

AGENDA

CITIZENS UTILITY ADVISORY BOARD

Wednesday, November 5, 2008
6:00 p.m.

JOHNSON CREEK FACILITY CONFERENCE ROOM
6101 SE JOHNSON CREEK BLVD.

- | | | |
|-------|---|--|
| I. | CALL TO ORDER | CUAB Chair |
| II. | INTRODUCTIONS | CUAB Chair |
| III. | CONSENT AGENDA | CUAB Board |
| | A. October 1, 2008 Minutes | |
| IV. | REPORTS | |
| | A. Wastewater Master Plan: Financial Analysis | Jason Rice
John Ghillarduci
Michael Dean |
| V. | DISCUSSION—None. | |
| VI. | MATTERS FROM THE BOARD | CUAB Members |
| VII. | OTHER | |
| VIII. | INFORMATION SHARING | ALL |
| IX. | FUTURE MEETING DATE/AGENDA ITEMS | ALL |
| X. | ADJOURN | |

CUAB MEETING MINUTES
Wednesday, October 1, 2008
Johnson Creek Facility Conference Room
6101 SE Johnson Creek Blvd.

Members Present

Charles Bird, Chair (by phone)
Bob Hatz, Vice Chair
Mike Scolar
Beth Kelland

Staff Present

Gary Parkin, Engineering Director
Jason Rice, Associate Engineer

I. CALL TO ORDER

Vice Chair Hatz called the meeting to order at 6:05 p.m.

II. INTRODUCTIONS

III. CONSENT AGENDA

August 12, 2008, Minutes were approved.

IV. REPORTS

A. Wastewater Master Plan

Jason reviewed WWMP efforts to date. The focus was on the Capital Maintenance Plan, which is detailed out to 5 years with specific areas of concern from the operational standpoint.

The Capital Improvement Plan was discussed although the current draft does not include the projects. The replacement of high-volume siphon lines under Kellogg and Johnson creeks were discussed.

The chapter on treatment, namely how to address the City's desire to decommission the Kellogg plant, was discussed. The board agreed that the master plan should present the technical information related to the plant, such as the cost to relocate treatment, pumping, and decommissioning. The plan is to assemble the information mainly from the many reports and studies that have already been done.

V. DISCUSSION

A. CIP projects

Gary reviewed the utility work anticipated in next year's Capital Improvement Plan. Wastewater will primarily focus on maintenance projects from the upcoming master plan. Stormwater will focus on completing the decant facility. Streets will focus on projects within the Street Surface Maintenance Program and the continuation of the Lake Road multimodal project. Water will continue to focus on replacement of the undersized and old mains identified in the master plan and the updating of the master plan (delayed until mapping is completed next summer).

VI. MATTERS FROM THE BOARD

Charles noted that he would be back in town for next month's meeting.

VII. OTHER—None.

VIII. INFORMATION SHARING

Bob asked about the status of the Elk Rock controlled burn. Charles said that it would be delayed until next year (weather issues).

IX. FUTURE MEETING DATE/AGENDA ITEMS

November 5 is the date for the regularly scheduled meeting. Gary said that the date might need to be moved to accommodate his schedule and/or the master plan progress. Notice will be provided as the date nears.

- Review the CUAB work plan (bulleted list)
- Financial information, especially the wastewater reserve balance

X. ADJOURN

The meeting adjourned at 7:55 p.m.

Charles Bird, Chair

Gary Parkin, Scribe

Wastewater Utility

Rates and Financial Condition

Prepared for the
City of Milwaukie

by FCS GROUP
John Ghilarducci, Principal

CUAB Meeting ▪ November 5, 2008

Study Goal

Assess the current financial condition of the wastewater utility and the appropriateness of rate and SDC levels.



Agenda

1. Sewer Utility Background
2. Key Assumptions
3. Utility Rate Projections
4. SDC Calculation



Wastewater Funds

Fund	Resources	Obligations
540 Operating Fund	<ul style="list-style-type: none"> • Wastewater rate revenues • Miscellaneous fees • Interest 	<ul style="list-style-type: none"> • Operating expenses • Transfers to 550 • Minimum fund balance (45 days)
550 Capital Fund	<ul style="list-style-type: none"> • Transfers from 540 • Interest 	<ul style="list-style-type: none"> • Capital projects • Policy obligations as defined by Council • Reserve for Future Projects
545 SDC Fund	<ul style="list-style-type: none"> • System development charges • Interest 	<ul style="list-style-type: none"> • SDC-eligible capital projects



Key Assumptions

- Fund 540 Recommendation: 45 days of working capital (equals 12% of annual operating expenses)
- Capital Funding: Pay-as-you-go
- Replacement Funding: Depreciation transfers (to Fund 550) are not currently occurring
- Forecasted WES Treatment Costs: \$18 per EDU in FY2009, \$20 per EDU in FY2010, and \$22 per EDU in FY2011; escalated thereafter with inflation plus customer growth (3.16%)
 - 7,447 EDUs served in FY 2009
- FY2009 WES Adjustment: To be funded from Capital Reserve Fund



Utility Rate Projections

- Wastewater rate increase of 28.6% is required to meet minimum annual obligations for FY 2010:
 - Operating expenses
 - WES treatment increase from \$18 per EDU in FY2009 to \$20
- Rate increase of 6.5% for FY2011 is required to fund WES increase from \$20 per EDU to \$22
- Capital Fund and SDC Fund balances are sufficient to fund planned capital projects through 2015
- Additional revenue may be needed to address Kellogg decommissioning issue



Revenue Requirements Summary

Revenue Requirements	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues								
Rate Revenues Under Existing Rates	\$ 3,230,522	\$ 3,327,438	\$ 3,332,446	\$ 3,337,462	\$ 3,342,485	\$ 3,347,516	\$ 3,352,555	\$ 3,357,601
Non-Rate Revenues	9,864	17,770	8,537	12,744	13,708	14,134	17,488	18,034
Total Revenues	\$ 3,240,386	\$ 3,345,208	\$ 3,340,983	\$ 3,350,206	\$ 3,356,193	\$ 3,361,650	\$ 3,370,043	\$ 3,375,635
Expenses								
Cash O&M Expenses	\$ 1,587,874	\$ 1,916,033	\$ 2,049,857	\$ 2,132,095	\$ 2,203,584	\$ 2,279,719	\$ 2,358,379	\$ 2,440,171
Treatment Expense	* \$ 1,200,000	\$ 1,200,000	\$ 2,161,095	\$ 2,414,203	\$ 2,490,372	\$ 2,568,944	\$ 2,649,995	\$ 2,733,603
Existing Debt Service	-	-	-	-	-	-	-	-
Rate Funded System Reinvestment	-	-	-	-	-	-	-	-
Rate Funded CIP	-	-	-	-	-	-	-	-
Total Expenses	\$ 2,787,874	\$ 3,116,033	\$ 4,210,952	\$ 4,546,298	\$ 4,693,956	\$ 4,848,662	\$ 5,008,373	\$ 5,173,774
Annual Rate Adjustment	0.00%	0.00%	28.59%	6.53%	2.58%	3.14%	3.08%	3.15%
Rate Revenues After Rate Increase	\$ 3,230,522	\$ 3,327,438	\$ 4,285,322	\$ 4,572,119	\$ 4,697,267	\$ 4,852,124	\$ 5,009,077	\$ 5,174,549
Net Cash Flow After Rate Increase	452,512	229,175	82,906	38,565	17,020	17,596	18,192	18,810

* Additional payments to WES made from capital fund in FY 2008 and FY 2009



Capital Activity / Fund Balance

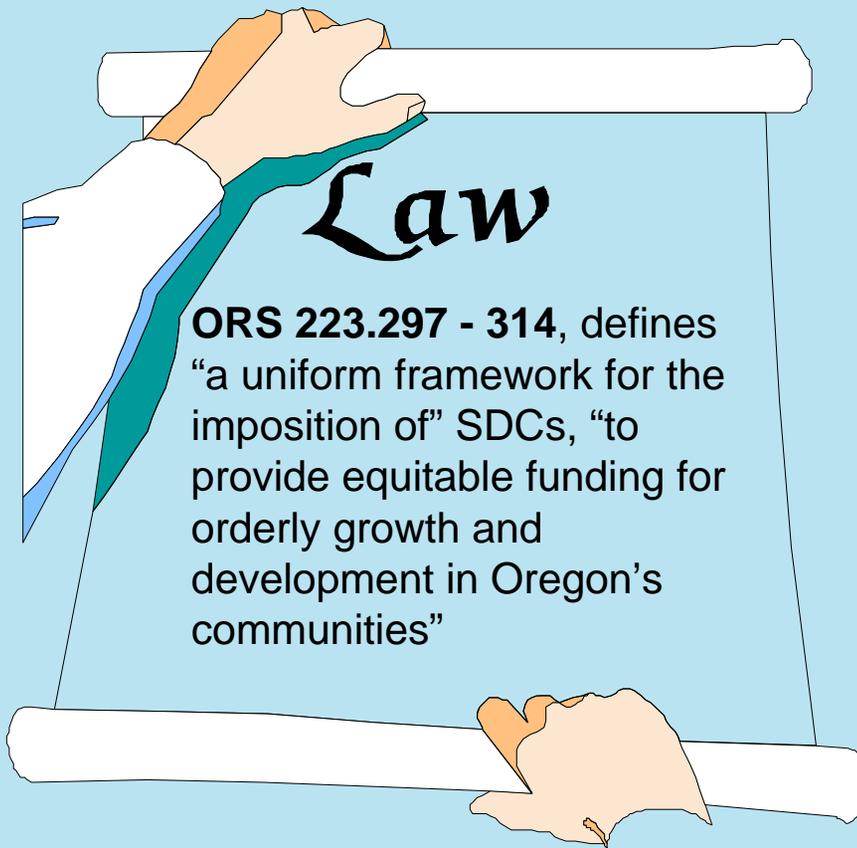
Capital Funding	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Total Capital Projects		\$ 1,062,249	\$ 374,776	\$ 598,029	\$ 238,239	\$ 164,130	\$ 201,014	\$ 351,775
Grants and Developer Donations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SDC - Improvement Fund Contributions	28,135	107,210	491,991	16,898	-	-	-	19,561
SDC - Reimbursement Fund Contributions	501,652	14,380	4,641	4,453	4,456	4,462	4,469	4,469
Use of Capital Fund Balance	532,462	253,186	101,397	216,889	159,674	196,552	327,745	
Direct Rate Funding	-	-	-	-	-	-	-	-
Total Funding Sources		\$ 1,062,249	\$ 374,776	\$ 598,029	\$ 238,239	\$ 164,130	\$ 201,014	\$ 351,775

Ending Fund Balances	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Capital Fund	\$ 1,489,867	\$ 1,159,955	\$ 929,968	\$ 851,820	\$ 656,226	\$ 512,958	\$ 331,795	\$ 14,003
SDC -- Improvement Fee Fund	831,514	857,380	774,995	310,068	308,623	324,051	341,496	339,915
SDC -- Reimbursement Fee Fund	480,369	9,944	199	4	0	0	0	0
Total	\$ 2,801,749	\$ 2,027,280	\$ 1,705,162	\$ 1,161,892	\$ 964,849	\$ 837,009	\$ 673,290	\$ 353,918
<i>Reserved Portion of Capital Fund</i>	\$ 1,121,111	\$ 428,611	\$ 437,184	\$ 445,927	\$ 454,846	\$ 463,943	\$ 473,222	\$ 482,686

Capital Reserve Balance for Kellogg Creek was projected to increase from \$450,000 to \$2,250,000 in FY2010, and then \$4.5 million in FY2012.



SDC Background



Key Characteristics

1. SDCs are one-time charges, not ongoing rates.
2. SDCs are for capital only, in both their calculation and in their use.
3. Properties which are already developed do not pay SDCs unless they “redevelop”.
4. SDCs include both future and existing cost components.
5. SDCs are for general facilities, not “local” facilities.

Key Study Objectives / Modifications

Objectives

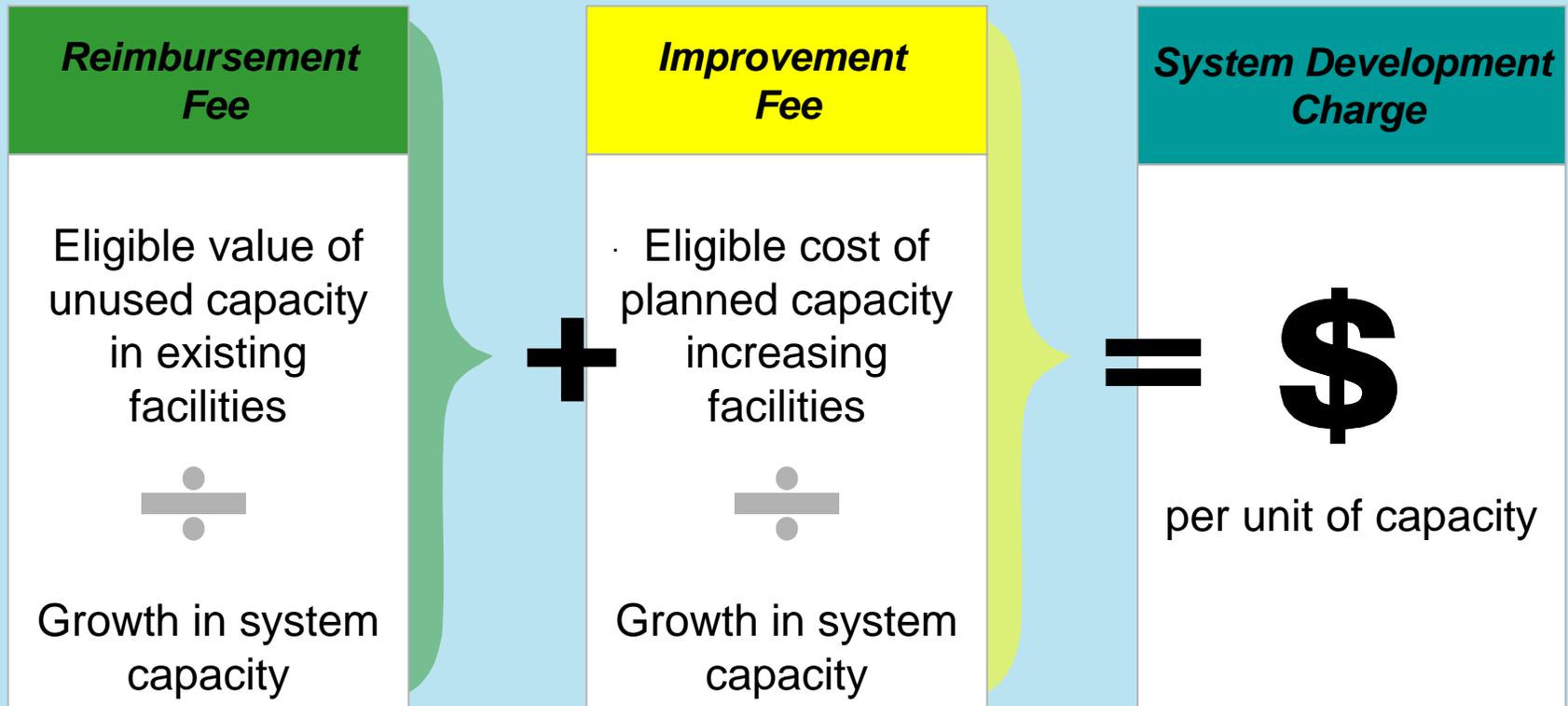
- Update charges with current cost information
- Identify growth-related facilities and allocate costs to the SDC basis project by project
- Consider alternative charge bases

Modifications

- Latest capital plans used to make project list
- Dual Interest Area A included in analysis
- Alternative charges calculated



The SDC Calculation



Fee Calculation

Capacity Analysis		Equivalent Dwelling Units	Meter Equivalents	Fixture Units
Existing Demand		7,436	8,999	148,533
Projected Growth		822	995	16,421
Projected Demand		8,258	9,993	164,954
Reimbursement Fee Calculation				
Allocable Unused Capacity Cost	\$ 391,222			
Reimbursement Fee		\$ 476	\$ 393	\$ 23.82
Improvement Fee Calculation				
Capacity Increasing Project Costs	\$ 483,844			
Improvement Fee		\$ 589	\$ 486	\$ 29.46



System Development Charge

System Development Charge	Equivalent Dwelling Units	Meter Equivalents	Fixture Units
Reimbursement Fee	\$ 476	\$ 393	\$ 23.82
Improvement Fee	589	486	\$ 29.46
Subtotal	\$ 1,065	\$ 879	\$ 53.29
plus: Administrative Cost Recovery	1.16%	\$ 10.18	\$ 0.62
Total SDC	\$ 1,077 per EDU	\$ 889 per ME	\$ 53.91 per Fixture Unit

Existing Charge is \$893 per EDU



Alternative Bases of Charging

Alternative 2. Meter-Based SDC

Meter Size	Meter Flow Factor	SDC
3/4"	1.0	\$ 889
1"	2.5	\$ 2,223
1.5"	5	\$ 4,446
2"	8	\$ 7,113
3"	16	\$ 14,227
4"	25	\$ 22,230
6"	50	\$ 44,459
8"	53.33	\$ 47,420

Alternative 3. Fixture Unit-Based SDC

\$ 53.91 per Fixture Unit, calculated as shown

Fixture	Fixture Units
Bar Sink	1.0
Bathtub	4.0
Bath/Shower combo	4.0
Bidet	1.0
Clothes washer, domestic	4.0
Dishwasher, domestic	1.5
Kitchen sink, domestic	1.5
Laundry sink	1.5
Lavatory	1.0
Shower	2.0
Water closet - 1.6 gpf gravity tank	2.5
Hose Bibb - first	2.5
Hose Bibb - each additional	1.0



Reimbursement Fee Cost Basis

	Original Cost	Unused Capacity	Allocable Cost
Mains (1)	\$ 6,183,502	10%	\$ 615,572
Lava Drive Booster - Pump Station Project (2)	272,331	10%	27,111
2001-2002 Sewer Replacement - Sewer Line (2)	88,635	10%	8,824
Eton Lane Sewer Replacement - Main Extension (2)	164,182	10%	16,344
Hill Street Sewer - Sewer Main Extension (2)	87,035	10%	8,664
Minthorne Replacement - Main Relocation (2)	190,402	10%	18,955
Subtotal	\$ 6,986,088	10%	\$ 695,470
less: Net Utility Debt Principal Outstanding	\$ -	0%	\$ -
less: Contributions in aid of Construction (3)	3,056,208	10%	304,248
Subtotal	\$ 3,056,208	10%	\$ 304,248
 Allocable Unused Capacity			 \$ 391,222

NOTES:

- (1) Source: 2003 Wastewater Rate Study. System assets.
- (2) Report of capital project costs completed after assets reported in 2003.
- (3) Contributions in aid of construction (CIAC) as reported in FY2003.
- (4) Based on proportionate share of customer base at end of period.



Improvement Fee Cost Basis

	Cost	Capacity Increasing	Allocable Cost
Capital Improvement Plan	\$ 9,692,799	13%	\$ 1,284,022
plus: SDC Credits Outstanding			\$ -
less: Wastewater SDC Fund Balance			800,178
Subtotal			\$ (800,178)
Allocable Capacity Increasing Cost			\$ 483,844



Capital Improvement Plan

Project Description	Project Year	FY2008 Cost Estimate	% Allocated to Growth	SDC Eligible Cost
Capital Maintenance Program (CMP)	FY 2009-2033	\$ 5,753,800	0%	\$ 0
Capital Improvement Program (CIP)				
Main Street Main	FY 2009	\$ 180,000	14%	\$ 25,023
Main Street Main	FY 2010	\$ 160,000	14%	\$ 22,243
18th Ave Wastewater Rehabilitation	FY 2009	\$ 170,000	0%	\$ 0
Wastewater Master Plan (majority rate-funded)	FY 2009	\$ 12,750	14%	\$ 1,772
Wastewater Master Plan (majority rate-funded)	FY 2009	\$ 62,250	0%	\$ 0
Wastewater Master Plan	FY 2015	\$ 100,000	14%	\$ 13,902
Wastewater Master Plan	FY 2021	\$ 100,000	14%	\$ 13,902
Wastewater Master Plan	FY 2027	\$ 100,000	14%	\$ 13,902
Wastewater Master Plan	FY 2031	\$ 100,000	14%	\$ 13,902
Johnson Creek PS	FY 2010	\$ 75,000	100%	\$ 75,000
Johnson Creek PS	FY 2011	\$ 425,000	100%	\$ 425,000
Brookside Ave. Wastewater Rehabilitation	FY 2009	\$ 240,000	0%	\$ 0
Decant Facility	FY 2009	\$ 16,666	0%	\$ 0
Decant Facility	FY 2010	\$ 13,333	0%	\$ 0
Dual Interest Area sewer design	FY 2009	\$ 84,000	0%	\$ 0
Filbert Street Main (repair sag)	FY 2012	\$ 100,000	14%	\$ 13,902
42nd Ave force main extension to 32nd Ave	FY 2016	\$ 450,000	100%	\$ 450,000
Jefferson St siphon (add 21" line)	FY 2017	\$ 750,000	14%	\$ 104,263
Johnson Creek siphon (lower the last creek crossing)	FY 2021	\$ 800,000	14%	\$ 111,213

Total **\$ 9,692,799** **13%** **\$ 1,284,022**

