

IMPACT STATEMENT

Legislation title: Authorize the Bureau of Environmental Services to enter into an Intergovernmental Agreement with the City of Lake Oswego to cooperate on a potential replacement of the Tryon Creek Wastewater Treatment Plant via a public-private partnership (Ordinance)

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Purpose of proposed legislation and background information:

The cities of Lake Oswego and Portland have maintained a decades-long relationship regarding a sewage treatment plant (the Tryon Creek Wastewater Treatment Plant, or “TCWTP”) located within the City of Lake Oswego, and built, maintained, owned and operated by the City of Portland via the Bureau of Environmental Services (“BES”). TCWTP provides wastewater treatment services to approximately 20,000 City of Portland residents, and to over 40,000 residents of the City of Lake Oswego. Service and cost-sharing responsibilities are defined in an existing intergovernmental agreement established in 1984 (the “1984 Agreement”). The TCWTP is currently in need of major, significant maintenance and upgrades. Capital reinvestment needed at TCWTP is estimated to be in the range of \$150 million to \$200 million or more over next 30 years, with nearly \$100 million of that amount anticipated within the next 10 years.

Staff from the cities of Lake Oswego and the City of Portland have been in discussion for multiple years regarding potential upgrades to or replacement of the TCWTP to ensure adequate and efficient service to both cities over the long-term, and to continue to meet environmental regulatory requirements.

This Ordinance and the accompanying draft intergovernmental agreement will support the cities of Portland and Lake Oswego to proceed with the procurement process for a public-private partnership to design, build, finance, operate and maintain (“DBFOM”) a replacement sewer treatment plant within the City of Lake Oswego. The procurement process is being led and managed by the City of Lake Oswego as they will become the long-term owner of the new treatment plant and will have the direct contractual relationship with the DBFOM provider. Portland will pay for Lake Oswego for wastewater collection and treatment services rendered under the new DBFOM arrangement. (This is the reverse of the current arrangement, where Portland owns/operates and Lake Oswego pays for services.) The City of Portland expects to have two representatives on the committee responsible for selection of the DBFOM provider.

If the City of Lake Oswego procurement is successful and DBFOM of a new Lake Oswego-owned treatment plant proceeds, future City Council action will be required to approve a new intergovernmental agreement to specifically address costs and responsibilities under that new arrangement.

If the procurement is not successful, the City of Portland will continue to own and operate TCWTP, and investment in major facility upgrades will commence under the terms of the 1984 Agreement.

Financial and budgetary impacts:

There is no direct budgetary or fiscal impact of this proposed action. BES staff will continue to contribute staff time to participate in the procurement process and project feasibility review.

If the procurement is successful, future City Council action (via a new intergovernmental agreement) will define long-term responsibilities under the new arrangement, including financial obligations and costs. The expectation of BES staff is that the all-in long-term costs of a DBFOM will be, at minimum, cost neutral to the City of Portland. Current indications are that the long-term all-in costs of the DBFOM will be less than the status quo of City of Portland ownership and reinvestment. The procurement process will provide the information necessary to make a confident determination regarding long-term cost expectations. An indication that all-in long-term costs are equal to or below the status quo of City Portland ownership and reinvestment is expected to be a condition of deeming the procurement successful. If the procurement indicates higher costs than the status quo, the procurement is expected to be deemed unsuccessful.

If the procurement is successful and the DBFOM project is deemed feasible based upon those results, and either Lake Oswego or Portland subsequently decide to terminate the project, the City of Portland could be responsible for a portion of the costs incurred by the successful bidder as of the point of that termination decision. Those costs are not expected; the scope of those potential costs is currently not known.

Community impacts and community involvement:

If successful, the DBFOM is expected to utilize treatment technology that will improve the quality of effluent that enters the Willamette River, which flows into and through the City of Portland. The DBFOM will provide community benefits in the Lake Oswego Foothills neighborhood related to odor control and visual aesthetic near the river.

Approximately 20,000 citizens in southwest Portland currently receive sewer collection service via TCWTP. This project will help ensure that reliable sewer collection and treatment services remain available to those residents. If the DBFOM is successful, the resulting overall reduced costs and/or reduced long-term risk will support limited future rate requirements from Portland sewer/stormwater ratepayers, allowing other projects or services to be reprioritized.

100% Renewable Goal:

The TCWTP currently produces biosolids that are transported and treated, including for beneficial reuse for land application, at the Columbia Boulevard Wastewater Treatment Plant. Pending results of the procurement process, a new plant that uses improved technology could reduce the volume of biosolids and/or the need to transport biosolids to an alternate location, thereby reducing energy use. Additionally, new technology may provide for reduced energy use (as compared to the current operational requirements of the existing TCWTP). The feasibility of those outcomes is expected to be identified via the procurement and subsequent design process.

Budgetary Impact Worksheet

Does this action change appropriations?

- ☐ **YES:** Please complete the information below.
☒ **NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount