



## AGENDA

**MOLALLA CITY COUNCIL WORK SESSION**  
**November 10, 2021**  
**6:00 PM**  
**Molalla Civic Center**  
**315 Kennel Ave, Molalla, OR 97038**

*Mayor Scott Keyser*

*Council President Leota Childress*  
*Councilor Elizabeth Klein*  
*Councilor Terry Shankle*

*Councilor Jody Newland*  
*Councilor Crystal Robles*  
*Councilor Vacancy*

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- 1. CALL TO ORDER AND ROLL CALL**
  
- 2. CONSENT AGENDA**
  
- 3. DISCUSSION ITEMS**
  - A. Water Rate Study (Huff/Donovan)
  
- 4. ADJOURN**

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*Agenda posted at City Hall, Library, and the City Website at <http://www.cityofmolalla.com/meetings>. This meeting location is wheelchair accessible. Disabled individuals requiring other assistance must make their request known 48 hours preceding the meeting by contacting the City Recorder's Office at 503-829-6855.*

# City of Molalla

## City Council



### Agenda Category:

**Subject:** Water Rate Study

**Recommendation:** Work Study Session

**Date of Meeting to be Presented:** November 10, 2021

**Fiscal Impact:** TBD

**Background:**

Included with this staff report is our rate consultants Molalla Water Rate Power Point that we will be discussing during our November 10, 2021 Council work session. This rate study update is based on your recently updated Water Master Plan.

Council will recall that we have had a practice of coming together in December of each year to discuss utility rates to be applied in July of the next year. This process has allowed for better planning and budgeting. What we would hope to do for this work session is prepare Council for a rate decision on December 8<sup>th</sup>.

I have requested that we not consider System Development Charges (SDC) as part of this rate proposal/analysis. Mr. Donovan will be present during the work session discussion.

SUBMITTED BY: Dan Huff, City Manager

APPROVED BY: Dan Huff, City Manager

# Water Rate Study Update City Council Briefing Packet November 10, 2021

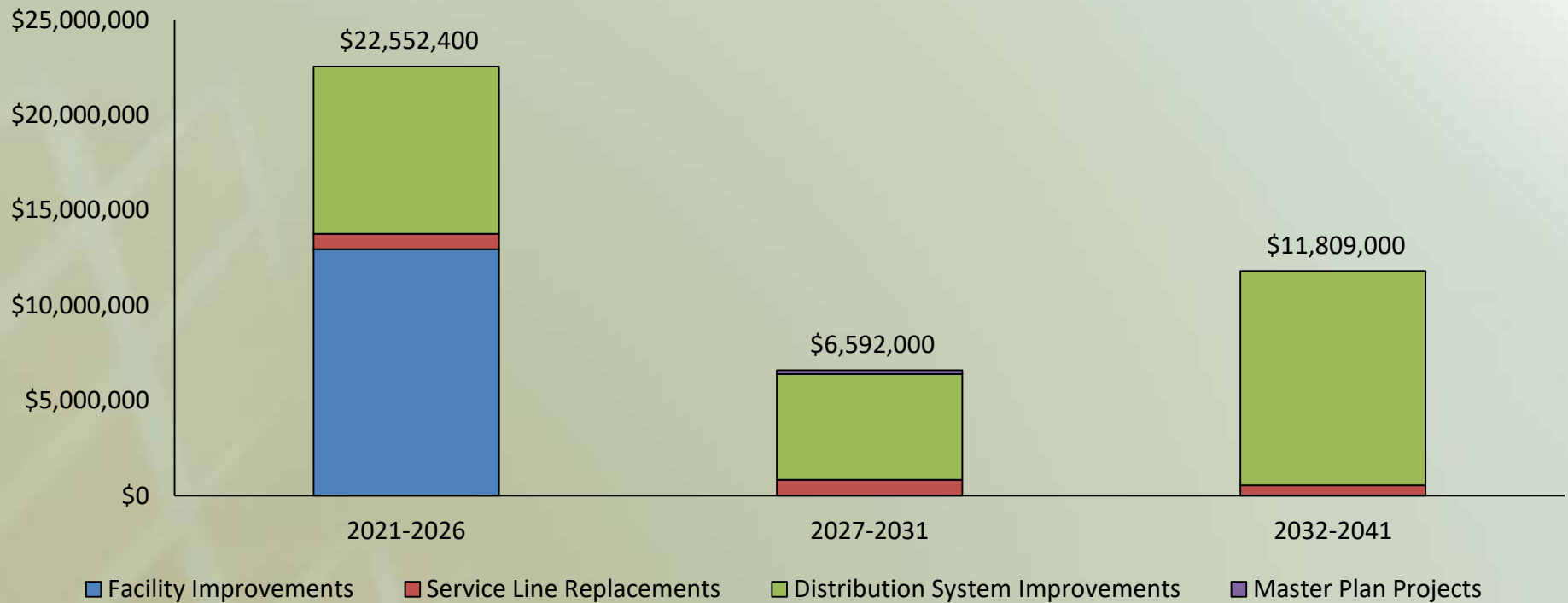


# Agenda



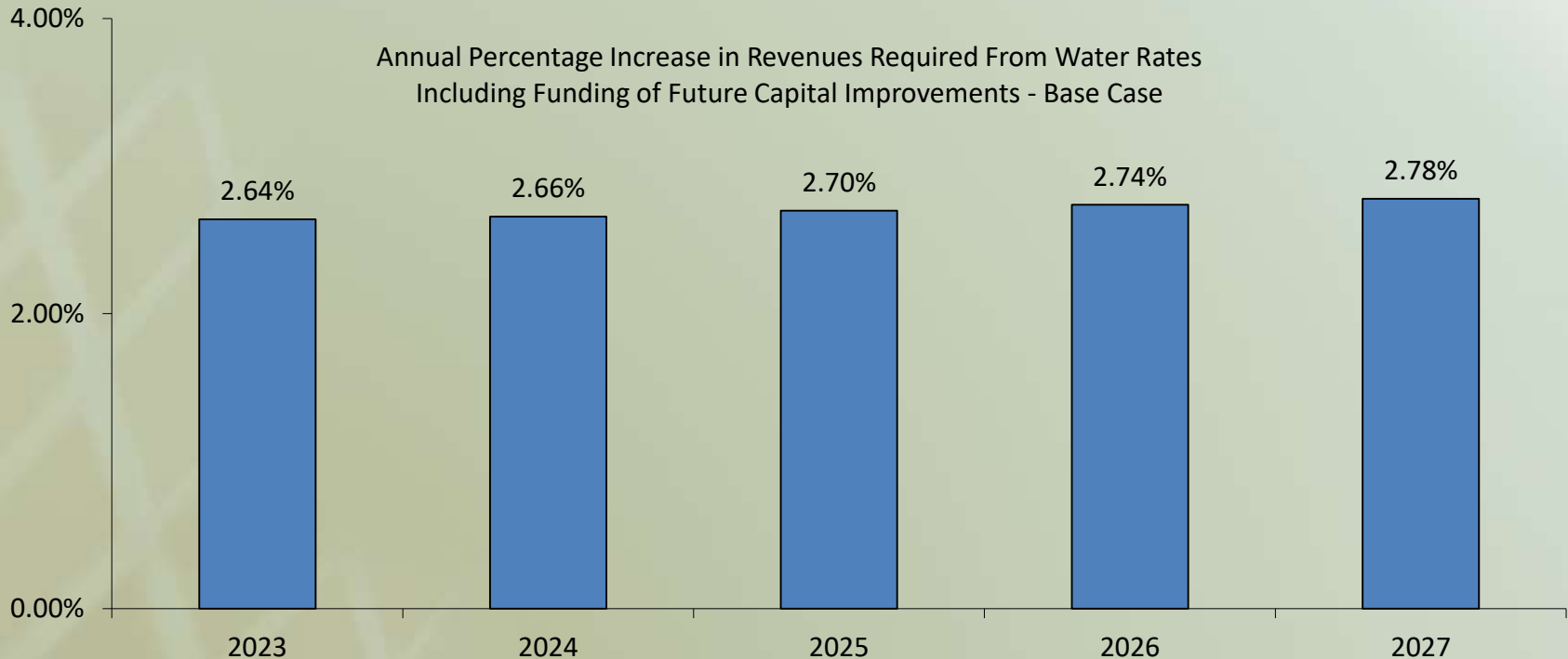
- 2020 Water Master Plan CIP
- Rate profiles
- Conservation-based rates
- Neighboring communities' rates and SDCs
- Next steps

# Current Water Master Plan CIP Cash Flow



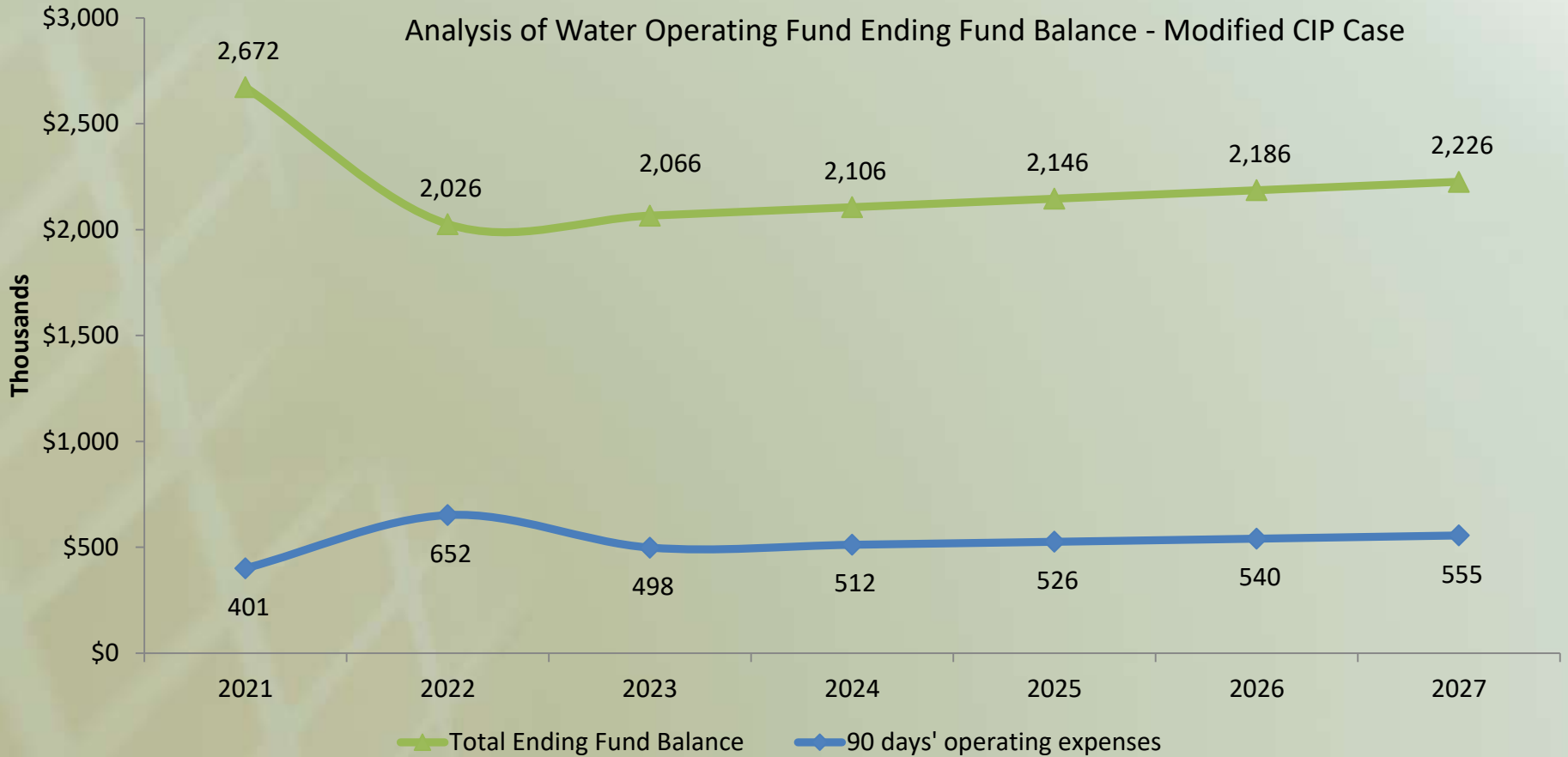
- Total master plan CIP cost in 2021 dollars is \$40,953,400; \$22,552,400 in high priority projects (over the next five years).
- If we implement the high priority projects as laid out, we will have to take on new debt.

# Water Rate Profile



- ❑ Base case assumes master plan population growth rates; current SDC rates only growing with inflation; implies the City will capture \$425k in SDCs in fiscal 2023

# Water Operating Fund Projected Cash Flow



# Water Capital Projects Projected Cash Flow



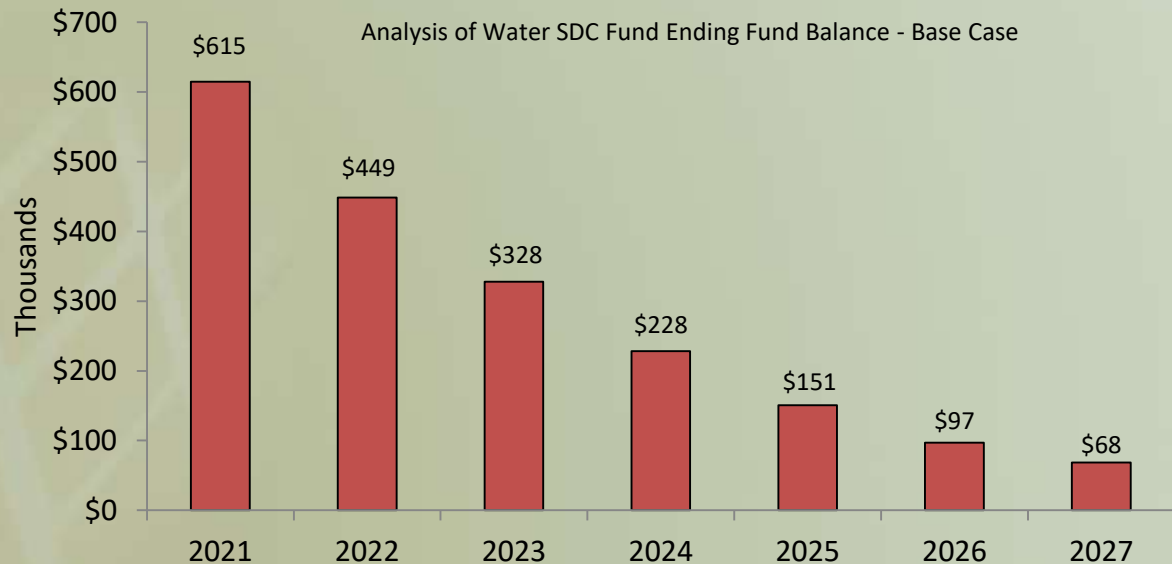
	Estimated 2021	Budget 2022	Forecast				
			2023	2024	2025	2026	2027
<b>Resources:</b>							
Beginning fund balance	44,822	32,730	32,730	32,730	32,730	32,730	32,730
Interest income		-	262	262	262	262	262
<i>Long Term Debt Proceeds:</i>							
Bond premium							
Bond proceeds for projects			-	-	-	-	-
<b>Transfers:</b>							
Transfers IN - Water SDC Fund	594,498	136,200	550,000	550,000	550,000	550,000	550,000
Transfers IN - Water Operating Fund	398,275	1,175,000	500,000	500,000	500,000	500,000	500,000
Transfers IN - Water Improvement Fund	-	-	-	-	-	-	-
<b>Total Resources</b>	<u>\$ 1,037,595</u>	<u>\$ 1,343,930</u>	<u>\$ 1,082,992</u>	<u>\$ 1,082,992</u>	<u>\$ 1,082,992</u>	<u>\$ 1,082,992</u>	<u>\$ 1,082,992</u>
<b>Requirements:</b>							
Personal services:	-	-	-	-	-	-	-
Materials & services:	-	-	-	-	-	-	-
<b>Total Materials &amp; Services</b>	-	-	-	-	-	-	-
Capital outlay:	1,004,865	1,311,200	1,050,262	1,050,262	1,050,262	1,050,262	1,050,262
Transfers OUT:	-	-	-	-	-	-	-
Ending fund balance:	32,730	32,730	32,730	32,730	32,730	32,730	32,730
<b>Total Requirements</b>	<u>\$ 1,037,595</u>	<u>\$ 1,343,930</u>	<u>\$ 1,082,992</u>	<u>\$ 1,082,992</u>	<u>\$ 1,082,992</u>	<u>\$ 1,082,992</u>	<u>\$ 1,082,992</u>



# Water SDC Fund Projected Cash Flow



	Estimated 2021	Budget 2022	Forecast				
			2023	2024	2025	2026	2027
<b>SDCs Forecast:</b>							
2020 water master plan EDU forecast	4,509	4,603	4,700	4,798	4,898	5,001	5,106
Annual growth in EDUs		94	96	98	100	103	105
<b>Current unit SDC rates:</b>							
Reimbursement plus administration	701	722	744	766	789	813	837
Improvement	3,465	3,569	3,676	3,786	3,900	4,017	4,137
Total	4,166	4,291	4,420	4,552	4,689	4,830	4,974
<b>SDC revenue projections:</b>							
Reimbursement plus administration	30,545	3,095	71,637	75,331	79,214	83,298	87,592
Improvement	177,697	16,715	354,099	372,354	391,550	411,736	432,962
Total	208,241	19,810	425,737	447,685	470,765	495,034	520,554



# Conservation-Based Rates



Jurisdiction	Billing Frequency	Billing Units ccf	Consumption Block Converted to kgal		Consumption Block Number	Price per Unit of Consumption	Block Pricing Premium
			Low	High			
Aurora	bimonthly	ccf	0	9	1	\$ 0.70	base block
			10	13	2	\$ 0.75	7%
			14	>	3	\$ 0.80	14%
Canby Utility	monthly	ccf	0	5	1	\$ 1.82	base block
			6	9	2	\$ 2.28	25%
			10	>	3	\$ 3.18	75%
Carlton	Monthly	ccf	0	4	1	\$ 3.41	base block
			4	>	2	\$ 4.94	45%
Hubbard	bimonthly	kgal	0	6	1	\$ -	
			7	25	2	\$ 2.36	base block
			26	>	3	\$ 3.50	48%
Wilsonville	monthly	ccf	0	1	1	\$ -	
			2	6	2	\$ 4.23	base block
			7	>	3	\$ 6.13	45%
Woodburn	monthly	ccf	0	7	1	\$ 1.95	base block
			8	18	2	\$ 2.52	29%
			18	>	3	\$ 3.44	76%
Molalla	monthly	ccf	0	∞		\$ 3.03	no block pricing

# Conservation-Based Rates Empirical Data for Molalla

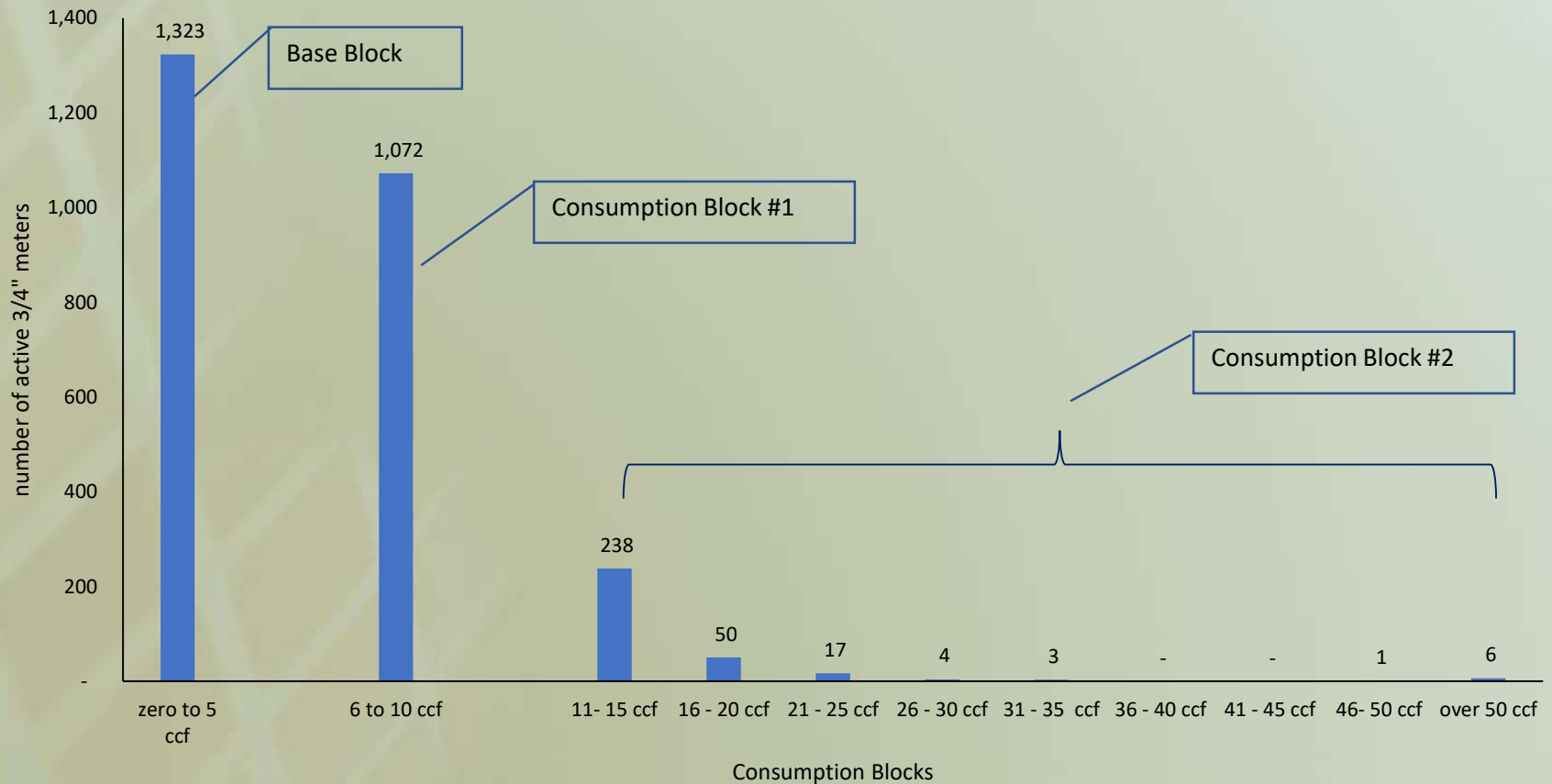
- 2020 Molalla Monthly Water Consumption by Consumption Blocks for all 3/4" meters in service

Block	Number of Observations		Percentages			Logical Consumption Blocks
	Incremental	Cumulative	Incremental	Cumulative		
zero to 5 ccf	1,323	1,323	48.75%	48.75%	➡	Base Block
6 to 10 ccf	1,072	2,395	39.50%	88.25%	➡	Conservation Block #1
11- 15 ccf	238	2,633	8.77%	97.02%	}	Conservation Block #2
16 - 20 ccf	50	2,683	1.84%	98.86%		
21 - 25 ccf	17	2,700	0.63%	99.48%		
26 - 30 ccf	4	2,704	0.15%	99.63%		
31 - 35 ccf	3	2,707	0.11%	99.74%		
36 - 40 ccf	-	2,707	0.00%	99.74%		
41 - 45 ccf	-	2,707	0.00%	99.74%		
46- 50 ccf	1	2,708	0.04%	99.78%		
over 50 ccf	6	2,714	0.22%	100.00%		
	<u>2,714</u>					

# Conservation-Based Rates Empirical Data for Molalla



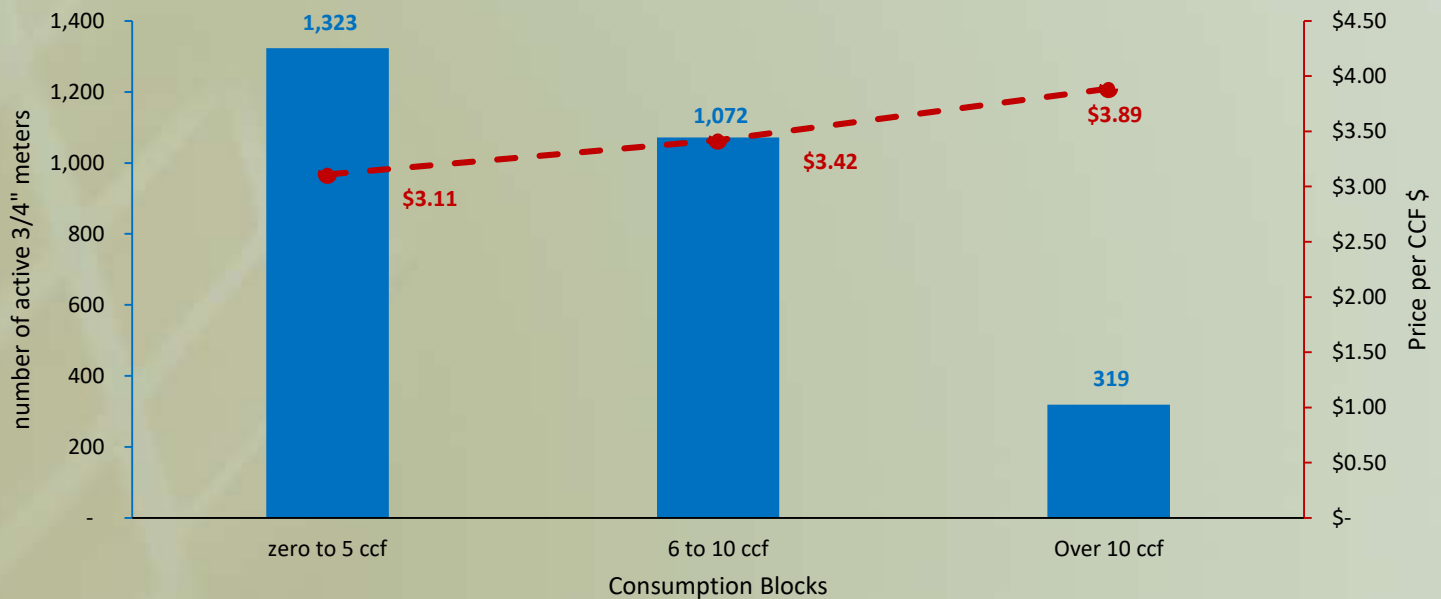
2020 monthly consumption patterns in increments of 5 ccf; n = 2,714



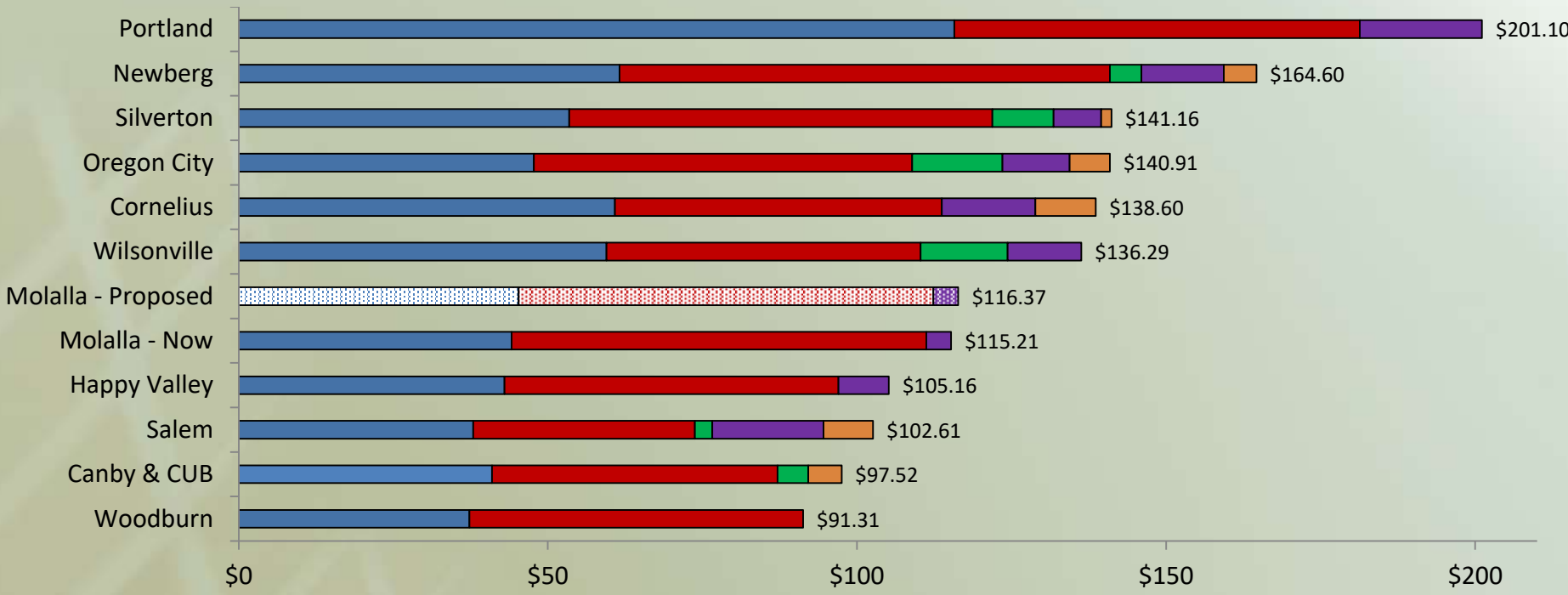
# Conservation-Based Rates Empirical Data for Molalla

Proposed Conservation Pricing Strategy with 2.64% General Rate Increase to the Base Pricing Block:

Consumption Block Name	Percent Increase	Commodity Rate
Base consumption block	-	\$3.11 per ccf
Conservation block #1	10%	\$3.42 per ccf
Conservation block #2	25%	\$3.89 per ccf

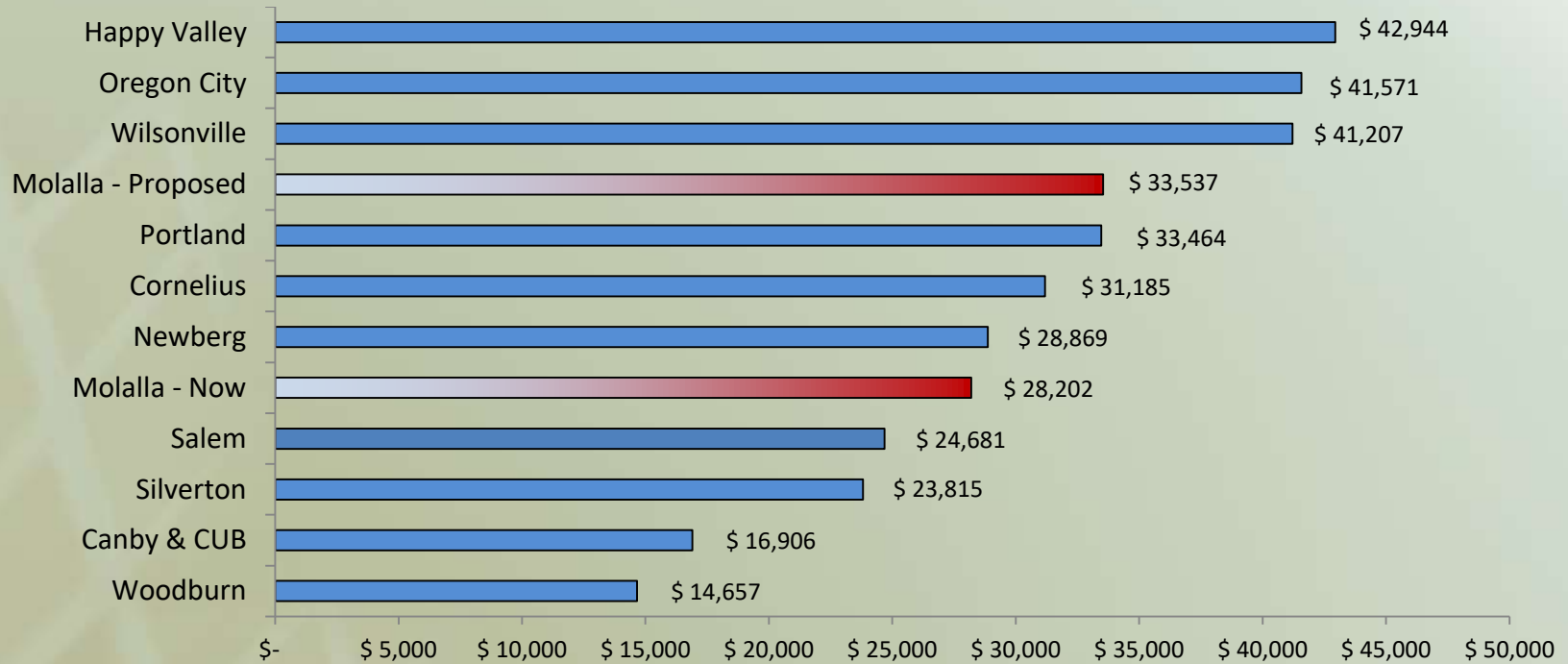


# Neighboring Communities' Monthly Rates – July 2021



	Woodburn	Canby & CUB	Salem	Happy Valley	Molalla - Now	Molalla - Proposed	Wilsonville	Cornelius	Oregon City	Silverton	Newberg	Portland
Water	\$37.33	\$40.94	\$37.92	\$43.00	\$44.12	\$45.28	\$59.48	\$60.86	\$47.73	\$53.45	\$61.58	\$115.76
Wastewater	\$53.98	\$46.20	\$35.87	\$54.02	\$67.08	\$67.08	\$50.82	\$52.85	\$61.19	\$68.44	\$79.33	\$65.56
Street Maintenance	\$-	\$5.00	\$2.80	\$-	\$-	\$-	\$14.09	\$-	\$14.63	\$9.91	\$5.09	\$-
Stormwater	\$-	\$-	\$18.02	\$8.14	\$4.01	\$4.01	\$11.90	\$15.15	\$10.86	\$7.70	\$13.34	\$19.78
Gen. Svcs./Public Safety	\$-	\$5.38	\$8.00	\$-	\$-	\$-	\$-	\$9.75	\$6.50	\$1.66	\$5.26	\$-
<b>Total</b>	<b>\$91.31</b>	<b>\$97.52</b>	<b>\$102.61</b>	<b>\$105.16</b>	<b>\$115.21</b>	<b>\$116.37</b>	<b>\$136.29</b>	<b>\$138.60</b>	<b>\$140.91</b>	<b>\$141.16</b>	<b>\$164.60</b>	<b>\$201.10</b>

# Neighboring Communities' SDCs – July 2021



Jurisdiction	Water	Wastewater	Streets	Parks	Storm Drainage	Total
Woodburn	3,944	2,977	3,532	3,929	275	\$ 14,657
Canby & CUB	4,101	2,953	3,570	6,025	257	\$ 16,906
Silverton	8,285	4,653	3,760	6,240	877	\$ 23,815
Salem	5,536	9,925	4,051	4,513	656	\$ 24,681
Molalla - Now	4,166	11,196	9,213	2,643	984	\$ 28,202
Newberg	6,045	7,489	7,146	7,777	411	\$ 28,869
Cornelius	9,449	5,732	9,623	4,471	1,910	\$ 31,185
Portland	5,548	7,235	5,694	13,820	1,167	\$ 33,464
Molalla - Proposed	9,501	11,196	9,213	2,643	984	\$ 33,537
Wilsonville	14,400	5,503	13,357	6,099	1,848	\$ 41,207
Oregon City	11,865	10,636	11,795	6,319	956	\$ 41,571
Happy Valley	15,704	8,120	10,385	8,515	220	\$ 42,944

# Next Steps



- Brief the City Council on the rate implications of the preferred water funding plan
- Finalize the water rate study



# Questions

