



CITY OF OREGON CITY

CITY COMMISSION WORK SESSION

AGENDA

Commission Chambers, 625 Center Street, Oregon City
Tuesday, September 08, 2020 at 6:00 PM

The public is strongly encouraged to relay concerns and comments to the Commission in one of three ways:

- *Email at any time up to 12 p.m. the day of the meeting to recorderteam@orcify.org.*
- *Phone call (Monday – Friday, 8 am – 5 pm) to 503-496-1505, all messages will be relayed and/or citizens can sign-up to be called during the meeting to provide over-the-phone testimony.*
- *Mail to City of Oregon City, Attn: City Recorder, P.O. Box 3040, Oregon City, OR 97045.*

CONVENE WORK SESSION AND ROLL CALL

FUTURE AGENDA ITEMS

The Commission's adopted goals and available staff resources shall be considered when recommending future agenda items. The Commission may add an item to a future agenda with consensus of the Commission.

1. List of Future Work Session Agenda Items

DISCUSSION ITEMS

2. Oregon City Original Art Mural
3. I-205 Tolling NEPA and Alternatives Analysis Comment Letter
4. Water System Development Charge Update

CITY MANAGER'S REPORT

COMMISSION COMMITTEE REPORTS

- Beavercreek Employment Area Blue Ribbon Committee** - *Commissioner Frank O'Donnell*
- Brownfield Grant Committee** - *Mayor Dan Holladay*
- Citizen Involvement Committee Liaison** - *Commissioner Rachel Lyles Smith*
- Clackamas County Coordinating Committee (C4)** - *Mayor Dan Holladay and Commissioner Rachel Lyles Smith*

- E. **Clackamas Heritage Partners** - *Commissioner Rocky Smith, Jr.*
- F. **Downtown Oregon City Association Board** - *Commissioner Denyse McGriff*
- G. **Metro Policy Advisory Committee (MPAC)** - *Commissioner Rachel Lyles Smith*
- H. **Oregon Governor's Willamette Falls Locks Commission** - *Mayor Dan Holladay*
- I. **South Fork Water Board (SFWB)** - *Mayor Dan Holladay, Commissioners Frank O'Donnell and Rocky Smith, Jr.*
- J. **Willamette Falls and Landings Heritage Area** - *Commissioner Denyse McGriff*
- K. **Willamette Falls Legacy Project Liaisons** - *Mayor Dan Holladay and Commissioner Frank O'Donnell*

ADJOURNMENT

PUBLIC COMMENT GUIDELINES

Complete a Comment Card prior to the meeting and submit it to the City Recorder. When the Mayor calls your name, proceed to the speaker table, and state your name and city of residence into the microphone. Each speaker is given three (3) minutes to speak. To assist in tracking your speaking time, refer to the timer on the table.

As a general practice, the City Commission does not engage in discussion with those making comments. Electronic presentations are permitted but shall be delivered to the City Recorder 48 hours in advance of the meeting.

ADA NOTICE

The location is ADA accessible. Hearing devices may be requested from the City Recorder prior to the meeting. Individuals requiring other assistance must make their request known 48 hours preceding the meeting by contacting the City Recorder's Office at 503 657 0891

Agenda Posted at City Hall, Pioneer Community Center, Library, City Web site.

Video Streaming & Broadcasts: The meeting is streamed live on Internet on the Oregon City's Web site at www.orcity.org and available on demand following the meeting. The meeting can be viewed live on Willamette Falls Television on channel 28 for Oregon City area residents. The meetings are also rebroadcast on WFMC. Please contact WFMC at 503 650 0275 for a programming schedule



CITY OF OREGON CITY

Staff Report

625 Center Street
Oregon City, OR 97045
503-657-0891

To: City Commission
From: City Manager Tony Konkol

Agenda Date: 09/08/2020

SUBJECT:

List of Future Work Session Agenda Items

BACKGROUND:

Next Month (These items may get moved depending upon various circumstances)

Pre-Application Request for Recording Follow-up

Annexations After Court of Appeals Decision

Beavercreek Road Concept Plan (Thimble Creek) Funding Discussion

Additional Upcoming Items (These items are in no particular order)

Abandoned Buildings

Canemah Area - Encroachments in the Right-of-Way Policy Discussion

Clackamas County Water Environmental Services (WES) Rate Differential

Clackamette Park Boat Ramp

Climate Action Plan Presentation (City of Milwaukie)

Code Enforcement Complaint Process

Construction Excise Tax (CET)

Cross Street and Utility Pole Banners

Marijuana Tax and Funds from the Tax Discussion

Metro Food Waste Program Requirements - Annual Review

Parks Special Event Fees and Application Process

Parking Rate Increase for Permitted Parking in Downtown Oregon City (Green, Purple, Orange, etc. Zones)

Policies for Non-Profits – Discussion

Relationship with Willamette Falls Trust

South Fork Water Board - Mountain Line Easements Vacation

Transportation Demand Management (TDM) Plan Implementation Update

Water System Risk and Resiliency Review

Willamette Falls Legacy Project Operations and Maintenance Discussion



CITY OF OREGON CITY

Staff Report

625 Center Street
Oregon City, OR 97045
503-657-0891

To: City Commission
From: City Manager Tony Konkol

Agenda Date: 09/08/2020

SUBJECT:

Oregon City Original Art Mural

STAFF RECOMMENDATION:

Direct staff to prepare a code revision that includes proposed language and program amendments presented here and supported by public comment so that new Public Original Art Murals may be permitted within Oregon City.

EXECUTIVE SUMMARY:

The Economic Development Department, in partnership with Community Development Department are recommending that the City adopt an original art mural code and prepare code amendments that would provide a pathway for the permitting of such murals in Oregon City. Original art murals offer a unique medium of expression which serves the public interest. Murals can foster community identity, create a sense of place, and enhance tourism in Oregon City.

BACKGROUND:

Original Art Murals are not currently permitted within Oregon City. While multiple murals currently exist, they are grandfathered in as a result of previous processes. Original Art Murals are currently managed under the Oregon City Code as signage.

In 2014, the Community Development Department spearheaded a listening session on the prospect of having murals in Oregon City. In February 2015, a draft mural code was crafted but never adopted.

In the Summer of 2017, Oregon City's Economic Development Department commissioned a Portland based consulting firm to develop a strategic plan for Oregon City tourism and begin laying the foundation for a mission-driven tourism industry. The process began with an in-depth stakeholder engagement process designed to solicit input from the broader Oregon City travel and tourism industry regarding opportunities and challenges facing the local tourism industry. This information was then

summarized, themed, and used to inform the strategic planning team and provide guidance in the development of this Plan.

A strategic planning committee that included local stakeholders from a variety of organizations including lodging, events, attractions, local businesses, and City leadership was formed. Rotator Creative from Tacoma, WA was chosen to develop the initial marketing efforts for Oregon City.

Beginning in the fall of 2019 and continuing through the winter of 2020, the Oregon City Commission devoted more resources to implementing the tourism strategic plan. A new position was created, Tourism Program Specialist, and a new Economic Development Manager were hired. Implementing the existing Tourism Strategic Plan became a primary focus. One of the insights derived from the Plan was that citizen involvement was essential to the success of any implementation processes.

Convene a working group of asset and business operators to share best practices and resources.

As a result, the Oregon City Tourism Stakeholder Table process was developed to ensure that business operators and tourism stakeholders were involved in the City's implementation plan. In multiple convenings and meetings, a key focus of the community members was the need to increase the amount and access to public art within Oregon City.

In 2020, the Economic Development Department engaged the tourism stakeholders' table in a robust discussion on the matter as part of the Arts Treasure Trove Project established by staff to engage the arts community in the promotion of art in the City. Numerous participants shone light on the need for a process by which Original Art Murals could be legally permitted and painted on private businesses in Oregon City.

The Economic Development Department believes that there is a suitable pathway to allow the permitting of this artistic medium in Oregon City.

Develop a plan to promote existing experiences and activate new experiences.

With arts tourism being the 4th largest driver of travel decisions globally we believe that it is in Oregon City's best interest to maximize the potential of this market and to expand opportunities for civic beautification. With thoughtful measures in place via adaption of proposed draft City code we believe Oregon City has much to gain from the permitting of this form of artistic expression.

OPTIONS:

1. Direct staff to review the existing draft mural code, and revise/update the draft code for the Commission's approval.
2. Do not consider implementing a mural code in Oregon City.

Excerpt of Draft Mural Code

February, 2015 DRAFT – Not Adopted

15.28.020 Definitions.

"Compensation" means the exchange of something of value. It includes, without limitation, money, securities, real property interest, barter of goods or services, promise of future payment, or forbearance of debt. "Compensation" does not include goodwill, or an exchange of value, that a building owner (or leaseholder with a right to possession of the wall upon which the mural is to be placed) provides to an artist, muralist, or other entity, where the compensation is only for the creation and/or maintenance of the mural on behalf of the building owner or leaseholder, and where the building owner or leaseholder fully controls the content of the art mural.

"Public Art Mural" means an original, two-dimensional work of visual art, comprised of paint, ceramic or glass tiles, or tesserae, metal, executed by hand directly upon, or affixed directly to an exterior wall of a building, where the work of visual art has been approved by the Arts Commission and accepted by the City into its public art collection pursuant to this Chapter.

"Sign" means any sign, display message, emblem, figure, painting, drawing, placard, poster, billboard, carving or other thing that is designed, used or intended to convey a message or image and is used to inform or attract the attention of the public, and the term includes the sign structure, display surface and all other component parts of a sign; when dimensions of a sign are specified, the term includes panels and frames; and the term includes both sides of a sign of specified dimensions or display area.

15.28.090 Public art murals.

- A. Public Art Mural Program Intent and Purpose. The intent and purpose of this section is to encourage the production of public art murals for acquisition by the City. Public art murals are a medium of expression which serves the public interest in unique ways, including, but not limited to: enhancing the aesthetics of the City; providing avenues for original artistic expression in the City; providing public edification through access to original works of public art; encouraging community participation in the creation of original works of art; and reducing the incidence of graffiti and other crime.
- B. Criteria for Public Art Murals. All of the following criteria shall be met for public art murals:
 1. Public art murals shall remain in place, without alteration, for a period of not less than five (5) years, except as may be specified by the Arts Commission in the conditions of approval. Within 30 days of the end of the approval period, the public art mural shall be removed unless a new approval is granted. Alterations to an approved mural shall receive approval by the Arts Commission.
 2. No public art murals shall be allowed on single-family dwellings, duplexes, or multi-family dwellings. As used in this subsection, single-family dwellings, duplexes, or multi-family dwellings do not include mixed-use buildings which contain a single-family dwelling, duplex, or multi-family dwellings.
 3. The public art mural shall be painted, or if ceramic, glass tiles, tesserae, or metal, applied directly onto the surface of a building with a paint, ceramic, glass tiles, tesserae, or metal that ensures longevity, durability, and structural and surface stability. No part of the public art mural shall exceed the height of the structure to which it is tiled, painted, or affixed.
 4. No part of the public art mural shall be placed over the exterior surface of any opening of a building, including its windows, doors, and vents.
 5. No public art mural may contain electrical components, three dimensional structural elements; employ electrical lights as part of the image, moving structural elements, flashing or sequential

lighting, interior lighting elements, any automated method that causes movement, or any method that causes periodic changes in the appearance, image or message of the public art mural.

6. Public art murals shall be located in a manner that is accessible to the public.
 7. The artist shall have a strong concept.
 8. The proposal is not mechanically reproduced or computer generated and printed on a base that will be attached to the wall, such as, by way of illustration but not limitation, images digitally printed on vinyl.
 9. The proposed design is feasible in regards to budget, timeline and experience.
 10. The mural proposal shall include methods to resist vandalism and weather impacts and commitment to repair the mural surface as necessary for a minimum of five years.
 11. The scale is appropriate to the structure and surrounding neighborhoods.
 12. No compensation will be given or received for the display of public art murals or for the right to place the mural on another's property.
 13. The approval and acceptance of each public art mural shall be contingent upon the conveyance of a public art mural easement to the City from the owner of the building upon which the mural will be located, in a form approved by the City Attorney. The terms of the easement shall grant the right to create the public art mural on the wall of the building and provide that the person granting the easement will maintain and restore the public art mural in its original condition for the period of the easement, and state that upon termination of the easement, the mural shall be removed and the building restored to its prior condition.
- C. Approval Process. Public art murals shall be approved by the Arts Commission at a public hearing based on the criteria in the Oregon City Municipal Code. Notice of the application and the Arts Commission hearing is published and mailed to the applicant, recognized neighborhood association(s) and property owners within three hundred (300) feet of the proposed mural location. Notice must be issued at least twenty (20) days pre-hearing, and the staff report must be available at least seven (7) days pre-hearing. At the evidentiary hearing held before the Arts Commission, all issues must be raised and addressed. Failure to raise an issue at the hearing will preclude review on that issue.
- D. The decision of the Arts Commission is appealable to the City Commission on the record. Notice of the appeal must be received in writing by the planning division within fourteen (14) calendar days from the date the challenged decision is provided to those entitled to notice. Late filing of any appeal shall be deemed a jurisdictional defect and will result in the automatic rejection of any appeal so filed.
1. All of the following must be included as part of the notice of appeal:
 - a. The City file number and date the decision to be appealed was rendered;
 - b. The name, mailing address and daytime telephone number for each appellant;
 - c. A statement of how each appellant has an interest in the matter and standing to appeal;
 - d. A statement of the specific grounds for the appeal;
 - e. The appropriate appeal fee. Failure to include the appeal fee within the appeal period is deemed to be a jurisdictional defect and will result in the automatic rejection of any appeal so filed. If a City-recognized neighborhood association with standing to appeal has voted to request a fee waiver pursuant to Oregon City Municipal Code Section 17.50.290.C, no appeal fee shall be required for an appeal filed by that association. In lieu of the appeal fee, the neighborhood association shall provide a duly adopted resolution of the general membership or board approving the request for fee waiver.
 2. Standing to Appeal. Only those persons or recognized neighborhood associations who have participated either orally or in writing have standing to appeal the decision of the Arts

Commission. Grounds for appeal are limited to those issues raised either orally or in writing before the close of the public record. No new evidence shall be allowed.

3. Notice of the Appeal Hearing. The planning division shall issue notice of the appeal hearing to all parties who participated either orally or in writing before the close of the public record at least twenty days pre-hearing, and the staff report must be available at least seven days pre-hearing. Notice of the appeal hearing shall contain the following information:
 - a. The file number and date of the decision being appealed;
 - b. The time, date and location of the public hearing;
 - c. The name of the applicant, owner and appellant (if different);
 - d. The street address or other easily understood location of the subject property;
 - e. A description of the permit requested and the applicant's mural proposal;
 - f. A brief summary of the decision being appealed and the grounds for appeal listed in the notice of appeal;
 - g. A statement that the appeal hearing is confined to the issues raised in the notice of appeal;
 - h. A general explanation of the requirements for participation and the City's hearing procedures.
 4. The City Commission decision on appeal is the City's final decision.
- E. No person shall commence creation of any public art mural without first obtaining approval from the Arts Commission, and executing an easement pursuant to section 15.28.090.B.14. Murals that are created without approval from the Arts Commission that are not otherwise exempt pursuant to this chapter or are inconsistent with the conditions of approval from the Arts Commission shall not be deemed public art murals.



CITY OF OREGON CITY

Staff Report

625 Center Street
Oregon City, OR 97045
503-657-0891

To: City Commission **Agenda Date:** 09/08/2020
From: Public Works Director John M. Lewis, PE

SUBJECT:

I-205 Tolling NEPA and Alternatives Analysis Comment Letter

STAFF RECOMMENDATION:

Staff requests that City Commission review and provide feedback on the Draft I-205 Tolling National Environmental Protection Act (NEPA) and Alternatives Analysis Comment Letter

EXECUTIVE SUMMARY:

The Oregon Department of Transportation provided an I-205 Tolling Project Update on August 19, 2020. The required 45-day public comment period occurs August 3 through September 16, 2020. The provided draft letter, with updates from the comments tonight, will be the formal City submission under the comment period.

BACKGROUND:

The Oregon Department of Transportation (ODOT) provided an I-205 Tolling Project Update on August 19, 2020. This update provided information on ODOT's project updates, I-205 Purpose and Need, Goals and Objectives, I-205 Screening Results, and next steps.

Staff continues to participate in all aspects of the I-205 Tolling Project, including attending meetings for the Regional Model Working Group, Transit & Multimodal Working Group, Tolling Equity/Mobility Advisory Committee, and Clackamas County Diversion Committee.

From August 3 to September 16, 2020, ODOT is conducting their official public comment period for NEPA alternatives for I-205 Tolling Project. This is an important time to submit comments, as ODOT is required to respond in the final report to all comments received during this period. In 2022, the Federal Highway Administration, in cooperation with ODOT, will decide which alternative to implement based on the

analysis conducted, existing policy and guidance, and community and stakeholder feedback.

In past discussions, there have been questions, comments, and concerns raised about the impact of tolling I-205. Staff has tried to capture these topics, along with incorporating issues raised through the Clackamas County Coordinating Committee, in a draft comment letter for your review.

More information on the I-205 Tolling Project, as well as the open house can be found at <https://www.oregon.gov/odot/tolling/Pages/I-205-Tolling.aspx> and the public can also complete a survey to leave feedback. Comments can also be sent to ODOT by emailing the project team at oregontolling@odot.state.or.us or calling (503) 837-3536.

OPTIONS:

1. Authorize staff to finalize this draft and send the I-205 Tolling National Environmental Protection Act (NEPA) and Alternatives Analysis Comment Letter as written.
2. Provide staff specific direction on changes needed to finalize the I-205 Tolling National Environmental Protection Act (NEPA) and Alternatives Analysis Comment Letter and send along once amended.
3. Make the determination that an Oregon City response letter is not something the City Commission is willing to authorize.

BUDGET IMPACT:

Amount: \$0

FY(s):

Funding Source(s):

I-205 Toll Project

PURPOSE AND NEED STATEMENT



Draft 7/15/2020

INTRODUCTION

In 2016, the Governor’s Transportation Vision Panel held a series of regional forums across the state to better understand how the transportation system affects local economies. The negative effect of congestion in the Portland metro area was consistently identified as one of three key themes across Oregon. Congestion in the Portland metropolitan region affects commuters and businesses, as well as producers who move their products across the state.

In response to the input from stakeholders across the state, House Bill (HB) 2017 Section 120 directed the Oregon Transportation Commission (OTC) to seek approval from the Federal Highway Administration (FHWA) to develop a congestion relief fund and implement tolling (also referred to as value pricing or congestion pricing) on the Interstate 5 (I-5) and Interstate 205 (I-205) corridors to reduce traffic congestion in the Portland metro area.

In 2018, the OTC and the Oregon Department of Transportation (ODOT) conducted the Portland Metro Area Value Pricing Feasibility Analysis to study how and where congestion pricing could be applied. Substantial public input and a Policy Advisory Committee informed the final recommendations. For I-205, the Policy Advisory Committee recommended implementing tolls on all lanes of I-205 on or near the Abernethy Bridge as a potential funding strategy and for congestion management. In December of 2018, the OTC submitted a proposal to the Federal Highway Administration outlining the findings of the feasibility analysis and seeking approval to continue the process of implementing tolls on I-5 and I-205 (ODOT 2018a). In January 2019, FHWA provided guidance to move into the next phase of evaluation and study (FHWA 2019).

PURPOSE

The purpose of the I-205 Toll Project is to manage congestion on I-205 between Stafford Road and Oregon Route 213 (OR 213) and raise revenue to fund congestion relief projects through the application of variable-rate tolls.¹

NEED FOR THE PROPOSED ACTION

Traffic congestion results in unreliable travel

A 3.3 percent population increase in the Portland metro area from 2015 to 2017 and strong economic growth during these years resulted in a 20.1 percent increase in vehicle hours of delay

¹ Variable-rate tolls are user fees that vary in amount based on certain conditions (e.g. time of day, day of the week, direction of travel). Variable-rate tolls can occur on a fixed schedule that is known to travelers.

and 13.4 percent increase in hours of congestion on the highway and regional corridor system. Daily vehicle hours of delay for I-205 increased by 25 percent in each direction from 2015 to 2017, indicating that the extent and duration of congestion in the corridor continues to increase and that travel continues to become less and less reliable (ODOT 2018b).

In 2018 more than 100,000 vehicles used the section of I-205 between Stafford Road and OR 213 each day (ODOT 2019). Northbound I-205 from I-5 to the Abernethy Bridge has been identified as one of the region's top recurring bottlenecks during the evening commute. In 2017 this section of I-205 experienced 3.5 hours of congestion in the evening, from 2:45 p.m. to 6:15 p.m. Southbound I-205 from OR 212 to the Abernethy Bridge experienced over 3 hours of congestion in the morning from 6:00 a.m. to 9:15 a.m. (ODOT 2018b). In total, the section of I-205 between Stafford Road and OR 213 experienced approximately 6.75 hours of congestion daily.²

The population of the Portland metro region is expected to grow from 2.5 million residents in 2018 to over 3 million in 2040 (23 percent) and over 3.5 million in 2060 (43 percent), further exacerbating existing congestion problems (Census Reporter 2018; Metro 2016b).

Traffic congestion impacts freight movement

Movement of people and goods is critical to support a growing economy. Freight tonnage in the Portland region is expected to double by 2040, with 75 percent of total freight tonnage moved by truck (Metro 2018). I-205 is a designated north-south interstate freight route in a roadway network that links Canada, Mexico and major ports along the Pacific Ocean. Trucks represent 6 to 9 percent of total traffic on I-205 (ODOT 2018b).

Congestion on I-205 affects the ability to deliver goods on time, which results in increased costs and uncertainty for businesses. The cost of congestion on I-205 increased by 24 percent between 2015 and 2017, increasing to nearly half a million dollars each day in 2017 (ODOT 2018b). Increasing congestion and demand for goods will result in more delay, costs, and uncertainty for all businesses that rely on I-205 for freight movement.

Traffic congestion contributes to climate change

Greenhouse gas emissions from cars and trucks have been rising since 2013 and represented 39 percent of total statewide emissions in 2016 (Oregon Global Warming Commission 2018). Idling vehicles sitting in congestion conditions contribute to these emissions. In March 2020, the Governor signed an executive order to reduce greenhouse gas emissions 45 percent below 1990 levels by 2035 and 80 percent below 1990 levels by 2050.

Critical congestion relief projects need construction funding

Available funding for transportation has not kept pace with the cost of maintaining our transportation system or the cost of construction of new transportation and congestion relief

² The coronavirus pandemic (COVID-19) has dramatically altered current traffic levels. Future traffic volumes on I-205 are unknown, but as the risks of COVID-19 are reduced, traffic congestion is expected to return.

projects. ODOT revenue comes from a mix of federal and state sources, including fuels taxes, taxes on heavy vehicles, and driver and vehicle licensing and registration fees. The federal gas tax has not been adjusted since October of 1993 and the share of federal contributions to state transportation projects has greatly decreased. On the state level, escalating expenditures to maintain aging infrastructure, the need to perform seismic upgrades for state’s bridges, and rising construction costs have greatly increased financial needs.

Compounding this problem is a substantial increase in travel demand as the state experiences strong population growth, particularly in the Portland metro area. ODOT must explore every possible method for getting the most out of its existing infrastructure, funding congestion relief projects to ease congestion, and planning for increased earthquake resiliency. ODOT has identified the I-205 Improvements Stafford Road to OR 213 Project as part of the strategy to improve mobility on I-205 and seismically upgrade the Abernethy Bridge. The project is included in the 2018 Region Transportation Plan and is expected to benefit the Portland metro region and the state. The I-205 Improvements Project and the I-205 Toll Project have independent utility, as either one could be implemented independent of the other project; both have logical termini; and neither restrict consideration of alternatives for future transportation improvements. The I-205 Improvements Project has already received NEPA clearance and is in the process of obtaining permits; however, there is currently no funding source identified for construction of this project. Tolls collected on I-205 are anticipated to be used to fund congestion relief projects in the corridor, including, but not limited to, the I-205 Improvements Project.^{3, 4}

GOALS AND OBJECTIVES

Project goals and objectives are desirable outcomes of the project beyond the purpose and need statement. The following goals and objectives reflect input collected from the Value Pricing Feasibility Analysis Policy Advisory Committee, partner agencies, the Project equity team, and other Project stakeholders; these goals and objectives will be considered when comparing alternatives.

- Goal: Provide equitable benefits for all users
 - Acknowledge and consider populations who use or live near the segment of I-205 between Stafford Road and OR 213 and have been historically underserved and underrepresented or negatively impacted by transportation projects
 - Engage people from historically underserved communities to participate throughout the project design, development, implementation, monitoring, and evaluation processes

³ Net toll revenue for capital projects represents the available cash flow from tolling after covering an allowance for revenue leakage, the costs of toll collection operations and maintenance (O&M), and the costs of roadway facility O&M. Net toll revenues may be used to pay for capital improvement directly and/or they may be used to pay the principal and interest on borrowed (financed) funds.

⁴ HB 2017 established a Congestion Relief Fund which would receive any net proceeds from tolling. The Oregon Constitution (Article IX, Section 3a) specifies that revenues collected from the use or operation of motor vehicles is spent on roadway projects, which could include construction or reconstruction of travel lanes, as well as bicycle and pedestrian facilities or transit improvements in or along the roadway.

- Maximize benefits and minimize burdens to historically underserved and underrepresented communities
- Provide equitable and reliable access to job centers and other important community places, such as grocery stores, schools, and gathering places
- Support equitable and reliable access to health promoting activities (e.g. parks, trails, recreation areas) and health care facilities
- Goal: Limit additional traffic diversion from I-205 to adjacent roads and neighborhoods
 - Design toll system to limit rerouting from tolling
 - Design toll system to minimize additional noise impacts from traffic rerouting
- Goal: Support safe travel regardless of mode of transportation
 - Enhance vehicle safety on I-205 by reducing congested conditions
 - Ensure multi-modal travel (e.g. pedestrians, bicycles, and transit) does not become less safe on local roadways affected by tolling on I-205
- Goal: Improve air quality and reduce contributions to climate change effects
 - Reduce vehicle air pollutants and greenhouse gas emissions through improved travel efficiency
 - Reduce localized air pollutants through reduced congestion and improved travel efficiency, particularly in community areas where pollutants are concentrated
- Goal: Support multi-modal transportation choices
 - Support shifts to higher occupancy vehicles (including carpooling) and other modes of transportation (transit, walk, bike, telework)
 - Collaborate with transit providers to enhance availability and access to transit service in underserved and underrepresented areas along the tolled segment of the I-205 corridor
- Goal: Support regional economic growth
 - Provide for reliable and efficient movement of goods and people through the I-205 corridor
- Goal: Support travel demand management
 - Design toll system to improve efficient use of roadway infrastructure and improve travel reliability
- Goal: Maximize integration with future toll systems
 - Design a toll system that can be expanded in scale, integrated with tolling on other regional roadways, or adapted to future toll system applications
- Goal: Maximize interoperability with other transportation systems
 - Design a toll system that is interoperable with other transportation systems (e.g. transit, parking, etc.) in the region

REFERENCES

- Census Reporter. 2018. Portland-Vancouver-Hillsboro, OR-WA Metro Area. <https://censusreporter.org/profiles/31000US38900-portland-vancouver-hillsboro-or-wa-metro-area/>. Accessed February 4, 2020.
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- Metro. 2016a. 2040 distributed population and household forecasts. <https://www.oregonmetro.gov/sites/default/files/2017/03/08/2040-regional-population-housing-forecast-by-city-county.pdf>. Accessed February 4, 2020.
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- Oregon Department of Transportation (ODOT). 2018a. Oregon Application to FHWA: Value Pricing Feasibility Analysis and Proposed Implementation. https://www.oregon.gov/odot/tolling/ResourcesHistory/VP%20Final_FHWAApplication_Draft.pdf Accessed June 17, 2020.
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- Oregon Department of Transportation (ODOT). 2012. Seismic Lifelines Evaluation, Vulnerability Synthesis, and Identification. <https://www.oregon.gov/ODOT/Planning/Documents/Seismic-Lifelines-Evaluation-Vulnerability-Synthese-Identification.pdf>. Accessed February 3, 2020.

Oregon Global Warming Commission. 2018. 2018 Biennial Report to the Legislature for the 2019 Legislative Session. <https://www.keeporegoncool.org/reports/> Accessed May 14, 2020.

Oregon State Legislature. 2017. House Bill 2017.
<https://olis.leg.state.or.us/liz/2017R1/Downloads/MeasureDocument/HB2017/Enrolled>
Accessed June 16, 2020.

Si desea obtener información sobre este proyecto traducida al español, sírvase llamar al 503-731-4128.

Nếu quý vị muốn thông tin về dự án này được dịch sang tiếng Việt, xin gọi 503-731-4128.

Если вы хотите чтобы информация об этом проекте была переведена на русский язык, пожалуйста, звоните по телефону 503-731-4128.

如果您想瞭解這個項目，我們有提供繁體中文翻譯，請致電：503-731-4128。

如果您想了解这个项目，我们有提供简体中文翻译，请致电：503-731-4128。

For Americans with Disabilities Act or Civil Rights Title VI accommodations,
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September 8, 2020

Lucinda Broussard
Toll Program Director
Oregon Department of Transportation
355 Capitol Street NE, MS 11
Salem, OR 97301-3871

RE: I-205 Tolling NEPA and Alternatives Analysis Comment Letter

Dear Director Broussard:

On behalf of the City of Oregon City, I respectfully submit our comments on the Draft Purpose and Need Statement of the Oregon Department of Transportation (ODOT) I-205 Toll Project and the alternatives that will be advanced through the project's National Environmental Policy Act (NEPA) analysis into public record.

To begin, thank you for your inclusive involvement with local stakeholders since the inception of the newly formed ODOT Toll Program office. As you have likely discerned from your numerous meetings with a variety of cities and stakeholders, our communities recognize the importance of I-205 for Clackamas County and all of northern Oregon and are passionately concerned about the impacts anticipated from the proposed tolling of I-205 through not just Oregon City, but Clackamas County as a whole.

As ODOT begins the process of developing tolling on I-205 Oregon City has three principal concerns regarding the I-205 Tolling Project.

First, the financial necessity and the benefits of tolling this section of I-205 have not been clearly articulated. After years of improving the highway system of Oregon without the use of tolling, many residents and businesses in Oregon City and Clackamas County question why it is necessary that *this* project be tolled. Oregon City requests that a financial analysis of the I-205 Widening and Seismic Improvements project be released that justifies tolling and demonstrates that it cannot be completed without toll funding. As part of that review, we also request the Oregon Transportation Commission (OTC) clarify its policy for funding of major highway improvements and assure stakeholders that tolling will be applied equitably to all major highway improvements in the region and the state. Oregon City and Clackamas County businesses and residents should not be required to shoulder the cost of a major improvement to the state highway system, if others in the future will not be required to do the same.

Second, we are concerned about a lack of clarity around the intentions and policies regarding toll revenue allocation and urge that toll revenue generated in a project area remain in that project area. Based on recent comments from ODOT tolling staff we understand that their intent is to seek policy direction to ensure that toll revenue collected in the corridor remains in the corridor. We strongly support ODOT staff's intention and this concept. We urge OTC to affirm that I-205 toll revenues will only be used along the I-205 corridor and other regional and local roadways and alternative mode facilities impacted or missing in the affected corridor.

Third, and the most significant Oregon City concern is with the negative and disproportionate impacts and burdens to Oregon City. Although the Toll Program identifies benefits and burdens of the program regionally, when you take a deeper dive into those impacts at a local level, Oregon City bears many of the burdens and very few benefits.

- Diversion: Preliminary modeling results show substantial diversion and increases to traffic volumes on local roadways in Oregon City in all alternatives. We are concerned with the congestion that diversion will create on local roadways already nearing capacity, as well as the impacts to the locally owned roadway infrastructure deteriorating faster than we can maintain it. Additional congestion will decrease local reliability and efficient movement of goods and people through Oregon City. Diversion impacts can be seen and felt noticeably in downtown Oregon City today and will only increase with the implementation of tolling. Diversion onto local streets comes at the expense of Oregon City and our community.
- Safety: Crash trends are usually directly related to congestion and the reliability of the corridor. With more vehicle trips diverting to alternate routes, the crash trend in Downtown Oregon City, as well as the diversion routes, would be expected to increase.
- Multi-Modal Options: With a lack of adequate transit, bicycle, and pedestrian options available for mode shift, those vehicles not able or willing to pay the toll will be diverted to local streets. This will in turn decrease vehicle, bicycle, and pedestrian safety as the traffic volumes on local streets increase. The I-205 Improvements: Stafford Road to OR 213 do not currently include bicycle and pedestrian components, which leaves limited options for commuting along the I-205 corridor as a bicyclist or pedestrian. The OR 43 Arch Bridge is not a low stress or user-friendly option for walking and biking and all other routes are too far out of the travel path for most pedestrians and bicyclists. In order to provide adequate bicycle and pedestrian mode shift options along the corridor, it is imperative that ODOT continue to work with agencies to identify both a bicycle and pedestrian option across the Willamette River and a funding strategy to pay for the infrastructure. A key to a successful decrease in congestion is mode shift to transit. The current transit options along I-205 are already insufficient and do not lend themselves to many opportunities for mode shift. In order to provide adequate transit mode shift options along the corridor, it is imperative that ODOT allow transit providers to run bus/shuttle on shoulder along the I-205 corridor. Transit Centers, park and rides

and bus lanes in the Oregon City area are nonexistent or woefully ill-equipped, inefficient, and currently over capacity. The level of diversion projected on local roadways will impact the ability for existing and future transit service, centralized around the Oregon City Transit Center, to provide reliable and efficient transit service to the project corridor as well as the Oregon City community.

- **Economic Growth:** The COVID-19 pandemic has put unimaginable stress on our small business community and regrowth with fewer customers could disproportionately disadvantage those in Oregon City. Additional traffic on our roadways and gridlock in downtown Oregon City will make it difficult at best for businesses to survive, let alone thrive. We have made great strides in promoting tourism and continue to move forward with these efforts. We currently see 65% of employees in Oregon City commuting into Oregon City. Many of these jobs are service sector and retail jobs which pay lower wages. With tolling of I-205, we will likely see regional and state economic growth, but again it comes at the expense of Oregon City's economic growth.
- **Equity:** Oregon City has one of the only census tracts in the project area that qualifies for an Opportunity Zone, which identifies the area as economically distressed. Oregon City also has several neighborhoods that are Community Development Block Grant (CDBG) eligible. The CDBG program is set up to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons. Oregon City has a high population of people who identify as having a disability. Additionally, many areas in Oregon City are included in the Transportation Equity Index as 'Above County Average' or are identified as persons experiencing disability.
- **Health:** Oregon City is home to numerous health & social services. Many of the services are not available in other locations and people requiring these services will be burdened with paying a toll or diverting around the tolling.
 - Oregon City is home to the Clackamas County Courthouse, located in downtown.
 - Providence Willamette Falls Medical Center is a full-service hospital serving the south metropolitan area
 - Oregon City is home to Clackamas County Health, Housing & Human Services, which provides free health clinics and services. These services are available to many of Clackamas County's historically underserved, and underrepresented communities.
 - Clackamas County Beavercreek Health Center, a free medical clinic is in Oregon City.
- **Air Quality & Climate Change:** We agree that reducing congestion on I-205 will reduce vehicle air pollutants and greenhouse gas emissions through enhanced travel efficiency along I-205, but again that comes at an expense to Oregon City. With a lack of adequate transit, bicycle, and pedestrian options available for mode shift, those vehicles not able or willing to pay the toll will be diverted to local streets. This will in turn increase the air pollutants and greenhouse gas emissions in Oregon City and

surrounding cities. These impacts will be seen and felt considerably in downtown Oregon City.

- Land Use Impacts: Oregon City is identified as one of eight Regional Centers in the metro area, tasked with being the focus of redevelopment, multi-modal transit connections and concentrated growth. Metro's 2011 State of the Centers report notes that all regional centers, with the exception of Oregon City and Tanasbourne, are well connected to the rest of the region through Max Lines, the Westside Express Service (WES) commuter rail line and frequent bus service. Oregon City has worked hard over the years to support development of our downtown area. This has included approval and adoption of a variety of plans and strategies to support a mixed-use dense downtown area that also supports our place as a Regional Center. Work to date has included:
 - Updates to our Comprehensive Plan.
 - In 2004 the Oregon Transportation Commission designated OR 99E in downtown Oregon City a Special Transportation Area (STA). This designation recognizes the local mobility and access needs in Oregon City's downtown are a priority and are as important as the highways' role to move through-traffic. ODOT describes an STA as a corridor where the convenience of movement is focused upon pedestrians, bicycle and transit modes. The primary objective of an STA is to provide access to and circulation amongst community activities, businesses and residences and to accommodate pedestrian, bicycle and transit movement along and across the highway
 - The City has adopted the McLoughlin Boulevard Enhancement Plan (2005) which identified that OR 99E was to be converted to a more pedestrian friendly roadway with narrower travel lanes, reduced vehicle speeds, a raised landscape median, wider sidewalks, pockets of on-street parking, and pedestrian refuges. The City continues to work on implementing this plan and continues to create a more business friendly environment in our downtown.
 - Adoption of a Multimodal Mixed-Use Area (MMA) in our downtown area in 2014 strengthened our desire to create a downtown that provides a high-quality area focused on alternative modes of transportation, and supports compact, mixed use development. This designation acknowledges our commitment to a different set of values that places importance on multimodal travel and a compact, mixed-use pattern of development.
 - The City has adopted a Transportation Demand Management Plan (2017) to examine opportunities and challenges in parking, access and transportation related to the redevelopment of the Willamette Falls Legacy Project, which is directly adjacent to existing downtown Oregon City. The plan provides the foundation for a new multimodal vision for the greater Oregon City downtown.

Oregon City is split from the rest of the Metro area by I-205, the Willamette River and the Clackamas River and yet continues to develop and grow. Additional housing options are

planned both in downtown and throughout the city . . . would you choose to live in a location where every time you enter or leave your city you are charged a toll?

Despite concerns with tolling as a policy for funding major transportation improvements, we recognize that ODOT is mandated to advance this project. Therefore, it is our intention to provide comments that will reduce the impacts and result in maximum benefit for not only Oregon City, but Clackamas County and its cities, the Portland region, and the State of Oregon. What follows is a list of comments that we believe will improve the alternatives ODOT advances for consideration under a NEPA analysis.

ODOT has provided Draft Goals & Objectives of the I-205 Toll Project. You state the goals describe desirable outcomes the Tolling Program. Following is a review and feedback on your draft goals:

- **Provide equitable benefits for all users**
 - It is imperative that the goals and objectives not only look at the Toll Program as a whole, but that it also looks at the micro level burdens and benefits for areas immediately adjacent to the project area, especially Oregon City.
 - The Oregon Transportation Commission concluded during the Value Pricing Feasibility Analysis and Proposed Implementation that “We must adopt strategies in combination with tolling to avoid negative impacts”. Currently, we do not believe the objectives adequately address local impacts of tolling. The current alternatives analysis does not fully account for quality of life impacts in Oregon City - citizens, business owners, employees, and visitors of Oregon City will not see equitable benefits, they will be charged a toll to enter or leave Oregon City, or will be required to create diversion on other local streets just to go about their daily needs.
- **Limit additional traffic diversion from I-205 to adjacent roads and neighborhoods**
 - The Performance Comparison Summary in the Open House states that all alternatives have Average Diversion compared to other alternatives, the impacts to Oregon City should not be considered average. The two alternatives proposed for moving forward (Alternative 3 & Alternative 4) show +30 to +40% change in volumes on both the Arch Bridge and along the downtown Oregon City screen line. An increase of this magnitude does not meet this goal as it pertains to adjacent roads and neighborhoods it is essential that the Tolling Program mitigate these impacts and burdens to adjacent neighborhoods.
 - To address the local tolling impacts, we ask that the limits of tolling be revisited and that an alternative in which the tolled area of I-205 extends from a location west of the Stafford Rd interchange to a location north of the OR 212 interchange.
- **Support safe travel regardless of mode of transportation**

- We request this include enhanced vehicle safety on I-205, and local streets impacted by diversion, by reducing congested conditions.
- As proposed, this does not address vehicle safety outside I-205. Just as you recommend multi-modal travel does not become less safe on local roadways affected by tolling, we request you also include vehicle travel does not become less safe on local roadways affected by tolling on I-205.
- **Improve air quality and reduce contributions to climate change effects**
 - We request this also look at the impacts of vehicle air pollutants and greenhouse gas emissions resulting from traffic congested on those local roadways which will receive the diversion vehicle trips.
 - Update to address how the local traffic increase from diversion and increased congestion will improve travel efficiency. Additionally, this increased local congestion is expected to impact transit reliability.
- **Support multi-modal transportation choices**
 - The I-205 Improvements: Stafford Road to OR 213 do not currently include bicycle and pedestrian components, which leaves limited options for commuting along the I-205 corridor as a bicyclist or pedestrian. We think that was short sided and a mistake. The OR 43 Arch Bridge is not a low stress or user-friendly option for walking and biking and all other routes are too far out of the travel path for most bicyclists. Through access to and from the arch bridge is imperfect. In order to provide adequate bicycle and pedestrian mode shift options along the corridor, it is imperative that ODOT continue to work with local agencies to identify not only a bicycle and pedestrian option across the Willamette River, but funding for the project as well.
- **Support regional economic growth**
 - We agree that alternatives recommended for advancement should provide for reliable and efficient movement of goods and people through the I-205 corridor. We request that the objective of this goal include reliable and efficient movement of goods and people through the I-205 corridor, and local streets impacted by diversion.
- **Support travel demand management**
 - We request this includes ways to improve efficient use of roadway infrastructure and travel time reliability on I-205, and local streets impacted by diversion.
- **Maximize integration with future toll systems**
 - We agree that alternatives recommended for advancement should provide a toll system that shall be expanded in scale, integrated with tolling on other regional roadways, and adapted to future toll system applications. This goal is imperative and we want to request that Oregon Transportation Commission clarify its policy for funding of all major highway improvements and assure stakeholders that tolling will be applied equitably to major highway improvements in the region and the state.

Following are our comments related to Regional Modeling:

1. The 2027 travel demand modeling used to select alternatives fails to adequately account for the long-term impacts of tolling on the surrounding communities. We request that ODOT use Metro's 2040 travel demand model to assess the long-term diversion of traffic that will result from the implementation of tolling on this segment of I-205 and impact Oregon City.
2. We request that ODOT seek to understand both the difference between the increase of vehicles created by diversion and the impact of those increases on local roads where diversion and delays already occur. To achieve this, apply traffic simulation to determine the impacts of traffic congestion and delay on the arterial roads and signalized intersections that will be impacted by traffic diversion from I-205 as a result of the implementation of tolling. This analysis should include state highways – and the roads that feed them – that serve as major arterials in surrounding communities, including but not limited to OR 99E, OR 212, OR 43, and OR 213. This analysis should also address how the tolling program will mitigate those impacts. If diversion creates the volume increases as projected in preliminary modeling how will downtown Oregon City be able to develop into the south metro area Regional Center that it is expected to become.
3. We request that ODOT analyze the following alternatives in the Environmental Assessment. For each of the alternatives listed below, we request that a version of the alternative be modeled in which equivalent tolls are implemented on I-5 in Portland and I-205 in Clackamas County as was recommended in the 2018 Value Pricing Feasibility Study, and also a version in which only I-205 is modeled.
 - a. The No-Build alternative should be identified as the full 6-lane improvement to I-205 without tolling. This alternative provides the best baseline to determine the impacts of the tolling alternatives. ODOT has stated: "ODOT plans to add a third lane in each direction and make the Abernethy Bridge seismically resilient, but construction funding is not available. Toll revenue could help pay for these improvements." Oregon City is concerned that tolling would be implemented on the existing two-lane segments on I-205, creating even more diversion from the current configuration and traffic volumes that we see today.
 - b. The following alternatives from the "I-205 Toll Project Comparison of Screening Alternatives": Alternative #3, Alternative #4, and Alternative #5.
 - c. An alternative in which the OR 43 Arch Bridge is restricted to bicycle/pedestrian modes only. ODOT, along with partner agencies that includes Oregon City, is currently beginning planning work on a "Pedestrian and Bicycle Crossing: Oregon City to West Linn" project. This project is intended to conduct a planning study and complete a comprehensive public outreach effort to identify a preferred location for a low stress bicycle/pedestrian bridge over the Willamette River in the vicinity of Oregon City and West Linn.

- d. An alternative in which the existing OR 43 Arch Bridge is restricted to bicycle/pedestrian modes only and a new vehicle bridge across the Willamette River between Oregon City and West Linn is added with sufficient capacity for forecasted 2050 traffic volumes.
 - e. An alternative in which the tolled area of I-205 extends from a location west of the Stafford Rd interchange to a location north of the OR 212 interchange.
4. We also request that ODOT quantify the impacts of traffic diversion on state highways and major city and county roads throughout the full extent of Clackamas, Multnomah, and Washington Counties, rather than focusing solely on highways and roads in Clackamas County. We believe that this project will have region-wide impacts and that to meet the intent of NEPA it is necessary that those impacts be analyzed.
 5. We request more detailed analysis of how each alternative will meet project objectives by adding a peak hour performance measure analysis on all major roads. While an initial evaluation has been provided, we believe each alternative should receive a full analysis to allow a comparison of all the alternatives.
 6. We request that ODOT assess the health and equity impacts of each alternative in the Environmental Assessment. We recognize the Equity and Mobility Advisory Committee (EMAC) will provide a more robust analysis of this need, but we highlight this as an opportunity to incorporate health and equity criteria into the performance measures analysis, perform an equity analysis by analyzing the performance measures for subareas with a high percentage of marginalized and vulnerable populations, and partner with Oregon Health Authority (OHA) Environmental Health to explore modeling options of health outcomes.

We request ODOT use this NEPA process to additionally assess the original intent of HB 2017 to toll the entirety of I-5 and I-205, between the Columbia River and their intersection north of Wilsonville. Value pricing as a means of congestion relief cannot be achieved as a pilot program where select communities bear the burden of discovery. If value pricing is to have a true impact in our region, ODOT and the region at large will benefit by studying those impacts now, and potentially pursuing those methods of value pricing if they truly model congestion relief. This approach not only favors a system-wide approach to congestion relief, but also removes the already observable and unfair model of penalizing several small communities to fund a project of statewide significance.

Finally, we feel obliged to reinforce our concerns for the impacts of diversion to Oregon City. Diversion already exists on local roads due to bottleneck congestion on I-205, and is experienced on the OR 43 Arch Bridge, OR 99E and downtown Oregon City regularly. Increased diversion to roads already accommodating diversion is expected to eliminate community support. The I-205 Widening and Seismic Improvements Project must be considered completed for any of this to resonate with Oregon City.

We also expect the NEPA analysis to inform how ODOT plans to address and mitigate the impacts and burdens of tolling. In order to see the expected mode shift from single occupancy vehicles, adequate opportunities need to be available. This will require improved transit alternatives (bus/shuttle on shoulder and connection routes around the project), improved bicycle and pedestrian accommodations on roadways where diversion will increase as well as adequate bicycle and pedestrian options across the Willamette River.

Thank you for considering our comments, and we look forward to your response as part of the NEPA process.

Sincerely,

Dan Holladay
Mayor

cc: City Commission

P:\PublicWorks\Transportation\ODOT Value Pricing & Tolling\NEPA\I-205 Tolling NEPA Comment Letter Oregon City - Draft for CC.docx

DRAFT



CITY OF OREGON CITY

Staff Report

625 Center Street
Oregon City, OR 97045
503-657-0891

To: City Commission
From: Public Works Director John Lewis

Agenda Date: 09/08/2020

SUBJECT:

Water System Development Charge Update

STAFF RECOMMENDATION:

Review recommended Water System Development Charge (SDC) updates and confirm direction to proceed prior to public notification and hearing.

EXECUTIVE SUMMARY:

Water rates and SDCs support the city's capital improvement plan (CIP). The City is in the process of Amending the 2012 Water Distribution System Master Plan, to include the updated 2019 CIP. This update reflects planned city service, with water from South Fork Water Board, to the Urban Growth Boundary, including the Beaver Creek Road (Thimble Creek) Concept Plan area using updated modeling and water demand projections.

With the adoption of an amendment to the 2012 Water Master Plan, including the 2019 CIP, the City must update water rates and SDC's to support that plan. Water rates pay for system improvements needed for the existing system while SDCs are one-time charges and pay for system improvements needed to support development/growth.

A Water Rate and SDC Analysis was completed in November 2019 to support the 2019 CIP Update. In the report, water rates were expected to exceed the 3% limit set by the City Charter, therefore voter approval will be needed. SDC updates are not limited by City Charter and are paid for by developers, as development occurs. Increasing SDC rates now, rather than later, ensures that development pays their share of costs associated with infrastructure needed to serve the citywide buildout as development occurs.

At the July 15, 2020 City Commission Work Session, the Commission confirmed its interest in moving forward with SDC update separate from water rates.

Today's presentation begins the SDC update process, by presenting the proposed SDC update and seeking confirmation from the Commission on how to proceed, prior to issuance of the required public notice and public hearing.

BACKGROUND:

In May 1996, voters concerned with the adopted rates approved a city charter amendment that ultimately would force water rates to return to the previous rate levels. The vote was approved; however, bond indebtedness was already in place and a legal injunction resulted in a 20-year delay in the implementation of the rate rollback.

In 2012 the Water Distribution System Master Plan was completed, including a new capital improvement plan. FCS Group was hired to complete a study of water rates and SDCs to support the new Master Plan. The FCS report showed a need for a rate increases larger than allowed by the City Charter. This presented a large barrier, not only due to the voter approval requirement, but also due to the water rate rollback. SDC updates were not pursued at that time due to the effort required to address rate challenges.

In November 2012, City staff presented their recommendation of no water rate rollback and an 8% annual water rate cap to the City Commission. This recommendation was to solve impacts of the 1996 City Charter Amendment outcome and to shore up the revenue stability needed to sustain the existing water system. Further discussion and rate scenarios ensued but the ultimate City Commission decision was to separate the rate stability concerns (maintain the 3% limit) but focus on solving the looming water rate rollback. On May 21, 2013, Oregon City voters approved ballot measure 3-423, avoiding the water rate rollback. Again, SDC increases were not pursued at this time, due to focus on rates.

Since 2013 the City Commission has remained focused on the need for revenue stability necessary to sustain the existing water system as reflected in the City Commission's past and present goals and priorities. The City Commission has also sustained water rate increases by 3% annually and SDC rate increases based on the Engineering News Record Construction Cost Index, which varies greatly from year to year but over the past 6 years the annual increase averages about a 3%.

The 2019 CIP was developed using an updated model that reflected updated demand projections as well as system operation, based on collected data. The result is an improved CIP that identifies projects to improve efficiency, system capacity and condition of the water distribution system.

With mounting certainty of the 2018/19 revisions to the water CIP, the City contracted with FCS Group in March 2019 to complete the Water Rate and SDC Update associated with the new financial needs. In addition, the 2019 CIP update was presented to the City Commission in February 2019. Later in 2019, FCS Group presented the Water Rates & SDC Study, based on the 2019 CIP update. In that

presentation rates were projected to increase beyond the 3% City Charter limit in order to fully support the CIP and would therefore require voter approval.

At the July 15, 2020 City Commission Work Session, the Commission confirmed its interest in pursuing SDC increases ahead of water rates, since rates will require voter approval. SDC have not been updated, outside the annual increase for inflation, since 2004 making this update very important. FCS Group has been hired to update the 2019 work and assist the City in presenting both rates and SDCs. Today’s presentation is focusing on SDCs and presents FCS analysis and recommendations for SDC updates. The 2019 study has been included in the City Commission packet but will be updated by providing two separate documents, one for rates and the other for SDCs as work moves forward. SDC comparisons for other jurisdictions have been updated in the presentation and will also be reflected in the updated report, which is forth coming.

The following shows the proposed Water SDC rates compared to current rates.

Meter Size	Flow Factor	Proposed	Existing
5/8" x 3/4"	1.0	\$ 9,374	\$ 4,342
3/4"	1.5	\$ 14,062	\$ 6,513
1"	2.5	\$ 23,436	\$ 10,854
1 1/2"	5.0	\$ 46,872	\$ 21,709
2"	8.0	\$ 74,995	\$ 34,734
3"	16.0	\$ 149,990	\$ 69,469
4"	25.0	\$ 234,360	\$ 108,545
6"	50.0	\$ 468,720	\$ 217,089
8"	80.0	\$ 749,952	\$ 347,343
10"	115.0	\$ 1,078,056	\$ 499,305

Upon confirmation from the City Commission on how they would like to proceed with SDC updates, staff will proceed with required public notifications and schedule public hearings for formal adoption.

OPTIONS:

- 1. Direct staff to proceed with SDC updates, as presented.
- 2. Direct staff to modify SDC recommendations prior to proceeding with updates.
- 3. Direct staff to not proceed with SDC updates.

City of Oregon City

WATER RATE AND SYSTEM DEVELOPMENT CHARGE UPDATE

DRAFT REPORT
November 18, 2019

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FCS GROUP
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Section I. INTRODUCTION

This section describes the policy context and project scope upon which this report is based.

I.A. THE ENGAGEMENT

In February 2019, the City of Oregon City (City) updated the capital improvement plan for its water utility. Two months later, the City contracted with FCS GROUP to develop an SDC methodology and recommend rates for the utility. We conducted the study using the following general approach:

- **Policy Framework for Charges.** In this step, we worked with City staff to identify and agree on the approach to be used and the components to be included in each analysis.
- **Technical Analysis.** In this step, we created a spreadsheet model that could calculate both rates and SDCs from a common project list. We then worked with City staff to isolate the recoverable portion of facility costs and calculate the SDC. Water rate adjustments were then calculated using the City’s project list, operating budget, and several key economic assumptions.
- **Methodology Report Preparation.** In this step, we documented the calculations and recommendations in this report.

I.B. SYSTEM DEVELOPMENT CHARGE BACKGROUND

Oregon Revised Statutes (ORS) 223.297 to 223.314 authorize local governments to establish system development charges (SDCs), one-time fees on new development paid at the time of development. SDCs are intended to recover a fair share of the cost of existing and planned facilities that provide capacity to serve future growth.

ORS 223.299 defines two types of SDCs:

- A reimbursement fee designed to recover “costs associated with capital improvements already constructed, or under construction when the fee is established, for which the local government determines that capacity exists”
- An improvement fee designed to recover “costs associated with capital improvements to be constructed”

ORS 223.304(1) states, in part, that a reimbursement fee must be based on “the value of unused capacity available to future system users or the cost of existing facilities” and must account for prior contributions by existing users and any gifted or grant-funded facilities. The calculation must “promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities.” A reimbursement fee may be spent on any capital improvement related to the system for which it is being charged (whether cash-financed or debt-financed) and on the costs of compliance with Oregon’s SDC law.

ORS 223.304(2) states, in part, that an improvement fee must be calculated to include only the cost of projected capital improvements needed to increase system capacity for future users. In other words, the cost of planned projects that correct existing deficiencies or do not otherwise increase

capacity for future users may not be included in the improvement fee calculation. An improvement fee may be spent only on capital improvements (or portions thereof) that increase the capacity of the system for which it is being charged (whether cash-financed or debt-financed) and on the costs of compliance with Oregon’s SDC law.

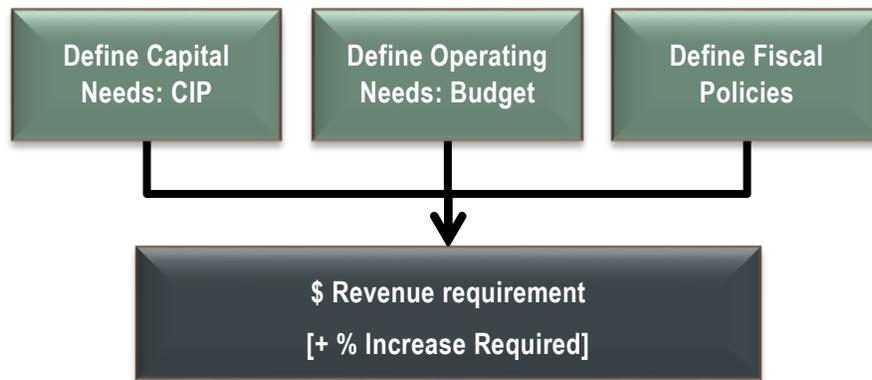
I.C. UTILITY RATE BACKGROUND

In addition to the system development charge, the City engaged FCS GROUP to update the City’s water rates. The project included forecasting the total amount of rate revenue needed to cover the utility’s capital investment needs, operating costs, potential debt service, and policy-driven commitments over a twenty-year planning period.

I.D. WATER RATE METHODOLOGY

Table 1 summarizes the general methodology used in this analysis, which is consistent with industry-standard ratemaking principles.

Table 1. Rate Study Methodology



Section II. SDC CALCULATION

This section provides our detailed calculations of the maximum defensible water SDC.

II.A. CALCULATION OVERVIEW

In general, SDCs are calculated by adding a reimbursement fee component and an improvement fee component—both with potential adjustments. Each component is calculated by dividing the eligible cost by growth in units of demand. The unit of demand becomes the basis of the charge. **Table 2** shows this calculation in equation format:

Table 2. SDC Equation

$\frac{\text{Eligible costs of available capacity in existing facilities}}{\text{Units of growth in demand}} + \frac{\text{Eligible costs of capacity-increasing capital improvements}}{\text{Units of growth in demand}} = \text{SDC per unit of growth in demand}$
--

II.A.1. Reimbursement Fee

The reimbursement fee is the cost of available capacity per unit of growth that such available capacity will serve. In order for a reimbursement fee to be calculated, unused capacity must be available to serve future growth. For facility types that do not have available capacity, no reimbursement fee may be calculated.

II.A.2. Improvement Fee

The improvement fee is the cost of planned capacity-increasing capital projects per unit of growth that those projects will serve. In reality, the capacity added by many projects serves a dual purpose of both meeting existing demand and serving future growth. To compute a compliant improvement fee, growth-related costs must be isolated, and costs related to meeting current demand must be excluded.

We have used the capacity approach to allocate costs to the improvement fee basis.¹ Under this approach, the cost of a given project is allocated to growth by the portion of total project capacity that represents capacity for future users. That portion, referred to as the improvement fee eligibility percentage, is multiplied by the total project cost for inclusion in the improvement fee cost basis.

¹ Two alternatives to the capacity approach are the incremental approach and the causation approach. The incremental approach requires the computation of hypothetical project costs to serve existing users. Only the incremental cost of the actual project is included in the improvement fee cost basis. The causation approach, which allocates 100 percent of all growth-related projects to growth, is vulnerable to legal challenge.

II.A.3. Fund Balance Adjustments

All accumulated SDC revenue currently available in fund balance is also deducted from its corresponding cost basis. This practice prevents a jurisdiction from double-charging for projects that were in the previous methodology’s improvement fee cost basis but have not yet been constructed.

II.B. GROWTH

The growth calculation is the basis by which an SDC is charged. Growth for each system is measured in units that most directly reflect the source of demand. For water SDCs, the most applicable and administratively feasible unit of growth is the meter capacity equivalent (MCE). For the City, one MCE equals the flow capacity of a 5/8” x 3/4” water meter.

II.B.1. Current Demand

According to the City’s records, the water utility has 11,142 customer accounts with a combined flow capacity of 15,557 MCEs as of April 2019, as shown in **Table 3**:

Table 3. Customer Data

	Total	Flow Factor	Meter Capacity Equivalents
Single Family (assumed to be 5/8" x 3/4" meters)	10,196	1.00	10,196
1"	239	2.50	598
1 1/4" - 1 1/2"	88	5.00	440
2"	120	8.00	960
3"	18	16.00	288
4"	3	25.00	75
6"	3	50.00	150
8"	3	80.00	240
10"	1	115.00	115
Unknown (Based on Dwelling Units for MF, 1.0 per account for all others)	471	N/A	2,495
Total	11,142		15,557

II.B.2. Future Demand

The City’s Water Distribution System Capital Improvement Plan Update (Capital Plan) includes a demand growth forecast for the utility through 2040. Assuming that water demand increases in proportion to population growth, the City will serve 21,320 MCEs in 2040. The growth from 15,557 MCEs in 2019 to 21,320 MCEs in 2040 (i.e., 5,763 MCEs) is the denominator in the SDC equation (**Table 4**).

Table 4. Customer Growth

Growth Unit	2019	2040	Growth (2019-2040)	Growth Share
Meter Capacity Equivalents	15,557	21,320	5,763	27.03%

II.C. REIMBURSEMENT FEE COST BASIS

The reimbursement fee is the eligible cost of available capacity per unit of growth that such available capacity will serve. Calculation of the reimbursement fee begins with the historical cost of assets or recently completed projects that have unused capacity to serve future users. For each asset or project, the eligible cost is the cost portion of the asset or project that is available to serve future users.

To avoid charging future development for facilities provided at no cost to the City or its ratepayers, the reimbursement fee cost basis must be reduced by any grants or contributions used to fund the assets or projects included in the cost basis. Furthermore, unless a reimbursement fee will be specifically used to pay debt service, the reimbursement fee cost basis should be reduced by any outstanding debt related to the assets or projects included in the cost basis to avoid double charging for assets paid for by debt service in the rates.

The City’s records list \$42,929,158 in water fixed assets net of grants and contributions. These assets were then allocated to eight categories based on the function of the asset – meters & services, supply, treatment, storage, pumping, transmission & distribution, fire, and general plant. Of these eight categories, only storage was determined to have available capacity for future users of the system. Section II.C.1 details how the capacity share for storage was determined. General plant was then allocated a capacity share based on the overall capacity share of all other assets.

II.C.1. Storage

The capacity share for the storage function is 39.03 percent. The detailed calculation of storage capacity is shown in **Table 5**:

Table 5. Storage Capacity Share

Storage Capacity	2019
Total Storage	18.25 MGD
Less Required Storage	(11.13 MGD)
Storage Excess (Need)	7.12 MGD
Available Capacity	39.03%

II.C.2. Reimbursement Fee Cost Calculation

The reimbursement fee cost basis is calculated by multiplying the capacity share of each asset category by the net asset value (original cost less contributions) of that category. General plant is allocated as the total capacity share of all other assets. The detailed calculation is shown in **Table 6**:

Table 6. Reimbursement Fee Cost Basis

Asset Category	Original Cost	Less: Contributions	Net Asset Value	Available Capacity	Eligible Cost
Meters & Services	\$ 45,050	\$ -	\$ 45,050	0.00%	\$ -
Supply	-	-	-	0.00%	-
Treatment	8,610	-	8,610	0.00%	-
Storage	10,391,124	-	10,391,124	39.03%	4,055,523
Pumping	132,355	-	132,355	0.00%	-
Distribution	19,572,298	(1,953,681)	17,618,617	0.00%	-
Fire	1,823	-	1,823	0.00%	-
General Plant	14,731,579	-	14,731,579	13.45%	1,981,484
Total	\$ 44,882,839	\$ (1,953,681)	\$ 42,929,158	13.45%	\$ 6,037,007

The reimbursement fee cost basis must be reduced by any reimbursement fee revenue currently held by the City. The City currently has a balance of \$1,024,107 in water reimbursement fees. Reducing the gross reimbursement fee cost basis of \$6,037,007 by this amount results in a net reimbursement fee cost basis of \$5,012,900.

II.D. IMPROVEMENT FEE COST BASIS

An improvement fee is the eligible cost of planned projects per unit of growth that such projects will serve. The improvement fee cost basis is based on a specific list of planned capacity-increasing capital improvements. The portion of each project that can be included in the improvement fee cost basis is determined by the extent to which each new project creates capacity for future users. **Table 7** shows how a total project cost of \$82,861,645 reduces to an eligible cost of \$51,992,926.

Table 7. Improvement Fee Cost Basis

Description	2019 Project Cost*	SDC Eligible	SDC Eligible Portion of Costs	Estimated Timing
Budget CIP - Water Fund				
Budget CIP - Water Fund	\$ 9,003,585	0.00%	\$ -	2019-2021
Budget CIP - Water SDC Fund	3,389,060	100.00%	3,389,060	2019-2021
Facility Projects:				
New transmission along Leland Rd	370,000	100.00%	370,000	2-5 years
New distribution along McCord Rd	681,500	100.00%	681,500	2-5 years
Move the Master Meter, MM08, to the UGB and update CRW connection	200,000	0.00%	-	2-5 years
New distribution within development - backbone only	5,394,500	100.00%	5,394,500	15-20 years
Move the Master Meter, MM09, to the UGB and update CRW connection	200,000	0.00%	-	15-20 years
New distribution loop North of Beaver Creek and South of Hilltop	624,500	100.00%	624,500	2-5 years
Finish looping along Maplelane Road to increase transmission to existing area	454,500	26.89%	122,218	5-10 years
Upsize existing I-205 crossing to improve fire flow and distribution looping	199,500	26.89%	53,647	0-5 years
Upsize existing piping on Abernethy Road for fire flow supply to Lower Zone	738,000	100.00%	738,000	5-10 years
Joint OC/CRW transmission from SFWB along Redland Rd for replacement of aging pipe and new transmission to F	3,538,000	100.00%	3,538,000	2-5 years
Transmission at the Park Place Intermediate Level (above 310')	370,000	100.00%	370,000	2-5 years
Transmission from the 16" Barlow Crest Transmission to PP Int Concept (above 310') - redundant transmission an	738,000	100.00%	738,000	2-5 years
New PRV from 550' to 430' (supply to area between 200' and 310'). Note: Livesay Pump Station shall be removed	200,000	100.00%	200,000	4-6 years
New 430' distribution piping (supply to area between 200' and 310')	483,500	100.00%	483,500	4-6 years
New PRV from 430' to 320' (alternate emergency supply and fire flow to PP Concept Area)	200,000	100.00%	200,000	5-10 years
New 320' distribution piping (supply to area below 200')	1,760,500	100.00%	1,760,500	5-10 years
Replace existing 320' distribution piping (supply to area below 200')	597,000	100.00%	597,000	5-10 years
New 350' Reservoir (supply to area above 110')	2,000,000	100.00%	2,000,000	15-20 years
New Pump Station from 320' to 350' (supply to area above 110')	1,194,000	100.00%	1,194,000	15-20 years
New PRV from 350' to 320' (emergency fire flow to PP Concept Area for new reservoir)	200,000	100.00%	200,000	15-20 years
New 350' transmission and distribution (supply above 350' and transmission to new Holly Lane PS)	2,839,000	100.00%	2,839,000	15-20 years
Parallel transmission line between Mountainview Reservoirs and Beaver Creek Rd - Increase transmission to Henri	2,153,500	100.00%	2,153,500	5-10 years
Parallel transmission line between Beaver Creek Rd and Glen Oak Rd along Streetscape improvements - Increase	2,963,000	100.00%	2,963,000	0-5 years
New crossing north of Glen Oak Rd from Molalla to OC Public Schools property - distribution for development, incre	738,000	100.00%	738,000	0-5 years
OC HS crossing to Beaver Creek Rd - Increase looping and transmission to Henrici	852,000	100.00%	852,000	5-10 years
New parallel transmission between Fairway Downs and Henrici Reservoir	2,051,500	100.00%	2,051,500	0-5 years
New Upper Zone distribution - supply new development below 480', improve transmission	3,379,500	100.00%	3,379,500	5-10 years
New Fairway Downs distribution - supply new development below 480'	3,890,500	100.00%	3,890,500	5-10 years
New PRV between Fairway Downs and Upper Zone - emergency fire flow	200,000	100.00%	200,000	5-10 years
New Fairway Downs Reservoir - supply new development	2,500,000	80.00%	2,000,000	0-5 years
New Fairway Downs Pump Station - supply new development	1,194,000	80.00%	955,200	0-5 years
New Fairway Downs Transmission - supply new development	1,654,000	80.00%	1,323,200	0-5 years
Transfer existing Henrici transmission to Fairway Downs transmission - supply new development	200,000	80.00%	160,000	0-5 years
S. Center St from S. 2nd to 1st St	134,000	0.00%	-	0-5 years
Barker Ave from South End Rd to Barker Rd	154,500	0.00%	-	0-5 years
Warner-Parrott Rd from King Rd to Boynton St	313,000	0.00%	-	0-5 years
Belle Ct and Glenwood Ct from Holmes Ln to Linn Ave	288,500	0.00%	-	0-5 years
Valley View Dr from Park Dr to McCarver Ave	192,000	0.00%	-	0-5 years
Canemah Ct from Canemah Rd to Telford Rd	326,000	0.00%	-	0-5 years
Randall St from Canemah Rd to Hartke Lp	134,000	0.00%	-	0-5 years
Hartke Lp and Alderwood Pl	712,000	0.00%	-	0-5 years
Harrison St from 7th St to Division St	115,000	0.00%	-	0-5 years
Division St from Harrison St to 13th/14th St	827,000	0.00%	-	0-5 years
Division St from Anchor Way PRV Station to Davis Rd	250,500	0.00%	-	0-5 years
Repair and Replacement Program	2,996,500	26.89%	805,777	5-10 years
Repair and Replacement Program	8,033,500	26.89%	2,160,257	10-20 years
11th St & Washington St, 15th St & Madison St, 3rd St & Bluff, Apperson Blvd & La Rae Rd, Jennifer Estates, Swan	100,000	26.89%	26,891	0-5 years
16th St & Division St, 18th St & Anchor Way, 4th Ave & Jerome St, 5th Ave & Canemah, Abernethy Rd & Redland	1,300,000	26.89%	349,578	0-5 years
3rd Ave & Ganong St	10,000	26.89%	2,689	5-10 years
11th St & Washington St, Apperson Blvd & La Rae Rd, Jennifer Estates, Swan Ave & Holcomb Blvd, Hunter Ave P	1,000,000	26.89%	268,906	5-10 years
Barlow Crest Reservoir - Exterior Overcoat	291,954	62.86%	183,514	0-5 years
Barlow Crest Reservoir - Safety Upgrades	100,000	62.86%	62,857	0-5 years
Barlow Crest Reservoir - Seismic Analysis/Seismic Upgrades3	975,000	62.86%	612,857	0-5 years
Barlow Crest Reservoir - Steel Interior Removal and Recoat	319,046	62.86%	200,543	0-5 years
Barlow Crest Reservoir - Steel Exterior Removal and Recoat	1,059,000	62.86%	665,657	10-20 years
Boynton Reservoir - Seismic Analysis/Seismic Upgrades (may require new reservoir)	775,000	0.00%	-	0-5 years
Boynton Reservoir - Steel Exterior Removal and Recoat	1,059,000	0.00%	-	10-20 years
Henrici Reservoir - Exterior Overcoat	291,954	0.00%	-	0-5 years
Henrici Reservoir - Safety Upgrades	100,000	0.00%	-	0-5 years
Henrici Reservoir - Seismic Analysis/Seismic Upgrades3	975,000	0.00%	-	0-5 years
Henrici Reservoir - Steel Interior Removal and Recoat	319,046	0.00%	-	0-5 years
Henrici Reservoir - Steel Exterior Removal and Recoat	1,059,000	0.00%	-	10-20 years
Mountainview 2 Reservoir - Safety Upgrades	100,000	53.00%	53,001	0-5 years
Mountainview 1 Reservoir - Concrete Major Repairs	200,000	53.00%	106,002	10-20 years
Mountainview 2 Reservoir - Concrete Major Repairs	200,000	53.00%	106,002	10-20 years
Hunter Ave PS - PLC, Pumps, drives, SCADA/ electrical, transfer	375,000	26.89%	100,840	0-5 years
Mountainview PS - Drives	95,000	26.89%	25,546	0-5 years
Mountainview PS - Pumps, SCADA/electrical	380,000	26.89%	102,184	5-10 years
Decommission	50,000	0.00%	-	5-10 years
Decommission	50,000	0.00%	-	0-5 years
Decommission	50,000	0.00%	-	5-10 years
Total	\$ 82,861,645		\$ 51,992,926	

The improvement fee cost basis must be reduced by any improvement fee revenue currently held by the City. The City currently has a balance of \$2,984,258 in water improvement fees. Reducing the gross improvement fee cost basis of \$51,992,926 by this amount results in a net improvement fee cost basis of \$49,008,668.

II.E. CALCULATED SDC

Dividing the sum of the net cost bases by the projected growth results in the calculated SDC per MCE, as shown in **Table 8**:

Table 8. Water SDC per MCE

SDC	SDC-Eligible
Reimbursement Fee	
Cost of Unused Capacity	\$ 6,037,007
Less: Reimbursement Fee Fund Balance	(1,024,107)
Reimbursement Fee Cost Basis	\$ 5,012,900
Growth to End of Planning Period	5,763 MCEs
Reimbursement Fee	\$ 870 per MCE
Improvement Fee	
Cost of Capacity Increasing Improvements	\$ 51,992,926
Less: Improvement Fee Fund Balance	(2,984,258)
Improvement Fee Cost Basis	\$ 49,008,668
Growth to End of Planning Period	5,763 MCEs
Improvement Fee	\$ 8,505 per MCE
Total System Development Charge	
Reimbursement Fee	\$ 870 per MCE
Improvement Fee	\$ 8,505 per MCE
Total SDC per MCE	\$ 9,374 per MCE

II.F. SCHEDULE OF SDCS

In order to impose water SDCs on an individual property, the number of MCEs is determined by the size of the property's water meter. The MCE calculation used is based on AWWA flow factors as shown in **Table 9** where one MCE is a 5/8" x 3/4" meter.

Table 9. Water SDC Schedule

Meter Size	Flow Factor	SDC Fee
5/8" x 3/4"	1.0	\$ 9,374
3/4"	1.5	\$ 14,062
1"	2.5	\$ 23,436
1 1/2"	5.0	\$ 46,872
2"	8.0	\$ 74,995
3"	16.0	\$ 149,990
4"	25.0	\$ 234,360
6"	50.0	\$ 468,720
8"	80.0	\$ 749,952
10"	115.0	\$ 1,078,056

II.G. COMPARISONS

Table 10 shows how Oregon City’s current and calculated 5/8” x 3/4” water SDCs, including the South Fork Water Board SDC of \$2,238, compare with SDCs adopted by other water utilities.

Table 10. Regional Comparison



Section III. SDC IMPLEMENTATION

III.A. FUNDING PLAN

The SDCs calculated in this report represent our opinion of the maximum water SDCs that the City can legally charge. However, even if the City imposes the full, calculated charge, the SDC will generate only 65 percent of the funds needed to complete the full project list, as shown in **Table 11**.

Table 11. Funding Plan

Capital Funding Plan	\$	%
Requirements		
Capital Improvement Plan	\$ 82,861,645	100%
Resources		
Existing SDC Fund Balance	\$ 4,008,365	5%
System Development Charges	54,021,568	65%
Other City Resources	24,831,712	30%
Total Resources	\$ 82,861,645	100%

The City is under no legal obligation to impose the full, calculated SDC. However, the City should be aware that any discounting or phase-in period that reduces SDC revenue will, other things equal, increase the funding requirement from other resources.

III.B. CREDITS

A credit is a reduction in the amount of the SDC for a specific development. ORS 223.304 requires that SDC credits be issued for the construction of a qualified public improvement which is: required as a condition of development approval; identified in the City’s adopted SDC project list; and either “not located on or contiguous to property that is the subject of development approval,” or located “on or contiguous to such property and is required to be built larger or with greater capacity than is necessary for the particular development project . . .”

Additionally, a credit must be granted “only for the cost of that portion of an improvement which exceeds the minimum standard facility size or capacity needed to serve” the particular project up to

the amount of the improvement fee. For multi-phase projects, any “excess credit may be applied against SDCs that accrue in subsequent phases of the original development project.”

III.C. INDEXING

Oregon law (ORS 223.304) also allows for the periodic indexing of SDCs for inflation, as long as the index used is:

- (A) A relevant measurement of the average change in prices or costs over an identified time period for materials, labor, real property or a combination of the three;
- (B) Published by a recognized organization or agency that produces the index or data source for reasons that are independent of the system development charge methodology; and
- (C) Incorporated as part of the established methodology or identified and adopted in a separate ordinance, resolution or order.

We recommend that the City index its charges to the *Engineering News Record* Construction Cost Index for the City of Seattle and adjust its charges annually. There is no comparable Oregon-specific index.

Section IV. RATE POLICY FRAMEWORK

IV.A. FISCAL POLICIES

The water financial plan is based on a framework of fiscal policies that promote the financial integrity and stability of the utility as a standalone enterprise. The ensuing discussion provides a brief summary of the key policies incorporated in this analysis.

IV.A.1. Reserves

Like any business, a municipal utility requires certain minimum levels of cash reserves to operate. These reserves address the variability and timing of revenues and expenses as well as occasional disturbances in activities. Given the City’s responsibility to provide essential services to its customers at a certain standard, protection against financial disruption is even more important than it would be for private-sector or non-essential counterparts. In addition, a defined reserve structure serves to maintain appropriate segregation of funds and promote the use of resources for their intended purposes. This analysis assumes the following structure of funds for the utility:

- **Operating Reserve.** This reserve provides an unrestricted fund balance to accommodate short-term revenue and expense cycles, addressing unanticipated expenses or revenue shortfalls. This study establishes a target minimum balance of 60 days (16%) of operating expenses.
- **Capital Contingency Reserve.** Maintaining an appropriate segregation of operating and capital resources, this reserve includes funds explicitly designated for capital purposes such as grants received, debt proceeds, and capital funding generated through rates. No minimum target is designated for this fund.
- **System Development Charge Reserves.** Revenue collected from reimbursement and improvement fees are held in their own respective reserves. These funds are used to pay for capital projects, with the improvement fee balance used only for projects that expand the capacity of the system.
- **Restricted Bond Reserve.** Revenue bond covenants typically require a restricted reserve as a security measure for the bondholders. The covenants specify the minimum balance, which is generally based on annual debt service or a percentage of the amount issued. The City does not currently have any outstanding debt for the water utility.

IV.A.2. Oregon City Charter Limitations

Section 58 of the Oregon City Charter was adopted in 1996, limiting future water rate increases to no more than three percent annually. Furthermore, Oregon City cannot issue debt for its utilities without the approval of the City’s voters. This study considers these limitations, but also develops scenarios

that would temporarily (or permanently) lift the Charter restriction in order to meet the City's financial obligations.

IV.A.3. Financial Performance Standards

This analysis evaluates the sufficiency of the utility's revenues to meet its financial obligations, including operation and maintenance (O&M) expenses, rate-funded capital needs, and any other policy-based requirements. It determines the amount of revenue needed in a given year to meet that year's expected financial obligations, in the context of two revenue sufficiency tests:

- **Cash Flow Sufficiency Test.** The cash flow test determines whether annual revenues are sufficient to cover the known cash requirements for each year of the planning period. These cash requirements typically include O&M expenses, debt service payments, rate-funded capital outlays, and any additions to reserve balances.
- **Coverage Test.** The coverage test evaluates the utility's ability to meet applicable bond coverage requirements, as specified by bond covenants or internal debt policies. The coverage test evaluates revenues and expenses somewhat differently than under the cash test. For the coverage test, obligations include operating expenses, revenue bond debt service, and the incremental debt service coverage policy. In addition to rate revenues included in the cash test, the coverage test allows for the inclusion of non-operating interest earnings from all utility reserves and might also allow for annual system development charge revenues depending on bond covenants. This test generally does not allow for the use of fund balances in meeting annual coverage obligations.

In determining the annual revenue requirement, the test with the greatest deficiency generally drives the rate increase in any given year. It is worth noting that the City can temporarily waive the requirements of the cash flow test as part of a conscious decision to phase in rate increases, as long as its reserve balances are sufficient to absorb the resulting cash flow deficit. The coverage test, however, must always be met as failure to do so may result in a downgrading of the City's bond rating. Because the utility does not currently have any outstanding debt, cash-flow needs define the revenue requirement.

Section V. REVENUE REQUIREMENT

V.A. BACKGROUND & GENERAL METHODOLOGY

The revenue requirement is the amount of revenue that a utility's rates must generate in order to meet its various financial obligations. This analysis serves as a means of evaluating the utility's fiscal health and adequacy of current rate levels, also setting the revenue basis for near-term and long-term rate planning. The rate revenue requirement is defined as the net difference between total revenue needs and the revenue generated through non-rate sources – hence, the revenue requirement analysis involves defining and forecasting both needs and resources.

V.B. OPERATING FORECAST

The operating forecast focuses on annual expenses incurred to operate, maintain, and manage the water utility, as well as the revenues collected under the City's existing rates. The forecast used in this study is largely based on the FYs 2018-19 through 2020-21 Budgets, with adjustments provided by City staff to incorporate known or estimated future revenues and expenditures for some specific line items. The key assumptions and inputs used to develop the operating forecast are described in further detail below.

V.B.1. Operating Revenue

- **Customer Growth.** This analysis uses the Water Distribution System Master Plan estimate of 1.5% per year as the basis for future growth projections.
- **Rate Revenue.** The forecast of rate revenue is derived by applying the growth rate and any previously adopted rate increases to the City's actual FY 2017-18 revenue.
- **SDC Revenue.** SDC revenues in this forecast are based on the City's existing SDCs, not the calculated SDCs shown earlier in this report. This ensures that revenues will still be sufficient were the City to adopt lower SDCs than the maximum calculation allows for.
- **Non-Rate Revenue.** The forecast of other operating revenues is generally based on the FY 2020-21 Budget, with no escalation assumed on all revenues except for New Taps (account growth) in this forecast to mirror the City's budget projections.
- **Investment Income.** The forecast of investment income applies recent Oregon Local Government Investment Pool (LGIP) investment yields of 2.2% to the utility's projected fund balances.
- **South Fork Water Board Pass-Through.** This revenue represents the City's collection of the South Fork Water Board treatment charge. This revenue is offset by a matching expense for the pass-through of the revenue.

V.B.2. Operating Expenses

The forecast of operating expenses is generally based on the FY 2020-21 Budget, with adjustments for future cost escalation:

- **Labor.** Assumed to grow by 2.0% per year based on projections from the City’s budget.
- **Benefits.** Assumed to grow by 5.0% per year based on projections from the City’s budget.
- **Labor Additions.** Based on staff input, there will be two Full-Time Equivalent (FTE) employees added in FY 2021-22, with one more FTE added every fifth year thereafter. Salary and benefit costs for each FTE addition are based on the existing average costs per FTE from the FY 2018-19 budget.
- **Transfers Out.** Based on staff input, transfers out will gradually decrease until they end after FY 2022-23.
- **Franchise Fee.** Computed based on projected rate revenues and the prevailing franchise fee of 6.0%.
- **Other Costs.** Assumed to grow by 2.2% per year based on the Reserve Bank of Philadelphia’s Survey of Professional Forecasters.
- **Debt Service.** Any revenue bond debt issuance included in the following scenarios is assumed to be repaid over a twenty-year period at a 5.0% interest rate with 1.0% issuance costs.

V.C. CAPITAL FORECAST

The capital forecast involves projecting annual capital project expenditures and developing a strategy to fund those expenditures. The City’s capital plan provided project costs in FY 2018-19 dollars but did not specify the exact year of construction for each project. The City expects to spend \$82.9 million on capital projects from FYs 2018-19 through 2037-38. This includes \$14.1 and \$14.0 million for the Park Place and Beaver Creek development areas, \$9.8 million and \$15.6 million for reservoir and pipe repair & rehabilitation, and \$8.8 million for Henrici transmission improvements.

These projects were cross-checked against the projects shown in the FYs 2018-19 through 2020-21 Budgets, with the budgeted projects removed from the long-term capital plan to avoid double counting. The remaining capital costs were spread out over the rest of the twenty-year forecast period and escalated to the year of construction at 3.0% per year. The annual rate increase ceiling of 3.0% placed upon the City by the 1996 Charter Amendment limits the capital that can be completed in the forecast period.

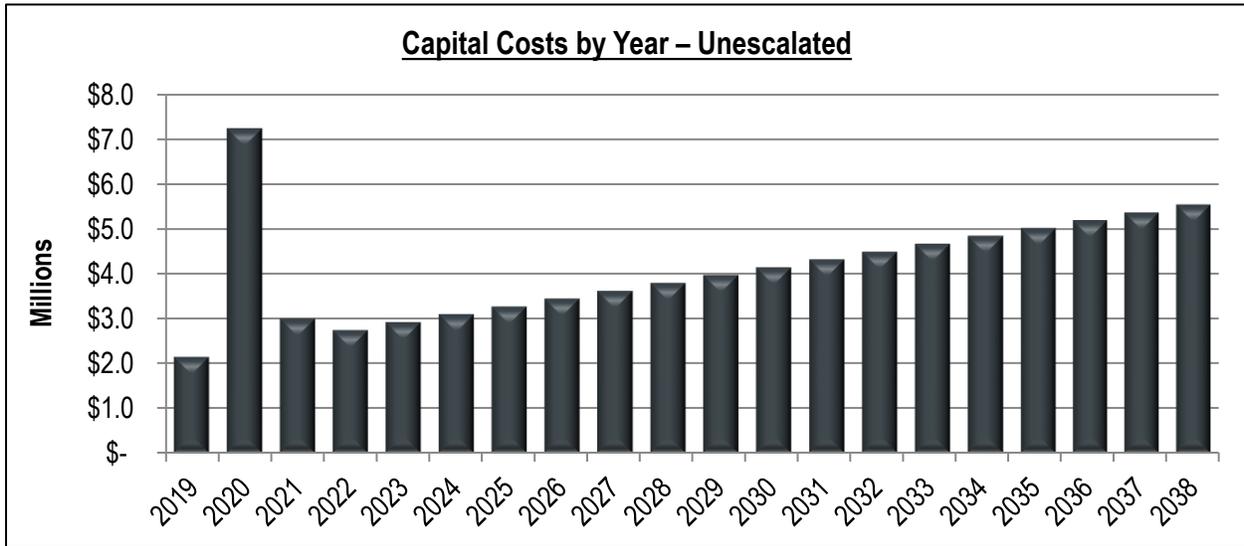
In order to complete the full capital plan, the long-term costs are “smoothed”. Two approaches to this smoothing of the capital plan are considered – the first scenario backloads the project costs to allow for more gradual rate increases, while the second scenario spreads the unescalated costs evenly over the seventeen years from FY 2021-22 through 2037-38. Even with the “flat” capital plan, 3.0%

increases would only generate enough cash to fund \$69.3 million of the \$82.9 million capital program.

V.C.1. Backloaded Capital Funding Plan

Table 12 summarizes the twenty-year “backloaded” capital plan.

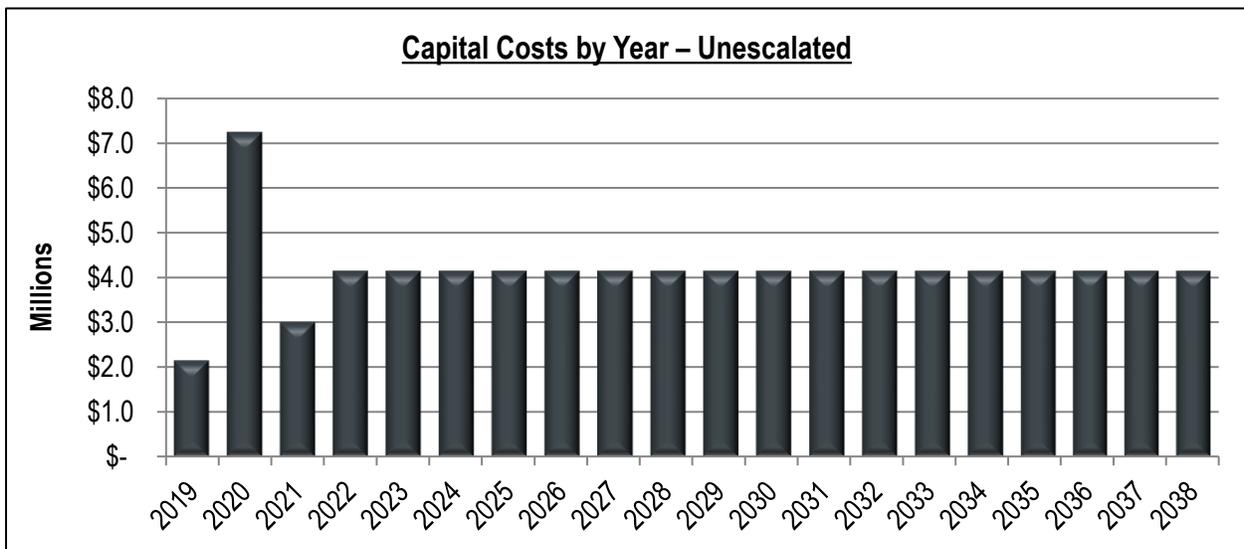
Table 12. Backloaded Capital Plan



V.C.2. Flat Capital Funding Plan

Table 13 summarizes the twenty-year “flat” capital plan.

Table 13. Flat Capital Plan



V.C.3. Debt Supported Capital Funding Plan

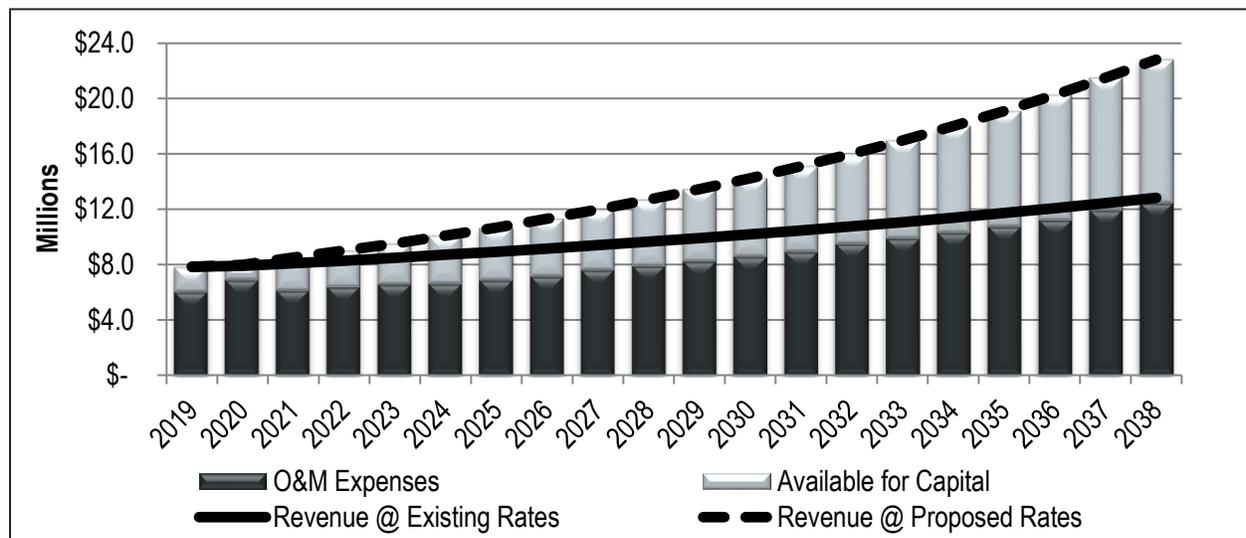
In addition to the two cash-funded scenarios discussed previously, a debt-funded approach was considered. A flat capital funding plan with biannual revenue bond issuances totaling \$38.0 million would give the City additional flexibility with their rate increases but would require a public vote authorizing the debt issuance.

V.D. EVALUATION OF REVENUE SUFFICIENCY

V.D.1. Backloaded Revenue Requirement

Table 14 summarizes the water utility’s revenue requirement with the “backloaded” capital plan.

Table 14. Backloaded Revenue Requirement



To meet the water utility’s capital needs without the aid of debt financing, net cash flow in excess of the utility’s operating expenses must be made available for capital. **Table 14** indicates that revenues at current rates are insufficient to fully cover the costs of the backloaded capital plan. Under the ideal conditions of the backloaded capital plan, the City would likely be able to get by with 4.5% increases. However, the proposed financial plan contemplates annual water rate increases of 5.0% to provide flexibility for the timing of capital implementation.

V.D.2. Flat Revenue Requirement

Table 15 summarizes the water utility’s revenue requirement with the “flat” capital plan.

Table 15. Flat Revenue Requirement

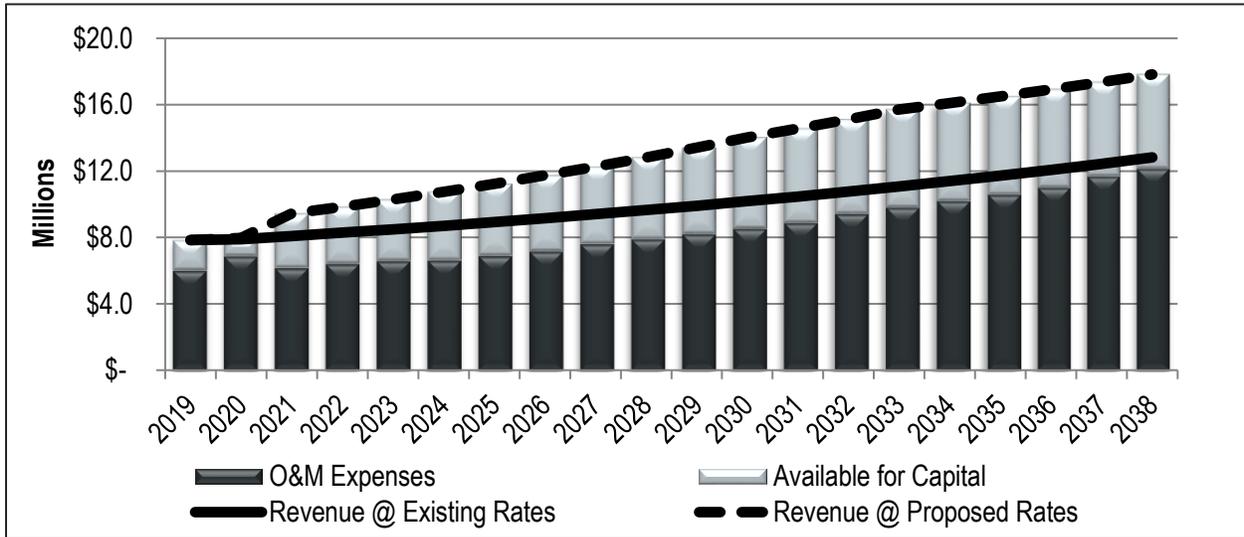


Table 15 indicates that revenues at current rates are insufficient to fully cover the costs of the flat capital plan. Because the flat plan requires increased capital spending in the early years of the forecast compared to the backloaded plan, a frontloaded rate plan is recommended. The proposed financial plan contemplates increases of 3.0% in FY 2019-20 and 22.0% in FY 2020-21, with 3.0% increases from FYs 2021-22 through 2029-30 and 2.0% from FYs 2030-31 through 2032-33. No further increases would be required to complete the capital plan.

V.D.3. Debt Supported Revenue Requirement

Table 16 summarizes the water utility’s revenue requirement with the “flat” capital plan, supported by biannual revenue bond issuances totaling \$38.0 million from FYs 2021-22 through 2037-38.

Table 16. Debt Supported Revenue Requirement

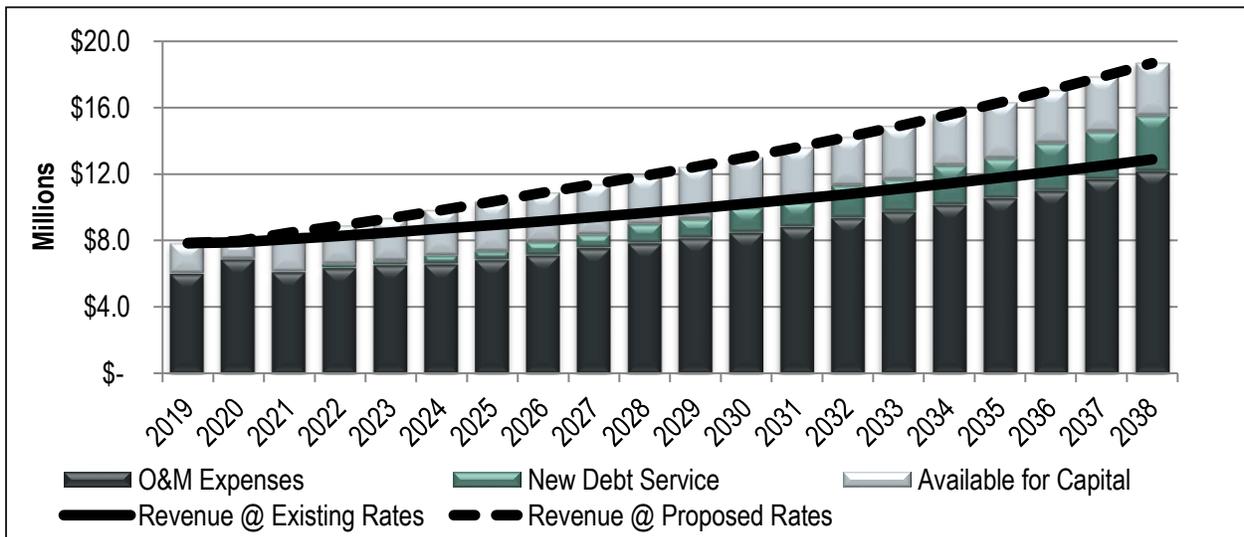


Table 16 indicates that revenues at current rates are insufficient to fully cover the costs of the flat capital plan and related debt service. However, the issuance of debt offsets the need for a heavily frontloaded rate plan, with rates only surpassing the 3.0% Charter limitation from FYs 2020-21 through 2025-26; rate increases for this period would be 4.0% annually.

V.E. REVENUE REQUIREMENT SCENARIO COMPARISON

Table 17 compares the capital funding and rate impacts of each revenue requirement scenario.

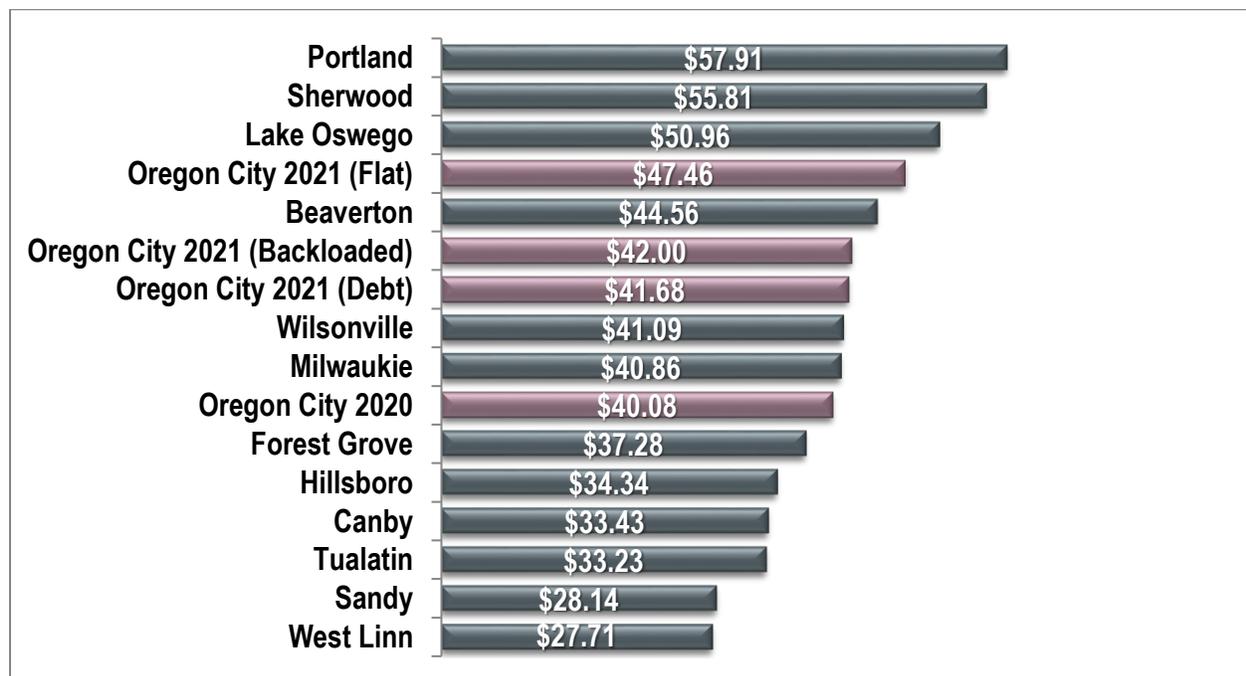
Table 17. Revenue Requirement Scenario Comparison

Scenario	% Capital Plan Funded	Total Debt Issuance	Cumulative Rate Increase through FY 2037-38
Charter Baseline	84%	-	75%
Backloaded Capital	100%	-	148%
Flat Capital	100%	-	74%
Flat Capital with Debt	100%	\$38.0 million	86%

V.F. REGIONAL COMPARISON

Table 18 compares the monthly bills in several comparable Oregon cities for an average single family customer using 8 hundred cubic feet (ccf) of water each month. The bills shown for Oregon City include an assumed 4.0% annual rate increase to the South Fork Water Board treatment rate.

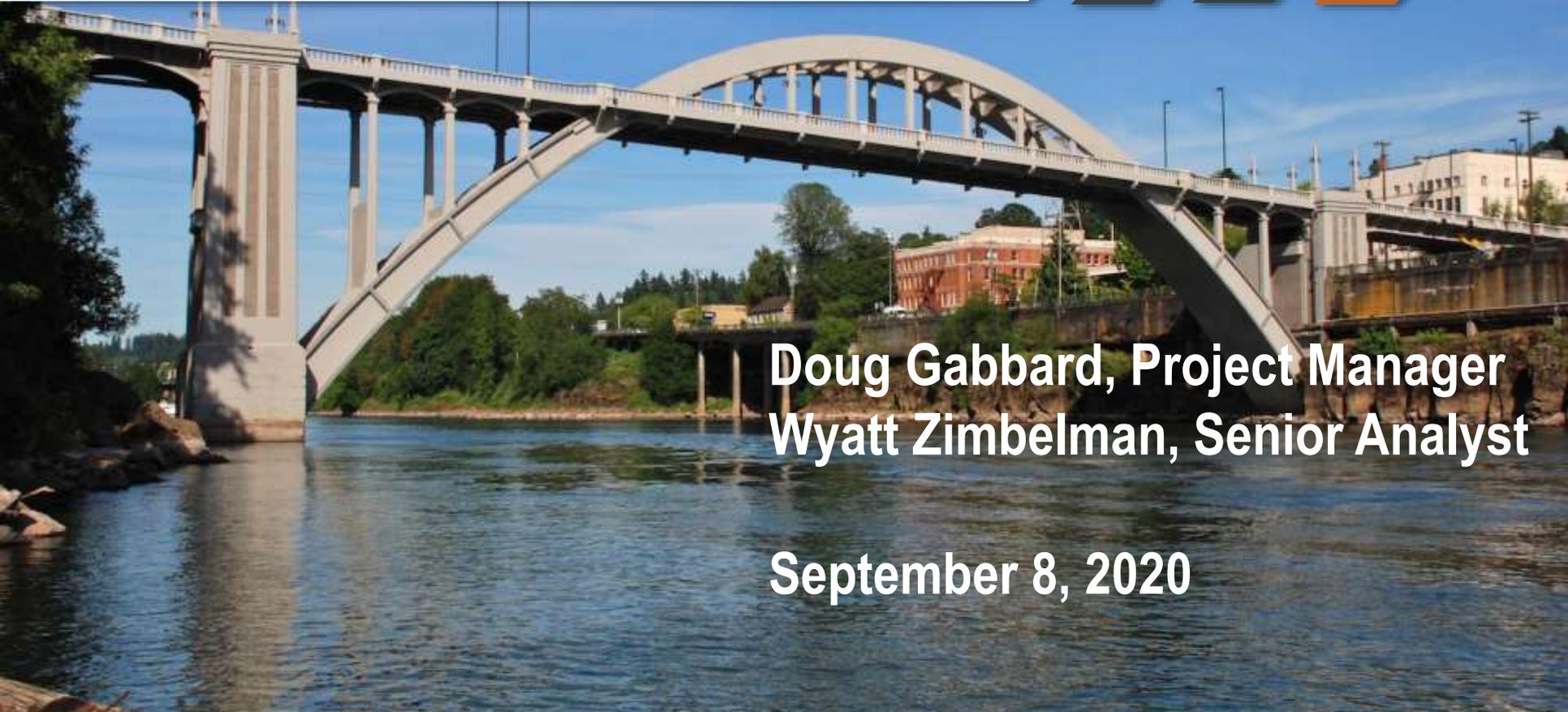
Table 18. Monthly Bill Comparison





SDC Work Session

Item 4.



Doug Gabbard, Project Manager
Wyatt Zimbelman, Senior Analyst

September 8, 2020

Key Characteristics of SDCs

SDCs are one-time charges, not ongoing rates.

Properties which are already developed do not pay SDCs unless they “redevelop”.

SDCs are for capital only, in both their calculation and in their use.

SDCs include both future and existing cost components.

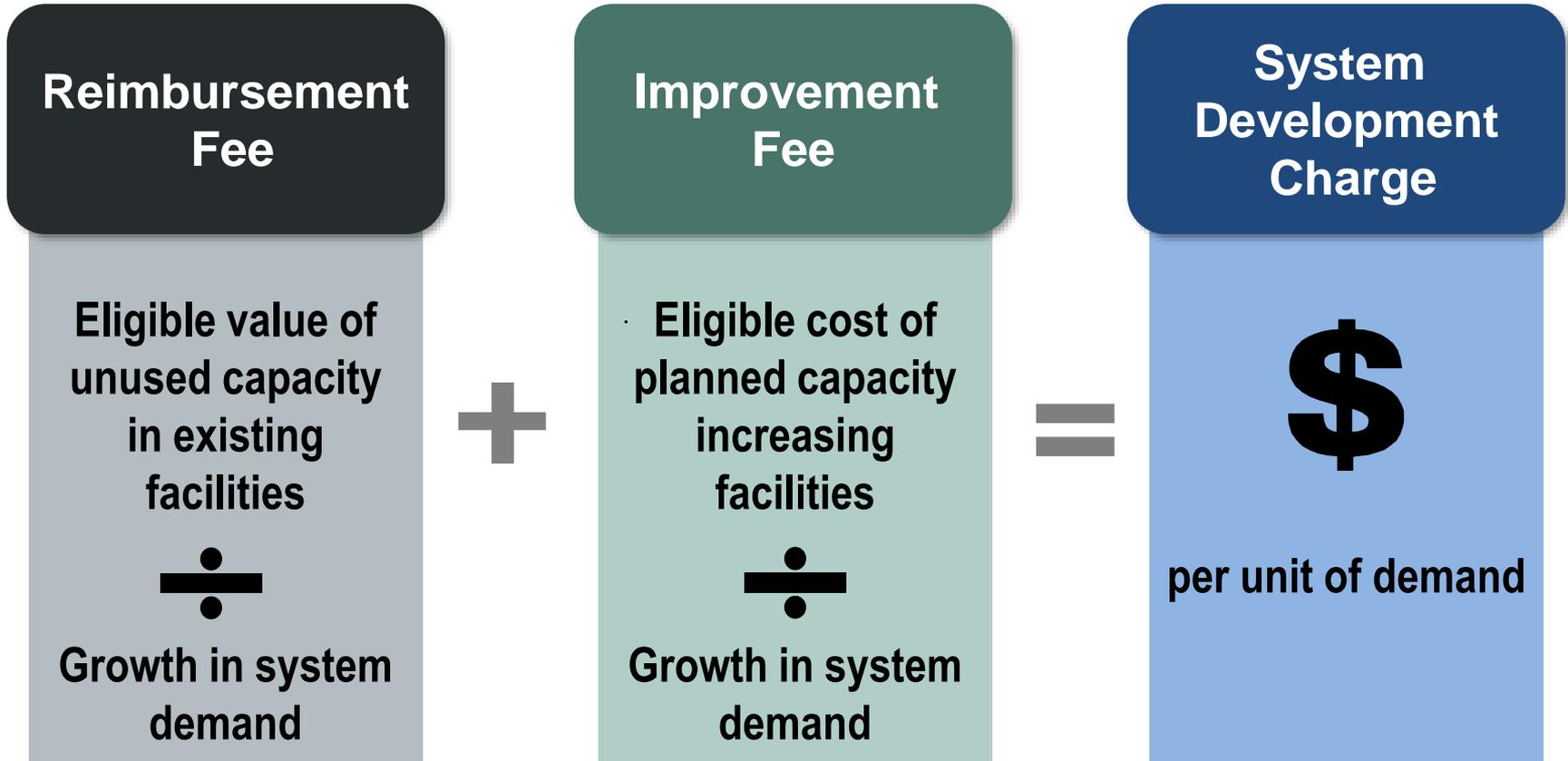
SDCs are for general facilities, not local facilities.

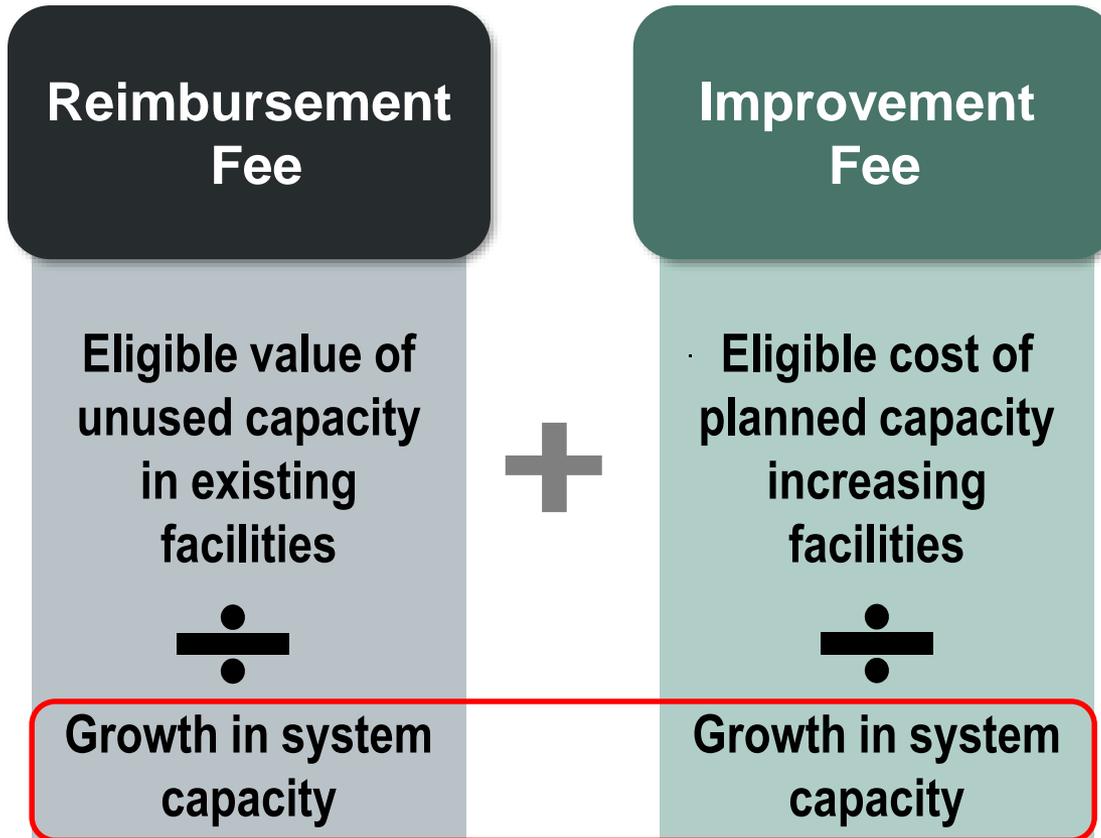
Legal Framework for SDCs

ORS 223.297 - 314, known as *the SDC Act*, provides “a uniform framework for the imposition of system development charges by governmental units” and establishes “that the charges may be used only for capital improvements.”



The SDC Calculation





- **Determine units**
 - Meter capacity equivalents (MCEs)
- **Determine current customer base**
- **Project customer base into future**
 - Master plan or other forecast
 - Consistency with project list
- **Future – current = growth**



Growth Calculation

Customer Count	2015	2019	2020	2040	Growth (2019-2040)
Average Day Demand (MGD)	3.4	3.8*	3.9	5.2	1.4
Meter Capacity Equivalents (MCEs)	N/A	15,557	15,990	21,320	5,763

Source: Water Distribution System Capital Improvement Program Update

*Estimated based on 2015-2020 growth

Reimbursement Fee Cost Basis

**Reimbursement
Fee**

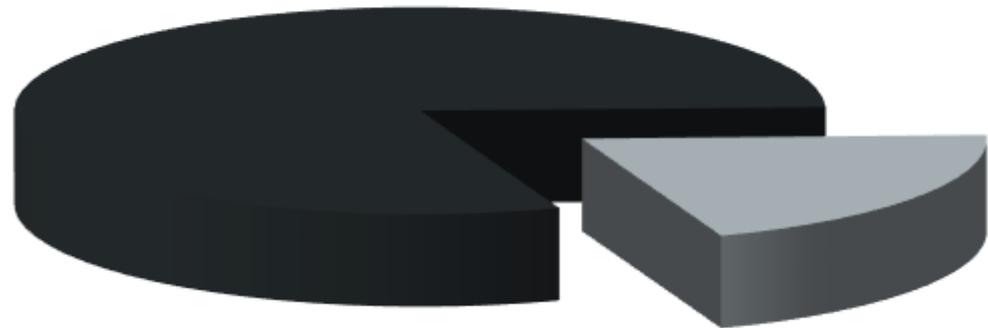
**Eligible value of
unused capacity
in existing
facilities**



**Growth in system
capacity**

Sample Existing Facilities Cost

reimbursement fee eligible



Unused Capacity

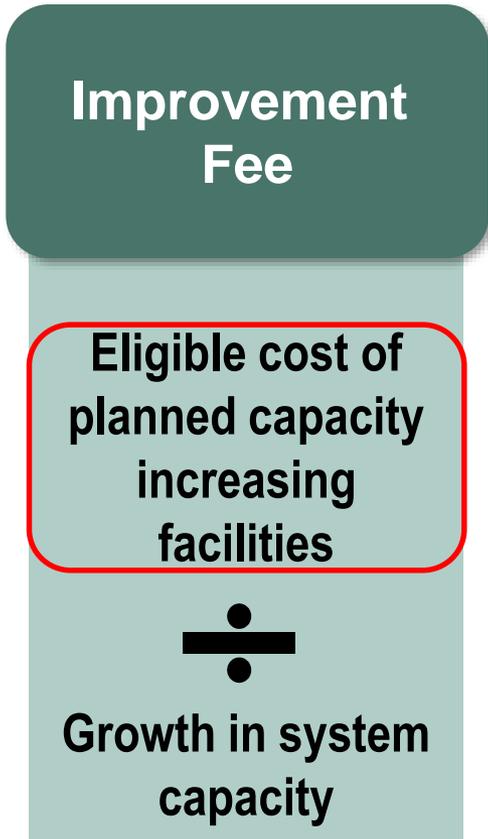


Reimbursement Fee Cost Basis Calculation

Asset Class	Asset Original Cost	Available Capacity	Cost of Unused Capacity
Storage	\$10,391,124	39.0%	\$4,055,523
General Plant	\$14,731,579	13.5%*	\$1,981,484
Total Eligible Assets			\$6,037,007

*General plant allocated percentage of overall system capacity share

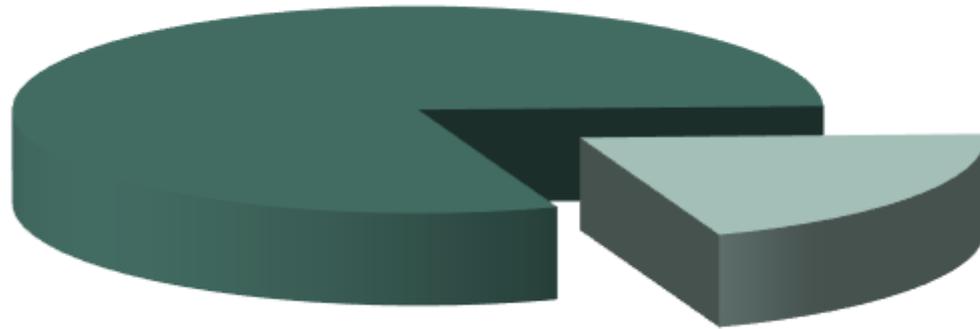
Improvement Fee Cost Basis



Sample Planned Capital Costs

improvement fee eligible

To Serve Existing Customers



Capacity Increasing



Improvement Fee Cost Basis Calculation

Asset Class	Cost of Unused Capacity
Number of Projects	92
Total Project Costs	\$82,861,645
<i>Eligible Portion*</i>	62.75%
Total Eligible Projects	\$51,992,926

Source: 2019 CIP Update and 2019-2021 City Budgets

*SDC eligibility provided by Murraysmith



SDC Calculation

SDC	SDC-Eligible
Reimbursement Fee	
Cost of Unused Capacity	\$ 6,037,007
Less: Reimbursement Fee Fund Balance	<u>(1,024,107)</u>
Reimbursement Fee Cost Basis	\$ 5,012,900
Growth to End of Planning Period	5,763 MCEs
Reimbursement Fee	\$ 870 per MCE
Improvement Fee	
Cost of Capacity Increasing Improvements	\$ 51,992,926
Less: Improvement Fee Fund Balance	<u>(2,984,258)</u>
Improvement Fee Cost Basis	\$ 49,008,668
Growth to End of Planning Period	5,763 MCEs
Improvement Fee	\$ 8,505 per MCE
Total System Development Charge	
Reimbursement Fee	\$ 870 per MCE
Improvement Fee	<u>\$ 8,505 per MCE</u>
Total SDC per MCE	\$ 9,374 per MCE

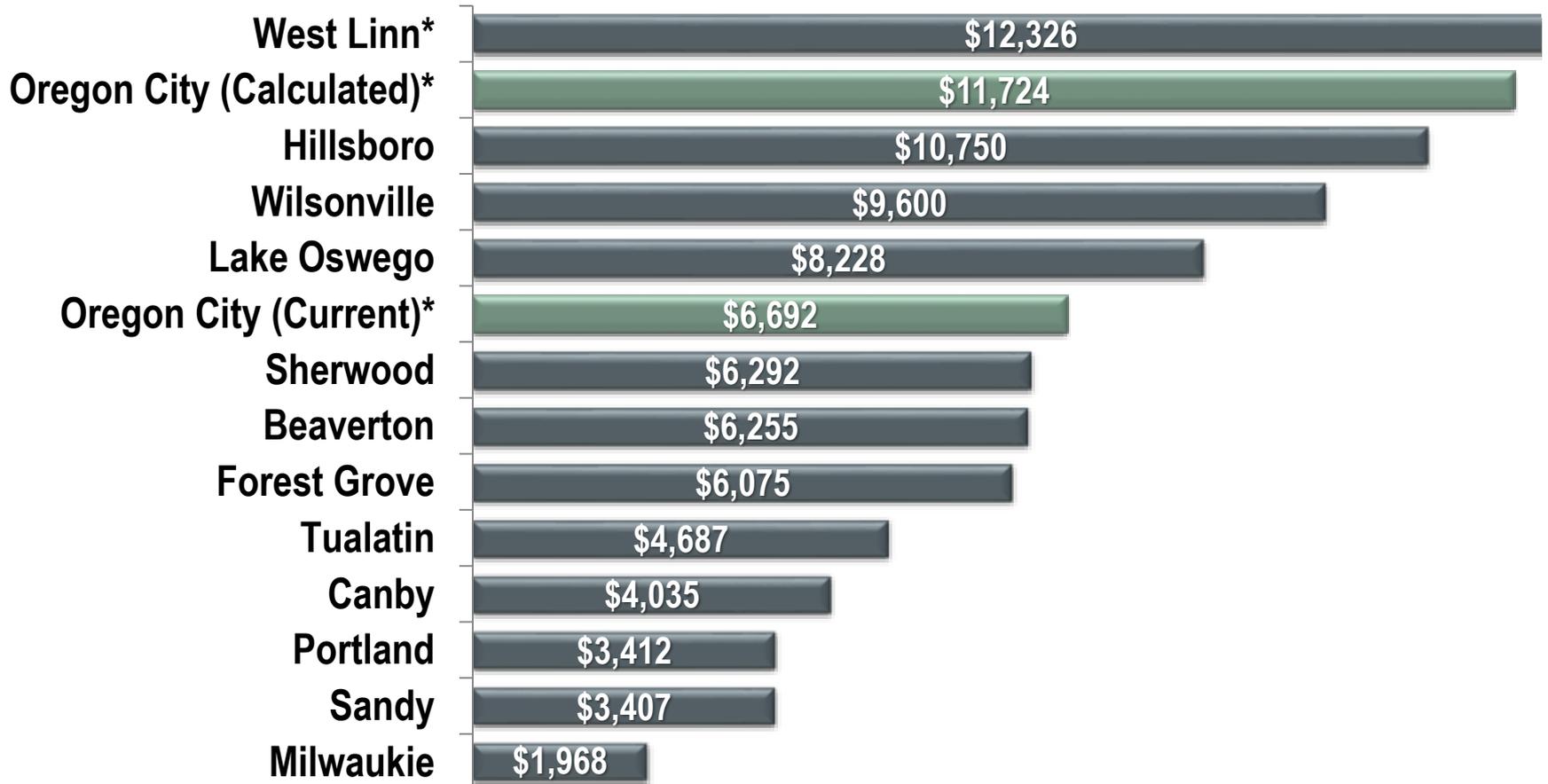


Calculated SDC Schedule

Meter Size	Flow Factor	Proposed	Existing
5/8" x 3/4"	1.0	\$ 9,374	\$ 4,342
3/4"	1.5	\$ 14,062	\$ 6,513
1"	2.5	\$ 23,436	\$ 10,854
1 1/2"	5.0	\$ 46,872	\$ 21,709
2"	8.0	\$ 74,995	\$ 34,734
3"	16.0	\$ 149,990	\$ 69,469
4"	25.0	\$ 234,360	\$ 108,545
6"	50.0	\$ 468,720	\$ 217,089
8"	80.0	\$ 749,952	\$ 347,343
10"	115.0	\$ 1,078,056	\$ 499,305



Regional SDC Comparison – Single Family



*Includes South Fork Water Board SDC of \$2,350



Next Steps

- **SDCs**

- » Set date for a public hearing at least 90 days in advance.
- » Provide statutory notice at least 90 days in advance of public hearing.
- » Make report available to public during last 60 days of notice period.
- » City council can receive information about and discuss SDCs before scheduled public hearing, but no action (vote) can be taken.

Thank you! Questions?

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