

# CITY OF STAYTON Wastewater SDC

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# **1 Project Overview**

## Background

The City of Stayton ("the City") is located in Marion County and serves over 8,000 residents. In 2024, the City contracted with FCS to update its wastewater system development charges (SDCs) to help provide partial funding for the construction of its planned facilities. This report documents the results of those SDC calculations. Because the City shares its wastewater treatment facility with the City of Sublimity, this report also includes the calculation of a wastewater treatment SDC to be charged in both Stayton and Sublimity.

## Policy

SDCs are enabled by state statutes, authorized by local ordinance, and constrained by the United States Constitution.

#### State Statutes

Oregon Revised Statutes (ORS) 223.297 to 223.316 enable local governments to establish SDCs, which are onetime fees on development that are paid at the time of development or redevelopment that creates additional demand for system facilities. SDCs are intended to recover a fair share of the cost of existing and planned facilities that provide capacity to serve future users (growth).

ORS 223.299 allows for two types of SDC:

- » A reimbursement fee that is designed to recover "costs associated with capital improvements already constructed, or under construction when the fee is established, for which the local government determines that capacity exists"
- » An improvement fee that is designed to recover "costs associated with capital improvements to be constructed"

ORS 223.304(1) states, in part, that a reimbursement fee must be based on "the value of unused capacity available to future system users or the cost of existing facilities" and must account for prior contributions by existing users and any gifted or grant-funded facilities. The calculation must "promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities." A reimbursement fee may be spent on any capital improvement related to the system for which it is being charged (whether cash-financed or debt-financed).

ORS 223.304(2) states, in part, that an improvement fee must be calculated to include only the cost of projected capital improvements needed to increase system capacity for future users. In other words, the cost of planned projects that correct existing deficiencies or that do not otherwise increase capacity for future users may not be included in the improvement fee calculation. An improvement fee may be spent only on capital improvements (or portions thereof) that increase the capacity of the system for which it is being charged (whether cash-financed or debt-financed).

In addition to the reimbursement and improvement fees, ORS 223.307(5) states, in part, that "system development charge revenues may be expended on the costs of complying" with state statutes concerning SDCs,



#### City of Stayton Wastewater SDC

including "the costs of developing system development charge methodologies and providing an annual accounting of system development charge expenditures."

#### Local Ordinance

Chapter 13.12 of the Stayton Municipal Code authorizes and governs the imposition and expenditure of SDCs in Stayton. The City may need to modify its code to allow for the proposed changes to the SDCs.

#### United States Constitution

The United States Supreme Court has determined that SDCs, impact fees, or other exactions that comply with state and/or local law may still violate the United States Constitution if they are not proportionate to the impact of the development. The SDCs calculated in this report are designed to meet all constitutional requirements.

## **Calculation Overview**

In general, SDCs are calculated by adding an existing facilities fee component (called the reimbursement fee) and a future facilities fee component (called the improvement fee)—both with potential adjustments. Each component is calculated by dividing the eligible cost by growth in units of demand. The unit of demand becomes the basis of the charge. The diagram below summarizes the basic outline of an SDC calculation, and more detail is provided in the following bullets.



- The eligible cost of capacity in existing facilities is the cost of existing facilities that will serve growth. The cost of those facilities are usually found in a city's schedule of fixed assets which records the original cost of assets purchased by the city. System capacity information, usually found in a comprehensive plan, can provide estimates of the available capacity in the system.
- **The eligible portion of capacity-increasing projects** is the cost of future projects that will serve growth. Some projects are intended to only serve growth, some projects do not increase system capacity, and some serve the City's current *and* future populations. Only the share that is allocable to growth is includable.
- **The growth in system demand** is the anticipated growth in the demand associated with each system. Growth is measured in different ways for different systems. For example, growth for wastewater SDCs is sometimes measured in meter capacity equivalents. The unit of growth becomes the charging basis for the SDC.

Finally, summing the reimbursement fee and the improvement fee with a small allowance for compliances costs yields the full SDC.



## 2 Wastewater SDC Analysis

This section describes the detailed calculations of both the maximum defensible shared wastewater treatment SDC to be charged in both Stayton and Sublimity, as well as the total maximum defensible wastewater SDC to be charged in Stayton.

## Growth

The calculation of projected growth begins with defining the units by which current and future demand will be measured. Then, using the best available data, we quantify the current level of demand and estimate a future level of demand. The difference between the current level and the future level is the growth in demand that will serve as the denominator in the wastewater SDC calculation.

#### Unit of Measurement

For wastewater SDCs, the water meter size necessary for a development is broadly used as a measure of its potential wastewater flows. To compare meters and calculate the total demand of the system, meters are often compared by their flow rates and measured by their meter capacity equivalents (MCEs). In this system, the smallest meter employed by the City is one MCE, and every larger meter is assigned a larger number of MCEs based on their relative flow rates. Flow rates are most often based on the American Water Work Association (AWWA) flow rates assuming either a 5/8" or 3/4" base meter. The City uses 3/4" meters as their smallest meter size, so that is the minimum size for this SDC calculation.

#### Growth in Demand

The City of Stayton shares its treatment facility with the City of Sublimity. As such, growth in both the City of Stayton and the City of Sublimity will require capacity in the wastewater treatment facility, and so growth for both cities is documented here.

According to the 2021 Wastewater Facilities Planning Study (the master plan), the combined population of the Stayton-Sublimity area is expected to grow from 11,260 in 2024 up to 12,697 in 2040 at a rate of about 0.75 percent per year. According to City staff, the City of Stayton served 3,471 MCEs in 2024. If MCEs grow proportionally with population, the City will serve 3,914 MCEs in 2040, for a total growth of 443 MCEs.

According to Sublimity's wastewater SDC calculation, Sublimity was expected to serve about 1,294 MCEs, with new MCEs being added at a rate of 0.84 percent per year. This means Sublimity is expected to serve about 1,479 MCEs in 2040 for a total growth of 185 MCEs. Therefore, the combined total of Stayton-Sublimity MCEs will increase from 4,765 up to 5,393, for a growth of 628 MCEs.

For projects and existing assets that benefit both Stayton and Sublimity, 628 MCEs will be the denominator of the SDC calculation. For projects and existing assets that benefit only Stayton, 443 MCEs will be the denominator of the SDC calculation.

Exhibit 2.1 below summarizes these calculations:



				2024-2040	2024-2040
	2024	2040	CAGR	Growth	Growth Share
Combined Stayton-Sublimity Population	11,260	12,697	0.75%	1,437	11.32%
Stayton MCEs	3,471	3,914	0.75%	443	11.32%
Sublimity MCEs	1,294	1,479	0.84%	185	12.53%
Combined Total MCEs	4,765	5,393		628	11.65%

#### Exhibit 2.1 – Growth in Wastewater Demand

**Source:** Table 2-7 of Wastewater Facilities Planning Study (population); City billing data (Stayton MCEs); 2018 Sublimity SDC Calculation (Sublimity MCEs)

### Improvement Fee

An improvement fee is the eligible cost of planned projects per unit of growth that such projects will serve. Since we have already calculated growth (denominator) above, we will focus here on the improvement fee cost basis (numerator).

#### <u>Eligibility</u>

A project's eligible cost is the product of its total cost and its eligibility percentage. The eligibility percentage represents the portion of the project that creates capacity for future users. The master plan provided SDC eligibility calculations for most of the projects included in the improvement fee. However, two versions of the analysis are present in the master plan with somewhat different estimates of eligibility. For the purposes of this methodology, the more conservative estimates of eligibility shown in Table 1-5 were used, though the eligibility was decreased slightly to account for the growth that occurred between the Master Plan's completion and the calculation of the SDC. For projects that did not appear in the master plan, the City's engineer provided guidance on the eligibility of the projects.

#### Calculated Improvement Fee Cost Basis

**Exhibit 2.2** below shows all the projects in the wastewater system improvement fee cost basis. Costs are given in 2025 dollars and were escalated using the March 2025 value of the Engineering News-Record (20-City Average) Construction Cost Index (equal to 13,789.28). Outside funding is noted in the following column, which applies for only one project. The eligibility for each project is shown in the Eligibility column. Finally, the SDC-Eligible Costs column shows that the full amount of the improvement fee cost basis is \$4.7 million.

Next, the SDC eligible costs are split into two cost bases. Projects assigned 100 percent to the "Shared Allocation" represent projects that benefit the entire Stayton-Sublimity area. Projects assigned 100 percent to the "Stayton-Only Allocation" represent projects the benefit Stayton only. As shown, the eligible costs for the entire Stayton-Sublimity area total \$3.4 million, and the eligible costs for the Stayton-Only area total \$1.4 million.



#### Exhibit 2.2 – Improvement Fee Cost Basis

					Outside		SDC-Eligible	Shared	Stayton-Only	Shared	Stayton-Only
Plan ID#	SDC#	Description	Timing	2025 Cost	Funding	Eligibility	Costs	Allocation	Allocation	Eligible Costs	Eligible Costs
N/A	1	Ida Street 18-inch Pipe	2027	\$ 3,000,000	\$ 3,000,000	4.06%	\$-	0.00%	100.00%	\$-	\$-
N/A	2	First Avenue 18-inch Pipe, (4%)	2028	2,100,000	-	22.00%	462,000	0.00%	100.00%	-	462,000
N/A	3	Marion Street, 18-inch pipe	2029	2,612,696	-	10.00%	261,270	0.00%	100.00%	-	261,270
N/A	4	Replace PD Blower with Turbo	2025	275,641	-	11.32%	31,195	0.00%	100.00%	-	31,195
N/A	5	Short Term Pump Station Upgrades	2025	174,926	-	17.86%	31,242	0.00%	100.00%	-	31,242
N/A	6	Post SBR Equalization	2025	159,023	-	11.32%	17,997	100.00%	0.00%	17,997	-
N/A	7	Misc. Parts Replacement	2026	259,738	-	11.32%	29,395	100.00%	0.00%	29,395	-
N/A	8	SBR Basins Scum Remover, piping cover	2027	238,535	-	11.32%	26,995	100.00%	0.00%	26,995	-
N/A	9	Influent Screen	2028	530,078	-	11.32%	59,989	100.00%	0.00%	59,989	-
1.3	10	Winter Equalization	2025-2029	14,491,899	-	11.32%	1,640,063	100.00%	0.00%	1,640,063	-
1.4	11	Influent Pump Control	2025-2029	123,873	-	11.32%	14,019	100.00%	0.00%	14,019	-
1.7	12	Turbo Blower Replacement	2025-2029	1,190,621	-	11.32%	134,744	100.00%	0.00%	134,744	-
1.8	13	Misc. SBR Improvements	2025-2029	200,842	-	11.32%	22,730	100.00%	0.00%	22,730	-
2.1	14	Mill Creek Force Main Extension	2030-2035	1,431,150	-	17.86%	255,606	0.00%	100.00%	-	255,606
2.2	15	Gardner Pump Station Displacement	2030-2035	939,267	-	11.32%	106,298	0.00%	100.00%	-	106,298
2.3	16	Pipeline Upsizing on Evergreen	2030-2035	1,690,922	-	8.12%	137,274	0.00%	100.00%	-	137,274
2.6	17	Dryer Replacement	2030-2035	9,344,569	-	11.32%	1,057,535	100.00%	0.00%	1,057,535	-
2.7	18	Utility Water Storage	2030-2035	1,395,071	-	11.32%	157,882	100.00%	0.00%	157,882	-
2.8	19	Generator	2030-2035	1,262,780	-	11.32%	142,910	100.00%	0.00%	142,910	-
2.9	20	Sludge Storage Pond Repairs	2030-2035	620,566	-	11.32%	70,230	100.00%	0.00%	70,230	-
3.1	21	Long Term Pump Station Upgrades	2036-2040	584,487	-	11.32%	66,147	0.00%	100.00%	-	66,147
			Total	\$42,732,697	\$ 3,000,000	\$ -	\$ 4,737,517			\$ 3,386,486	\$ 1,351,031

## **Reimbursement Fee**

A reimbursement fee is the eligible cost of the wastewater facilities available for future users per unit of growth that such facilities will serve. Since growth was calculated above, we will focus on the eligible cost of the wastewater facilities available for future users.

#### **Eligibility**

To the extent that capacity remains in the wastewater system and is available for growth, the original cost of the capacity (net of any outside funding or outstanding debt) can be collected in the reimbursement fee. For the wastewater system reimbursement fee cost basis, such capacity was measured for the individual treatment functions of the City's treatment facility as well as for the City's collection system as a whole.

The master plan provides capacity estimates for the treatment functions listed in **Exhibit 2.3** below. As shown, each function has a listed firm capacity, estimated current capacity, and 2040 capacity needs. Firm capacity and 2040 capacity estimates come directly from Table 1-4 of the master plan, whereas the current capacity need comes from estimates of the governing flow in 2024 using the population growth estimates describe above.

Where the current capacity need exceeds the firm capacity, no capacity is available for growth. Where the firm capacity surpasses the current capacity need, capacity available for growth exists. That capacity is calculated as the difference between the current capacity need and the 2040 capacity need. As shown, capacity available for growth exists for the Influent Screen, Influent Pump Station, Grit Removal/Classifier, Filtration, and UV Disinfection functions.

For collection assets and for other general facility assets, capacity is available for growth due to the general presence of capacity throughout the collection system, and is therefore assigned an eligibility equal to the growth share of 11.65 percent. Finally, for one project recently completed by the City, the estimated improvement fee eligibility of that project was used as the estimated capacity remaining for growth after a reduction to account for some growth that has occurred since it was completed.



		Firm Capacity C	Current Capacity	2040 Capacity	Capacity Available for	Capacity Available for
Treatment Category	Governing Flow	(MGD)	Need (MGD)	Need (MGD)	Growth (MGD)	Growth (%)
Influent Screen	PIF	10.20	8.53	9.18	0.65	6.33%
Influent Pump Station	PIF	9.30	8.53	9.18	0.65	6.94%
Grit Removal/Classifer	PIF	9.30	8.53	9.18	0.65	6.94%
SBR Basins	MMWWF	4.10	4.19	4.54	-	0.00%
Post-SBR Equalization	PDAF	7.20	7.32	7.82	-	0.00%
Filtration	PDAF	6.00	5.49	5.87	0.38	6.25%
UV Disinfection	PIF	10.20	8.53	9.18	0.65	6.33%
All Other Treatment	MMWWF	4.10	4.19	4.54	-	0.00%

#### Exhibit 2.3 – Available Wastewater Treatment Capacity

*Source:* Table 1-4 of the Wastewater Facilities Planning Study

#### Calculated Reimbursement Fee Cost Basis

The original cost of the City's fixed asset listing was sorted into the treatment and collection system categories as shown in **Exhibit 2.4** below. The outstanding principal of the City's related debt obligations was assigned to each category based on general assumptions of how the City's debt was used to finance the overall system. The Adjusted Original Cost column shown in **Exhibit 2.4** removes the outstanding principal to ensure that growth does not pay for the existing capacity twice; once in the SDCs, and again in the ongoing wastewater rates.

The next three columns describe the eligible cost and the allocations to either the Stayton-Sublimity area ("Shared Allocation") or to Stayton alone ("Stayton-Only" allocation). The capacities for growth are based on the discussions above. All the treatment assets were assigned the Shared Allocation. For the Collection System, only the Mill Creek Sewer, Mill Creek Lift Stations, and a small number of other sewer mains were assigned to the Stayton-Sublimity area, as those mains convey both cities' flows to the treatment facility. The General Plant allocation was based on the cost-weighted average of the other functions allocations. Finally, as shown, the total eligible reimbursable costs is \$913,839 for the Shared charge, and \$1,185,069 for the Stayton-Only charge.

				Capacity				
	Original Cost	Outstanding	Adjusted	Available for	Shared	Stayton-Only	Shared Eligible	Stayton-Only
	Estimates	Principal	Original Cost	Growth (%)	Allocation	Allocation	Costs	Eligible Costs
Treatment								
Influent Screen	\$ 220,555	\$ 112,670	\$ 107,885	6.33%	100.00%	0.00%	\$ 6,830	\$-
Influent Pump Station	172,169	87,952	84,217	6.94%	100.00%	0.00%	5,848	-
Grit Removal/Clarifier	-	-	-	6.94%	100.00%	0.00%	-	-
SBR Basins	1,166,695	596,001	570,694	0.00%	100.00%	0.00%	-	-
Post-SBR Equalization	130,526	66,679	63,847	0.00%	100.00%	0.00%	-	-
Filtration	-	-	-	6.25%	100.00%	0.00%	-	-
UV Disinfection	58,054	29,657	28,397	6.33%	100.00%	0.00%	1,798	-
All Other Treatment	13,512,493	6,902,800	6,609,692	0.00%	100.00%	0.00%	-	-
Treatment Total	\$ 15,260,492	\$ 7,795,758	\$ 7,464,733				\$ 14,476	\$-
Collection								
Sewer Main Infrastructure	\$ 7,461,948	\$ 467 <i>,</i> 497	\$ 6,994,451	11.65%	21.27%	78.73%	\$ 173,321	\$ 641,458
Infrastructure-Mill Creek Sewer	4,397,719	275,521	4,122,198	11.65%	100.00%	0.00%	480,192	-
Mill Creek Lift Station- # 3 (2016 Upgrades)	78,452	4,915	73,537	11.65%	100.00%	0.00%	8,566	-
Other Pumping	632,261	39,612	592,649	11.65%	0.00%	100.00%	-	69,037
Recent Ida Street Improvements	5,455,972	-	5,455,972	4.06%	0.00%	100.00%	-	221,465
All Other Collection	997,282	62,481	934,801	11.65%	0.00%	100.00%	-	108,894
Collection Total	\$ 19,023,634	\$ 850,025	\$ 18,173,609				\$ 662,080	\$ 1,040,855
General Plant	\$ 3,493,851	\$ 218,893	\$ 3,274,959	11.65%	62.20%	37.80%	\$ 237,283	\$ 144,214
System Total	\$ 37,777,977	\$ 8,864,676	\$28,913,301				\$ 913,839	\$ 1,185,069

#### Exhibit 2.4 – Reimbursement Fee Cost Basis

Source: Previous tables (available capacity); City staff (original cost and outstanding principal); FCS estimates (allocations between "Shared" and "Stayton-Only")



## Calculated Wastewater SDC

This section combines the eligible cost from the improvement and reimbursement fee cost bases. It also removes the outstanding improvement fee fund balance held by the City of Stayton to avoid double-charging for projects that were included on the City's original SDC list but not completed. It also includes a small cost basis of \$42,496 for the costs of calculating the SDC and administering the SDC program. The estimate was based on the cost of the SDC methodology is assumed to occur once every five years from 2024 through 2040. **Exhibit 2.5** below summarizes the wastewater SDC calculation.

	Shared SDC	St	ayton-Only SDC	Sta	yton Total SDC
Cost Basis					
Improvement Fee	\$ 3,386,486	\$	1,351,031		
Outstanding Improvement Fee Fund Balance	(363,459)		(145,001)		
Reimbursement Fee	913,839		1,185,069		
Compliance Fee	26,438		16,058		
Total	\$ 3,963,305	\$	2,407,156		
Growth in MCEs	628		443		
Improvement Fee per MCE	\$ 4,812	\$	2,723	\$	7,535
Reimbursement Fee per MCE	1,455		2,675		4,130
Compliance Fee per MCE	42		36		78
Calculated SDC per MCE	\$ 6,308	\$	5,434	\$	11,743

#### Exhibit 2.5 – Calculated Wastewater SDC

Source: Previous tables; FCS estimates (compliance fee); City staff (outstanding balance)

As shown above, the maximum allowable SDC for the shared treatment charge is \$6,308 per MCE (which is also the maximum that the City of Sublimity can charge for the treatment portion of its wastewater SDC). For the Stayton-Only charge, the maximum is \$5,434 per MCE. Therefore, in the City of Stayton, the maximum allowable wastewater SDC is \$11,743. The rate per MCE can be applied to the City of Stayton's different meter sizes using the schedule shown in **Exhibit 2.6** below. The City of Sublimity can use the "Shared SDC" column of **Exhibit 2.6** to charge the shared treatment SDC.

#### Exhibit 2.6 – Wastewater SDC Schedule

			Stayton-Only	Stayton Total
Meter Size	MCEs	Shared SDC	SDC	SDC
3/4"	1.00	\$ 6,308	\$ 5,434	\$ 11,743
1"	1.67	10,514	9,057	19,571
1 1/2"	3.33	21,028	18,115	39,143
2"	5.33	33,645	28,984	62,629
3"	10.67	67,290	57,967	125,257
4"	16.67	105,140	90,574	195,714
6"	33.33	210,280	181,148	391,428
8"	53.33	336,449	289 <i>,</i> 836	626,285



# **3 Implementation**

This section addresses practical aspects of implementing SDCs and provides comparisons to other jurisdictions.

## Setting the SDC

The calculations shown in the previous sections represent the maximum defensible SDCs. The City has the liberty to set the SDC for each service at any level up to the maximum defensible charge by resolution; so long as follows the procedures laid out in ORS 223.297 through ORS 223.316. The City may also decide to phase in either or both SDCs to the maximum or a lower target charge over a period of time.

## Indexing

ORS 223.304 allows for the periodic indexing of SDCs for inflation, as long as the index used is:

(A) A relevant measurement of the average change in prices or costs over an identified time period for materials, labor, real property or a combination of the three;

(B) Published by a recognized organization or agency that produces the index or data source for reasons that are independent of the system development charge methodology; and

(C) Incorporated as part of the established methodology or identified and adopted in a separate ordinance, resolution or order.

In accordance with Oregon statutes, we recommend that the City index its charges to the *Engineering News Record* Construction Cost Index for the 20-City Average and adjust its charges annually. This will help to mitigate – if not fully eliminate – the burdens of construction cost inflation. The March 2025 value of that index used to determine the construction costs was 13,789.28.

## Comparisons

**Exhibit 3.1** below shows a comparison of wastewater SDCs calculated for single-family homes for some relevant jurisdictions. As shown, if the City adopted the maximum defensible SDC, its charge would exceed those of the relevant comparison jurisdictions.

	Wastewater					
Stayton (Maximum)	\$	11,743				
Independence		10,422				
Silverton*		7,788				
Aumsville		7,577				
Sublimity		5 <i>,</i> 303				
Stayton (Current)		3,015				

#### Exhibit 3.1 – Wastewater SDC Comparisons

*Source:* FCS GROUP Survey, 4/2/2025 \*Assumes a 2,605 SF house

