become due AGENCY by reason of this contract.
3. No person shall be employed for more than ten (10) hours in any one day, or more than forty (40) hours in any one week, except in cases of necessity, emergency or where the public policy absolutely requires it, and in such cases, except in cases of contracts for personal services as defined in ORS 279A.055, the employee shall be paid at least time and one-half pay:
 - a. for all overtime in excess of eight (8) hours a day or 40 hours in any one week when the work week is five consecutive days, Monday through Friday;
 - b. for all overtime in excess of 10 hours in any one day or 40 hours in any one week when the work week is four consecutive days, Monday through Friday; and
 - c. for all work performed on Saturday and on any legal holiday specified in ORS 279B.020.
4. AGENCY shall pay employees at least time and a half for all overtime work performed under this agreement in excess of 40 hours in any one week, except for individuals under person services contracts who are excluded under ORS 653.010 to 653.261 and the Fair Labor Standards Act of 1938 (29 U.S.C. 201 to 209) from receiving overtime.
5. As required by ORS 279B.230, AGENCY shall promptly, as due, make payment to any person, co-partnership, association, or corporation furnishing medical, surgical, and hospital care services or other needed care and attention, incident to sickness or injury, to the employees of AGENCY, of all sums that AGENCY agrees to pay for the services and all moneys and sums that AGENCY collected or deducted from the wages of its employees under any law, contract or agreement for the purpose of providing or paying for the services.
6. Workers' Compensation. All subject employers working under this agreement must either maintain workers' compensation insurance as required by ORS 656.017, or qualify for an exemption under ORS 656.126. AGENCY shall maintain employer's liability insurance with limits of \$500,000 each accident, \$500,000 disease each employee, and \$500,000 each policy limit.
- J. Ownership of Work Product. All work products of the AGENCY which result from this contract are the exclusive property of COUNTY.
- K. Integration. This contract contains the entire agreement between COUNTY and AGENCY and supersedes all prior written or oral discussions or agreements.
- L. Successors in Interest. The provisions of this contract shall not be binding upon or inure to the benefit of AGENCY's successors in interest without COUNTY's explicit written consent.

V. TERMINATION

Clackamas Women's Services

Agency Service Contract # 7972

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- A. Termination Without Cause. This agreement may be terminated by mutual consent of both parties, or by either party upon thirty (30) business days' notice, in writing and delivered by certified mail or in person.

- B. Termination With Cause. COUNTY, by written notice of default (including breach of contract) to AGENCY, may terminate this agreement effective upon delivery of written notice to AGENCY, or at such later date as may be established by COUNTY, under any of the following conditions:
 - 1. If COUNTY funding from Federal, State, or other sources is not obtained and continued at levels sufficient to allow for purchase of the indicated quantity of services, the contract may be modified to accommodate a reduction in funds.
 - 2. If Federal or State regulations or guidelines are modified, changed, or interpreted in such a way that the services are no longer allowable or appropriate for purchase under this contract or are no longer eligible for the funding authorized by this agreement.
 - 3. If any license or certificate required by law or regulation to be held by AGENCY to provide the services required by this agreement is for any reason denied, revoked, or not renewed.
 - 4. If AGENCY fails to provide services, outcomes, reports as specified by COUNTY in this agreement.
 - 5. If AGENCY fails to perform any of the other provisions of this contract, or so fails to pursue the work as to endanger performance of this contract in accordance with its terms, and after receipt of written notice from COUNTY, fails to correct such failures within 10 days or such longer period as COUNTY may authorize.

This contract consists of four sections plus the following attachments which by this reference are incorporated herein:

- Exhibit 1: Scope of Work
- Exhibit 2: Reporting Requirements
- Exhibit 3: Budget
- Exhibit 4: Special Requirements
- Attachment 1: Sample Invoice

CLACKAMAS WOMEN'S SERVICES

By: _____
Melissa Erlbaum, Executive Director

Date
256 Warner Milne Road

Street Address
Oregon City, Oregon 97045

City / State / Zip
(503)655-8600 /

Phone / Fax

CLACKAMAS COUNTY

- Commissioner: John Ludlow, Chair
- Commissioner: Jim Bernard
- Commissioner: Paul Savas
- Commissioner: Martha Schrader
- Commissioner: Tootie Smith

Signing on Behalf of the Board:

Richard Swift, Director
Health, Housing and Human Service Department

Clackamas Women's Services

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Date

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EXHIBIT 1

SCOPE OF WORK

A. GENERAL SCOPE OF SERVICES

AGENCY will provide Homelessness Prevention, Shelter Diversion and Rapid Re-Housing services for survivors of domestic violence who are homeless or at imminent risk of homelessness. This is a pilot project designed to prevent and reduce homelessness in Clackamas County. The pilot project also seeks to gather comprehensive data on strategies that are effective given the geography, service landscape, population and other characteristics of Clackamas County.

Clackamas County's Coordinated Housing Access System will be the only source to assess, identify and refer participants for each service element.

1. Service Categories

Homelessness Prevention (as opposed to eviction prevention)

A strategy that prevents people from becoming homeless by providing financial assistance and services. Since this is homelessness prevention and not eviction prevention, local data will be used to focus on individuals and families who it can reasonably be assumed would become homeless without this assistance.

Shelter Diversion

A strategy that prevents people who are homeless from entering the homeless system by helping them identify immediate alternate housing arrangements and, if necessary, connecting them with services and financial assistance to help them return to permanent/stable housing.

Rapid Re-Housing

A strategy that shortens the length of homelessness by providing short-term financial assistance and services to help people who are homeless access and maintain permanent and stable rental housing quickly.

2. Project Definitions

Literally Homeless

Individual or family who lacks a fixed, regular, and adequate nighttime residence meaning:

- Has a primary nighttime residence that is a public or private place not designed for human habitation (including, but not exclusive to, a car, park, abandoned building, bus or train station, airport or camping ground).
- Is living in a publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional shelter, and hotels or motels paid for by charitable organizations or by federal, state or local government programs); OR
- Is exiting an institution where he or she has resided for 90 days or less AND who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution.

Fleeing/Attempting to Flee Domestic Violence

- Individual or family who:
- Is Fleeing, or is attempting to flee, domestic violence;
- Has no other safe residence; AND
- Lacks the resources or support networks to obtain other permanent housing.

3. Income Eligibility

Participants must be low income with gross household income at or below 80% of area median income. Income includes the current gross income of all adult household members. Income earned by household members who are minors or full-time students AND are not considered heads of household is excluded. While household assets should be identified to determine that an applicant lacks the resources to obtain or retain permanent housing, they are generally not counted as income.

2016 Persons	80% Area Median Income	
	Annual Income	Monthly Income
1	\$41,100	\$3,425
2	\$46,950	\$3,913
3	\$52,800	\$4,400
4	\$58,650	\$4,888
5	\$63,350	\$5,279
6	\$68,050	\$5,671
7	\$72,750	\$6,063
8	\$77,450	\$6,454

Area median income may be adjusted for 2017.

B. OUTCOMES/PERFORMANCE MEASURES

Homelessness Prevention – At least 80% of households served are permanently housed at exit and of those, 80% retain permanent housing for at least 90 days after the end of subsidy.*

Shelter Diversion – At least 50 families or 20% of families requesting shelter through the Coordinated Housing Access system, whichever is smaller, are diverted from entering the system.

Rapid Re-Housing – At least 60% of households exit to permanent housing and of those, 80% retain permanent housing for at least 90 days after the end of subsidy.*

*Clackamas County acknowledges that some households may enter services later in the project period and that it may not be possible to complete this measure for all households. The measure applies to those households whose subsidy ends on or before March 31, 2017.

C. OUTPUTS

AGENCY will serve a minimum of 33 households of domestic and sexual violence victims and their children with the expectation that:

- All school-aged children will be enrolled in and attending school

Clackamas Women's Services

Agency Service Contract # 7972

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- 100% of participant households served will be screened to determine whether they are accessing all entitlement benefits they are eligible for including but not limited to TANF, SNAP, OHP, WIC, veterans benefits, McKinney-Vento/ESSA homeless student services, TANF-DV grants, and child support. Persons who are not fully accessing entitlement benefits shall be assisted in enrolling in entitlement benefits should they choose to do so.

D. SERVICE BOUNDARIES

Services provided AGENCY are reserved for Clackamas County residents who meet the eligibility guidelines. Persons who are literally homeless and who may be sleeping in areas in which the County boundary is unclear will also be eligible if they are accessing services such as schools, meal sites, etc. in Clackamas County.

EXHIBIT 2

REPORTING REQUIREMENTS

Program Specific Reporting

1. AGENCY shall comply with current HMIS Policy and Procedures and adhere to all HMIS reporting requirements.
2. AGENCY shall assure that data entry into ALICE/OSNIUM occurs in an accurate and timely manner.
3. AGENCY shall maintain and provide to COUNTY as requested information as required by state and federal funding sources for reporting purposes. Data collection in ALICE shall include universal data elements, and services. Information requested will comply with all state and federal laws regarding client confidentiality.
4. Supporting documentation must be retained on-site, e.g., service records and sign-in logs.

Invoicing

AGENCY, through designated staff, shall submit to COUNTY a monthly invoice that demonstrates all expenditures for each month. The invoice is to include copies of receipts to substantiate the rents, deposits paid and other eligible client assistance.

Invoices and reports may be submitted electronically via e-mail as an attachment and shall be received by COUNTY on or before the 10th of each month following the month of services.

COUNTY shall make payment to AGENCY within 30 days of receipt of each invoice submitted provided the invoice is approved by Program Manager.

EXHIBIT 3

BUDGET

Allowable Costs	Amount	Projected Total Households	Projected Total Persons
Homelessness Prevention			
Participant rent and deposits	\$ 40,553		
Other eligible client assistance	5,678		
Personnel	9,733		
Total Homelessness Prevention	\$ 55,964	16	48
Shelter Diversion			
Participant rent and deposits	\$ 24,000		
Other eligible client assistance	8,400		
Personnel	28,541		
Total Shelter Diversion	\$ 60,941	12	36
Rapid Re-Housing			
Participant rent and deposits	\$ 20,722		
Other eligible client assistance	2,850		
Personnel	4,692		
Total Rapid Re-Housing	\$ 28,264	5	15
Total Shelter Diversion	\$ 145,169	33	99

Total maximum compensation under this contract shall not exceed **\$145,169**.

Eligible Costs

- Participant rent
- Participant move-in costs
- Rental application fees
- Utility deposits necessary to establish service
- Other one-time expenditures such as identification that will remove barriers to permanent housing placement or housing stability when no other resources are available.
- Expenditures related to employment or employment training that will support participants to increase their incomes. Examples include work clothes and textbooks for vocational training courses when no other resources are available.
- Personnel salaries, taxes and benefits proportional to time needed to deliver the proposed services, not to exceed the maximum percentage for the corresponding service element.

EXHIBIT 4

SPECIAL REQUIREMENTS

1. AGENCY certifies to the best of its knowledge and belief that neither it nor any of its principals:
 - (a) Are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any federal department or agency;
 - (b) Have within a three-year period preceding this agreement been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; violation of federal or state antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - (c) Are presently indicted for or otherwise criminally or civilly charged by a governmental entity (federal, state or local) with commission of any of the offenses enumerated in paragraph 1(b) of this certification; and
 - (d) Have within a three-year period preceding this agreement had one or more public transactions (federal, state or local) terminated for cause or default.

Where the AGENCY is unable to certify to any of the statements in this certification, such AGENCY shall attach an explanation to this proposal.

2. In case of suspected fraud by applicants, employees, or vendors, AGENCY shall cooperate with all appropriate investigative agencies, and shall assist in recovering invalid payments.
3. AGENCY shall protect the confidentiality of all information concerning applicants for and recipients of services funded by this agreement and shall not release or disclose any such information except as directly connected with the administration of the particular Clackamas County program(s) or as authorized in writing by the applicant or recipient. All records and files shall be appropriately secured to prevent access by unauthorized persons.

AGENCY shall ensure that all officers, employees, and agents are aware of and comply with this confidentiality requirement.

4. AGENCY shall ensure that no person or group of persons shall, on the ground of age, race, color, national origin, primary language, sex, religion, handicap, political affiliation or belief, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part by funds delegated under this agreement.
5. AGENCY will comply with Title VI of the Civil Rights Act of 1964 (P.L. 88-352) and in accordance with Title VI of that Act, no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity covered by this contract.
6. AGENCY will comply with Executive Order 11246, entitled "Equal Employment Opportunity," as amended by Executive Order 11375, and as supplemented in Department of Labor Regulations (41 CFR Part 60).

Clackamas Women's Services

Agency Service Contract # 7972

Page 15 of 17

7. AGENCY will establish safeguards to prohibit employees and volunteers from using their positions for a purpose that is or gives the appearance of being motivated by a desire for private gain for themselves or others, particularly those with whom they have family, business, or other ties.
8. AGENCY certifies, to the extent required by federal law, that it will provide a drug-free workplace by:
 - (a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited in AGENCY's workplace and specifying the actions that will be taken against employees for violation of such prohibition.
 - (b) Establishing a drug-free awareness program to inform employees about:
 - (1) The dangers of drug abuse in the workplace;
 - (2) AGENCY's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations.
 - (c) Making it a requirement that each employee to be engaged in the performance of this contract be given a copy of the statement required by subsection (a) above.
 - (d) Notifying the employee in the statement required by subsection (a) that as a condition of employment on such contract, the employee will:
 - (1) Abide by the terms of the statement; and
 - (2) Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction.
 - (e) Notifying the AGENCY within 10 days after receiving notice under subsection (d)(2) from an employee or otherwise receiving actual notice of such conviction.
 - (f) Imposing a sanction on, or requiring the satisfactory participation in a drug abuse assistance or rehabilitation program by, any employee who is so convicted, as required by Section 5154 of the Drug-Free Workplace Act of 1988.
 - (g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of subsections (a) through (f).

ATTACHMENT 1
INVOICE

Date: _____

Clackamas Women's Services

256 Warner Milne Road
 Oregon City, Oregon 97045
 Phone: (503)655-8600

To: Clackamas County Social Services Division

Attention: Luellen Oakley
 2051 Kaen Road
 Oregon City, Oregon 97045
 Direct Line: (503)655-8646
 Fax: (503)655-8889

Contract # 7972

Month Service Provided
Month-Year

Allowable Costs	Budget Amount	Projected Total Households	Actual # of Households	Projected Total Persons	Actual # of Persons	Current Month Expenditures
Homelessness Prevention						\$
Participant rent and deposits	\$ 40,553					
Other eligible client assistance	5,678					
Personnel	9,733					
Total Homelessness Prevention	\$ 55,964	16		48		\$
Shelter Diversion						\$
Participant rent and deposits	\$ 24,000					
Other eligible client assistance	8,400					
Personnel	28,541					
Total Shelter Diversion	\$ 60,941	12		36		\$
Rapid Re-Housing						
Participant rent and deposits	\$ 20,722					
Other eligible client assistance	2,850					
Personnel	4,692					\$
Total Rapid Re-Housing	\$ 28,264	5		15		
Total Shelter Diversion	\$ 145,169	33		99		\$

CERTIFICATION

By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of this contract. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).

Prepared by: _____

Phone: _____ **E-mail:** _____

Authorized Signer: _____

Date: _____

Clackamas Women's Services

Agency Service Contract # 7972

Page 17 of 17



MARC GONZALES
DIRECTOR

DEPARTMENT OF FINANCE

PUBLIC SERVICES BUILDING

2051 KAEN ROAD | OREGON CITY, OR 97045

November 3, 2016

Board of County Commissioners
Clackamas County

Members of the Board:

Approval of a Resolution for a Clackamas County Supplemental Budget
(Less Than Ten Percent) for Fiscal Year 2016-2017

Purpose/Outcome	Supplemental Budget changes for Clackamas County FY 2016-2017
Dollar Amount and fiscal Impact	The effect is an increase in appropriations of \$1,686,712
Funding Source	Prior Year Revenue, Fund Balance, Federal and State Operating Revenue and Local Government and Other Agencies Revenue
Safety Impact	N/A
Duration	July 1, 2016-June 30, 2017
Previous Board Action/Review	Budget Adopted June 29, 2016 and amended September 29
Strategic Plan Alignment	Build public trust through good government
Contact Person	Diane Padilla, 503-742-5425

BACKGROUND:

Each fiscal year it is necessary to allocate additional sources of revenue and appropriate additional expenditures to more accurately meet the changing requirements of the operating departments. The attached resolution reflects such changes requested by departments in keeping with a legally accurate budget. These changes are in compliance with O.R.S. 294.471 (3) which allows for governing body approval of supplemental budget changes of less than ten percent of qualifying expenditures in the fund(s) being adjusted.

The Social Services Fund is recognizing additional fund balance and reducing grant funding and budgeting for program and special payment expenses and increasing contingency.

The Public Health Fund is recognizing additional fund balance and Local Public Health Agency revenue and budgeting for program expenses and increasing contingency.

The effect of this Board Order is an increase in appropriations of \$1,686,712 including new revenues as detailed below:

Prior Year Revenue	\$ 50,667.
Fund Balance	1,493,558.
Federal Operating Grant Revenue	192,780.
State Operating Grant Revenue	(25,828.)
Local Government and Other Agencies	<u>(24,465.)</u>
Total Recommended	<u>\$ 1,686,712.</u>

RECOMMENDATION:

Staff respectfully recommends adoption of the attached supplemental budget and Exhibit A in keeping with a legally accurate budget.

Sincerely,

Diane Padilla
Budget Manager

In the Matter of Providing Authorization
Regarding Adoption of a Supplemental
Budget for Items Less Than 10
Percent of the Total Qualifying Expenditures
and Making Appropriations for Fiscal
Year 2016-17

Resolution No _____

WHEREAS, during the fiscal year changes in appropriated expenditures may become necessary and appropriations may need to be increased, decreased or transferred from one appropriation category to another;

WHEREAS, a supplemental budget for the period of July 1, 2016 through June 30, 2017 inclusive, has been prepared, published and submitted to the taxpayers as provided by statute;

WHEREAS; the funds being adjusted are:

- . Social Services Fund
- . Public Health Fund;

It further appearing that it is in the best interest of the County to approve this less than 10 percent appropriations for the period of July 1, 2016 through June 30, 2017.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS THAT:

Pursuant to its authority under OR 294.471, the supplemental budget be adopted and appropriations established as shown in the attached Exhibit A which by this reference is made a part of this Resolution.

Dated this ____ day of _____, 2016

CLACKAMAS COUNTY BOARD OF COMMISSIONERS

Chair

Recording Secretary

SUMMARY OF SUPPLEMENTAL BUDGET
Exhibit A
CHANGES OF LESS THAN 10% OF BUDGET
November 3, 2016

Recommended items by revenue source:

Prior Year Revenue	\$ 50,667
Fund Balance	1,493,558
Federal Operating Grants	192,780
State Operating Grants	(25,828)
Local Government and Other Agencies	(24,465)
Total Recommended	<u>\$ 1,686,712</u>

SOCIAL SERVICES FUND

Revenues:

Prior Year Revenue	\$ 9,628
Fund Balance	1,239,366
Federal Operating Grants	(1,843)
State Operating Grants	(48,444)
Local Government and Other Agencies	(4,550)
Total Revenue	<u>\$ 1,194,157</u>

Expenses:

Health and Human Services	\$ 600,980
Not Allocated to Organizational Unit	
Special Payments	6,392
Contingency	586,785
Total Expenditures	<u>\$ 1,194,157</u>

Social Services Fund is recognizing additional fund balance and reducing grant funding and budgeting for program and special payment expenses and increasing contingency.

PUBLIC HEALTH FUND

Revenues:

Prior Year Revenue	\$ 41,039
Fund Balance	254,192
Federal Operating Revenue	194,623
State Operating Revenue	22,616
Local Government and Other Agencies	(19,915)
Total Revenue	<u>\$ 492,555</u>

Expenses:

Health and Human Services	\$ 230,542
Not Allocated to Organizational Unit	
Contingency	262,013
Total Expenditures	<u>\$ 492,555</u>

Public Health Fund is recognizing additional fund balance and Local Public Health Agency revenue and budgeting for program expenses and increasing contingency.



MARC GONZALES
DIRECTOR

DEPARTMENT OF FINANCE

PUBLIC SERVICES BUILDING

2051 KAEN ROAD | OREGON CITY, OR 97045

November 3, 2016

Board of County Commissioners
Clackamas County

Members of the Board:

Approval of a Resolution for Clackamas County for Budgeting of
New Specific Purpose Revenue for Fiscal Year 2016-2017

Purpose/Outcome	Budget change for Clackamas County FY 2016-2017
Dollar Amount and Fiscal Impact	The effect is an increase in appropriations of \$2,053,375.
Funding Source	Includes State and Federal Grant Revenue, Local Government and Other Agencies and Charge for Services.
Duration	July 1, 2016-June 30, 2017
Previous Board Action/Review	Budget Adopted June 29, 2016 and amended August 18.
Strategic Plan Alignment	Build public trust through good government
Contact Person	Diane Padilla, 503-742-5425

BACKGROUND:

Each fiscal year it is necessary to appropriate additional expenditures and allocate additional sources of revenue to more accurately meet the changing requirements of the operating departments of the County. The attached resolution reflects those changes that departments have requested which pursuant to O.R.S. 294.338, qualify as grants in trust for specific purposes in keeping with legally accurate budget.

The Social Services Fund is recognizing additional federal and state operating grant revenue and budgeting for program costs for Housing our Hero's, Veterans Outreach and Oregon Housing & Community Services.

The Public Health Fund is recognizing additional Sustainable Relationships in Community Health and National Association of Chronic Disease Directors revenue and budgeting to increase a part-time position to full-time and a job share position to part-time.

The effect of this Board Order is an increase in appropriations of \$2,053,375 including new revenues as detailed below:

Federal Operating Grant Revenue	\$ 533,950.
State Operating Grant Revenue	1,330,670.
Local Government and Other Agencies	128,171.
Charge for Services	<u>60,584.</u>
Total Recommended	<u>\$ 2,053,375.</u>

RECOMMENDATION:

Staff respectfully recommends adoption of the attached supplemental budget and Exhibit A in keeping with a legally accurate budget.

Sincerely,

Diane Padilla
Budget Manager

In the Matter of Providing
Authorization to Appropriate Grants
For Specific Purposes within the Fiscal
Year 2016-17

Resolution No. _____

WHEREAS, during the fiscal year changes in appropriated expenditures may become necessary and appropriations may need to be increased, decreased or transferred from one appropriation category to another;

WHEREAS, appropriation of grants entrusted for specific purposes within Clackamas County budget for the period of July 1, 2016 through June 30, 2017, inclusive is necessary to authorize the expenditure of funds, for the needs of Clackamas County residents;

WHEREAS; the fund being adjusted is:

- . Social Services Fund
- . Public Health Fund;

It further appearing that it is in the best interest of the County to approve these grants entrusted for specific purpose of appropriations for the period of July 1, 2016 through June 30, 2017.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS THAT:

Pursuant to its authority under OR 294.338, appropriation of specific purpose grants is authorized as shown in the attached Exhibit A which by this reference is made a part of this Resolution.

Dated this ____ day of _____, 2016

CLACKAMAS COUNTY BOARD OF COMMISSIONERS

Chair

Recording Secretary

NEW SPECIFIC PURPOSE REVENUE REQUESTS

Exhibit A

November 3, 2016

Recommended items by revenue source:

Federal Operating Grants	\$ 533,950
State Operating Grants	1,330,670
Local Government and Other Agencies	128,171
Charge for Services	60,584
Total Recommended	<u>\$ 2,053,375</u>

SOCIAL SERVICES FUND

Revenues:

Federal Operating Grants	\$ 275,517
State Operating Grants	1,330,670
Local Government and Other Agencies	128,171
Charge for Services	60,584
Total Revenue	<u>\$ 1,794,942</u>

Expenses:

Health and Human Services	\$ 1,794,626
Not Allocated to Organizational Unit	
Special Payments	316
Total Expenditures	<u>\$ 1,794,942</u>

Social Services Fund is recognizing additional federal and state operating grant revenue and budgeting for program costs for Housing our Hero's, Veterans Outreach and Oregon Housing & Community Services.

PUBLIC HEALTH FUND

Revenues:

Federal Operating Grants	\$ 258,433
Total Revenue	<u>\$ 258,433</u>

Expenses:

Health and Human Services	\$ 58,433
Not Allocated to Organizational Unit	
Special Payments	200,000
Total Expenditures	<u>\$ 258,433</u>

Public Health Fund is recognizing additional Sustainable Relationships in Community Health and National Association of Chronic Disease Directors revenue and budgeting to increase a part-time position to full-time and a job share position to part-time.

DRAFT

Approval of Previous Business Meeting Minutes:

September 22, 2016

(draft minutes attached)

BOARD OF COUNTY COMMISSIONERS BUSINESS MEETING MINUTES

A complete video copy and packet including staff reports of this meeting can be viewed at

<http://www.clackamas.us/bcc/business.html>

Thursday, September 22, 2016 – 10:00 AM

Public Services Building

2051 Kaen Rd., Oregon City, OR 97045

PRESENT: Commissioner John Ludlow, Chair
Commissioner Paul Savas
Commissioner Martha Schrader
Commissioner Tootie Smith

EXCUSED: Commissioner Jim Bernard

CALL TO ORDER

- Roll Call
- Pledge of Allegiance

I. PRESENTATION

1. Recognition of Greg Geist, Director of Water Environment Services for Winning the Environmental Leadership Award from the Oregon Association of Clean Water Agencies
Lynne Chicoine, Water Environment Services presented the staff report. She introduced Janet Gillespie, Executive Director of Oregon Association of Clean Water Agencies who spoke about the award and the selection of Greg Geist for the award. Greg Geist wanted to thank his staff for all the dedicated work they do every day. He thanked the Board for their support and acknowledgement of his success.

~Board Discussion~

II. CITIZEN COMMUNICATION

<http://www.clackamas.us/bcc/business.html>

1. Stacy Rumgay, Sherwood – very concern about a large event planned at Sherwood Forest Equestrian Center on Sept. 24th. (submitted written testimony)

~Board Discussion~

Dan Johnson and Joe Marek, Department of Transportation & Development stated the County will look into this issue and monitor the situation.

III. PUBLIC HEARING

1. Second Reading of Ordinance No. 04-2016 Amending Chapter 2.07 Compliance Hearings Officer of the Clackamas County Code and Declaring an Emergency

Stephen Madkour, County Counsel presented the staff report.

~Board Discussion~

Chair Ludlow opened the public hearing and asked if anyone wishes to speak, seeing none he closed the public hearing and asked for a motion to ready by title.

MOTION:

Commissioner Smith: I move we read the ordinance by title only.

Commissioner Savas: Second.

Clerk calls the poll.

Commissioner Smith: Aye.

Commissioner Schrader: Aye.

Commissioner Savas: Aye.

Chair Ludlow: Aye – the motion passes 4-0 – he asked the Clerk to read the ordinance by title only, then asked for a motion to adopt.

MOTION:

Commissioner Savas: I move we adopt Ordinance No. 04-2016 amending chapter 2.07 Compliance Hearings Officer of the Clackamas County Code and declaring an emergency.
Commissioner Schrader: Second.
Clerk calls the poll.
Commissioner Schrader: Aye.
Commissioner Savas: Aye.
Commissioner Smith: Aye.
Chair Ludlow: Aye – the motion passes 4-0.

IV. BOARD DISCUSSION ITEMS

Department of Finance

1. Acknowledgement Regarding Public Meeting Notice Not Published as Requested
Diane Padilla, Budget Manager presented the staff report. There is no Board action for this item, it is informational only.
~Board Discussion~

Board of County Commissioners

2. **Resolution No. 2016-91** Opposing the Passage of Measure 97
~Board Discussion~
Chair Ludlow read the resolution in full.

MOTION:

Chair Ludlow: Read the resolution opposing the passage of Measure 97 in full, as his motion.
Commissioner Savas: Second.
~Board Discussion~ <http://www.clackamas.us/bcc/business.html>
Commissioner Savas: Aye.
Commissioner Smith: Aye.
Commissioner Schrader: Aye.
Chair Ludlow: Aye – the motion passes 4-0.

V. CONSENT AGENDA

Chair Ludlow asked the Clerk to read the consent agenda by title, he then asked for a motion.

MOTION:

Commissioner Smith: I move we approve the consent agenda.
Commissioner Schrader: Second.
Clerk calls the poll.
Commissioner Smith: Aye.
Commissioner Schrader: Aye.
Commissioner Savas: Aye.
Chair Ludlow: Aye – the motion passes 4-0.

A. Health, Housing & Human Services

1. Approval of an Amendment to Intergovernmental Agreement with Oregon Department of Education for Early Learning Hub Services – *Children, Youth & Families*

2. Approval of a Grant Agreement from the US Department of Housing and Urban Development, Continuum of Care Program for the HOPE II Leasing Program for the Purpose of Providing Permanent Housing – *Social Services*

B. Department of Transportation & Development

- *1. **REMOVED** - Board Order No. _____ Establishing a 13-Ton Weight Limit on Salmonberry Drive
2. Consent to the Annexation of a Portion of Beaver Creek Road to the City of Oregon City

C. Finance Department

1. Approval of a Fiscal Year 2016-2017 Work and Financial Plan with the US Department of Agriculture, Animal and Plant Health Inspection Service and Wildlife Services for Predator Management (County Trapper)
2. Approval of Amendment No. 1 and Renewals 1-4 for Sheriff Patrol Vehicle Installation Services for Fleet Services - *Procurement*

D. Elected Officials

1. Approval of Previous Business Meeting Minutes – *BCC*

E. County Counsel

1. **Resolution No. 2016-93** Delegating Signature Authority to the Chair and the County Administrator for the ODOT/OR 213 Land Conveyance

F. Business & Community Services

1. **Resolution No. 2016-94** Authorizing Clackamas County parks to Apply for a County Opportunity Grant from the Oregon Parks and Recreation department for Replacement of a Restroom at Feyrer Park

VI. NORTH CLACKAMAS PARKS & RECREATION DISTRICT

1. Approval of Contract Amendment No. 1 and Renewal No. 1 with Enviser Inc. for Aquatic Park Facility Equipment Maintenance - *Procurement*

VII. COUNTY ADMINISTRATOR UPDATE

<http://www.clackamas.us/bcc/business.html>

VIII. COMMISSIONERS COMMUNICATION

<http://www.clackamas.us/bcc/business.html>

MEETING ADJOURNED – 11:25 AM

NOTE: Regularly scheduled Business Meetings are televised and broadcast on the Clackamas County Government Channel. These programs are also accessible through the County's Internet site. DVD copies of regularly scheduled BCC Thursday Business Meetings are available for checkout at the Clackamas County Library in Oak Grove. You may also order copies from any library in Clackamas County or the Clackamas County Government Channel. www.clackamas.us/bcc/business.html



Karen Brisbin
Justice Of The Peace

CLACKAMAS COUNTY JUSTICE COURT

11750 SE 82ND AVE SUITE D | HAPPY VALLEY, OR 97086

November 3, 2016

Board of County Commissioners
Clackamas County

Members of the Board:

A Resolution Appointing Justices of the Peace Pro Tempore for the
Clackamas County Justice of the Peace District

Purpose/ Outcome	Approval of the Resolution Appointing Justices of the Peace Pro Tempore will appoint pro tempore judges to ensure that the Justice Court can continue to hold court during those periods of time when Justice of the Peace Brisbin is temporarily absent or otherwise unable to hold court.
Dollar Amount and Fiscal Impact	Pro Tempore judges are paid at an hourly rate of \$47.22, plus .54 cents per mile for travel to and from the court building.
Funding Source	Justice Court Budget
Duration	1 year
Previous Board Action/ Review	Annual appointment per ORS 51.260
Strategic Plan Alignment	Provide continuity of judicial service to the public
Contact Person	Laura Anderson, Accounting Specialist III 503-794-3816
Contract Number	N/A

BACKGROUND: When Justice of the Peace Brisbin is temporarily absent or otherwise unable to hold court, justices of the peace pro tempore ensure that the Justice Court can continue to hold court. Pro tempore judges adjudicate violation or civil cases set for first appearance/ arraignment or contest hearing/ trial. The individual recommended for appointment is a Clackamas County attorney in good standing with the Oregon State Bar and meets the eligibility requirements set by Oregon Revised Statutes.

The Resolution has been reviewed and approved by County Counsel.

RECOMMENDATION: Staff recommends approval of this Resolution appointing two Clackamas County attorneys to serve as justice of the peace pro tempore during the next year.

Respectfully submitted,

Karen Brisbin
Justice of the Peace

**BEFORE THE BOARD OF COUNTY COMMISSIONERS
OF CLACKAMAS COUNTY, STATE OF OREGON**

A RESOLUTION APPOINTING A
JUSTICE OF THE PEACE PRO
TEMPORE FOR THE CLACKAMAS
COUNTY JUSTICE OF THE PEACE
DISTRICT



Resolution No.

WHEREAS, The Clackamas County Justice of the Peace District (the Justice Court) was created by the Board of County Commissioners (BCC) in February 2009, and Justice of the Peace Karen Brisbin was subsequently appointed by the Governor and has been elected to serve a six (6) year term; and

WHEREAS, Pursuant to ORS 51,260(2), the BCC may appoint a justice of the peace pro tempore to ensure that the Justice Court can continue to hold court during those periods of time when Judge Brisbin is temporarily absent or otherwise unable to hold court; and

WHEREAS, Daniel P. Woram and Wm. Bruce Shepley are eligible to serve as a justice of the peace pro tempore being a citizen of the United States, a resident of Oregon for at least three years, and has maintained a residence or principal office in Clackamas County for at least one year immediately prior to appointment; and

WHEREAS, The BCC, upon the recommendation of Judge Brisbin, finds it is in the public interest to appoint Daniel P. Woram and Wm. Bruce Shepley, to serve as a justice of the peace pro tempore in Clackamas County; and

NOW, THEREFORE, IT IS HEREBY RESOLVED, that the Board of County Commissioners appoints Daniel P. Woram and Wm. Bruce Shepley, to serve as a justice of the peace pro tempore for the Clackamas County Justice of the Peace District. Kristen S. David and Roxanne R. Scott shall have the authority to preside over court proceedings as is necessary during times when Judge Brisbin is temporarily absent or otherwise unable to hold court.

IT IS FURTHER RESOLVED, that the appointment of Daniel P. Woram and Wm. Bruce Shepley shall be for a term not to exceed one year from the date of this resolution. The appointment, however, is subject to termination in the sole discretion of the BCC at any time prior to the expiration of the term.

Dated this 3rd day of November, 2016

CLACKAMAS COUNTY BOARD OF COMMISSIONERS

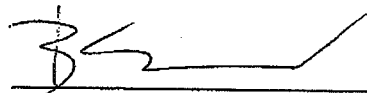
Chair

Recording Secretary

STATE OF OREGON
JUDICIAL OATH OF OFFICE

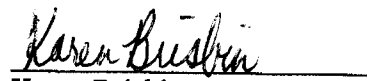
STATE OF OREGON)
) ss.
COUNTY OF CLACKAMAS)

I, **Wm. Bruce Shepley**, do solemnly swear or affirm that I will support the Constitution of the United States, and the Constitution of the State of Oregon, and that I will faithfully, honestly, and impartially discharge the duties of a pro tempore judge of the Clackamas County Justice of the Peace District, according to the best of my ability, and that I will not accept any other office, except judicial offices, during the term for which I have been appointed.



Wm. Bruce Shepley

Subscribed and sworn before me this 6 day of October, 2016.



Karen Brisbin
Justice of the Peace
Clackamas County


UNDERTAKING FOR
JUSTICE OF THE PEACE PRO TEM

Whereas Wm. Bruce Shepley has been duly appointed justice of the peace pro tem in and for the Clackamas County Justice of the Peace District on the 17 day of February 2016, we, JILLIE BRECK and KARLA KALBERG, hereby undertake that if Wm. Bruce Shepley shall not faithfully pay over according to law all moneys that shall come into his hands by virtue of such office, then we, or either of us, will pay to the State of Oregon the sum of \$2,500.

Dated this 17 day of February, 2016.



Surety #1



Surety #2

Approved on behalf of the Clackamas County Board of Commissioners by:

John Ludlow, Chair

JUSTIFICATION OF SURETY

I, KARLA KALBERG, being duly sworn hereby depose and say:

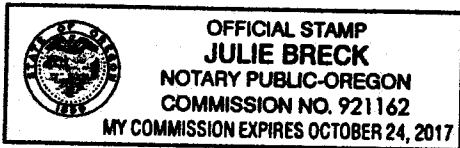
1. That I am a surety in the undertaking for Wm. Bruce Shepley pursuant to ORS 51.250;
2. That I am a resident of the State of Oregon, County of Clackamas;
3. That I am not a sheriff or officer of any court;
4. That I am worth the sum specified in the undertaking, exclusive of property exempt from execution, and over and above all just debts and liabilities.

Dated this 17 day of February, 2016.

Carla Kalberg
Surety

State of Oregon)
) ss.
County of Clackamas)

Subscribed and sworn to me this 17 day of February, 2016.

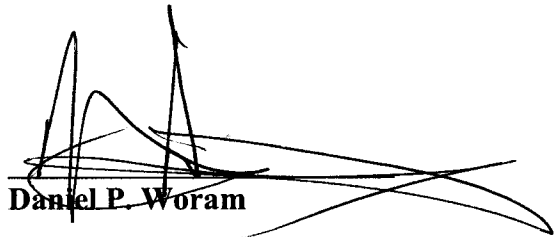


Julie Breck
Notary Public


STATE OF OREGON
JUDICIAL OATH OF OFFICE

STATE OF OREGON)
) ss.
COUNTY OF CLACKAMAS)

I, **Daniel P. Woram**, do solemnly swear or affirm that I will support the Constitution of the United States, and the Constitution of the State of Oregon, and that I will faithfully, honestly, and impartially discharge the duties of a pro tempore judge of the Clackamas County Justice of the Peace District, according to the best of my ability, and that I will not accept any other office, except judicial offices, during the term for which I have been appointed.


Daniel P. Woram

Subscribed and sworn before me this 6 day of October, 20 16.


Karen Brisbin
Justice of the Peace
Clackamas County

UNDERTAKING FOR
JUSTICE OF THE PEACE PRO TEM

Whereas Daniel Patrick Woram has been duly appointed justice of the peace pro tem in and for the Clackamas County Justice of the Peace District on the 17th day of FEBRUARY, 2016, we, KARLA KALBERG and JULIE BRECK, hereby undertake that if Daniel Patrick Woram shall not faithfully pay over according to law all moneys that shall come into his hands by virtue of such office, then we, or either of us, will pay to the State of Oregon the sum of \$2,500.

Dated this 17 day of FEBRUARY, 2016.

Karla Kalberg
Surety #1

Julie Breck
Surety #2

Approved on behalf of the Clackamas County Board of Commissioners by:

John Ludlow, Chair

JUSTIFICATION OF SURETY

I, KARLA KALBERG, being duly sworn hereby depose and say:

1. That I am a surety in the undertaking for Daniel Patrick Woram pursuant to ORS 51.250;
2. That I am a resident of the State of Oregon, County of Clackamas;
3. That I am not a sheriff or officer of any court;
4. That I am worth the sum specified in the undertaking, exclusive of property exempt from execution, and over and above all just debts and liabilities.

Dated this 17 day of FEBRUARY, 2016.

Karla Kalberg
Surety

State of Oregon)
) ss.
County of Clackamas)

Subscribed and sworn to me this 17 day of February 2016.



Julie Breck
Notary Public



November 3, 2016

Board of County Commissioners
Clackamas County

Members of the Board:

Approval of a Purchase and Sale Agreement with Weyerhaeuser Company
for the Acquisition of Real Property

Purpose/Outcomes	Provides for the purchase and acquisition of a 400 acre parcel of unimproved timberland property that will become part of County Parks & Forest's managed forestland asset base. This purchase will offset the prior approved sale and conveyance of approximately 185 acres of County owned timberland property to Western Rivers Conservancy.
Dollar Amount and Fiscal Impact	Purchase price of \$810,000
Funding Source	County Park & Forest FY16/17 adopted budget
Duration	N/A
Strategic Plan Alignment	1. Provide timberland asset management to sustainably fund and operate County Parks & Forest operations. 2. Honor, Utilize, Promote and Invest in our Natural Resources.
Previous Board Action	Prior Executive Session discussions.
Contact Person	Rick Gruen, County Parks & Forest Manager, x4345

BACKGROUND:

Clackamas County owns and manages 3,000 acres of timberlands. Long term asset management is needed to sustainably generate timber sales to support County Park operational and capital requirements. Prior board action on March 10, 2016 approved the sale of approximately 185 acres of timberland property that will be constrained for future timber harvest activities. This Purchase and Sale Agreement will allow County Parks & Forest to reinvest sale proceeds and acquire replacement timberland property more conducive to timber production and harvesting.

County Counsel has reviewed and approved the language of this Purchase and Sale Agreement.

RECOMMENDATION:

Staff recommends Board approve the attached Purchase and Sale Agreement with Weyerhaeuser Company, and authorize the Director or Deputy Director of Business and Community Services to execute all documents necessary to effectuate the same.

Respectfully submitted,

Laura Zentner, Deputy Director
Business and Community Services

REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS REAL ESTATE PURCHASE AND SALE AGREEMENT (the "Agreement") is made and entered into as of the 3rd day of November, 2016 (the "Effective Date"), by and between WEYERHAEUSER COLUMBIA TIMBERLANDS LLC, a Delaware limited liability company, whose address is 220 Occidental Ave. S, Seattle, Washington 98104, hereinafter called the "Seller," and CLACKAMAS COUNTY, a political subdivision of the State of Oregon, whose address is 150 Beaver Creek Road, Oregon City, Oregon 97045, hereinafter called the "Purchaser."

1. Conveyance. In consideration of the mutual covenants set forth in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, and subject to all terms of this Agreement, Seller agrees to sell to Purchaser and Purchaser agrees to purchase from Seller that certain real property containing approximately 400 acres, more or less, located in Clackamas County, State of Oregon, legally described on **Exhibit "A"** attached hereto and incorporated herein by this reference as though fully set forth (the "Property").

2. Purchase Price and Payment.

(a) The total purchase price for the Property shall be the sum of EIGHT HUNDRED TEN THOUSAND and 00/100 U.S. Dollars (\$810,000.00) ("Purchase Price"). Purchaser shall pay the sum of FORTY THOUSAND FIVE HUNDRED and 00/100 U.S. Dollars (\$40,500.00) as earnest money ("Earnest Money") to be applied as part payment of the Purchase Price at the Closing. The balance of the Purchase Price shall be paid in immediately available funds via electronic funds (wire) transfer at the Closing.

(b) The Earnest Money shall be deposited with the Escrow Agent (as defined in Paragraph 5) within five (5) business days of the Effective Date, who will hold and disburse the Earnest Money in accordance with the terms and provisions of this Agreement.

(c) This is a sale in gross of tract(s) and not a sale by the acre of land. There is no warranty of acreage and there shall be no adjustment in the Purchase Price for any acreage discrepancies. Seller has no knowledge, however, that the Property is different than described.

3. Representations; Disclaimer; Waiver.

(a) Seller hereby represents and warrants that:

(i) Neither Seller nor, to Seller's knowledge, any third party has disposed of, released, discharged or emitted any Hazardous Substances into or onto the soils or waters of the Property or, except for small, unauthorized household dump site of less than one-half (1/2) acre in size typical of rural timberlands, used the Property as a landfill, nor to Seller's knowledge are there any underground storage tanks on or under the Property. Additionally, Seller has not received notification of any kind from any governmental agency suggesting that the Property is or may be targeted for clean-up of any substance or material defined or designated as a "Hazardous

Substance” under any federal or state law, rule or regulation relating to pollution or protection of human health or the environment, including (without limitation) the Comprehensive Environmental Response, Compensation and Liability Act, the Toxic Substances Control Act, or similar law, rule or regulation (collectively, “Environmental Law”), and Seller knows of no pending or threatened clean-up activity or of any underground storage tanks on the Property.

(ii) Other than matters of record and those disclosed to Purchaser, there are no encroachments, overlaps, boundary line disputes, shortages in area, parties in possession, cemeteries or burial grounds known to Seller.

(b) Any documents, cruises, compilations, timber inventories, surveys, plans, specifications, reports and studies made available to Purchaser by Seller, the real estate broker, or their agents or representatives (collectively the “Seller Parties”) are provided as information only. Other than as set forth in this Agreement, Seller has not made, does not make, and has not authorized anyone else to make any representation as to: (i) the existence or non-existence of access to or from the Property or any portion thereof; (ii) the number of acres in the Property; (iii) the volume, condition or quality of timber on the Property; (iv) logging conditions or feasibility; (v) the volume, condition or quality of minerals on the Property; (vi) the availability of railroad, water, sewer, electrical, gas or other utility services; (vii) the environmental conditions or requirements of the Property; (viii) the stability of soils; (ix) the condition of any building structure or improvements on the Property; (x) the suitability or fitness of the Property for any construction or development; (xi) the suitability of the Property for any purpose; (xii) the current or projected income or expenses of the Property; (xiii) the transferability of the current forestland tax designation; or (xiv) any other matters related to the Property. **EXCEPT AS SET FORTH IN THIS AGREEMENT, SELLER HEREBY EXPRESSLY DISCLAIMS AND NEGATES ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, WHETHER EXPRESS OR IMPLIED, RELATING TO THE CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY, INCLUDING WITHOUT LIMITATION ANY WARRANTY RELATING TO THE CONDITION OF THE PROPERTY, ITS SUITABILITY FOR BUYER'S PURPOSES OR THE STATUS OF THE PROPERTY'S MAINTENANCE OR OPERATION. SELLER DOES NOT MAKE ANY REPRESENTATIONS OR WARRANTIES THAT THE PROPERTY MAY BE USED FOR ANY PURPOSE WHATSOEVER.**

(c) Except as set forth in this Agreement, Purchaser expressly acknowledges that: (i) Seller Parties have not made any representations or warranties whatsoever concerning the Property or any matters pertaining to the Property; and (ii) in entering into this Agreement, Purchaser is not relying on any such representations or warranties.

(d) Purchaser has examined and inspected or shall fully examine and inspect the Property and become thoroughly familiar with the title, condition, status and suitability of the Property. Unless Purchaser terminates this Agreement by reason of any right to do so under this Agreement, Purchaser is willing to and Purchaser shall purchase the Property and Seller shall sell the Property “**AS IS, WHERE IS, with all faults**” at the Closing, except as to any representations or warranties set forth in this Agreement.

(e) Except as to any representations or warranties set forth in this Agreement, Purchaser for itself and its successors and assigns hereby waives and releases the Seller Parties from any and all contractual, statutory, common law, and/or other liabilities, obligations, claims or causes of action, known or unknown, that Purchaser or its successors and assigns may be entitled to assert against Seller Parties arising in whole or in part of, or relating or connected in any way to, the condition of the Property including, but not limited to, any such liabilities, obligations, claims or causes of action based in whole or in part upon any applicable federal, state or local Environmental Law, rule or regulation, existence of any Hazardous Substance on the Property, or the environmental condition of the Property.

4. Purchaser's Inspection Period.

(a) Purchaser, its agents and representatives, shall have the right, for a period of thirty (30) days from the Effective Date (the "Purchaser's Inspection Period"), to go on the Property at reasonable times to make engineering, soil report and other inspections and feasibility studies, and to review access to the Property. Provided that Purchaser shall not conduct any invasive testing, including without limitation, any so-called Phase II Environmental Assessment, on the Property without Seller's prior written consent. Purchaser hereby covenants and agrees to indemnify and hold Seller harmless from any loss, liability, costs, claims, damages, demands, actions, causes of action and suits caused by the exercise of Purchaser's rights under this paragraph.

(b) Until expiration of Purchaser's Inspection Period, Purchaser may elect to either purchase or not purchase the Property. In the event that prior to the expiration of Purchaser's Inspection Period Purchaser notifies Seller and Escrow Agent in writing of its election to not purchase the Property, then (i) Escrow Agent shall refund the Earnest Money to Purchaser, and, (ii) except as expressly provided to the contrary in this Agreement, Seller and Purchaser shall have no further rights, duties, obligations or liabilities under this Agreement.

(c) In the event that Purchaser does not give notice to Seller in accordance with the provisions hereof of Purchaser's election to terminate this Agreement, then Purchaser shall be deemed to have waived such right and this Agreement shall continue in full force and effect.

5. Time and Place of Closing; Escrow. Upon mutual execution, the parties shall deposit a copy of this Agreement, and such other documents and monies, including Earnest Money, as are required hereby into escrow established with Fidelity National Title Company, 600 University Street, Suite 2424, Seattle, Washington 98101 ("Escrow Agent"), attention: Kim Belcher. Purchaser and Seller shall each pay one-half (1/2) the costs of Escrow Agent. Escrow Agent will hold and disburse the Earnest Money in accordance with the terms and provisions of this Agreement. As referred to in this Agreement, closing shall take place at or before 10:00 am (local time) on December 22, 2016 ("Closing Date"). The wire transfer for the Purchase Price must be initiated by 12:00 pm (local time) on the Closing Date. Closing shall take place at the offices of the Escrow Agent. Closing shall mean the point at which all documentation and monies

required to close the transaction have been delivered to escrow, including signed escrow instructions (“Closing”).

6. Deed of Conveyance. At Closing, Seller shall deliver a Special Warranty Deed (the “Deed”), in the form attached hereto as **Exhibit “B”** and incorporated herein by this reference, conveying to Purchaser title to the Property and warranting title against the claims of all persons claiming by, through or under Seller but against none other; the conveyance and the foregoing warranty being subject to the following (collectively, the “Permitted Exceptions”) to said warranty:

(a) all land use (including environmental and wetlands), building and zoning laws, regulations, codes and ordinances affecting the Property;

(b) any rights of the United States of America, the State in which the Property is located or others in the use and continuous flow of any brooks, streams or other natural water courses or water bodies within, crossing or abutting the Property, including, without limitation, riparian rights and navigational servitudes that are not known to Seller or of record;

(c) all easements, rights-of-way, water rights, licenses and other such similar encumbrances apparent from a physical inspection of the Property;

(d) all existing public and private roads and streets and all railroad and utility lines, pipelines, service lines and facilities that are not of record;

(e) all encroachments, overlaps, boundary line disputes, shortages in area, parties in possession, cemeteries and burial grounds and other matters not of record except those known to Seller and not disclosed to Purchaser or which would be disclosed by an accurate survey or inspection of the Property;

(f) prior reservations or conveyances of mineral rights or mineral leases of every kind and character except those known to Seller and not disclosed to Purchaser; and

(g) any loss or claim due to lack of access to any portion of the Property.

7. Title Review. Purchaser shall order a preliminary commitment for a standard policy of title insurance and will provide same to Seller as soon as reasonably possible. Purchaser shall have thirty (30) days from the Effective Date to furnish Seller with a written statement of any title objections to matters other than the Permitted Exceptions. If Seller is unable or unwilling to cure the objections on or before Closing, Purchaser shall elect either to: (a) terminate this Agreement by written notice to Seller and Escrow Agent, whereupon Escrow Agent shall return the Earnest Money to Purchaser and Seller and Purchaser shall have no further rights, duties, obligations or liabilities under this Agreement and this Agreement shall be null and void, or (b) trigger a 15 day negotiation period, in which the parties will discuss the diminution of value caused by unpermitted exceptions. If agreement is reached, then the parties will proceed to closing. If

agreement is not reached, then Purchaser may still exercise the termination right set forth in option (a) above, or (b) choose to proceed to the Closing without a reduction in the Purchase Price. At Closing, the parties shall equally split the cost of a standard owner's policy of title insurance issued by Escrow Agent for the Property in the amount of the Purchase Price and any commitment or title exam fees associated with the title commitments and the title policy. Purchaser shall pay all other title insurance premiums, fees, costs and expenses in connection with any endorsements to said owner's policy, other title insurance or further evidence of title that Purchaser desires to obtain.

8. Prorations; Expenses; Property Taxes.

(a) Seller shall pay the following costs and expenses in connection with this transaction:

- (i) Seller's attorney fees, if any;
- (ii) Real estate transfer taxes;
- (iii) All property taxes, special assessment installments and local improvement district assessment installments against the Property that is due prior to the Closing Date;
- (iv) One-half the costs of title insurance premium attributable to standard coverage;
- (v) One-half of escrow fees; and
- (vi) Commission payable to Seller's broker, if any.

(b) Purchaser shall pay the following costs and expenses in connection with this transaction:

- (i) Purchaser's attorney fees, if any;
- (ii) One-half of escrow fees;
- (iii) Recording fee for Deed;
- (iv) Recording fee for Easement Agreement (as defined in Section 37.B below) or any easement assignment documents, if any;
- (v) One-half the title insurance premium attributable to standard coverage and all costs attributable to extended coverage, if any, or any endorsements, if any;
- (vi) Costs of survey, subdivision or segregation, if any; and
- (vii) Commission payable to Purchaser's broker, if any.

(c) Property taxes for the current year, assessments, rents, water and other utilities constituting liens shall be pro-rated as of the Closing Date. Seller acknowledges that Purchaser is a governmental entity and is not required to pay any taxes, and that to the extent the Property has outstanding tax requirements due to its ownership it shall be Seller's responsibility to pay such taxes.

9. Closing Instruments.

(a) Seller shall deliver to Escrow Agent the following on or before the Closing Date:

- (i) Deed in accordance with Paragraph 6 above;
 - (ii) Easement Agreement; and
 - (ii) Such other documentation as may be reasonably required to close the transaction, including, without limitation, signed escrow instructions.
- (b) Purchaser shall deliver to Escrow Agent the following on or before the Closing Date:
- (i) The Purchase Price;
 - (ii) Such documentation as may be required to close the transaction, including, without limitation, signed escrow instructions; and
 - (ii) Easement Agreement.

10. Casualty Loss. In the event of a material loss or damage to the Property, which occurs prior to Closing, or if any material portion of the Property has been taken by condemnation or eminent domain proceedings (or deed in lieu thereof), Purchaser may, at its option, elect to (a) terminate this Agreement if Purchaser notifies Seller in writing of its election within thirty (30) days from the date Purchaser receives notice of the casualty or condemnation; or (b) Purchaser shall consummate the transaction and receive an assignment of all proceeds of insurance or condemnation awards attributable to such damage or taking, less reimbursement to Seller of the reasonable costs it incurred in procuring such proceeds or awards as disclosed to Purchaser prior to the decision referenced above. At Closing, Purchaser assumes all hazards of damage to or destruction of the Property or improvements hereafter placed thereon, and of the taking of the Property or any part thereof for public use; and agrees that no such damage, destruction or taking shall constitute a failure of consideration. For purposes of this paragraph, "material" shall mean a diminution in value of the Property in excess of 10% of the Purchase Price.

11. Real Estate Commission. Purchaser and Seller each represent and warrant to the other that, except as otherwise disclosed in writing to the other party, there are no brokers, agents or finders, licensed or otherwise has been engaged by it, respectively, in connection with the transaction contemplated by this Agreement. In the event of any such claim for broker's, agent's or finder's fee or commission in connection with the negotiation, execution or consummation of this transaction, the party upon whose alleged statement, representation or agreement such claim or liability arises shall indemnify, hold harmless and defend the other party from and against such claim and liability, including without limitation, reasonable attorney's fees and court costs. Purchaser and Seller acknowledge that the representations and warranties contained in this paragraph shall survive the Closing.

12. Default. If for any reason whatsoever, Seller shall be unable to deliver title in accordance with this Agreement, Seller's liability shall be limited to the return of the Earnest Money, together with the right to file suit in any court of competent jurisdiction seeking specific performance of this Agreement by Seller. In the event of default by Purchaser, Purchaser shall furnish Seller with all reports and studies relating to the Property conducted by or for Purchaser, and Purchaser agrees that Seller shall retain the Earnest Money as liquidated damages as Seller's

sole remedy. Seller and Purchaser agree that the Earnest Money is a reasonable amount for liquidated damages sustained by Seller upon default by Purchaser because of the uncertainty in ascertaining actual damages. In no event shall Seller be liable to Purchaser for any punitive, consequential, incidental, indirect or special damages arising out of this Agreement or any breach thereof, including but not limited to loss of use, lost profits or revenue, whether or not such loss or damage is based on contract, warranty, negligence or otherwise.

13. Exchange. Each party at its election, may assign its rights and obligations under this Agreement in order to effectuate a like-kind exchange of property under Section 1031 of the Internal Revenue Code 1986 as amended. Each party agrees to assist and cooperate with other party in any such exchange at no additional cost, expense or liability to the party providing assistance. Purchaser and Seller further agree to execute any and all documents as are reasonably necessary in connection with any such exchange.

14. Notices. Any notice required or permitted to be given hereunder shall be in writing and shall be deemed properly given on a date that is, (i) personally delivered, (ii) overnight courier service, (iii) sent by first class certified or registered mail, return receipt requested, with postage prepaid, or (iv) dispatched by electronic mail (email) transmission (accompanied with reasonable evidence of receipt of transmission and with a confirmation copy sent by overnight courier service no later than the day after transmission) to the parties' addresses set forth below. Either party may change such address for notice. All notices which are so addressed and paid for shall be deemed effective when personally delivered, or, if mailed, on the earlier of receipt or three (3) days after deposit thereof in the U.S. mail; or if sent via email, the date upon which such email was transmitted, provided the sender of such email notice receives confirmation of receipt from the recipient via return email or another acceptable notice method. Notices shall be addressed as follows:

If to Seller: Weyerhaeuser Columbia Timberlands LLC
220 Occidental Ave S
Seattle, WA 98104
Attn: Craig Crawford
Telephone: (206) 539-4250
Email: Craig.Crawford@weyerhaeuser.com

With a Copy to: Weyerhaeuser Columbia Timberlands LLC
220 Occidental Ave S
Seattle, WA 98104
Attn: Paul Hill
Telephone: (206) 539-4360
Email: Paul.Hill@weyerhaeuser.com

If to Purchaser: Clackamas County
Attn: County Parks and Forest Manager
150 Beaver Creek Road
Oregon City, OR 97045
Telephone: (503) 742-4345
Email: rgruen@clackama.us

If to the Escrow Agent: Fidelity National Title Company
600 University Street, Suite 2424
Seattle, WA 98101
Attn: Kim Belcher
Telephone: (206) 628-2833
Email: Kim.Belcher@fnf.com

15. **Actions of Seller.** Seller agrees and covenants that upon and following the execution of this Agreement and until Closing of the purchase contemplated herein, Seller shall not, without the prior written consent of Purchaser, cut timber, convey timber rights, grant easements, leases, rights-of-way or servitudes, or grant or convey any portion of the Property, or in any way encumber the Property in a manner inconsistent with the rights and interests to be acquired by Purchaser.

16. **Invalidity.** In the event any portion of this Agreement should be held to be invalid by any court of competent jurisdiction, such holding shall not affect the remaining provisions hereof unless the court's ruling includes a determination that the principal purpose and intent of this Agreement are thereby defeated.

17. **Waiver of Jury Trial.** EXCEPT AS PROHIBITED BY LAW, EACH PARTY HERETO WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION (ACTION, PROCEEDING OR COUNTERCLAIM) DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, ANY DOCUMENT OR AGREEMENT ENTERED INTO IN CONNECTION HERewith AND ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

18. **Legal Relationships.** The parties to this Agreement execute the same solely as a Seller and Purchaser. No partnership, joint venture or joint undertaking shall be construed from these presents, and except as herein specifically provided, neither party shall have the right to make any representation for, act on behalf of, or be liable for the debts of the other. All terms, covenants and conditions to be observed and performed by either of the parties hereto shall be joint and several if entered into by more than one person on behalf of such party, and a default by any one or more of such persons shall be deemed a default on the part of the party with whom said person or persons are identified. No third party is intended to be benefited by this Agreement.

19. **Assignment; Successors.** Purchaser shall have the right to assign its rights under this Agreement, in whole or in part, provided that: (a) Purchaser shall give Seller written notice of the assignment at least 10 days prior to Closing; and (b) that Purchaser shall pay any additional

closing costs charged by Escrow Agent for such assignment(s). The notice shall specify the name, address and phone number of the assignee(s). If the assignment is less than a full assignment the notice shall also state the portion of the Property subject to the assignment and the allocation of the Purchase Price. Seller shall be under no obligation to close any partial assignment unless the entirety of the Property closes for the full Purchase Price in simultaneous transactions. If Purchaser makes an assignment of this Agreement Purchaser shall not be relieved of any obligations or liabilities hereunder. The rights and obligations of Seller and Purchaser shall inure to the benefit of and be binding upon their respective estates, heirs, executors administrators, successors, successors-in-trust and assigns.

20. Time of Performance. Time is of the essence of this Agreement and whenever a date or time is set forth in this Agreement, the same has been entered into and formed a part of the consideration for this Agreement.

21. Possession. Possession of the Property shall be granted to Purchaser at the Closing.

22. Cooperation. Each of the parties shall perform all such other acts and things and execute such other and further documents as may be necessary to carry out the intent and purposes of this Agreement.

23. Paragraph Headings. The word or words appearing at the commencement of paragraphs and subparagraphs of this Agreement are included only as a guide to the contents thereof and are not to be considered as controlling, enlarging or restricting the language or meaning of those paragraphs or subparagraphs.

24. Interpretation. Both parties have reviewed this Agreement and each party has had the opportunity to consult with independent counsel with respect to the terms hereof and has done so to the extent that such party desired. No stricter construction or interpretation of the terms hereof shall be applied against either party as the drafter hereof.

25. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original instrument. All such counterparts together shall constitute a fully executed Agreement. Signature and acknowledgment pages, if any, may be detached from the counterparts and attached to a single copy of this document to physically form one document. In addition, or electronic (email) counterparts of this Agreement shall be deemed for all purposes as an original, and the parties agree to deliver counterparts of this Agreement containing original signatures if requested as soon as possible.

26. Organization and Authority. Seller and Purchaser represent and warrant to the other that, except as expressed as a contingency herein, (a) each has the full right, power and authority to execute this Agreement and perform their respective obligations under this Agreement, and (b) the execution and delivery of this Agreement has been duly authorized, and no further action or approval is required to cause this Agreement to be valid, binding and enforceable against the respective party in accordance with its terms.

27. **Survival.** All representations and warranties set forth in this Agreement and all provisions of this Agreement, the full performance of which is not required prior to Closing, shall survive closing for a period of three (3) years following Closing and shall not be merged in any deed and be fully enforceable thereafter.

28. **Use of Name.** Purchaser acknowledges and agrees that the name “Weyerhaeuser” (or any variation thereof) shall not be used by Purchaser, or its assigns, in any way or on any activities conducted by or on behalf of Purchaser, including advertisements. Seller acknowledges that Purchaser is a public entity and may not hold any information confidential that does not meet an exception granted in Oregon Public Records Law, and that the details of this transaction, including the name of Seller, will be a public record available as required by law.

29. **Complete Agreement.** This Agreement contains the entire agreement of the parties and there are no representations, inducements or other provisions other than those expressed in writing.

30. **Amendment.** This Agreement may not be modified or amended except by the written agreement of the parties.

31. **No Personal Liability.** No officer, director, shareholder, manager, member, employee or partner of Purchaser or Seller shall have any personal liability with respect to this Agreement whatsoever.

32. **Offer and Acceptance.** This instrument shall be regarded as an offer by Purchaser (“Offer”) which shall remain open for acceptance by Seller and subject to certain internal corporate reviews and approvals. Upon acceptance of this Offer by Seller, and upon meeting of the conditions as set forth herein, the resulting agreement shall be binding upon the parties. As used herein, the phrase “Date of this Agreement” shall mean and refer to the last date on which this Agreement is executed by both Purchaser and Seller, as indicated by the date entered under each signature.

33. **Governing Law.** This Agreement shall be construed and enforced in accordance with the law of the State of Oregon without giving effect to the conflict of law provisions thereof.

34. **Public Roads.** Purchaser acknowledges and accepts that roads which may exist leading to the Property may not be public roadways and therefore not maintained.

35. **Special Provisions.**

A. At Closing, Seller shall grant to Purchaser a permanent, non-exclusive, easement and right-of-way sixty (60) feet in width, for ingress, egress and utilities, in common with Seller, their successors and assigns over, upon, along and across existing roads located in the E1/2NW1/4 of Section 36, Township 2 South, Range 5 East; S1/2NW1/4, SW1/4NE1/4 and SE1/4 of Section 31 and SW1/4SW1/4 of Section 32, Township 2 South, Range 6 East; and NW1/4NW1/4 of Section 5, Township 3 South, Range 6 East, W.M., Clackamas County, Oregon (the “Easement”). The parties hereto hereby agree that the Easement shall be subject to the terms,

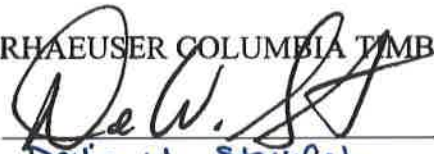
provisions, and conditions applicable to Seller, Purchaser and their respective successors and assigns described in an Easement Agreement to be executed by both parties and recorded at Closing, in the same form and format attached hereto as **Exhibit "C"** and incorporated herein by this reference (the "Easement Agreement"). The approximate location of the Easement is shown in the Easement Agreement.

B. Purchaser acknowledges that access to the Property crosses over U.S. Forest Service ("USFS") property. Purchaser acknowledges and agrees that Purchaser shall be responsible for obtaining an access permit from USFS to access the Property. Seller does not warrant access to the Property.

IN WITNESS WHEREOF, the parties hereto have executed this instrument to be effective the day and year first above written.

SELLER:

WEYERHAEUSER COLUMBIA TIMBERLANDS LLC

By 
Name Devin W. Stockfish
Title Senior Vice President

Dated: October 25, 2016 *Approved: DJS*

PURCHASER:

CLACKAMAS COUNTY,
a political subdivision of the State of Oregon

By _____
Name _____
Title _____

Dated: _____, 2016

EXHIBIT "A"
to the Agreement

Property Legal Description

Township 3 South, Range 6 East, W.M., Clackamas County, Oregon

Section 4: SW1/4SW1/4

Section 5: S1/2SE1/4, SE1/4SW1/4

Section 8: N1/2N1/2, SE1/4NE1/4

Section 9: NW1/4NW1/4

EXHIBIT "B"
to the Agreement

Form of Deed

Filed for record at the request of
and after recording, return to:
Fidelity National Title Company
Attn: Kim Belcher
600 University Street, Suite 2424
Seattle, WA 98101
File No. T2016-460

SPECIAL WARRANTY DEED

WEYERHAEUSER COLUMBIA TIMBERLANDS LLC, a Delaware limited liability company, whose address is 220 Occidental Ave S, Seattle, Washington 98104 ("Grantor") for valuable consideration, receipt of which is hereby acknowledged, does hereby convey and specially warrants to CLACKAMAS COUNTY, a political subdivision of the State of Oregon, whose address is 150 Beaver Creek Road, Oregon City, Oregon 97045 ("Grantee"), the real property described on **Exhibit "A"** attached hereto and incorporated herein by this reference, free of encumbrances created or suffered by the Grantor except as specifically set forth on **Exhibit "B"** attached hereto and incorporated herein by this reference.

The true consideration for this conveyance is \$810,000.00

TOGETHER WITH, but without any warranty whatsoever, Grantor's interest in all rock, sand, gravel, oil, gas, and other liquid or gaseous hydrocarbons including, without limitation, coal seam gas; geothermal resources including, without limitation, geothermal steam and heat; base and precious metals; ores; coal; lignite; peat; clays; and minerals of any and every nature, kind, or description whatsoever now or hereafter susceptible of commercial exploitation in or upon said land.

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301, AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007 AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009 AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year herein first above written.

Notary Public in and for the State of Washington
Residing in Seattle
My appointment expires: 10/29/2018
Printed Name: Paul A. Hill II

EXHIBIT "A" to the Deed

LEGAL DESCRIPTION

Township 3 South, Range 6 East, W.M., Clackamas County, Oregon

Section 4: SW1/4SW1/4

Section 5: S1/2SE1/4, SE1/4SW1/4

Section 8: N1/2N1/2, SE1/4NE1/4

Section 9: NW1/4NW1/4

Exhibit "B" to the Deed

Permitted Encumbrances

- (a) all land use (including environmental and wetlands), building and zoning laws, regulations, codes and ordinances affecting the Property;
- (b) any rights of the United States of America, the State in which the Property is located or others in the use and continuous flow of any brooks, streams or other natural water courses or water bodies within, crossing or abutting the Property, including, without limitation, riparian rights and navigational servitudes that are not known to Grantor or of record;
- (c) all easements, rights-of-way, water rights, licenses and other such similar encumbrances apparent from a physical inspection of the Property;
- (d) all existing public and private roads and streets and all railroad and utility lines, pipelines, service lines and facilities that are not of record;
- (e) all encroachments, overlaps, boundary line disputes, shortages in area, parties in possession, cemeteries and burial grounds and other matters not of record except those known to Grantor and not disclosed to Grantee or which would be disclosed by an accurate survey or inspection of the Property;
- (f) prior reservations or conveyances of mineral rights or mineral leases of every kind and character except those known to Grantor and not disclosed to Grantee;
- (g) any loss or claim due to lack of access to any portion of the Property; and further subject to
- (h) [add Permitted Encumbrances from title commitment]

EXHIBIT "C"
to the Agreement

Form of Easement Agreement

Filed for record at the request of
and after recording, return to:
Fidelity National Title Company
Attn: Kim Belcher
600 University Street, Suite 2424
Seattle, WA 98101
File No. 912-37.16-0010

EASEMENT AGREEMENT

THIS EASEMENT AGREEMENT (the "Agreement"), dated this ____ day of _____, 2016, is by and between WEYERHAEUSER COLUMBIA TIMBERLANDS LLC, a Delaware limited liability company, hereinafter called "Grantor," and CLACKAMAS COUNTY, a political subdivision of the State of Oregon, and its successors and assigns, hereinafter called "Grantee." Grantor's and Grantee's addresses are set forth in Section 23 herein.

Grantor, for and in consideration of \$1.00 and other valuable consideration received by Grantor, the receipt and sufficiency of which is hereby acknowledged, does hereby grant to Grantee, subject to all of the terms and conditions described herein, a permanent non-exclusive easement and right-of-way for utilities and the use, maintenance and improvement of an existing road (hereinafter, the "Road") over, under, upon, along, and across the following described lands in the County of Clackamas, State of Oregon (the "Servient Estate"):

A strip of land Sixty (60) feet in width, thirty (30) feet on each side of the centerline, with such additional widths as may be necessary for needed cuts and fills over and across a portion of the property legally described as follows and in the location approximately as shown on **Exhibit "A"** attached hereto and incorporated herein by this reference:

Township 2 South, Range 5 East, W.M.
Section 36: E1/2NW1/4

Township 2 South, Range 6 East, W.M.
Section 31: S1/2NW1/4, SW1/4NE1/4 and SE1/4
Section 32: SW1/4SW1/4

Township 3 South, Range 6 East, W.M.
Section 5: NW1/4NW1/4

The easement and right-of-way described above is hereinafter referred to as the “Easement.”

The above grant and conveyance is subject to all matters of public record as of the date of recording of this Agreement.

Grantor and Grantee agree that the rights granted herein shall be subject to the following terms, provisions, and conditions applicable to Grantor, Grantee and their respective successors, assigns, heirs, and personal representatives:

1. Purpose.

(a) This Easement is granted for the purpose of using, maintaining and improving the Road for ingress and egress to Grantee’s property for all lawful residential, commercial and industrial uses and developments. Grantee’s property is more particularly described as follows (the “Dominant Estate”):

Township 3 South, Range 6 East, W.M., Clackamas County, Oregon
Section 4: SW1/4SW1/4
Section 5: S1/2SE1/4, SE1/4SW1/4
Section 8: N1/2N1/2, SE1/4NE1/4
Section 9: NW1/4NW1/4

(b) Further, the easement granted herein is also for the purpose of constructing, reconstructing, using, maintaining and improving an underground utility transmission line under, along and across the Easement. Such utility line shall be buried so that it will at all points be at a minimum of four (4) feet below the surface of the ground, and shall be installed and maintained in a manner reasonably satisfactory to Grantor. The location of such utility line shall be clearly marked and the markings shall be maintained to the reasonable satisfaction of Grantor.

2. Relocation. Grantor reserves unto itself and its successors and assigns the right at its expense to relocate the Easement, the utility line and the Road subject to the condition that, except for distance and curvature, such relocated Easement and Road and utility line provides the same type and quality of access and utility service as existed prior to such relocation and does not change the point of interconnection on the boundaries of the Servient and Dominant Estates without the prior consent of the owner of the Dominant Estate, which consent shall not be unreasonably withheld or delayed. If the location of the Road and/or utilities is changed, Grantor and Grantee shall place of public record an amendment to this Agreement to reflect such relocation.

3. Reserved Rights. Grantor, for itself and its successors and assigns, reserves the right at all times and for any purpose to go upon, cross and recross, at any place on grade or otherwise, the Easement and to use the Road in any manner and for any purpose that will not unreasonably interfere with the rights granted hereunder.

4. Third Parties. The Easement granted herein is non-exclusive, and Grantor may, in its sole discretion, grant to third parties the right to utilize the Easement or Road for any purpose or purposes reserved to Grantor upon such terms as it chooses; provided, that use by such third party shall be subject to the terms and conditions of this Easement and shall not unreasonably interfere with the rights granted hereunder. Nothing herein contained shall be deemed a gift or dedication of any portion of the Easement or Road to the general public, or for any public use or purpose whatsoever. Except as herein specifically provided, no rights, privileges, or immunities hereunder shall inure to the benefit of any third party, nor shall any third party be deemed to be a beneficiary of any of the provisions contained herein.

5. Maintenance and Improvement.

5.1 Maintenance.

(a) For purposes of this Agreement, “maintenance” is defined as the work normally necessary to preserve and keep the Road and appurtenant Road facilities (such as bridges, culverts, gates, ditches and brushing) as nearly as possible in their present condition or as hereafter improved, and shall include repairs, reconstruction, and resurfacing (except for repairs, reconstruction or resurfacing described in Paragraph 5.2 hereof) and noxious weed control. The cost of maintenance shall be allocated on the basis of respective uses of the Road. When any party uses the Road, or a portion thereof, that party shall perform or cause to be performed, or contribute or cause to be contributed, that share of the maintenance occasioned by such use as hereinafter provided. During periods when the Road, or a portion thereof, is being used solely by one party, such party shall maintain that portion of the Road so used to the standards existing at the time use is commenced, and shall follow all applicable laws, rules and regulations and Best Management Practices of the State of Oregon available from the Oregon Department of Forestry, as the same may be amended from time to time (hereinafter, “BMPs”) and the Sustainable Forestry Initiative 2015-2019 Standard (or any successor standard then in effect) as set forth by SFI, Inc. (hereinafter, “SFIs”).

(b) During periods when more than one party is using the Road, or a portion thereof, each party’s share of maintenance shall be pro rata in proportion to its intensity of use thereof. If necessary, and at the request of either party, the parties hereto shall meet and establish necessary maintenance provisions. Such provisions shall include, but shall not be limited to:

(i) The appointment of a maintainer, which may be one of the parties hereto or any third party, who will perform or cause to be performed, at a reasonable and agreed upon rate, the maintenance of the Road or the portion thereof being used; and

(ii) A method of payment by which each party using the Road or a portion thereof shall pay its pro rata share of the cost incurred by said maintainer in maintaining, the Road or portion thereof.

5.2 Improvement. For the purposes of this Agreement, "improvement" is defined as the work necessary to surface, resurface, widen, recondition or replace the Road and appurtenant Road facilities (such as bridges, culverts, gates, ditches and brushing) to a higher or greater standard than that prevailing on the date of this Agreement. Any improvement shall be at the sole cost and expense of the improving party. When any existing or planned use of lands accessed by the Road described herein will result in use of the Road in excess of its current design elements, design standards, and/or road maintenance standards, the party responsible for such existing or planned use shall likewise be responsible for any additional costs that are necessary to meet design elements, design standards, and/or road maintenance standards that can accommodate such existing or planned use (as well as other existing uses).

5.3 Notification. Grantee shall provide to Grantor written notification not less than ten (10) business days prior to commencing any maintenance or improvement activities within the Easement. Written notification shall include the following:

- (a) The constructing party's name, address and phone number;
- (b) A legal description and map showing the location of proposed activities;
- (c) Name, company name, address and phone number of individual and/or company performing maintenance or improvement activities; and
- (d) Description of the scope of any such maintenance or improvement activities.

Grantee shall also provide to Grantor written notification within five (5) business days of completion of any maintenance or improvement activities.

6. Structures and Gates. Grantee may not construct any structures, including, without limitation, gates or fences, along or across the Easement without the prior written permission of Grantor, which permission may be withheld in Grantor's sole discretion. Both parties acknowledge and agree that Grantor may control the access granted hereunder by a locked gate and such other measures reasonably necessary to prevent unauthorized vehicle access. Both parties agree that such gate will be closed and locked at all times except when authorized use of the Road by Grantor, Grantee or their respective permittees requires that it be open. The party constructing any locked gate shall ensure that the other party has a key or access code to the gate. The parties hereto shall use their reasonable efforts to prevent unauthorized vehicle traffic behind such gate.

7. Intentionally Deleted.

8. Intentionally Deleted.

9. Road Damage. Each party using any portion of the Road shall repair or cause to be repaired at its sole cost and expense that damage to the Road occasioned by it which is in excess of that which it would cause through normal and prudent usage of the Road. Should inordinate damage to the Road occur which is not caused by an authorized user of the Road, the parties hereto shall meet to agree on the cost and method of replacement or repair, and the shares of repair or replacement cost to be borne by each user of the Road.

10. Damages. Grantee shall pay for all damages, including but not limited to timber, crops and grazing lands located within the Easement or adjacent thereto arising out of Grantee's use or maintenance of this Easement.

11. Condition and Use of Easement. Grantor makes no warranties as to the current state of the Easement or the Road, or likely future condition of the Easement or Road. Grantee acknowledges that the Road will be used for a wide range of activities, including but not limited to, the use of heavy vehicles and for logging activities. All parties using the Easement or Road do so at their own risk, and nothing in this Agreement shall be construed to impose any liability for injuries to persons or property against Grantor by reason of neglect or failure to maintain the Easement or the Road located thereon. Grantee shall comply with all governmental laws, ordinances, rules and regulations, BMPs and SFIs applicable to the construction, reconstruction, maintenance, repair, improvement, or use of the Easement.

12. Right-of-Way Timber. Grantor reserves to itself and its successor and assigns all timber now on or hereafter growing within the Easement, which Grantor may harvest and remove at any time. Upon prior written notice to Grantor, Grantee shall have the right to cut timber within the Easement to the extent necessary for maintaining or improving the Road. Timber so cut shall, unless otherwise agreed to, be cut into logs of lengths specified by Grantor and decked along the Road for disposal or removal by Grantor.

13. Personal Insurance. All persons using the Easement for any purpose shall obtain and maintain a policy of Automobile Liability Insurance in a form generally acceptable in the State of Oregon and customary in the area of the Easement.

14. Non-Residential Use of Easement. As described in Section 1 herein, Grantee may use the Easement in connection with non-residential uses on the Dominant Estate. As a condition to such use, Grantee must first (a) provide written notice to Grantor specifying the nature of the non-residential uses and (b) comply with the insurance requirements set forth in this Section 14. For the purposes of this Agreement any use of the Dominant Estate for anything other than private residences shall be a "non-residential use". Prior to any non-residential use of the Road, Grantee shall obtain and maintain, throughout the period of such use, liability insurance issued in a form and by an insurance company acceptable to Grantor. Coverage requirements shall be as follows and have an **AM Best's Key Rating Guide of B+ VI (financial class) or better rating:**

i. Commercial General Liability Insurance to include minimum limits of \$1,000,000 per occurrence and \$1,000,000 annual aggregate Combined Single Limit Bodily Injury, Death and Property Damage. Extension of coverage to include Comprehensive Form, Premises and Operations, Contractual Liability, Products and Completed Operations, Independent Contractors, Personal Injury, Broad Form Property Damage, Cross Liability, and Pollution arising out of heat, smoke or fumes from a Hostile Fire. Additionally, the policy shall not exclude X, C or U (Explosion, Collapse, or Underground).

ii. Comprehensive Automobile Liability insurance covering owned, non-owned, hired and other vehicles, with a combined single limit of \$1,000,000 per occurrence Combined Single Limit Bodily Injury, Death and Property Damage.

iii. The policies specified above shall include an endorsement which shall name Grantor and Weyerhaeuser Company, together with its subsidiaries and affiliates (collectively the "Weyerhaeuser Companies") as additional insureds on a primary basis for the term of the temporary commercial use. The additional insured endorsement must be ISO CG20 10 11 85 (or other form with like wording).

iv. The policies specified above shall include an endorsement which shall provide that Grantor, at the address in Section 24 herein, will be given a 30 - day written notice prior to cancellation, coverage modification or other material change in the policy. No such cancellation, modification or change shall affect Grantee's obligation to maintain the insurance coverages required by this Agreement.

v. All liability coverages must be on an "occurrence" basis as opposed to "claims made."

vi. All such insurance shall be in a form and company acceptable to Grantor sufficient to protect Grantee, its contractors and their subcontractors, to the extent that they are involved in the work, and Grantor against the claims of third persons, and to cover claims by Grantor against Grantee, its contractor and their subcontractors for which Grantee has assumed liability under this Agreement.

vii. If requested by Grantor, Grantee shall furnish to Grantor a certificate of insurance dated and signed by a stated, authorized agent for the insuring company or companies, in a form acceptable to Grantor and containing a representation that coverage of the types listed herein is provided with the required liability limits and the stated endorsements. Grantor reserves the right to require a certified copy of the policy(ies) or to examine the actual policy(ies). Said certificate(s) of insurance shall be issued to Grantor at the address in Section 24 herein.

viii. If Grantee retains the services of any contractor, Grantee shall cause each contractor to maintain insurance coverages and limits of liability of the same type and the

same amount as are required of Grantee under this Agreement. Grantee shall obtain, prior to the commencement of the contractor's services, the required certificates of insurance and additional insured endorsements, if requested by Grantor.

15. Indemnification. Grantee shall assume all risk of, and indemnify and hold harmless, and at its expense defend Grantor and Weyerhaeuser Companies from and against any claims, loss, cost, legal actions, liability or expense on account of personal injury to or death of any persons whatsoever, including but not limited to Grantor and the Weyerhaeuser Companies, their employees, agents, or contractors, or damage to or destruction of property to whomsoever belonging, including but not limited to property of Grantor and the Weyerhaeuser Companies, their employees, agents or contractors, or any fire, resulting partly or wholly, directly or indirectly from Grantee's exercise of the rights herein granted; provided, however, that Grantee's undertaking herein contained shall not be construed as covering personal injury to or death of persons, or damage to or destruction of property to the extent resulting from the negligence of Grantor and the Weyerhaeuser Companies or their employees, agents or contractors.

16. Liens. Grantee shall keep the Easement and the Servient Estate free from liens arising in any manner out of the activities of Grantee and shall promptly discharge any such liens that are asserted. If Grantee fails to fulfill this obligation, the owner of the Servient Estate may do so, in which event Grantee shall pay all costs and expenses incurred by the owner of the Servient Estate in connection therewith plus costs and interest at the rate of the lesser of eight percent (8%) per annum or the maximum permitted by law.

17. Taxes. Grantee shall pay all taxes and/or assessments that may become chargeable against this easement, if separately assessed by statute.

18. Termination. If Grantee determines that the Easement, or any portion thereof, is no longer needed, this Agreement shall terminate. Any termination under this paragraph shall be evidenced by a statement in recordable form furnished by Grantee to Grantor or its successor(s) or assign(s) in interest; provided, however, that any liability or obligation incurred or owed by Grantee prior to the recording of such statement shall survive the termination of this Agreement. Grantor may terminate this Agreement for uncured breach as hereinafter described. Grantor shall have the right to dedicate all or any portion of the Road to the state, county or municipality as a public road, in which event the Easement on the portion so dedicated shall terminate.

19. Default. Failure of Grantee to perform any of its obligations hereunder shall constitute a default. Upon default, Grantor shall notify Grantee in writing, describing the nature of such default and the action necessary to cure the default. Grantee shall have thirty (30) days following its receipt of a notice to cure the default, unless it appears that Grantee has commenced to cure the default in good faith and has diligently continued to pursue such curing, but has been unable to complete the same within said 30-day time period due to the nature of the default or other causes beyond the control of Grantee, in which case the time period shall be extended accordingly; provided, however, that no extension shall be afforded for a default in the payment of a monetary obligation. In the event Grantee fails to cure the breached obligation during the

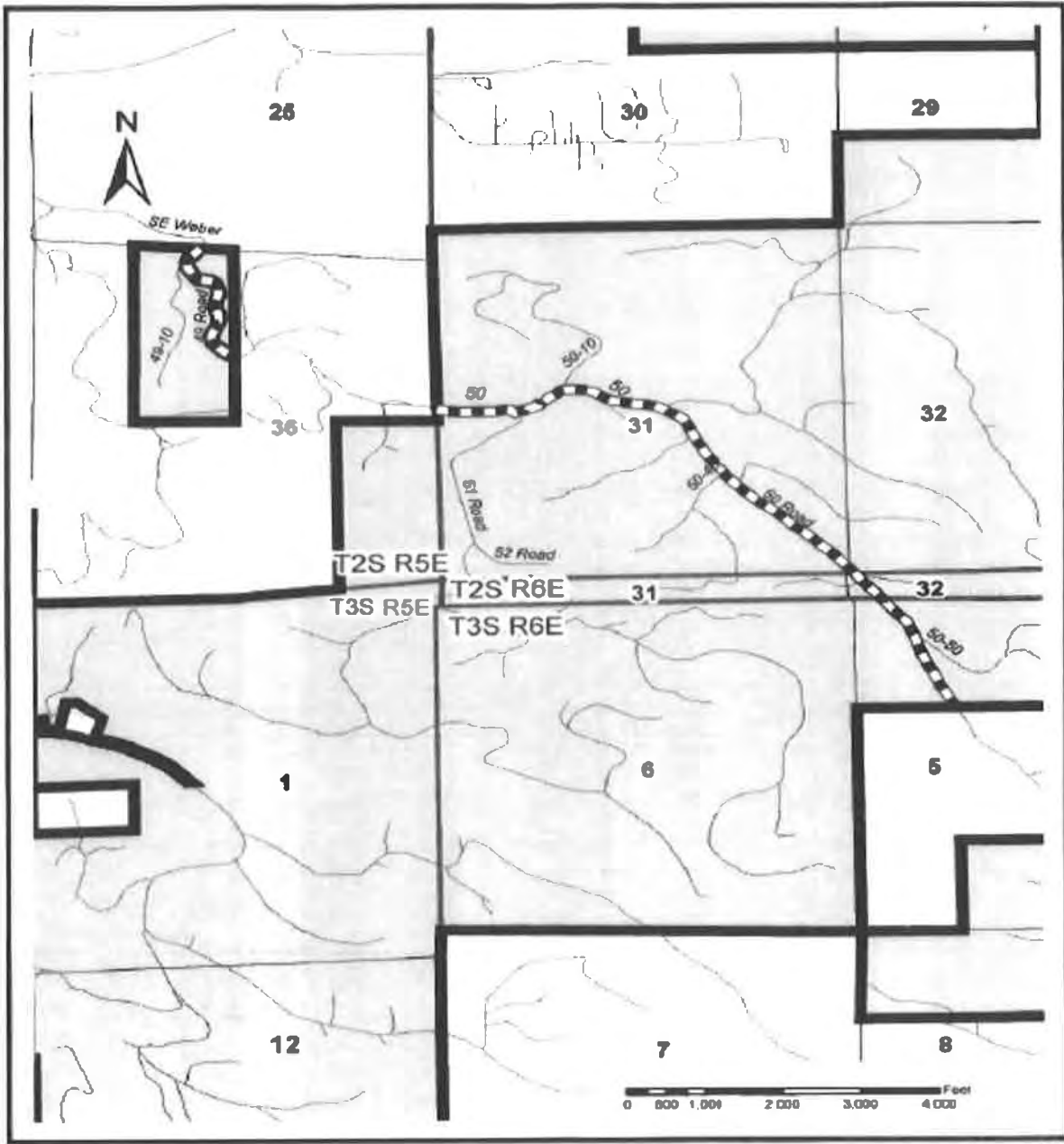
And to: 220 Occidental Avenue South
Seattle, Washington 98104
Attention: Legal Department

Grantee: Clackamas County
Attn: County Parks & Forest Manager
150 Beaver Creek Road
Oregon City, OR 97045
Telephone: (503) 742-4345
Email: rgruen@clackamas.us

Upon at least ten (10) days' prior written notice, each party shall have the right to change its address to any other address within the United States of America.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES.]

**Exhibit "A" to
the Easement Agreement**



Easement Grant to Clackamas County	WY Columbia Timberlands LLC Ownership	Township Line	Roads	Exhibit "A"
		Section Line		Easement Grant to Clackamas County Clackamas County, OR
				Author: Land Title Dept - MMH - 8/19/2016 Easement_ClackamasCo_081616_MM



Dave Cummings
Chief Information Officer

Technology Services

121 Library Court Oregon City, OR 97045

Board of County Commissioners
Clackamas County

Members of the Board:

Approval of the purchase of Nimble enterprise storage hardware from
CDW-G to upgrade and expand the County data storage system

Purpose/Outcomes	Expands capacity and improves performance of the existing enterprise storage arrays for County data storage.
Dollar Amount and Fiscal Impact	Purchase cost is \$194,970.74. Including 1 st year maintenance Estimate 5 years use at \$14,954 / year maintenance (4 additional years) Total lifetime investment estimated \$254,786
Funding Source	FY16-17 747-0227 Technology Services Capital Hardware Budget (planned) Future maintenance will be budgeted in 747-0227
Duration	Estimated lifecycle of 5 years
Previous Board Action	Not Applicable
Strategic Plan Alignment	Aligns with Technology Services plan to maintain high speed, reliable and efficient data storage.
Contact Person	David Devore, Technology Services – 503-723-4996
Contract No.	Oregon IT Hardware VAR Contract (5603)

BACKGROUND:

Clackamas County Technology Services is in the process of phasing out aging, end of life, storage equipment from EMC in favor of new equipment provided by Nimble Storage. Nimble Storage has long been a standard solution for County data storage systems. The aging EMC equipment has been in place for 5+ years.

Consolidating to a single storage vendor provides better performance, support, more flexibility and lower cost than the previous multi-vendor solution. This purchase will not only greatly improve performance and capacity but enable new options for high availability and data recovery in line with County goals of continuation of operations planning (COOP). It is expected this equipment will be in use for at least 5 years.

This purchase cost is \$194,970.74 which includes hardware and 1st year maintenance. Intended maintenance cost over 5 year period is forecast at \$59,816 (\$14,954 annual for 4 additional years). This would give an estimated, full lifecycle investment of approximately \$254,786.14 when the equipment reaches its 5 year lifespan.

The equipment will be purchased from CDW-G utilizing the State of Oregon IT Hardware VAR contract #5603.

RECOMMENDATION:

Staff respectfully recommends the Board approval of this purchase from CDW-G. Staff further recommends the Board delegate authority to the Technology Services Director to sign agreements necessary in the performance of this purchase and ongoing maintenance.

Respectfully submitted,

Dave Cummings
CIO Technology Services

Placed on the Agenda of _____ by the Procurement Division



November 3, 2016

Board of County Commissioners
Clackamas County

Members of the Board:

Approval of a Facility Use Agreement with
North Clackamas Parks and Recreation District and
Clackamas County Master Gardeners Association
For Gardening Services at the Milwaukie Center Community Garden

Purpose/Outcomes	Provide oversight and management of the Milwaukie Center Community Garden.
Dollar Amount and Fiscal Impact	Annual Revenue amount of \$887.
Funding Source	No County General Funds required.
Duration	Effective upon signature and expires on October 1, 2017.
Previous Board Action	None.
Strategic Plan Alignment	1. Supports the purpose of providing gardening services for the community, including soil sampling clinics and educational gardening workshops that support healthy soils, gardening and composting. 2. Supports the County's goal of ensuring safe, healthy garden practices.
Contact Person	<i>Scott Archer, NCPRD Director, 503-742-4421</i> <i>Marty Hanley, NCPRD, Milwaukie Center Supervisor, 503-794-8058</i>

BACKGROUND:

North Clackamas Parks and Recreation District ("NCPRD") requests the approval of a Facility Use Agreement with Clackamas County Master Gardeners Association (CCMGA).

NCPRD/Milwaukie Center wishes to have the CCMGA prepare beds for planting in the spring, maintain garden boxes 1, 2, and 3, provide a list of soil amenities and garden supplies for District to obtain, and keep record of volunteer hours in relation to the operation of community gardens to be reported quarterly to the Milwaukie Center staff liaison.

CCMGA will plan and coordinate a minimum of (2) soil testing clinics per year for the community at the Milwaukie Center and plan a minimum of (3) educational gardening workshops for the community at the Milwaukie Center. CCMGA will follow language in all promotional information about the clinics and workshops: "in partnership with North Clackamas Parks and Recreation District and the Milwaukie Center".

The Facility Use Agreement has been reviewed by County Counsel.

RECOMMENDATION:

NCPRD staff recommends the Board of County Commissioners, acting as the Governing Body for North Clackamas Parks and Recreation District, approve the Facility Use Agreement with CCMGA and authorize BCS Director Gary Barth to sign on behalf of Clackamas County.

ATTACHMENT:

1. Facility Use Agreement between NCPRD and CCMGA for Gardening Services

Respectfully submitted,

Scott Archer, Director
North Clackamas Parks and Recreation District

Facility Use Agreement

North Clackamas Parks and Recreation District

Clackamas County Master Gardeners Association Agreement

Agreement Term: October 1, 2016 to October 1, 2017

This Agreement entered into this 1st day of October, 2016 by and between the North Clackamas Parks and Recreation District, (hereinafter called the "District") and the Clackamas County Master Gardeners Association (hereinafter called "Contractor"):

WITNESSETH

WHEREAS, Clackamas County a political subdivision of the State of Oregon, by voter approval established the North Clackamas Parks and Recreation District, which is governed by the Clackamas County Board of Commissioners, sitting as the Board of Directors of the District, and;

WHEREAS, the District is desirous of retaining the Contractor to appoint a volunteer from the contractor's organization to provide gardening services for the Milwaukie Center Community Garden located at the Milwaukie Center.

Whereas, Contractor has the professional qualifications and certification with a reputable agency and is qualified to provide such program services; and

Whereas, District and Contractor are agreeable to the terms and conditions hereinafter set forth governing the provisions of specified services;

NOW, THERFORE in consideration of the mutual promises and covenants contained, it is mutually agreed as follows:

- I. THE CONTRACTOR AGREES TO :
 - A. Provide those services set forth in "Attachment A" as an independent Contractor and not as an employee or agent of the District.
 - B. Indemnification
Contractor agrees to indemnify hold harmless and defend District, its Directors and their officials, and every officer, employee and agent of the District from any and all liability or financial loss resulting from any suits, claims, losses or actions brought by any person or persons and from all cost and expenses of litigation brought against District, by reason of injury to any person or persons, or damage, destruction, or loss resulting from any or all wrongful or negligent acts, errors and omissions of Contractor or any employee or agent of the Contractor in the performance of the Agreement.
- II. The District Agrees to:
 - A. Utilize the following language in all promotional information about the Community Garden: "in partnership with Clackamas County Master Gardeners Association".
 - B. Appoint a staff Community Garden liaison to be the contact with the CCMGA Community Garden Coordinator.
 - C. Advertisement of garden plots for community use within following guidelines:

- priorities to be given to past garden users, age 55+ or disabled and Parks District residents further assignments on a first come, first served basis
 - non-residents of the District and younger people, as space permits (after May 15 of each year)
- D. Provide application to prospective garden participants.
- E. Ensure annual weed control in gravel pathways areas and safety/functional maintenance of Community Garden area.
- F. Obtain mutually agreed upon soil amenities and garden supplies for Community Garden.
- G. Provide timely communication of any concern or issue that may substantially affect this partnership or the Community Garden.
- H. All Community Garden upkeep and water costs will be the responsibility of the District.
- III. The District Agrees to provide Meeting Space at the Milwaukie Center and North Clackamas Park – Section A:
- A. Milwaukie Center– Basic cost to open facility includes partial Facility Use Coordinator salary, partial custodial costs, partial utility costs and administrative fee. Also usage on the 2nd Monday/month, 6:00 p.m. – 9:30 p.m. (3.5 hours) in Rhododendron, Trillium, Violet rooms, and Stage, with the exception of July and August, 2017.
- 1/4 of Facility Use Coordinator salary x 3.5 hours = \$35.00
- Custodial costs -- \$120/night, assessed at 1/6 of cost = \$20.00
- Utility fee (electricity, gas, garbage) = \$15.00
- Administrative fee = \$14.00
- Total assessment at discount for 3.5 hour meeting = \$84.00, \$840.00 for 10 meetings.
- (Current rental rate, \$95/hrly x 3.5 hrs = \$332.50, \$248.50 savings/meeting, \$2,485.0 annual savings/10 meetings).
- B. North Clackamas Park – Basic cost to provide facility includes Parks Maintenance staff salary x 1 hour, garbage, utility costs and administrative fee.
- Usage of A-frame - 2nd Monday in August.
- Staff salary = \$30/hr.
- Utility = \$10/use fee
- Administrative fee= \$7.00
- Total assessment for A-Frame/one-time use = \$47.00
- (Current rental rate, \$185 for up to 6 hr. use, \$138.00 savings).
- IV. The District and the Contractor Agrees that:
- A. District Priorities
- The Contractor shall comply promptly with any requests by the District relating to the emphasis or relative emphasis to be placed on various aspects of the program or to such other matters pertaining to said program.

B. Independent Contractor

1. The Contractor in carrying out the services to be provided under this Agreement is acting as an independent contractor and is not an employee of District, and as such accepts full responsibility for taxes and other obligations associated with payment for services under this agreement as part of the agreed upon fee for services. As an independent contractor, Contractor will not receive any benefits normally accruing to District employees unless required by applicable law.
2. The Contractor be completely independent and solely determine the manner and means of accomplishing the end result of this agreement, and District does not have the right to control or interfere with the manner or method of accomplishing said results. The District, however, has the right to specify the results of the Contractor's responsibilities.
3. Contractor shall not, at any time or in any manner represent that or any of its agents or employees are in any manner agents or employees of the District.
4. The Contractor is free to contract with other parties for the duration of the Agreement as long as they do not interfere with Contractor's performance. However, Contractor agrees not to accept any employment or representation during the term of the Agreement which is or may likely make Consultant "financially interested" in any decision made by District on any matter in connection with which Contractor has been retained pursuant to this Agreement.

IN WITNESS WHEREOF the parties have caused this Agreement to be signed as of the 1st day of October 2016.

NORTH CLACKAMAS PARKS AND RECREATION DISTRICT

BY: _____ DATE: _____
Kandi Ho, Title, Aquatic & Recreation Manager

BY: _____ DATE: _____
Gary Barth, Director, Business and Community Services

CONTRACTOR

Name of Contractor DATE: _____

Address: _____

Phone: _____

E-Mail: _____

ATTACHMENT A

Dated: October 1, 2016

Agreement Term: October 1, 2016 to October 1, 2017

1. Milwaukie Center Community Garden

CCMGA will provide oversight and management of the Milwaukie Center Community Garden, including:

- a. Appointment of a Community Garden Coordinator from CCMGA who will coordinate with Milwaukie Center staff Community Garden liaison.
- b. Preparation of beds for planting early spring (no later than April 1).
- c. Work with Milwaukie Center staff liaison to develop agreed list of needed soil amenities and garden supplies for District to obtain.
- d. Keep record of all volunteer hours related to the operation of the community garden and report quarterly to the Milwaukie Center staff liaison.
- e. Maintain community garden boxes 1, 2 and 3. Work with community gardening participants with regards to proper composting techniques.
- f. Provision of timely communication of any concern or issue that may substantially affect this partnership or the Community Garden.

2. Use of Meeting Space

CCMGA will:

- a. Schedule meeting space through the Milwaukie Center Facility Use Coordinator.
- b. Reimburse NCPRD/Milwaukie Center at the rate of \$84.00/meeting for Master Gardeners of Clackamas County meetings at the Milwaukie Center. Space use: Rhododendron Room, Trillium Room, Violet Room every 2nd Monday between 6:00 p.m. and 9:30 p.m. from September through June.
- c. Reimburse District \$42.00/meeting for CCMGA meeting at the North Clackamas Park A-frame on the 2nd Monday in August between 4 p.m. and 8 p.m.
- d. Leave space utilized clean and return furniture as found prior to the meeting.

3. Garden Clinics and Workshops

CCMGA will:

- a. Plan and coordinate, with the Milwaukie Center liaison, a minimum of 2 soil testing clinics per year for the community at the Milwaukie Center.
- b. Plan and coordinate, with the Milwaukie Center liaison, a minimum of 3 educational gardening workshops for the community at the Milwaukie Center.
- c. Utilize the following language in all promotional information about the clinics and workshops: "in partnership with North Clackamas Parks and Recreation District and the Milwaukie Center".