

Stormwater Utility Development



COUNCIL WORK SESSION

June 6, 2016



Discussion Agenda

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- Update from last meeting (April 11, 2016)
- Describe rate development process
- Review initial results
- Seek Council feedback
- Discuss Public Outreach program
- Update on DEQ permit

Steps to Adoption

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Legal

- Implement local code changes

Financial
Plan

- Identify revenue requirements and funding level

Rate
Structure

- **Select rate structure and calculate rates**

Implementation
Plan

- Conduct public outreach
- Develop internal systems (billing & accounting)

Update From April Meeting

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- April meeting discussed revenue requirements (\$3.0 million)*
- Rate development process required revenue requirements confirmation
- Needed to include account maintenance and billing costs (adds \$450,000, reduces water and sewer costs)
- Revised revenue requirements - \$3.45 million*

*5th year costs, unadjusted for inflation

Rate Design Principles

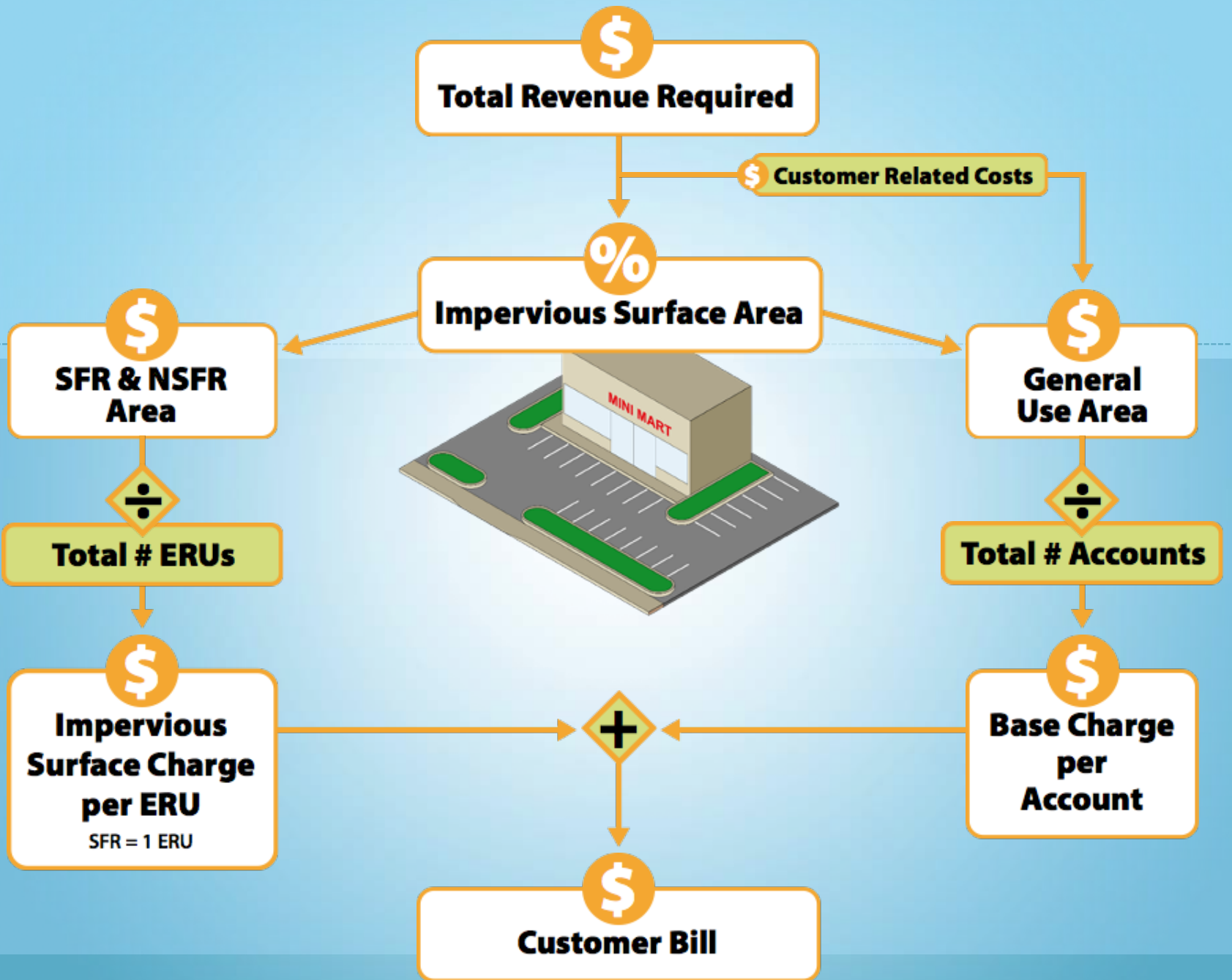
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- **Equitable** – relationship between services provided and payments made by those receiving services
- **Defensible** – meets legal standards; written rationale
- **Understandable** – simple, clear criteria, explainable
- **Implementable** – data requirements, systems support
- **Revenue adequacy** – meets revenue target

Initial Rate Design Proposal

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- **Two rate classes**
 - Single family residential (SFR)
 - Non-single family residential (commercial, industrial, etc.) (NSFR)
- **Stormwater base fee**
 - Same fee paid by all customers (uniform per account)
 - Recovers costs attributed to customer-related services and general use areas
- **Impervious surface charge**
 - Charge based on property impervious surface area
 - Single family residential rate based on one equivalent residential unit (ERU)
 - Commercial, non-single family based on ERU multiple



Basic Rate Structure

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- **Single Family Residential (SFR)**
 - Typical amount of SFR impervious surface is basis for ERU
 - Stormwater base fee + one impervious surface charge
- **Non-Single Family Residential (NSFR)**
 - Measured impervious area converted to ERUs
 - Stormwater base fee + (# of ERUs x impervious surface charge rate)
- **Possible Adjustments**
 - Different tiers for SFR
 - Credit options for NSFR

Revenue Requirements Summary

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- **Existing program (\$1.3 million)**
 - Operation, maintenance, regulatory (\$900,000)
 - Capital street project stormwater work (\$400,000)
 - Current funding - \$700k sewer, \$550k streets, \$50k fees
- **Recommended first-year funding (\$1.75 million)**
 - Includes existing program plus billing and account maintenance (\$450,000)
 - Reduces allocation to water and sewer fund (\$225,000 each)
 - Sewer and water rate reduction options discussed later

Revenue Requirements Summary

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- **Projected (5th year) program costs (\$3.45 million)*:**
 - First-year program funding level (\$1.75 million)
 - Additional operation, maintenance, regulatory (\$0.60 million)
 - Capital repair, replacement, SW quality facilities (\$1.1 million)
- **To be determined**
 - Stormwater capacity capital needs not included
 - Permit conditions and timelines within permit
 - Based on receiving reasonable permit

*The projected costs have not been adjusted for inflation

What's The Number?

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- Using projected 5th year costs (\$3.45 million)*
 - Without applying SFR tiers
 - Without applying NSFR credits
- SFR monthly cost = \$13.29
 - Base fee = \$9.44 +
 - Impervious surface charge = \$3.85 (one ERU)
- Calculation details
 - For SFR, 1 ERU = 3,200 square feet impervious area
 - Total number ERUs (SFR and NSFR) = 36,292
 - General use impervious area and customer-related costs distributed on a per account basis

*The projected costs have not been adjusted for inflation

NSFR Property Example

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$$\frac{26,136 \text{ sq. ft.}}{3,200 \text{ sq. ft./ERU}^*}$$

$$= 8.17 \text{ ERUs}$$

$$\text{Monthly stormwater bill} = \text{base fee } (\$9.44) + \text{impervious surface charge } (8.17 \text{ ERUs} \times \$3.85/\text{ERU}) =$$

\$31.45

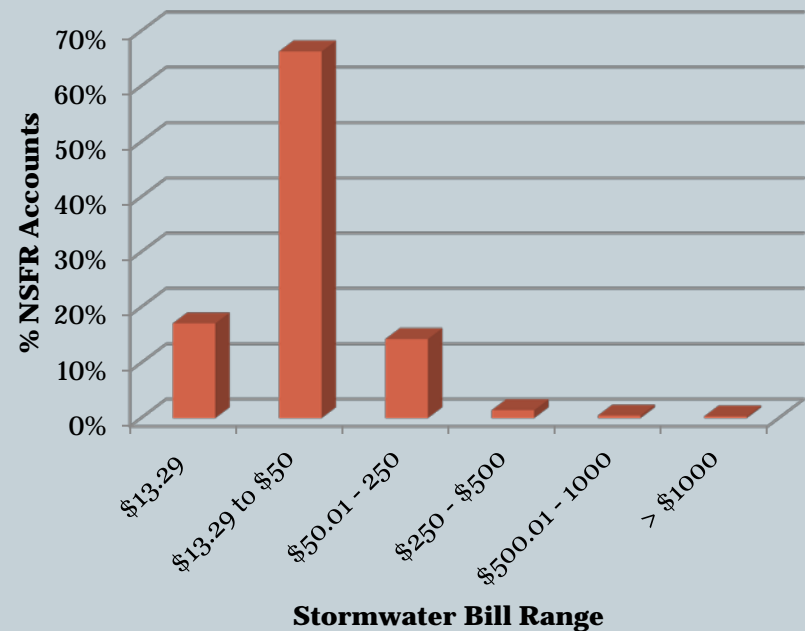
** ERU = equivalent residential unit or the typical amount of impervious surface on a SFR parcel*

Distribution of NSFR Bills

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- Nearly 2,500 accounts
- Most bills are less than \$50 per month (83%)
- Bills between \$50-\$250 (14%)
- Bills between \$250 - \$500 per month (2%)
- Bills greater than \$500 per month (1%)

% NSFR Accounts at Various SW Bill Ranges



Sample NSFR Accounts

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- Typical gas station - \$19/month
- City Hall - \$58/month
- Apartment complex - \$128/month
- Large retailers (3) - \$523, \$658, \$833/month
- High school - \$902/month
- Medium manufacturer - \$1,085/month
- Large care facility - \$1,505/month
- Large manufacturer - \$1,880/month

2015-16 Stormwater Rates in Oregon Cities by Population

Single-Family Residential Customers - Stormwater Rate

Population 2015 PSU	City / District		
		\$ / mo	Rank
613,355	Portland	\$27.18	1
160,690	Salem	\$14.86	2
19,080	Sherwood	\$14.27	3
60,135	Springfield	\$13.61	4
163,400	Eugene / EWEB	\$12.91	5
11,900	Cornelius	\$12.65	6
37,300	Lake Oswego	\$12.58	7
36,985	Keizer	\$11.57	8
8,775	Independence	\$10.71	9
107,065	Gresham	\$10.34	10
33,940	Oregon City	\$9.35	11
94,215	Beaverton	\$9.25	12
49,280	Tigard	\$9.25	12
23,080	Forest Grove	\$8.25	14
97,480	Hillsboro	\$7.75	15
57,390	Corvallis	\$6.90	16
77,655	Medford	\$6.85	17
22,500	Roseburg	\$6.65	18
25,605	West Linn	\$6.15	19
81,310	Bend	\$5.00	20
15,740	Lebanon	\$3.18	21
845	Adair Village	\$2.50	22
4,650	Philomath	\$1.50	23
9,090	Sweet Home	\$1.00	24
36,465	Grants Pass	\$0.00	25
33,080	McMinnville	\$0.00	25
24,670	Woodburn	\$0.00	25
9,640	Monmouth	\$0.00	25

Note: Not a complete list of Oregon Communities with stormwater fees.

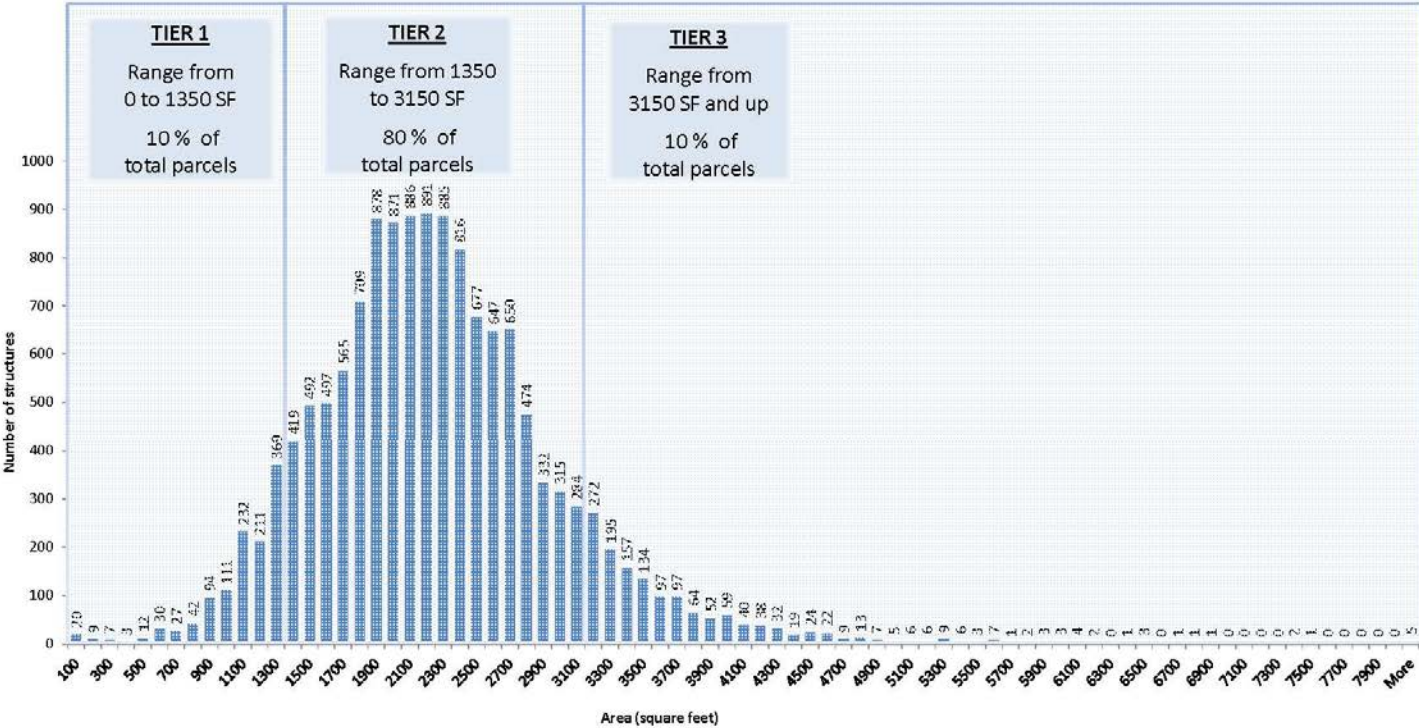
Single Family Residential Tiers

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- **Recognizes impervious area size range**
 - Typical property gets typical bill
 - Larger properties – higher bills, smaller properties – lower bills
 - Choose dividing lines between tiers
 - Revenue neutral within SFR class
- **Fee reduction option**
 - Difficult to base \$\$ on actual service cost reduction
 - Needs to be simple – use property main structure only
 - Eugene and Salem have tiered rates

Single Family Residential Tiers

Frequency Distribution of Single Family Residence (SFR) Main Structure Impervious Area



NSFR Credit Program Options

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- **Two broad categories**
 - Reduce stormwater volume (bio-retention, infiltration, planters)
 - Improve stormwater quality (vegetated filtration, media filters)
- **Offering credits will likely impact revenue (~5%)**
 - Likely will not reduce City's costs, may add costs
 - All customers get minimum bill
 - “zero sum game”
- **Must be carefully designed**
 - Keep administrative costs low
 - Understandable and achievable by customer

Rate Reduction Options

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- Sewer funding stormwater - \$700,000 per year
- Billing and account maintenance:
 - 1/3 of current Utility Billing program costs
 - \$225,000 sewer, \$225,000 water
- \$925,000 = 6% of total sewer rate revenue
- \$225,000 = 2% of total water rate revenue

Rate Reduction Options

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- **Sewer rate reduction of 6%**
 - Average SFR sewer bill reduced \$3.29* per month
 - NSFR \$\$ reduction varies by class and usage
- **Water rate reduction of 2%**
 - Average SFR water bill reduced \$0.84* per month
 - NSFR \$\$ reduction varies by meter size and usage
- **Average SFR water and sewer bill reduction**
 - \$4.13 per month

*Assumes 6 units of usage and ¾-inch meter

Net Bill Impacts SFR

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Funding level = \$1.75 M

- New SW bill = \$6.74
- Rate reductions = \$4.13
- Net impact = \$2.61

Funding level = \$3.45 M

- New SW bill = \$13.29
- Rate reductions = \$4.13
- Net impact = \$9.16

Council Policy Discussion

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- **Reaction to proposed rate structure**
 - Does the proposed structure work for Albany?
- **Initial thoughts about program funding level**
 - For public outreach discussions, starting point?
 - Include sewer and water rate reduction options?
- **Bill adjustment options**
 - Do you want more information about residential rate tiers?
 - Bring back NSFR credit program proposal?

Public Outreach Strategy and Plan

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General Outreach

- Stormwater web site
- Utility bill stuffers
- City Bridges articles
- Open House?

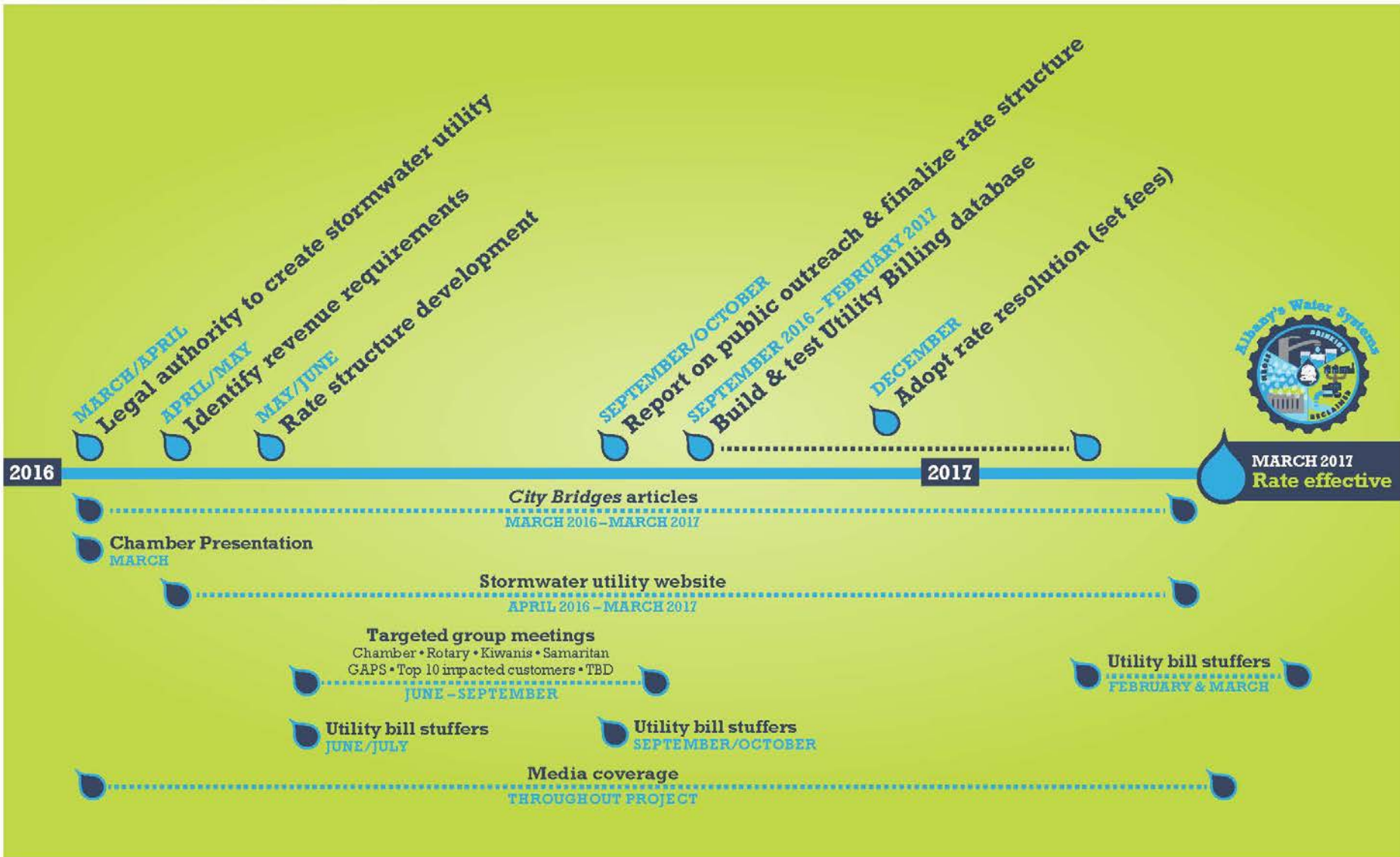
Targeted Group Meetings

- Chamber of Commerce
- Service clubs
- GAPS
- Top 10 accounts
- Others?



STORMWATER UTILITY DEVELOPMENT

Public Outreach & Project Milestones



Update on DEQ Draft SW Permit

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- Informal draft issued on May 2, 2016
- Advisory committee meeting held May 10, 2016
- Substantial re-write of previous permit
- Many issues remain to be resolved
- Written comments submitted May 24, 2016
- New draft scheduled for public comment July 1, 2016
- Final permit issuance September 30, 2016

Next Steps with Council

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- **June 20, 2016**
 - Define residential tiers, if applicable
 - Define NSFR credit program, if applicable

Questions and Discussion

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