



**AGENDA**  
**STAYTON CITY COUNCIL**  
**Monday, February 5, 2024**  
 Stayton Community Center  
 400 W. Virginia Street  
 Stayton, Oregon 97383

**HYBRID MEETING**

The Stayton City Council will be holding a hybrid meeting utilizing Zoom video conferencing software. The meeting will be in-person but can also be live streamed on the City of Stayton's YouTube account. Please use the following option to view the meeting:

- 7:00 p.m. – City Council Regular Session – [https://youtube.com/live/DvYbtXp\\_qIM](https://youtube.com/live/DvYbtXp_qIM)

**Public Comment and Public Hearing Testimony:** Meetings allow for in-person, virtual, or written public comment. If a community member has a barrier which prevents them from participating via one of the methods below, they should contact City staff at [citygovernment@staytonoregon.gov](mailto:citygovernment@staytonoregon.gov) **no less than three hours prior to the meeting start time** to make arrangements to participate.

Comments and testimony are limited to three minutes. All parties interested in providing public comment or testifying as part of a public hearing shall participate using one of the following methods:

- **In-Person Comment:** Parties interested in providing in-person verbal public comment shall fill out a "Request for Recognition" form available at the meeting. Forms must be filled out and submitted to the Assistant City Manager or designee prior to the meeting start time.
- **Video or Audio Conference Call:** Parties interested in providing virtual public comment shall contact City staff at [citygovernment@staytonoregon.gov](mailto:citygovernment@staytonoregon.gov) **at least three hours prior to the meeting start time** with their request. Staff will collect their contact information and provide them with information on how to access the meeting to provide comments.
- **Written Comment:** Written comment submitted to [citygovernment@staytonoregon.gov](mailto:citygovernment@staytonoregon.gov) **at least three hours prior to the meeting start time** will be provided to the public body in advance of the meeting and added to the City Council's webpage where agenda packets are posted.

**1. CALL TO ORDER**

**7:00 PM**

**2. FLAG SALUTE**

**3. ANNOUNCEMENTS**

- a. Additions to the agenda
- b. Declaration of Ex Parte Contacts, Conflict of Interest, Bias, etc.

#### 4. PUBLIC COMMENT

#### 5. CONSENT AGENDA

- a. January 22, 2024 City Council Work Session Minutes
- b. January 22, 2024 City Council Regular Session Minutes
- c. Resolution No. 1089, Appointing Jonathan Penrice to the Budget Committee

#### 6. PRESENTATIONS

#### 7. PUBLIC HEARING

#### 8. GENERAL BUSINESS

##### Discussion of Neighborhood Improvement Grant

**INFORMATIONAL**

- a. Staff Report – Julia Hajduk
- b. Public Comment
- c. Council Discussion

##### Resolution No. 1090, Adoption of Utility Rate Study (URS) Recommendations for Water, Wastewater, and Stormwater for Fiscal Years 2024-25 through 2028-29

**ACTION**

- a. Staff Report – Julia Hajduk
- b. Public Comment
- c. Council Discussion
- d. Council Decision

#### 9. COMMUNICATION FROM CITY STAFF

#### 10. COMMUNICATION FROM MAYOR AND COUNCIL

#### 11. ADJOURN

*The meeting location is accessible to people with disabilities. A request for an interpreter for the hearing impaired or other accommodations for persons with disabilities should be made at least 48 hours prior to the meeting. If you require special accommodations, contact City Hall at (503) 769-3425.*

## CALENDAR OF EVENTS

FEBRUARY 2024					
Monday	February 5	City Council	7:00 p.m.	<a href="https://youtube.com/live/DvYbtXp_gIM">https://youtube.com/live/DvYbtXp_gIM</a>	
Tuesday	February 6	Parks and Recreation Board	6:00 p.m.	Public Works / Planning Offices	
Monday	February 19	<b>CITY OFFICES CLOSED IN OBSERVANCE OF PRESIDENTS' DAY HOLIDAY</b>			
Tuesday	February 20	City Council	7:00 p.m.	<a href="https://youtube.com/live/QDm_gpht6k">https://youtube.com/live/QDm_gpht6k</a>	
Wednesday	February 21	Library Board	6:00 p.m.	Stayton Public Library	
Monday	February 26	Planning Commission	7:00 p.m.	Stayton Community Center	
MARCH 2024					
Monday	March 4	City Council	7:00 p.m.	<a href="https://youtube.com/live/SIzRPKDPw8">https://youtube.com/live/SIzRPKDPw8</a>	
Tuesday	March 5	Parks and Recreation Board	6:00 p.m.	Public Works / Planning Offices	
Monday	March 18	City Council	7:00 p.m.	<a href="https://youtube.com/live/7u1U0wpt_JU">https://youtube.com/live/7u1U0wpt_JU</a>	
Wednesday	March 20	Library Board	6:00 p.m.	Stayton Public Library	
Monday	March 25	Planning Commission	7:00 p.m.	Stayton Community Center	
APRIL 2024					
Monday	April 1	City Council	7:00 p.m.	<a href="https://youtube.com/live/oaTNEJWBvfs">https://youtube.com/live/oaTNEJWBvfs</a>	
Tuesday	April 2	Parks and Recreation Board	6:00 p.m.	Public Works / Planning Offices	
Monday	April 15	City Council	7:00 p.m.	<a href="https://youtube.com/live/A_FXgnnKhlg">https://youtube.com/live/A_FXgnnKhlg</a>	
Wednesday	April 17	Library Board	6:00 p.m.	Stayton Public Library	
Monday	April 29	Planning Commission	7:00 p.m.	Stayton Community Center	
MAY 2024					
Monday	May 6	City Council	7:00 p.m.	<a href="https://youtube.com/live/Pi87xJhIfGE">https://youtube.com/live/Pi87xJhIfGE</a>	
Tuesday	May 7	Parks and Recreation Board	6:00 p.m.	Public Works / Planning Offices	
Monday	May 13	Budget Committee	6:00 p.m.	<a href="https://youtube.com/live/WaaC5XqnNYU">https://youtube.com/live/WaaC5XqnNYU</a>	
Tuesday	May 14	Budget Committee	6:00 p.m.	<a href="https://youtube.com/live/D2qXMn2uS_E">https://youtube.com/live/D2qXMn2uS_E</a>	
Wednesday	May 15	Budget Committee	6:00 p.m.	<a href="https://youtube.com/live/YzpXF3YeNo0">https://youtube.com/live/YzpXF3YeNo0</a>	
Wednesday	May 15	Library Board	6:00 p.m.	Stayton Public Library	
Monday	May 20	City Council	7:00 p.m.	<a href="https://youtube.com/live/bhYOUjWYS58">https://youtube.com/live/bhYOUjWYS58</a>	
Monday	May 27	<b>CITY OFFICES CLOSED IN OBSERVANCE OF MEMORIAL DAY HOLIDAY</b>			
Tuesday	May 28	Planning Commission	7:00 p.m.	Stayton Community Center	
JUNE 2024					
Monday	June 3	City Council	7:00 p.m.	<a href="https://youtube.com/live/gAh13Aa0qQk">https://youtube.com/live/gAh13Aa0qQk</a>	
Tuesday	June 4	Parks and Recreation Board	6:00 p.m.	Public Works / Planning Offices	
Monday	June 17	City Council	7:00 p.m.	<a href="https://youtube.com/live/CbxRQKofXts">https://youtube.com/live/CbxRQKofXts</a>	
Wednesday	June 19	Library Board	6:00 p.m.	Stayton Public Library	
Monday	June 24	Planning Commission	7:00 p.m.	Stayton Community Center	

**Stayton City Council  
Work Session  
January 22, 2024**

**LOCATION:** STAYTON PUBLIC LIBRARY, 515 N. FIRST AVENUE, STAYTON

**Time Start:** 6:01 P.M.

**Time End:** 6:55 P.M.

**MEETING ATTENDANCE LOG**

	<b>STAYTON STAFF</b>
Mayor Brian Quigley	Julia Hajduk, City Manager
Councilor David Giglio	Alissa Angelo, Assistant City Manager (excused)
Councilor Ben McDonald	James Brand, Finance Director
Councilor Jordan Ohrt	Gwen Johns, Police Chief
Councilor David Patty	Lance Ludwick, Public Works Director
Councilor Steve Sims	Janna Moser, Library Director
	Jennifer Siciliano, Community & Economic Development
	Melanie Raba, Office Specialist

<b>AGENDA</b>	<b>ACTIONS</b>
<b>Urban Renewal 101</b>	Elaine Howard gave an overview of how Urban Renewal works.

APPROVED BY THE STAYTON CITY COUNCIL THIS 5<sup>TH</sup> DAY OF FEBRUARY 2024, BY A \_\_\_\_ VOTE OF THE STAYTON CITY COUNCIL.

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Brian Quigley, Mayor

Date: \_\_\_\_\_

Attest: \_\_\_\_\_  
Julia Hajduk, City Manager

**City of Stayton  
City Council Minutes  
January 22, 2024**

**LOCATION:** STAYTON COMMUNITY CENTER, 400 W. VIRGINIA, STAYTON  
**Time Start:** 7:05 P.M. **Time End:** 8:54 P.M.

**COUNCIL MEETING ATTENDANCE LOG**

COUNCIL	STAYTON STAFF
Mayor Brian Quigley	Julia Hajduk, City Manager
Councilor David Giglio	Alissa Angelo, Assistant City Manager (excused)
Councilor Ben McDonald	Lance Ludwick, Public Works Director
Councilor Jordan Ohrt	Gwen Johns, Police Chief
Councilor David Patty	Janna Moser, Library Director
Councilor Stephen Sims	James Brand, Finance Director
	Jennifer Siciliano, Community & Economic Development Director
	Melanie Raba, Office Specialist

AGENDA	ACTIONS
<b>REGULAR MEETING</b>	
<b>Announcements</b>	
a. Additions to the agenda	Ms. Hajduk added Appointment of Council President to General Business.
b. Declaration of Ex Parte Contacts, Conflict of Interest, Bias, etc.	None.
<b>Public Comment</b>	
a. <b>Jonathan Penrice</b>	Mr. Penrice spoke on pedestrian safety concerns at 1 <sup>st</sup> and Washington.
b. <b>Steven Barrow</b>	Mr. Barrow spoke on concerns regarding Stayton's growing population.
<b>Consent Agenda</b>	
a. December 18, 2023 City Council Work Session Minutes	Councilor Sims requested to pull item c. from the consent agenda and discuss further under General Business.
b. December 18, 2023 City Council Regular Session Minutes	Motion from Councilor Patty, seconded by Councilor Giglio to approve Consent Agenda items a., b., and d. <b>Motion passed 5:0.</b>
c. Resolution No. 1086, Authorizing Stormwater Master Plan Update	
d. Resolution No. 1088, Appointment Denise Busch and Leonard Hays to the Budget Committee	
<b>Presentations</b>	
a. Community Partner – Student Representatives of North Santiam School District	Benjamin Perez, Stayton High School Student Body President and Student Representative to the North Santiam School District Board, spoke regarding activities happening at the high school, student involvement, and leadership opportunities.

<b>Public Hearing</b>	None.
<p><b>General Business</b>  <b>Appointment of Council President</b></p> <p><b>Discussion of ARPA Fund Request from County</b></p> <p>a. Staff Report – Julia Hajduk</p> <p>b. Public Comment</p> <p>c. Council Discussion</p> <p><b>Resolution No. 1086, Authorizing Stormwater Master Plan Update</b></p> <p>a. Staff Report – Lance Ludwick</p> <p>b. Public Comment</p> <p>c. Council Discussion</p>	<p>Motion from Councilor Patty, seconded by Councilor Giglio, to appoint Councilor Sims as Council President. <b>Motion passed 5:0.</b></p> <p>Ms. Hajduk reviewed the staff report.</p> <p>Aaron Frichtl, Revitalize Downtown Stayton President, spoke on his interests and how he would like to see the funds used.</p> <p>Ms. Moser and Mr. Ludwick answered questions from Council regarding the plans for allocation of funding as well as future opportunities for events and uses of space for the proposed areas.</p> <p>Motion from Councilor Patty, seconded by Councilor Giglio to use the ARPA funds for improvements to Riverfront Park South and the Community Center Park. <b>Motion Passed 5:0.</b></p> <p>Mr. Ludwick reviewed the staff report.</p> <p>None.</p> <p>Council discussed allocated budget related to the plan.</p> <p>Motion from Councilor Patty, seconded by Councilor Ohrt to approve Resolution No. 1086, Authorizing Stormwater Master Plan Update. <b>Motion passed 5:0.</b></p>
<b>Communications from City Staff</b>	<p>Ms. Hajduk discussed the Year in Review flyer which will be distributed in the February utility bill.</p> <p>Ms. Hajduk presented Council with information on marijuana retail facility hours. Councilor Ohrt and Sims do not wish to discuss the topic further at this time.</p> <p>Ms. Siciliano spoke on the revitalization of the Arts Commission.</p>
<b>Communications from Mayor and Council</b>	<p>Mayor Quigley recognized the contributions to the city of former Mayor Porter. He also recognized Kim Dwyer for her efforts in opening the city’s first warming center.</p> <p>Councilor Giglio expressed his wish to set a timeline of</p>

	expectation and have more council involvement in planning of road repairs. Council agreed they would like to see more community engagement on this topic as well.
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APPROVED BY THE STAYTON CITY COUNCIL THIS 5<sup>TH</sup> DAY OF FEBRUARY 2024, BY A \_\_\_\_ VOTE OF THE STAYTON CITY COUNCIL.

Date: \_\_\_\_\_

By: \_\_\_\_\_

Brian Quigley, Mayor

Date: \_\_\_\_\_

Attest: \_\_\_\_\_

Julia Hajduk, City Manager



**CITY OF STAYTON**  
**M E M O R A N D U M**

**TO:** Mayor Brian Quigley and the Stayton City Council

**FROM:** Alissa Angelo, Assistant City Manager

**DATE:** February 5, 2024

**SUBJECT:** Budget Committee Appointment

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**ISSUE**

Shall the Council approve Resolution No. 1089, appointing Jonathan Penrice to a three-year term on the Budget Committee?

**ENCLOSURE(S)**

- Budget Committee Appointment Application – Jonathan Penrice
- Resolution No. 1089

**STAFF RECOMENDATION**

N/A

**BACKGROUND INFORMATION**

The Budget Committee is comprised of the City Council and six community members. As of February 2024, the Budget Committee has one vacancy.

City staff received applications requesting appointment to the Budget Committee from Jonathan Penrice. The application was forwarded to the Finance Director and Budget Committee Chair Brian Quigley. Both reviewed the applications and recommended appointment to the Budget Committee.

**FISCAL IMPACT**

N/A

**MOTION(S)**

No motion necessary; consent agenda approval.



# CITY OF STAYTON

## APPLICATION FOR COMMISSION/COMMITTEE

NAME OF COMMISSION/COMMITTEE:

Budget Committee \_\_\_\_\_

PLEASE CHECK ONE:

New Applicant  
 Application for reappointment

Years resided in Stayton: 16

PLEASE PRINT

Name Jonathan Penrice

Address [REDACTED] Home Ph# [REDACTED]

Email Address [REDACTED] Cell Ph# [REDACTED]

Occupation [REDACTED]

Place of Employment [REDACTED]

Business Address \_\_\_\_\_

Phone \_\_\_\_\_ Email \_\_\_\_\_

1. Please give a brief description of the experience or training that qualifies you for membership on this commission/committee. (If you wish, you may attach a resume or other pertinent material.)

My experince with research and analysis makes me prepared to take on the responsbilites of a memeber of the budget committtee. In earning my bachelor's and master's degrees I had to plan and carry out reasrch projects. These experinces have made me proficent with the technical reading and writting that acompaines this postion. I also voulenteer at the St. Boniface Archives and Community Meusum, where I am leading a project to create a digital catalog of our collection.

In my work as an educator I have delevloped listening, and questioning skills that will serve me well on this committee. The active listening, questioning, and patience that I use when working with mv studetns has prepared me to participate and postitivelv contribute to the deliberations that

2. Why do you want to become a member of the above-mentioned commission/committee and what specific contribution would you hope to make?

I want to be a member of the of the budget committee becasue I love Stayton, and want to serve my community in a better capacity. I have always been involved in community service, from my Eagle Scout project at the library, to voulenteeing at the Stayton Community Food Bank for years in high school and college. An appointment to this postion would allow me to take this commitment a step further.

I see my role on the budget committee as a fresh perspective who helps promote discussion and exploration of the reasoning behind our decsions. From attending city council meetings I have seen that city government is a complicated undertaking, with many trade offs in every decsion. I feel that with my resarch and analysis experince, along with a desire to achive concesus about what is best for the community, I would make a valuble contribution to the the deliberations of the budget committee.

**PLEASE COMPLETE BOTH SIDES OF THIS APPLICATION**

- 3. Please list the community concerns related to this commission/committee that you would like to see addressed if you are appointed.

An area of concern I would work to see addressed in the budet is the impact of the new apartments. These developments will lead to significant population increase which puts more pressure on the city's existing infrastructure. I have heard concernes from residents, and have concerns myself about how this will impact Stayton. I will work to make sure the committie is seriously adressing the areas of public saftey, traffic, and parks so that they recive the support they need to handle the extra pressure they will face.



- 4. Briefly describe your present or past involvement in relevant community groups. (Having no previous involvement will not disqualify you for appointment.)

I have been involved in Stayton community groups, since I was eleven years old doing service projects with the Boy Scouts. I vounteered at the food bank for nearly a decade. Today I often attend city council meetings to keep up with local affairs.

- 5. Are you currently serving on any Advisory Boards, Commissions or Committees? If so, which ones?

I am not currently serving on any other boards or committees.

- 6. How did you learn about this vacancy?

\_\_\_\_\_ Our Website     Word of mouth    \_\_\_\_\_ Other

- 7. Are you employed by, have any business, contractual arrangements or family connections with programs having contractual agreements with the City that might be within the purview of the committee on which you are seeking appointment?

None that I am aware of.

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Signature of Applicant Jonathan Perrize Date 1/24/2024

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**PLEASE RETURN TO:** City of Stayton  
 362 N. Third Avenue  
 Stayton, OR 97383

*It is the policy of the City to comply with all federal and state statutes on equal employment opportunity. This policy shall be applied without regard to any individual employee or job applicant's sex, race, color, religion, national origin, ancestry, age, marital status, political affiliation, genetic information, veteran status or any other legally protected status per state and federal law.*



**RESOLUTION NO. 1089  
APPOINTING JONATHAN PENRICE  
TO THE BUDGET COMMITTEE**

**WHEREAS**, the Budget Committee is comprised of the City Council and six community members;

**WHEREAS**, as of February 2024 the Budget Committee has one vacancy;

**WHEREAS**, community member Jonathan Penrice submitted an application seeking appointment to the Budget Committee;

**WHEREAS**, the application for appointment was forwarded to the Department Head and Budget Committee Chair who recommend both candidates for appointment; and

**WHEREAS**, Council has reviewed the application and concurs with the recommended appointment.

**NOW THEREFORE, BE IT RESOLVED THAT:**

1. The Council accepts Mayor Quigley’s appointment of Jonathan Penrice to a three-year term on the Budget Committee.

This Resolution shall become effective upon its adoption by the Stayton City Council.

**ADOPTED BY THE STAYTON CITY COUNCIL THIS 5<sup>TH</sup> DAY OF FEBRUARY 2024.**

CITY OF STAYTON

Signed: \_\_\_\_\_, 2024

By: \_\_\_\_\_

Mayor Brian Quigley, Mayor

Signed: \_\_\_\_\_, 2024

ATTEST: \_\_\_\_\_

Julia Hajduk, City Manager



## CITY OF STAYTON

## M E M O R A N D U M

**TO:** Mayor Brian Quigley and the Stayton City Council  
**FROM:** Julia Hajduk, City Manager  
**DATE:** February 5, 2024  
**SUBJECT:** Neighborhood Improvement Grant Program

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**ISSUE**

Discussion of the Neighborhood Improvement Grant Program for the fiscal year 2023-24.

**ENCLOSURE(S)**

- Neighborhood Improvement Grant Application Packet

**BACKGROUND INFORMATION**

City Council Goal 3 is to increase communication, engagement, and transparency. Under Goal Objective 3.4 states “establish guidelines and criteria for community fund to support community-driven projects.” As part of the fiscal year 2023-24 budget, staff proposed, and Council approved an allocation of \$40,000 to a Neighborhood Improvement Grant program. At that time, staff indicated we would bring a program proposal to Council at a future date for approval.

In prior years the City had an established Neighborhood Grant program. Historically, the budgeted amount for Neighborhood Improvement grants ranged from \$10,000 in 2018 to \$30,000 in 2020. Staff took the materials from the most recent effort and updated them to reflect updated contact information and dates. In addition, staff modified the program description slightly to help better convey the types of projects that might be funded. The attached application packet also differs from the prior program in that it removes funding for “*Support of Programs and Services for Stayton residents*”. That portion of the program provided funding for support services or programs that provided a direct benefit to residents of the City of Stayton including social services, youth programs, or senior programs. Finally, the attached application added business owners to the list of who could apply.

We would like input from Council on whether to proceed with this program concept or whether additional modifications are desired. For example:

- Is the grant funding range of \$1,000-\$5,000 still appropriate?
- Do you want to include commercial businesses or just residents?
- Do you want to expand (or reduce) what can be funded with the grant?

As proposed, we would announce the program in the March/April utility bill with a April 1<sup>st</sup> deadline. This will require review and approval by Council by May 1 to allow for projects to be completed/funds expended by June 30, 2024.

This will require a short turnaround to ensure funds are expended this fiscal year, therefore another option is to roll this money into next year’s budget with the goal of launching the program in July 2024.

There was discussion at the last Council meeting about potentially allocating some of these funds towards the holiday lights project. Is there interest in doing that and, if so, how much?

# Community Improvement Grants 2023-24



## The Stayton City Council allocated money from the General Fund to the Neighborhood Improvement Grant program.

This initiative is designed to help neighborhoods address neighborhood issues, and to support non-profit organizations that provide services to Stayton residents. The grant program is intended to fund items such as landscape improvements, neighborhood clean-up parties, installation of benches, or other improvements that might address a neighborhood concern.

This is a competitive grant program that is open to anyone residing or doing business in Stayton. Applications are reviewed by the City staff and selected grants are awarded by the City Council. Grant amounts are expected to be in the range of \$1,000 to \$5,000 each.

### HOW TO USE THIS PACKET

This packet includes the Community Improvement Grant Application form. Applicants should review the packet and ensure that they have the relevant information on hand to complete the application form. Please email [citygovernment@staytonoregon.gov](mailto:citygovernment@staytonoregon.gov) with questions.

### WHO CAN APPLY?

**Non-profit tax-exempt organizations or groups** of at least three neighbors may apply for funding for projects that benefit a clearly defined geographic area within Stayton city limits. A group of neighbors must authorize one individual to manage the grant contracts and funds. **Business owners?**

### FUNDING REQUIREMENTS

Community Improvement Grant money comes from the FY23-24 City budget. It is anticipated that funding decisions will be made on March 18 and money must be disbursed and spent before June 30, 2024.

### PROGRAM AND PROJECT OBJECTIVES

The funds may be used by applicants for programs and projects in the following categories. Grant applications may include components of any or all of the categories. No category is prioritized higher than another for receiving funding.

- *Neighborhood Improvement Projects* - The funds may be used to improve the shared space within a neighborhood or strengthen neighborhood identity. This may include items such as landscape improvements and maintenance, signage, natural features management, benches, painting, or certain exterior improvements.
- *Neighborhood Livability Initiatives* - Funds may be used to provide education and outreach opportunities that strengthen the social connections in a neighborhood, increase safety, address a neighborhood challenge or conflict or serve senior or low-income residents, and programs that provide services to Stayton residents.

### PROPOSAL REVIEW CRITERIA

1. Extent to which organizational, neighborhood, and livability objectives are addressed.
2. The number of people benefiting from the proposal.
3. Demonstrated level of support from the neighborhood in terms of matching funds and/or in-kind contributions (volunteers or donations).

### HOW TO APPLY

The Community Improvement Grant Application is available on the City's website at [www.staytonoregon.gov](http://www.staytonoregon.gov). Electronic submissions are preferred, but the form can also be printed and mailed or delivered to the address listed below. You can pick up a printed copy of the application form by visiting City Hall (362 N. Third Avenue) or by requesting a copy to be mailed to you.

Completed applications are due by 5:00 p.m. on **March 8, 2024**.

**Email submittal:** [citygovernment@staytonoregon.gov](mailto:citygovernment@staytonoregon.gov)

**Mailing address:** City of Stayton  
362 N. Third Ave.  
Stayton, OR 97383

For additional information on the program, contact City Hall at [citygovernment@staytonoregon.gov](mailto:citygovernment@staytonoregon.gov) or (503) 769-3425.



# Community Improvement Grant Application

The Community Improvement Grant Program is a financial assistance tool that funds projects and programs for non-profit organizations and neighborhood groups throughout Stayton. The program has been designed to forge partnerships to address neighborhood issues, and provide services to Stayton residents.

Project Name

Date Submitted

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## Contact Information

Please provide information for a primary and secondary contact for this project, as well as information about the organization or neighborhood association behind the project. **Two contacts are required for all applications.**

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Primary Contact Street Address

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Primary Contact Email Phone Number

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Secondary Contact Street Address

---

Secondary Contact Email Phone Number

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Other neighbors part of group Geographic Location (ex: Westtown, Pioneer Meadows, etc)

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## Project Description

Please provide 1) A brief summary of the program or project to be completed; 2) The nature and makeup of your neighborhood and how many people will directly benefit from the program or project; 3) Who the program or project will benefit; and 4) What need, issue or goal the program or project will address. Be sure to describe how the project ties into the "Proposal Review Criteria" outlined on the first page. Include a separate document if necessary.

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**CITY OF STAYTON**  
**M E M O R A N D U M**

**TO: Mayor Brian Quigley and the Stayton City Council**  
**FROM: Julia Hajduk, City Manager**  
**DATE: February 5, 2024**  
**SUBJECT: Adoption of Utility Rate Study (URS) Recommendations for Water, Wastewater, and Stormwater for Fiscal Years 2024-25 through 2028-29**

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**ISSUE**

Shall the Council approve Resolution No. 1090, adopting the Utility Rate Study (URS) recommendations for water, wastewater, and stormwater for fiscal years 2024-25 through 2028-29?

**ENCLOSURE(S)**

- Exhibit 1 – Stayton Rate Study Report
- Resolution No. 1090

**BACKGROUND INFORMATION**

The City, along with our consultant team the FCS Group, have spent several months reviewing utility requirements, existing rates, and rate structures to develop a recommended plan to ensure rates and fees are sufficient to cover the costs of providing necessary utility services. The rate study evaluated the following funds: Water, Wastewater, Stormwater, and Streets.

On December 9, 2022, the Council received an overview on the rate study process. Then in January 2023, Council received a presentation on revenue requirements and began discussion of what meeting those requirements would mean regarding rates. However, the Council was unable to complete the conversation within the time available and there were follow-up questions which required additional evaluation. On March 6, 2023, the Council received another update, with the primary focus on streets. Based on feedback from Council, staff, and the consultant team, it was determined it would be beneficial to separate street fees out from the discussion as there was need for further public input and there was greater discretion in the level of funding and improvement expectations.

The consultant team proceeded to evaluate the cost of services by user groups and provided an overview of their analysis at a work session on June 20, 2023. At that meeting, Council provided direction that rate changes should be based on the cost of service for various user groups rather than

having one uniform rate. This helps ensure that one group is not subsidizing the costs of another group.

It should be noted that one of the identified user groups for wastewater is the City of Sublimity. Based on direction from Council, we initiated conversations with the City of Sublimity to discuss the contract provisions to ensure they are contributing their fair share to the utility fund. We are currently in discussions with them on modifications to the terms of the contract to ensure they are contributing their share of costs to the system. The wastewater rates for Stayton, both residential and non-residential, have been modified to reflect the minimum anticipated new contract terms with Sublimity. However, actual rate increases may vary slightly depending on the final contract terms.

### **FISCAL IMPACT**

Approval of Resolution No. 1090, will provide guidance on rates over the next five years and help ensure revenues received are sufficient to cover the costs of providing the utility services.

### **SUMMARY**

The attached resolution makes clear the intent for rate changes over the next five fiscal years, which is necessary for budgeting and planning purposes. The resolution sets the intent but does not adopt future rates as this will occur as part of the annual adoption of the City fee schedule. The URS for water, wastewater and stormwater has been completed and evaluates operation and maintenance cost needs between fiscal years 2024-25 and 2028-29. The rates identified in the attached resolution are projected to adequately cover the anticipated costs. The URS evaluated the cost of service based on several user groups and found that some groups are currently contributing more and some less to the system in a manner that is not consistent with their actual demands on the systems. The proposed rates will align each user group with appropriate rates to cover their costs.

### **OPTIONS AND MOTIONS**

**1. Approve Resolution No. 1090.**

*Move to approve Resolution No. 1090 as presented.*

**2. Approve Resolution No. 1090 with modifications.**

*Move to approve Resolution No. 1090 with the following modifications...*

**3. Not approve Resolution No. 1090.**

*No action is required if Council chooses to not approve the Resolution.*



# City of Stayton

## UTILITY RATE STUDY

FINAL REPORT  
JANUARY 2024

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**FCS GROUP**  
Solutions-Oriented Consulting

January 25, 2024

Julia Hajduk, City Manager  
City of Stayton  
362 N. 3<sup>rd</sup> Avenue  
Stayton, OR 97383

Subject: Utility Rate Study

Dear Julia:

FCS GROUP is pleased to submit this report summarizing the results of the utility rate study for the water, sewer, and stormwater utilities. The proposed rate increases are projected to meet each utility's annual operating and maintenance expenditures, fund planned capital improvement projects, and generate funding for operating and capital reserves while improving interclass equity.

It has been a pleasure to work with you and other City staff on this effort. Please let me know if you have any questions or need additional information for this report. I can be reached at (425) 615-6056.

Yours very truly,



Matt Hobson  
Project Manager



John Ghilarducci  
Principal



Zech Hazel  
Project Consultant

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# Section I. INTRODUCTION

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## PURPOSE

In 2022, FCS GROUP was engaged by the City of Stayton (“City”) to conduct a water, sewer, stormwater, and transportation utility rate study, including cost-of-service analyses for the water and sewer utilities. The purpose of the study was to provide a rate forecast and financial plan targeting cost of service and revenue sufficiency for a six-year forecast period beginning with the fiscal year ending June 30, 2024 (FY 2024) and ending with the fiscal year ending June 30, 2029 (FY 2029).

## APPROACH

The methods used to complete the study are based on analytical principles that are generally accepted and widely followed throughout the industry – rates and charges should generate enough revenue to maintain self-supporting and financially viable utilities.

Throughout the study, we worked with the City to arrive at rate conclusions that meet forecasted utility financial obligations, achieve City goals and policies, comply with legal requirements, and adhere to industry best practices. Meetings were held with City staff to validate input parameters, review interim findings, and receive policy direction.

## SCOPE

The scope of the project included the following key elements:

- Assess revenue needs for a multi-year period that includes adequate funding for operations and maintenance, system reinvestment, debt service, and other program activities.
- Project long-term capital needs and incorporate these needs into a multi-year funding forecast.
- Use industry standard methodologies to establish a defensible basis for assigning “cost shares” and establishing “equity” for water and sewer utility customers.
- Develop and recommend rate structures that generate enough revenue to meet each utility’s financial obligations on a standalone basis.

The general methodology for the utility rate study is summarized in Section II of the report. Sections III, IV, and V detail the assumptions, utility-specific methodologies, key factors, conclusions, and recommendations for the water, sewer, and stormwater utilities respectively. The transportation utility fee study is still in progress and will be documented in an addendum to this report.

## Section II. GENERAL METHODOLOGY

---

### RATE SETTING PRINCIPLES AND METHODOLOGY

The methods used to establish user rates are based on principles that are generally accepted and widely followed throughout the industry. These principles are designed to produce rates that equitably recover costs from each class of customer by setting the appropriate level of revenue to be collected from ratepayers and establishing a rate structure to equitably collect those revenues.

The primary tasks of the utility rate study are listed below:

- **Revenue Requirement Analysis.** This analysis identifies the total revenue requirement to fully fund each utility on a standalone basis, considering operating and maintenance expenditures, capital funding needs, debt requirements and fiscal policy objectives.
- **Cost-of-Service Analysis.** This analysis equitably distributes costs to customer classes based on their proportional demand and use of the utility.
- **Rate Design Analysis.** This analysis includes the development of rates that generate sufficient revenue to meet each utility's revenue requirement forecast and continue to address the City's pricing objectives (e.g., rate equity, conservation, affordability, and revenue stability).

### FISCAL POLICIES

The foundation for evaluating utility revenue needs consists of a set of fiscal policies. These policies, which can address a variety of topics including cash management, capital funding strategy, financial performance, and rate equity, are intended to promote long-term financial viability for the City's utilities.

#### Reserves

Reserves are a key component of any utility financial strategy, as they provide the flexibility to manage variations in costs and revenues that could otherwise have an adverse impact on ratepayers. When evaluating fund reserve levels and objectives, it is important to recognize that the value of reserves lies in their potential use. A reserve strategy that deliberately avoids any use of reserves negates their purpose. Fluctuation of reserve levels may indicate that the system is working, while lack of variation over many years strongly suggests that the reserves are, in fact, unnecessary. For financial planning for the City's utilities, resources are separated into the following reserve categories:

- » **Operating Reserve.** An operating reserve is designed to provide a liquidity cushion; it protects the utility from the risk of short-term variation in the timing of revenue collection or payment of expenses. Like other types of reserves, operating reserves also serve another purpose: they can help smooth rate increases over time. Target funding levels for an operating reserve are generally expressed as a certain number of days of operating and maintenance (O&M) expenses, with the minimum day requirement varying with the expected revenue volatility of the utility.

The operating reserve target for the water utility is 90 days of O&M expenses. For the sewer and stormwater utilities, the target is 60 days of O&M expenses, as the sewer and stormwater utilities have less variable revenue month-to-month. It is assumed that any operating funds above the minimum balance are available for capital purposes.

- » **Capital Reserve.** A capital contingency reserve is an amount of cash set aside in case of an emergency should a piece of equipment or a portion of the utility's infrastructure fail unexpectedly. The reserve can also be used for other unanticipated capital needs including capital project cost overruns. Industry practices range from maintaining a balance equal to one to two percent of fixed assets, an amount equal to a 5-year rolling average of CIP costs, or an amount determined sufficient to fund equipment failure (other than catastrophic failure). The final target level should balance industry standards with the risk level of the City's utilities.

Based on discussions with City staff, the capital reserve for the water utility was set at \$200,000. The sewer utility capital reserve was set at \$1 million, and the stormwater capital reserve was set to \$80,000.

- » **Debt Reserve.** Bond covenants often establish reserve requirements as a means of protecting against the risk of nonpayment. A common reserve requirement is one year's debt service payment. The balance held in reserve for a particular debt instrument may be used to make the final payment on that debt instrument. Only the sewer utility has a required debt reserve. That reserve is set to \$345,000 – one year's debt service payment for the United States Department of Agriculture loan. Since the debt reserve provides a static reserve against inability to pay, it is unnecessary to maintain operating reserves against debt repayment.

## System Reinvestment

A utility's infrastructure (e.g., treatment plant, booster pumps, distribution mains) is a critical element of delivering services to the City's customers. Establishing a financial plan for the eventual replacement of these assets ensures system reliability and integrity. This practice is known as system reinvestment funding. Target system reinvestment funding levels are commonly linked to annual depreciation expense in the absence of a formal asset management plan. Depreciation expense is a measure of the decline in asset value associated with routine use of the system.

Particularly for utilities that do not already have an explicit system reinvestment policy in place, implementing a funding level based on full depreciation expense could significantly impact rates. A common alternative benchmark is annual depreciation expense net of debt principal payments on outstanding debt. This approach recognizes that customers are still paying for certain assets through the debt component of their rate and intends to avoid simultaneously charging customers for an asset and its future replacement. The specific benchmark used to set system reinvestment funding targets is a matter of policy that must balance various objectives including managing rate impacts, keeping long-term costs down, and promoting "generational equity" (i.e. not excessively burdening current customers with paying for facilities that will serve a larger group of customers in the future).

As part of the rate study, the City established rate recommendations that include system reinvestment funding for the water, sewer, and stormwater utilities. The annual funding target for system reinvestment funding is equivalent to annual depreciation. For water, that funding target starts at \$382,000 in FY 2024 and increases as assets are added to the system. Likewise, for sewer, the target starts at \$612,000, and for stormwater that target starts at \$157,000.

## Debt Management

Debt financing is one appropriate option for capital funding. Compared with pay-as-you-go funding, debt smooths out the rate impact of a capital program by spreading costs over time. It also creates intergenerational equity – it is sometimes called “pay-as-you-use” because future customers who use the assets are the ones paying for them. However, debt should not be relied on too much as it carries the risk of default. Debt also reduces budget flexibility – cash-funded capital projects can be delayed if there is a revenue shortfall, but once the utility has issued debt, the debt service needs to be paid in good times or bad. While debt is a useful part of the capital funding toolbox, it needs to be monitored to ensure that the system does not become too heavily dependent on it. Debt service coverage is a financial metric that provides a benchmark to creditors regarding the ability of each utility meet its debt obligations.

- » **Debt Service Coverage.** Debt service coverage is a requirement typically associated with revenue bonds and some State loans and is a financial measure of the ability to repay debt.

A typical minimum coverage requirement for utility revenue bonds is 1.50. If the City issues debt, the coverage requirements essentially require that the City collect enough revenue to meet operating expenses and not only pay debt service but collect an additional 50 percent above the bonded debt service. The extra revenue is a cushion that assures bondholders that the City has the financial resources to meet its debt service obligations. FCS GROUP and City staff incorporated a minimum debt service coverage ratio of 2.00 for evaluating revenue sufficiency for each utility.

## REVENUE REQUIREMENT

A revenue requirement analysis forms the basis for a long-range financial plan and multi-year rate management strategy for each utility. The result is a set of rate increases that ensure rate revenues fully recover the total cost of operating each system: capital improvement and replacement, operations, maintenance, general administration, fiscal policy attainment, cash reserve management, and debt repayment. Linking rate levels to a financial plan such as this helps to enable not only sound financial performance for the City’s utility enterprise funds, but also a clear and reasonable relationship between the rates imposed on utility customers and the costs incurred to provide the service.

A revenue requirements analysis includes the following core elements to form a complete portrayal of the utility’s financial obligations.

- **Fiscal Policy Analysis.** Monetizes formal and informal fiscal policies of the City to ensure that current policies are maintained, including reserve levels, capital/system replacement funding and debt service coverage.
- **Capital Funding Plan.** Defines a strategy for funding the City’s capital improvement program, including an analysis of available resources from rate revenues, debt financing, and any special resources that may be readily available (e.g., grants, outside contributions, etc.).
- **Operating Forecast.** Identifies future annual non-capital costs associated with the operation, maintenance, and administration of the system.
- **System Reinvestment.** System reinvestment funding promotes the utility’s financial and overall system integrity by setting aside funding on an annual basis for eventual repair and/or replacement of fixed assets.

- **Sufficiency Testing.** Evaluates the sufficiency of revenues in meeting all financial obligations, including any coverage requirements associated with long-term debt.
- **Strategy Development.** Designs a forward-looking strategy for adjusting rates to fully fund all financial obligations on a periodic or annual basis over the projection period.

## COST OF SERVICE

The purpose of a cost-of-service analysis is to provide a rational basis for distributing the full costs of each utility service to each class of customers in proportion to the demands they place on the system. Detailed cost allocations, along with appropriate customer class designations, help to sharpen the degree of equity that can be achieved in the resulting rate structure design. This step was completed for the water and sewer utilities.

The key analytical steps of the cost-of-service analysis are as follows:

- **Functional Cost Allocation.** Apportions the annual revenue requirement to the major functions of the system. In some instances, costs can be directly attributed to specific customer classes; in all other cases, costs are allocated proportionately based on functional characteristics as outlined in the later sections of this report.
- **Customer Class Designation.** Identifies the customer classes that will be evaluated as part of the study. Existing as well as new or revised customer classes or class definitions may be considered. It is appropriate to group customers that exhibit similar usage characteristics and service requirements.

The City of Stayton has a contract with the City of Sublimity (Sublimity), which is located just north of Stayton, to treat Sublimity's sewer flows. Sublimity is the City's largest single sewer customer. All of Sublimity's flows enter Stayton's system through a single connection point at the Mill Creek manhole where the City monitors Sublimity's total flows and strengths. Sublimity is treated as its own customer class for the purpose of the cost-of-service analysis.

- **Cost Allocation.** Allocates the costs from the functional cost allocation to different customer classes based on their unique demands for each service as defined by system planning documents, industry standards, and recorded user history (from billing data). The results identify shifts in cost recovery by customer class from that experienced under the existing rate structure.

## Section III. WATER UTILITY

---

The City owns and operates the water utility, which provides water to customers within City limits. The utility's customers include approximately 2,100 single-family residential customers, 400 multi-family customers, and 340 non-residential accounts. Annual water consumption for the utility totaled over 450 million gallons in 2022. The City purchases water from the Santiam Water Control District and treats it at its water treatment facility. It maintains approximately 34 miles of transmission and distribution mains.

The following sections detail the revenue requirement and cost-of-service analyses for the water utility.

### REVENUE REQUIREMENT

The main purpose of the revenue requirement analysis is to develop a funding plan ("revenue requirement") for the FY 2024 through FY 2029 study period. This section details the results of the water utility revenue requirement analysis.

#### Economic & Inflation Factors

The operating and maintenance expenditure forecast largely relies on the City's 2023 budget. The line items in the budget were then adjusted each year by using one of the following applicable factors:

- **General Cost Inflation.** Assumed to be 5.25 percent per year in FY 2024 and 2.40 percent thereafter based on the historical performance of the Consumer Price Index-Urban in the Western Region (CPI-U: West). While inflation has been higher in 2022 and 2023 than average, the length of the forecast necessitated a longer-term average. The ten-year average increase of the CPI-U: West as of this analysis was 2.40 percent.
- **Construction Cost Inflation.** Assumed to be 6.25 percent in FY 2024 and 3.00 percent thereafter based on the near-term and historical performance of the Engineering News-Record Construction Cost Index for the 20-City average.
- **Personnel Cost Inflation.** Based on the General Cost Inflation factor above, experience with other utilities, and discussions with City staff:
  - » Labor inflation: assumed to be 5.25 percent in FY 2024 and 2.40 percent per year thereafter.
  - » Benefits inflation: assumed to be 5.25 percent in FY 2024 and 2.40 percent per year thereafter.
- **Fund Earnings.** Assumed to be 1.90 percent per year based on the LGIP rate for Oregon in September 2022.
- **Customer Account Growth.** Assumed to be 0.65 percent per year, based on the 2022 Forecast by the Portland State University Population Research Center.

## Fund Balances

Starting fund balances in FY 2024 were based on the City's FY 2023 actual beginning fund balances and adjusted based on budgeted revenues and expenses in FY 2023. The total FY 2024 beginning fund balance for the water utility was estimated to be \$1.5 million.

An important fiscal policy consideration is the minimum target level of the operating reserve. A general target for water utilities is to keep anywhere from 90 to 120 days of operating expenses in reserve to accommodate short-term fluctuations in cash flow. As discussed in Section II, the minimum operating reserve target is set to 90 days of operating expenses.

In addition to the operating reserve, a capital reserve minimum balance was set to \$200,000 based on discussions with City staff.

## Utility Revenues

Without rate increases, the City is expecting to collect revenues in FY 2024 as listed below for the water utility.

- **Rate Revenues.** A total of \$2.0 million. About \$1.1 million will be collected from the single-family residential class, \$374,000 will be collected from the multi-family class, \$355,000 will be collected from the non-residential class, \$35,000 will be collected from the irrigation class, and \$142,000 will be collected from the City's metered water for parks irrigation, sewer treatment, and other City water usage.
- **Non-rate Revenues.** Non-rate revenues include an expected \$25,000 in hook-up fees and \$44,000 in late fees. System development charge revenue is expected to be \$87,000. The City will also collect interest on its fund balances.

## Operating Expenses

In FY 2024, water utility operating expenses are forecasted at \$1.5 million and are expected to increase at an annualized average rate of 3.5 percent up to \$1.7 million by FY 2029.

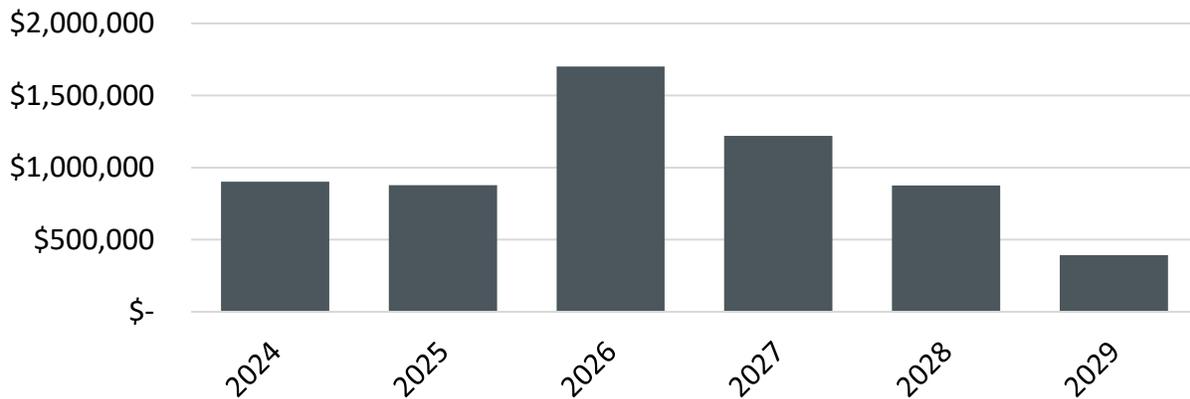
## Existing Debt Service

In addition to the operating expenses, the water utility has debt service averaging \$227,000 per year through FY 2032 (when it matures) for its full faith and credit obligation issued in 2016. In FY 2024, the principal payment is \$162,000 and the interest payment is \$65,000.

## Capital Expenditures and Funding Strategy

A summary graph of the City's water capital program is in **Exhibit 3.1** below. The total cost of the capital program, escalated to the year of construction is estimated at \$6.0 million between 2024 and 2029, and averages \$1.0 million per year.

**Exhibit 3.1 – Water Utility Capital Program Summary**



The 2024-2029 capital funding plan is summarized in **Exhibit 3.2** below. The water utility is planning to set aside \$2.6 million in system reinvestment funding from its rate revenues during this period. When combined with other cash sources (such as SDCs, existing cash reserves, and interest on its fund balance), the City is planning to dedicate \$4.2 million in cash funding to the capital plan. In addition, the City is expecting to issue a total of \$1.8 million in full faith and credit obligation bonds to help fund improvements to the water system, with annual debt service to begin in FY 2025 starting at \$111,000.

**Exhibit 3.2 – Water Utility Capital Funding Strategy**

Capital Funding Summary	2024	2025	2026	2027	2028	2029
Capital Project Costs	\$ 903,125	\$ 879,128	\$ 1,700,672	\$ 1,221,250	\$ 875,084	\$ 392,614
Funding Sources						
Cash	\$ 903,125	\$ -	\$ 1,379,800	\$ 621,250	\$ 875,084	\$ 392,614
FFCO Proceeds	-	879,128	320,872	600,000	-	-
<b>Total Capital Funding</b>	<b>\$ 903,125</b>	<b>\$ 879,128</b>	<b>\$ 1,700,672</b>	<b>\$ 1,221,250</b>	<b>\$ 875,084</b>	<b>\$ 392,614</b>

## Water Revenue Requirement Summary

**Exhibit 3.3** graphically represents the water utility revenue requirement forecast through FY 2029. The stacked columns represent the costs and obligations of the utility such as operating expenses and rate funded capital, while the lines represent utility revenues before and after future adjustments.

- **Solid black line:** Revenue at existing rates.
  - » Water utility revenue is expected to be roughly \$2.0 million in FY 2024 and is expected to grow at about 0.65 percent per year with customer growth.
- **Dashed black line:** Revenues with rate increases.
  - » Rate revenue must increase by 6.25 percent in FY 2024 (above customer growth) followed by 3.00 percent per year to allow the utility to cover its projected financial obligations.
- **Dark blue bar:** Operating expenses.
  - » Operating expenses are based on the adopted 2023 budget and increase with the annual cost escalation assumptions previously discussed.
- **Green bar:** Existing debt service.
  - » Annual debt service on the City’s existing full faith and credit obligation from 2016 starts at \$228,000 in FY 2024 and stays at about that level through FY 2029.
- **Purple bar:** New debt service.
  - » Annual debt service for new full faith and credit obligations needed to fund the capital program starts at \$111,000 in FY 2025 and increases to \$166,000 by FY 2029.
- **Gold bar:** System reinvestment funding.
  - » System reinvestment funding starts at \$374,000 in FY 2023 and increases after that.
- **Turquoise bar:** Other rate-funded capital (additional funding above system reinvestment target).
  - » Other rate funded capital starts at \$19,000 in FY 2023 and varies year-to-year after that.

**Exhibit 3.3 – Water Utility Revenue Requirement**

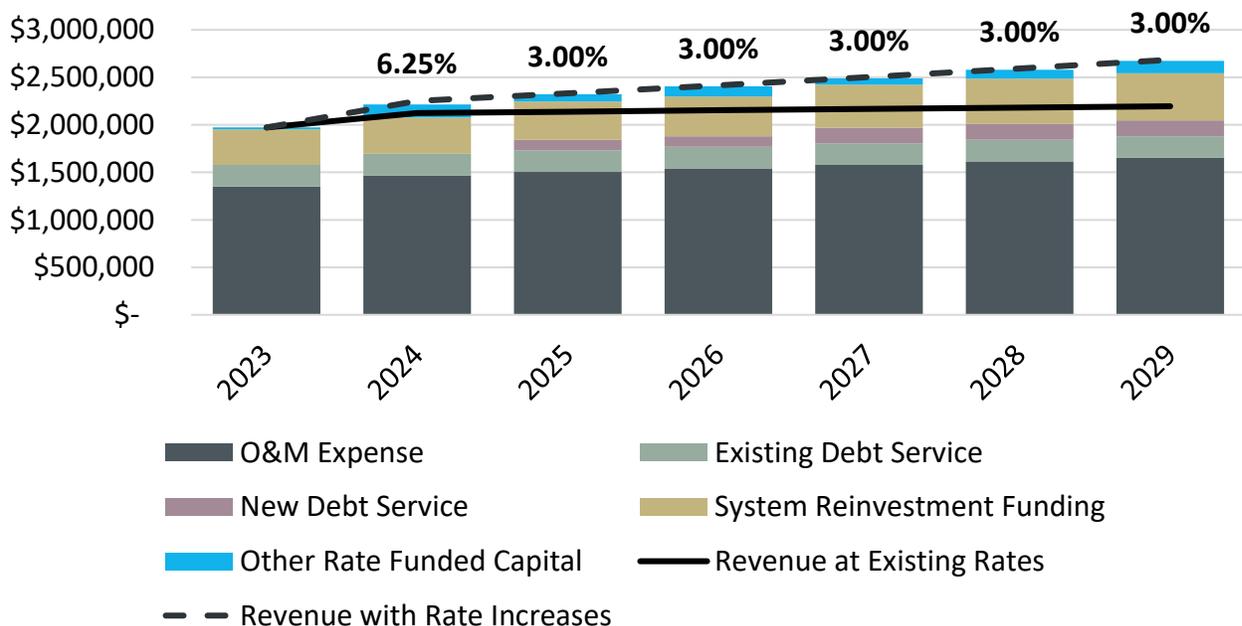


Exhibit 3.4 below provides the detailed summary tables of the revenue requirement analysis.

**Exhibit 3.4 – Water Utility Revenue Requirement Detailed Tables**

Revenue Requirement	2023	2024	2025	2026	2027	2028	2029
<b>Revenues</b>							
Rate Revenues Under Existing Rates	\$ 1,882,451	\$ 2,046,071	\$ 2,059,306	\$ 2,072,627	\$ 2,086,034	\$ 2,099,527	\$ 2,113,108
Non-Rate Revenues	89,743	78,074	79,269	79,944	80,628	81,320	82,021
Total Revenues	<b>\$ 1,972,194</b>	<b>\$ 2,124,144</b>	<b>\$ 2,138,575</b>	<b>\$ 2,152,571</b>	<b>\$ 2,166,662</b>	<b>\$ 2,180,848</b>	<b>\$ 2,195,129</b>
<b>Expenses</b>							
Cash Operating Expenses	\$ 1,348,900	\$ 1,468,075	\$ 1,503,621	\$ 1,540,028	\$ 1,577,318	\$ 1,615,511	\$ 1,654,630
Existing Debt Service	230,000	227,823	228,100	228,100	227,823	227,271	226,441
New Debt Service	-	-	110,934	110,934	166,401	166,401	166,401
System Reinvestment Funding	374,245	382,193	400,255	417,838	451,851	476,276	493,778
Additions Required to Meet Reserves	-	-	-	-	-	-	-
Total Expenses	<b>\$ 1,953,145</b>	<b>\$ 2,078,091</b>	<b>\$ 2,242,909</b>	<b>\$ 2,296,899</b>	<b>\$ 2,423,393</b>	<b>\$ 2,485,459</b>	<b>\$ 2,541,250</b>
<b>Net Surplus (Deficiency)</b>							
Additions to Meet Coverage	\$ 19,049	\$ 46,054	\$ (104,335)	\$ (144,329)	\$ (256,731)	\$ (304,611)	\$ (346,121)
Total Surplus (Deficiency)	<b>\$ 19,049</b>	<b>\$ 46,054</b>	<b>\$ (104,335)</b>	<b>\$ (144,329)</b>	<b>\$ (256,731)</b>	<b>\$ (304,611)</b>	<b>\$ (346,121)</b>
<b>Annual Rate Increase</b>							
		6.25%	3.00%	3.00%	3.00%	3.00%	3.00%
<b>Cumulative Rate Increase</b>							
		6.25%	9.43%	12.72%	16.10%	19.58%	23.17%
Revenues After Rate Increases	\$ 1,882,451	\$ 2,173,885	\$ 2,253,586	\$ 2,336,208	\$ 2,421,860	\$ 2,510,652	\$ 2,602,699
Additional Taxes from Rate Increase	-	-	-	-	-	-	-
Net Cash Flow After Rate Increase	<b>\$ 19,049</b>	<b>\$ 173,868</b>	<b>\$ 89,945</b>	<b>\$ 119,253</b>	<b>\$ 79,095</b>	<b>\$ 106,513</b>	<b>\$ 143,470</b>
Coverage After Rate Increase: Bonded Debt	n/a						
Coverage After Rate Increase: Total Debt	3.08	3.88	2.73	2.92	2.58	2.72	2.85
Sample Residential Bill (5/8" Meter, x 10,000 gallons)	\$47.17	\$50.11	\$51.62	\$53.16	\$54.76	\$56.40	\$58.09
Annual Increase (\$)		\$2.95	\$1.50	\$1.55	\$1.59	\$1.64	\$1.69
<b>Fund Balance</b>							
<b>Operating Reserve</b>							
Beginning Balance	\$ 1,081,200	\$ 443,474	\$ 482,655	\$ 494,341	\$ 506,311	\$ 518,570	\$ 531,127
plus: Net Cash Flow after Rate Increase	19,049	173,868	89,945	119,253	79,095	106,513	143,470
less: Transfer of Surplus to Capital Fund	(656,775)	(134,688)	(78,259)	(107,283)	(66,835)	(93,956)	(130,609)
Ending Balance	<b>\$ 443,474</b>	<b>\$ 482,655</b>	<b>\$ 494,341</b>	<b>\$ 506,311</b>	<b>\$ 518,570</b>	<b>\$ 531,127</b>	<b>\$ 543,988</b>
Actual Days of O&M	120 days						
Minimum Balance Requirement	\$ 332,605	\$ 361,991	\$ 370,756	\$ 379,733	\$ 388,928	\$ 398,345	\$ 407,991
Maximum Balance Requirement	\$ 443,474	\$ 482,655	\$ 494,341	\$ 506,311	\$ 518,570	\$ 531,127	\$ 543,988
<b>Capital Reserve</b>							
Beginning Balance	\$ 365,000	\$ 1,084,380	\$ 798,048	\$ 1,692,420	\$ 629,363	\$ 619,615	\$ 407,918
plus: System Reinvestment Funding	374,245	382,193	400,255	417,838	451,851	476,276	493,778
plus: Transfers from Operating Fund	656,775	134,688	78,259	107,283	66,835	93,956	130,609
plus: Capital Grants / Other Resources	-	-	-	-	-	-	-
plus: SDC Revenue	78,800	79,310	79,823	80,339	80,859	81,382	81,908
plus: Full Faith and Credit Obligation Proceeds	-	-	1,200,000	-	600,000	-	-
plus: Interest Earnings	6,935	20,603	15,163	32,156	11,958	11,773	7,750
Total Funding Sources	<b>\$ 1,481,755</b>	<b>\$ 1,701,173</b>	<b>\$ 2,571,547</b>	<b>\$ 2,330,036</b>	<b>\$ 1,840,866</b>	<b>\$ 1,283,002</b>	<b>\$ 1,121,964</b>
less: Capital Expenditures	(397,375)	(903,125)	(879,128)	(1,700,672)	(1,221,250)	(875,084)	(392,614)
Ending Capital Fund Balance	<b>\$ 1,084,380</b>	<b>\$ 798,048</b>	<b>\$ 1,692,420</b>	<b>\$ 629,363</b>	<b>\$ 619,615</b>	<b>\$ 407,918</b>	<b>\$ 729,350</b>
Minimum Target Balance	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
<b>Combined Beginning Balance</b>	<b>\$ 1,446,200</b>	<b>\$ 1,527,854</b>	<b>\$ 1,280,703</b>	<b>\$ 2,186,761</b>	<b>\$ 1,135,674</b>	<b>\$ 1,138,186</b>	<b>\$ 939,045</b>
<b>Combined Ending Balance</b>	<b>\$ 1,527,854</b>	<b>\$ 1,280,703</b>	<b>\$ 2,186,761</b>	<b>\$ 1,135,674</b>	<b>\$ 1,138,186</b>	<b>\$ 939,045</b>	<b>\$ 1,273,338</b>
Ending Total Days of Operating Expenditures	413 days	318 days	531 days	269 days	263 days	212 days	281 days
Combined Minimum Target Balance	532,605	561,991	570,756	579,733	588,928	598,345	607,991

## COST-OF-SERVICE ANALYSIS

The purpose of a cost-of-service analysis is to provide a rational basis for distributing the full costs of each utility service to each class of customers in proportion to the demands they place on the system. Detailed cost allocations, along with appropriate customer class designations, help to sharpen the degree of proportionality that can be achieved in the resulting rate structure design. The key analytical steps of the cost-of-service analysis are as follows:

- **Functional Cost Allocation.** Establishes a rational relationship between functions (activities) and costs. Each line item of the City's budget is allocated to each function based on how those expenses serve the system. The functions of service are:
  - » **Peak.** Costs associated with meeting incremental peak demands.
  - » **Base.** Costs associated with meeting average demands.
  - » **Customer.** Fixed costs that do not vary with meter size or usage (e.g., utility billing)
  - » **Fire.** Costs related to direct fire protection (hydrants) and oversizing facilities for fire flow (mains, reservoirs, etc.)
  - » **Meters & Services.** Costs associated with installation, maintenance, and repairs of meters and services.
- **Customer Class Distinctions.** Identifies the customer classes that will be evaluated as part of the study. It is appropriate to group customers that exhibit similar usage characteristics and service requirements. The rate study evaluated six customer classes: single-family residential, multi-family, non-residential, City accounts, irrigation, and fire line.
- **Cost Allocation.** Allocates the costs from the functional cost allocation to different customer classes based on their unique demands for each service as defined through the cost classification process. For example, the cost allocation for the Customer functional cost pool is based on the number of customer accounts, while the cost of providing peak capacity services is based on peak total water usage. Accounts, MSEs (meter service equivalents<sup>1</sup>), annual total water usage, and peak season water usage statistics are developed to allocate the cost-of-service to customer classes. The results identify shifts between cost recovery by customer class from that experienced under the existing rate structure.

### Functional Cost Allocation

The first step in the cost-of-service analysis is to define the functions or activities that are supported by the water utility. The major functions of the water utility are as follows: customer, meters & services, base capacity, peak capacity, and fire protection.

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<sup>1</sup> Allocation factor that accounts for differences in investments in meters based on size of service pipe. Other factors that may be considered include materials used, location of meters, and local geography.

Following the selection of the major functions of service, test year (FY 2024) revenue requirements for each accounting line-item were assigned to the functions of service. In some cases, the expenses within an accounting line-item solely support one function of service. Such direct assignments include: all customer, all meters & services, all base, all peak, all fire, and as all other (a redistribution of costs based on all other assignments).

In other cases, the expenses within an accounting line-item support multiple functions of service: a water operator's salary expenses could be reasonably split across the existing plant in service, and therefore the expenses are distributed to each function in proportion to the system asset makeup.

### Functional Cost Allocation Factors

Examples of cost allocation factors within the functional cost allocation step include:

- **Transfer to the General Fund.** The transfer to the general fund includes many indirect costs related to the operation of the utility. The City provided a breakdown of that transfer showing that 13.06 percent of the transfer was related to customer billing costs. The remainder of the transfer was assigned "as all other," meaning that the remainder of the costs were assumed to benefit the utility based on the distribution of all other costs to the functions of service. The transfer to the general fund is the largest single line item in the budget.
- **Supply and Treatment.** This analysis is based on the ratio of average and peak day demands as reported within the City's water system plan. According to the plan, average day demand is 2.71 million gallons per day. Peak day demand is 6.50 million gallons per day. Average day demand is equivalent to 41.69 percent of peak day demand (2.71 divided 6.50). Based on this methodology, 41.69 percent of supply and treatment expenses are allocated to the Base function with the remaining 58.31 percent of expenses allocated to the Peak function. Examples of line-items expenses that are assigned this cost allocation include chemical supplies, lab fees, chlorination tablets, and any treatment-related FTE expenses are distributed across the water functions based on this percentage allocation.
- **Transmission and Distribution.** This analysis is based on a proportional analysis of the City's existing pipes, which accounts for upsizing in pipe diameter due to capacity and fire flow requirements, resulting in a functional split of 29.87 percent to the base function, 41.78 percent to the peak function, and 28.35 percent to the fire protection function. For example, the cost of salaries for water utility maintenance workers (which represent those workers repairing distribution pipes) is distributed across the water functions based on this percentage allocation. These calculations are summarized in **Exhibit 3.5** below.

**Exhibit 3.5 – Water Transmission and Distribution Analysis**

Main Size (in.)	Total (2023 \$)	Proportional Fire Cost	FUNCTIONS OF WATER SERVICE			
			METERS & SERVICES	BASE	PEAK	FIRE PROTECTION
0.75-in	\$ 157,410		0.00%	41.69%	58.31%	0.00%
1-in	389,290		0.00%	41.69%	58.31%	0.00%
1.25-in	314,710		0.00%	41.69%	58.31%	0.00%
1.50-in	196,790		0.00%	41.69%	58.31%	0.00%
2-in	1,539,340		0.00%	41.69%	58.31%	0.00%
3-in	408,650		0.00%	41.69%	58.31%	0.00%
4-in	2,243,780		0.00%	41.69%	58.31%	0.00%
6-in	5,198,710	\$ 2,888,172	0.00%	18.53%	25.91%	55.56%
8-in	7,291,240	3,189,918	0.00%	23.45%	32.80%	43.75%
10-in	3,864,645	1,391,272	0.00%	26.68%	37.32%	36.00%
12-in	4,268,480	1,304,258	0.00%	28.95%	40.49%	30.56%
14-in	113,400		0.00%	41.69%	58.31%	0.00%
16-in	1,716,400		0.00%	41.69%	58.31%	0.00%
18-in	879,975		0.00%	41.69%	58.31%	0.00%
20-in	2,261,500		0.00%	41.69%	58.31%	0.00%
24-in	3,300		0.00%	41.69%	58.31%	0.00%
30-in	104,325		0.00%	41.69%	58.31%	0.00%
<b>TOTAL</b>	<b>\$ 30,951,945</b>		<b>\$ -</b>	<b>\$ 9,246,656</b>	<b>\$ 12,931,670</b>	<b>\$ 8,773,620</b>
<b>Allocation Percentages</b>			0.00%	29.87%	41.78%	28.35%

- **Storage.** This analysis is based on the system’s operational, equalizing, standby, and fire suppression storage requirements, resulting in a functional split of 40.44 percent to the base function, 48.33 percent to the peak function, and 11.23 percent to the fire protection function. For example, the capital costs of new storage facilities are distributed across the water functions based on this percentage allocation. These calculations are summarized in **Exhibit 3.6** below.

**Exhibit 3.6 – Water Storage Analysis**

Storage Requirements	MG of Storage	FUNCTIONS OF WATER SERVICE				
		CUSTOMER	METERS & SERVICES	BASE	PEAK	FIRE PROTECTION
Peaking	0.66	0.00%	0.00%	0.00%	100.00%	0.00%
Operational	1.04	0.00%	0.00%	100.00%	0.00%	0.00%
Fire	1.08	0.00%	0.00%	0.00%	0.00%	100.00%
Emergency	6.84	0.00%	0.00%	41.69%	58.31%	0.00%
<b>TOTAL (MG)</b>	<b>9.62</b>	<b>-</b>	<b>-</b>	<b>3.89</b>	<b>4.65</b>	<b>1.08</b>
<b>Allocation Percentages</b>		0.00%	0.00%	40.44%	48.33%	11.23%

- **Plant in Service.** Based on an allocation of the original cost of the City’s existing water system assets. Less than 2 percent of the City’s water assets are assigned to the meters and services function, 36.15 percent are assigned to the base function, 48.86 percent are assigned to the peak function, and 13.49 percent are assigned to the fire protection function. An example of a line-item expense that is assigned this cost allocation is the City’s existing debt service. The cost

allocation methodology and calculations are summarized in **Exhibit 3.7** below.

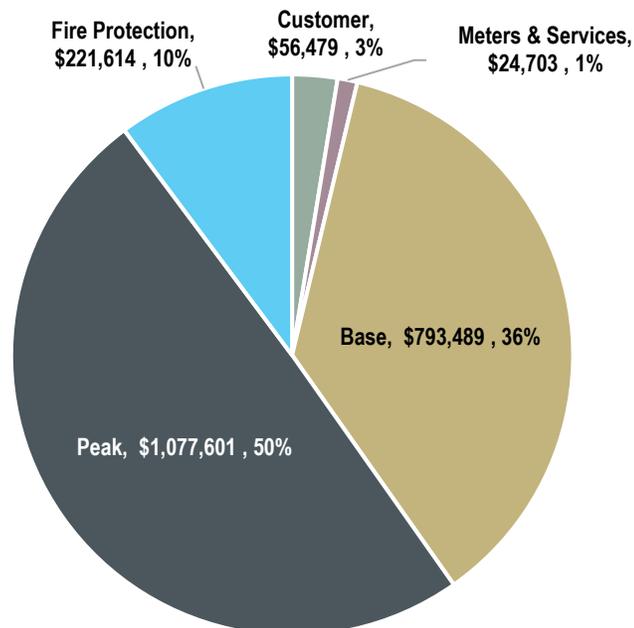
**Exhibit 3.7 – Water Plant in Service Analysis**

Plant in Service	Total Costs	FUNCTIONS OF WATER SERVICE				
		CUSTOMER	METERS & SERVICES	BASE	PEAK	FIRE PROTECTION
Supply/Treatment	\$ 6,738,884	0.00%	0.00%	41.69%	58.31%	0.00%
Pumping	81,726	0.00%	0.00%	41.69%	58.31%	0.00%
Storage	3,670,761	0.00%	0.00%	40.44%	48.33%	11.23%
Transmission & Distribution	6,995,292	0.00%	0.00%	29.87%	41.78%	28.35%
Meters & Services	267,069	0.00%	100.00%	0.00%	0.00%	0.00%
Hydrants (within T&D)	-	0.00%	0.00%	0.00%	0.00%	100.00%
General Plant	996,891	0.00%	0.00%	0.00%	0.00%	0.00%
<b>TOTAL</b>	<b>\$ 18,750,623</b>	<b>\$ -</b>	<b>\$ 282,065</b>	<b>\$ 6,778,362</b>	<b>\$ 9,160,741</b>	<b>\$ 2,529,455</b>
<b>Allocation Percentages</b>		0.00%	1.50%	36.15%	48.86%	13.49%

### Cost Classification of Revenue Requirements

**Exhibit 3.8** below summarizes the cost classification of the City’s water utility costs after classifying each line item of the revenue requirement to one of the functions described above. As shown, peak costs are the largest share of the utility’s costs at 50 percent, followed by base costs at 36 percent, and other cost categories.

**Exhibit 3.8 – Water Utility Cost of Service Summary**



### Customer Class Distinctions

A class of service is a grouping of utility customers with similar usage characteristics who are served at similar costs. Classes of service can be defined based on several factors such as water usage patterns, service requirements, geography, or other factors. A cost-of-service analysis determines the proportional recovery of costs from each class of service based on these unique demands. The classes

of service evaluated as part of the water rate study are based on the City’s existing rate schedule and include:

- **Single-family Class.** Single-family homes.
- **Multi-family Class.** Apartment and other multi-dwelling housing.
- **City.** Water accounts that represent City usage – such as those of parks irrigation meters and the City’s wastewater treatment plant.
- **Non-residential.** Any commercial customer, or a non-residential customer that doesn’t fall into the other categories.
- **Irrigation.** Water accounts used exclusively for irrigation.
- **Fire Line.** Water accounts used exclusively for emergency fire delivery.

#### Customer Classes Use Water Differently

To highlight the class distinctions, FCS GROUP analyzed the water usage characteristics of each class. The irrigation class peaks the most but has relatively low average annual use. The single-family class also exhibits high peak demands due to high levels of lawn watering during the summer months. The commercial class also peaks (at a lower level) in the summer for the same reason. The City class has the smallest peaking factor, presumably because the City class includes accounts that have consistent year-round water usage such as the wastewater treatment plant. The multi-family class is the second highest water user on an annual basis but has one of the lowest peaking requirements of all classes.

**Exhibit 3.9** shows the peaking factor for each customer class based on water usage in FY 2022, based on the annual and peak month use in thousands of gallons (kgal). Also, note that these are monthly peaking factors and thus are different from the per-day peaking factors used to allocate the supply and treatment function in the previous section.

**Exhibit 3.9 – Water Utility Peaking Factors by Customer Class (FY 2022)**

	Annual Average Use (kgal/month)	Peak Month Use (kgal/month)	Peak ÷ Average (Peaking Factor)
Single-Family	17,910	54,059	3.02
Multi-Family	7,244	14,525	2.01
City	6,332	10,920	1.72
Non-Residential	4,117	8,310	2.02
Irrigation	906	4,021	4.44
Fire Line	42	42	1.00
<b>Total</b>	<b>36,552</b>	<b>91,835</b>	<b>2.51</b>

## Cost Allocation

The next step of the cost-of-service is to assign functional costs to the customer classes. The water functions are allocated to the customer classes as follows:

- **Customer.** Based on the number of meters (accounts).
- **Meters & Services.** Based on the number of meter service equivalents (MSEs) based on American Water Works Association (AWWA) factors.
- **Base Capacity.** Based on the annual total usage (kgal).
- **Peak Capacity.** Based on the peak month usage (kgal).
- **Fire Protection.** Based on fire flow requirements (accounts weighted by estimated fire flow gallons per minute and duration).

**Exhibit 3.10** shows how each class is distributed to each water function. As shown, the single-family class represents 73 percent of accounts but only represents 49 percent of annual water use and 59 percent of peak use.

**Exhibit 3.10 – Water Utility Customer Statistics by Class**

	Accounts	MSEs	Annual Use	Peak Use	Fire Flow Requirement
<b>Single-Family</b>	73.11%	67.00%	49.00%	58.84%	41.54%
<b>Multi-Family</b>	15.03%	16.16%	19.82%	15.81%	8.54%
<b>City</b>	0.77%	2.41%	17.32%	11.89%	3.94%
<b>Non-Residential</b>	8.99%	12.55%	11.26%	9.04%	45.98%
<b>Irrigation</b>	1.15%	1.88%	2.48%	4.38%	0.00%
<b>Fire Line</b>	0.94%	0.00%	0.12%	0.05%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## Water Utility Cost of Service Results

The final step of the cost-of-service analysis is to compare the allocation of the test year revenue requirement with the rate revenue generated by each customer class at existing rates. This evaluation identifies general differences between the allocated cost to provide utility services to customer classes and the rate revenue collected. It also identifies proportional differences in the cost that the City incurs to provide services to different customer classes. The cost-of-service analysis provides an initial and reasonable basis for potential rate adjustments to align rates with the cost of providing service. This cost-rate relationship is a primary tool used by public utilities when developing changes to rates.

**Exhibit 3.11** below provides a comparison of the current rate revenue distribution between customer classes and the distribution of revenues resulting from the cost-of-service analysis within the water utility. The rate increases in the far-right column indicate the theoretical rate adjustment needed to align each customer class's existing rate revenue toward the cost of service.

**Exhibit 3.11 – Water Utility Cost of Service Results**

Cost of Service Summary	Existing 2024	COSA 2024	Difference (\$)	COSA
	Revenue	Revenue		Adjustment to Difference
Single-Family	\$ 1,140,245	\$ 1,172,754	\$ 32,509	2.85%
Multi-Family	373,743	359,021	(14,723)	-3.94%
City	141,643	275,304	133,661	94.36%
Non-Residential	355,157	296,908	(58,249)	-16.40%
Irrigation	35,282	67,958	32,675	92.61%
Fire Line	-	1,941	1,941	0.00%
<b>Total</b>	<b>\$ 2,046,071</b>	<b>\$ 2,173,885</b>	<b>\$ 127,815</b>	<b>6.25%</b>

A cost-of-service analysis is a reasonable allocation of the test year revenue requirement to classes of service based on available financial and operational data, expectations of future demand for service, and the allocation methodologies described in the previous sections. Given the need for assumptions and these other factors, FCS GROUP recommends a reasonable range for class-specific results to be plus or minus 10.0 percent, including the system average overall increase.

As shown, the revenue collection from the City class is most out of line with its cost of service. The City only began to charge its own meters in FY 2024, but even with that change, it will take several years to bring the revenue from those other governmental sources in line with the cost to serve them. The irrigation class is also largely under-collecting when compared to its cost of service. This is mostly due to the high strain of peak demands placed on the system by irrigation meters.

### Interpreting Cost of Service Results

A cost-of-service analysis is a snapshot in time and because costs fluctuate each year, the needed increase by class can also fluctuate and interclass rate changes are not suggested unless the class’s revenue difference is consistently outside of the plus or minus 10.0 percent range of reasonableness. For classes outside the threshold, public utilities can leverage several financial strategies to align rate revenues with cost-of-service results. These policy decisions may focus on the timing and level of rate adjustments for a particular class of service. For example, an agency may decide to gradually increase rates for a class of service over several years in order to make progress towards cost of service while also keeping the rate increases relatively affordable. If an agency anticipates major changes to programs and services in the future, it may consider a slower or delayed strategy to rate adjustments until new cost data is available.

FCS GROUP recommends the following guidelines when considering policy options to adjust existing rates based on cost-of-service results:

- **Prioritize Class-Specific Rate Adjustments.** Prioritize adjustments to those classes that are farthest outside the threshold. Consider monitoring future cost of service results for classes that are relatively close but outside of the threshold.
- **Develop Multi-Year Phase-In Plan.** Developing a multi-year rate strategy can transition classes towards cost of service while also addressing potential affordability concerns.
- **Consider Future Utility Costs.** Future cost of service results can shift in response to major changes in programs, facility operations, and availability of information. Gradually implementing rate adjustments can provide flexibility in responding to current and future costs.

- **Hold Rates at Existing Levels.** For those customer classes whose rates are higher than the cost of service, consider holding rates at existing levels until rates are generally aligned with cost. This strategy can avoid the need to lower rates one year only to increase rates in future years.
- **Monitor Long-Term Trends.** Further evaluation may be appropriate for classes that are outside the range of reasonableness to confirm if results are indicative of an on-going trend or are an anomaly. This can be a particularly effective strategy if a cost-of-service analysis has not been conducted recently or is being completed for the first time.
- **Monitor Changes in Demand from Rate Adjustments.** Significant decreases or increases to rates can impact the demand for utility services – particularly for usage-based rates and subscription services. An agency should actively monitor the demand impact of major changes to rates and develop a contingency plan as needed.
- **Seek Legal Counsel.** Class-specific rate adjustments may be subject to existing contract agreements between the City and specific customer groups. FCS GROUP recommends that the City seek legal counsel to determine any legal restrictions or requirements that would affect rate adjustments based on the cost-of-service analysis.

### Cost-of-Service Phase-In Strategy

Based on feedback from City staff, a multi-year strategy was developed to transition the classes of service toward cost-of-service over the six-year rate-setting period. A rate increase schedule by class is shown in **Exhibit 3.12** below to provide an alternative to a one-time increase and lessen the impact of the cost-of-service analysis. This rate increase schedule brings the revenue from each class within 10 percent of their costs to serve by FY 2029.

**Exhibit 3.12 – Water Utility Cost of Service Phase-in Schedule**

	2024	2025	2026	2027	2028	2029
<b>Single-Family</b>	6.25%	2.41%	2.11%	1.78%	1.40%	0.97%
<b>Multi-Family</b>	6.25%	1.50%	1.50%	1.50%	1.50%	1.50%
<b>City</b>	6.25%	16.00%	16.00%	16.00%	16.00%	16.00%
<b>Non-Residential</b>	6.25%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Irrigation</b>	6.25%	16.00%	16.00%	16.00%	16.00%	16.00%
<b>Fire Line</b>	6.25%	0.00%	0.00%	0.00%	0.00%	0.00%

### Water Rates

**Exhibit 3.13** details the recommended rates for the FY 2024 to FY 2029 rate-setting period. To maintain the simplicity of the City’s fixed rate schedule, the fixed rates were increased for all classes by the overall rate increases calculated in the previous section. The volume charges were differentiated by class to bring each class’s revenue collection closer to its cost-of-service. The combined effect of the fixed and volume charge changes roughly tracks the phase-in schedule discussed above.



## Section IV. SEWER UTILITY

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The City owns and operates the sewer utility, which provides sewer service to customers within City limits and to the City of Sublimity. The utility's customers include approximately 3,200 residential customers, 170 non-residential accounts, and the City of Sublimity as a single customer. Annual sewer flows in 2022 totaled over 575 million gallons. The City maintains approximately 35 miles of transmission mains in the City boundaries, of which about 3.5 miles are in the Mill Creek Sewer Line that conveys Sublimity's flows from the connection point at the north of the City south to the treatment plant. The following sections detail the revenue requirement and cost-of-service analyses for the sewer utility.

### REVENUE REQUIREMENT

As previously mentioned, the main purpose of the revenue requirement analysis is to develop a funding plan ("revenue requirement") for the FY 2024 through FY 2029 study period. This section details the results of the sewer utility revenue requirement analysis.

#### Economic & Inflation Factors

The operating and maintenance expenditure forecast largely relies on the City's FY 2023 budget. The line items in the budget are then adjusted each future year by using one of the applicable factors discussed in **Section III**.

#### Fund Balances

FY 2024 starting fund balances were based on the City's FY 2023 actual beginning fund balances adjusted based on budgeted revenue and expenditures in FY 2023. The total FY 2024 beginning fund balance for the sewer utility was estimated to be \$5.00 million.

An important fiscal policy consideration is the minimum target level of the operating reserve. A general target for sewer utilities is to keep anywhere from 60 to 90 days of operating expenses in reserve to accommodate short-term fluctuations in cash flow. As discussed in Section II, the minimum operating reserve target is set to 60 days of operating expenses.

In addition to the operating reserve, a capital reserve minimum balance was set to \$1 million based on discussions with City staff.

#### Utility Revenues

Without rate increases, the City is expecting to collect revenues in FY 2024 as listed below for the sewer utility.

- **Rate Revenues.** A total of \$3.7 million. About \$2.7 million will be collected from the residential class, \$375,000 will be collected from the non-residential class, and \$575,000 will be collected from Sublimity.
  - » **Sublimity Billing.** Sublimity is billed with three rates: a flow charge per thousand gallons, a strength surcharge if flow strengths exceed a certain threshold, and a debt service charge that is assessed based on the City's contract with Sublimity. Under existing rates, \$379,000 will

be collected from the flow charge and \$196,000 will be collected from the debt service charge.

- **Non-rate Revenues.** Non-rate revenues only include the interest collected on the utility’s fund balances as well as the payments from Sublimity for their share of the debt service. Those payments are expected to total \$196,000 in FY 2024.

## Operating Expenses

In FY 2024, sewer utility operating expenses are forecasted at \$2.8 million in cash operating expenses, which are expected to increase at an annualized average rate of 2.4 percent up to \$3.2 million by FY 2029.

## Existing Debt

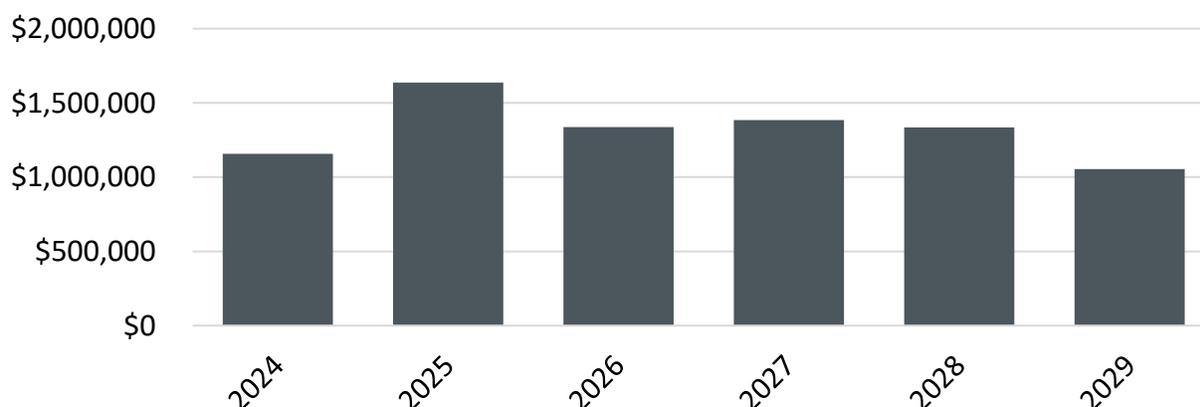
The City is expecting to pay \$816,000 in debt service payments, which take the form of two notes:

- **Full Faith and Credit Obligation (2013).** The total debt service related to this obligation is \$471,000, of which \$65,000 (18.79 percent) is assessed to Sublimity. The debt service for this loan ends in FY 2029, which will also decrease revenue collection from Sublimity.
- **USDA Loan.** The total debt service related to this obligation is \$345,000 in FY 2024, of which \$131,000 (27.88 percent) is assessed to Sublimity. The debt service for this loan ends in FY 2042, which will also decrease revenue collection from Sublimity.

## Capital Expenditures and Funding Strategy

A summary graph of the City’s sewer capital program is shown in **Exhibit 4.1** below. The total cost of the capital program, with escalation, will be \$7.9 million between 2024 and 2029. The capital program will cost an average of \$1.3 million per year.

**Exhibit 4.1 – Sewer Utility Capital Program Summary**



The 2024-2029 capital funding plan is summarized in **Exhibit 4.2** below. The City is targeting \$4.1 million in system reinvestment funding during this period based on the system reinvestment target discussed in a previous section. When combined with other cash sources (such as SDCs, existing cash reserves, further rate revenue transfers, and interest on its fund balance), the City is planning to dedicate \$7.9 million in cash funding to the capital plan, which full funds the capital plan without the use of new debt.

**Exhibit 4.2 – Sewer Utility Capital Funding Summary**

<b>Capital Funding Summary</b>	<b>Total</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Capital Project Costs	\$ 7,904,631	\$ 1,157,459	\$ 1,637,651	\$ 1,336,726	\$ 1,384,478	\$ 1,334,504	\$ 1,053,813
Funding Sources							
Cash	\$ 7,904,631	\$ 1,890,550	\$ 1,809,295	\$ 764,409	\$ 834,871	\$ 1,191,346	\$ 1,414,162
Loan Proceeds	-	-	-	-	-	-	-
<b>Total Capital Funding</b>	<b>\$ 7,904,631</b>	<b>\$ 1,890,550</b>	<b>\$ 1,809,295</b>	<b>\$ 764,409</b>	<b>\$ 834,871</b>	<b>\$ 1,191,346</b>	<b>\$ 1,414,162</b>

## Sewer Revenue Requirement Summary

**Exhibit 4.3** graphically represents the sewer utility revenue requirement forecast. The stacked columns represent the costs and obligations of the utility such as operating expenses and rate-funded capital, while the lines represent utility revenues before and after future adjustments.

- **Solid black line:** Revenue at existing rates.
  - » Sewer utility revenue is expected to be roughly \$3.8 million in FY 2024 and is expected to grow at about 0.60 percent per year with customer growth – however, retirement of the 2013 Full Faith and Credit Obligation will end the assessment to Sublimity for that loan and decrease revenue slightly in FY 2028 and FY 2029.
- **Dashed black line:** Revenues with rate increases.
  - » Rate revenue must increase by 6.25 percent per year (above customer growth) for one year. After that, rate increases can drop to 5.50 percent per year until FY 2029 when they can drop again to 3.00 percent.
- **Dark blue bar:** Operating expenses.
  - » Operating expenses are based on the adopted FY 2023 budget and increase with the annual cost escalation assumptions previously discussed.
- **Green bar:** Existing debt service.
  - » Annual debt service on the City’s current wastewater loans starts at \$816,000 in FY 2024 and decreases to \$345,000 by FY 2029.
- **Gold bar:** System reinvestment funding.
  - » Rate funded capital starts at \$612,000 in FY 2024 and increases to \$749,000 by FY 2029.
- **Turquoise bar:** Other rate-funded capital (additional funding above system reinvestment target).
  - » Other Rate funded capital is non-existent in the early years but reaches \$686,000 in FY 2029.

**Exhibit 4.3 – Sewer Utility Revenue Requirement**

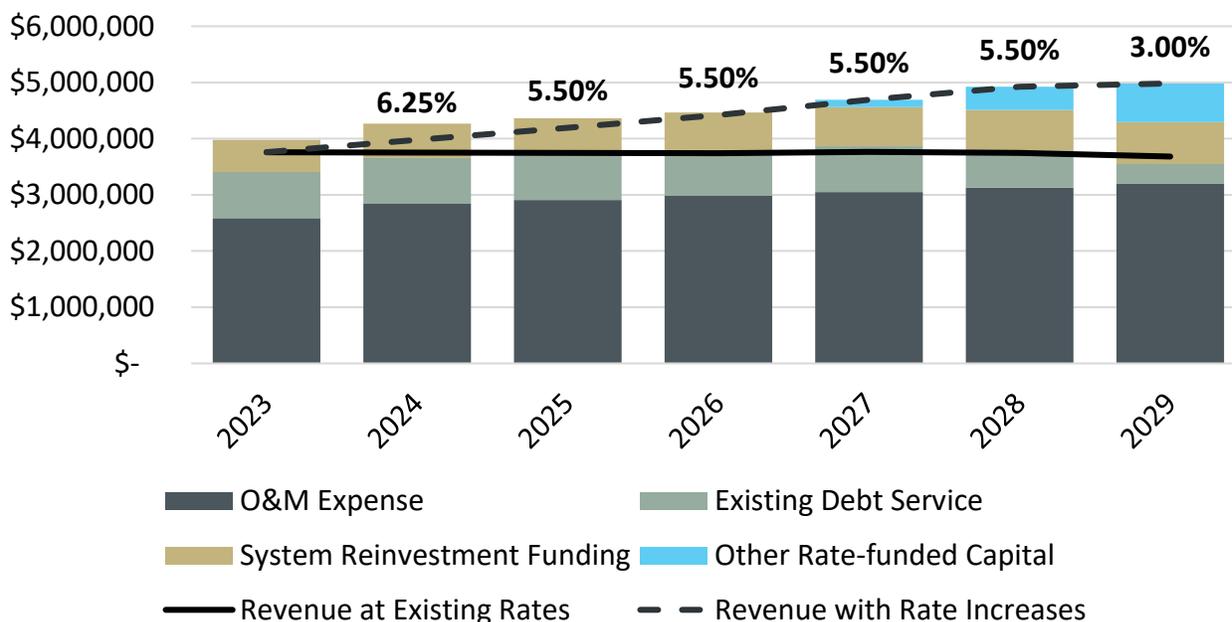


Exhibit 4.4 below provides the detailed summary tables of the revenue requirement analysis.

**Exhibit 4.4 – Sewer Utility Revenue Requirement Detailed Tables**

Revenue Requirement	2023	2024	2025	2026	2027	2028	2029
<b>Revenues</b>							
Rate Revenues Under Existing Rates	\$ 3,653,229	\$ 3,674,957	\$ 3,698,140	\$ 3,719,948	\$ 3,741,819	\$ 3,723,327	\$ 3,657,323
Non-Rate Revenues	106,543	75,770	47,490	23,700	22,913	24,371	24,718
Total Revenues	<b>\$ 3,759,771</b>	<b>\$ 3,750,727</b>	<b>\$ 3,745,630</b>	<b>\$ 3,743,649</b>	<b>\$ 3,764,732</b>	<b>\$ 3,747,698</b>	<b>\$ 3,682,041</b>
<b>Expenses</b>							
Cash Operating Expenses	\$ 2,586,000	\$ 2,840,445	\$ 2,909,430	\$ 2,980,093	\$ 3,052,475	\$ 3,126,618	\$ 3,202,564
Existing Debt Service	818,197	816,197	818,897	816,147	813,097	664,747	345,447
New Debt Service	-	-	-	-	-	-	-
System Reinvestment Funding	575,204	612,179	635,328	668,081	694,816	722,505	749,195
Additions Required to Meet Reserves	-	-	-	-	-	-	-
Total Expenses	<b>\$ 3,979,401</b>	<b>\$ 4,268,821</b>	<b>\$ 4,363,655</b>	<b>\$ 4,464,321</b>	<b>\$ 4,560,388</b>	<b>\$ 4,513,870</b>	<b>\$ 4,297,206</b>
<b>Net Surplus (Deficiency)</b>							
Additions to Meet Coverage	\$ (219,630)	\$ (518,095)	\$ (618,026)	\$ (720,673)	\$ (795,656)	\$ (766,172)	\$ (615,166)
Total Surplus (Deficiency)	<b>\$ (219,630)</b>	<b>\$ (518,095)</b>	<b>\$ (618,026)</b>	<b>\$ (720,673)</b>	<b>\$ (795,656)</b>	<b>\$ (766,172)</b>	<b>\$ (615,166)</b>
<b>Annual Rate Increase</b>							
		6.25%	5.50%	5.50%	5.50%	5.50%	3.00%
<b>Cumulative Rate Increase</b>							
		6.25%	12.09%	18.26%	24.76%	31.63%	35.57%
<b>Revenues After Rate Increases</b>							
Revenues After Rate Increases	\$ 3,653,229	\$ 3,904,642	\$ 4,145,384	\$ 4,399,170	\$ 4,668,411	\$ 4,900,834	\$ 4,958,374
Additional Taxes from Rate Increase	-	-	-	-	-	-	-
Net Cash Flow After Rate Increase	<b>\$ (219,630)</b>	<b>\$ (288,410)</b>	<b>\$ (170,782)</b>	<b>\$ (41,451)</b>	<b>\$ 130,936</b>	<b>\$ 411,335</b>	<b>\$ 685,886</b>
<b>Coverage After Rate Increase: Bonded Debt</b>							
Coverage After Rate Increase: Bonded Debt	3.59	3.53	3.98	4.46	4.99	5.43	5.37
Coverage After Rate Increase: Total Debt	1.51	1.49	1.68	1.89	2.12	2.82	5.37
<b>Sample Residential Bill (One Residential Unit)</b>							
Sample Residential Bill (One Residential Unit)	\$66.85	\$71.03	\$74.93	\$79.06	\$83.40	\$87.99	\$90.63
Annual Increase (\$)		\$4.18	\$3.91	\$4.12	\$4.35	\$4.59	\$2.64
<b>Fund Balance</b>							
<b>Operating Reserve</b>							
Beginning Balance	\$ 5,077,500	\$ 3,457,870	\$ 1,969,461	\$ 717,394	\$ 675,943	\$ 752,665	\$ 770,947
plus: Net Cash Flow after Rate Increase	(219,630)	(288,410)	(170,782)	(41,451)	130,936	411,335	685,886
less: Transfer of Surplus to Capital Fund	(1,400,000)	(1,200,000)	(1,081,285)	-	(54,214)	(393,053)	(667,159)
Ending Balance	<b>\$ 3,457,870</b>	<b>\$ 1,969,461</b>	<b>\$ 717,394</b>	<b>\$ 675,943</b>	<b>\$ 752,665</b>	<b>\$ 770,947</b>	<b>\$ 789,673</b>
Actual Days of O&M	488 days	253 days	90 days	83 days	90 days	90 days	90 days
<b>Minimum Balance Requirement</b>							
Minimum Balance Requirement	\$ 425,096	\$ 466,922	\$ 478,263	\$ 489,878	\$ 501,777	\$ 513,965	\$ 526,449
<b>Maximum Balance Requirement</b>							
Maximum Balance Requirement	\$ 637,644	\$ 700,384	\$ 717,394	\$ 734,818	\$ 752,665	\$ 770,947	\$ 789,673
<b>Capital Reserve</b>							
Beginning Balance	\$ 324,000	\$ 1,015,310	\$ 1,748,401	\$ 1,920,044	\$ 1,347,727	\$ 798,119	\$ 654,961
plus: System Reinvestment Funding	575,204	612,179	635,328	668,081	694,816	722,505	749,195
plus: Transfers from Operating Fund	1,400,000	1,200,000	1,081,285	-	54,214	393,053	667,159
plus: Capital Grants / Other Resources	500,000	-	-	-	-	-	-
plus: SDC Revenue	58,700	59,080	59,462	59,847	60,234	60,623	61,015
plus: Interest Earnings	6,156	19,291	33,220	36,481	25,607	15,164	12,444
Total Funding Sources	<b>\$ 2,864,060</b>	<b>\$ 2,905,860</b>	<b>\$ 3,557,696</b>	<b>\$ 2,684,453</b>	<b>\$ 2,182,597</b>	<b>\$ 1,989,465</b>	<b>\$ 2,144,776</b>
less: Capital Expenditures	(1,848,750)	(1,157,459)	(1,637,651)	(1,336,726)	(1,384,478)	(1,334,504)	(1,053,813)
Ending Capital Fund Balance	<b>\$ 1,015,310</b>	<b>\$ 1,748,401</b>	<b>\$ 1,920,044</b>	<b>\$ 1,347,727</b>	<b>\$ 798,119</b>	<b>\$ 654,961</b>	<b>\$ 1,090,962</b>
<b>Minimum Target Balance</b>							
Minimum Target Balance	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
<b>Combined Beginning Balance</b>							
Combined Beginning Balance	<b>\$ 5,401,500</b>	<b>\$ 4,473,180</b>	<b>\$ 3,717,862</b>	<b>\$ 2,637,438</b>	<b>\$ 2,023,670</b>	<b>\$ 1,550,784</b>	<b>\$ 1,425,908</b>
<b>Combined Ending Balance</b>							
Combined Ending Balance	<b>\$ 4,473,180</b>	<b>\$ 3,717,862</b>	<b>\$ 2,637,438</b>	<b>\$ 2,023,670</b>	<b>\$ 1,550,784</b>	<b>\$ 1,425,908</b>	<b>\$ 1,880,636</b>
<b>Ending Total Days of Operating Expenditures</b>							
Ending Total Days of Operating Expenditures	631 days	478 days	331 days	248 days	185 days	166 days	214 days
<b>Combined Minimum Target Balance</b>							
Combined Minimum Target Balance	1,425,096	1,466,922	1,478,263	1,489,878	1,501,777	1,513,965	1,526,449

## COST-OF-SERVICE ANALYSIS

The wastewater cost-of-service analysis follows a similar methodology to the water utility in that there are the same three main steps in the process (noted below). The wastewater cost-of-service analysis differs from the water utility in matter of utility functions, customer classes, cost allocations, and methodologies for the functional allocation distributions.

- **Functional Cost Allocation.** Establishes a rational relationship between functions (activities) and costs. Each line item is allocated to each function based on how those expenses serve the system. For example, sludge disposal costs are attributed all to the treatment function, while the salaries and benefits for an FTE likely support multiple functions. The functions are:
  - » **Shared Flow.** Costs associated with transmitting flow through mains shared by the City and Sublimity).
  - » **Stayton-only Flow.** Costs associated with transmitting flow through mains used only by City customers.
  - » **Existing Debt Service.** Costs associated with existing debt service shared by the City and Sublimity, and which are split by the City's existing contract with Sublimity.
  - » **Biochemical Oxygen Demand (BOD).** Costs associated with the treatment of BOD.
  - » **Total Suspend Solids (TSS).** Costs associated with the treatment of TSS.
  - » **Customer.** Fixed costs that do not vary with meter size or usage (e.g., utility billing).
- **Customer Class Distinctions.** Identifies the customer classes that will be evaluated as part of the study. It is appropriate to group customers that exhibit similar usage characteristics and service requirements. The rate study evaluated three customer classes: residential, non-residential, and Sublimity.
- **Cost Allocation.** Allocates the costs from the functional cost allocation to different customer classes based on their unique demands for each service as defined through the cost classification process. For example, the cost of serving the utility's customers is based on the number of customer accounts, while the cost of providing services to support the treatment and handling of biochemical oxygen demand (BOD) in the system is based on wastewater flow data weighted by that class's average BOD strength. Accounts, wastewater flow (thousands of gallons), BOD, and total suspended solids (TSS) (mg/L) statistics are developed to allocate the cost-of-service to customer classes. The results identify shifts in cost recovery by customer class from that experienced under the existing rate structure.

### Functional Cost Allocation

The first step in the cost-of-service analysis is to define the functions or activities that are supported by the sewer utility. For this analysis, the functions of service include customer, flow, BOD, and TSS costs. In addition, to better isolate and understand the costs of providing service to Sublimity, flow costs were split between shared flow costs (e.g., related to assets which serve both the City and Sublimity), and Stayton flow costs (e.g., related to assets which serve only City customers). Debt service costs were also divided between Stayton and Sublimity based on the existing contract between the two cities.

It is important to carefully distinguish the share of the flow costs allocable to Sublimity, as Sublimity is a distinct customer with rates determined by a contract, and which only connects to Stayton's

collection system at a single point. When assigning the line-item expenses to the functions of service, certain items were assigned as “shared flow.” Those items are assumed to benefit both Stayton and Sublimity proportional to their estimated flows measured at the treatment plant, including any inflow and infiltration (I&I). Other line-items were assigned as “Stayton flow” and were assumed to be expenses related only to Stayton collection infrastructure. Finally, some collection related items required a more detailed allocation which was completed based on original cost records for the sewer collection main infrastructure.

#### Functional Cost Allocation Factors

- **Treatment Plant-in-Service.** Allocated as 50.00 percent shared flow, 25.00 percent BOD, and 25.00 TSS based on discussions with City staff and similar sewer utility rate studies completed by FCS GROUP.
- **Sewer Main Infrastructure.** The second largest asset record by original cost within the City’s plant-in-service is a consolidated record of existing sewer pipes. City staff estimated the historical cost of sewer mains within this record by main size and by the share of total linear feet of sewer main located along the Mill Creek sewer line (collects flows from both Stayton and Sublimity) and all other lines (collects flows from Stayton only). Allocated as 21.27 percent shared flow and 78.73 percent Stayton flow.
- **Mill Creek Sewer.** Original cost for 2016 capital investments to the Mill Creek sewer line and related facilities. Allocated as 100.00 percent shared flow.
- **All Other Collection Assets.** All other collection assets are allocated 100.00 percent as Stayton flow.
- **Mill Creek Lift Station.** Original cost for 2016 capital upgrades to Mill Creek lift station. Allocated as 100.00 percent shared flow.
- **All Other Pumping Assets.** All other pumping assets are allocated 100.00 percent as Stayton flow.
- **Transfer to the General Fund.** The transfer to the general fund includes many indirect costs related to the operation of the utility. The City provided a breakdown of that transfer showing that 9.97 percent of the transfer was related to customer billing costs. The remainder of the transfer was assigned “as all other,” meaning that the remainder of the costs were assumed to benefit the utility based on the distribution of all other costs to the functions of service. The transfer to the general fund is the largest single line-item in the budget.
- **Salaries.** The City was able to provide a list of salaries by position which provides guidance to allocate each position to a function of service. This calculation results in a 49.49 percent allocation to shared flow, 5.29 percent allocation to Stayton flow, and a 22.61 percent allocation each to both BOD and TSS.

Based on these functional cost allocation factors and as shown in **Exhibit 4.5**, the collection system is 44.69 percent allocable to shared flow, and 55.31 percent allocable to Stayton flow. Further, as shown in the same exhibit, the entire plant in service is 47.47 percent related to handling shared flow, 26.37 percent related to handling just Stayton’s flows, 13.08 percent related to treating BOD, and 13.08 percent related to treating TSS.

**Exhibit 4.5 – Sewer Plant in Service Analysis**

Plant in Service	Total Costs	FUNCTIONS OF WASTEWATER SERVICE					
		CUSTOMER	SHARED FLOW	STAYTON FLOW	BOD	TSS	AS ALL OTHERS
Treatment	\$ 14,887,362	0.00%	50.00%	0.00%	25.00%	25.00%	0.00%
Collection							
Sewer Main Infrastructure	7,461,948	0.00%	21.27%	78.73%	0.00%	0.00%	0.00%
Infrastructure-Mill Creek Sewer	4,397,719	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
All Other Collection	997,282	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%
Pumping							
Mill Creek Lift Station- # 3 (2016 Upgrades)	78,452	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
All Other Pumping	632,261	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%
General Plant	2,934,868	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
<b>TOTAL (COLLECTION AND PUMPING ONLY)</b>	<b>\$ 13,567,662</b>	<b>\$ -</b>	<b>\$ 6,063,490</b>	<b>\$ 7,504,171</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Allocation Percentages	<b>100.00%</b>	<b>0.00%</b>	<b>44.69%</b>	<b>55.31%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>TOTAL PLANT IN SERVICE</b>	<b>\$ 31,389,892</b>	<b>\$ -</b>	<b>\$ 14,900,309</b>	<b>\$ 8,278,156</b>	<b>\$ 4,105,713</b>	<b>\$ 4,105,713</b>	<b>\$ -</b>
Allocation Percentages	<b>100.00%</b>	<b>0.00%</b>	<b>47.47%</b>	<b>26.37%</b>	<b>13.08%</b>	<b>13.08%</b>	<b>0.00%</b>

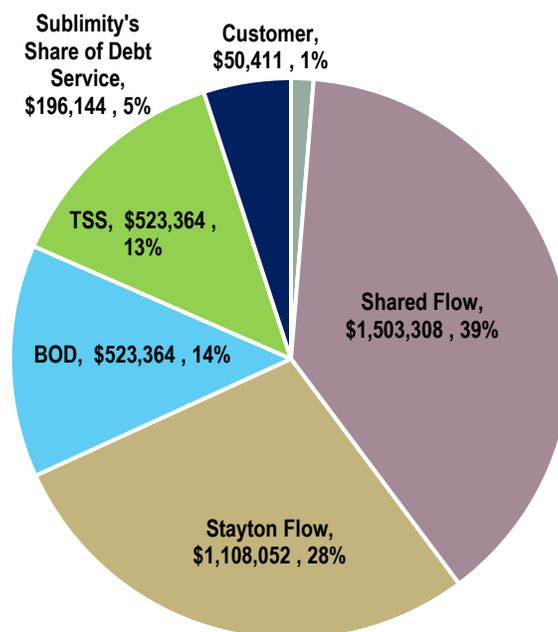
**Cost Classification of Revenue Requirements**

Following the selection of the functions of service, test year (FY 2024) revenue requirements for each accounting line-item were assigned to the functions of service. This process included assigning each budget line-item in the test year to the sewer functions. In some cases, the expenses within an accounting line item solely support one function of service. For example, Mill Creek sewer maintenance expenses are attributed all to the Shared Flow function.

- **Salaries and Benefits.** Allocated using the allocation factors described above. That is, all salaries and benefits were assigned 49.49 percent to shared flow, 5.29 percent to Stayton flow, and a 22.61 percent each to both BOD and TSS.
- **Electricity, Natural gas, and Sludge Disposal.** Allocated as treatment.
- **Plant and System Operating Expenses, and System Reinvestment Funding.** Assigned as the plant-in-service allocation discussed above. Insurance, permitting, bond registrar fees, and the transfer to facilities maintenance were also assigned using the plant-in-service allocation.
- **Vehicle and Water Usage Costs.** Assigned as the weighted collection flow – that is, 44.69 percent allocated to shared flow, and 55.31 percent allocated to Stayton flow.
- **Mill Creek Sewer Maintenance.** Assigned 100 percent to shared flow.
- **Contract Services and Office Supplies.** Assigned “as all others,” that is, assigned based on the allocations of all other operating expenses..
- **Bill Supplies.** Assigned 100 percent to customer.
- **Transfer to General Fund.** As discussed above, allocated 9.97 percent to customers and 90.03 as all other.
- **Existing Debt Service.** Assigned based on the contract and as discussed earlier; that is, 24.03 percent to Sublimity, 75.97 percent to Stayton flow.

**Exhibit 4.6** below summarizes the City’s costs of service by function for FY 2024. As shown, flow costs (Shared and Stayton only) are the largest category of costs at 67 percent, followed by BOD and TSS as 14 and 13 percent respectively.

**Exhibit 4.6 – Sewer Utility Cost Classification**



## Customer Class Distinctions

A class of service is a grouping of utility customers with similar usage characteristics who are served at similar costs. Classes of service can be defined based on several factors such as flow, strength, service requirements, geography, or other factors. A cost-of-service analysis determines the proportional recovery of costs from each class of service based on these unique demands. The classes of services evaluated as part of the sewer rate study are based on the City's existing rates and include:

- **Residential Class.** Single-family and multi-family homes in the City of Stayton.
- **Non-residential Class.** Any non-residential customer in the City of Stayton.
- **Sublimity.** Composed of a single customer – the City of Sublimity, whose flows are collected at a single point on the north side of the City of Stayton.

## Cost Allocation

The next step of the cost-of-service is to assign functional costs to the customer classes. The sewer functions are allocated to the customer classes as follows:

- **Customer.** Based on the number of accounts.
- **Shared Flow.** Based on the estimated annual wastewater flow measured in thousands of gallons (kgal) at the plant from all classes, including inflow and infiltration (I&I).
  - » Estimated total billed use for all customer classes is 336,552 kgals
    - Estimated billed use for Stayton residential class is 200,162 kgals.
    - Estimated billed use for Stayton non-residential class is 24,940 kgals.

- Estimated billed use for Sublimity is 111,450 kgals.
  - » Estimated total flow at wastewater treatment plant, including I&I is 582,948 kgals
    - Billed use (336,552 kgals) comprises 57.73 percent of treatment plant flows
    - I&I (246,396 kgals) comprises 42.27 percent of treatment plant flows
  - » It is assumed that the potential for I&I is a function of the total circumference of non-pressurized collection mains within the utility.
    - 9.81 percent of I&I is allocated to the Mill Creek collection line (Shared Flow).
    - 90.19 percent of I&I is allocated to Stayton Flow.
  - » Based on these factors and assumptions, Shared Flow is allocated by customer class as:
    - Sublimity customer class is allocated billed flow (111,450 kgals) plus proportionate share of I&I along the Mill Creek collection line based on billed use (9.81 percent multiplied 33.12 percent multiplied by 246,396 kgals). Total allocated shared flow to Sublimity is 119,453 kgals.
    - Stayton residential and non-residential customer classes allocated billed flow plus all remaining I&I.
      - Stayton residential customer class is allocated billed flow (200,162 kgals) plus proportionate share of I&I based on billed use. Total allocated shared flow is 412,142 kgals.
      - Stayton non-residential customer class is allocated billed flow (24,940 kgals) plus proportionate share of I&I based on billed use. Total allocated shared flow is 51,353 kgals.
  - **Stayton Flow.** Based on the estimated annual wastewater flow measured in kgals at the plant from Stayton's Residential and Non-residential classes, including I&I.
  - **BOD Strength.** Sublimity allocation based on actual samplings. All remaining strength-related costs allocated to Stayton residential and non-residential classes based on total flow at the plant (including I&I) weighted by the BOD strength measured in milligrams per liter.<sup>2</sup>
  - **TSS Strength.** Sublimity allocation based on actual samplings. All remaining strength-related costs allocated to Stayton residential and non-residential classes based based on total flow at the plant
- 

<sup>2</sup> BOD and TSS strength data were sourced from the City's monthly discharge reports, which document average BOD and TSS flow in pounds. FCS GROUP estimated the BOD and TSS strengths for Stayton's Non-residential class based on industry average strengths for residential wastewater customers. Based on this analysis, as reviewed with City staff, it is assumed that the Stayton non-residential BOD was 1.83 times the Stayton residential strength and TSS was 1.83 times that of Stayton-residential strength.

(including I&I) weighted by the TSS strength measured in milligrams per liter.

- **Debt Service.** Debt service costs were allocated to Sublimity based on the existing contract terms. The share of debt service expenses allocated to Stayton classes are embedded in the “Stayton Flow” function of service.

**Exhibit 4.7** shows the allocation factors used to distribute the revenue requirement for each function of service to the sewer utility customer classes.

**Exhibit 4.7 – Sewer Utility Customer Statistics by Class**

	Accounts	Shared Flow (kgal)	Stayton Flow (kgal)	BOD (mg/L)	TSS (mg/L)	Sublimity Debt Service
<b>Residential</b>	94.73%	70.70%	88.92%	64.71%	57.30%	0.00%
<b>Non-Residential</b>	5.24%	8.81%	11.08%	14.78%	20.55%	0.00%
<b>Sublimity</b>	0.03%	20.49%	0.00%	20.51%	22.15%	100.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## Sewer Utility Cost-of-Service Results

The final step of the cost-of-service analysis is to compare the allocation of the test year revenue requirement with the rate revenue generated by each customer class at existing rates. This evaluation identifies general differences between the allocated cost to provide utility services to customer classes and the rate revenue collected. It also identifies proportional differences in the cost that the City incurs to provide services to different customer classes. The cost-of-service analysis provides an initial and reasonable basis for potential rate adjustments to align rates with the cost of providing service. This cost-rate relationship is a primary tool used by public utilities when developing changes to rates.

**Exhibit 4.8** below provides a comparison of the current rate revenue distribution between customer classes and the distribution of revenues resulting from the cost-of-service analysis within the sewer utility. The rate increases in the far-right column indicate the theoretical rate adjustment needed to align each customer class’s existing rate revenue toward the cost of service.

**Exhibit 4.8 – Sewer Utility Cost of Service Results**

Cost of Service Summary	Existing 2024 Revenue	COSA 2024 Revenue	\$ Difference	COSA Adjustment to Difference
Residential	\$ 2,724,747	\$ 2,734,424	\$ 9,677	0.36%
Non-residential	374,865	442,733	67,868	18.10%
Sublimity	575,345	727,485	152,107	40.11%
<b>Total</b>	<b>\$ 3,674,957</b>	<b>\$ 3,904,642</b>	<b>\$ 229,653</b>	<b>6.25%</b>

A cost-of-service analysis is a reasonable allocation of the test year revenue requirement to classes of service based on available financial and operational data, expectations of future demand for service, and the allocation methodologies described in the previous sections. Given the need for assumptions and these other factors, FCS GROUP recommends a reasonable range for class-specific results to be plus or minus 10.0 percent, including the system average overall increase.

As shown, the revenue collection from the Sublimity class is most out of line with its cost of service. This is likely due to the reimbursement structure of the existing contract with Sublimity, which was signed in 2007 and expired in 2010.<sup>3</sup>

- The contract increases the flow rate assessed to Sublimity each year based on the increase to the Stayton residential rate. However, the flow assessment is only 65 percent of the revenue collected from Sublimity, with debt service payments making up the remaining 35 percent. Debt service payments paid by Sublimity do not increase with the annual flow rate adjustment. As a result, the effective overall rate increase from Sublimity has only been 65 percent of the adjustment to Stayton's residential class each year since 2007.
- Also, based on discussions with City staff, recent capital improvements have been rate-funded rather than debt-funded, meaning that the cost of these capital improvements have not been accounted for in Sublimity's debt service payment to the City.
- Finally, FCS GROUP cannot confirm that the original rate structure set up in the contract in 2007 collected the full cost of service to Sublimity, which means that any inequities that could have been present at that time have only been compounded by the practice of applying increases only to the flow rate.

A one-time adjustment of 40.11 percent to the billed flow rates would bring Sublimity in line with its cost of service.

## Cost-of-Service Phase-In Strategy

The City is collaborating with Sublimity to determine future adjustments to the existing contract to help improve the alignment to the cost-of-service. These adjustments would take effect no earlier than July 1, 2024. Based on the changes to the Sublimity contract, the City's residential and non-residential class rates would be adjusted as well to better align with the study results.

## Sewer Rates

The rate schedule in the following exhibit shows the existing (FY 2024) rates and the future rates projected through FY 2029. The projected rates for the residential and non-residential sewer customers are based on preliminary terms for an updated wholesale sewer contract with the City of Sublimity.<sup>4</sup> The rate forecast for residential and non-residential sewer customers is also designed to align existing rates with the cost-of-service results by FY 2029.

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<sup>3</sup> The contract allows for automatic renewals on an annual basis.

<sup>4</sup> Residential and non-residential sewer rates based on preliminary wholesale contract terms for annual compensation to the City of Stayton based on an allocated share of operations and maintenance costs, an allocation share of annual depreciation expense, and return on rate base equivalent to 4.50 percent.

**Exhibit 4.9 – Sewer Rates**

	Previous	Existing 2024	Proposed 2025	Proposed 2026	Proposed 2027	Proposed 2028	Proposed 2029
<b>Residential</b>							
Base fee per dwelling unit	\$66.85	\$71.03	\$73.16	\$75.35	\$77.61	\$79.94	\$82.34
<b>Commercial and Industrial</b>							
<u>Average Monthly Use</u>							
Up to 3,999 gallons	\$49.95	\$53.07	\$56.65	\$60.48	\$64.56	\$68.92	\$73.57
4,000 to 5,999 gallons	\$66.85	\$71.03	\$75.82	\$80.94	\$86.40	\$92.24	\$98.46
6,000 to 9,999 gallons	\$124.78	\$132.58	\$141.53	\$151.08	\$161.28	\$172.17	\$183.79
Above 10,000 gallons							
Rate per 1,000 gallons	\$12.48	\$13.26	\$14.16	\$15.11	\$16.13	\$17.22	\$18.38

## Section V. STORMWATER UTILITY

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The City owns and operates the stormwater utility, which provides stormwater management for an estimated 11,572,000 square feet of impervious surface area (ISF) for customers and 7,264,000 ISF for roads and sidewalks in the City's transportation system. The stormwater system consists of about 15 miles of pipe, 8 miles of open channel, 650 catch basins, 20 detention facilities, and 38 major outfalls. The following section details the revenue requirement analysis for the stormwater utility.

### REVENUE REQUIREMENT

As previously mentioned, the main purpose of the revenue requirement analysis is to develop a funding plan ("revenue requirement") for the FY 2024 through FY 2029 study period. This section details the results of the sewer utility revenue requirement analysis.

#### Economic & Inflation Factors

The operating and maintenance expenditure forecast largely relies on the City's FY 2023 budget. The line items in the budget are then adjusted each future year by using one of the applicable factors discussed in **Section III**.

#### Fund Balances and Utility Revenues

Starting fund balances were based on the City's FY 2023 beginning fund balances carried forward to the beginning of FY 2024 after expected revenues and expenses. The total FY 2024 beginning fund balance for the stormwater utility was estimated to be \$600,000.

An important fiscal policy consideration is the minimum target level of the operating reserve. A general target for stormwater utilities is to keep anywhere from 60 to 90 days of operating expenses in reserve to accommodate short-term fluctuations in cash flow. As discussed in Section II, the minimum operating reserve target is set to 60 days of operating expenses.

In addition to the operating reserve, a capital reserve minimum balance was set to \$80,000 based on discussions with City staff.

#### Utility Revenues

The stormwater rate structure consists of a simple fixed charge per dwelling unit for the residential customers and a fixed charge per equivalent service unit (ESU) for the non-residential customers based on each customer's measured ISF. An ESU is defined based on the average ISF for a single-family home in the city's boundaries, which is assumed to be 2,500 ISF. Without rate increases, the City is expecting to collect revenues in FY 2024 as listed below for the stormwater utility.

- **Rate Revenues.** A total of \$358,000. About \$164,000 will be collected from the single-family class, \$67,000 from the multi-family classes, and \$128,000 from the non-residential class.
- **Non-rate Revenues.** The only non-rate revenue considered for this analysis is the interest collected on the utility's fund balance.

## Operating Expenses

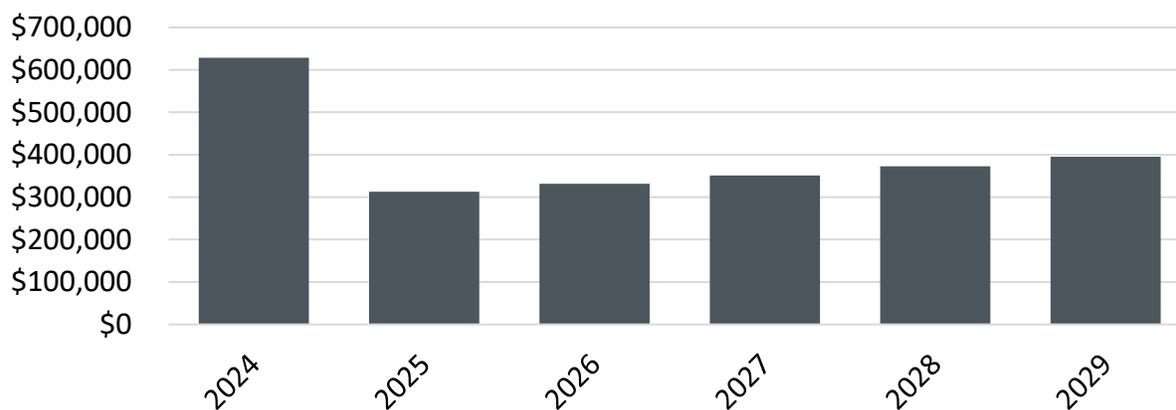
In FY 2024, stormwater utility operating expenses are forecasted at \$348,000 in cash operating expenses, which are expected to increase at an annualized average rate of 2.4 percent up to \$392,000 by FY 2029.

In addition, the stormwater utility has debt service related to two different obligations. The utility is paying off an interfund loan with debt service around \$23,000 per year through FY 2026. In addition, the utility is paying off a 2019 full faith and credit obligation with debt service averaging \$48,000 through FY 2039.

## Capital Expenditures and Funding Strategy

A summary graph of the City’s sewer capital program is shown in **Exhibit 5.1** below. The total cost of the capital program, with escalation, will be \$2.4 million between 2024 and 2029, with an average year totaling \$399,000.

**Exhibit 5.1 – Stormwater Utility Capital Program Summary**



The 2024-2029 capital funding plan is summarized in **Exhibit 5.2** below. The stormwater utility is planning to set aside \$1.1 million in system reinvestment funding from its rate revenues during this period. When combined with other cash sources (such as SDCs, existing cash reserves, further rate-funded capital, and interest on its fund balance), the City is planning to dedicate \$2.4 million in cash funding to the capital plan, which full funds the capital plan without the use of new debt.

**Exhibit 5.2 – Stormwater Utility Capital Funding Summary**

Capital Funding Summary	Total	2024	2025	2026	2027	2028	2029
Capital Project Costs	\$ 2,391,743	\$ 628,575	\$ 312,606	\$ 331,448	\$ 351,427	\$ 372,612	\$ 395,074
Funding Sources							
Cash	\$ 2,391,743	\$ 628,575	\$ 312,606	\$ 331,448	\$ 351,427	\$ 372,612	\$ 395,074
Loan Proceeds	-	-	-	-	-	-	-
<b>Total Capital Funding</b>	<b>\$ 2,391,743</b>	<b>\$ 628,575</b>	<b>\$ 312,606</b>	<b>\$ 331,448</b>	<b>\$ 351,427</b>	<b>\$ 372,612</b>	<b>\$ 395,074</b>

## Stormwater Revenue Requirement Summary

**Exhibit 5.3** graphically represents the stormwater utility revenue requirement forecast. The stacked columns represent the costs and obligations of the utility such as operating expenses and rate-funded capital, while the lines represent utility revenues before and after future adjustments.

- **Solid black line:** Revenue at existing rates.
  - » Stormwater utility revenue is expected to be roughly \$358,000 in FY 2024 and is expected to grow at about 0.65 percent per year with customer growth.
- **Dashed black line:** Revenues with rate increases.
  - » Rate revenue must increase by 40 percent per year (above customer growth) for FY 2024 and FY 2025 year. After that, rate increases can drop to 3.00 percent per year.
- **Dark blue bar:** Operating expenses.
  - » Operating expenses are based on the adopted FY 2023 budget and increase with the annual cost escalation assumptions previously discussed.
- **Green bar:** Existing debt service.
  - » Annual debt service on the City’s current stormwater loans starts at \$71,000 in FY 2024 and decrease to \$48,000 by FY 2029.
- **Purple bar:** Additions to reserves.
  - » In order to meet the minimum fund balance target set for the stormwater utility, a small share of the rate revenue must be held in the operating fund.
- **Gold bar:** Rate-funded Capital. (i.e., cash available for capital).
  - » Rate funded capital starts at \$83,000 in FY 2024 and increases to \$376,000 by FY 2029.
- **Turquoise bar:** Rate-funded Capital. (i.e., cash available for capital).
  - » Rate funded capital starts at \$83,000 in FY 2024 and increases to \$376,000 by FY 2029.

**Exhibit 5.3 – Stormwater Utility Revenue Requirement**

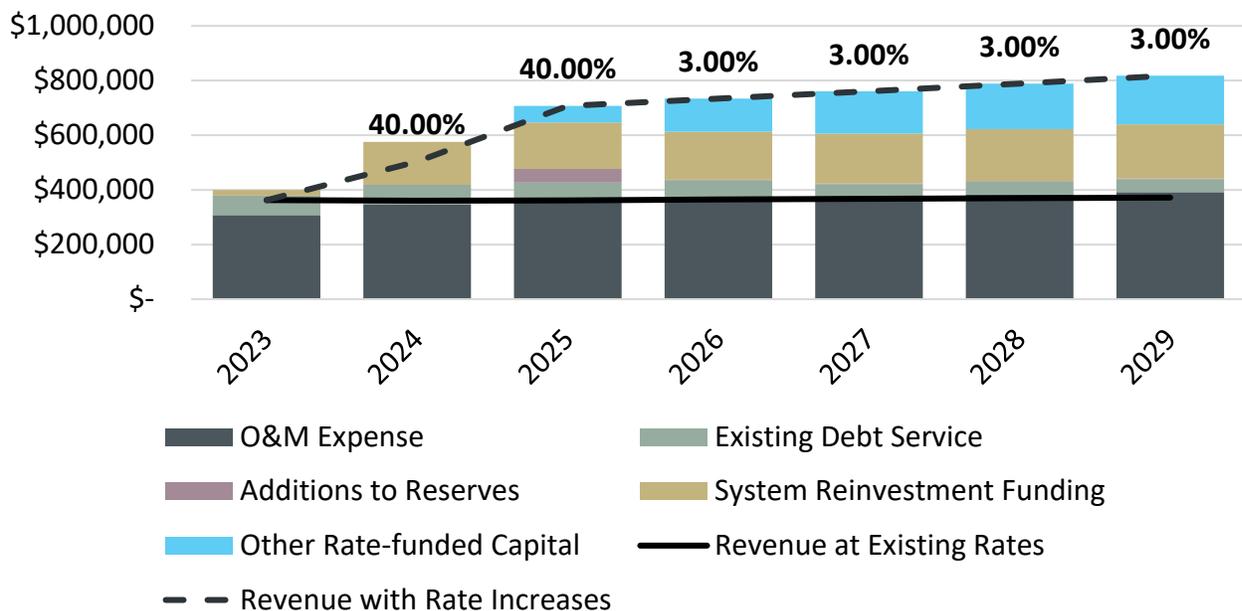


Exhibit 5.4 below provides the detailed summary tables of the revenue requirement analyses.

**Exhibit 5.4 – Stormwater Utility Revenue Requirement Detailed Tables**

Revenue Requirement	2023	2024	2025	2026	2027	2028	2029
<b>Revenues</b>							
Rate Revenues Under Existing Rates	\$ 355,974	\$ 358,277	\$ 360,594	\$ 362,927	\$ 365,274	\$ 367,637	\$ 370,015
Non-Rate Revenues	6,211	2,068	706	1,668	1,709	1,751	1,793
Total Revenues	\$ 362,185	\$ 360,345	\$ 361,300	\$ 364,595	\$ 366,983	\$ 369,388	\$ 371,809
<b>Expenses</b>							
Cash Operating Expenses	\$ 308,300	\$ 347,565	\$ 356,051	\$ 364,744	\$ 373,650	\$ 382,774	\$ 392,120
Existing Debt Service	70,734	70,545	70,440	70,341	47,244	47,383	47,526
New Debt Service	-	-	-	-	-	-	-
System Reinvestment Funding	21,189	157,251	169,822	176,074	182,703	189,732	197,184
Additions Required to Meet Reserves	-	-	-	-	-	-	-
Total Expenses	\$ 400,223	\$ 575,362	\$ 596,314	\$ 611,160	\$ 603,598	\$ 619,889	\$ 636,831
<b>Net Surplus (Deficiency)</b>							
Additions to Meet Coverage	\$ (38,038)	\$ (215,017)	\$ (235,014)	\$ (246,565)	\$ (236,615)	\$ (250,501)	\$ (265,022)
Total Surplus (Deficiency)	\$ (38,038)	\$ (215,017)	\$ (235,014)	\$ (246,565)	\$ (236,615)	\$ (250,501)	\$ (265,022)
<b>Annual Rate Increase</b>							
		40.00%	40.00%	3.00%	3.00%	3.00%	3.00%
<b>Cumulative Rate Increase</b>							
		40.00%	96.00%	101.88%	107.94%	114.17%	120.60%
Revenues After Rate Increases	\$ 355,974	\$ 501,587	\$ 706,765	\$ 732,677	\$ 759,539	\$ 787,385	\$ 816,253
Additional Taxes from Rate Increase	-	-	-	-	-	-	-
Net Cash Flow After Rate Increase	\$ (38,038)	\$ (71,706)	\$ 111,157	\$ 123,185	\$ 157,649	\$ 169,247	\$ 181,216
Coverage After Rate Increase: Bonded Debt	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Coverage After Rate Increase: Total Debt	2.08	3.59	6.28	6.56	10.18	10.59	11.01
Sample Residential Bill (One ESU)	\$6.45	\$9.03	\$12.64	\$13.02	\$13.41	\$13.81	\$14.23
Annual Increase (\$)		\$2.58	\$3.61	\$0.38	\$0.39	\$0.40	\$0.41
<b>Fund Balance</b>							
<b>Operating Reserve</b>							
Beginning Balance	\$ 326,900	\$ 108,862	\$ 37,156	\$ 87,793	\$ 89,937	\$ 92,133	\$ 94,383
plus: Net Cash Flow after Rate Increase	(38,038)	(71,706)	111,157	123,185	157,649	169,247	181,216
less: Transfer of Surplus to Capital Fund	(180,000)	-	(60,519)	(121,041)	(155,454)	(166,997)	(178,911)
Ending Balance	\$ 108,862	\$ 37,156	\$ 87,793	\$ 89,937	\$ 92,133	\$ 94,383	\$ 96,687
Actual Days of O&M	129 days	39 days	90 days				
Minimum Balance Requirement	\$ 50,679	\$ 57,134	\$ 58,529	\$ 59,958	\$ 61,422	\$ 62,922	\$ 64,458
Maximum Balance Requirement	\$ 76,019	\$ 85,701	\$ 87,793	\$ 89,937	\$ 92,133	\$ 94,383	\$ 96,687
<b>Capital Reserve</b>							
Beginning Balance	\$ 297,400	\$ 490,902	\$ 117,072	\$ 125,769	\$ 183,136	\$ 263,234	\$ 342,823
plus: System Reinvestment Funding	21,189	157,251	169,822	176,074	182,703	189,732	197,184
plus: Transfers from Operating Fund	180,000	-	60,519	121,041	155,454	166,997	178,911
plus: Capital Grants / Other Resources	-	-	-	-	-	-	-
plus: SDC Revenue	87,600	88,167	88,737	89,311	89,889	90,470	91,055
plus: Interest Earnings	5,651	9,327	2,224	2,390	3,480	5,001	6,514
Total Funding Sources	\$ 591,840	\$ 745,647	\$ 438,374	\$ 514,585	\$ 614,661	\$ 715,435	\$ 816,487
less: Capital Expenditures	(100,938)	(628,575)	(312,606)	(331,448)	(351,427)	(372,612)	(395,074)
Ending Capital Fund Balance	\$ 490,902	\$ 117,072	\$ 125,769	\$ 183,136	\$ 263,234	\$ 342,823	\$ 421,413
Minimum Target Balance	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
<b>Combined Beginning Balance</b>	\$ 624,300	\$ 599,764	\$ 154,227	\$ 213,562	\$ 273,073	\$ 355,367	\$ 437,205
<b>Combined Ending Balance</b>	\$ 599,764	\$ 154,227	\$ 213,562	\$ 273,073	\$ 355,367	\$ 437,205	\$ 518,100
Ending Total Days of Operating Expenditures	710 days	162 days	219 days	273 days	347 days	417 days	482 days
Combined Minimum Target Balance	130,679	137,134	138,529	139,958	141,422	142,922	144,458

## Stormwater Rates

The rate schedule in the exhibit below shows the existing (FY 2024) stormwater rates and the future rates projected through FY 2029. These rates are shown with ATB adjustments – that is, it is assumed that there will be no changes to the rate structure and rates will simply be increased by the overall revenue needs as discussed in the revenue requirement section.

**Exhibit 5.5 – Stormwater Rates with ATB Adjustments**

Across-the-Board Rate Schedule	Previous 2023	Existing 2024	ATB 2025	ATB 2026	ATB 2027	ATB 2028	ATB 2029
<b>Annual System-Wide Rate Increase</b>		<b>40.00%</b>	<b>40.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Monthly Fee</b>							
Single Family Dwelling	\$6.45	\$9.03	\$12.64	\$13.02	\$13.41	\$13.81	\$14.23
Mobile Home Park (per unit)	\$6.45	\$9.03	\$12.64	\$13.02	\$13.41	\$13.81	\$14.23
Apartment (per unit)	\$3.87	\$5.42	\$7.59	\$7.81	\$8.05	\$8.29	\$8.54
Assisted Living Center (per unit)	\$3.87	\$5.42	\$7.59	\$7.81	\$8.05	\$8.29	\$8.54
All Others - Per ESU*	\$6.45	\$9.03	\$12.64	\$13.02	\$13.41	\$13.81	\$14.23
<i>*one ESU = 2,500 square feet of impervious surface area</i>							

## Section VI. SUMMARY

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This section provides an overall summary of the rate study process and results for the water, sewer, and stormwater utilities.

### METHODOLOGY

The rate study process consists of three main elements: the revenue requirement, the cost-of-service analysis, and rate design.

- **Revenue requirement.** Based on the City's operating budgets for each utility as well as each utility's capital improvement plan, the total rate revenue requirements were projected for each year from FY 2024 through FY 2029. This rate requirement provided the necessary rate adjustment in each year to cover the full cost of each utility, including operating costs, debt service costs, rate funding for capital, and the funding needed to comply with fiscal policies.
- **Cost-of-service analysis.** Using industry best practices, each budget line item and other rate requirement elements were assigned to each utility's functions of service. Then, the cost of each function of service was allocated to customer classes based on their different service requirements. This resulted in overall adjustments for each class to bring them into line with their cost of service.
  - » For water, those functions of service were base water demand, peak water demand, fire flow requirements, customer costs, and meter and services costs. The classes analyzed were single-family, multi-family, non-residential, City, irrigation, and fire lines.
  - » For sewer, those functions included shared flow, Stayton-only flow, BOD treatment, TSS treatment, customer costs, and debt service costs (as allocated by the City's existing contract with Sublimity). The classes analyzed were residential, non-residential, and Sublimity.
  - » A cost-of-service analysis was not completed for the stormwater utility.
- **Rate Design.** Using the overall revenue needs in each year from FY 2024 through FY 2029, and the estimated cost of service for each class, a rate schedule was designed for each utility through FY 2029. These rate schedules were intended to bring each class closer to its cost-of-service while ensuring revenue collection was sufficient to fund the requirements of each utility.

### RATE STUDY RESULTS

The rate study results are summarized for each utility below.

- **Water Utility.** The water utility must increase revenue by 6.25 percent in FY 2024 and can then lower its annual increases to inflationary levels each year thereafter. The key pressures driving the rate increases focus to funding the capital requirements of the utility, both in terms of direct cash funding of the capital plan and for new debt service on expected full faith and credit obligation issuances. The cost-of-service analysis indicated that the City's governmental water accounts (such as from their parks, sewer treatment plant, and other accounts) can pay more to recover their cost of service. In addition, the existing revenue collected from the irrigation class is under collecting relative to the cost of service. The rate schedule was designed to bring each

class closer to its cost of service by FY 2029 by varying only the volume rate for each class and applying uniform increases to the fixed rates for each class of service.

- **Sewer Utility.** The sewer utility must increase revenue by 6.25 percent in FY 2024 and continue with 5.50 percent increases through FY 2028 before dropping to inflationary level increases in FY 2029. These increases are needed to pay for the cash-funding of the sewer utility's capital improvement plan and to replace revenues from Sublimity after debt service payments from existing debt begin to expire in FY 2028. The cost-of-service analysis revealed that revenues from Sublimity must increase by as much as 40 percent to bring Sublimity in line with its cost of service. The difference is likely related to the reimbursement structure within in the existing contract between the cities as well as the number of years since the contract was last evaluated. The City is negotiating the rate increase strategy with Sublimity, so the rate schedule provided within this report reflects a planning level estimate based on preliminary terms outlined in a working draft of an updated wholesale sewer contract.
- **Stormwater Utility.** Overall, the stormwater utility requires rate revenue increases of 40 percent in FY 2024 and FY 2025, followed by inflationary level increases each year from FY 2026 to FY 2029. Unlike water and sewer, these increases are needed mostly to cover the operating costs and existing debt service as well as to meet the utility's system reinvestment target and to provide sufficient cash funding for capital through FY 2029. A cost-of-service analysis was not completed for the stormwater utility, and rate increases are expected to be applied across-the-board.

## RATE SCHEDULES

**Exhibit 6.1** details the recommended rates for the water utility through FY 2029. The City has already adopted the rates shown for FY 2024. To maintain the simplicity of the City's fixed rate schedule, the fixed rates were increased for all classes by the overall rate increases calculated in the previous section. The volume charges were differentiated by class to bring each class's revenue collection closer to its cost-of-service. The combined effect of the fixed and volume charge changes roughly tracks the phase-in schedule discussed in a previous section.

**Exhibit 6.1 – Water Rates with Cost-of-Service Phase-in**

Rate Design Schedule	Previous	Existing	Proposed	Proposed	Proposed	Proposed	Proposed
		2024	2025	2026	2027	2028	2029
<b>System-wide Increase in Revenue</b>		<b>6.25%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Fixed Rates (All Classes)</b>							
<u>Base Fee</u>	\$16.91	\$17.96	\$18.50	\$19.06	\$19.63	\$20.22	\$20.82
<u>Meter Equivalent Charge</u>							
3/4"	\$8.53	\$9.06	\$9.33	\$9.61	\$9.90	\$10.20	\$10.50
1"	\$21.37	\$22.71	\$23.39	\$24.09	\$24.81	\$25.56	\$26.32
1 1/4"	\$31.92	\$33.91	\$34.93	\$35.98	\$37.06	\$38.17	\$39.32
1 1/2"	\$42.62	\$45.28	\$46.64	\$48.04	\$49.48	\$50.96	\$52.49
2"	\$68.08	\$72.34	\$74.51	\$76.74	\$79.04	\$81.41	\$83.86
3"	\$127.73	\$135.71	\$139.78	\$143.98	\$148.30	\$152.74	\$157.33
4"	\$212.89	\$226.19	\$232.98	\$239.97	\$247.16	\$254.58	\$262.22
6"	\$425.64	\$452.23	\$465.80	\$479.78	\$494.17	\$508.99	\$524.26
8"	\$702.38	\$746.26	\$768.65	\$791.71	\$815.46	\$839.92	\$865.12
10"	\$979.12	\$1,040.28	\$1,071.49	\$1,103.63	\$1,136.74	\$1,170.85	\$1,205.97
<u>Fire Standby Charge</u>							
Class 1	\$6.23	\$6.62	\$6.82	\$7.02	\$7.23	\$7.45	\$7.67
Class 2	\$26.51	\$28.17	\$29.02	\$29.89	\$30.78	\$31.71	\$32.66
Class 3	\$178.50	\$189.65	\$195.34	\$201.20	\$207.23	\$213.45	\$219.85
Class 4	\$424.73	\$451.26	\$464.80	\$478.74	\$493.10	\$507.90	\$523.13
Class 5	\$830.65	\$882.54	\$909.01	\$936.28	\$964.37	\$993.30	\$1,023.10
<b>Volume Charges (by Class)</b>							
Single-family	\$1.55	\$1.65	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66
Multi-Family	\$1.55	\$1.65	\$1.65	\$1.65	\$1.65	\$1.65	\$1.65
City	\$1.55	\$1.65	\$1.95	\$2.31	\$2.73	\$3.21	\$3.77
Non-Residential	\$1.55	\$1.65	\$1.65	\$1.65	\$1.65	\$1.65	\$1.65
Irrigation	\$1.55	\$1.65	\$2.14	\$2.73	\$3.41	\$4.21	\$5.15
Fire Line	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

The rate schedule in **Exhibit 6.2** below shows the preliminary rate schedule through FY 2029 for the sewer utility. The City has already adopted the rates shown for FY 2024. Projected rates from FY 2025 to FY 2029 are based on preliminary terms for an updated wholesale sewer contract with the City of Sublimity. Final sewer rates for the FY 2025 to FY 2029 time period will be adjusted as needed once the updated contract with the City of Sublimity is complete.

**Exhibit 6.2 – Sewer Rates with Adjustments**

	Previous	Existing 2024	Proposed 2025	Proposed 2026	Proposed 2027	Proposed 2028	Proposed 2029
<b>Residential</b>							
Base fee per dwelling unit	\$66.85	\$71.03	\$73.16	\$75.35	\$77.61	\$79.94	\$82.34
<b>Commercial and Industrial</b>							
<u>Average Monthly Use</u>							
Up to 3,999 gallons	\$49.95	\$53.07	\$56.65	\$60.48	\$64.56	\$68.92	\$73.57
4,000 to 5,999 gallons	\$66.85	\$71.03	\$75.82	\$80.94	\$86.40	\$92.24	\$98.46
6,000 to 9,999 gallons	\$124.78	\$132.58	\$141.53	\$151.08	\$161.28	\$172.17	\$183.79
Above 10,000 gallons							
Rate per 1,000 gallons	\$12.48	\$13.26	\$14.16	\$15.11	\$16.13	\$17.22	\$18.38

The rate schedule in **Exhibit 6.3** below shows the rate schedule through FY 2029 for the stormwater utility. The City has already adopted the rates shown for FY 2024. These rates are shown with ATB adjustments – that is, it is assumed that there will be no changes to the rate structure and rates will simply be increased by the overall revenue needs as discussed in the revenue requirement section.

**Exhibit 6.3 – Stormwater Rates with ATB Adjustments**

Across-the-Board Rate Schedule	Previous 2023	Existing 2024	ATB 2025	ATB 2026	ATB 2027	ATB 2028	ATB 2029
<b>Annual System-Wide Rate Increase</b>		<b>40.00%</b>	<b>40.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Monthly Fee</b>							
Single Family Dwelling	\$6.45	\$9.03	\$12.64	\$13.02	\$13.41	\$13.81	\$14.23
Mobile Home Park (per unit)	\$6.45	\$9.03	\$12.64	\$13.02	\$13.41	\$13.81	\$14.23
Apartment (per unit)	\$3.87	\$5.42	\$7.59	\$7.81	\$8.05	\$8.29	\$8.54
Assisted Living Center (per unit)	\$3.87	\$5.42	\$7.59	\$7.81	\$8.05	\$8.29	\$8.54
All Others - Per ESU*	\$6.45	\$9.03	\$12.64	\$13.02	\$13.41	\$13.81	\$14.23
<i>*one ESU = 2,500 square feet of impervious surface area</i>							



## RESOLUTION NO. 1090

### A RESOLUTION ACCEPTING THE UTILITY RATE STUDY FOR WATER, WASTEWATER, AND STORMWATER TO INFORM AND GUIDE RATES FOR FY 24/25 THROUGH 28/29

**WHEREAS**, Stayton Municipal Code (SMC) Title 13, Sections 13.16.440; 13.32.060; and 13.24.1190 require rates be established to pay for the costs of operating the City's water, stormwater, and wastewater utilities and authorize the City Council to establish those rates by resolution; and

**WHEREAS**, the City has been working with FCS Group to evaluate the water, wastewater, stormwater, and transportation maintenance fees to ensure that that the revenues received are sufficient for the anticipated operating costs and capital improvement needs of providing services; and

**WHEREAS**, the rate study on transportation maintenance fees requires additional discussion and is not ready for completion; and

**WHEREAS**, the Utility Rate Study (URS) for water, wastewater, and stormwater has been completed and evaluates operation and maintenance cost needs between FY 24/25 and 28/29 and has determined that the existing rate structure will not cover the anticipated costs during that time; and

**WHEREAS**, the URS evaluated the cost of service based on several user groups and found that some groups are currently contributing more and some less to the system in a manner that is not consistent with their actual demands on the systems; and

**WHEREAS**, it was found that the City of Sublimity contract does not provide sufficient revenue for them to contribute their actual share of costs to the system and negotiations with Sublimity to update the contract terms has progressed to a point that the City is comfortable in forecasting rates for Stayton residents; and

**WHEREAS**, the City Council desires to establish a clear plan for rates that will be both fair and ensure a sustainable revenue source that meets the needs of each utility and the community; and

**WHEREAS**, it is understood that adopting this rate structure and plan makes clear the intent for rate changes over the next five fiscal years but does not adopt future rates, as that will occur as part of the annual adoption of the City fee schedule; and

**WHEREAS**, the City Council has carefully considered and discussed the proposed rate increases during no less than four Council work sessions and is committed to continuing to explore options and ideas that will minimize fiscal impacts to residents while also ensuring that sufficient revenues are achieved to complete necessary and desired utility maintenance and improvements.

#### **NOW, THEREFORE, BE IT RESOLVED THAT:**

**SECTION 1.** The Utility Rate Study for water, wastewater, and stormwater, attached as Exhibit 1 to this resolution, is accepted.

**SECTION 2.** The City staff is directed to finalize negotiations with the City of Sublimity to update the Wastewater Agreement between the two Cities.

**SECTION 3.** The following rate increases will be considered by staff when preparing budgets and will be included in the proposed fee schedule updates for the respective fiscal year:

• **WATER**

	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029
Single-Family	6.25%	2.41%	2.12%	1.79%	1.41%	0.97%
Multi-Family	6.25%	1.50%	1.50%	1.50%	1.50%	1.50%
City	6.25%	16.00%	16.00%	16.00%	16.00%	16.00%
Non-Residential	6.25%	0.00%	0.00%	0.00%	0.00%	0.00%
Irrigation only	6.25%	16.00%	16.00%	16.00%	16.00%	16.00%
<b>Overall</b>	<b>6.25%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>

Rate Design Schedule	Previous	Existing	Proposed	Proposed	Proposed	Proposed	Proposed
		2024	2025	2026	2027	2028	2029
<b>System-wide Increase in Revenue</b>		<b>6.25%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Fixed Rates (All Classes)</b>							
<u>Base Fee</u>	\$16.91	\$17.96	\$18.50	\$19.06	\$19.63	\$20.22	\$20.82
<u>Meter Equivalent Charge</u>							
3/4"	\$8.53	\$9.06	\$9.33	\$9.61	\$9.90	\$10.20	\$10.50
1"	\$21.37	\$22.71	\$23.39	\$24.09	\$24.81	\$25.56	\$26.32
1 1/4"	\$31.92	\$33.91	\$34.93	\$35.98	\$37.06	\$38.17	\$39.32
1 1/2"	\$42.62	\$45.28	\$46.64	\$48.04	\$49.48	\$50.96	\$52.49
2"	\$68.08	\$72.34	\$74.51	\$76.74	\$79.04	\$81.41	\$83.86
3"	\$127.73	\$135.71	\$139.78	\$143.98	\$148.30	\$152.74	\$157.33
4"	\$212.89	\$226.19	\$232.98	\$239.97	\$247.16	\$254.58	\$262.22
6"	\$425.64	\$452.23	\$465.80	\$479.78	\$494.17	\$508.99	\$524.26
8"	\$702.38	\$746.26	\$768.65	\$791.71	\$815.46	\$839.92	\$865.12
10"	\$979.12	\$1,040.28	\$1,071.49	\$1,103.63	\$1,136.74	\$1,170.85	\$1,205.97
<u>Fire Standby Charge</u>							
Class 1	\$6.23	\$6.62	\$6.82	\$7.02	\$7.23	\$7.45	\$7.67
Class 2	\$26.51	\$28.17	\$29.02	\$29.89	\$30.78	\$31.71	\$32.66
Class 3	\$178.50	\$189.65	\$195.34	\$201.20	\$207.23	\$213.45	\$219.85
Class 4	\$424.73	\$451.26	\$464.80	\$478.74	\$493.10	\$507.90	\$523.13
Class 5	\$830.65	\$882.54	\$909.01	\$936.28	\$964.37	\$993.30	\$1,023.10
<b>Volume Charges (by Class)</b>							
Single-family	\$1.55	\$1.65	\$1.66	\$1.66	\$1.66	\$1.66	\$1.66
Multi-Family	\$1.55	\$1.65	\$1.65	\$1.65	\$1.65	\$1.65	\$1.65
City	\$1.55	\$1.65	\$1.95	\$2.31	\$2.73	\$3.21	\$3.77
Non-Residential	\$1.55	\$1.65	\$1.65	\$1.65	\$1.65	\$1.65	\$1.65
Irrigation	\$1.55	\$1.65	\$2.14	\$2.73	\$3.41	\$4.21	\$5.15
Fire Line	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

• **SEWER**

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Residential	6.25%	3%	3%	3%	3%	3%
Non-Residential	6.25%	6.75%	6.75%	6.75%	6.75%	6.75%
Sublimity	6.25%	Being negotiated				
<b>Overall</b>	<b>6.25%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>3.00%</b>

Proposed Rate Schedule	Existing	2025	2026	2027	2028	2029
<b>Residential</b>						
Base fee per dwelling unit	\$71.03	\$73.16	\$75.35	\$77.61	\$79.94	\$82.34
<b>Commercial and Industrial</b>						
<u>Average Monthly Use</u>						
Up to 3,999 gallons	\$53.07	\$56.65	\$60.48	\$64.56	\$68.92	\$73.57
4,000 to 5,999 gallons	\$71.03	\$75.82	\$80.94	\$86.40	\$92.24	\$98.46
6,000 to 9,999 gallons	\$132.58	\$141.53	\$151.08	\$161.28	\$172.17	\$183.79
Above 10,000 gallons						
Rate per 1,000 gallons	\$13.26	\$14.16	\$15.11	\$16.13	\$17.22	\$18.38

• **STORMWATER**

	2024	2025	2026	2027	2028	2029
Stormwater	40.00%	40.00%	3.00%	3.00%	3.00%	3.00%

Across-the-Board Rate Schedule	Previous 2023	Existing 2024	ATB 2025	ATB 2026	ATB 2027	ATB 2028	ATB 2029
<b>Annual System-Wide Rate Increase</b>		<b>40.00%</b>	<b>40.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Monthly Fee</b>							
Single Family Dwelling	\$6.45	\$9.03	\$12.64	\$13.02	\$13.41	\$13.81	\$14.23
Mobile Home Park (per unit)	\$6.45	\$9.03	\$12.64	\$13.02	\$13.41	\$13.81	\$14.23
Apartment (per unit)	\$3.87	\$5.42	\$7.59	\$7.81	\$8.05	\$8.29	\$8.54
Assisted Living Center (per unit)	\$3.87	\$5.42	\$7.59	\$7.81	\$8.05	\$8.29	\$8.54
All Others - Per ESU*	\$6.45	\$9.03	\$12.64	\$13.02	\$13.41	\$13.81	\$14.23
<i>*one ESU = 2,500 square feet of impervious surface area</i>							

This Resolution shall become effective upon its adoption by the Stayton City Council.

**ADOPTED BY THE STAYTON CITY COUNCIL THIS 5<sup>TH</sup> DAY OF FEBRUARY 2023.**

Signed: \_\_\_\_\_, 2024                      By: \_\_\_\_\_  
 Mayor Brian Quigley, Mayor

Signed: \_\_\_\_\_, 2024                      Attest: \_\_\_\_\_  
 Julia Hajduk, City Manager