

Overview

The Mt. Angel City Council identified a goal for FY 15-16 to create a citizen task force to analyze costs and revenue sources for maintaining city, and possibly county infrastructure, inside city limits. The Council appointed the following individuals to the Infrastructure Task Force:

- Al Fiedler
- Don Fleck
- David Hoffer
- Jim Kosel
- Don Robison
- Dale Walker
- Pete Wall

The Task Force selected Al Fiedler as its chairman. Midway through the process, Don Robison withdrew due to other obligations. The Task Force met five times between October 2015 and February 2016. City staff and Westech Engineering provided support.

The Task Force received the following information as background:

- The three-year financial projections for the Water, Sewer and Street Funds
- A comparison of utility rates in neighboring jurisdictions
- A list of the service enhancement packages for the Public Works Department
- Lists of infrastructure needs (water, wastewater, streets and stormwater) for the next 10 years
- A list of utilities within city limits under Marion County jurisdiction

The Task Force discussed each of the city's infrastructure systems: water, wastewater, streets and stormwater needs. The Task Force briefly discussed parks and city facilities (i.e. city hall) but is aware there are other processes in place to address these needs and issues. Therefore the Task Force did not make a recommendation regarding facilities and parks.

Operating Needs for Public Works

Staff briefed the Task Force on the operations, staffing levels, services and budget of the Public Works Department, including the service enhancement packages presented to the Budget Committee last year. Instead of the full packages presented to the Budget Committee last year (for Public Works, 3.5 FTE were proposed), staff presented more modest options to the Task Force:

Option 1:

Full-time Wastewater Operator (New position)	\$72,000/yr	(Wages and benefits)
PW Admin Support (extra 8 hours)	\$ 7,750/yr	(Wages only)

A second wastewater operator would provide additional support and back-up in wastewater operations, including weekend coverage. Currently, the existing wastewater operator checks the system on weekends which is generating significant overtime or compensatory

time for that individual. This is not only a financial obligation for the city, but causes this employee to work seven days per week (the weekend work is only for the 3 hour mandatory minimum.) This cost is expensed in the Sewer Fund, as would be the new position. The current operator is the only person on site at the plant and works alone quite frequently, creating potential safety issues. The cost for the operator would be offset by reductions in compensatory or overtime earned by the current wastewater operator.

Option 2:

Hire Fulltime Utility Worker I (New position)	\$63,000/yr	(Wages and benefits)
PW Admin Support (extra 8 hours)	\$ 7,750/yr	(Wages only)

A Utility Worker I position would provide additional support for all of the city's utilities, including helping to monitor (but not operate) the wastewater treatment plant. As envisioned, this position would be deployed fully or partially on weekends, providing some regular weekend coverage for public works operations. Therefore the cost would be split between the various utility funds (as would the administrative support position) using the following breakdown:

	<u>Split</u>	<u>UT 1</u>	<u>Admin</u>
Water Utility Fund	35%	\$22,050	\$2,700
Sewer Utility Fund	35%	\$22,050	\$2,700
Street Utility Fund	10%	\$ 6,300	\$ 400
General Fund (Parks/Admin)	20%	\$12,600	\$1,950

Source Capital Needs Identification and Summary

The task force spent most of its time discussing the capital needs of the city's infrastructure systems. These projects came from the following plans: Wastewater System Master Plan, 2013; Water System Master Plan, 2010; Transportation System Master Plan, 2003; Revised (1997 Adopted) and Stormwater System Master Plan, 2002.

The projects are shown in Attachment A to this report. In summary, the total system needs are, in current year financial estimates, broken down between SDC-eligible and non-SDC eligible (i.e. Reserve Fund) costs. The task force focused primarily on projects that are expected to be undertaken in the next 10 years:

	<u>SDC Funds</u>	<u>Reserves</u>	<u>Total</u>
Water System Projects	\$2,284,775	\$1,665,080	\$3,949,855
Wastewater System Projects	\$1,223,000	\$5,625,000	\$6,848,000
Street System Projects	\$8,391,700	\$3,335,000	\$11,726,700
Stormwater System Projects	\$1,883,080	\$0	\$1,883,080
Total (Years 1-10)	\$13,782,555	\$10,625,080	\$24,407,635

Mt. Angel Utility Rates: History and Rate Comparisons

The City of Mt. Angel imposes user charges to pay for the operations and capital needs of its water and sewer systems. The City’s current rate structure and rate history dating back to 1999/2000 are shown here:

Recent History of Water and Sewer Rate Changes - Residential				
1999/2000				% Change
Sewer	Base Rate	1 EDU	\$31.00	
Water	Base Rate	3/4 Meter	\$7.50	
	Usage	1 Unit (100 cu ft)	\$1.62	
2001				
Sewer	Base Rate	1 EDU	\$34.00	9%
Water	Base Rate	3/4 Meter	\$8.25	9%
	Usage	1 Unit (100 cu ft)	\$1.67	3%
2005				
Sewer	Base Rate	1 EDU	\$35.00	3%
Water	Base Rate	3/4 Meter	\$10.50	21%
	Usage	1 Unit (100 cu ft)	\$1.80	7%
2009				
Sewer	Base Rate	1 EDU	\$37.50	7%
Water	Base Rate	3/4 Meter	\$10.82	3%
	Usage	1 Unit (100 cu ft)	\$1.90	5%

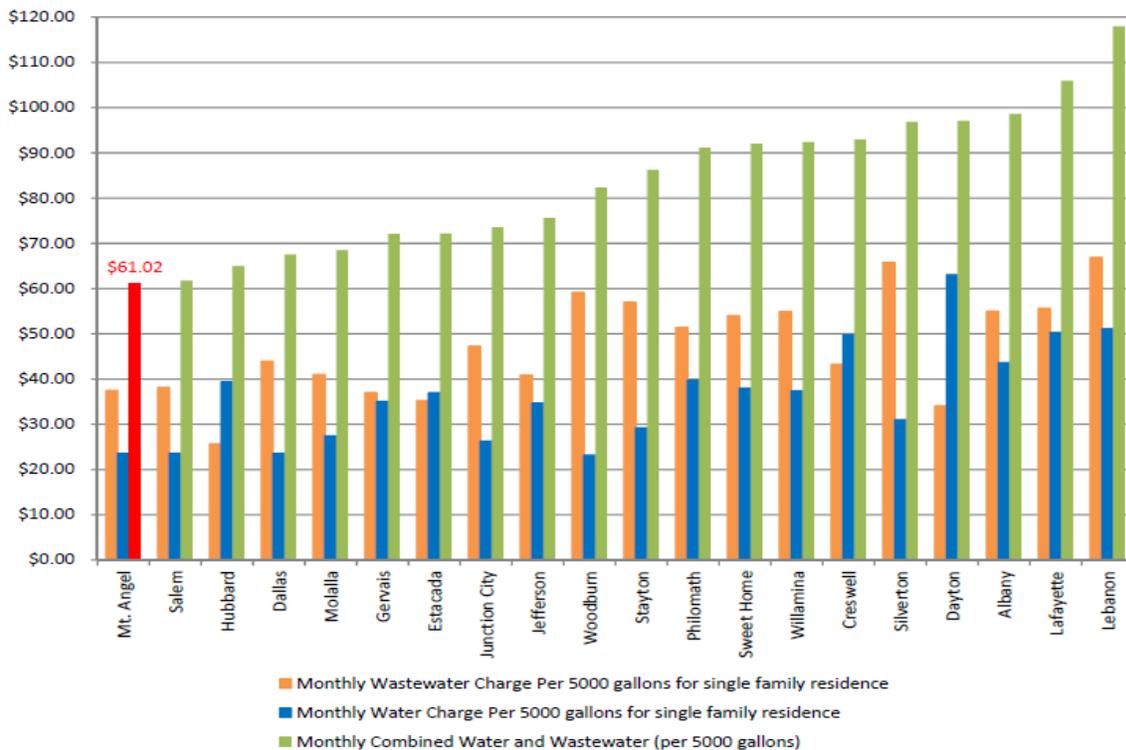
This chart suggests the City is overdue in looking at its utility rates. However, the Task Force is aware the City Council wanted to keep household expenses as low as possible due to the recession between 2008 and 2010. In fact, this was the case across many cities and many are working to catch up now.

The chart on the following page compares the City’s utility rates with other jurisdictions in the region and around the state. To make this comparison, Westech added Mt. Angel’s rate information into a database it keeps. To equalize the comparisons, the assumed monthly

water consumption rate is 5000 gallons of water. (The City of Mt. Angel bills on the basis of cubic feet.)

The chart shows that of the comparable cities, Mt. Angel's utility rates (water and sewer combined = \$61.02) are the lowest. The highest combined rate is the city of Lebanon where the monthly utility bill is just under \$120.00 per month. These are figures for a single family residence.

Comparable Utility Rates (Sorted by Sum of Water and Sewer Rates)



Financial Projections, Scenarios & Recommendations: Water and Sewer Funds

Next, the task force examined the three-year financial projections for the Water and Sewer funds, as shown in Attachment B. Staff presented the original projection (presented to the City Council in June, 2015) and several other scenarios designed to raise sufficient revenue to address the operations and capital needs *for at least the years of the projection*, and slightly beyond to the point where there is a growing fund balance to ensure the ability to make future contributions to reserves for projects beyond the projection period.

Five scenarios were presented for the Water Fund showing increases in revenues ranging from 7% to 20%, and based on the following assumptions about operating and capital needs (i.e. transfers to the utility reserve fund):

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Scenario #1W:	\$25,000 \$110,000 7%	\$25,000 \$0 5%	\$25,000 \$0 5%	Utility Worker 1 + Admin Transfer to Reserve Increase in Revenue
Scenario #2W:	\$25,000 \$110,000 10%	\$25,000 \$0 5%	\$25,000 \$0 5%	Utility Worker 1 + Admin Transfer to Reserve Increase in Revenue
Scenario #3W:	\$25,000 \$100,000 20%	\$25,000 \$100,000 7.5%	\$25,000 \$100,000 7.5%	Utility Worker 1 + Admin Transfer to Reserve Increase in Revenue
Scenario #4W:	\$25,000 \$110,000 15%	\$25,000 \$0 5%	\$25,000 \$0 5%	Utility Worker 1 + Admin Transfer to Reserve Increase in Revenue
Scenario #5W:	\$25,000 \$110,000 20%	\$25,000 \$100,000 15%	\$25,000 \$100,000 10%	Utility Worker 1 + Admin Transfer to Reserve Increase in Revenue

Two scenarios were presented for the Sewer Fund (one showing the Wastewater Operator position, one showing the Utility Worker I position) both of which showed a revenue increase of 10%.

Scenario #1S:	\$72,000 \$175,000 10%	\$72,000 \$175,000 5%	\$72,000 \$175,000 5%	WW Operator + Admin Transfer to Reserve Increase in Revenue
Scenario #2S:	\$25,000 \$175,000 10%	\$25,000 \$175,000 5%	\$25,000 \$175,000 5%	Utility Worker 1 + Admin Transfer to Reserve Increase in Revenue

Recommendations: The task force recommends the City Council adopt Scenario #4W for the Water Fund and Scenario #2S for the Sewer Fund. Both scenarios indicate a preference for adding the Utility Worker I position (plus the admin support) over the Wastewater Treatment Plant Operator position. Further, Scenario #4W is similar to Scenario #2W but infuses more revenue into the fund earlier. This creates the opportunity for building up transfers to the Water Utility Reserve sooner versus later.

Effect of Recommendations on Mt. Angel Utility Customers

The task force also considered the impact of its recommendations on city utility customers. This analysis involved staff extracting data from the City’s utility system database of various customer types in the system. Staff selected the following actual accounts to illustrate for demonstration purposes:

Current FY 16-17 FY 17-18 FY 18-19

Residential customer (3/4" meter) and typical (e.g. 6.5 units) water use, 1 ERU sewer:

Water (Base + Use)	\$23.15	\$26.62	\$27.95	\$29.35
Sewer	<u>\$37.50</u>	<u>\$41.25</u>	<u>\$43.31</u>	<u>\$45.48</u>
Combined	\$60.65	\$67.87	\$71.27	\$74.83

Residential customer (3/4" meter) and higher (e.g. 38.8 units) water use, 1 ERU sewer:

Water (Base + Use)	\$ 84.52	\$ 97.20	\$102.06	\$107.16
Sewer	<u>\$ 37.50</u>	<u>\$ 41.25</u>	<u>\$ 43.31</u>	<u>\$ 45.48</u>
Combined	\$122.02	\$138.45	\$145.37	\$152.64

Small commercial with 3/4" meter, water usage (e.g. 2.4 units) and 1 ERU sewer:

Water (Base + Use)	\$15.34	\$17.64	\$18.53	\$19.45
Sewer	<u>\$37.50</u>	<u>\$41.25</u>	<u>\$43.31</u>	<u>\$45.48</u>
Combined	\$52.84	\$58.89	\$61.84	\$64.93

Large commercial with 2" meter, water usage (e.g. 96.3 units) and 3 ERUs sewer:

Water (Base + Use)	\$268.92	\$309.26	\$324.72	\$340.96
Sewer	<u>\$112.50</u>	<u>\$123.75</u>	<u>\$129.94</u>	<u>\$136.43</u>
Combined	\$381.42	\$433.01	\$454.66	\$477.40

Industrial with 2" meter, water usage (e.g. 67.93 units) and 4 ERUs sewer:

Water (Base + Use)	\$215.08	\$247.34	\$259.71	\$272.69
Sewer	<u>\$150.00</u>	<u>\$172.50</u>	<u>\$181.13</u>	<u>\$190.18</u>
Combined	\$365.08	\$419.84	\$440.83	\$462.87

Institutional with 4" meter, water usage (e.g. 141.6 units) and 10 ERUs sewer:

Water (Base + Use)	\$ 641.81	\$ 738.08	\$ 774.98	\$ 813.73
Sewer	<u>\$ 375.00</u>	<u>\$ 412.50</u>	<u>\$ 433.13</u>	<u>\$ 454.78</u>
Combined	\$1,016.81	\$1,150.58	\$1,208.10	\$1,268.51

Comparison with Comparator Cities

In addition, staff compared the new rates with the comparator cities. Again, to make the comparison similar, the assumed water consumption is 5000 gallons per month. The task force recommendation would increase the combined rate for Mt. Angel from \$61.02 to \$77.37 by FY 18-19. This would put Mt. Angel's combined utility rate, *in three years*, in the middle of the list of current rates, somewhere between where the cities of Jefferson and Woodburn *are currently*. Again, many cities are also updating their utility rates. Therefore,

it's possible that by FY 18-19, the City of Mt. Angel could be on the low end of the scale once again.

Street and Stormwater Capital Needs & Recommendations

The task force reviewed the financial projection for the Street Fund (there is no projection for the new Stormwater Fund) but treated these two utilities differently. At a glance, the projection for the Street Fund would indicate the fund is healthy with a comfortable margin between Contingency and Fund Balance. However, there are *no contributions* to the Street Utility Reserve assumed in the projection. In other words, no transfers are made.

The task force reviewed the list of street projects presented by staff. The projects come from the 2003 Transportation System Plan, the 2015 Transportation SDC update, and an estimate of street overlay and reconstruction needs prepared by Public Works and Westech. The combined list includes:

	<u>SDC Fund</u>	<u>Reserve</u>	<u>Total</u>
Street Overlays & Reconstructs	\$0	\$2,795,000	\$2,795,000
Reconstructions (SDC eligible)	\$2,242,900	\$0	\$2,242,900
New Construction	\$5,662,500	\$540,000	\$6,202,500
Bike and Ped Projects	\$486,300	\$0	\$486,300
Total (Years 1-10)	\$8,391,700	\$3,335,000	\$11,726,700

The task force also received a list of streets where crack sealing is recommended. Crack sealing is an operational expense and therefore budgeted in the Street Fund (versus the Street Reserve Fund.) Given the extent of the list, the Public Works Superintendent recommends increasing the appropriation for crack sealing by \$5,000 in FY 16-17, for a total of \$10,000. It is well documented that preventative maintenance, such as crack sealing, is a cost-effective means of extending street life. Mt. Angel has several streets that are relatively new (e.g. Maple, St. Mary's Circle, Lynden Ln., Willow Ct.) The useful life of these streets would benefit greatly from preventative maintenance applications such as crack sealing.

Regarding the city's stormwater needs, the list of projects is shorter and the total cost is less than the other infrastructure systems. Unfortunately, there has been very little investment made in stormwater projects in the past.

	<u>SDC Fund</u>	<u>Reserve</u>	<u>Total</u>
Stormwater Improvements	\$1,883,080	\$0	\$1,883,080

The task force discussed the list of improvements and staff recommended that one project, a 48 inch pipe in the vicinity of Academy St. and Wilco Hwy, would most effectively address the city's stormwater needs in the short term. This project is estimated at \$881,900 and is

100% SDC eligible. Unfortunately, the fund balance in the Stormwater SDC Fund is so low (\$20,000) that it will take several years to amass the funds to pay for this project.

Recommendations: The City has extensive street and stormwater needs, with limited funding to pay for them. The primary revenue source in the Street Fund is the state highway gas tax. The fund also receives contributions from the Water and Sewer funds. Mt. Angel does not have a local funding source such as a local gas tax or street maintenance fee, as other Oregon communities have enacted or are considering. Likewise, the City has a Stormwater SDC which pays for new capital projects that increase the city's stormwater system capacity, but there is no dedicated revenue source to pay for maintenance. This is an additional burden on the Street Fund.

As a result, staff suggested the task force consider ways to 'lighten the load' on the Street Fund in order to: 1) increase the crack sealing budget, 2) off-load the stormwater maintenance program, and 3) improve the ability to make transfers to the Street Reserve Fund for future capital projects. To do this, the task force discussed the existing obligations of the Street Fund (e.g. street maintenance, stormwater maintenance, street lighting, street tree maintenance, sidewalk maintenance) and considered which program(s) might be conducive to a dedicated fee that would be understandable to the general public, perceived as equitable, and therefore potentially acceptable.

The task force recommends the following new fees be imposed:

Street Lighting Fee:	\$3 flat fee, per utility account
Stormwater Maintenance Fee:	\$2 per ERU

The street lighting fee would be used to offset what the City of Mt. Angel pays to PGE for street lights. A flat fee was recommended (rather than developing a methodology based on number of street poles) on the basis that there is equal enjoyment of a city that is lit at night. Alternatively, the task force recommended a stormwater maintenance fee based on equivalent residential units (ERUs) on the basis that those with more than one ERU likely have more impervious surface (and therefore more stormwater run-off.)

The amount of these fees was based on a survey of some of the comparator cities. The survey identified what types of stormwater or street fees are in place and methodologies might be in use. This summary is included as Attachment C. The task force opted for a simplified approach in introducing such new fees to the community.

Combined Effect of Recommendations on Mt. Angel Utility Customers

The task force was satisfied to conclude its meetings without looking at the combined effects of its recommendations on city utility customers. This is because the task force felt it would not change the nature of its recommendations. However, the task force is aware of this information now, having reviewed a preliminary draft of this report.

Again, the examples below represent actual utility accounts in the system:

Current FY 16-17

Residential customer (3/4" meter) and typical (e.g. 6.5 units) water use, 1 ERU sewer:

Water (Base + Use)	\$23.15	\$26.62
Sewer	\$37.50	\$41.25
Street Light Fee		\$3.00
Stormwater Fee		<u>\$2.00</u>
Combined	<u>\$ 60.65</u>	<u>\$ 72.87</u>

Industrial with 2" meter, water usage (e.g. 67.93 units) and 4 ERUs sewer:

Water (Base + Use)	\$ 215.08	\$ 247.34
Sewer	\$ 150.00	\$ 172.50
Street Light Fee		\$3.00
Stormwater Fee		<u>\$8.00</u>
Combined	<u>\$ 365.08</u>	<u>\$ 430.84</u>

Institutional with 4" meter, water usage (e.g. 141.6 units) and 10 ERUs sewer:

Water (Base + Use)	\$ 641.81	\$ 738.08
Sewer	\$ 375.00	\$ 412.50
Street Light Fee		\$3.00
Stormwater Fee		<u>\$20.00</u>
Combined	<u>\$1,016.81</u>	<u>\$1,173.58</u>

County Infrastructure and Recommendation

Lastly, the task force considered the City Council’s request to also look at infrastructure under the jurisdiction of Marion County but which is inside Mt. Angel’s city limits. The purpose of this request was to attempt to reduce the amount of jurisdictional conflicts, especially in relation to the development process. This list is included in Attachment D.

The task force asked for staff’s recommendation about the list and the PW Superintendent stated he would be comfortable taking on anything on E. Marquam, but not Academy St. or W. Marquam because these are incomplete or unimproved systems. East Marquam is 3,410 linear feet of paved street and hard line stormwater improvements with a total estimated value of \$1,705,000. Therefore, staff would be amenable to opening discussions with Marion County about taking over maintenance responsibility for this stretch of Marquam St.

Attachments:

- A – Capital Project Needs for Water, Sewer, Streets and Stormwater
- B – Water and Sewer Projections and Scenarios
- C – Stormwater and Street Fees Survey
- D – County Infrastructure Inside City Limits