

Report to Council

Date: June 23, 2021

To: Mayor Ted Wheeler
Commissioner Mingus Mapps
Commissioner Jo Ann Hardesty
Commissioner Carmen Rubio
Commissioner Dan Ryan
Dory Robinson, Co-chair, Portland Utility Board
Karen Williams, Co-chair Portland Utility Board
Bob Jenks, Executive Director Portland Citizen's Utility Board

From: Gabriel Solmer, Portland Water Bureau Administrator

Subject: Bull Run Treatment Projects Annual Report

This Annual Report is to inform City Council of progress over the past fiscal year on the Bull Run Treatment Projects. The report highlights significant activities and progress, including meeting the first of three major compliance milestones for the filtration facility, securing federal financing for the projects, breaking ground for construction of improved corrosion control, and starting detailed design of the new filtration facility.

Our Water: Safe & Abundant for Generations to Come

The Portland Water Bureau is making long-term investments in the Bull Run Treatment Projects to keep Bull Run water safe and abundant for generations to come. The new facilities are needed to comply with safe drinking water regulations.

In fiscal year 2020-21, we took big steps to secure federal financing for the Bull Run Treatment Projects, advance design of the new filtration facility and pipelines, and begin construction of Improved Corrosion Control Treatment (ICCT). This annual report highlights key project accomplishments and planned activities to achieve these lasting improvements in the future of the Bull Run water system.



For Our Health: *making sure our water is safe for everyone.*

Completed more than a year of pilot study investigation to test which treatment processes are best-suited for Bull Run water.



For Our Economy: *creating jobs and investing in infrastructure to help our community thrive.*

Secured a Water Infrastructure Finance and Innovation Act (WIFIA) loan that will save at least \$247M in repayment costs.



For Our Future: *providing a more resilient water system and greater protection.*

Began detailed design of the filtration facility that will improve resilience of the Bull Run water system to future water quality risks.

1st of 3 compliance milestones achieved for Bull Run Filtration

50+ project e-newsletters shared with **3,200+** readers

89% of Portlanders are satisfied with Water Bureau services and, similar to 2019, **79%** feel water bills are affordable

WIFIA financing will save **\$247M+** in borrowing costs

Projects will support **4,600+** jobs in the Portland metro area

\$1.5M committed to minority-owned and women-owned firms for construction of ICCT

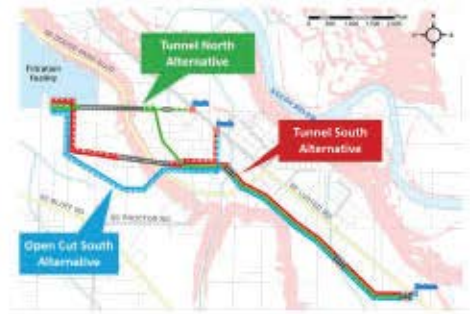
A Year of Accomplishments FY20-21

In 2020, we achieved the first of three significant filtration facility compliance milestones with the Oregon Health Authority and started construction of improved corrosion control. In 2021, we secured low-interest federal financing for the projects and kicked off detailed design for the new filtration facility and pipelines.

The following pages highlight significant project accomplishments over the past fiscal year.

July 2020

- Received City Council approval of a guaranteed maximum price of \$17.9M for construction of ICCT, including more than \$1.5M for firms certified by the Oregon Certification Office for Business Inclusion and Diversity (COBID).
- Gathered community feedback to help identify preferred routes for new pipelines to carry water to and from the future filtration facility.



August 2020

- Completed outreach to eight tribal nations as part of the project engagement efforts.
- Started construction of ICCT at Lusted Hill to help reduce the corrosivity of Bull Run water to lead found in some home and building plumbing.



September 2020

- Hosted an online open house to gather community input on design concepts to help the filtration facility blend with the surroundings.

November 2020

- Achieved the first of three Bull Run Filtration compliance milestones by submitting preliminary planning and pilot study results to the Oregon Health Authority.

December 2020

- Received City Council approval for the pipeline design services contract and use of CM/GC delivery for pipeline construction. The design contract commits \$5.8M to COBID-certified firms.



A Year of Accomplishments FY20-21 cont.

February 2021

- Secured a long-term, low-interest WIFIA loan to help fund the projects.
- Completed value engineering to assess facility design features and adjusted scope to manage costs, including reducing the facility capacity by 10 million gallons per day.

March 2021

- Completed public opinion research to collect a representative view from the community and better understand current information needs.
- Advertised the pipeline CM/GC request for proposals. The contract will include a Community Benefits Agreement to increase opportunities for people of color and women.

April 2021

- Continued basis of design work for new seismically resilient pipelines, including completing more than 65 geotechnical borings along the pipeline routes.
- Facilitated a four-part focus group with members of urban Indigenous communities.

June 2021

- Developed the Bull Run Filtration Good Neighbor Agreement using neighbor input gathered through the Site Advisory Group process and community surveys.
- Drafted the facility *Basis of Design Report*. The report describes initial design of the treatment process and site layout and sets the groundwork for detailed design efforts.

WIFIA Loan Award Recognition Event Spotlight



We were joined by Governor Kate Brown at an online event in March to acknowledge the significant WIFIA benefits for everyone in our community who relies on clean, safe, reliable drinking water.

"Today, it's absolutely critical that we provide equitable access to clean drinking water for all Oregonians," said Governor Brown. "That means we must have modern systems that are capable of treating and cleaning that water."

Program Performance

This fiscal year, we achieved the first of three Bull Run Filtration compliance milestones and are on track to meet the ICCT compliance deadline, with construction well underway.

As part of the facility design process, we applied value engineering and constructability input to make scope adjustments that control costs while meeting performance and reliability goals. We are committed to ongoing cost management throughout the life of the program.

The total program funding of \$1.48B includes:

- Updated facility scope and cost estimate.
- Escalation for multi-year project duration (projected construction cost increases due to inflation).
- Contingency given uncertainty at this early stage of design and in an evolving construction economy.
- Other WIFIA eligible costs.

Program spend to date (April 2021):

- ICCT: \$7.8M
- Filtration: \$36.3M

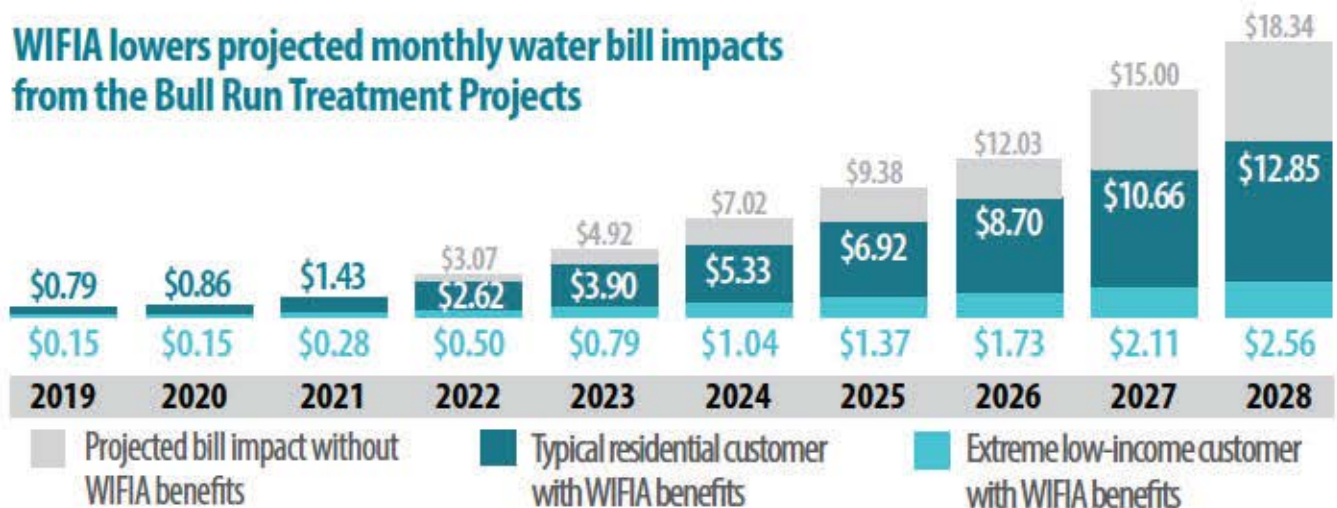
Upcoming Compliance Milestones:

- **Apr. 30, 2022:** Complete construction of corrosion control treatment facility.
- **Oct. 31, 2022:** Submit final filtration construction plans and schedule.
- **Sept. 30, 2027:** Water being served meets all surface water and *Cryptosporidium* treatment requirements.

Maintaining Affordability

To help maintain water rate affordability, we secured a low-interest WIFIA loan that allows us to smooth water bill impacts from the Bull Run Treatment Projects over time. The total program funding was used for the WIFIA loan. Current projections of water bill impacts use conservative assumptions and will be lower if less contingency is used.

WIFIA lowers projected monthly water bill impacts from the Bull Run Treatment Projects



Equity Commitments

We are committed to equity in every aspect of the Bull Run Treatment Projects, including:

- Of the \$181M contracted to date, we have committed more than \$34M to COBID-certified firms. These dollars will increase as Bull Run Filtration construction contracting moves forward.
- We are on track to surpass our 25% COBID-certified participation goal for ICCT construction with a breadth of services ranging from project photography to site excavation. We also provided RISE Up training to the entire construction team to help ensure a safe and equitable work environment.
- Through the Bull Run Filtration professional services contracts, we are providing a Capacity Building Support Program to more than 20 COBID-certified firms to date. Participating firms co-created support plans for performance and technical assistance specific to their business needs.
- We have engaged five COBID-certified equity partners to provide pre-construction services for the facility. These firms are helping develop our Diversity Plan for facility construction.

Contracts with COBID-certified firms:

ICCT DESIGN

Paid To Date: \$778,165

Committed: \$831,134

ICCT CONSTRUCTION

Paid To Date: \$775,228

Committed: \$1,505,397

FILTRATION PROGRAM MANAGEMENT

Paid To Date: \$6,372,725

Committed: \$15,180,000

FACILITY DESIGN

Paid To Date: \$832,543

Committed: \$10,200,000

PIPELINE DESIGN

Committed: \$5,800,000

FACILITY CONSTRUCTION

Contracted To Date: \$983,232

Future Community Benefits Agreement

PIPELINE CONSTRUCTION

Future Community Benefits Agreement

Capacity Building Support Program Spotlight

Kimimela Consulting is one of the firms participating in the Bull Run Filtration Capacity Building Support Program. Through the program, Serina Fast Horse is receiving business set-up assistance for her newly established firm and is in process of becoming COBID certified.

"I'm super excited and thankful for the opportunity to work with the Bull Run Filtration project team," said Ms. Fast Horse. "It is evident from our initial conversations and the support they have offered me that they are working to build genuine relationships and support the goals of Indigenous community members. The implications of what could emerge from this work is inspiring."

Kimimela Consulting is providing expertise in Indigenous Traditional Ecological and Cultural Knowledge as part of the project engagement with urban Indigenous communities.



Looking ahead to FY21-22

The next fiscal year includes completing construction of ICCT and big milestones for detailed design of the filtration facility and pipelines.

Key project activities are highlighted below.

- Select and contract the pipeline CM/GC.
- Complete 30 percent design and begin 60 percent design for the filtration facility and pipelines.
- Complete construction of improved corrosion control at Lusted Hill to make Bull Run water less corrosive to lead found in some home plumbing.
- Begin land use application process after 60 percent design of the filtration facility.
- Develop Diversity Plan to maximize equity participation for facility construction, working with equity partners and oversight committee.
- Continue outreach to customers, site neighbors, and other key stakeholders.

Upcoming City Council Actions:

- Property acquisition for pipeline easements
- Annual Report to Council

The Bull Run Treatment Projects will enhance resilience of the Bull Run supply, helping us comply with drinking water regulations and producing cleaner, safer water for the nearly one million people who depend on Bull Run water now and for future generations.

Learn more: portland.gov/bullrunprojects



Preliminary design concept for the filtration facility.



Please contact us for translation or interpretation,
or for accommodations for people with disabilities.

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portland.gov/water/access

503-823-7770 (Relay Service: 711)

IMPACT STATEMENT

Legislation title: Accept the 2021 Annual Report for the Bull Run Treatment Projects (Report)

Contact name: David Peters, P.E., Engineering Manager – Special Projects

Contact phone: (503) 823-2003

Presenter name: Jodie Inman, P.E., Chief Engineer

Purpose of proposed legislation and background information:

The purpose of this legislation is to allow Council the opportunity to review and accept the Bull Run Treatment Projects 2021 Annual Report to Council. This report informs Council of progress made over the 2020-21 Fiscal Year.

The Portland Water Bureau is responsible for delivering the Bull Run Treatment Projects, which include the Improved Corrosion Control Treatment (ICCT) Project and the Bull Run Filtration Project. These projects will bring the City of Portland into compliance with federal regulations - the Long Term 2 Enhanced Surface Water Treatment Rule (LT2) and the Lead and Copper Rule (LCR). The Portland Water Bureau has two compliance agreements with the Oregon Health Authority (OHA) that establish schedules for complying with the LT2 and LCR. The final compliance deadlines are 4/30/2022 for the ICCT Project and 9/30/2027 for the Bull Run Filtration Project, which includes both the facility and pipelines.

Together these projects will provide multiple benefits to the nearly 1 million people currently served by the Portland Water Bureau, including improving public health and water quality and increasing drinking water system resilience and reliability. These projects represent a significant investment in the region's drinking water infrastructure.

The Annual Report to Council is one way to share progress with the community and City Council. The 2021 annual report is the 4th Annual Report to Council (the first being submitted in June 2018).

Previous key Council and government actions related to the Bull Run Treatment Projects:

- May 2017: OHA approved the Water Bureau's schedule to implement improved corrosion control treatment.
- June 2017: City Council held a work session on the variance revocation and treatment options, including comparative costs.
- August 2017: Portland Water Bureau provided additional analysis to City Council and Council approved Resolution 37309 to submit a compliance plan for design and construction of a filtration facility.
- September 2017: City Council authorized the design contract for the ICCT project (Ordinance 188620).

- December 2017: Portland Water Bureau signed a bilateral compliance agreement with OHA that requires the Portland Water Bureau to have the filtration facility in operation by September 2027.
- June 2018: Annual Report to Council.
- August 2018: City Council work session on the Bull Run Treatment Projects.
- August 2018: City Council authorized the program management contract for the Bull Run Filtration Project (Ordinance 189147).
- June 2019: Annual Report to Council.
- November 2019: City Council approved Resolution 37460 that set priority values, expectations, and a Recommended Option to guide the design and implementation of the Bull Run Filtration Project. City Council also authorized the design contract for the filtration facility (Ordinance 189778).
- June 2020: Annual Report to Council.
- July 2020: Report to Council recommending award of a Construction Manager General Contractor (CM/GC) contract and guaranteed maximum price (GMP) for construction of the ICCT Project.
- December 2020: City Council authorized the design contract for the filtration pipelines (Ordinance 190242).
- June 2021: Annual Report to Council.

Financial and budgetary impacts:

The attached Annual Report to Council does not make any financial or budgetary changes to the projects, nor does it create, eliminate, or re-classify any positions now or in the future.

The total program funding is \$1.48 billion, which was used to calculate the Water Infrastructure Finance and Innovation Act (WIFIA) loan and is included in the current rates forecast and projections of water bill impacts from the Bull Run Treatment Projects.

The program funding includes:

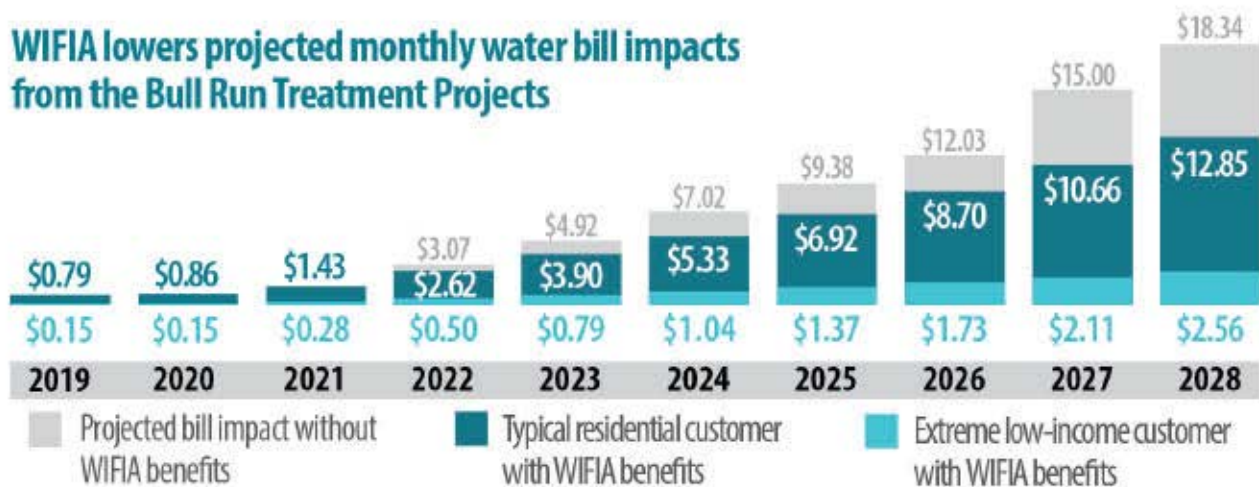
- Estimated costs for the projects
- Contingency given the early stage of design and the dynamic construction economy
- Other WIFIA eligible costs

The program funding and projected bill impact information in the Annual Report to Council have been shared previously through the project website, fact sheet, stakeholder briefings, and in response to media requests.

Securing a WIFIA loan for the Bull Run Treatment Projects is one of the steps the Portland Water Bureau is taking to maintain water rate affordability while making important long-term investments in the future of the Bull Run water system. In March 2021, the Portland Water Bureau was joined by Governor Kate Brown, Senator Jeff Merkley, and EPA's Acting

Assistant Administrator for Water Radhika Fox for a virtual WIFIA Award Recognition Event to share the benefits of WIFIA financing for Portland ratepayers.

WIFIA lowers projected monthly water bill impacts from the Bull Run Treatment Projects



Community impacts and community involvement:

The annual report does not include new impacts to the community but does provide updates on community outreach and involvement over the fiscal year. Progress on the Bull Run Treatment Projects was presented to the Public Utility Board on June 1st including content in the Annual Report to Council.

Since 2017, the Portland Water Bureau has been committed to keeping the community informed and involved throughout the planning, design, construction, and the future operations of the Bull Run Filtration Project. Community outreach and involvement for the projects is ongoing using multiple communication tools including: publishing at least two e-newsletters each month, sharing project information in bill inserts and the water quality report, producing over 20 videos that the Portland Water Bureau shares through its social media platforms, and providing project briefings to a variety of environmental and cultural groups, as well as agency partners that have direct contact with people who have been historically underserved.

The Portland Water Bureau is considering the full spectrum of impacts to neighbors, indigenous peoples, underrepresented communities, low-income customers, and ratepayers.

100% Renewable Goal:

Accepting the annual report neither increases or decreases the City's total energy use, nor does it increase or decrease the City's renewable energy use.

These projects will construct new infrastructure (versus replace existing) and therefore are anticipated to increase the City's total energy usage. However, the project team continues to make recommendations that reflect City goals to reduce energy needs and optimize efficiencies when possible, such as designing the filtration facility and pipelines to continue gravity operations.

Project staff are working within several sustainability-oriented frameworks including the Green Building Policy, LEED, Envision, and with Energy Trust of Oregon to reduce energy needs and consider greener energy alternatives. Both holistic sustainability opportunities and specific design and operational opportunities are being considered with the goal of improving human well-being, encouraging collaboration and planning, reducing environmental impacts, maximizing Renewable Energy Credits, and looking at green energy technologies such as solar.

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