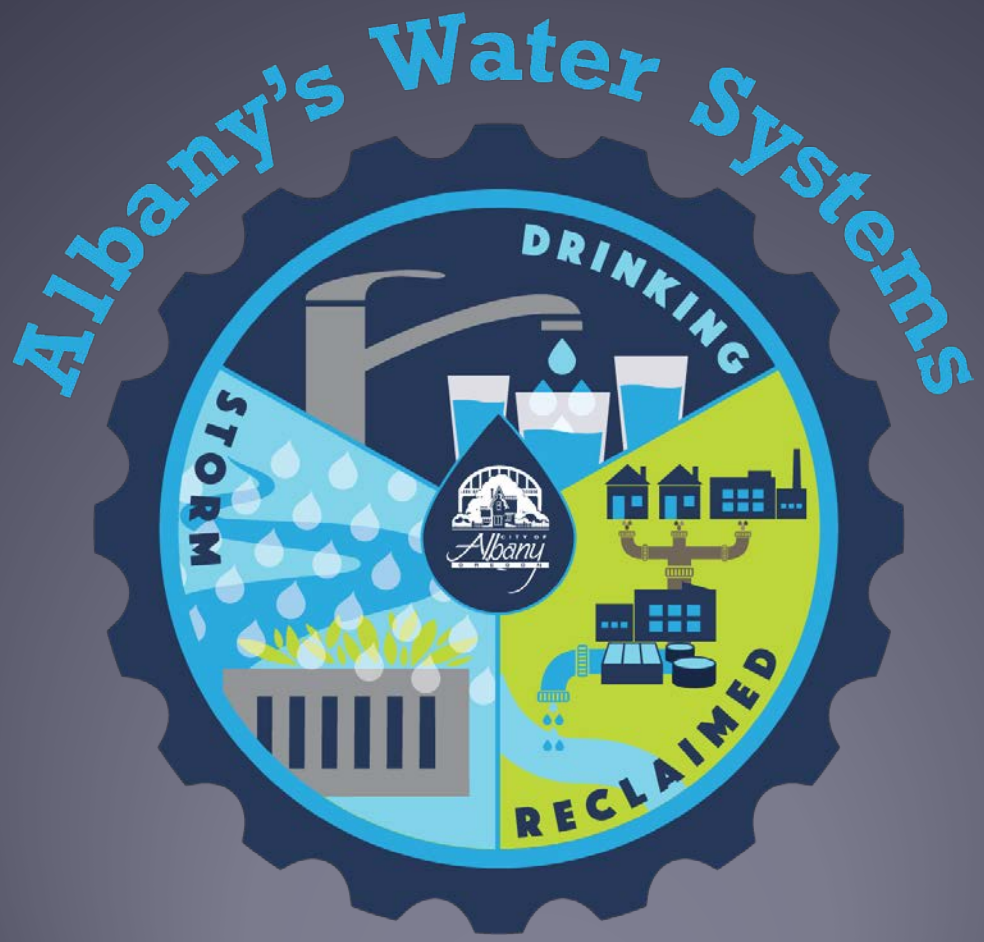
FY 2020-21 Utility Rates



Purpose

- Review how rate revenues are used
- Identify any rate adjustments for FY 20-21
- Provide 5-year rate projections

Desired Level of Service

Utility Payments → Services Provided

Where The Money Goes……

- Debt Repayments
- Operations and Maintenance
- Capital Investment

Debt Repayment

<u>Water</u>

- Albany-Millersburg JWP
  - Annual payment of $1.92 M
  - Paid off in 2034

<u>Sewer</u>

- Albany-Millersburg WRF/TWG
  - Annual payment of $4.7 M
  - Paid off in 2032
  - Land - $500,000 per year through 2020
- River Front Interceptor
  - Estimated at $760,000 per year once completed

<u>Stormwater</u>

- None

Water System Operations and Maintenance - Assets

- 1 dam, fish ladder, & fish screen
- 18-mile canal
- 2 treatment plants
- 7 pump stations
- 7 reservoirs
- 265 miles of pipe
- 1,900 hydrants
- 7,400 valves
- 20,500 service lines

Albany's DRINKING Water

Sewer System Operations and Maintenance - Assets

- 1 water reclamation facility
- 1 treatment wetlands
- 10 lift stations
- 7 miles of force mains
- 196 miles of gravity mainline
- 17,576 connections to the system
- 4,359 manholes

Albany's RECLAIMED Water

Stormwater System Operations and Maintenance - Assets

Both piped and open conveyance

- 138 miles of stormwater pipes
- 4,394 catch basins/inlets
- 2,458 manholes
- 70+ miles of open ditches/culverts
- 280 stormwater quality facilities

Water O&M Accomplishments, FY 18-19

Canal

- Conducted 2,830 inspections total at 52 locations
- Brush cutting on 20 miles of canal bank
- Cleared over 30,000 pounds (220 yards) of debris from the canal and other water facilities
- Removed 25 dangerous trees and constructed two bank repairs

Water Treatment

- Produced ~2.1 billion gallons of water
- Completed membrane replacement project
- Collected 24 Cyanotoxin testing samples

Albany's DRINKING Water

Water O&M Accomplishments, FY 18-19

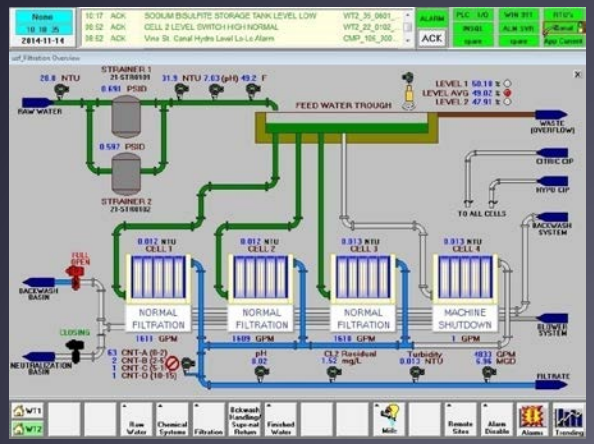
Distribution

- Repair, replace, and install water services, meters, and meter boxes
- Weekly inspections and service of pump stations and reservoirs
- Repaired and installed/replaced 41 hydrants
- Inspected 1,298 hydrants
- Painted 647 hydrants
- Located and exercised 1,634 valves
- Collected and analyzed 743 water quality samples
- Completed UCMR4 sampling
- Assured 7,820 cross-connection devices completed testing
- Responded to 617 customer inquires

Albany's DRINKING Water

Water O&M

Water O&M



Albany's DRINKING Water

Water O&M

Albany's DRINKING Water

Sewer O&M Accomplishments, FY 18-19

Treatment

- Treated over 3.2 billion gallons of wastewater
- Provided tours of WRF/TWG to over 750 citizens
- Student volunteers planted 1,000 trees and shrubs at TWG
- Updated the local limits for industrial discharges
- Successfully completed DEQ audit of the pretreatment program

Collections

- Cleaned & inspected nearly 40 miles of sewer pipe
- Inspected 300 manholes
- Treated 8,000 feet of root lines
- Responded to 41 customer service calls
- Responded to 4,424 line locate requests
- Assessed 135 laterals for service issues outreach

Albany's RECLAIMED Water

Sewer O&M

Albany's RECLAIMED Water

Sewer O&M

Stormwater O&M Accomplishments, FY 18-19

- Cleaned and inspected 19 miles of piped system
- Repaired 4 catch basins
- Rehab/repaired 184 feet of storm pipe
- Inspected/cleaned 660 (15%) inlets
- Inspected 469 (19%) storm manholes
- Maintained increasing number of stormwater quality facilities
- Street sweeping – 4,850 total miles swept (50% funded through stormwater)
- ~700 Facebook and 1,200 Instagram "engagements" on Water Quality topics

Stormwater O&M

Why Consider Rate Adjustments?

- Capital Projects
- Regulatory Compliance
  - Near-term impacts greatest for stormwater
    - $300K to $1M additional cost per year (2018$)
  - Wastewater next
- Inflation

Current Capital Project Financial Targets

- Water – $2.7M/yr
  - Building to target by FY 22-23
- Sewer - $2.9M/yr
  - Meeting desired levels of service
- Stormwater - $440,000/yr
  - Building to target by FY 2024-25
    - Stormwater improvements on street projects
  - Significant unfunded needs

Water Capital Target

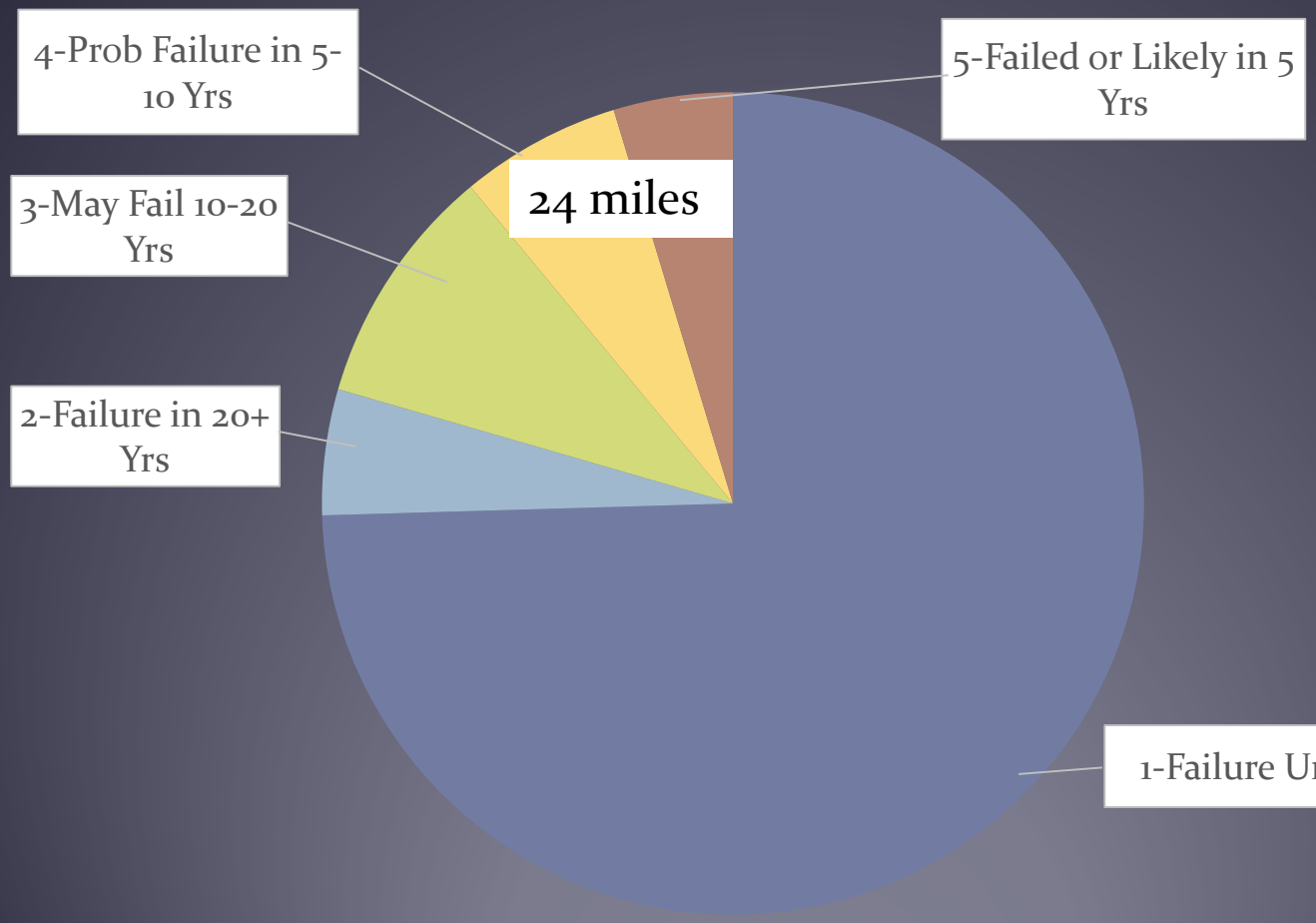
- $2.7M required financial target to accomplish PLR goals established in 2018.
- Condition assessment in process. Will inform future PLR needs.
- Includes annual contribution for membrane replacement

Albany's DRINKING Water

Sewer Capital Target

- Existing level of investing is achieving desired level of service.
- 24 miles of pipe rated as 5's and 4's
  - Anticipated to fail within 10 years

Sewer Pipe Condition Assessment



Albany's RECLAIMED Water

Stormwater Capital Target

- Unfunded capital needs far exceed current financial means
- Near-term focus on regulatory compliance and stormwater improvements on street projects
- Establishing capital targets and setting rates for standard PLR projects is not timely

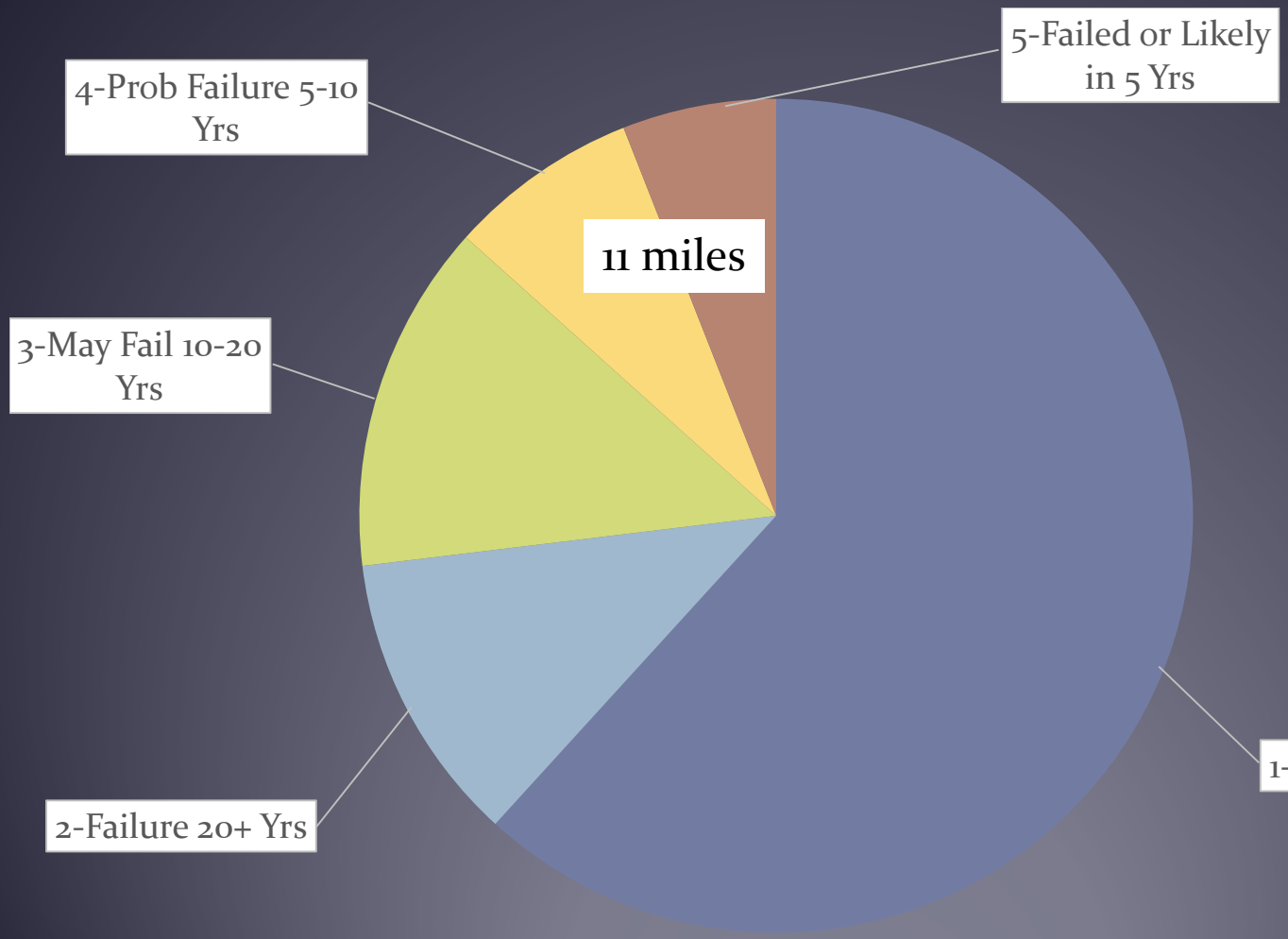
Albany's STORM Water

Pipe Condition Assessment

~65% of system assessed

- ~11 miles of 5's & 4's
- ~9 miles of pipe w/ root intrusion
- Worst pipe is >11x worse than the worst sanitary pipe

Stormwater Pipe Condition Assessment



Note: Statistics represent an assessment of ~65% of the stormwater system.

Stormwater Capital Costs

- Capacity
  - $$ TBD – SW Master Plan
- PLR/Asset Management (5's, 4's, root lines)
  - 65% of system inspected= ~$35M
- Street Projects
  - Averages ~$440K/yr

Albany's STORM Water

Rate Recommendations

- Water – 5%
  - Responds to inflation
  - Includes 5-yr ramp to address local construction cost differences
- Sewer – 3.5%
  - Responds to inflation
- Stormwater -17%
  - Responds to inflation
  - Includes 5-yr ramp to address :
    - Regulatory requirements
    - Stormwater improvements on street projects

What Customers Pay

SFR Water only (800 cubic feet).....

	Per day	Per Month
Current Rate	$1.70	$51.85
w/ 5% Rate Increase	$1.79	$54.43

SFR Sewer only (800 cubic feet).....

	Per day	Per Month
Current Rate	$1.99	$60.62
w/ 3.5% Rate Increase	$2.06	$62.74

SFR Stormwater only.....

	Per day	Per Month
Current Rate (March 2020)	$0.28	$8.70
w/ 17% Rate Increase	$0.33	$10.18

What Customers Pay

SFR for water, sewer, and stormwater combined…

	Per Day	Per Month*
Current Rates Note: Stormwater (March 2020)	$3.97	$121.17
Rate Increases: 5% Water, 3.5% Sewer, 17% Stormwater	$4.18	$127.35

- Total utility bill for average single-family residential customer would increase 5.11%

*Assumes 800 cubic feet of average water/sewer use for consistency with LOC comparisons. Albany average customer uses closer to 600 cubic feet.

TOTAL UTILITY BILL

(Assumes rate increases of 3.5% sewer 7/1/20, 5% water 1/1/21, 17% stormwater 3/1/21)

2019-20 Average Monthly Utility Bills in Oregon Cities

Single-Family Residential Customers - Total Utility Bill

Population 2018 PSU	City / District	800 cu ft $ / mo	Rank
648,740	Portland	$177.50	1
9,225	Sweet Home	$159.01	2
16,920	Lebanon	$154.84	3
38,215	Lake Oswego	$151.79	4
52,785	Tigard	$139.52	5
9,370	Independence	$138.69	6
860	Adair Village	$136.33	7
4,715	Philomath	$132.80	8
11,935	Cornelius	$129.17	9
53,145	Albany	$127.35	10
19,505	Sherwood	$123.62	11
34,860	Oregon City	$120.64	12
89,505	Bend	$111.88	13
60,865	Springfield	$106.78	14
97,000	Beaverton	$104.19	15
101,920	Hillsboro	$100.26	16
24,760	Woodburn	$98.85	17
24,125	Forest Grove	$97.66	18
165,265	Salem	$96.98	19
33,810	McMinnville	$96.50	20
25,830	West Linn	$94.57	21
110,505	Gresham	$91.64	22
169,695	Eugene / EWEB	$88.15	23
59,280	Corvallis	$87.17	24
9,890	Monmouth	$82.00	25
38,505	Keizer	$78.70	26
37,285	Grants Pass	$76.94	27
24,820	Roseburg	$68.93	28
	Average	$113.30	

Utility bill calculation includes water, sewer, stormwater, and transportation fees, if applicable
Rates are calculated on 3/4-inch meters for residential accounts only; all units calculated in cubic feet
800 cubic feet is the comparison used by the League of Oregon Cities

Note: Does not reflect anticipated adjustments for comparative cities.

What Non-Residential Customers Pay

	Albany	Salem	Corvallis	Eugene	Lebanon
Gas Station	$184	$140	$129	$191	$213
Restaurant	$1,351	$775	$595	$1,117	$1,468
City Hall	$785	$552	$682	$865	$1,438
Apartment Complex	$4,306	$1,735	$2,949	$3,288	$4,775
Large Retailer 1	$1,069	$1,313	$1,701	$2,914	$1,224
Large Retailer 2	$3,863	$2,596	$3,524	$5,976	$2,719
Large Retailer 3	$5,749	$3,056	$3,491	$6,324	$3,690
High School	$3,476	$3,312	$3,945	$6,375	$4,229
Large Care Facility	$23,517	$15,498	$18,758	$26,267	$33,318
Average Industrial Facility	$17,864	$11,501	$18,602	$36,137	$36,007

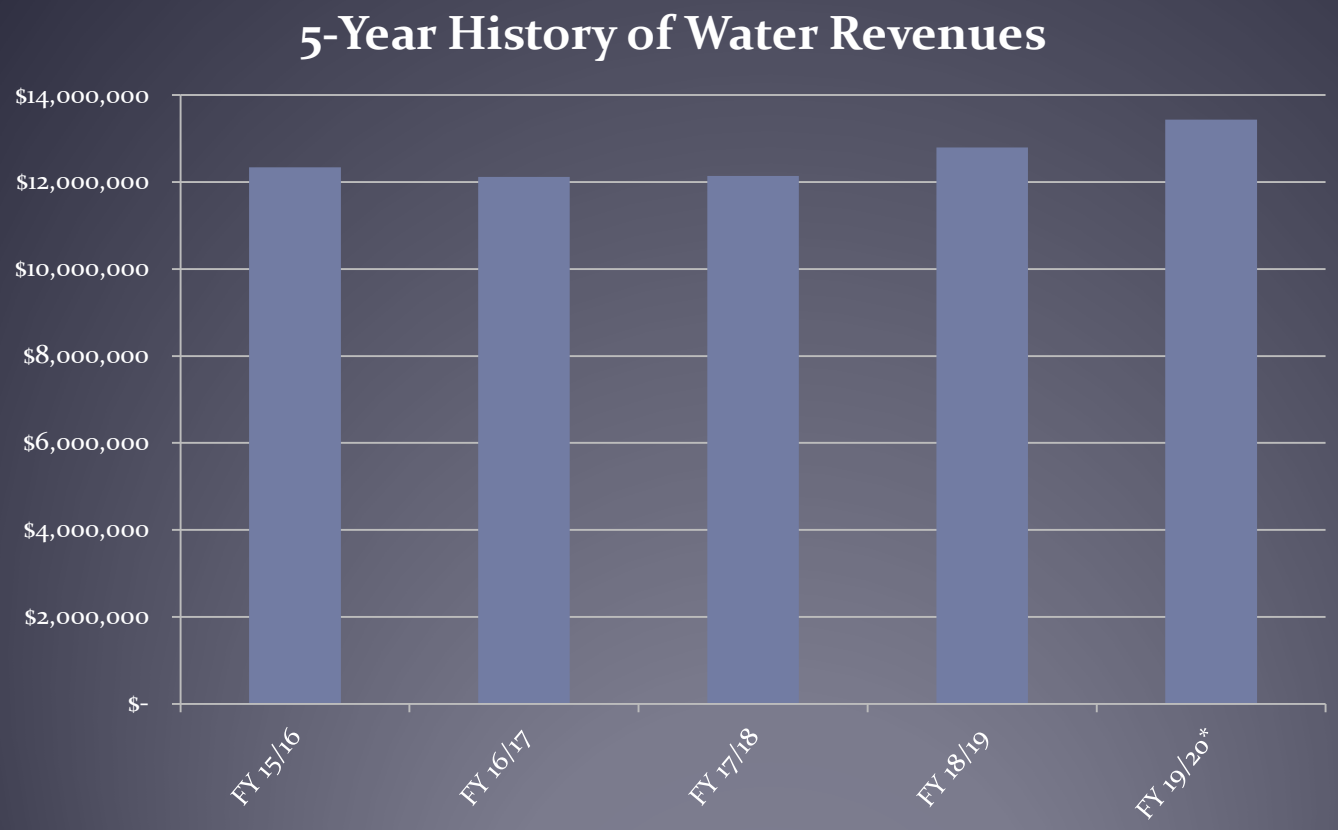
*Total utility bill for sample developments. Actual bills will vary based on site specific conditions and use of systems.

5-Year Rate Forecasts

Variables:

- Rate Revenues
- SDC Revenues
- Personnel/Operations Expenses
- Future Regulatory Costs
- Unforeseen Capital Needs

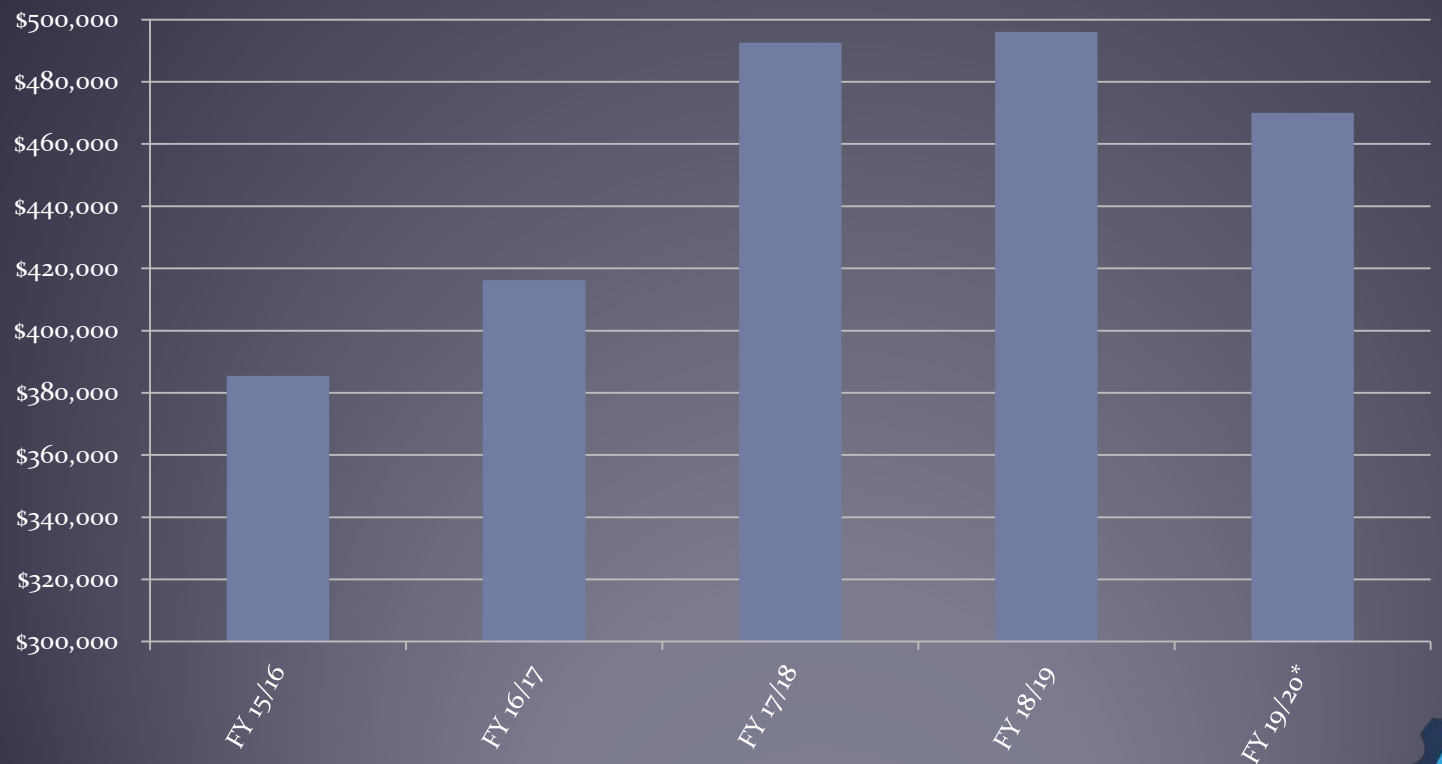
Water Rate Revenues



* Estimated year-end revenue

Water SDC Revenue

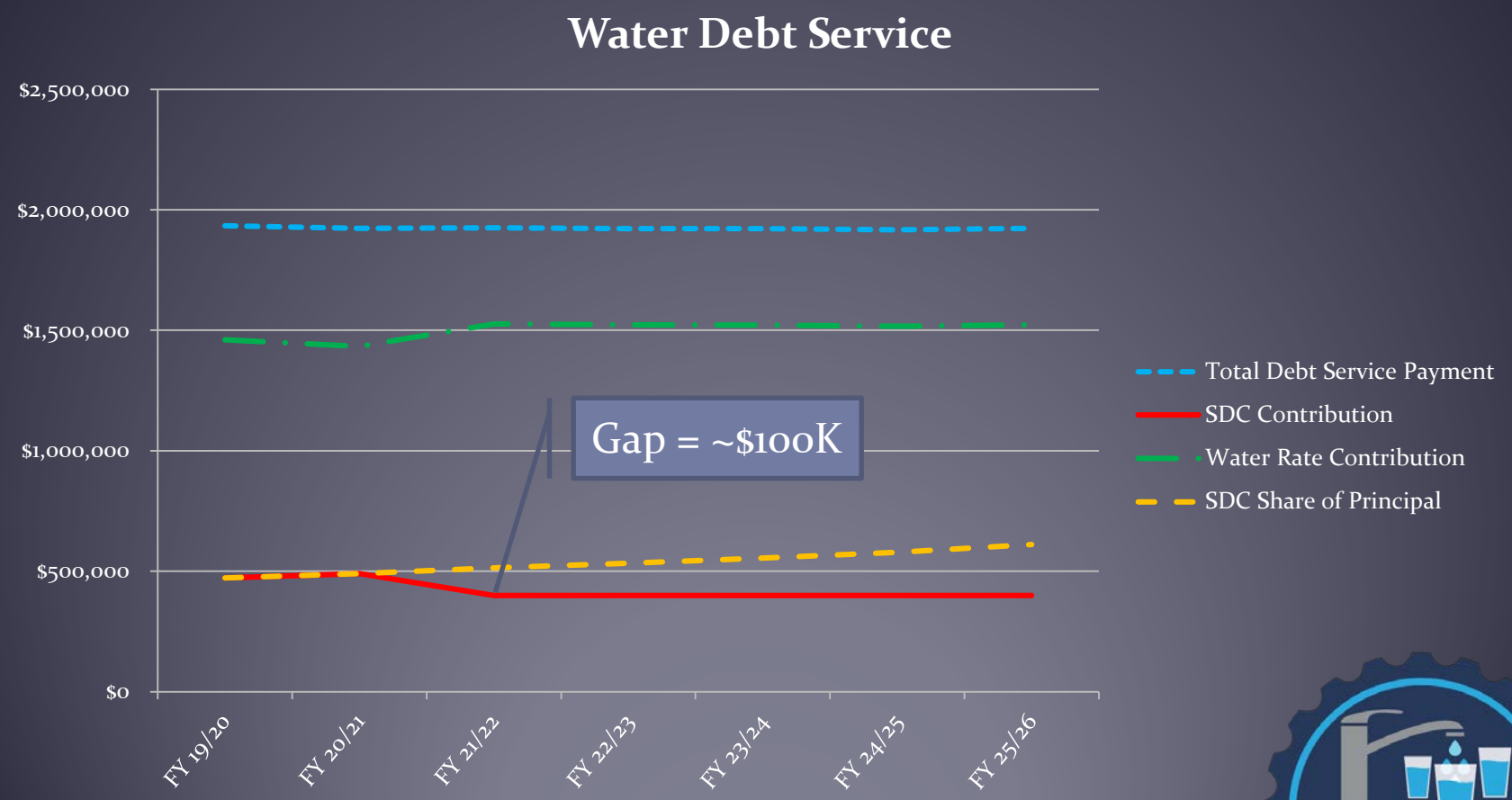
5-year avg = $435,000
Previous 3-year avg = $468,000



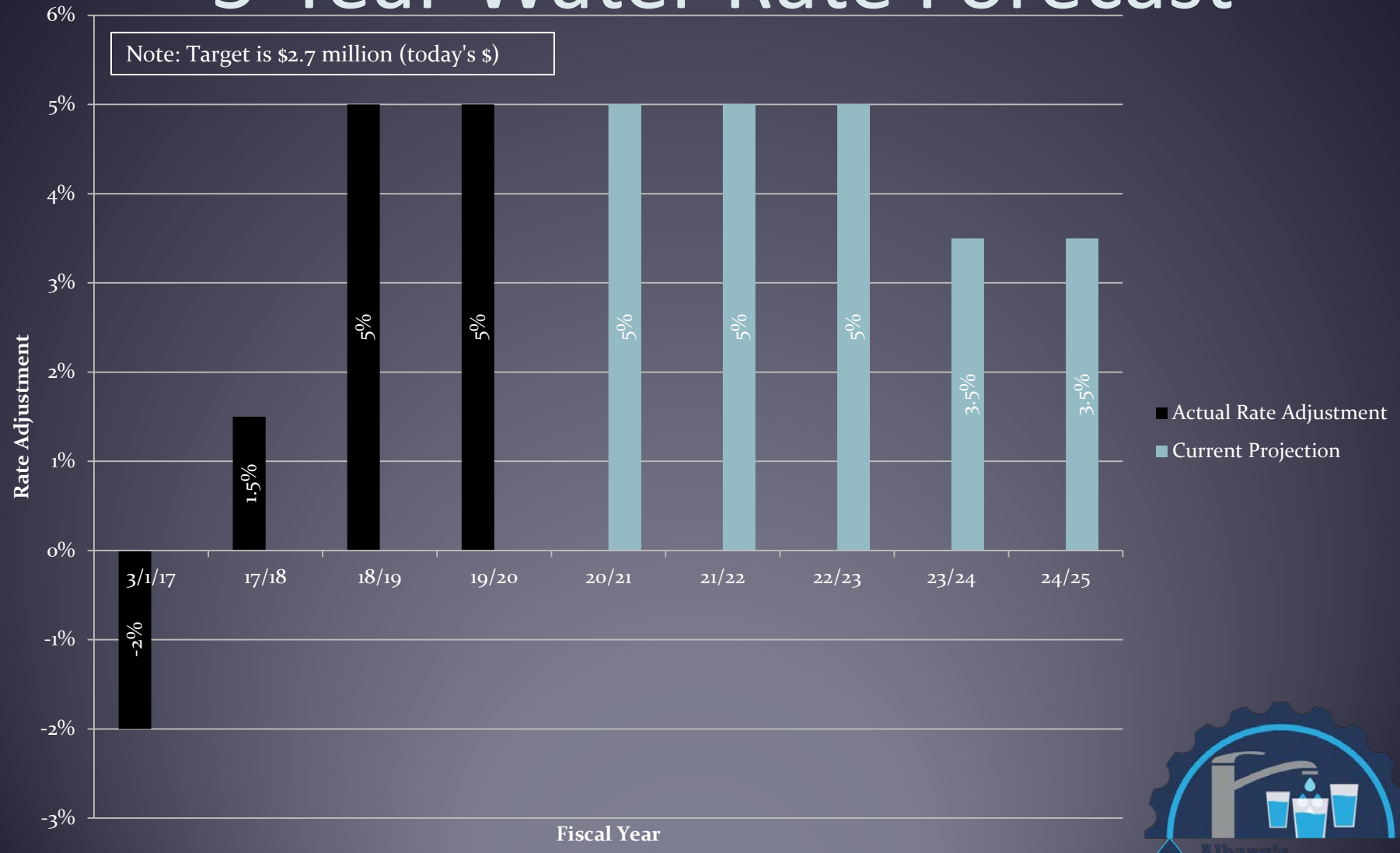
*Estimated year-end revenue

Albany's DRINKING Water

Water SDC Revenue & Debt Service

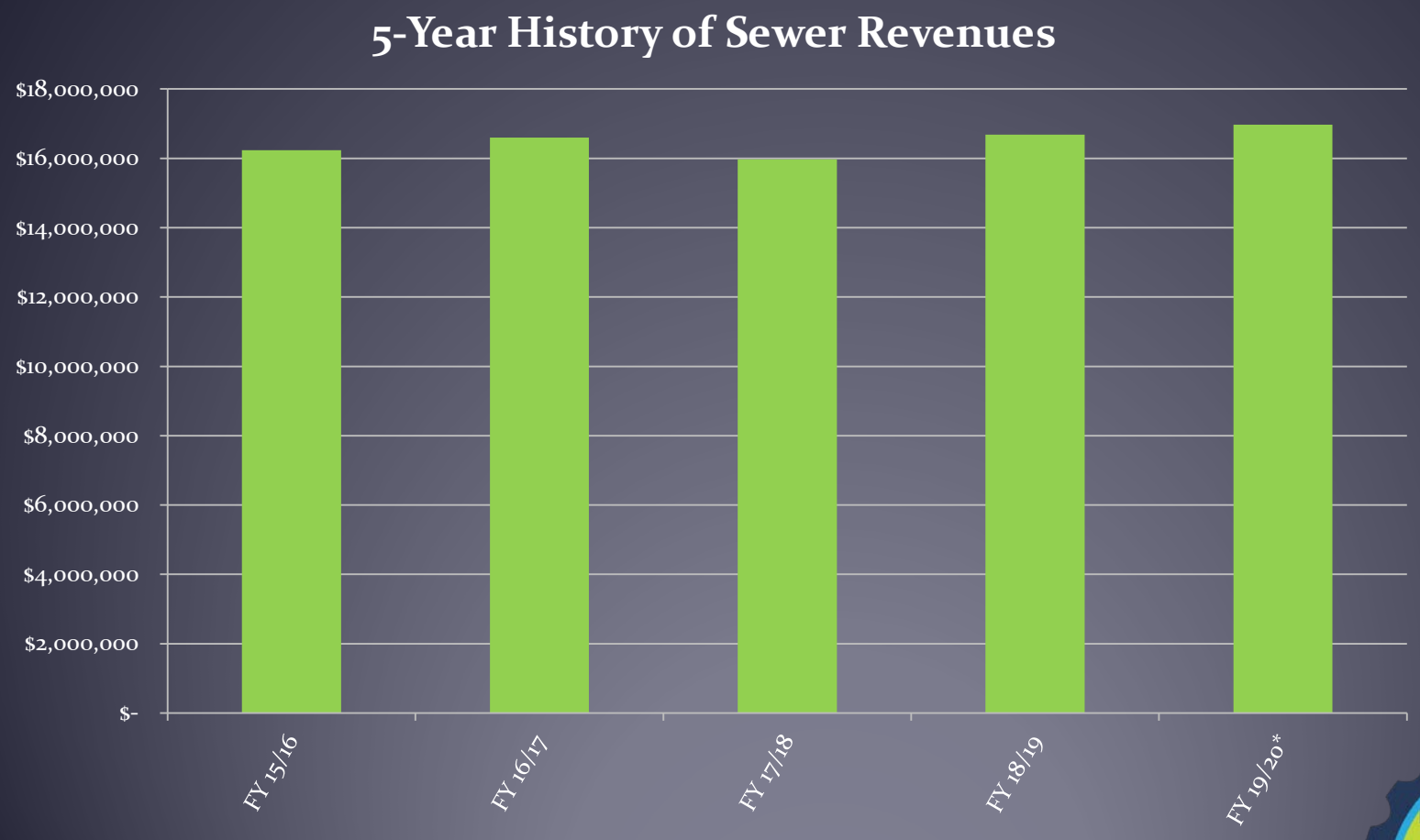


5-Year Water Rate Forecast



Albany's DRINKING Water

Sewer Rate Revenues

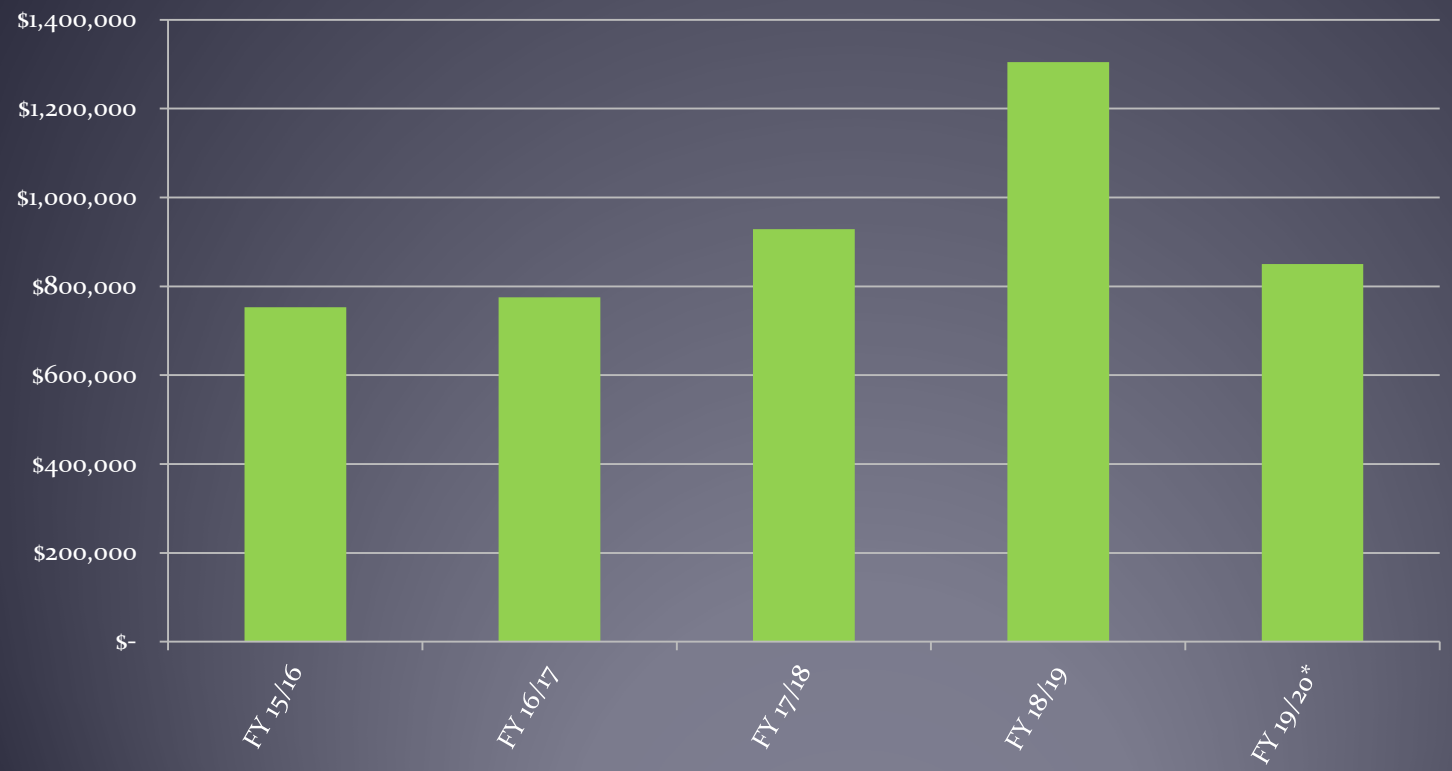


*Estimated year-end revenue

Albany's RECLAIMED Water

Sewer SDC Revenue

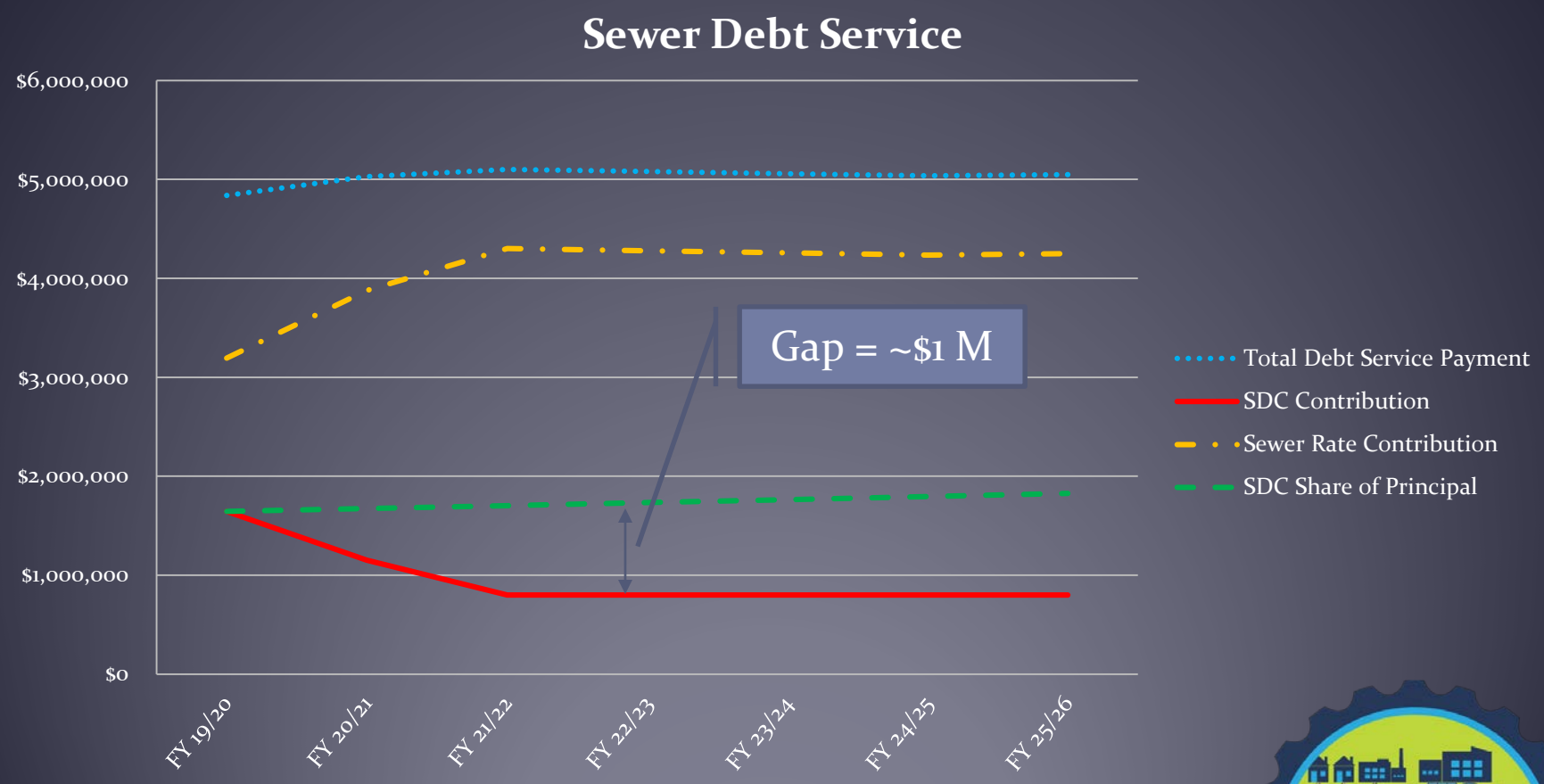
5-year avg = $922,000
Previous 3-year avg = $1,002,000



*Estimated year-end revenue

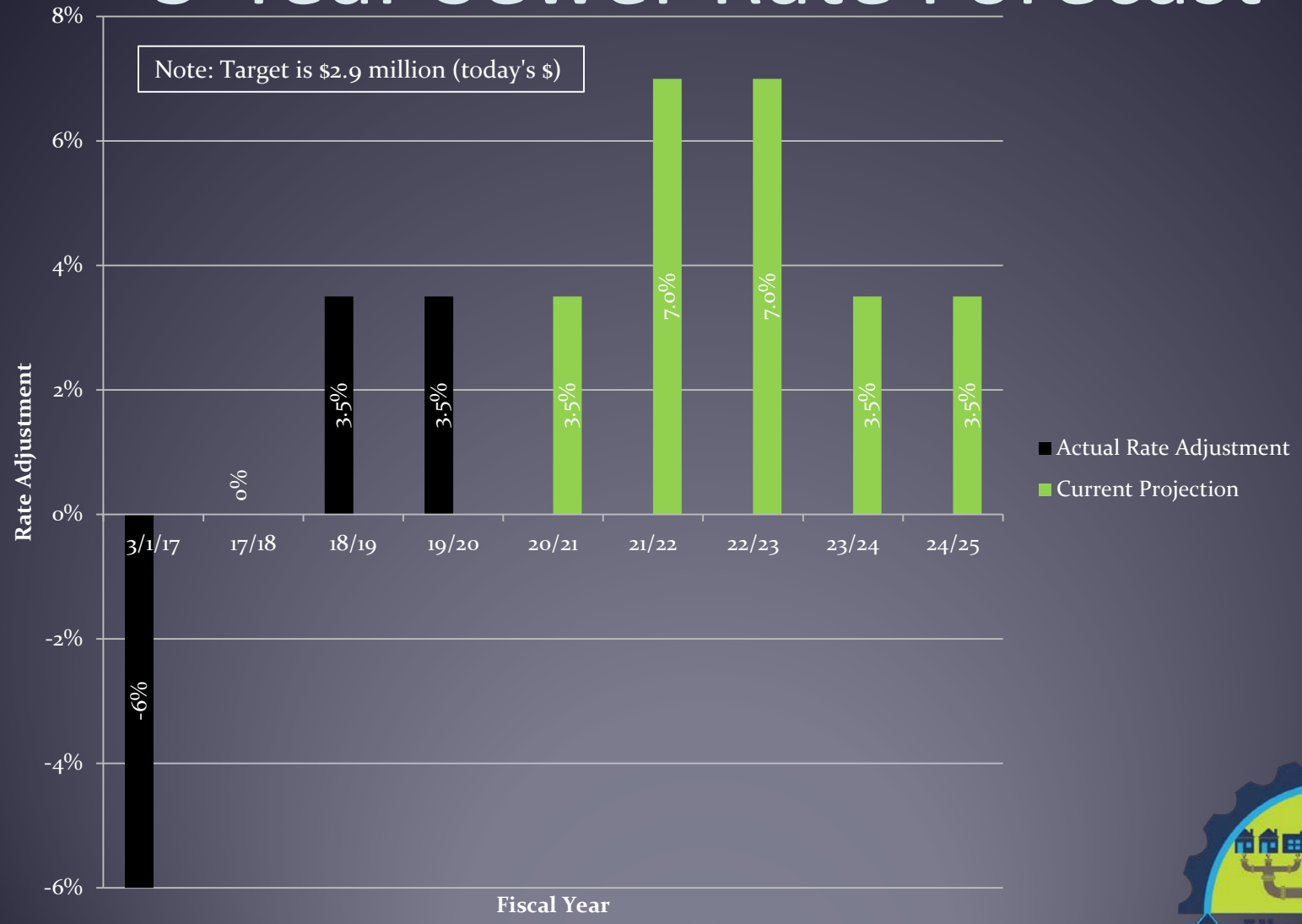
Albany's RECLAIMED Water

Sewer SDC Revenue & Debt Service



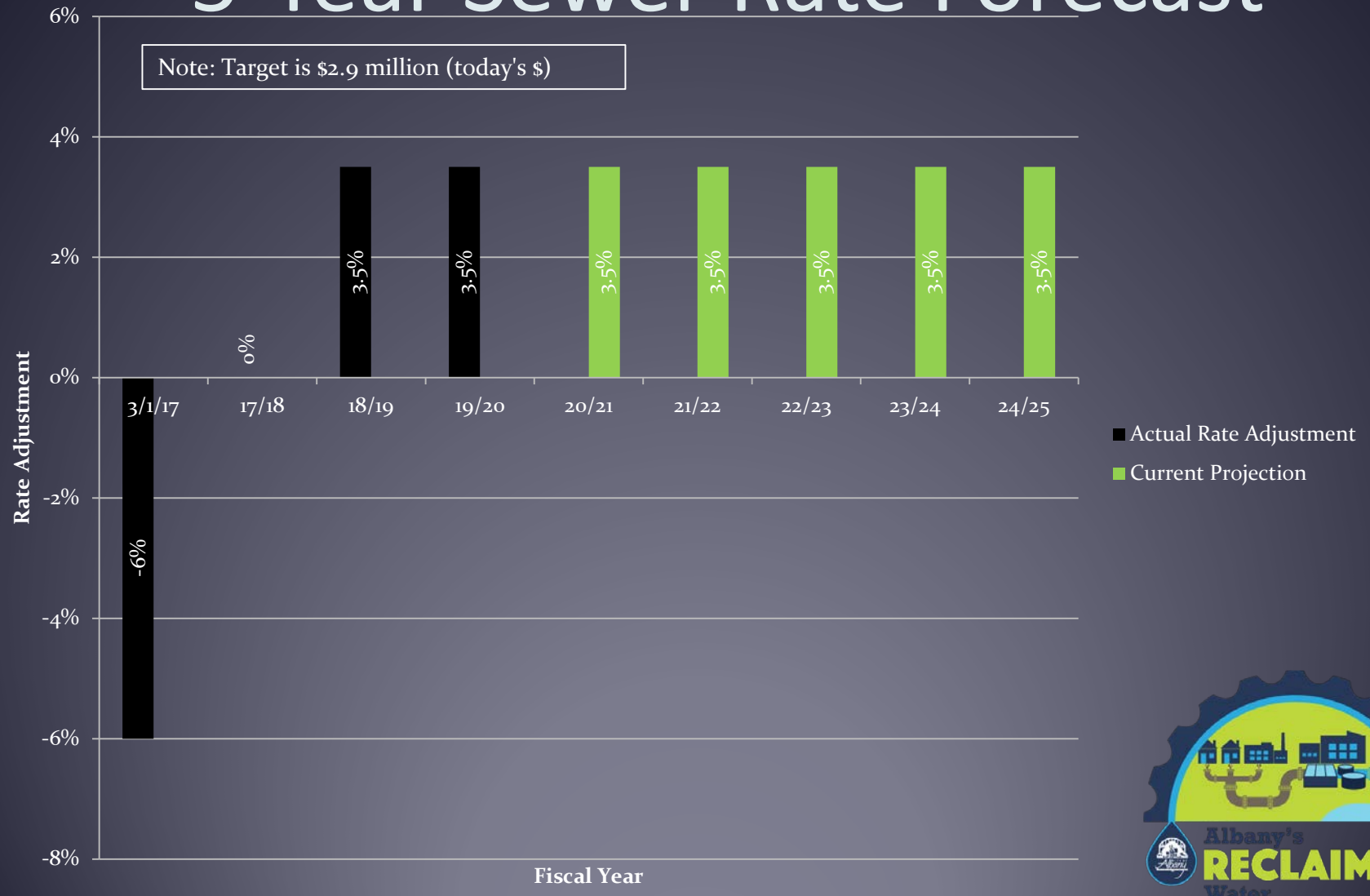
Albany's RECLAIMED Water

5-Year Sewer Rate Forecast



Note: Maintains capital financial target and provides rate revenues for SDC share of debt service.

5-Year Sewer Rate Forecast

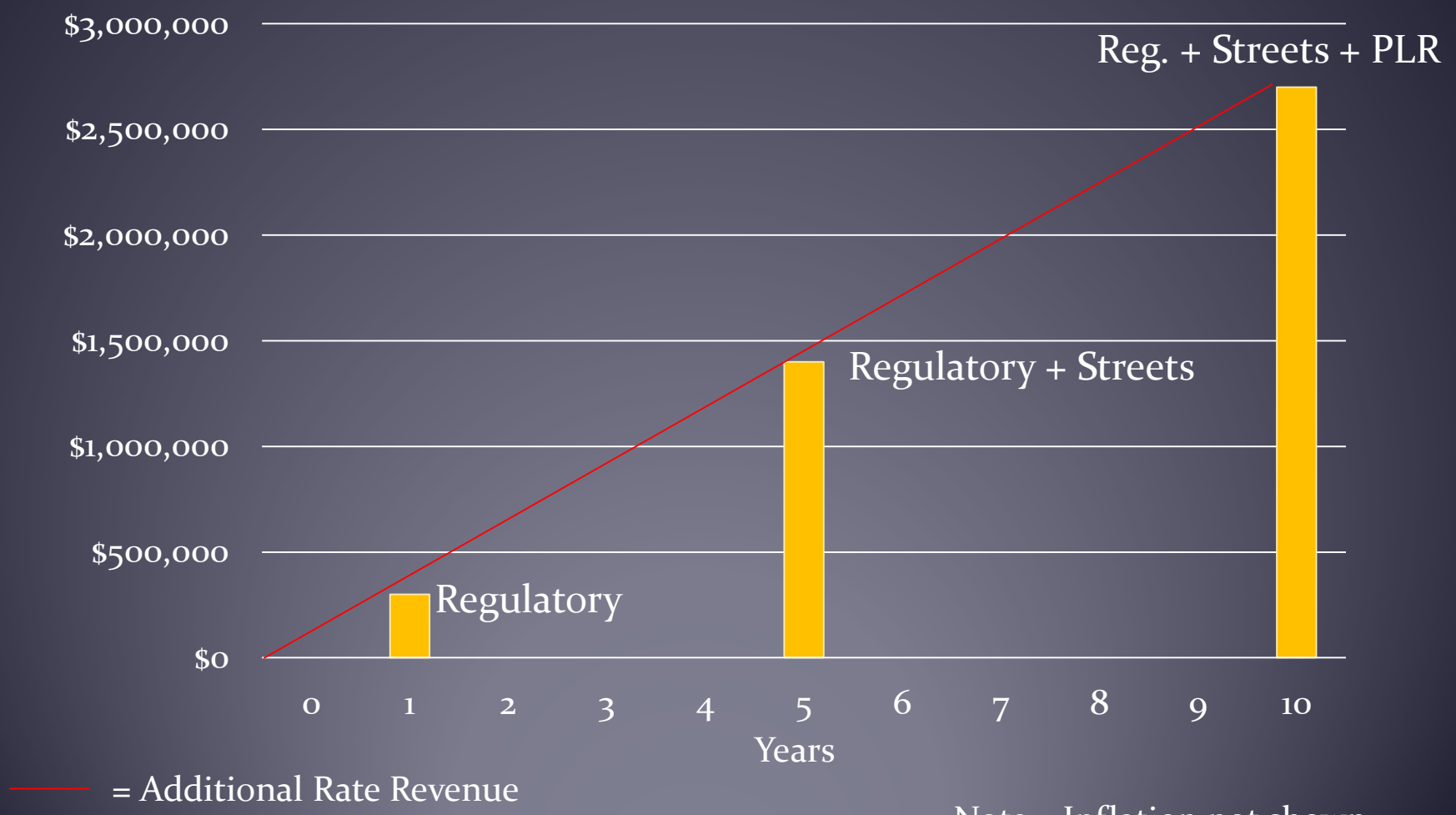


Note: Does not address rate money being redirected to debt service.

Stormwater 5-Year Rate Forecasts

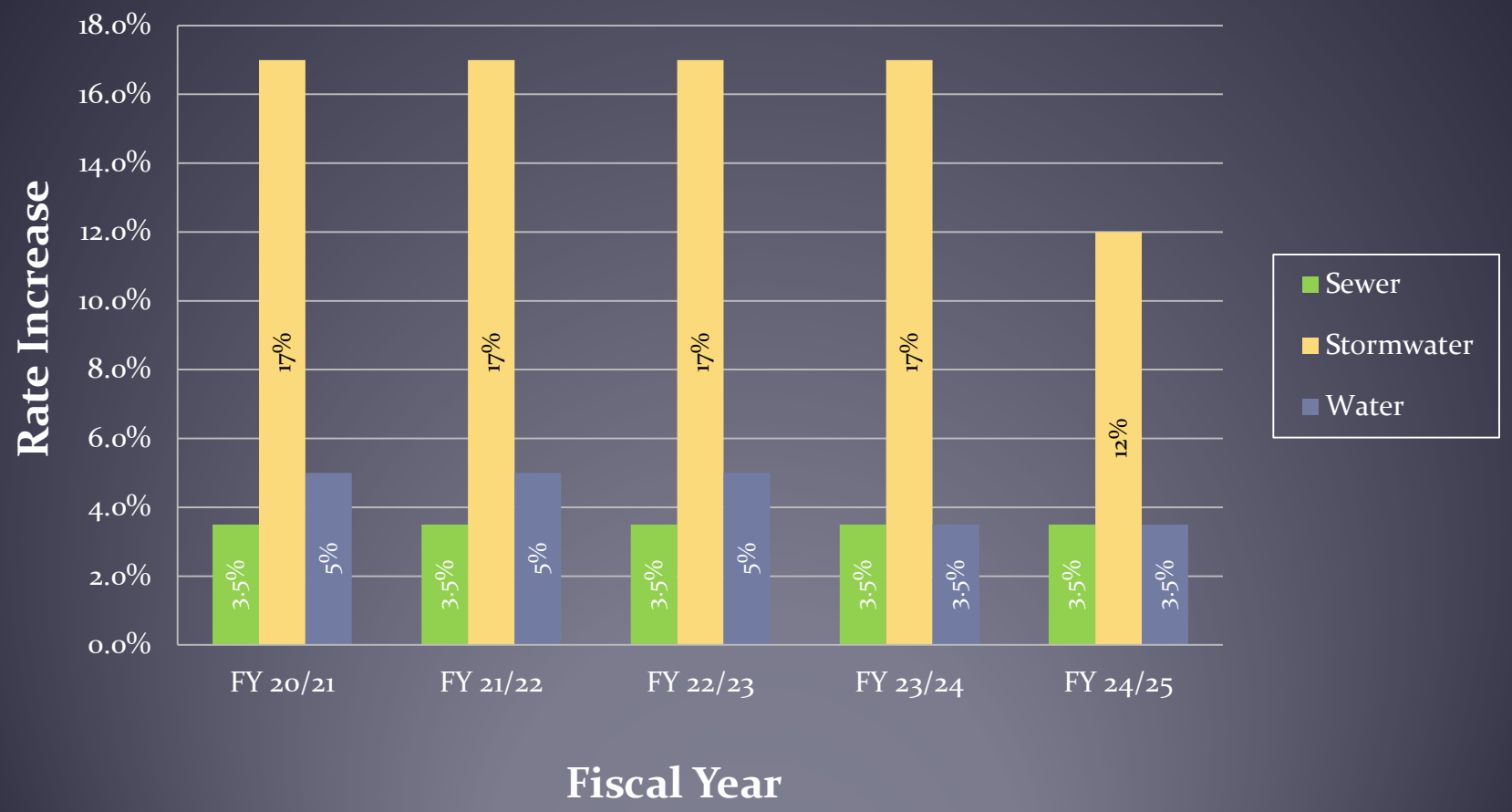
- Anticipated Revenue for FY 19-20 is ~$2.0M
- No SDC Revenues
- Inflation, regulatory compliance, street project, and failing pipes drive near-term rate increases
- Council set revenue targets in June 2018

From June 2018 Goal Setting



Note – Inflation not shown

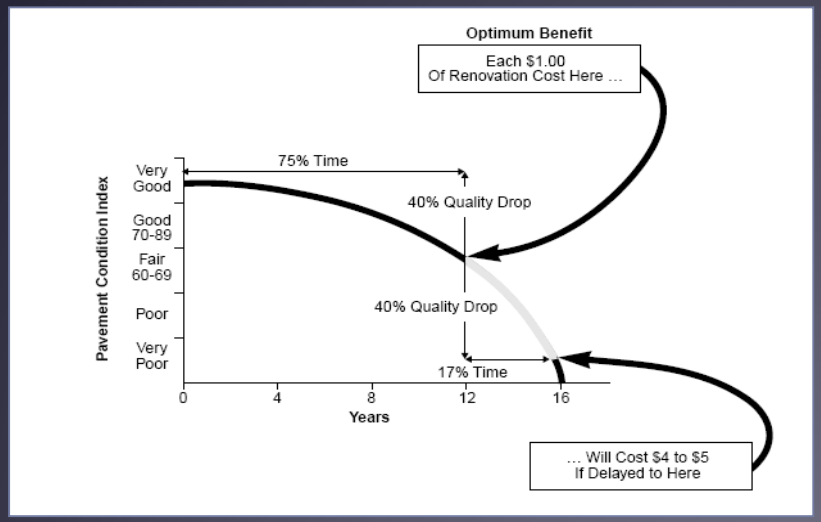
5-Year Rate Forecasts

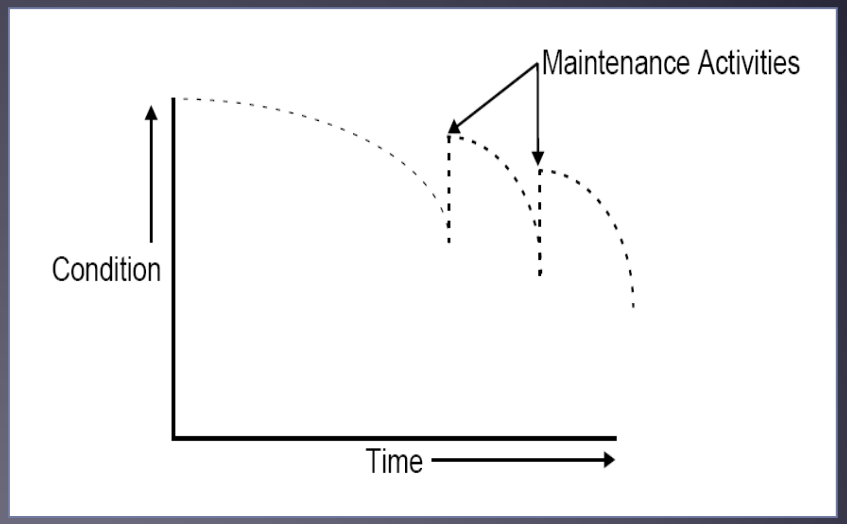


Note: Does not address sewer rate money being redirected to debt service.

What About Streets?

Initial Council Goal



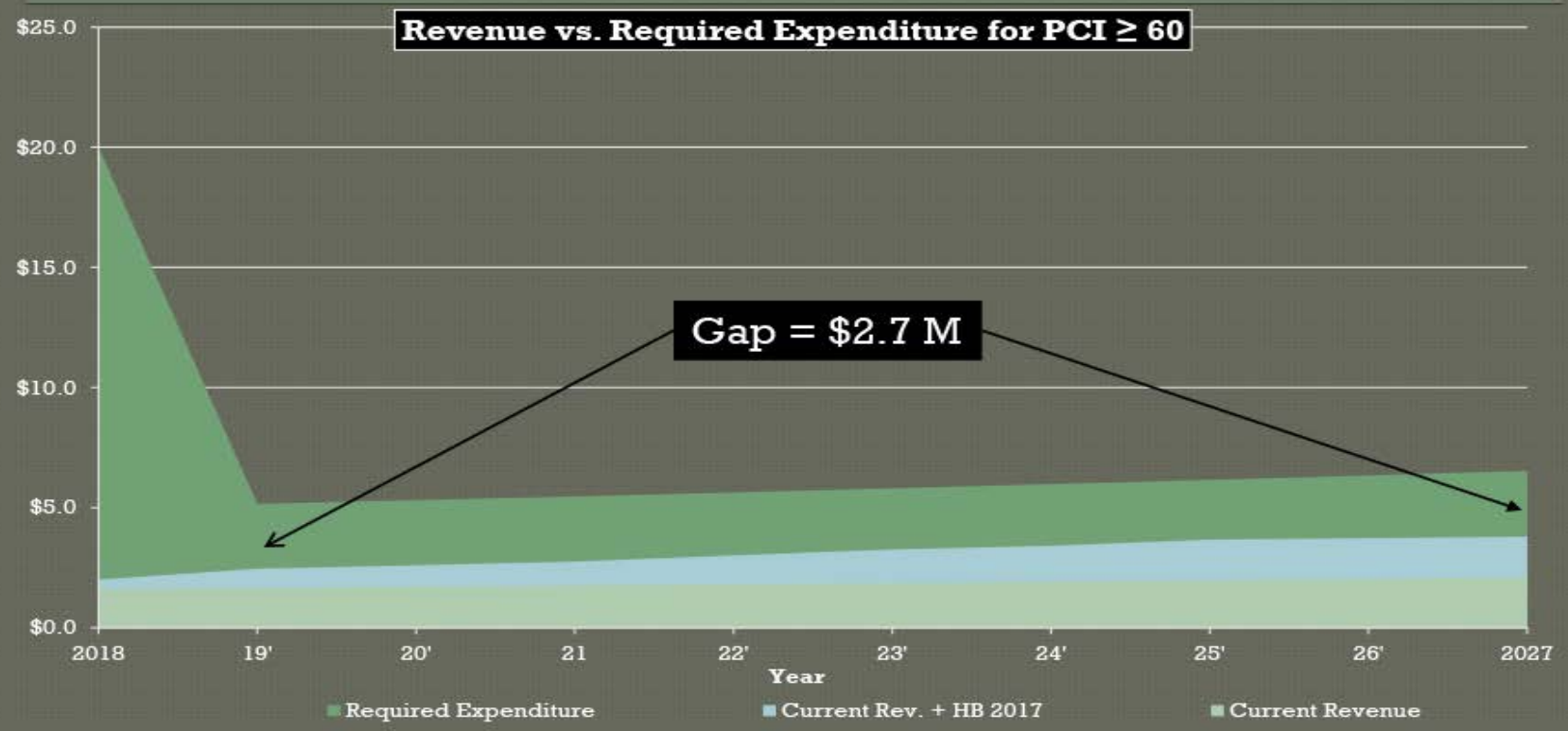


- Evaluate needs and set goals for arterial and collectors first (streets most used by community as a whole).
- Don't let arterial and collector streets go below a PCI of ~60 = "Fair" (balances short- and long-term financial impacts).

Cost of Meeting Goal

- One time ~$20M (*2017$*) investment to reconstruct failed arterial and collector streets.
- An annual ~$5M (*2017$*) investment in major maintenance such as overlays.
- Doesn't address local streets (*150+ miles*) or other transportation needs.

Funding Gap for Arterials and Collectors



*Over simplified for discussion purposes. Assumes all other transportation revenues and expenses are unchanged from, or equally proportionate to, 2017. Assumes SW paying SW costs.

Reoccurring Revenue Options
(from 8-26-19 Work Session)

- Do nothing
- Pull money away from General Fund
- Increase in-lieu-of Franchise Fees
- Street Utility
- Fuel Tax
- Utility District

Staff Recommendation
(from 8-26-19 Work Session)

- ~~Do nothing~~
- ~~Pull money away from General Fund~~
- Increase in-lieu-of Franchise Fees
  - Fall 2019 - ~$500K per year (18% of gap)
- Street Utility – More discussion ***(Tabled 12-2-19)***
  - Fuel Tax
  - Utility District

In-Lieu-Of Franchise Fees

- Franchises (PP&L, NWN, ALS, Qwest) all pay fees to the City for use of, and impact to, the right-of-way
  - Most Franchise Fees (FF) are set at 7% of revenue
  - Albany in process of increasing those that are under

- Water and sewer utilities pay in-lieu-of Franchise Fees (ILFF) to the City for use of, and impact to, the right-of-way
  - Currently set at 5% per AMC
  - Per AMC, all ILFF revenue goes to streets

- Staff recommends treating the City's utilities the same as we treat franchise utilities
  - **February 2020 – Amend AMC, <u>increase ILFF to 7%</u>**
    - Generate additional ~$500K per year for streets (would close 18% of funding gap)

Recommendation Summary

- Sewer 3.5% - July 1, 2020
- Water 5% - January 1, 2021
- Stormwater 17% - March 1, 2021

Total resulting SFR utility bill increase 5.11%

Increase water and sewer in-lieu-of franchise fees from 5% to 7% - February 2020

Questions?