

Stormwater/Wastewater Project Advisory Committee

February 13, 2024



Agenda

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|--------------------------------|----------------|---------------------|
| ▶ Introductions | Leland Koester | 12:00 PM –12:05 PM |
| ▶ Overview/Agenda | Chip Ullstad | 12:05 PM – 12:10 PM |
| ▶ GIS Methodology/Update | Chip Ullstad | 12:10 PM – 12:20 PM |
| ▶ Updated Revenue Requirements | James Lofton | 12:20 PM - 12:30 PM |
| ▶ Rate Phasing/Comparison | Deb Galardi | 12:30 PM – 12:40 PM |
| ▶ Questions, December's mtg. | All | 12:40 PM – 12:55 PM |
| ▶ Policy Questions | Committee | 12:55 PM – 2:55 PM |
| ▶ Schedule review/Next Steps | Chip Ullstad | 2:55 PM – 3:00 PM |

Overview

WHERE WE'VE BEEN

- ▶ Meeting No. 1, October 16, 2023
 - ▶ PAC role and timeline
 - ▶ Stormwater principles
 - ▶ Infrastructure challenges
 - ▶ Regulatory requirements
 - ▶ Current funding
 - ▶ Stormwater utility concepts
- ▶ Meeting No. 2, December 5, 2023
 - ▶ GIS process and basis for ERU
 - ▶ Upcoming policy issues
 - ▶ Rate structure
 - ▶ Sample rates

WHERE WE'RE GOING

- ▶ Meeting No. 3, February 13, 2024
 - ▶ Policy/Recommendations
- ▶ Meeting No. 4, March 13, 2024 (if needed)
 - ▶ Policy/Recommendations
- ▶ City Council work session, April 17, 2024



Data Correction

- ▶ **Foundation of Stormwater Utility**
 - ▶ **Mean ERU impervious area**
 - ▶ Preliminary estimate, 3,512 sf
 - ▶ Revised estimate, 3,499 sf
 - ▶ Consequence, no change as rounded to 3,500 sf
 - ▶ **Total number of ERUs in service area**
 - ▶ Mistakenly used UGB instead of City Limits
 - ▶ Preliminary estimate, 28,059 ERUs
 - ▶ Revised estimate, 24,240 ERUs
 - ▶ Consequence, higher rate/ERU (\$12.50 to \$14.50, +16%)



GIS Update

Data	Preliminary	Updated
Interim revenue requirement	\$4,000,000	\$4,000,000
Median SFR impervious area	3,512 sf	3,499 sf
Total ERUs	28,059	24,240
Total ERUs less 5% contingency	26,656	23,028
Rounded SFR rate/month	\$12.50	\$14.50
Policy choice, don't include city & MWL ERUs¹	0	(1,336)
Billable ERUs	26,656	21,692
Rounded SFR rate/month	\$12.50	\$15.35
Policy choice, 35% discount for self-contained and permitted stormwater systems	0	361
Rounded SFR rate/month ²	\$12.50	\$15.65

¹Total ERUs (1,406) X 0.95 (since contingency already excludes 0.05 of these ERUs.

²Single family residential = SFR

Optional revenue targets/level of service

▶ Minimum level of service

- ▶ Annual revenue = \$2.4 M
 - ▶ High priority repairs only
 - ▶ Limited capital
 - ▶ No preventative maintenance program
 - ▶ Delayed franchise fee (?)

▶ Interim level of service

- ▶ Annual revenue = \$4.0 M
 - ▶ Stormwater Master Plan Update
 - ▶ Begin high priority capital projects
 - ▶ Repayment of Wastewater Fund for Stormwater Utility Development
 - ▶ Full participation in administrative/transfer revenue

▶ Fully funded level of Service

- ▶ Revenue requirements = \$ TBD
 - ▶ Completion of Stormwater Master Plan update
 - ▶ Development of financial plan
 - ▶ Development of user fees based on capital projects and timing



Optional revenue targets/level of service

Operating costs	Current	Minimum Service Level	Interim Service Level
Stormwater collections			
Estimated current stormwater collection system maintenance ¹	\$ 62,315	\$ 62,315	\$ -
2 new FTEs (\$127K/FTE including benefits)	\$ -		\$ 254,000
+ Cleaning/hydro excavation truck ²	\$ -		\$ 60,000
Supervision (\$173K including benefits)	\$ -	\$ 43,250	\$ 173,000
+ Utility truck ³	\$ -	\$ -	\$ 8,000
+ Allowance for annual equipment maintenance	\$ -	\$ -	\$ 20,000
Sub-total, Stormwater Collections	\$ 62,315	\$ 105,565	\$ 515,000
PW-Operations			
Leaf program (\$70K/FTE +OEB@ 50%)	\$ 50,000	\$ 50,000	\$ 75,000
Reactive repairs and maintenance costs	\$ 5,000	\$ 5,000	\$ 50,000
Roadside swale maintenance	\$ 70,000	\$ 70,000	\$ 120,000
Detention pond maintenance	\$ 5,000	\$ 5,000	\$ 30,000
Storm/High Water Response	\$ 10,000	\$ 10,000	\$ 20,000
Annual street cleaning contractual service ⁴	\$ 300,000	\$ 300,000	\$ 400,000
Sub-total, Operations	\$ 440,000	\$ 440,000	\$ 695,000
Engineering			
Current personal services, 0.5 FTE (\$90K/FTE +OEB @ 50% OEB)	\$ 68,000	\$ 68,000	\$ 70,000
+1.5 FTE (\$90K/FTE +OEB @ 50%) ⁵	\$ -	\$ -	\$ 200,000
Repayment to Sewer Fund for seed money ⁶	\$ -	\$ 50,000	\$ 50,000
+ PSA (25% of Capital)	\$ 50,000	\$ 1,000,000	\$ 375,000
Sub-total, Engineering	\$ 118,000	\$ 1,118,000	\$ 695,000
Administrative			
MWL billing cost		\$ 150,000	\$ 150,000
Internal transfer for support services ⁷		\$ 50,000	\$ 170,000
Franchise fee @ 6% (based on annual revenue)		\$ -	\$ 240,000
Sub-total, Administrative	\$ -	\$ 200,000	\$ 560,000
Total Operating	\$ 620,315	\$ 1,863,565	\$ 2,465,000
Capital costs			
Estimated capital ⁸	\$ -	\$ 500,000	\$ 1,500,000
Total Capital	\$ -	\$ 500,000	\$ 1,500,000
TOTAL ESTIMATED ANNUAL EXPENSES	\$ 620,315	\$ 2,363,565	\$ 3,965,000
ROUNDED, TOTAL ESTIMATED ANNUAL EXPENSES	\$ 600,000	\$ 2,400,000	\$ 4,000,000

Questions from December 5, 2023, Meeting

Equivalent Residential Unit (ERU) impervious area seems too large

- ▶ *GIS consultant and city GIS staff reviewed sample median residential impervious areas and confirmed that 3,500 sf is representative, with nominal difference (3,512 sf - 3,499 sf). Median ERU values were recalculated to reflect only parcels in city limits.*



Questions from December 5, 2023, Meeting

How will the city manage the initial revenue shortfall?

- ▶ *The utility will be self-funded to the greatest extent practical. Expenses will be managed consistent with incoming revenue stream*
- ▶ *During the transition Wastewater and Street Funds will continue to fill in the gap to meet essential needs.*



Questions from December 5, 2023, Meeting

Prepare a listing of short-term capital projects (replacements/repairs)

▶ **High priority capital projects**

- ▶ *Address 48" failing storm sewer/emergency sanitary sewer overflow adjacent to the existing wetlands north of Joe Dancer Park*
- ▶ *Address aging and undercapacity storm system elements tributary to and downstream of 13th and Galloway causing localized flooding and on-going emergency response*
- ▶ *Replacement of failed storm sewers in downtown along 3rd Street*

▶ **High priority system repairs**

- ▶ *Replace a section of failed storm drain between NW 11th and Elm. Broken joints and substantial root intrusion compromise the storm drain's capacity and has resulted in localized flooding.*
- ▶ *Replace 60' of storm drain tributary to the north branch of Cozine Creek. Heavy root intrusion and offset joints compromise the storm drain's capacity.*
- ▶ *Replace catch basin at NE 14th and McDonald. Broken joints have caused a sink hole.*
- ▶ *Replace catch basin at NE 14th and Johnson. Broken joints have caused a sink hole.*
- ▶ *Replace/repair catch basin at NW 12th and Irvine. Defects and failure of the catch basin walls has caused a sink hole.*

Questions from December 5, 2023, Meeting

How will the city bill parcels that don't have water, wastewater, or power accounts?

- ▶ *Staff and MWL have started working together to incorporate the stormwater utility bills with current billings for water, sanitary sewer, and power services.*
- ▶ *We anticipate there are relatively few properties unserved by other utilities. These properties will be billed as “stormwater only” accounts.*

Questions from December 5, 2023, Meeting

What is the city's liability if stormwater services aren't funded to meet regulatory mandates?

- ▶ *The city has a duty to comply with environmental mandates. Enforcement includes progressive civil fines up to a maximum of \$25,000/day/violation if the city fails to meaningfully engage in management of our stormwater network.*



Questions from December 5, 2023, Meeting

Can billing include land use, i.e., bill commercial differently?

- ▶ *Using a combination of land use and impervious area is uncommon, complex, but doable. Stormwater Utility is new, and we don't have data needed to pursue this combined billing structure.*



Questions from December 5, 2023, Meeting

How much money from wastewater and street funds is used for the stormwater system currently?

Table 3, Current funding sources for stormwater expenses

Fund	Activity	Stormwater Expenses
Wastewater Fund	O&M, repairs, emergency response	\$60,000
Street Fund	Street sweeping, leaf program, demand repairs and emergency response	\$440,000
General Fund ¹	Engineering support, regulatory compliance	\$120,000
	TOTAL	\$620,000

¹Supported by transfers from the Wastewater and Street funds.

Policy Question

Should the city charge a stormwater utility fee for city owned and McMinnville Water and Light parcels?

- ▶ **Pros:** Including city and MWL properties will result in lower rates for all customer classes.
- ▶ **Cons:** Excluding city owned parcels results in a higher rate for all customer classes, approximately \$0.85/ERU/month (\$14.50 to \$15.35). This change would be revenue neutral.
- ▶ Departure from the city's current approach of not billing these properties for water and sewer services. Wastewater, Street, Airport and General Funds would pay a stormwater fee, resulting in increased user fees or reduced budgets for their targeted services.
- ▶ **Proposal:** Staff propose not charging city owned and MWL properties for stormwater service. Charging city and MWL parcels a stormwater fee would provide nominal benefit in terms of equity and result in increased administrative costs for billing..

Policy Question

How will the city account for self-contained and permitted, non-single family stormwater systems that drain to waterways not maintained by the city?

- ▶ **Pros:** *Providing a discount for properties that discharge to a permitted stormwater system provides a lower rate for reduced benefit.*
- ▶ **Cons:** *Providing a 35% discount on the estimated qualifying ERUs results in the preliminary rate increasing from \$15.35 ERU/month \$15.65/ERU/month.*
- ▶ **Proposal:** *Staff propose properties with fully self-contained, separately permitted stormwater systems be discounted up to a 35% of the user fee.*

Policy Question

Should billing be phased in?

- ▶ **Pros:** *Phasing in rates will allow customers, especially large non-residential customers, an opportunity to budget for a new utility bill over the phase in period.*
- ▶ **Cons:** *Phasing the stormwater utility fee will extend transition to an interim level of service. This will require continued reliance on Wastewater, Street and General funds until the phase in period is completed.*
- ▶ **Proposal:** *Staff does not have a proposal for phasing in stormwater utility rates.*

Policy Question

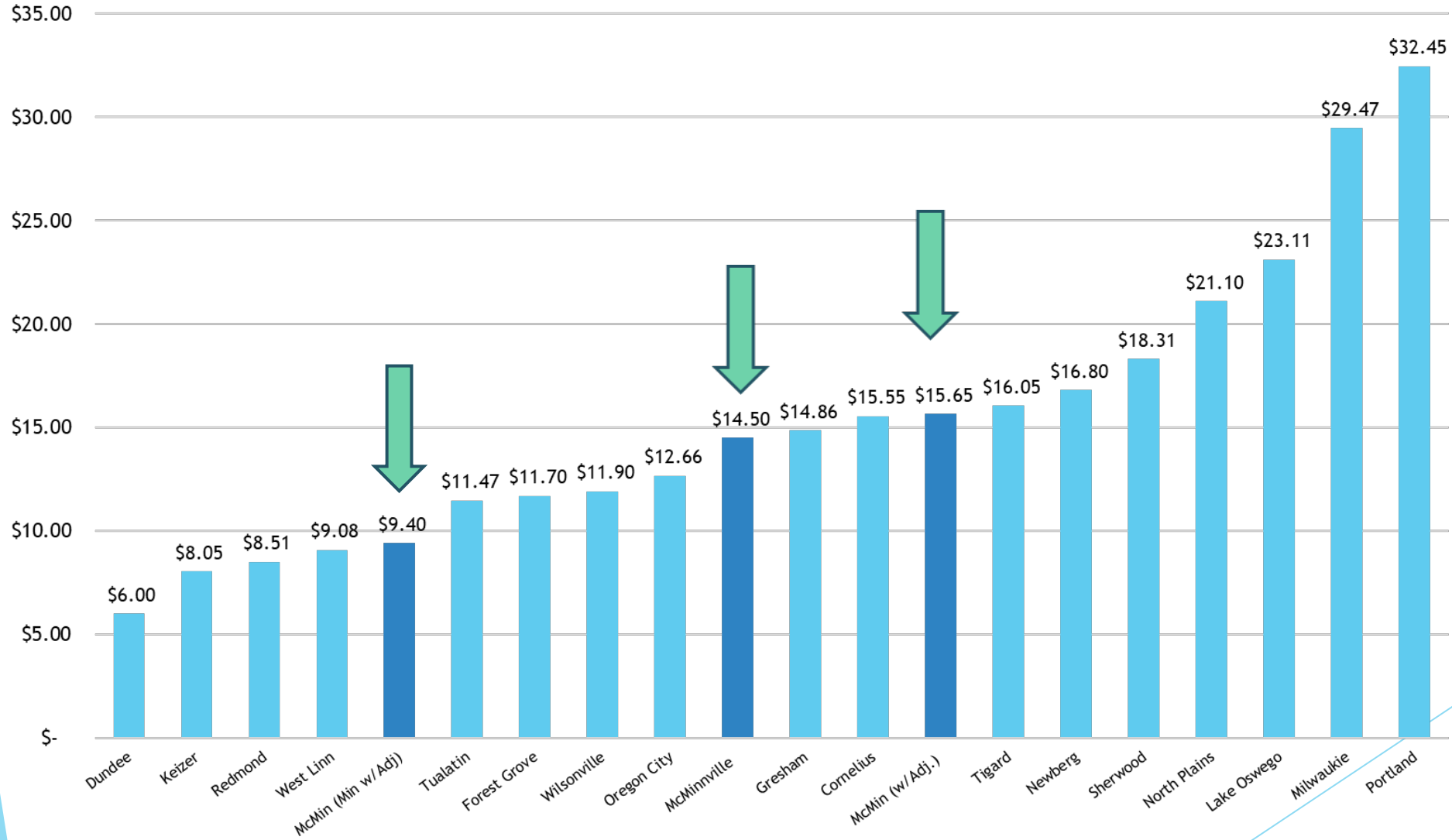
Table 4, Preliminary estimate of phased in rates for different customer classes.

Monthly cost/ERU

Minimum Level of Service	\$14.50
Interim Level of Service	\$15.65
Fully funded Level of Service	TBD

Customer class	Impervious area (SQ FT)	ERUs (Rounded)	Minimum Level of Service (2024)	Interim Level of Service (2025)	Fully Funded Level of Service (2026)
Single Unit Residential	3,500	1.0	\$14.50	\$15.65	TBD
Single Unit Attached (per Unit)	2,450	0.7	\$10.15	\$10.96	TBD
Multi-Unit (Apartment Complex)	94,500	27.0	\$391.50	\$422.55	TBD
Commercial (small)	28,000	8.0	\$116.00	\$125.20	TBD
Commercial (large)	395,500	113.0	\$1,638.50	\$1,768.45	TBD
Industrial (small)	45,000	13.0	\$188.50	\$203.45	TBD
Industrial (large)	961,812	275.0	\$3,987.50	\$4,303.75	TBD
Institutional	255,500	73.0	\$1,058.50	\$1,142.45	TBD

Policy Question

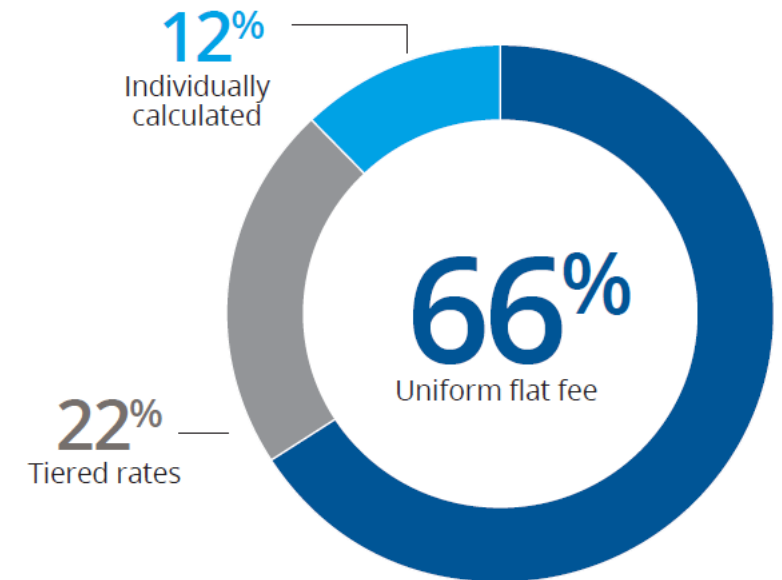


Policy Question

Should residential rates be tiered?

- ▶ **Pros:** *Enhanced equity for single unit residential customers.*
- ▶ **Cons:** *Added costs and complexity in rate structure and administrative processes. Additional time to gather data and implement.*
- ▶ **Proposal:** *Uniform fee in the short-term; consider tiered structure as a longer-term recommendation.*
 - ▶ *Dedicated funding source for stormwater needed for upcoming fiscal year.*
 - ▶ *Structure will add costs to developed; delayed implementation will cost program in lost revenue.*
 - ▶ *Uniform structure consistent with majority of utilities.*

30. What type of rate structure does your utility have for the family residential parcels? (Select all that apply)



Source: 2021 Stormwater Utility Survey Report (Black & Veatch)

Policy Question

Should the stormwater utility have an administrative appeal provision?

- ▶ **Pros:** *Establishes an administrative appeal process for stormwater user fees based on new or corrected information.*
- ▶ **Cons:** *Staff doesn't anticipate a downside to an administrative appeal process.*
- ▶ **Staff proposal:** *An appeal process be included in the implementing ordinance forming the stormwater utility.*

Policy Question

Should the stormwater provide assistance to low-income households?

- ▶ **Pros:** *The city participates in a program to assist low-income households offset sewer user fees. MWL also participates in this program.*
- ▶ **Cons:** *Staff doesn't anticipate revenue constraints if the Stormwater Fund participates on a pro-rata basis to the Wastewater Fund.*
- ▶ **Proposal:** *Staff propose the Stormwater Utility provide low-income household assistance on a pro-rata basis, similar to the Wastewater Fund.*

Should billing for mobile homes be less than SFR rate?

- ▶ **Pros:** *The proposed billing approach is consistent with billing single family dwellings, 1 ERU and billing multifamily units on a single parcel based on measured impervious area.*
- ▶ **Cons:** *If mobile or manufactured homes are not served by individual water meters (e.g. master metered for the parcel), the property owner will need to allocate stormwater billings.*
- ▶ **Staff proposal:** *Mobile and manufactured homes on a single parcel billed as 1 ERU, multiple mobile and manufactured homes be billed on measured impervious area, similar to multifamily properties.*

Policy Question

What should the minimum billable impervious area be and how should ERUs be rounded?

- ▶ **Pros:** *A minimum billing impervious area of 350 sf is consistent with our consultant's recommendation and should avoid billing parcels with sliver overlaps on tax lots.*
- ▶ *Rounding up to the nearest whole ERUs for non-single-family properties is less complex to administer and more straight forward for billing purposes.*
- ▶ **Cons:** *Rounding to the nearest ERU is less equitable for parcels with nominal differences in impervious areas.*
- ▶ **Proposal:** *Staff propose rounding non-single family residential properties to the nearest whole ERU. Single family attached properties would be charged based on the average ERU value of 0.7.*

Can the city defer collection of franchise fees for three years to allow the stormwater utility to build reserves?

- ▶ **Pros:** *Delaying franchise fees for a three-year period will coincide with completion of rate phasing (if adopted) and allow the utility to build a modest reserve.*
- ▶ **Cons:** *Franchise fees are unrestricted General Fund revenue. By deferring collection of franchise fees for the stormwater utility, the General Fund will forego \$570,000 to \$720,000 depending on the Committee's phasing recommendation.*
- ▶ **Proposal:** *Staff does not have a proposal for delaying franchise fees.*

Policy Question

Will customers be eligible for a stormwater rate reduction discount for onsite detention?

- ▶ **Pros:** *Providing discounts may encourage more robust maintenance and care of the basins post development.*
- ▶ **Cons:** *Providing a discount for routine maintenance of these private facilities will shift overall costs or rates to other customer classes.*
- ▶ **Proposal:** *Staff propose a stormwater discount program be developed after the initial billing system is in place, the stormwater master plan update is underway and system design standards have been updated.*

Policy Question

Should stormwater bills be discounted for privately constructed and maintained stormwater systems?

- ▶ **Pros:** *Property owners with private stormwater systems have maintenance and repair responsibilities that are typically funded by a homeowner's association. A discount will provide reduced utility fees to these customers in recognition of these added costs.*
- ▶ **Cons:** *Providing a discount to properties served by these systems shifts costs from developers to other customers through higher rates.*
- ▶ **Proposal:** *Staff propose the city not discount user fees for customers served by private stormwater systems.*

Policy Question

Should the city continue to use street fund revenues to pay for stormwater services in the public right-of-way.

Base assumption: Curbs, gutters and catch basins are integral to the stormwater system. Street sweeping is a stormwater related service.

- ▶ ***Pros:** Reduces revenue requirements and stormwater rates.*
- ▶ ***Cons:** Continues to divert limited revenue needed for street preservation purposes.*
- ▶ ***Proposal:** Consistent with industry practices, include street sweeping and emergency response to localized flooding in stormwater revenue requirements.*
 - ▶ *Allocation of all stormwater costs based on impervious area is accepted practice.*

Next Steps

- February 13, 2024:** **Utility Policy Recommendations**
- March 13, 2024:** **If needed (Committee's direction) for additional policy discussion/recommendations**
- April 17, 2024:** **Present recommendations to City Council at a work session**
- May 2024:** **City Council considers adoption of a Stormwater Utility Committee begins discussion of sewer utility rates and SDCs**
- August 2024:** **If adopted by City Council, begin billing for Stormwater Utility**

10/16/2023



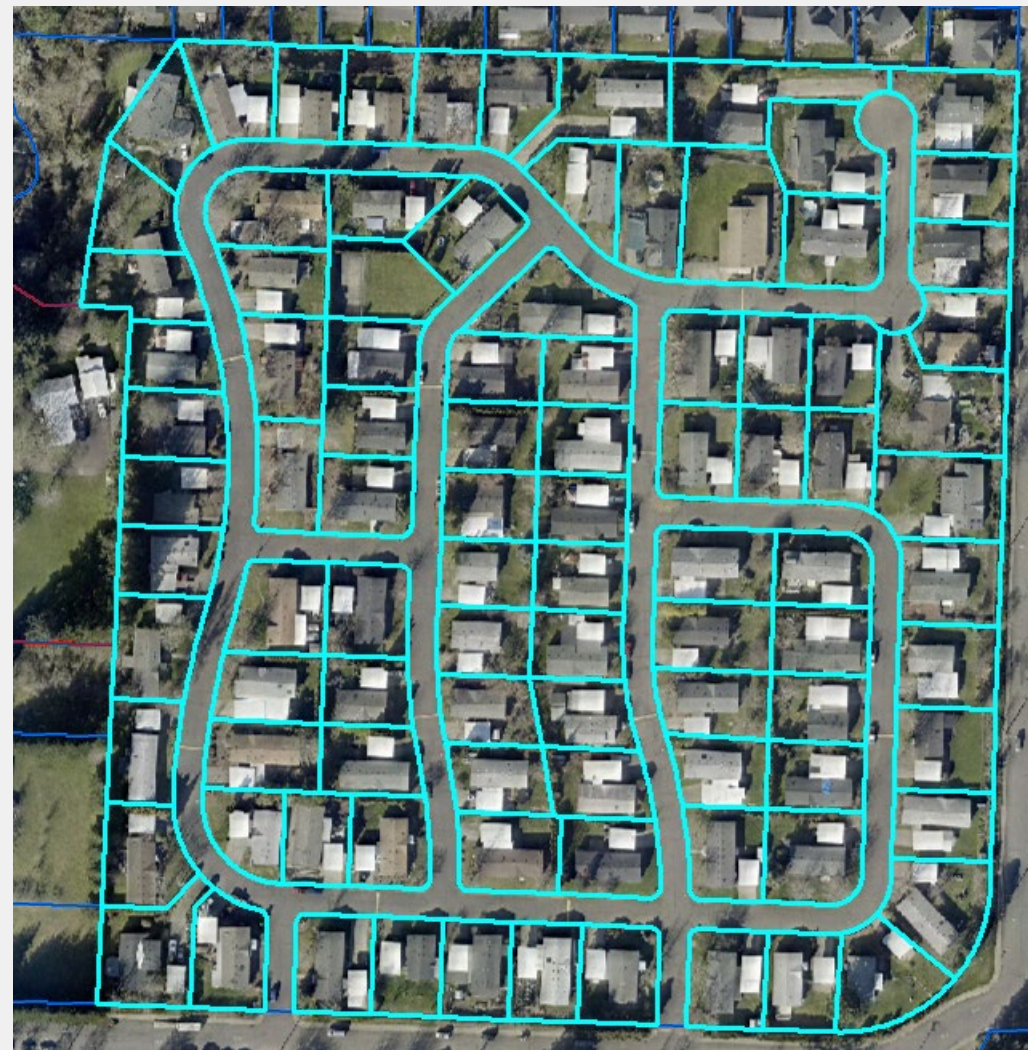
BACKGROUND SLIDES IF NEEDED

10/16/2023

Mobile Home/Manufactured Home Properties



- One home per parcel – SFR
- More than one home per parcel – Non-single-family residential (NSFR)



Single-Family Attached (SFA) Properties



- Attached units located on individual parcels – often smaller than SFR parcels
- Share common area IA
- Impervious area for SFA properties and common areas was measured

Non-Single Family Residential (NSFR) Properties

- 1,613 NSFR Parcels in McMinnville – 1,469 developed with IA
- Total IA divided by ERU value to calculate billable ERUs

