SCAPPOOSE PUBLIC WORKS ADVISORY COMMITTEE
Public Works' Conference Room
34485 East Columbia Avenue
Tuesday, October 30, 2012 at 7:00 p.m.

1. Call to Order

2. Introductions and Roll Call

3. Discussion of Water Utility

4. Adjourn

This is an open meeting and the public is welcome. The City of Scappoose does not discriminate on the basis of handicap status in its programs and activities. If special accommodations are required, please contact Susan Reeves, MMC, City Recorder, in advance, at 543-7146, ext 224.

TTY 1-503-378-5938

CITY OF SCAPPOOSE

Council Action & Status Report

Date Submitted: September 13, 2012

Agenda Date Requested: September 17, 2012

To: Scappoose City Council

Through: Direct to Council

From: Jon Hanken, City Manager

Subject: Work Session - Water Budget and Rate Discussion

TYPE OF ACTION REQUESTED:

[ ] Resolution **[ ] Ordinance**

[ ] Formal Action **[X] Report Only**

ISSUE: Based upon budgeted FY'12 numbers, funds associated with the water department could face a potential revenue shortfall of approximately $690,000 in FY'13.

ANALYSIS: In the last budget message, staff advised Council that they would need to reexamine the water rates in the fall. In this fiscal year, the majority of the carry over funds will be expended. In the Water Fund (Fund 40), the contingency is projected to be only $71,000. That contingency is the basis for next year's beginning cash position. From a revenue/expenditure position (minus contingency and transfers), the three funds associated with the Water Department (Funds 40, 50, 89) are estimated as follows:

FUND #	REVENUES	EXPENDITURES	SHORTFALL
40	$1,125,700	$1,478,980	$353,280
50	$ 22,191	$ 306,963	$284,772
89	$ 74,941	$ 126,033	$ 51,092
TOTAL	$1,222,832	$1,911,976	$689,144

Revenues would need to be increased by 56.4% in order for revenues to equal expenditures.

Request for Council Action

Attached with this report is the 2002 Water Utility Financial Plan and Rate Analysis. If the City would have followed the recommendations of the study, the average water bill for a single family residence (3/4 in. meter) using 7,500 gallons a water would be $88.59 per month. Staff will fully recognize that following these types of studies only exists in a perfect world. The world is far from perfect.

In 2009, Council had a discussion related to water rates and at that time Staff recommended a residential water rate of $15 on the fixed cost and $0.05 per 100 gallons on the commodity rate. That would have raised the average water bill from $40.45 to $59.20 per month. A Public Works Advisory committee was created and only recommended the commodity rate increase.

At this time, staff would also like to make Council aware of and emerging issue that will affect both water and sewer, The County will be replacing the bridge on JP West Road in 2014. The good news is once the bridge is constructed it will be wider and will have sidewalks on both sides for pedestrian travel. The bad news is the construction of the bridge will require relocation of our water and sewer lines on JP West Road at the bridge crossing. Staff is still studying the options to address this issue, but a very preliminary cost estimate for relocating the water line is about $500,000. The sewer line cost estimate is about the same ($500,000). More discussion on this will take place once more analysis has taken place.

Increasing the fixed costs $15 would generate approximately $404,000. The Water Department would still need a subsidy from the General Fund to meet its full financial obligation.

Water Rate History and Rate Study Adjustment Comparison

Year	Base Rate	Average Gallons	$ per 100/gals	Monthly Rate	% Increase	Rate Study Reccomendation	% Increase	Number of Services	Funds Generated	Study Funds Generated	Revenue Lost
2012	$15.70	7500	$0.38	$44.20	9.27%	$88.59	0.00%	2243	$1,189,687	$2,384,488	$1,194,801
2011	$15.70	7500	$0.33	$40.45	0.00%	$88.59	0.00%	2243	$1,088,752	$2,384,488	$1,295,736
2010	$15.70	7500	$0.33	$40.45	0.00%	$88.59	5.00%	2276	$1,104,770	$2,419,570	$1,314,800
2009	$15.70	7500	$0.33	$40.45	0.00%	$84.37	5.00%	2276	$1,104,770	$2,304,313	$1,199,543
2008	$15.70	7500	$0.33	$40.45	0.00%	$80.35	9.99%	2254	$1,094,092	$2,173,307	$1,079,215
2007	$15.70	7500	$0.33	$40.45	0.00%	$73.05	10.00%	2092	$1,015,457	$1,833,847	$818,390
2006	$15.70	7500	$0.33	$40.45	5.89%	$66.41	5.01%	2016	$978,566	$1,606,591	$628,024
2005	$15.70	7500	$0.30	$38.20	0.00%	$63.24	20.00%	1974	$904,882	$1,498,029	$593,148
2004	$15.70	7500	$0.30	$38.20	0.00%	$52.70	19.99%	1969	$902,590	$1,245,196	$342,606
2003	$15.70	7500	$0.30	$38.20	0.00%	$43.92	20.00%	1869	$856,750	$985,038	$128,288
											Total
											$8,594,552

Water Rate History and Staff Proposed Adjustment Comparison

Year	Base Rate	Average Gallons	$ per 100/gals	Monthly Rate	% Increase	$15 Staff Reccomendation	% Increase	Number of Services	Funds Generated	Proposed Funds	Revenue Lost
2012	$15.70	7500	$0.38	$44.20	9.27%	$59.20	0.00%	2243	$1,189,687	$1,593,427	$403,740
2011	$15.70	7500	$0.33	$40.45	0.00%	$59.20	0.00%	2243	$1,088,752	$1,593,427	$504,675
2010	$15.70	7500	$0.33	$40.45	0.00%	$59.20	37.00%	2276	$1,104,770	$1,616,870	$512,100
											Total
											$1,420,515

CITY COUNCIL

Water Rate Study Workshop

March 10, 2003

6:30 p.m.

Mayor Dorschler called the Water Rate Study to order at 6:30 p.m.

Council Members: Mayor Dorschler, Councilor President Fleck, and Councilors: Ken Bailey, Donna Gedlich, Lisa Smith, Scott Burger and Judie Ingham.

Staff: Jerry Gillham, Jon Hanken, Gene Smith and Susan Pentecost.

Consultant: Ray Bartlett.

Other Committee Members in attendance: Raul Torres, Charles Muehleck, and Dave Weber.

City Manager Gillham explained he, Jon Hanken and Ray Bartlett met approx. 2-3 months ago and talked about how the City is going to get great analysis of our circumstances before us and our finances. What process tool place was to take an approach and say how did the city get were we are? Lets go back and look at the history. They looked at what projects are before the city that we believe should engaged to address the issue. Final issues is how is all of it going to get paid for, what are the costs and what are the suggestions for addressing those costs.

Jon Hanken thanked everyone for attending this evening. He stated we are going to deal with an issue that for the most part is not going to be a whole lot of fun, but it is something that we are going to need to talk about. The overview was: the water system is aging and needs major repairs and upgrades, City spending for maintenance has been substandard, planned improvements take care of the worst problem, financing the improvements leads to rate increases.

Jon Hanken went over the handout. The water plant is aging and maintenance work needs to done to it. The problem that the city is facing is the water plant is running seven days a week, 24 hours a day. It is impossible to shut a filter down. Overall in terms of the depreciation of the water plant there is probably approx 45% left in the plant. We need to keep doing maintenance and up dates to keep that going forward.

Jon Hanken explained the storage reservoirs are also aging. 1968 reservoirs * 1,000,000 gallon and 300,000 gallon. 1950 reservoirs 300,000. The reservoirs usually have a 50-year life expectancy. One of the issues that the city is facing is the City has about 1.6 million gallons worth of storage, that is one day supply. On average we should have a three-day supply. We have a deficiency there. Those deficiencies really coming

cropping up during the summer months, July, August and September. When our water sources are low and high demand is there, we have a hard time keeping those storage reservoirs full. This posses a problem during fire season. Realistically there useful life, there is 30% left in that.

Jon Hanken went over the water pipelines, the distribution system throughout the community. There is a variety of different pipes: pvc, steel, ductile iron and cast iron. When you get into the steel and the ductile iron, it all starts to drop. The city has a number of steel lines that realistically are under sized. The pipes need to be brought up to standards. This is part of the one going maintenance problem as a Municipality we have not been addressing over a number of years. He stated there are some places that we have ¾ inch piping serving at distribution lines for homes along some of our streets. Realistically they should be 4 inch. He stated the ¾ inch piping connection goes to home and again we are using a ¾ inch line to serve multiple houses. Those are areas that need to be upgraded.

Jon Hanken explained the City of Scappoose water source is stretched. There are three surface sources, South Fork, Lacy and Gourlay. On average during the wet months the city gets about 600 gallons a minute. The city loses a significant amount of that during the dry months. In July, August and September those numbers drop to about half. In addition there is one ground water source. The city gets about 400 gallons a minute and that is pretty consistent, however we have been noticing sand being pumped in the well. That is not a good indication, usually a sign of trouble. The city is keeping an eye on this well. It could fail tomorrow or it could go 5-6 more years. He stated if the city does have significant problems especially in the summer time, there is no redundancy. The city has a major situation. The city does have a temporary well that will give us about 300 gallons a minute. The State, provided that we notify them, will allow us to use it. It is not a production facility it is to get us through the humps.

Charles Muehleck asked if that is why it is not on the chart? Jon Hanken replied correct.

Jerry Gillham went over the reduced spending on maintenance. He explained as rates weren't adjusted to accommodate the actual raw cost, having to use maintenance monies comes into play. Over a 14 year period of time, with no accommodating of rate increases to at least give the cushion of what it cost for base services you now have almost 14 million dollars of deferred maintenance and almost no money in the fund to pay for it. In 1991 the rate went from $13.50 to $20.00 and in 2000 the rate went from $20.00 to $16.00.

Charles Muehleck asked about capacity.

Jon Hanken 1.4 million gallons a day is 1,000 gallons a minute. The cities storage capacity is approx 1.6.

Dave Weber stated surface goes down about ½ in the summer months. Jon Hanken replied yes.

Councilor Gedlich stated maybe the city can start the water conservation earlier.

Ray Bartlett stated they finished a survey of about 24 municipals. 69-70 % still in good shape. He explained if you were regulated agencies, you would have no more than a 20% depreciation.

Jon Hanken went over the Capital Improvement list, which totals $20,102,942.00. He stated there has been talk about the issues the city is facing and what are we going to do about it. The city is looking for new water sources. The Miller Road well looks good for getting a lot of water. The Dutch Canyon Water Line will need to extend approx. 2.3 miles from Raymond Creek.

One of the big cost factors is boring under the highway and railroad tracks if a plant if built on this side of the railroad, verses up the hill.

Councilor Burge asked if there is anything that can be done with the Dutch Canyon well? Jon Hanken replied it can be re-drilled in another area but the issue is having enough water to take Dutch Canyon off line. There is no room to shut down or to have something go wrong.

Ray Bartlett spoke about the Financing $6.4 million of improvements. It would consist of grants and loan. There would be $750,000.00 in grants and $5,564,000.00 in loans. The other 86,000.00 would consist of cash and investments.

Councilor Burge asked what happens if you have a lot of people that are not happy with the rate increase? Shouldn't you have sold the rate increase before?

Councilor Bailey asked how do you sell the rate increase? Education is the way to get the information out there. He also stated you need four things in the City: **water**, sewer, streets and police.

Dave Weber explained since he uses a lot of water in this City, he has called around and we a lower than a lot of Cities.

Jon Hanken stated the City needs to inform the public of source, improvements and cost.

Ray Bartlett suggested paying off some of our old loans as soon as possible. He also explained as for as our utility, it is just breaking even. Money is going to O & M and debt services.

Ray Bartlett went over the impact on water rates averages single-family house. Rate increase in 1991, then again in 2000. He feels it will need to be raised 70%.

Jerry Gillham asked what are our options/choices if we don't raise rates? Jon Hanken replied the State can come in and change to the rate payment and time frame.

Councilor Gedlich asked the amount of new homes every year? Jon Hanken replied there are approximately 60 – 65 new homes a year.

Council President Fleck left at 7:50 p.m. City Manager Gillham left at 7:55 p.m.

Ray Bartlett went over the recommendations. After the initial rate increase re-evaluate rate structure * shift to meter-size rates for base rate, treat all outside customers equally. Keep base rates so that at least 50% of gross revenue derived from base rates, evaluate benefits/costs of monthly billing, evaluate use of summer peaking charges.

In the handout from Mr. Hanken the Committee went over the summary that stated, "The water system needs major improvements, repair years of deferred maintenance, expansion to meet current and future demands, financing has been arranged for 6.4 million, plan for Dutch Canyon and payoff old debts, increase rate revenues 70% over next 3 years, recommend an immediate rate increase followed by smaller annual increases". (This is not the consensus of the City Council)

Councilor Bailey asked staff to get the cost of doing monthly billing verses bi-monthly.

Councilor Smith would like to see data on where the city needs to be 5 years from now.

There was discussion on having another workshop. The date set for the next workshop will be April 7, 2003 at 6:00 p.m.

Adjourned at 8:30 p.m.

City of Scappoose, Oregon

_____
George Fleck, Council President

Date:

Attest: _____
Susan M Pentecost, City Recorder

23 August 2010

Memorandum

To: Joe Lewis, City of Scappoose

From: Gordon Munro

Subject: Water System
K/J 0791018.00

WATER SYSTEM NEEDS

City Staff has requested assistance in the identification of water system needs beyond the large capitol improvement projects (CIP) identified in the Water Master Plan in order to help determine future financial requirements of the system. The list of projects identified in this memo is not comprehensive and evaluation of the system has not been undertaken to develop the items. Rather, these are known tasks that are required. The items have been identified and a brief explanation provided.

1. **Rehabilitation of the concrete in the filter basins and contiguous basins at the Miller Road Water Treatment Plant (WTP), and the third filter used for the Dutch Canyon well at the Keys Road WTP.**

   Due to chemical interactions with the raw water and the treatment chemicals the concrete on the inside of the tanks is deteriorating. If left unchecked it will eventually damage the concrete walls to the extent that they are no longer structurally sound. The deterioration will be much faster and more comprehensive than would normally occur for concrete effectively shortening the life of the WTP.

2. **Repair of the outer concrete wall of the filter basins at the Miller Road WTP**

   There is obvious deterioration occurring on the outside of the building, which will eventually damage the walls to the extent that they are no longer structurally sound. This repair would be done at the same time that item number one is taken care of.

3. **Repair of the roof at the Keys Road WTP.**

   The roof has on-going leaking problems that cause damage to the roof structure and some interior components of the building. This can cause long term damage to the building.

4. **Repair the backwash basin.**

   The backwash basin was damaged due to uplift from groundwater. Modifications to the basin were done to make it usable and to address the potential for future uplift

problems. However, the joints in the concrete were damaged and eventually will fail which may cause the backwash water to enter the groundwater untreated. The facility is not permitted for this type of discharge, so the joints will need to be repaired.

5. **Investigation and rehabilitation of the 0.3 million gallon (MG) reservoir at the Keys Road WTP site.**

   Currently, the concrete tank leaks and so is not in service. As the community grows the storage capacity of the tank will be needed. It will likely be more cost effective to repair the tank than to replace it.

6. **Seismic evaluation of the older storage reservoirs.**

   At least three of the storage reservoirs in the community were constructed based upon the requirements of the Uniform Building Code (UBC). However, the State of Oregon now uses the International Building Code (IBC), which has different seismic requirements. There is the potential that the older reservoirs do not meet the new requirements. While it is not required to upgrade the structures, it is a risk factor that the City may want to at least investigate. Failure of reservoirs has a safety component as a substantial amount of water could be discharged in a location that could cause damage.

7. **Investigation and rehabilitation of the second Miller Road Well and the Dutch Canyon Well.**

   This work has already been completed on one well at Miller Road, and the capacity of the well was increased. Typically, the capacities of wells decrease with age. Therefore, it is prudent and often necessary to periodically clean and redevelop the well to maintain capacity. If this is not done, eventually new water sources will need to be developed to replace them.

8. **Replace and relocate the master meter at the Keys Road WTP.**

   The master meter at the Keys Road WTP does not work properly in part due to its location within the hydraulics of the WTP piping system. Without accurate readings of how much water is produced it is difficult to run the WTP efficiently, and an accurate water audit cannot be conducted. Due to the amount of water loss in the Scappoose water system, an annual water audit is required.

9. **Repair and/or install water meters on WTP process water.**

   Due to the amount of water loss in the Scappoose water system an annual water audit is required. This requires that all water usage be measured including the water used to operate the WTPs.

10. **Instigate annual leak detection and repair program.**

    Due to the amount of water loss in the Scappoose water system annual leak detection and repair program is required. This can be set up such that only a portion of the system is tested each year.

11. **Prepare a water rights transfer.**

    Currently, the City does not have water rights on one of the wells at the Miller Road site. Further, there are water rights on another well that is not currently in use. A water rights transfer needs to be applied for to transfer rights to the third well at Miller Road, and to transfer the water rights from the unused well.

12. **Perfect the water rights for the City wells.**

    Currently, the City actually has water right permits, and does not have perfected water rights. This is simply a step in the process of securing the water for the City's use, and needs to be done.

13. **Update the water master plan.**

    Periodically, the water master plan needs to be updated to account for changes in the water system, changes in the community and changes in regulations. The water master plan identifies the major improvements required in the system over a twenty year planning period. This document provides a blueprint for the development of the system, is required to access many funding sources, and is used to update the system development charges (SDC).

14. **Pursue the development of additional water sources.**

    Currently, during the summer the City is running near capacity with regard to the capacity of the existing water sources. When community growth begins to occur, water source may become a limiting factor. The Miller Road WTP has unused treatment capacity, so it would be prudent to investigate potential well sites near the WTP.

Due to the amount of water loss in the Scappoose water system the City is required to instigate a public education system with regard to water conservation. At a minimum this would include the purchase of pamphlets prepared by the AWWA and making them available to the public, and perhaps including them in the water billing at the beginning of summer. This would be an on going program.

16. On going system upgrades.

While these have not been identified, there will always be on-going system upgrades that are required. This would cover items such as repair of broken pipes, replacement of old pipes, repainting of steel reservoirs, replacement of water meters, replacement of filter media and general maintenance/replacement of treatment and pumping equipment.

Replace Dutch Canyon Rd raw waterline from the dams to the Waterplant

cc: central file

Deferred Maintenance

1. Miller Rd. filters – Based on an evaluation done by Peterson Structural Engineers cost to repair deteriorating concrete filters would be in around 100K.
2. Keys Rd. media replacement – According to engineer estimates, the green sand media in filter # 3 is overdue for replacement. The typical useful life of green sand is about 7 to 10 years. The media in filter # 3 is about 14 years old. Although iron removal is still reasonable, it can take hours for the filter to meet turbidity standards which is unacceptable. Estimated cost would be 20K to 30K.
3. Keys Rd. roof modification – Based on an evaluation done by Lee Engineering and recommendations from Jeff Spang, the roof drainage system at the Keys Rd. water plant needs to be modified in order to control ongoing water penetration that has been causing serious damage to the plant infrastructure. Costs for these repairs have been estimated to be around 100K.
4. Keys Rd. exterior – The aggregate exterior of the Keys Rd. treatment plant needs to be cleaned and seal coated. Also the wall joints need to stripped and re-caulked. Estimated cost for this project is around 20K.
5. Keys Rd. interior painting – The interior of the Keys Rd. treatment plant could use a new coat of paint. The plant is now over 30 years old and has never been re-painted. Cost of this project is estimated to be 5K.
6. Keys Road interior – Due to roof leakage over time the lab and office floors have greatly deteriorated. Also the lab cabinetry is outdated. Staff would like to expand the plant lab into the adjoining office and replace the outdated cabinetry. Estimated cost for this project is approximately 20K.
7. Keys Rd. Effluent flow meter – Due to a design flaw the effluent flow meter does not work correctly. The meter needs to be relocated to a different area of the effluent line in order to work as it should. The estimated cost for this work including a new flow meter would be approximately 25K.
8. Distribution water line replacement – The distribution line between the low zone reservoirs and the high zone reservoirs needs to be replaced. The up front engineering has been done and the project is ready to begin. The estimated cost of the project is 500K to 1 million.
9. Well replacement - The Dutch Canyon well currently has an outflow of 330gpm. If output is increased the well begins to pull an enormous amount of sand. The water right at this site allows for a significant amount of water to be withdrawn beyond current usage. A new well needs to be drilled and developed at this site to take advantage of the full water right. Estimated cost would be 25K to 50K.
10. Future well exploration and development – In the summer months, the City is currently consuming about 80 to 90 percent of its production capabilities. It is extremely important that the City locate and develop future water sources. Estimated cost could be anywhere from 100K to 200K.

SCAPPOOSE PUBLIC WORKS ADVISORY COMMITTEE
City Hall
33568 East Columbia Avenue
Tuesday, March 29, 2011 at 7:00 p.m.

Call to Order

Mayor Burge called the meeting to order at 7:00 p.m.

Roll Call

Scott Burge ~ Mayor, Lisa Smith ~ member/citizen, Joshua Francoeur ~ member/citizen, Karen Johnesse-Thornton ~ member/citizen, Rick Weber ~ member/citizen Jon Hanken ~ City Manager and Joe Lewis ~ Scappoose Water Treatment Department.

Excused: Carmen Kulp ~ member/Planning Commission

Approval of minutes ~ March 10, 2011

Lisa Smith moved and Joshua Francoeur seconded the motion to approve the March 10, 2011 Public Works Advisory Committee Meeting minutes as amended. Motion passed.

Preliminary Budgetary Item Discussion

City Manager Hanken went over the estimated water department budget handout. He explained he added a third column called a revised estimate for 2011. He explained one of the things that staff looked at in terms of how to better survive next year is looking at limiting the amount of expenditures and trimming about $150,000.00 worth of spending this year.

Lisa Smith asked if either the category that was titled infrastructure upgrades or the category titled underground water line is included in the $979,567.00.

City Manager Hanken replied the underground line water line will be this done year and that will be going out to bid.

Joe Lewis replied he thinks that money is carried over to next year's budget because we will not get the billing until after July 1. Some of the engineering has been completed and that has come out of contractual/professional line item. He explained we are carrying $100,000.00 in the water line for next years billing on that project.

Lisa Smith explained under the infrastructure upgrades there's $104,000.00. She asked is any of that reflected in the $979,567.00.

Joe Lewis replied yes, $75,000.00 was spent for meters this year.

Rick Weber asked what percentage of the meters have been bought.
City Manager Hanken replied we are over 50% with the meter replacement.

City Manager Hanken explained the $300,000.00 from closing the Dutch Canyon Water Line will be carried. The interest is going to be a little bit less that what staff projected. Charges for services staff is still estimating the same. Charges for infrastructure staff is estimating the same and Misc is the same. Again the City is not carrying over SDC dollars. He explained we are looking at our operational revenues at $2,392,067.00.

Joe Lewis went over the Expenditures on the handout. He explained the City is looking at an increase for Personal Services based on the contractual expectations but those negotiations have not taken place yet so that may be in effect there. He explained Material and Services you'll see that we are down from not only our first estimate but actually from this years budget total and that's at a result of cutting every single nonessential thing that we can. Capital Outlay you will see a big change there because they are using the $300,000.00 from the Dutch Canyon Water Line to do some repairs that he believes this committee has recommended and heard about it's the lining of the City's three well water treatment filters that are being oxidized by the chemicals that are being put in them to treat the water. $100,000.00 of that is the Sandberg Water Line and $18,000.00 remaining is for the Effluent meter at the Keys Road Water Plant, which is very critical and he is hoping that we can accomplish it with that amount of money. We have to roll that over another year and add a little more to it before we actually have enough money to accomplish that project. He explained what that line doesn't have in it, he is sorry to say, is the $75,000.00 for this year's installment on the radio read meters. That was a discussion that was made by prioritizing the repair to those well filter walls. He explained this is a proposal it has yet to go before the Budget Committee and City Council but City Council has identified that as a priority. Staff is recommending not doing the meter replacement.

Lisa Smith asked if Gordon Munro, City Engineer, looked at the walls and gave a recommendation.

Joe Lewis replied yes, there was a rate of decay of 2 to 4 mills per year. He explained a mill is a fraction of a millimeter. He explained it is a pretty small, but measurable, deterioration of the thickness of the concrete.

Lisa Smith asked Joe Lewis is he saying all three of them have to be done this year?

Joe Lewis replied Gordon Munro is recommending that they be done asap and he would interpret that to mean as soon as possible, but not necessarily this year.

City Manager Hanken explained the recommendation was to try to get all three of the filters done.

Lisa Smith replied she would love to get all three of them done but she would also like to do two now and buy meters.

Joe Lewis explained the problem with water treatment plant filters is if we do one and we stop using the other everything else is going to pay the price.

City Manager Hanken explained getting the meter replacement program back operational is a whole lot easier to do then the filters. He explained based upon the conversations and where staff thought this Committee wanted to go staff is strongly recommending doing all three filters.

Mayor Burge replied it would be a one year delay on meters.

Joe Lewis going over the handout again explained the Dutch Canyon Line is a loan payment. He explained vehicle leases are the portions of all the trucks that are considered water. He explained under Transfers you will notice the transfer from 2010 to 2011 is $170,000.00 more, that money is being transferred to the SDC Fund for purposes of loan payments for the infrastructure that we already had built. The Contingency Fund at $379,500.00 is actually less than what our loans payments are, so looking forward to next year that is a bit of a problem.

Joe Lewis explained the wages and benefits for employees are listed on the handout. He explained you will see a slight increase in many of them.

City Manager Hanken replied this is an estimate. He explained at this particular time of year staff is starting to get better information to what the PERS cost is going to be in terms of increases and what the insurances costs are going to be. He is hoping to get the final insurance numbers sometime next week. He explained what staff goes by based upon the percentages that they are given as preliminary estimates and hopefully staff always figures that on the high side.

Joe Lewis explained on the handout the Personal Services total is 31% of the total budget.

Rick Weber asked if it is a spoken goal that we are going to try not cut any people if we can help it.

Joe Lewis replied he doesn't think we can afford to but any people but like we say in budget discussions everywhere, no doors are closed to this discussion.

City Manager Hanken replied until negotiations begin he won't even go down that road.

Joe Lewis explained looking at the handout regarding the Water SDC Fund, it is pretty simple. He explained the Working Capital Carryover is $12, 369.00. He explained our resources involve a bit of interest. There is a loan payment $43, 369.00 from the Port of St. Helens for the airpark water line. The largest source of revenue is the $315, 289.00 that comes from the water fund budget to pay the loan payments. He explained there is a small amount of money in the expenditures transferred for the cost of staff at City Hall and things like printers, copiers, maintenance agreements and vehicle insurance. It is a very small amount but the vast majority of that money is loan payments, principal and interest.

Lisa Smith stated she has a question about Materials and Services. She stated she realizes there is

lots of stuff that is in that category but the biggest number in that category is always Contractual Professional.

Joe Lewis replied yes and the two biggest things are attorney fees and contracting engineering fees.

Lisa Smith asked what is the Water Department getting hit up for attorney fees on?

Joe Lewis replied it is shared cost throughout the system. He explained it contract engineering, City attorney and the next biggest thing is telemetry repair, which is for the controlling computers that operate the water plants.

Rick Weber (hard to hear) talked about getting staff involved.

City Manager Hanken explained one thing he wants to point out and this is something that has to be considered in the future, the very near future realistically, within 2 to 4 years pretty much all your department heads will be retired. Right now staff is in the process of working with the staff who is already here who have shown interest to want to step up to those positions to be a part of the process in terms of budgeting. He explained realistically they have a lot to learn. He explained once that turnover occurs you'll see a decrease in terms of the salary line items because again you are hiring people at the lower level. The City has very low turnover of the Public Works side, that's a good thing. He explained when the City loses people who have been here for 20 to 25 years you lose a lot of institutional memory.

Lisa Smith asked in reference to the attorney fee, how bad is the water department getting ding and does the Water Department help pay for the Police Department lawsuits.

City Manager Hanken replied no because when lawsuits come in they get turned over to the insurance.

City Manager Hanken explained right now he is to the point where he needs to get the budget going. He explained the numbers that the committee kind of sees here are pretty much where he is thinking that we are going to be going. He explained anything that this committee decides in terms of rate increase, in terms of whatever would not show up on this budget meaning those dollars can't be touched until the next budget year. He explained what this does is create an automatic savings. He is not anticipating any increased revenue in this fund. He stated from his standpoint anything put in savings is a good idea.

Mayor Burge replied so pretty much what you are saying is that if you hit these numbers exact for the revised estimates and you hit the Water SDC numbers exact and you transfer the $379,500.00 next year not even talking about increase in health care you are not going to be able to pay the debt within the water funds.

Joe Lewis replied that is correct.

Lisa Smith replied the following year. She said she is not going to worry about the following year. She is really happy to see we can make it through this year.

Mayor Burge replied yeah, him too, but the following year is where they are preparing.

Lisa Smith stated the way we are projecting it we are projecting zero Water SDC's.

City Manager Hanken replied no. You are seeing approximately 10 homes.

Mayor Burge asked how many homes were built this year.

City Manager Hanken replied about 5.

City Manager Hanken explained labor law. He explained as a community you are in great shape but you are not in as bad as shape as a lot of other communities. He stated since he has been City Manager we have been towing the line on cost. He stated when he came in our budget was a lot worse than it is now. He stated we got hit with the economy and that is one of our biggest obstacles that we face.

Mayor Burge replied you see it in the City's SDC Fund especially in the Water SDC Fund because during some of the things Council was trying to do to encourage growth they didn't touch the Water SDC Fund because they knew they had this issue.

Lisa Smith talked about the Airpark Water Line and how if they don't hook up to it before 2017 they won't have to pay their portion of the cost.

City Manager Hanken replied that's the way the rules are written.

Lisa Smith asked Joe Lewis if the project that's defined as replace and relocate the master meter at Miller Road, is that the effluent?

Joe Lewis replied that should be Keys Road. He explained that's the one staff has $18,000.00 in there for this year's budget and he is not sure that is going to do it because the logistics of this project are nightmarish. He explained that whole hillside is filled with ground water. The problem is the our meters is at the top of that hill right before it goes over the hill down to the reservoirs and the requirement for these meters is that the pipe is always full and we don't have enough flow going out of the plant to keep the pipe always full. One of the City's engineering firms put an upturn in the pipe to keep it flooded and then down the hill so it was like a water slide. So the meter cannot count that water and in order to make the meter work we now we can excavate this hillside which is nothing but gravel so we are going to need to relocate it down the hill and away from where it is. The farther you go the more conduit you have to run to get the telemetry back to the treatment plant controlling and then where that water line is that heads to the reservoirs is about of the new construction, the 2 mg reservoir construction, it's like 18 feet down. He doesn't really have an engineers estimate on the cost of this project but he is trying to build up a little fund through this process by rolling over the 9 to make it 18 and we may be able

to get something done. But what he envision doing he doesn't think is still possible even for 18. He is just hoping that they can get that meter replaced at that new location and it may take some different kind of communication system.

Rick Weber said he read over the minutes from the previous meeting. He asked about the section talking about the bond and it would be awhile. He asked how long is a while?

Joe Lewis replied City staff cannot be involved in selling it to the community so a group would have to be formed and there are some costs with getting things on the ballot. So it wouldn't be ready for May. He doesn't know if it would be ready for November. He explained even if it went on the November ballot and passed we still wouldn't see the effect for a couple of years really.

City Manager Hanken replied realistically Joe Lewis is ambitious with the timeframe. He explained if you had a committee willing to do the work and move forward you are still 18 months to 2 years away from putting anything on a ballot.

Lisa Smith stated she would like to see the City approach the water rates with an increase this committee decides that they want to recommend to the Council. Because she believes there will be one and it's a matter of considering how much it is going to be, it should be on the consumption side until after any bond work is talked about or done. Her reasoning behind that is consumption is something people feel they have at least a tiny bit control over and also water conservation is something that we need to be encouraging because Joe Lewis is right, we need more of it, we don't have it and we don't have the money to go find it right now.

Mayor Burge replied he agrees.

Karen Johnesse-Thornton replied she thinks so too.

Joshua Francoeur replied he thinks it should go both ways because even though you have a consumption rate if you are still encouraging people not to use as much the City is going to have to increase it more to get the same result as if they increased it a little bit on the base and a little bit in the consumption.

Lisa Smith replied that is true but the reason why she wants to hold the base is because at some point we are going to get serious whether that GO Bond passes or not, at some point the raw water line is going to have to be replaced and that's a huge increase and that's going to have to be on the base side because it's going to have to be financed.

Joshua Francoeur replied but at the same time you could do it, slightly now and again later, if it needs to be done that way.

Joe Lewis explained the loan payments will remain at the same level and that is why he has been continuing to talk about the base rate which is then money the City can rely on for the loan payments.

Karen Johnesse-Thornton agrees if there is an increase it should be on the consumption side.

Lisa Smith explained she ran some numbers from spread sheets that she prepared. She explained she came up with the average number of users and the average consumption. She explained her average user units per month, which is the 100 gallons, was 52. She explained there are 2,179 on a ¾ inch meter a month for the year 2010. She explained the annual revenue that came from her charts on the consumption is $577,430.00 annually. She explained then she starting working on the increases. This time the increase is about $17, 500.00 per penny.

Mayor Burge asked what was it last year?

Lisa Smith explained it was closer to $20,000.00. She explained about $35,000.00 at two cents, $53,000.00 at three cents and this is annual increase in revenue. She explained $87,500.00 at a nickel.

Rick Weber asked about equal pay.

City Manager Hanken replied the City doesn't have that service.

Lisa Smith stated that is one of the things she was going to ask about. She explained Columbia River PUD and NW Natural Gas have that option.

City Manager Hanken replied in terms of trying to average things out you can get real close by looking at your water account and dividing that by 12 and making those payments. The City bills every two months but staff tells customers that they can make payments monthly.

Lisa Smith asked if a customer comes in and wants to make monthly payments is there a contract that the customer would sign? She stated if not there should be one because that protects the City.

City Manager Hanken replied no there is not a contract. He explained Council would have to change some of the ordinances.

Mayor Burge explained this committee could make a recommendation to Council and ask them to have this on the agenda.

Lisa Smith moved and Rick Weber seconded to recommend to Scappoose City Council to have an equal pay option on the water and sewer bill. Motion passed.

Rick Weber asked if they need to develop a time line for the public education to help people who want to conserve more.

Karen Johnesse-Thornton explained she spoke with a friend who lives Aloha and who purchased rainwater barrels. Her friend told her this month alone she will probably be able to water her garden for the month of June and the barrels cost her $30.00 each. She asked if that is something the City could work with a local to get the barrels at cost. She stated if we are really going to talk

about conservation maybe this would be something to consider.
Lisa Smith explained she did do some calculations on the base rate, just at 5% calculation. She explained in a two year period by the time you implement the whole thing you would end up with $53, 000 total.

Rick Weber talked about adding 5% and then you go for a bond.

Mayor Burge replied he thinks it comes down to explaining why the City would need the bond. He explained the City could do a 5% increase a year for almost ever and it would be fairly possible to pay the needs.

Lisa Smith explained with a nickel increase in the consumption charge it is going to take us a couple of years, another year to take care of the rest of the project list and then every year after that we are going to be setting aside money to finish up the meters.

Mayor Burge stated and rebuild the contingency.

Mayor Burge explained he is comfortable with the five cents and commodity will allow people to conserve what they want.

Lisa Smith moved and Karen Johnesse-Thornton seconded the motion to recommend to City Council an increase of the consumption rate from .33 to .38 per 100 gallons. Motion passed.

Calendar Check ~ Next meeting

The Committee talked about future committee discussions of water conservation, the bond measure and check on the reservoirs.

Mayor Burge explained the next meeting date will be determined.

The Committee would like to be notified when the water discussion comes before Council.

Adjourn ~ Mayor Burge adjourned the meeting.

Scott Burge, Mayor

Attest:
Susan M Reeves, CMC, City Recorder

Workshop information

CITY OF SCAPPOOSE

Council Action & Status Report

Date Submitted: November 10, 2009

Agenda Date Requested: November 16, 2009

To: Scappoose City Council

Through: Direct to Council

From: Jon Hanken, City Manager

Subject: Discussion of Water Rates

TYPE OF ACTION REQUESTED:

[ ] Resolution [ ] Ordinance

[ ] Formal Action [X] Report Only

ISSUE: Council needs to have a discussion on water rates. Council is strongly encouraged to read the information provided with this staff report before the workshop session.

ANALYSIS: In 2002, the City of Scappoose hired the firm of Economic & Financial Analysis to conduct a financial plan and rate analysis for the Water Fund. A copy of this study is included with this report. In May of 2003, Council adopted Resolution 03-08 which based water fees on meter size and established a commodity rate. In 2006, Council adopted Resolution 06-09, which adjusted the commodity rate for water from $0.30 per 100 gallons to $0.33 per 100 gallons. No adjustments were made to the fixed portion of the fee structure.

If Council would have followed the rate study as it was presented in the report, the City's water rates would be $84.37 per month (See Table 5, Page 13). Staff is not intending to ask for that amount. Instead, staff is asking Council to consider a rate increase of approximately $18.75 per month, which would make the monthly water bill $59.20 (in-city residential ¾ inch meter). The proposed rate increase breakout would be $15 a month on the fixed costs (totaling $30.70) and $0.05 (totaling $0.38 per 100 gallons) on the commodity rate. Estimating that the average household uses 7,500 gallons of water per month, the commodity cost would be $28.50. Staff has provided an estimate of rate increases for other meter sizes and outside users consistent with the percentage increase for the ¾ inch in-city residential meter. 94% of all water users have ¾ inch meters and are located inside the city.

The justification for the proposed water rate increase is fairly straight forward. Revenue for Water System Development Charges has dropped off considerable. The City has yearly debt payments of $469,871. Of the $18.75 rate increase, $17.03 per month would be dedicated to servicing that existing debt ($17.03 x 12 mo x 2,300 water accounts = $470,028). The remaining $1.72 per month would be used for Operation and Maintenance (O&M).

It should be noted that Council will need to make other adjustments to the water rates in the coming years to address the deferred maintenance issues.

FINANCIAL IMPACT: This rate increase is estimated to generate approximately $517,500 per year. However, Council will need to hold a public hearing on any proposed rate increase before approving the enabling resolution.

RECOMMENDATION: None. Report Only.

SUGGESTED MOTION: None Report Only.

RESOLUTION NO. 03-08

A RESOLUTION REVISING RATES FOR MONTHLY USE OF WATER SYSTEMS

WHEREAS, Ordinance 585 provides for Resolution's adopting Water Service Charges.

AND WHEREAS, the City held a hearing on the increase of Water Rates on May 5, 2003.

NOW THEREFORE BE IT RESOLVED, the Council hereby approves monthly Water Rates and Charges as follows:

Section 1. Monthly Water Rates and Charges

(1) Water system users shall pay a minimum monthly charge of the following amounts:

(a) ¾" or 1" meter: $8.00 meter fee and $7.70 infrastructure fee, totaling $15.70 per month (Residential)

(b) 1.5" or 2" not requiring maximum fire flow: $35.00 meter fee and $33.60 infrastructure fee, totaling $68.60 per month

(c) 1.5" or 2 " meter requiring maximum fire flow: $59.00 meter fee and $56.65 infrastructure fee, totaling $115.65 per month

(d) 3" meter: $164.00 meter fee and $157.45 infrastructure fee, totaling $321.45 per month

(e) 4" or greater meter: $230.00 meter fee and $220.80 infrastructure fee, totaling $450.80 per month

(f) Any service outside the City, except Dutch Canyon area service: $18.00 meter fee and $17.30 infrastructure fee, totaling $35.30 per month

(g) Dutch Canyon area service: $12.00 meter fee and $7.70 per month, as per 1984 court order:

(2) In addition to the charges prescribed in subparagraph (1) above, each user shall pay $0.30 cents per 100 gallons of water used per month.

Section 2. Resolution No. 00-01 is hereby rescinded

Section 3. The rates adopted in Section 1 above shall take effect on May 21, 2003

PASSED AND ADOPTED by the Scappoose City Council and signed by me in authentication of its passage this 5th day of May, 2003.

CITY OF SCAPPOOSE, OREGON

_____

Glenn E. Dorschler, Mayor

Attest: _____

Susan M Pentecost, City Recorder

(a) ¾" or 1" meter: $8.00 meter fee, $15.00 debt service fee and $7.70 infrastructure fee, totaling $30.70 per month (Residential)

(b) 1.5" or 2" meter not requiring maximum fire flow: $35.00 meter fee, $65.54 debt service fee, and $33.60 infrastructure fee, totaling $134.14 per month

(c) 1.5" or 2 " meter requiring maximum fire flow: $59.00 meter fee, $110.49 debt service fee, and $56.65 infrastructure fee, totaling $226.14 per month

(d) 3" meter: $164.00 meter fee, $307.11 debt service fee, and $157.45 infrastructure fee, totaling $628.56 per month

(e) 4" or greater meter: $230.00 meter fee, $430.69 debt service fee and $220.80 infrastructure fee, totaling $881.49 per month

(f) Any service outside the City, except Dutch Canyon area service: $18.00 meter fee, $33.73 debt service fee, and $17.30 infrastructure fee, totaling $69.03 per month

(g) Dutch Canyon area service: $12.00 meter fee, $15.00 debt service fee, and $7.70 infrastructure fee per month, as per 1984 court order, totaling $34.70 per month.

RESOLUTION NO. 06-09

A RESOLUTION REVISING RATES FOR MONTHLY USE OF WATER SYSTEMS

WHEREAS, Ordinance 585 provides for resolution's adopting Water Service Charges, and

WHEREAS, the City held a hearing on the increase of Water Rates on June 19, 2006.

NOW THEREFORE BE IT RESOLVED, the Council hereby approves monthly Water Rates and Charges as follows:

Section 1. Monthly Water Rates and Charges, Water system users shall pay a minimum monthly charge of the following amounts:

(a) ¾" or 1" meter: $8.00 meter fee and $7.70 infrastructure fee, totaling $15.70 per month (Residential)

(b) 1.5" or 2" meter not requiring maximum fire flow: $35.00 meter fee and $33.60 infrastructure fee, totaling $68.60 per month

(c) 1.5" or 2 " meter requiring maximum fire flow: $59.00 meter fee and $56.65 infrastructure fee, totaling $115.65 per month

(d) 3" meter: $164.00 meter fee and $157.45 infrastructure fee, totaling $321.45 per month

(e) 4" or greater meter: $230.00 meter fee and $220.80 infrastructure fee, totaling $450.80 per month

(f) Any service outside the City, except Dutch Canyon area service: $18.00 meter fee and $17.30 infrastructure fee, totaling $35.30 per month

(g) Dutch Canyon area service: $12.00 meter fee and $7.70 per month, as per 1984 court order:

(2) In addition to the charges prescribed in subparagraph (1) above, each user shall pay $0.33 cents per 100 gallons of water used per month.

Section 2. Resolution No. 03-08 is hereby rescinded effective July 21, 2006

Section 3. The rates adopted in Section 1 above shall take effect on July 21, 2006

PASSED AND ADOPTED by the Scappoose City Council and signed by me in authentication of its passage this 19th day of June, 2006.

CITY OF SCAPPOOSE, OREGON

_____

Glenn E. Dorschler, Mayor

Attest: _____

Susan M Pentecost, City Recorder

CITY OF SCAPPOOSE
REGULAR CITY COUNCIL MEETING
SEPTEMBER 19, 2011 AT 7:00 P.M.
33568 EAST COLUMBIA AVE
SCAPPOOSE, OREGON

Mayor Burge called the City Council Meeting to order at 7:00 p.m.

Flag Salute

Attendance:

City Council Members:		**Staff:**	
Scott Burge	Mayor	Jon Hanken	City Manager
Jeff Bernhard	Council President	Doug Greisen	Police Chief
Donna Gedlich	Councilor	Joe Lewis	Water Treatment Plant Supervisor
Judie Ingham	Councilor	Brian Varricchione	City Planner
Larry P. Meres	Councilor		
Jeff Erickson	Councilor		
Mark Reed	Councilor		
Cindy Phillips	Legal Counsel		

Excused: City Recorder Susan Reeves

Approval of the Agenda

Councilor Ingham moved and Council President Bernhard seconded the motion to approve the agenda. Motion passed (7-0). Mayor Burge, aye; Council President Bernhard, aye; Councilor Gedlich, aye; Councilor Ingham; aye; Councilor Meres, aye; Councilor Erickson, aye and Councilor Reed, aye.

Public Comments

Patrick Trapp, Port of St. Helens, introduced the newest member of the Ports staff ~ Scott Jenson, who is a recent graduate from the University of Washington and will be their planning coordinator. He thanked Council for excellent collaboration and coordination for the Wings and Wheels event. He gave Council an update on the Port of St. Helens.

Council thanked Patrick Trapp and Scott Jenson for attending tonight.

Councilor Ingham read the letter submitted by Delbert Long into the record. See below ~

SEP 16 2011.

From: Delbert Long

To: Scappoose Mayor, City Counselors, other Scappoose City officials

My name is Delbert Long. I am a 43year resident of the Scappoose Community. Janet and I are the parents of 6

children, all of whom started and completed their education at the Scappoose school district. My wife Janet is a graduate of Scappoose High School. Currently three of my adult children reside within city limits of Scappoose. I have 11 of my 19 grandchildren attending Scappoose/Sauvie Island schools. Two of my adult children reside in the Scappoose community outside of the city limits.

The purpose of this letter is to inform you of a potential, serious danger within the city limits of Scappoose. I refer to the area between West 4th and E.M. Watts, extending to the intersection of Keys Road and E.M. Watts. I am a school bus driver for First Student in Scappoose, however, I am not writing this letter as a representative of First Student. My route takes me to E.M. Watts and Keys Road three times each school day. I am beginning my 6th year driving bus, all on the same route. During the past 5 years there have been several occasions I have observed which could have easily resulted in serious injury and possible fatal injury. There are estimated 60 children of all ages who reside in the west E.M. Watts/Keys road/Johanna Lane area. The problem is they have no place to walk along E.M. Watts unless they walk on the pavement. Because of the lack of a sidewalk or a trail along side of the road, the children put their lives in serious danger by walking on the pavement or on the edge of the pavement in the grass. As you know it rains frequently in Oregon and when they walk in the grass, they are soaked before they get to their destination. Because of the wet grass, they choose to walk on the pavement. It is just a matter of time before there is a tragic accident. As a school bus driver, we are continuously in training about avoiding potential hazards while we are driving the bus. During the past 5 years I have stopped the bus when there were no vehicles behind me, and asked the children to walk in the grass and not on the pavement. WE NEED A SIDEWALK IN THE WORST WAY along E.M Watts Road. I understand the continual problem all cities have with their budget. May I suggest that to begin with, why not put in a gravel trail next to the road for the pedestrians to walk on until it can be replaced with a cement sidewalk. I cannot believe there is not a way to come up with the funds to prepare the area for a gravel trail. I am not an engineer, but it does not take an engineer to see the need and way to make this happen. OUR KIDS SAFETY IS AT STAKE.

Please consider this. The intersection of Lower Keys road and E. M. Watts is a very, very dangerous intersection. There are 6 roads/streets and driveways all coming together within a few feet of each other. (1) Keys Road, (2) Eggelston Lane, (3 &4) EM Watts both directions,(S) Boom Lane, and (6) Johanna Lane. In addition there is a sharp corner on or near where the six roads come together. I understand that changing the intersection is not an option. However a sidewalk or gravel trail between Eggelston/Keys Road and Boom Lane will help a great deal to make the intersection much safer for pedestrian traffic. Then extend the trail/sidewalk from Boom lane to connect with 4th street. In addition, more signage on EM Watts and Keys to warn the drivers of the possible danger would also help. Also consider a marked crosswalk from Keys across Eggelston would help.

I am convinced that changes could and should be made asap. I do understand that there many streets in Scappoose which do not have sidewalks, and it would be cost prohibitive to put sidewalks on all streets. However, Most of those streets are wider and are side streets , whereas EM watts is a major thoroughfare and is narrower than most of the other streets *wlo* sidewalks. I am forwarding a copy of this letter to the Oregon Transportation Safety Committee as well as the Columbia County Traffic Safety Committee.

Thank you for your consideration and willingness to fix this very dangerous situation.

Sincerely,

Delbert Long

29930 Bolin Drive Scappoose Ore 97056 Phone 503-543-5959

City Manager Hanken explained one thing Council needs to remember is that EM Watts Road is a County Road and it's not under the City's jurisdiction. He stated having said that you can still go back to the number of possible solutions that can be looked at. He asked what is Councils direction in terms of what they wish for him to do with this.

Councilor Ingham thinks Mr. Long's recommendation of doing a gravel path where there is a place off the road for children to walk would be a band aid until it can be further moved along and then maybe approaching the County.

City Manager Hanken replied having a conversation with the County is probably a good idea simply because of stormwater issues that are related to that. He explained it is a little bit more complicated than what's laid out.

Mayor Burge asked City Manager Hanken to work on some solutions and bring them back to Council in a month. He asked for this to be put on the agenda for the second meeting in October.

Councilor Gedlich stated there are many streets in Scappoose that don't have sidewalks. She stated maybe we need to work with the County regarding better signage and make people aware of the bus stops and the hours that the buses go by so that they are watching or lower the speed.

Mayor Burge would like to see this on the agenda in a month with options and solutions.

Consent Agenda ~ September 6, 2011 City Council meeting minutes

Councilor Ingham moved and Council President Bernhard seconded the motion to approve the September 6, 2011 City Council meeting minutes. Motion passed (7-0). Mayor Burge, aye; Council President Bernhard, aye; Councilor Gedlich, aye; Councilor Ingham; aye; Councilor Meres, aye; Councilor Erickson, aye and Councilor Reed, aye.

Old Business

Ordinance No. 817: An Ordinance Relating To Land Use and Amending Municipal Code Chapters 17.140 (Public Land Tree Removal) and 17.162 (Procedures for Decision Making--Quasi-Judicial)

City Planner Brian Varricchione stated as noted this is the second reading of the ordinance, the first reading was at the last Council meeting at which time there was also had the public hearing. So tonight is not a public hearing just a second reading. He explained staff and the Planning Commission are recommending these updates to the Development Code to change the rules and procedures for public land tree removal.

Mayor Burge stated there is a motion on the table from the last meeting and asked if there is any discussion. He stated hearing none all those in favor ~

Motion passed (7-0). Mayor Burge, aye; Council President Bernhard, aye; Councilor Gedlich, aye; Councilor Ingham; aye; Councilor Meres, aye; Councilor Erickson, aye and Councilor Reed, aye.

New Business

Resolution No. 11-19: A Resolution Revising Rates for Monthly Use of Water Systems

Mayor Burge opened the public hearing.

City Manager Hanken explained the last time water rates were discussed before Council; Council held off on doing any approval and established the Public Works Advisory Committee. This Committee met over the past 7 months to discuss the waters operational budget, maintenance issues, capital improvement needs, debt obligations, the current rate structure and the possibility of going out for a General Obligation Bond. At this time the Public Works Advisory Committee is just recommending that Council make a 5 cent increase in the water commodity rate, from $0.33 per 100 gallons to $0.38 per 100 gallons and everything else would stay the same. If Council approves this rate consumption the rate would go into effect starting September 21 and residents would see this reflected in their November bill.

Mayor Burge asked if anyone would like to comment on the water rate issue. No one in the audience wanted to speak on this matter.

Council President Bernhard stated to Mayor Burge he was hoping considering he was part of the Committee he could talk a little bit about the Committee, what they went through and how they came up with the recommendation.

Mayor Burge explained the Committee met five or six times and they did everything from tours of the water systems to discussions of the entire budget, future needs, what the budget looked like, and options. He explained this was a Committee that during the previous meeting was split between people who were adamantly apposed, to any rate increase to people that were offering their own options, to people that were just citizens interested in being involved. He explained it was the members that were mostly opposed that made the motion for this increase and they made the increase based on the idea that it was a commodity rate which means that if you were running your own water at least you would have some control over your water usage. He explained the Committee went through every option; they looked at all the arguments that were made before the Council as well as before the needs of the system and what it takes to run a system. This was really the minimum that they felt they could do not knowing what the future was like and the fact that the recession is really beating up on this fund and there's got to be some give and they've cut it down to the bone as it is. They have a City Manager and a Water Department that are doing things as cheaply as possibly and are putting way too many things off. We needed to do something and this is what the committee agreed to do. It was passed unanimously by the Committee and forwarded to the Council.

Council President Bernhard stated from a budgetary standpoint this comes in a lot shorter than what we were looking at approximately a year ago. He asked Joe Lewis, Water Treatment Plant Supervisor, can you give us some perspective of where we are looking from a budgetary standpoint with this increase. He stated when we talked a year ago we had some major shortages coming up and he wants to know where this fits into those shortages.

Joe Lewis replied we are in critical imbalance in our funding at the water department. It has to do with something's they talked about last time when he came before Council to talk about the water system in general. He explained Council was very on the money about how although we were consuming a million gallons of water a day which is close to our maximum production we really weren't in trouble because of the money we have spent on infrastructure building a recent 2 million

gallon reservoir and a 300,000 gallon reservoir adding to our existing 1 million gallon reservoir and 300,000 gallon reservoirs. So the investment in our infrastructure is what allowed us to avoid a difficult time this summer. That investment was done on loans and one of the biggest challenges we face in our approx $2,000,000.00 budget is $500,000.00 in loan payments every year. He explained this rate adjustment suggested by the Committee to the Council is a step in the right direction. As the Committee members suggested it is controllable by the consumer dependent upon how much water they use. So that if you don't want to pay any rate increase you can cut your water consumption down a little bit. He explained the estimated impact on the budget is somewhat variable for that reason. He explained the best estimate that staff can come to at this point that a 5 cent per 100 gallon increase over the course of the year would garner about $87,000.00 extra revenue and so as he says that is a step in the right direction. Although it doesn't answer all of their issues it begins to address the true quality of the processing and delivery of our water to the citizens. He explained we are not alone with this issue, infrastructure across America is aging and in need of investment if we want to continue to live the style of life that we have grown accustom to. He would like to thank the members of the Committee ~ Mayor Burge, Councilor Heerwagen, Carmen Kulp, Joshua Francoeur, Lisa Smith, Karen Johnesse-Thornton and Rick Weber for the hours that they invested in coming to this recommendation.

Mayor Burge explained one of the things that they talked about in the analysis and one of the things that the Public Works Advisory Committee talked about is some of the infrastructure we felt that it might be a better idea to look at going for a bond to upgrade some of the infrastructure like pipes and 2 million dollar main raw water line because at least if you are paying it through your taxes you can write it off on your income taxes and that way there are some benefit where as if they are paying for it through their water bill they don't get to write it off.

Council President Bernhard asked City Manager Hanken if we move forward with this is staff prepared to answer questions of concerned citizens in forms of how to provide or how to point them in the right direction for low flow devices or methodologies as in how to conserve water.

City Manager Hanken replied absolutely. He explained in the past we have partnered with Columbia River PUD for low flow faucets and shower heads.

Council President Bernhard replied so in a way we are empowering the citizens to decide if they are going to continue to use the same amount of water and unfortunately pay a little more to do so or by all means they have the power to cut back through their own device or information that we can provide for them.

City Manager Hanken replied ultimately we do want the consumers to conserve because the more they conserve the longer our supply last.

Councilor Ingham stated looking at the potential debt shortfall this generating $87,000.00 in additional annual revenue there is that band aid again. She asked when are we looking at having to come back and make another rate increase or have you suggested along with the Committee that you sit down every 2 years and develop a methodology as far as making a rate increase every year or every other year so that we can catch up with the debt.

Joe Lewis replied he is happy to say that the Committee is going to be on going and so it is not going to be completely up to him to make the suggestion. It is going to be up to him to inform the Committee members of our need and they will be able to make some suggestions to this body in the

future as they are making tonight. As he says it is a step in the right direction and one thing that has turned out to be kind of good is if this was passed and the money generated this year is not budgeted for spending this year. So we would start gathering this revenue in November but we wouldn't be able to spend it until July. He explained we need to balance the budget and examine the needs and our revenues and come to a place where we are paying so that everything is taking care of like the treatment plants, the underground infrastructure and all the needs that we have will be ongoing addressed into the future. He explained his is really grateful for the Public Works Advisory Committees help, for their ideas and their approach.

Councilor Ingham explained she knows how important conserving is, it's key, but we need to generate income. The incentive to conserve is a good thing but again it is a double edge sword because you're not generating the revenue that we need to balance the debt issue. She doesn't know but maybe moving forward the Committee could look at something that is a little more stringent then just incentive based increase in rates.

Joe Lewis explained when he spoke to Council about water rates and balancing our budget before he mentioned the Public Utilities Commission recommendation when you have a large degree of indebtedness as our system does that your rate adjustment should come on the base rate. That is how he advised the Public Works Advisory Committee when they initially began talking about it and they haven't chosen to go that route. As Councilor Ingham stated in the future that may be something this body needs to discuss and consider.

Mayor Burge replied just to follow up regarding the Public Works Advisory Committee he thinks the biggest reason for the increase on the commodity side was the recession. He explained there was a commitment from that Committee that they felt they should be looking at rates every year, not every other year. So this next January to May they will be looking at the rates again. By increasing every year they can try to keep it in the more manageable range so it is not a shock, it's something more acceptable and it is constant with the cost of inflation and the growth of the community and those items.

Mayor Burge closed the public hearing.

Councilor Gedlich explained she has some concerns. She stated first off she does want to thank staff and the people that served on the Committee for their commitment for this very important issue. She is not opposed to the increase but she is opposed to the timing. She has to say since the article came out in the newspaper she has heard from 13 individuals, two of them were business owners that have since closed their businesses in Scappoose within the last 6 months. She explained part of the reason that they said they closed was due to the economic times, the rent per square foot of their business and all the business regulations that they had to put up with and the expenses of all their utilities, plus advertising. She just kind of thinks when you go down Highway 30 and see all the vacant businesses how are we going to encourage economic development when we have so many vacant spots in town and it makes her feel so bad. Then we have a UGB that is coming up and she knows that is going to take several years for it to go through, However if we start right now we are not only effecting commercial entities that we are trying to get here but we are also hurting our citizens and the people that are on fixed incomes. She stated as you know she worked many, many years for the food bank and they have so many more new clients that have been laid off. Just to meet the current utilities that they have and their mortgage and or rent is very difficult and if we raise the rates 6 of our 2,300 customers pay an average of $640.00 a month for water and that might be Councilor Erickson's laundromat, she doesn't know. But how it's going to effect those 6

customers that pay that kind of water and not only that she is not even including sewer so you might want to double that. She is hoping that these 6 customers don't close their business or pass on the increase to their customers because that's what is happening. We are nickel and diming and charging fees, no matter if it is local, county, state, federal, where does it stop and she knows that the economic times are going to get better and then when you stop and think about the last couple of years we have eliminated the business license fee to help our local business owners. She is not saying that the water increase is going to effective them to that extent of $50.00 or $55.00 business license, she doesn't know that, however there reaches a point where maybe we can just back up for a few month and wait and see how our economy is growing here in town. We are getting commercial businesses down on 2nd Street, that's going to bring in business, that's going to bring in customers and maybe we just need to just hold off for a few months. She knows that we have 465 delinquent accounts a month out of 2,300 customers and that's sad. She stated you know what that means; if they don't have the money to pay they don't get any water and sewer so what is that going to do. She knows that we need the $87,000.00 but we also need to look at our citizen's interest and how it is going to affect them. She is on a fixed income, she's in a two family house hold, and she has been at her same residence for 43 years. Her water bill last year was exactly $392.01 however sewer and water was $762.22 this year so far she has paid $220.14 in water and she has paid $462.14 in water and sewer, that is a lot of money for seniors that are on fixed income that are not getting a wage increase every year to meet up with all the other services and fees that just keep coming and coming and coming. She would just like to wait a few months.

Councilor Ingham replied those issues did not get lost on this Committee. She thinks the Committees foresight in using an incentive base rate increase was the absolute best resolution to the conflict and the issue and the emotional emotion that this type of issue draws and it is the minimal amount that we can raise but we can't ignore the need of the revenue that needs to be generated to get us out of this hole. She explained on down the road you can't sacrifice water and sewer needs, you can't, so the other things go like police protection and the other infrastructure that comes in and are necessary. She stated it is not an easy decision but she thinks the Committee did a very good job in the decision making process.

Councilor Ingham moved and Council President Bernhard seconded the motion that City Council adopt Resolution No. 11-19: A Resolution Revising Rates for Monthly Use of Water Systems.

Council President Bernhard explained he doesn't think that any of us would like to see water rates go up. He thinks majority of us, if not all of us, some how, some way have been affected by this 5 year recession that we are in right now and this literally is the last thing that we would like to do. He stated but a couple of things that come to his mind and the reason why he supports this is the Committee itself was a very diverse committee and they collaborated and come to an agreement that this was the best route. This was a group of citizens that he remembers a year ago sitting in this room extremely angry about raising rates and they did something about it, they got on the committee and they worked it out, they came to an agreement and to him that is one of the best things that could happen from this unfortunate situation that we have to raise rate. The other thing, he said it earlier, we are also empowering the citizens, even though it is a rate increase, we are empowering them to lower their water usage if they choose to and we are empowering them to use low flow water systems it they want to. He stated as much as he does agree with Councilor Gedlich and her points about the economy, about the businesses, about the hardships that people go through and stuff like that, he just feels there is a responsibility that we have to adhere to and we have to bring these budgets into line and he is in support of it.

Councilor Gedlich explained she is not opposed to this at all, what she is opposed to is the timing. She thinks maybe we are just doing it too quickly. She was surprised that the room wasn't filled tonight because she thought there would be the 13 individuals who called her would be here. She encouraged them to come and she explained to them if they couldn't come she encouraged them to write a letter. She stated she was so disappointed tonight but maybe the citizens didn't think it would happen so quickly or that it would begin right away. She explained all she is saying is maybe sit on it for a couple of months and see if we get some good responses or maybe we can contact the local newspapers and get some information out there. That's all she is asking.

Councilor Erickson stated he would just like to say from the commercial standpoint that if this passes ultimately any citizen that uses any of those businesses will pay the extra, they will feel it in the end. He stated you are hitting them at home and you are hitting them when they have to take care of business.

Councilor Reed explained he went on tour to the water plant and he knows there is a lot of expense in maintaining that.

Joe Lewis stated he appreciates the business analogies that several Councilors have brought forward tonight because that is really is what they are at the City Water Department, they are in the business of delivering processed water to the citizens and that business has costs. They can't go on neglecting those costs as they have for the last 9 years, ignoring the recommendations of finance professionals who at that time suggested a significantly larger water rate that year and almost every year until now in an effort to balance our budgets going forward to the 5, 10 and 20 year interims. He does think this is a step in the right direction.

Councilor Meres thanked the Committee for their hard work. He explained he is not interested in raising rates but he knows this is a necessary thing but he thinks 5 cents is reasonable. He knows since he has been on Council, this is his 5th year, nobody has raised water. He knows when he moved into this community it was booming and they neglected to raise those rates back then, we have not kept up and he thinks it is time to protect the City and do our responsibility. He knows it is tough on everybody with fixed incomes. He stated we can't continue to put this stuff off.

Councilor Ingham stated maybe to help citizens adjust to the rate increase we can encourage people to start paying monthly because they can.

City Manager Hanken explained we do that currently.

Mayor Burge stated he thinks the Committee also had discussions on averaging the water bill. He is not sure if we can do that or not but he knows the Committee was interested in seeing what the options were on that.

City Manager Hanken replied that is something that we are looking at which would mean a change to our software program which means more money.

Motion passed (5-2). Mayor Burge, aye; Council President Bernhard, aye; Councilor Ingham; aye; Councilor Meres, aye; and Councilor Reed, aye. Councilor Gedlich, nay and Councilor Erickson, nay.

Announcements

Mayor Burge went over the calendar. He wanted to make a suggestion to change the next Council meeting from Monday October 3 to Tuesday October 4 because the movie that was filmed in Scappoose will be previewed on October 3 in Portland.

City Manager

City Manager Hanken explained there is a City/County Meeting on September 27, 2011 at 6:00 p.m. at the St. Helens Elk Lodge. He also explained the League of Oregon Cities Conference is September 28 through October 2. He explained he is part of a presentation panel on Economic Development and Municipal Cooperation.

City Manager Hanken explained tomorrow is Election Day and City Hall will be open until 8:00 p.m. He explained Saturday was the Sauerkraut Festival. He explained the Barbara Bullis Golf Tournament was held last Monday and on the score cards the Cities of St. Helens and Scappoose tied. However when they did the tie breaker the City of Scappoose won.

Police Chief

Police Chief Greisen talked about Legislation lowering all the traffic fine bails which will go into effect in January. He explained at the same time they decided to change some verbiage on the traffic citations so they will have to buy all new traffic citations. He explained October 2 through October 7 the National Center of Rural Law Enforcement is coming out from Little Rock Arkansas to do a week long training, two days for supervisors and command staff and then three days for patrol officers. The National Center of Rural Law Enforcement is providing this training at no cost to the Cities.

Council

Councilor Gedlich explained she listened to the football game the other night from here house and it was absolutely wonderful. She would like to go to the City/County Quarterly meeting however she would like to carpool.

Councilor Meres thanked City Manager Hanken and staff for all their hard work at the Sauerkraut Festival.

Council President Bernhard spoke in regards to the water rates. He explained we are talking about .38 cents per 100 gallons. He stated as Americans how entitled really are we, how spoiled are we. He stated we are talking .38 cents per 100 gallons; think about how much that truly is, how much a 100 gallons is. Think about how much we use for cars, pools, plants, yards, whatever it may be and he is just as guilty as everybody else but doesn't that just hit you right upside the head in all honesty.

Councilor Gedlich replied that is because were all are so lucky that we are sitting up here making those decisions for our citizens but you know what there are so many citizens in our community that don't have what we have.

Councilor Erickson stated ditto to what you just said Councilor Gedlich.

Councilor Reed replied he will say the same thing that Council President Bernhard just said. He said I am sitting up here drinking this glass of water without having to worry about what it in it. He explained 11 years ago he was in China and in a what he considers to be a very nice hotel there was a sign on the bathroom window that said "Do not drink this water".

Mayor Burge replied the Sauerkraut Festival was good.

Mayor Burge recessed at 8:16 p.m. and then went into Executive Session.

Executive Session

ORS 192.660 (2) (h) Litigation Likely to Occur

In attendance: Mayor Burge, Council President Bernhard, Councilor Gedlich, Councilor Ingham, Councilor Meres, Councilor Erickson, Councilor Reed, City Manager Hanken and Legal Counsel Cindy Phillips.

Adjournment

Mayor Burge came out of the Executive Session and adjourned the meeting at 8:32 p.m.

_____
Scott Burge, Mayor

Attest: _____
Susan M Reeves, CMC, City Recorder

RESOLUTION NO. 11-19

A RESOLUTION REVISING RATES FOR MONTHLY USE OF WATER SYSTEMS

WHEREAS, Ordinance 585 allows Water Service Charges to be adopted by resolution, and

WHEREAS, the Scappoose Public Works Advisory Committee held meetings to discuss the Water Department's budget and rate adjustments, and

WHEREAS, the City held a public hearing on the proposed water rate increase on September 19, 2011.

NOW THEREFORE BE IT RESOLVED, the Council hereby approves monthly Water Rates and Charges as follows:

Section 1. Monthly Water Rates and Charges.

(1) Water system users shall pay a minimum monthly charge of the following amounts, as applicable:

(a) ¾" or 1" meter: $8.00 meter fee and $7.70 infrastructure fee, totaling $15.70 per month (Residential)
(b) 1.5" or 2" meter not requiring maximum fire flow: $35.00 meter fee and $33.60 infrastructure fee, totaling $68.60 per month
(c) 1.5" or 2 " meter requiring maximum fire flow: $59.00 meter fee and $56.65 infrastructure fee, totaling $115.65 per month
(d) 3" meter: $164.00 meter fee and $157.45 infrastructure fee, totaling $321.45 per month
(e) 4" or greater meter: $230.00 meter fee and $220.80 infrastructure fee, totaling $450.80 per month
(f) Any service outside the City, except Dutch Canyon area service: $18.00 meter fee and $17.30 infrastructure fee, totaling $35.30 per month
(g) Dutch Canyon area service: $12.00 meter fee and $7.70 per month, as per 1984 court order:

(2) In addition to the charges prescribed in subparagraph (1) above, each user shall pay $0.38 cents per 100 gallons of water used per month.

Section 2. Resolution No. 06-09 is hereby rescinded effective September 21, 2011

Section 3. The rates adopted in Section 1 above shall take effect on September 21, 2011

PASSED AND ADOPTED by the Scappoose City Council and signed by me in authentication of its passage this 19th day of September, 2011.

CITY OF SCAPPOOSE, OREGON

Scott Burge

Scott Burge, Mayor

Attest: Susan M Reeves

Susan M Reeves, City Recorder

City of Scappoose, Oregon

Water Utility

Financial Plan and Rate Analysis

December 2002

Prepared by:

Economic & Financial Analysis
1331 SW Broadway
Portland, Oregon 97201
(503) 228-3225

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SUMMARY

INTRODUCTION

The City of Scappoose retained Economic & Financial Analysis to develop a financing plan and rate recommendations for its water utility. In 2001, the City completed an update to its water master plan. This plan and rate recommendations are designed to implement the updated water master plan.

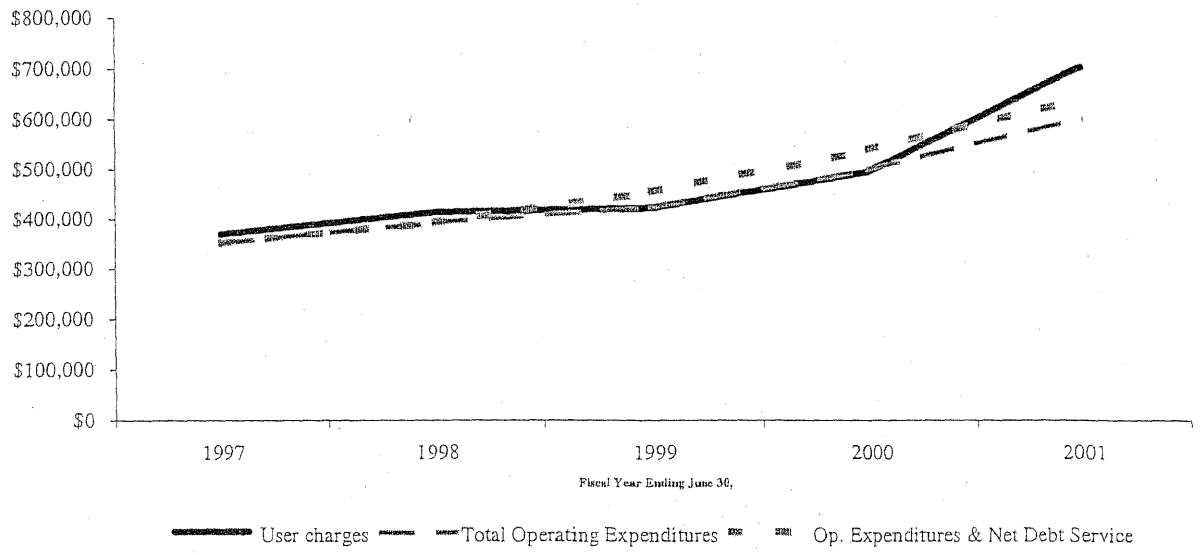
The report presents a financial history, forecast, and plan based on the recently completed water master plan update and discussions with federal and state funding agencies. Following the financial analysis, is a discussion of water rates and presents alternatives and options with recommendations to modify the current water rate structure and rate levels. The current rate structure is largely equitable for today's customers but may become less equitable as new customers connect to the system.

FINANCIAL PLAN

Financial History

To evaluate the water utility, EFA combined the five funds that comprise the water utility—the appendix shows the combining statements. An enterprise such as the water utility is established under municipal management and accounting as a financially self-sufficient entity of the City. Its water rates and other charges have to produce sufficient annual revenue to pay all of the annual operating, maintenance, debt service, and capital acquisition costs of the enterprise. Figure 1 shows the utility's primary source of revenue from water user charges (rates) has been at or below the annual recurring costs of operations and debt service from fiscal year 1997 (from 1 July 1996 through 30 June 1997) through the end of fiscal year 2001.

Figure 1 Cash Flow History



Until Fiscal Year 2001 (1 July 2000 through 30 June 2001) user charge revenues were just sufficient to pay recurring operating costs: personnel, and materials and services.

- Personnel services have increased an average of 17 percent per year
- Materials and services expenses have increased an average 7 percent per year

The higher dashed line in Figure 1 shows the combination of operating costs plus annual debt service on two of the utility's three outstanding loans. The debt service shown in Figure 1 is net of payments made by the Port of St. Helens for its share of the Airpark water line improvements. In fiscal years 1999 and 2000 the utility run deficits; revenues from water rates and payments from the Port were insufficient to pay all of its operating expenses and debt service.

Also, in the three fiscal years from 1999 through 2001, the water utility spent $1,756,415 on capital improvements. It paid for these improvements from loans ($401,687), grants ($498,567), proceeds from a timber sale ($356,220), and systems-development-charge revenue ($499,941).

Beginning January 2000, the City increased water rates an average of 40 percent to make up the deficit between annual revenue and expenses, and in anticipation of repaying debt service on all three of the outstanding loans.

The water utility has three outstanding loans that it is repaying from net operating revenues (i.e., receipts from water rates less personnel and materials and services), systems development charge revenues, and from payments by the Port of St. Helens, which pays 58.3 percent of the annual debt service. Table 1 shows the list of lenders, annual debt repayment schedule, and outstanding balances for the next 7 years. These debts may be paid off early beginning December 2003. In 2003 any one of the debts may be paid off with a penalty payment equal to 2.0 percent of the outstanding debt. The next year the penalty decreases to 1.0 percent, and after 2005 no penalty accrues to payoff of the outstanding bonds.

The utility will not start repaying Loan No. 1 until the current Fiscal Year 2002. The first payment on this deferred loan is due December 1, 2002. Until that time, the interest that would be due accrues as principal. For Loan No. 1, Table 2 shows that interest expense is positive and the loan balance increases until Fiscal Year 2003. Since Loan No. 1 has the highest interest rate, it is the City's first choice of loans to repay early. Early repayment would save the City about $28,000 a year in debt service payments.

Table 1 Outstanding Debts

	% Interest	2001	2002	2003	2004	2005	2006	2007	2008
	Amount	2002	2003	2004	2005	2006	2007	2008	2009
Outstanding Loans									
Loan No. 1 OECDD									
Principal			(13,008)	(13,788)	(14,616)	(15,492)	(16,422)	(17,407)	(18,452)
Interest	*6.05%*	18,094	(18,166)	(17,386)	(16,558)	(15,681)	(14,752)	(13,767)	(12,722)
Balance	*299,193*	302,769	289,761	275,973	261,357	245,865	229,443	212,035	193,583
Loan No. 2OECDD									
Principal		(12,596)	(17,707)	(17,822)	(17,943)	(18,068)	(18,201)	(18,339)	(18,489)
Interest	*4.77%*	(17,208)	(16,673)	(15,920)	(15,162)	(14,399)	(13,622)	(12,829)	(12,014)
Balance	*400,000*	356,381	338,674	320,852	302,909	284,841	266,640	248,301	229,812
Loan No. 3 OECDD	*739,465*								
Principal		(29,632)	(29,849)	(30,081)	(30,330)	(35,596)	(35,877)	(36,178)	(36,502)
Interest	*5.33%*	(35,019)	(33,626)	(32,194)	(30,721)	(29,205)	(27,425)	(25,586)	(23,687)
Balance	*660,548*	630,916	601,067	570,986	540,656	505,060	469,183	433,005	396,503
Total Outstanding Debt Service									
Principal		(42,228)	(60,564)	(61,691)	(62,889)	(69,156)	(70,500)	(71,924)	(73,443)
Interest		(34,133)	(68,465)	(65,499)	(62,441)	(59,285)	(55,798)	(52,181)	(48,422)
Total Debt Service		(76,361)	(129,029)	(127,190)	(125,330)	(128,441)	(126,298)	(124,105)	(121,865)
Balance		1,290,066	1,229,502	1,167,811	1,104,922	1,035,766	965,266	893,341	819,898

The utility relies on systems-development-charge revenue and other one-time sources such as timber sales to repay its debts and to make capital improvements. If real estate development, which pays the SDC, had slowed significantly in the last two years, the utility would have had to draw on cash reserves to make loan payments. Also, repayment of the deferred loan won't begin until December 2002 (fiscal year 2003) and unless rates are increased before then, net operating income will again be insufficient to make debt service payments on existing loans.

The loans are "general tax obligations" of the City; they are not general obligation bonds. The City cannot levy a property tax to repay the loans. If the water utility cannot make a loan payment, (i.e., the utility defaults on the loan), then the State of Oregon Economic & Community Development Department (OECDD) can withhold state-shared tax revenues such as liquor and tobacco revenues from the City to make the necessary loan payments.

The OECDD also requires the City (under Special Conditions of Award) to maintain rates and charges so that ". . . Net Water Revenues each fiscal year at least equal 1.2 times the annual debt service due in that fiscal year on the Loan and any additional obligations issued on a parity with the Loan . . ." Net Water Revenues is defined as ". . . the sum of the city's water Systems Development Charge funds plus the revenues of the city's water system minus the operation and maintenance costs of the (water) System." This "coverage" requirement means that the City has to take in at least 120 percent more revenues from rates and SDCs less operating costs than it needs to pay debt service. This coverage provides the State (the Lender) and the City (the borrower) with a degree of financial security.

Scappoose's water rate revenue less operating expenses produce just enough revenue to cover net debt service on Loan No.s 2 and 3. For example, in fiscal year 2000-2001 the City's Net Water Revenues was $279,132 ($702,988 from user charges plus $177,840 from SDCs minus $601,696 in operating costs) and debt service was $90,790, therefore coverage was 3.07 ($279,132 / $90,790). If the SDC revenues were zero, then coverage would decrease to 1.11, below the required 1.2 limit. When the City begins repaying Loan No. 1, the current revenue from water rates alone will not be sufficient to pay all of its operating expenses and debt service. To meet its bond obligations, the City is dependent on SDC revenues.

- In summary, the utility's water rates are producing just enough revenue to meet current operating and debt service obligations.
- Next fiscal year when it begins repaying Loan No. 1, it will have to rely on SDC revenue or cash & investments to pay part of the annual debt service on the three loans.
- At the end of fiscal year 2001 the utility had $1,131,459 in cash and investments, but it spent an estimated $441,400 in fiscal year 2002 on capital improvements. After accounting for net operating revenues, SDC revenues, and debt service, the utility's estimated ending cash is about $779,000 as of June 30, 2002.
- As of June 30, 2002, the outstanding principal on the three loans is $1,290,066, and it is planning to borrow approximately $5,699,000 more to pay for an estimated $6,449,000 in capital improvements.

Table 2 Cash Flow History

	1996 1997	1997 1998	1998 1999	1999 2000	2000 2001	Avg. Ann. % Change
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating Receipts						
User charges	370,467	414,030	423,002	495,827	702,988	16%
Hookup Fees		13,606	14,496	13,365	9,943	-10%
Miscellaneous	8,723	4,716	4,627	1,258	1,210	
Total Operating Receipts	379,190	432,352	442,125	510,450	714,141	16%
Operating Expenditures						
Personal services	208,899	242,516	261,364	367,707	412,452	17%
Materials and services	143,516	150,824	161,870	132,585	189,244	7%
Total Operating Expenditures	352,415	393,340	423,234	500,292	601,696	13%
Net Cash Provided by Operating Activities	26,775	39,012	18,891	10,158	112,445	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating transfers in	932,060					
Operating transfers out	(977,060)	(90,605)	(91,738)	(2,082)	(2,888)	
Net Cash Provided by (Used in) Noncapital Financing Activities	(45,000)	(90,605)	(91,738)	(2,082)	(2,888)	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital expenditures	(947,768)	(22,359)	(548,667)	(828,063)	(379,685)	
System development charges	218,373	0	161,997	209,950	177,840	
Timber sale	0	0	0	356,220	0	
Operating transfers in (out)	0	0	5,000	85,000	5,000	
Bond interest expense	0	0	(46,455)	(55,463)	(53,870)	
Bond principal paid	0	0	(30,216)	(36,631)	(36,920)	
Port of St Helens	0	0	44,700	53,690	52,931	
OEDD grant	0	0	1,231	312,281	185,055	
OEDD loan	822,372	0	1,683	400,000	0	
Net Cash Provided by (Used in) Capital and Related Financing Activities	92,977	(22,359)	(410,727)	496,984	(49,649)	
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income on investments	40,313	5,546	48,945	90,726	72,540	
Net Increase (Decrease) in Cash & Investments	115,065	(68,406)	(434,629)	595,786	132,448	
CASH AND INVESTMENTS - July 1	614,900	729,965	837,854	403,225	999,011	12%
Adj. To Cash Basis		107,889				
CASH AND INVESTMENTS - June 30	729,965	837,854	403,225	999,011	1,131,459	11%

Planned Capital Improvements and Financing

The Water Mater Plan Update (August 2001) recommends $22.7 million of capital improvements in 2001 year dollars will be needed in the next 20 years. About $6.449 million of capital improvements are planned for immediate construction. Pipe and meter replacement are scheduled over several years. Table 4 (next page following Table 3) shows the list and schedule of capital improvements.

The City has reached tentative agreement with the State of Oregon to finance the majority of the $6.449 million of immediately needed improvements. Based on our discussions with State representatives, we assume the State will provide the following financial assistance:

- a $250,000 grant (forgiveness of part of the $4.0 million loan principal), and
- a $3,750,000 loan with interest at 1 percent per annum with a 30-year term, and does not have any closing costs associated with it.

The balance of the project has to be funded from another loan from the State of Oregon:

- $500,000 grant from the State of Oregon Water/Wastewater program, and
- a revenue-backed loan of $1,949,000 from the same program

In this forecast, EFA assumes the City will receive $750,000 in grants and borrow $5,699,000 from two different State of Oregon sources. The first grant of $250,000 is technically the "forgiven" portion of a $4,000,000 loan from the federally-funded and state-administered Safe Drinking Water fund. This loan has a 30-year term and an interest rate of 1.0 percent per annum. The program has a $4,000,000 limit per project, therefore, the City has had to apply to other programs to fund the balance of the $6,499,000 project.

The City also has applied for a $500,000 grant and a $1,949,000 loan from the State of Oregon Water/Wastewater program administered by the Oregon Economic and Community Development (OECDD). While the OECDD pays most of the closing costs on the loan, EFA included $15,000 in this loan to cover the City's out of pocket costs of arranging the financing. EFA assumes this loan will have an average interest rate of 5.20 percent and a 25-year term. Table 3 shows the sources and uses of grant and loan funds.

Table 3 Sources and Uses of Proposed Financing

Sources:		
	Safe Water Fund Grant	$250,000
	Safe Water Fund Loan	3,750,000
	State of Oregon Grant (OECDD)	500,000
	State of Oregon Loan (OECDD)	1,949,000
	Total Sources	$6,449,000
Uses:		
	Construction & Engineering	$6,434,000
	Bond Closing Costs	15,000
	Total Uses	$6,449,000

Table 4 Schedule of Capital Improvements

Water Utility		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Capital Improvements Schedule	2001 $'s	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
New supply: Site piping	$ 140,000	46,200	93,800								
New supply: Supplemental Well	130,000		130,000								
New supply: Production well & water treatment plan	3,504,000	175,200	3,328,800								
2.0 MG Reservoir, Zone 1	$ 2,100,000		1,260,000	840,000							
0.3 MG Reservoir, Zone 2	560,000		336,000	224,000							
Sub-Total of Financed Improvements	$ 6,434,000										
0.2 MG Reservoir, Zone 3	335,000										
Airpark well & waterline to Miller Rd.	2,500,000										
Distribution & transmission line improvements	2,042,430										
Growth driven water lines	3,617,661										
Replace 12-inch transmission line	4,516,512										
Annual pipe replacement ($400,000/yr)	2,000,000			200,000		239,000		52,000		285,000	
Annual meter replacement ($40,000/yr)	1,075,000	40,000	41,800	43,700	43,700	45,700	47,800	50,000	52,300	54,700	57,200
Total	$ 22,520,603	261,400	5,190,400	1,307,700	43,700	284,700	47,800	102,000	52,300	339,700	57,200

Financial Forecast

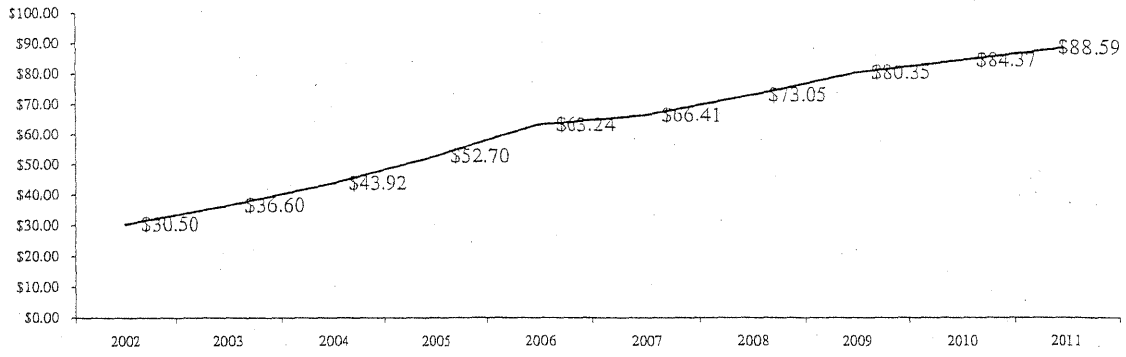
The financial forecast is based on the above schedule of capital improvements, and the schedules of outstanding and proposed debt repayment. Also, it is based on several assumptions about growth of the customer base, rate increases, operating costs, and assumptions about repayment of the three outstanding loans.

Cash flows from operating activities are determined by user fee revenues and recurring annual operating costs. To forecast revenues, we assume zero growth in the number of customers in the next fiscal year, 1.5 percent growth the following year, and 2 percent growth per year thereafter. Historically, the growth rate has been in excess of 5 percent per year; however, we assume an extended period of slow growth following a mild recession in the current and next year. The rate increases needed to keep the utility's funds in balance are shown in Table 5. The first rate increase occurs on December 1, 2002 and all subsequent rate increases become effective on September 1. The rate increases needed to build up revenues from water rates to a sufficient level to cover existing and proposed loans are spread over the next five-year period, and are directly affected by the rate of growth. If growth occurs more rapidly than forecast, then the City Council can pass smaller rate increases than forecast for the next five years. Conversely, slower growth will require the Council to adopt higher rate increases. After the first five annual rate increases, the City will have to adjust rates to keep revenues increasing with inflation, and to continue replacing aging water lines.

Table 5 Forecast Water Rate Increases

	2001 2002	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007	2007 2008	2008 2009	2009 2010	2010 2011
Revenue Assumptions										
September 1			20.00%	20.00%	20.00%	5.00%	10.00%	10.00%	5.00%	5.00%
December 1		20.00%								
Average Household Bill (@7,500 gal/month)	$30.50	$36.60	$43.92	$52.70	$63.24	$66.41	$73.05	$80.35	$84.37	$88.59
Average Household Bill (@5,500 gal/month)	$24.50	$29.40	$35.28	$42.34	$50.80	$53.34	$58.68	$64.55	$67.77	$71.16
Cumulative Increase from 2001-2002		20%	44%	73%	107%	118%	140%	163%	177%	190%

Figure 2 Forecast Average Residential Water Bill (7,500 gallons per month)



EFA forecasts operating expenses will increase as follows:

- Personal services will increase 12 percent per year for the next three years, then decrease to 10 percent per year. A recently negotiated labor contract for the next three years combined with escalating health care, PERS, and employee income taxes combine to drive up the cost of labor. Labor costs increased at an average rate of 17 percent per year between 1999 and 2001.
- Materials and services expenses are forecast to increase 7 percent per year, the average rate since 1997.

Cash flows from capital and capital related activities are composed of four sources of revenue, and four types of expenditures. The revenues are systems development charges, grants, loan proceeds, and the Port of St. Helens share of the payments on the Airpark water improvement loans—the three outstanding loans and two proposed loans described above. Expenditures are capital improvements, loan closing costs, annual principal and interest payments on loans.

The utility has been and will continue to use SDC revenues to make debt service (principal and interest) payments provided SDC revenues are sufficient. The future bond proceeds and grants will be used to pay for the $6.449 million of capital improvements and loan closing costs. Table 6 shows the proposed financing and debt service for the first two years of the new loans. Payments from the Port of St. Helens are dedicated to paying a portion of the debt service on the three outstanding loans.

Table 6 Proposed Financing, Grants and Loans

	2002 2003	2003 2004	2004 2005	2005 2006	2006 2007
Safe Water Funding, Loan	3,750,000				
Grant	250,000				
Total	4,000,000				
Term	30				
Rate per year	1.00%				
Annual Principal		(107,805)	(108,883)	(109,972)	(111,072)
Annual Interest		(37,500)	(36,422)	(35,333)	(34,233)
Balance Owing at end of period		3,892,195	3,783,311	3,673,339	3,562,267
State of Oregon, OEDCC					
Grant from OECDD	500,000				
Loan Amount	1,949,000				
Total	2,449,000				
Term	25				
Rate per year	5.20%				
Annual Principal		(39,723)	(41,789)	(43,962)	(46,248)
Annual Interest		(101,348)	(99,282)	(97,109)	(94,823)
Balance Owing at end of period		2,394,277	2,352,488	2,308,526	2,262,278

Figures 3, 4, 5 and 6 summarize four alternative financial forecasts. The alternatives differ in early payoff of outstanding loans and in the financial risks associated with early payoff.

Two of the three outstanding loans have higher interest rates than the proposed loans. By paying these loans off early, the amount of revenue needed from water rates and SDCs to pay debt service is reduced, and in the long-term will lead to fewer water rate increases. For each alternative the forecasts of water rate increases, water rate revenues, operating costs, capital expenditures, and all other elements in the forecasts are held constant. The four figures below show the impact on total expenses including operating costs and annual debt service for outstanding and proposed loans, and the impact on ending cash and investments.

Figure 3 shows the financial effects of not repaying any of the loans early. The revenues from user fees (Operating Receipts) is less than the total annual costs of operations plus debt service net of the amount paid by the Port (O&M, Net Debt Service). This alternative means the City is relying on SDC revenues to make part of the annual debt service payments. If during this period, SDC revenues decrease to an amount below the required debt service, the City will have to immediately draw on cash reserves and increase water rates in the next year to cover the loss. Notice that revenues are at best equal to annual O&M plus debt service. A preferable financial alternative would have revenues equal to or greater than O&M plus debt service in all years of the forecast. This preferable alternative is what is achieved in Figures 4, 5, and 6.

Figure 4 shows the impact of early payoff of Loan 1 in fiscal year (FY) 2004. Notice that beginning in 2008 revenues exceed O&M plus debt service, however cash & investments is reduced to payoff Loan 1.

Figure 5 shows the impact of paying off Loan 1 (FY 2004) and Loan 3 (FY 2005). This alternative results in revenues exceeding O&M plus debt service beginning in FY 2006, and cash & investments is further reduced to payoff Loans 1 and 3. Cash & investments do begin to recover after FY 2006 because revenues exceed costs.

Figure 6 shows the impact of early payoff all three of the outstanding loans—Loan 1 (FY 2004), Loan 3 (FY 2005), and Loan 2 (FY 2008). Recall that Loan 2 has the lowest rate of interest of the three outstanding loans and the rate is near current market rates. The improvement in revenues over costs is not substantial enough to justify early payoff of this loan.

EFA scheduled the payoff of Loans 1 and 3 as cash is forecast to be available and without totally depleting cash & investments. Cash & investments is also affected by the schedule of meter and pipe replacements shown on Table 4. The City will have to decide each year whether it has the cash to both payoff Loans 1 and 3 and make the planned pipe replacements or to defer one or more of these actions until cash & investments is sufficient. If this forecast proves to be conservative with respect to the growth of cash & investments, the City may be able to payoff the two loans earlier than forecast or to expedite pipe replacement.

Figure 3 Alterantive 1, No Early Payoff of Loans

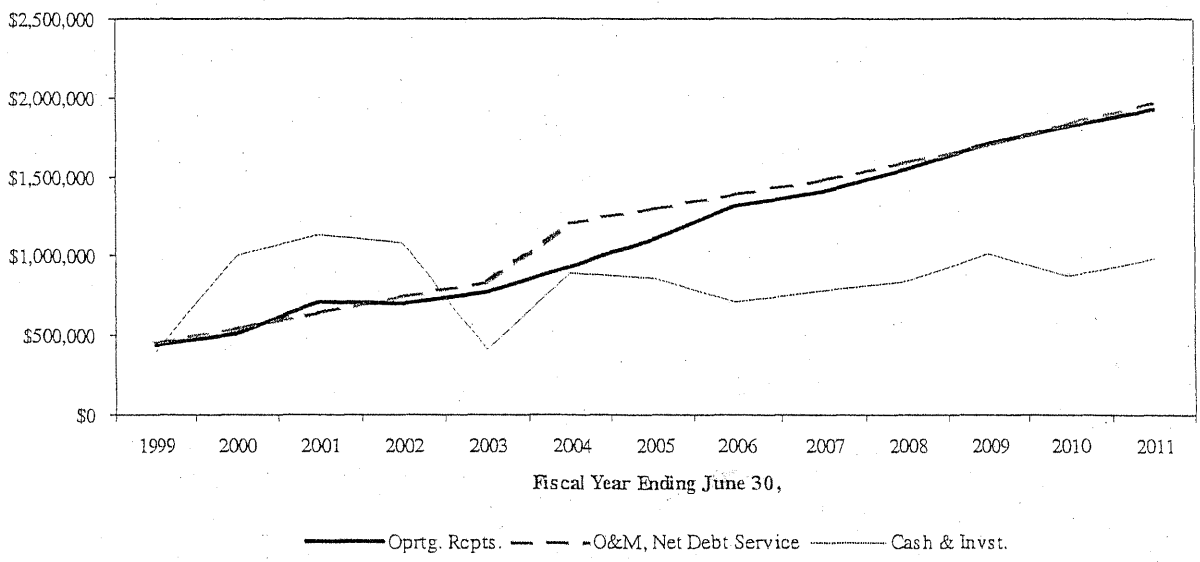


Figure 4 Alternative 2, Early Payoff of Loan #1 Fiscal Year 2004

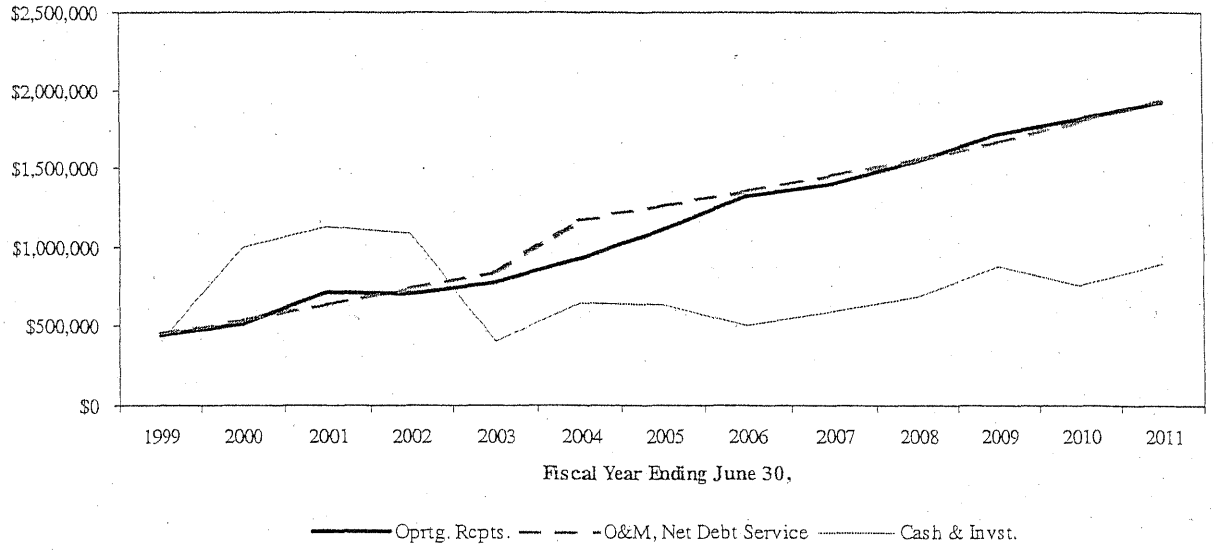


Figure 5 Alternative 3, Early Payoff of Loan #1 (2004) and Loan #3 (2005)

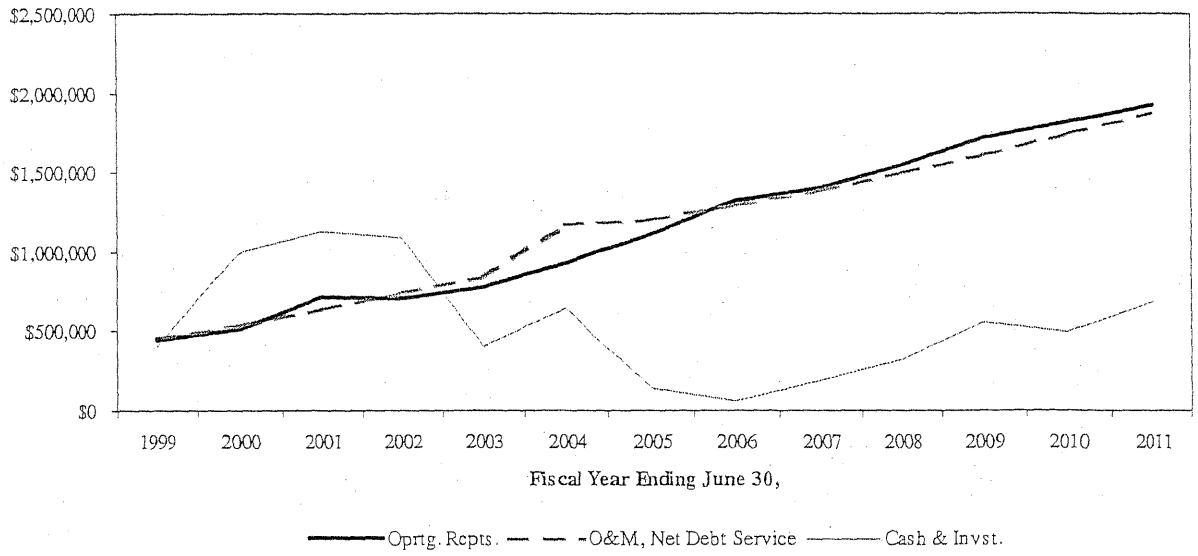
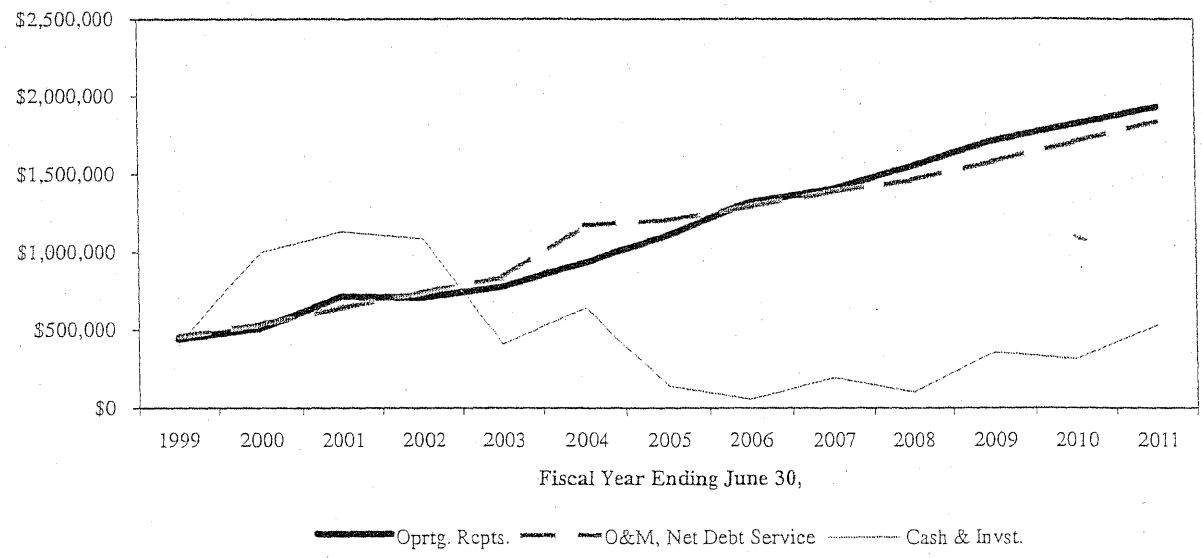


Figure 6 Alternative 4, Early Payoff Loan #1, (2004), Loan #2 (2005), Loan #3 (2008)



In summary, the forecast is based on the City making capital improvements of $6.499 million over the next two fiscal years, annual replacement of aging water meters, and periodic replacement of aging water pipes as cash is available. Operating costs are forecast to increase and growth is forecast to slow considerably over the next 5 years. As a result significant rate increases are needed beginning with a 20 percent increase in revenue needed next fiscal year,

which begins July 1, 2002. How these rate increases are allocated to customers is discussed in the next chapter.

Forecast Considerations

At this time, the State of Oregon has conditioned its loan on the City developing an action plan to provide finish water service to 9 residents in Dutch Canyon. These residents gave rights of way to the City for the main transmission line used by the City in exchange for water service. The City has been and continues to provide these 9 residents with direct access to the water line that carries untreated water from the source to the treatment plant in the City. The State is concerned that while no contamination has affected the raw water to date, that at some future time it could be contaminated and used unsuspectingly by the 9 residents. The City has not had time to design a solution to this problem. When it does, the City will have to borrow more money to build the new finished water line.

RATE ANALYSIS

Introduction

Water rates accomplish two purposes: (a) they produce revenue, and (b) they send signals to customers about how expensive water is. To accomplish the first purpose, rates have to be sufficient to produce enough revenue to meet all of the utility's annual expenses. The second purpose affects how much water consumers will use. In general, as water rates increase consumption decreases. Also, several factors may be used to set rates that give different user classes different price signals, and in so doing affect the equity of water rates across customer classes.

In this chapter, we first review the current rate structure and revenue production. We identify weaknesses in the existing structure. Second, we propose rate changes that affect both the level of rates and the structure for charging for water consumption.

The Current Water Rate Structure

Scappoose's water rates identify four classes of users that are distinguished by meter size, location, and water usage. Table 7 shows the various water rates. Each customer pays a base rate that is a fixed monthly charge for access to the system. This rate varies with meter size, location inside or outside the City, location inside or outside Dutch Canyon, and by the need for "maximum fire flow." Inside city rates vary by the meter size and by maximum fire flow requirements. Those in Dutch Canyon and elsewhere outside the City pay either 150 percent (Dutch Canyon) or 225 percent (outside the City and outside of Dutch Canyon) more than inside City users for a ¾-inch diameter meter. As the meter size increases for Dutch Canyon and outside City customers the base rate does not increase. In addition to these varying base rates, each customer regardless of meter size, location, or fire flow requirements pays $0.30 per 100 gallons of water used per billing cycle. The billing cycle is every other month (6 times per year). Each bill has the base rate multiplied by 2 plus $0.30 per 100 gallons multiplied by the number of 100's of gallons consumed over the two month billing cycle.

Table 7 Current Water Rates

Rate Code	Customer Class	$/month	$/100 gal
0	City Facility		
10	3/4-inch Inside City	$ 8.00	$ 0.30
11	1 1/2-inch to 2-inch No Maximum Fire flow	$ 35.00	$ 0.30
12	1 1/2-inch to 2-inch Needing Maximum Fire flow	$ 59.00	$ 0.30
13	3-inch	$ 164.00	$ 0.30
14	4-inch & larger	$ 230.00	$ 0.30
20	3/4-inch Dutch Canyon	$ 12.00	$ 0.30
21	Outside City	$ 18.00	$ 0.30

Using the current rate structure, the City will have to increase all of the current rates 20 percent per year in each of the next three years. For the purposes of setting rates, we plan the first rate increase to produce 25 percent more revenue than the current rates produce. This will produce 5 percent more revenue than the minimum 20 percent needed in the first year. Since at least two more significant rate increases likely will be needed to produce sufficient revenue, subsequent rate increases may be less than 20 percent each.

Table 8 Current Water Consumption and Revenues by Rate Code

	10	%	11	%	12	%	13	%	14	%	20	%	21	%	Total	%
Number	1,587		27		16		7		4		64		16		1,721	
% of Total Customers	92%		2%		1%		0%		0%		4%		1%			
Revenue																
Base	$ 152,336	34%	$ 11,340	25%	$ 11,328	19%	$ 13,776	36%	$ 11,040	79%	9,192	47%	$ 3,456	52%	212,468	34%
Volume	299,070	66%	33,874	75%	48,153	81%	24,265	64%	2,907	21%	10,201	53%	3,169	48%	421,639	66%
Total	$ 451,406	100%	$ 45,214	100%	$ 59,481	100%	$ 38,041	100%	$ 13,947	100%	$ 19,393	100%	$ 6,625	100%	634,107	100%
% of Total Revenue	71.19%		7.13%		9.38%		6.00%		2.20%		3.06%		1.04%			
Consumption	996,899		112,912		160,511		80,884		9,691		34,003		10,562		1,405,464	
% of Total Consumption	70.93%		8.03%		11.42%		5.75%		0.69%		2.42%		0.75%			

Scappoose's water rates are equitable in the sense that each class of customer pays in rough proportion to the amount of water they use. Table 8 shows the amount of water used per year for each class of customer is roughly proportionate to the amount of revenue they pay per year. For example, customers in rate code 10 (91 percent of the utility's customers) purchase about 71 percent of the water and pay about 71 percent of the total annual revenue. Users in rate code 14 (less than 1 percent of all customers) pay the most disproportionate shares—they use less than 1 percent of the water and pay over 2 percent of the total annual revenue.

The base rates produce about 34 percent of total annual revenue and the volumetric rate ($0.30 / 100 gallons) produces the other 66 percent of revenue. This proportion varies across rate codes (e.g., customers in rate code 12 use significantly more water than most other customers so base rates produce only 19 percent of the total revenue their class pays (the other 81 percent is from the volumetric rate). The City has to be concerned with this ratio because it is a measure of financial risk. The more the utility depends on the volumetric rate the more revenues will fluctuate with water usage. For example, in cool wet summers households use less water for irrigation that results in lower revenues for the utility. The greater the percentage of revenue from the base rate the more financially stable the utility will be, because less total revenue comes from the volumetric rate.

As a goal, the Oregon Public Utility Commission has the private water companies it regulates aim water rates structures that produce a 60/40 split—60 percent of total revenue from the base rate and 40 percent from the volumetric rate. Scappoose's' current split is 34/66. The argument against a base-rate weighted revenue split is that customers have less incentive to conserve water.

Many municipal utilities like Scappoose have been shifting more to a near zero base rate so that when customers conserve water, the customer is financially rewarded with a lower water bill, than had the base rate been higher. In the long run, the utility benefits from these zero base rate structures because the utility doesn't have to incur such large capital costs to produce water for peak summer usage. Generally, municipal utilities with no or very little debt to repay can rely on near zero base rate structures, and thereby encourage conservation. Those with significant debt prefer higher base rates to assure it of meeting its annual debt service, but provide less of an incentive to conserve water. If the City proceeds with the planned $6.6 million of improvements, it will be in this second set of municipal water utilities that prefer a higher base rate, and more stable revenue flows.

In the next section we evaluate alternative and optional water rate structures.

Alternative Water Rate Structures

EFA evaluated the rate and revenue effects of the current and two alternative rate structures:

1. Maintaining the current rate structure
2. Shifting to a true meter-size base rate
3. Establishing a peak summer water rate to encourage conservation

In addition EFA evaluated the current and the alternative rate structures for three variations:

- Increasing only the base rates
- Increasing only the volumetric rate
- Increasing the base and volumetric rates

Table 9 shows 5 variations to increase water rates using the current rate structure to increase annual rate revenues 25 percent. The "Current" column shows rates as they are today. Thirty-four (34) percent of the total annual revenue is produced by the base rates, and 66 percent from the volumetric rate of $0.30 per 100 gallons.

The "Equal" column shows a proportionate increase in both the base rates and the volumetric rate—approximately 25 percent each. The two rows "% Change from current" show slightly different percentages because the rates are rounded to the nearest $0.05 per month for base rates and to the nearest $0.01 for the volumetric rate.

The "Base Only" column shows the base rates needed to produce 25 percent more annual revenue without changing the volumetric rate. The base rates have to increase 75 percent while the volumetric rate does not increase. As a result, the annual revenue from the base rate increases from 36 percent to 47 percent of total revenue, and the revenue from the volumetric rate decreases from 64 percent to 53 percent of total revenue.

The "Volume Only" column shows the opposite. The base rates are held constant and the volumetric rate is increased 40 percent to produce 25 percent more annual revenue. This base rates for this alternative will produce only 26 percent of total annual revenue.

The "50/50" shows the rate changes needed so that the base rates produce 50 percent of the total annual revenue and the volumetric rate produces 50 percent of the annual revenue. Total annual revenues increase 25 percent. To accomplish this structure the base rates would increase 87 percent and the volumetric rate would *decrease* to 7 percent.

The "60/40" shows the rate changes needed to produce 60 percent of revenue from the base rates and 40 percent from the volumetric rate. The base rates would increase 125 percent and the volumetric rate would *decrease* 23 percent.

Table 9 Variations of Rate Increases, Current Rate Structure

		Increase Annual Revenue 25 Percent				
	Current	Equal	Base Only	Volume Only	50/50	60/40
% from Base	34%	33%	47%	26%	50%	60%
Base Code						
10	$ 8.00	$ 10.00	$ 14.00	$ 8.00	$ 14.95	$ 18.00
11	$ 35.00	$ 43.75	$ 61.25	$ 35.00	$ 65.45	$ 78.75
12	$ 59.00	$ 73.75	$ 103.25	$ 59.00	$ 110.35	$ 132.75
13	$ 164.00	$ 205.00	$ 287.00	$ 164.00	$ 306.70	$ 369.00
14	$ 230.00	$ 287.50	$ 402.50	$ 230.00	$ 430.10	$ 517.50
20	$ 12.00	$ 15.00	$ 21.00	$ 12.00	$ 22.45	$ 27.00
21	$ 18.00	$ 22.50	$ 31.50	$ 18.00	$ 33.65	$ 40.50
% Change from current	0%	25%	75%	0%	87%	125%
Volume	$ 0.30	$ 0.38	$ 0.30	$ 0.42	$ 0.28	$ 0.23
% Change from current	0%	27%	0%	40%	-7%	-23%

Note: Base rates are rounded to the nearest $0.05 per month and the volumetric rate is rounded to the nearest $0.01 per 100 cubic feet of water.

The effect of these rate changes on the average monthly bills of customers is shown in Table 10. To get the bimonthly bill add the base rate from Table 9 to the amount shown in Table 10.

Table 10 Comparison of Average Monthly Bills for Alternative Rate Increases

	10	11	12	13	14	20	21
Current	$ 23.71	$ 139.55	$ 309.80	$ 452.87	$ 290.57	$ 25.32	$ 34.50
% from Current	0%	0%	0%	0%	0%	0%	0%
Equal	$ 29.89	$ 176.18	$ 391.43	$ 570.91	$ 364.22	$ 31.87	$ 43.40
% from Current	26%	26%	26%	26%	25%	26%	26%
Base Only	$ 29.71	$ 165.80	$ 354.05	$ 575.87	$ 463.07	$ 34.32	$ 48.00
% from Current	25%	19%	14%	27%	59%	36%	39%
Volume Only	$ 29.99	$ 181.37	$ 410.12	$ 568.42	$ 314.80	$ 30.64	$ 41.10
% from Current	27%	30%	32%	26%	8%	21%	19%
50/50	$ 29.61	$ 163.03	$ 344.43	$ 576.31	$ 486.63	$ 34.88	$ 49.05
% from Current	25%	17%	11%	27%	67%	38%	42%
60/40	$ 30.04	$ 158.90	$ 325.03	$ 590.47	$ 563.94	$ 37.21	$ 53.15
% from Current	27%	14%	5%	30%	94%	47%	54%

The outlined numbers are the most affected by the particular rate change.

Table 10 shows that each rate class (e.g., class 10 or 11) is affected differently by the last three alternative rate increases. By increasing only the volumetric rate, the large water users' bills increase more than any other users. Rate class 10, with the largest number of users, is the least affected by the alternatives. Rate class 14 (4-inch and larger size meters inside the City) is potentially the most affected. The "Volume Only" alternative results in the class 14's average monthly bill increasing only 8 percent. Conversely, the "60/40" results in class 14's average bill increasing 94 percent.

Optional Dutch Canyon Base Rates

The current Dutch Canyon base rates were formulated about 20 years ago when the City was both applying for federal grants and negotiating for water rights in the Canyon. The City chose to give a preferential outside rate to those in Dutch Canyon because 9 had to be served untreated water from the raw water line, and the other 54 were used to justify the federal grants. Instead of paying a base rate of 225 percent of the inside City rate for a ¾-inch meter, they pay only 150 percent of the inside City rate for a ¾-inch meter.

The benefit of the grants is difficult today to determine since the amount involved is not available. The City may want to increase the base rates to those 54 customers receiving treated water service to the outside City rates paid by other non-residents outside the City and outside of Dutch Canyon. Their base rates would increase from $12 per month to $18 per month using the current rate schedule and would increase with the other base rates as rates are increased. The

annual revenue gain to the City would be $3,888 ($6 x 54 customers x 12 months) using current rates. The 9 served with untreated water would remain at the current base rate adjusted for the proposed rate increases.

Optional Base Rates (No change to Volumetric Rate)

An option to the current schedule of base rates is to shift to a true meter-based base rate. The base rates would vary on the basis of meter size (similar to the proposed changes to the systems development charge), and on the basis of geographic location inside the City, outside the City, and outside the City in Dutch Canyon. Table 11 shows the schedule and compares it to the current rate structure. The proposed meter-based rates in Table 11 show rates that are revenue neutral—that is, the rates in Table 11 will collect as much revenue per year as the current base rates.

While Table 11 looks like a more complex rate structure than the current rate structure, it has 8 fewer unique rate combinations than the current structure (24 vs. 32). Notice that it no longer matters if you need fire flows. It has only three factors: (1) meter size, (2) inside or outside the City and (3) inside or outside of Dutch Canyon. This structure also sets a specific base rate for each meter size and eliminates the combinations (the 1 ½ inch to 2 inch, and the 4 inch and larger), and larger size meters outside the City would be charged accordingly. At present there are only two customers outside the City with meters larger than ¾ inches. Table 12 shows the meter-size base rates but with a 25 percent increase.

Table 11 Meter-Size Base Rates, Revenue Neutral

Proposed Rate Code	Meter Size	Number of Accounts	Capacity	Weight	Current Rate	Proposed Base Rates	$ Change	% Change
				Inside City				
10	5/8		30	30	$8.00	$8.15	$0.15	2%
11	3/4	1639	30	30	8.00	8.15	0.15	2%
12	1		50	50	8.00	13.60	5.60	70%
13	1 1/2	22	100	100	35.00	27.15	(7.85)	-22%
14	2	22	160	160	59.00	43.45	(15.55)	-26%
15	4	2	600	600	230.00	163.00	(67.00)	-29%
16	6	1	1250	1250	230.00	339.60	109.60	48%
17	8	1	1800	1800	230.00	489.00	259.00	113%
				Outside City				
20	5/8		30	67.5	$12.00	$18.35	$6.35	53%
21	3/4	16	30	67.5	12.00	18.35	6.35	53%
22	1		50	112.5	12.00	30.55	18.55	155%
23	1 1/2		100	225	12.00	61.15	49.15	410%
24	2		160	360	12.00	97.80	85.80	715%
25	4		600	1350	12.00	366.75	354.75	2956%
26	6		1250	2812.5	12.00	764.05	752.05	6267%
27	8		1800	4050	12.00	1,100.25	1,088.25	9069%
				Dutch Canyon				
30	5/8		30	45	$20.00	$12.25	($7.75)	-39%
31	3/4	63	30	45	20.00	12.25	(7.75)	-39%
32	1		50	75	20.00	20.40	0.40	2%
33	1 1/2		100	150	20.00	40.75	20.75	104%
34	2		160	240	20.00	65.20	45.20	226%
35	4		600	900	20.00	244.50	224.50	1123%
36	6		1250	1875	20.00	509.40	489.40	2447%
37	8		1800	2700	20.00	733.50	713.50	3568%

Table 12 Meter-Size Base Rates, 25 % Rate Increase

Proposed Rate Code	Meter Size	Number of Accounts	Capacity	Weight	Current Rate	Proposed Base Rates	$ Change	% Change
				Inside City				
10	5/8		30	30	$8.00	$10.55	$2.55	32%
11	3/4	1639	30	30	8.00	10.55	2.55	32%
12	1		50	50	8.00	17.60	9.60	120%
13	1 1/2	22	100	100	35.00	35.15	0.15	0%
14	2	22	160	160	59.00	56.25	(2.75)	-5%
15	4	2	600	600	230.00	211.00	(19.00)	-8%
16	6	1	1250	1250	230.00	439.60	209.60	91%
17	8	1	1800	1800	230.00	633.00	403.00	175%
				Outside City				
20	5/8		30	67.5	$12.00	$23.75	$11.75	98%
21	3/4	16	30	67.5	12.00	23.75	11.75	98%
22	1		50	112.5	12.00	39.55	27.55	230%
23	1 1/2		100	225	12.00	79.15	67.15	560%
24	2		160	360	12.00	126.60	114.60	955%
25	4		600	1350	12.00	474.75	462.75	3856%
26	6		1250	2812.5	12.00	989.05	977.05	8142%
27	8		1800	4050	12.00	1,424.25	1,412.25	11769%
				Dutch Canyon				
30	5/8		30	45	$20.00	$15.85	($4.15)	-21%
31	3/4	63	30	45	20.00	15.85	(4.15)	-21%
32	1		50	75	20.00	26.40	6.40	32%
33	1 1/2		100	150	20.00	52.75	32.75	164%
34	2		160	240	20.00	84.40	64.40	322%
35	4		600	900	20.00	316.50	296.50	1483%
36	6		1250	1875	20.00	659.40	639.40	3197%
37	8		1800	2700	20.00	949.50	929.50	4648%

Maintaining the current rate structure will over time become less and less equitable. Notice that the base rates vary because of four factors: (1) meter size, (2) inside or outside the City, (3) inside or outside of Dutch Canyon, (4) minimum or maximum fire flow requirements but only for 1½ inch and 2 inch meter sizes. At present only 4 customers have 4-inch or larger meters (2 4-inch, 1 6-inch, and 1 8-inch meters). As the City grows with larger commercial, multiple family, and industrial customers the demand for 4, 6, and 8-inch meters will increase, and the base rates will become increasingly inequitable. Also, as the area outside the City and in Dutch Canyon grows and adds more large size meters, these base rates will become increasingly inequitable, too.

Summer Peaking Rates

The most effective means of conserving water through prices (or any other commodity) is to find that part of total (annual) demand that is most sensitive to prices. In water usage, the summer demand for water by the residential sector is the most sensitive to prices. Residents have more discretion to reduce water usage outdoors in the summer than in the winter. Winter usage is usually limited to sanitation and cooking—its nearly impossible to reduce usage of toilets and bathroom sinks (assuming they don't leak), or for cooking, dishwashing, and laundry. But in the summer, its easy to stop over watering plant life, and kids running through sprinklers, and to wash the car less frequently. For these reasons, studies have shown that consumers will reduce water usage twice as much in the summer as in the winter in response to the same increase in summer and winter water rates. Technically, this effect is the price elasticity of demand—the higher the price of a normal good the less consumers will buy.

Many municipal utilities have launched summer conservation rates to trim peak demand. In general, after the customer uses a given amount of water, lets say 10,000 gallons per month, the rate kicks up to two or three times the rate for the first 10,000 gallons. So for example, Scappoose's volumetric rate would be $0.30 per 100 gallons for the first 10,000 gallons then increase to $0.90 per 100 gallons for the next 100 gallons.

Other municipalities in Oregon and across the United States, have found this rate structure to be effective when the utility bills monthly. Monthly bills give the customer fair warning about excessive use say in July, so that in August and September they can reduce water consumption. Bimonthly billing doesn't provide enough information to the customer or enough time for the customer to react to excessive usage. Also, when the water is used is important. Bimonthly billing doesn't provide the utility enough information to effectively set a peaking rate. Scappoose would have to convert to a monthly billing system to effectively benefit from summer peaking rates.

Rate Recommendations

- Shift to a meter-size based rate (Table 12)
- Increase the base rates using the proposed meter-size base rates and volumetric rates proportionately in the first year
- For the second rate increase consider increasing only the base rates leaving the volumetric rate unchanged
- Do not assess a summer peaking charge until after monthly billing is started
- Evaluate the cost of monthly billing

APPENDIX

Water and Related Funds
Combining Statements of Cash Flows
For the Years Ended June 30, 1997 to 2001

	Water	Water SDC	Water Expansion	Airpark Water	Dutch Canyon Wtr	Total 1997
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating Receipts						
User charges	370,467					370,467
Miscellaneous	8,723					8,723
Total Operating Receipts	379,190	0	0	0	0	379,190
Operating Expenditures						
Personal services	208,899					208,899
Materials and services	143,516					143,516
Total Operating Expenditures	352,415	0	0	0	0	352,415
Net Cash Provided by Operating Activities	26,775	0	0	0	0	26,775
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating transfers in	899,060		25,000	8,000		932,060
Operating transfers out	(54,354)	(50,000)	(40,000)	(899,060)	66,354	(977,060)
Net Cash Provided by (Used in) Noncapital Financing Activities	844,706	(50,000)	(15,000)	(891,060)	66,354	(45,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital expenditures	(942,089)	(5,679)				(947,768)
System development charges		218,373				218,373
OEDD loan				822,372		822,372
Net Cash Provided by (Used in) Capital and Related Financing Activities	(942,089)	212,694	0	822,372	0	92,977
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income on investments	6,218	30,803			3,292	40,313
Net Increase (Decrease) in Cash & Investments	(64,390)	193,497	(15,000)	(68,688)	69,646	115,065
CASH AND INVESTMENTS - July 1	132,075	432,555	90,000	(102,042)	62,312	614,900
CASH AND INVESTMENTS - June 30	67,685	626,052	75,000	(170,730)	131,958	729,965

Water and Related Funds
Combining Statements of Cash Flows
For the Years Ended June 30, 1997 to 2001

	Water	Water SDC	Water Expansion	Airpark Water	Dutch Canyon Wtr	Total 1998
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating Receipts						
User charges	427,636					427,636
Miscellaneous	4,716					4,716
Total Operating Receipts	432,352	0	0	0	0	432,352
Operating Expenditures						
Personal services	242,516					242,516
Materials and services	150,824					150,824
Total Operating Expenditures	393,340	0	0	0	0	393,340
Net Cash Provided by Operating Activities	39,012	0	0	0	0	39,012
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating transfers in						0
Operating transfers out	(90,605)					(90,605)
Net Cash Provided by (Used in) Noncapital Financing Activities	(90,605)	0	0	0	0	(90,605)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital expenditures	(21,101)		(1,258)			(22,359)
System development charges						0
Net Cash Provided by (Used in) Capital and Related Financing Activities	(21,101)	0	(1,258)	0	0	(22,359)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income on investments	5,546					5,546
		incomplete		incomplete	incomplete	
Net Increase (Decrease) in Cash & Investments	(67,148)	53,507	(1,258)	160,263	(37,475)	107,889
CASH AND INVESTMENTS - July 1	67,685	626,052	75,000	(170,730)	131,958	729,965
CASH AND INVESTMENTS - June 30	537	679,559	73,742	(10,467)	94,483	837,854

Water and Related Funds
Combining Statements of Cash Flows
For the Years Ended June 30, 1997 to 2001

	Water	Water SDC	Water Expansion	Airpark Water	Dutch Canyon Wtr	Total 1999
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating Receipts						
User charges	437,498					437,498
Miscellaneous	4,627					4,627
Total Operating Receipts	442,125	0	0	0	0	442,125
Operating Expenditures						
Personal services	261,364					261,364
Materials and services	161,870					161,870
Total Operating Expenditures	423,234	0	0	0	0	423,234
Net Cash Provided by Operating Activities	18,891	0	0	0	0	18,891
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating transfers in						0
Operating transfers out	(91,738)					(91,738)
Net Cash Provided by (Used in) Noncapital Financing Activities	(91,738)	0	0	0	0	(91,738)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital expenditures	(35,430)	(253,421)	(374)	(259,442)		(548,667)
System development charges		161,997				161,997
Operating transfers in (out)	(25,976)			25,976	5,000	5,000
Bond interest expense				(46,455)		(46,455)
Bond principal paid				(30,216)		(30,216)
Port of St Helens				44,700		44,700
OEDD grant				1,231		1,231
OEDD loan				1,683		1,683
Net Cash Provided by (Used in) Capital and Related Financing Activities	(61,406)	(91,424)	(374)	(262,523)	5,000	(410,727)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income on investments	3,894	35,755	3,233	503	5,560	48,945
Net Increase (Decrease) in Cash & Investments	(130,359)	(55,669)	2,859	(262,020)	10,560	(434,629)
CASH AND INVESTMENTS - July 1	537	679,559	73,742	(10,467)	94,483	837,854
CASH AND INVESTMENTS - June 30	(129,822)	623,890	76,601	(272,487)	105,043	403,225

Water and Related Funds
Combining Statements of Cash Flows
For the Years Ended June 30, 1997 to 2001

	Water	Water SDC	Water Expansion	Airpark Water	Dutch Canyon Wtr	Total 2000
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating Receipts						
User charges	509,192					509,192
Miscellaneous	1,258					1,258
Total Operating Receipts	510,450	0	0	0	0	510,450
Operating Expenditures						
Personal services	367,707					367,707
Materials and services	132,585					132,585
Total Operating Expenditures	500,292	0	0	0	0	500,292
Net Cash Provided by Operating Activities	10,158	0	0	0	0	10,158
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating transfers in						0
Operating transfers out	(2,082)					(2,082)
Net Cash Provided by (Used in) Noncapital Financing Activities	(2,082)	0	0	0	0	(2,
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital expenditures	(18,862)	(204,593)	(15,484)	(589,124)		(828,063)
System development charges		209,950				209,950
Timber sale			356,220			356,220
Operating transfers in (out)	(12,000)	(38,403)	12,000	38,403	85,000	85,000
Bond interest expense				(55,463)		(55,463)
Bond principal paid				(36,631)		(36,631)
Port of St Helens				53,690		53,690
OEDD grant				312,281		312,281
OEDD loan				400,000		400,000
Net Cash Provided by (Used in) Capital and Related Financing Activities	(30,862)	(33,046)	352,736	123,156	85,000	496,984
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income on investments	1,620	37,984	20,981	24,249	5,892	90,726
Net Increase (Decrease) in Cash & Investments	(21,166)	4,938	373,717	147,405	90,892	595,786
CASH AND INVESTMENTS - July 1	(129,822)	623,890	76,601	(272,487)	105,043	403,225
CASH AND INVESTMENTS - June 30	(150,988)	628,828	450,318	(125,082)	195,935	999

Water and Related Funds
Combining Statements of Cash Flows
For the Years Ended June 30, 1997 to 2001

	Water	Water SDC	Water Expansion	Airpark Water	Dutch Canyon Wtr	Total 2001
CASH FLOWS FROM OPERATING ACTIVITIES:						
Operating Receipts						
User charges	712,931					712,931
Miscellaneous	1,210					1,210
Total Operating Receipts	714,141	0	0	0	0	714,141
Operating Expenditures						
Personal services	412,452					412,452
Materials and services	189,244					189,244
Total Operating Expenditures	601,696	0	0	0	0	601,696
Net Cash Provided by Operating Activities	112,445	0	0	0	0	112,445
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating transfers in						0
Operating transfers out	(2,888)					(2,888)
Net Cash Provided by (Used in) Noncapital Financing Activities	(2,888)	0	0	0	0	(2,888)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Capital expenditures	(5,531)	(205,823)	(168,243)	(88)		(379,685)
System development charges		177,840				177,840
Timber sale						0
Operating transfers in (out)	(100,000)		100,000		5,000	5,000
Bond interest expense				(53,870)		(53,870)
Bond principal paid				(36,920)		(36,920)
Port of St Helens				52,931		52,931
OEDD grant				185,055		185,055
Net Cash Provided by (Used in) Capital and Related Financing Activities	(105,531)	(27,983)	(68,243)	147,108	5,000	(49,649)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income on investments	833	40,945	24,452		6,310	72,540
Net Increase (Decrease) in Cash & Investments	4,859	12,962	(43,791)	147,108	11,310	132,448
CASH AND INVESTMENTS - July 1	(150,988)	628,828	450,318	(125,082)	195,935	999,011
CASH AND INVESTMENTS - June 30	(146,129)	641,790	406,527	22,026	207,245	1,131,459