



PUBLIC WORKS ADVISORY BOARD Agenda

520 E. Cascade Avenue - PO Box 39 - Sisters, Or 97759 | ph.: (541) 549-6022 | www.ci.sisters.or.us

Tuesday, May 14, 2024 – 4:30 P.M.

The Public Works Advisory Board is accessible to the public in person in the City Council Chambers at 520 E. Cascade Avenue, Sisters, OR 97759 and via the following Zoom link:

<https://us02web.zoom.us/j/81724535945?pwd=TXpNYXptUXhLZEZ6Tk10RDJscHF2dz09>

Passcode: 179333

1. CALL TO ORDER & ROLL CALL

2. APPROVAL OF MINUTES

a. April 9, 2024 – Regular Meeting

3. VISITOR COMMUNICATION – If speaking in-person, please use the Visitor Communication Sign-In form at the meeting. Written communication can be submitted for the record to jdumanch@ci.sisters.or.us. Written communication and requests to speak via Zoom must be received by 1:00 PM on the day of the meeting.

4. BOARD BUSINESS

a. Water & Wastewater Rate Update 2024

5. OTHER BUSINESS – Miscellaneous issues or for the Board’s information.

6. BOARD MEMBER COMMENTS

7. ADJOURN

NOTE: A “substantial issue” not listed on a published agenda cannot be considered.

This agenda is also available via the Internet at www.ci.sisters.or.us. The meeting location is accessible to persons with disabilities. Requests for an interpreter for the hearing impaired or for other disability accommodations should be made at least 48 hours before the meeting by contacting Kerry Prosser, City Recorder at kprosser@ci.sisters.or.us Pursuant to ORS 192.640, this agenda includes a list of the principal subjects anticipated to be considered at the above referenced meeting; however, the agenda does not limit the ability of the Council to consider or discuss additional subjects. This meeting is subject to cancellation without notice.

Public Works Advisory Board (PWAB)

Regular Meeting Minutes

Tuesday, April 9, 2024

DRAFT

Board Members Present:

John Herman, Vice Chair
Rachel Ruppel
Dane Zehrung
Lori Faha

City Council Representative Present:

Andrea Blum, Council President

Staff:

Paul Bertagna, Public Works Director
Jackson Dumanch, Public Works Project Coordinator

Absent:

Bill Kelly, Chair

1. CALL TO ORDER & ROLL CALL

Vice Chair Herman called to order the Public Works Advisory Board meeting at approximately 4:34 PM and staff confirmed a quorum was present.

2. APPROVAL OF MINUTES

Vice Chair Herman directed the Board to the March 2024 meeting minutes and asked for comments. Board Member Ruppel made a motion to approve with no changes. Board Member Zehrung seconded. Motion passed unanimously.

3. Visitor Communication

Vice Chair Herman asked staff if there was any visitor communication. Project Coordinator Dumanch replied that there was.

Cathy Russell, Sisters, addressed the Board about the Vision Implementation Plan and language in the plan regarding speed limits. Russell asked why speed limits on McKinney Butte Road were not lowered to 20 miles per hour (mph).

4. Board Business

a. Pavement Conditions Index (PCI)

Vice Chair Herman called on Director Bertagna to present. Bertagna stated that the Board was provided with an updated PCI rating noting that it included pavement work that is scheduled for spring of 2024 that had not yet been completed. Bertagna added that the total increased from 78.5 to 81.5. Bertagna stated that the number was where the City wanted to be when the PCI was developed 5 years ago attributing it to consistent maintenance. Board Member Faha

asked what the desired score was, Bertagna replied 80. Bertagna stated that potholes and alligating are addressed quickly. Bertagna asked if there were questions about the PCI. Board Member Ruppel asked how long a new road lasts until it requires maintenance, Bertagna replied 8 to 10 years and then performing maintenance every 7 years after that and after the first 20 years is when an overlay would typically occur. Faha asked if any roads needed substantial rebuild. Bertagna replied that only in sections, not entire roads and noted none were planned for the future.

b. FY 24-25 Pavement Maintenance Plan

Director Bertagna updated the board on road maintenance in the next fiscal year. Bertagna began by stating Pine Meadow Village will be completed with overlays on St. Helens between Pine Meadow St and Pine St, as well as some roads near Clemens Park that the City acquired in 2004: Park Pl, Songbird St, and Parkside Ln, adding that the roads were seal coated about 4 years ago. Bertagna stated that Fir St from Hood to the southern alley needs maintenance, adding that all roads downtown will have been overlaid withing the past 5 years. Bertagna recalled the slurry seal work done on Timber Creek Dr avoided a section that required more aggressive maintenance treatment. Bertagna also noted that McKinney Butte Rd needed an overlay from Arrowleaf Trl to Brooks Camp Rd. Bertagna stated that \$17 per yard was used as a cost estimate and the overlay cost was \$15 per yard and that more was budgeted for road maintenance in the previous year. About \$25,000 of slurry work included Creekside Ct, Cottage Lane, Black Butte from Tamarack to Cowboy. Chipseal includes Locust St from the roundabout north to the city limits, Sun Ranch from Camp Polk to Barclay Dr., and Aylor Ct. Bertagna stated that creak sealing would occur as soon as roads were consistently dry, including any that got a slurry or chipseal, followed by the industrial park, and some other roads. Bertagna stated that the City gets its crack sealing material for a good deal from the County. Bertagna stated that \$280,000.00 is the City's road maintenance budget for the current year, \$120,000.00 less than the previous year. Bertagna stated that more capital investments will be made from the City's Street Fund, reduced maintenance cost will help, the fund has a healthy balance. \$200,000.00 for the McKinney Butte safety improvements, \$325,000.00 for the Elm St Multi-use Path, \$80,000.00 for the Camp Polk Path from Barclay Dr to Sun Ranch Dr would be funded from the Street Fund. Bertagna noted several projects that can be funded from several sources such as street SDCs, Street Fund, and the Urban Renewal Agency: \$880,000.00 in grant funding for Phase 1 East Portal construction, \$1.1 million from street SDCs for Phase 1 Barclay Dr improvements, \$474,000.00 for the City's contribution to the new roundabout, \$500,000.00 is estimated for the art and landscaping for the roundabout is being discussed. Bertagna stated that the City Council has a goal to improve multi-modal infrastructure. Bertagna asked if the Board had any questions. Board Member Ruppel asked what the schedule was for the projects in the plan. Bertagna replied overlays in spring of 2025, chip seals in July, slurry seals in July or August, crack sealing in spring.

5. Other Business

- a. Vice Chair Herman asked if now would be a good time to talk about the topics Russell had spoken about during visitor communication. Bertagna stated that he was not aware of the exact location of the 25 mph sign was in that location but

knew that there was a 25 mph sign at the beginning of the corridor and signage at the start of the school zone. Bertagna stated that McKinney Butte was not 20 mph because roads classified as collectors or arterials cannot be reduced under 25 mph, similar to sections of S Elm St, N Larch St, and a section of Pine St, however roads in business districts and adjacent parks can be reduced to 20 mph so a portion of McKinney Butte near Dollar General could qualify, Bertagna added that it would depend on the City's traffic engineer checking if it is warranted.

6. Board Member Comments

- a. Bertagna gave an update on the roundabout, stating that stormwater infrastructure was nearing completion and had to be changed in some areas to avoid existing water and wastewater mains, base rock would be arriving soon, and curbs would be installed soon after. Bertagna stated that the project was on schedule for having three legs of the roundabout open by Memorial Day. Bertagna described some minor setbacks to construction related to compaction that may have resulted in a change order. Bertagna described potential changes to the detour for the Rodeo Parade. Board Member Faha asked if the change order would affect the City's financial contribution, Bertagna replied that the winning bid was less than the estimate and the City's contribution would not change unless the total project cost exceeded the original estimate.
- b. Bertagna stated that the design team for East Portal was nearing completion of 90% plans for review. Bertagna stated that staff were working with Central Electric Coop on upgrades to service at the site.
- c. Bertagna asked Dumanch if they had any updates. Dumanch replied that they did ask the applicant for the Rodeo Parade to provide alternatives detour routes to prepare for a delay with the roundabout. Faha asked if traffic could use Camp Polk Rd. Bertagna stated that if the roundabout wasn't finished the old detour plan work still work.
- d. Bertagna review what would be occurring soon: landscape maintenance, Seasonal Utility Technician Bentz would be returning, street sweeping, parks ready by Memorial Day. Treated effluent disposal had started and phase 2 of the fuels reduction project had been completed.
- e. Councilor Blum asked what the large machine was working on the Lazy Z, Bertagna stated that machine was for disking the field ahead of seeding. Herman asked if biosolids were applied this spring, Bertagna replied no adding that it would be 3-5 years before biosolids were removed from the ponds again. Zehrung asked if the solids accumulate in the ponds, Bertagna confirmed that to be the case and briefly described the process.

7. Adjourn

Vice Chair Herman adjourned the meeting at 5:08 PM.



Meeting Date: May 14, 2024
Type: Regular Meeting
Subject: Water and Wastewater Utility Rate Update

Staff: Bertagna
Dept: Public Works

Action Requested: Direction to staff on the preferred Rate Structure Alternatives, Utility Rate findings and Implementation Strategies

Summary Points:

- The City's Water and Wastewater Master Plans were recently adopted in the spring of 2023 which included updating the Capital Improvement Plans (CIP) for each plan. The Council's FY 23/24 goals included updating the utility rates based on the new Capital Improvement Plans.
- The current water and wastewater utility rates were last updated in 2017 and 2% inflationary adjustments have been made each year through FY 23/24.
- The City contracted with the FCS Group to consult on the project and work with staff to update financial plans, rate structures, financing options, and policy objectives.
- With several large capital projects necessary to meet current operational requirements and accommodate future growth, the City will need to debt serve a majority of those capital project costs. In order to issue debt, the City will be required to ensure that the utility rates can pay for the debt service. This requires the City to raise water and wastewater rates to not only make the required debt payments, but to also keep the utilities reserves and operating/capital balances equal to at least 180 days of operating expenses.
- The Water Utility has \$21.7 million in capital projects in the next 10 years. 38% of that will be cash-funded through operating and System Development Charge (SDC) cash and \$13.2 million will need to be debt served through either State/Federal funding agencies or by revenue bonds. Both options require rate revenue to be able to support the debt service payments.
- At the direction of staff, FCS provided two rate structure alternatives. Alternative A provides a more secure financing option with 63% of the cost-recovery through base (fixed) rates which make the fund less susceptible to weather and conservation variables. Alternative B provides an enhanced conservation approach with 50% of utility revenue through the volume rate. This alternative keeps the base rates lower, rewards water conservation, and provides water consumer equity.
- Staff is recommending the conservation approach for reasons including customer equity, resource protection, and it allows the city to manage the existing water supply more efficiently over the long-term. This approach uses more volume rate revenue to make up the needed 12%/yr rate increases for the next 5 years.



- The Wastewater Utility has \$12.0 million in capital projects with cash resources covering 68% of the planned project costs. \$3.8 million will need to be debt served either by state/federal loan programs or revenue bonds. The utility will need to raise rates to cover the debt service and support the utilities reserves/operations.
- Staff is recommending staying with the existing rate methodology with a base rate per Equivalent Dwelling Unit (EDU) for both residential and commercial customers. The proposed increase is 4%/yr for the next six years.
- A typical residential water/sewer bill during the irrigation season (7500 gals) will see an approximately \$5-7 dollar or 7.5% increase per year for the next six years. With the rate increase Sisters' rates will still be below the majority of the municipalities in Central Oregon.
- The implementation strategy includes preparing a two-page educational flyer to be mailed to every utility account with additional information available on the City website. A public hearing will then be held at the May 22nd City Council meeting, adopt the new rates by resolution, incorporate the new rates into the FY2024/25 budget and implement the new rate fees on July 1, 2024.

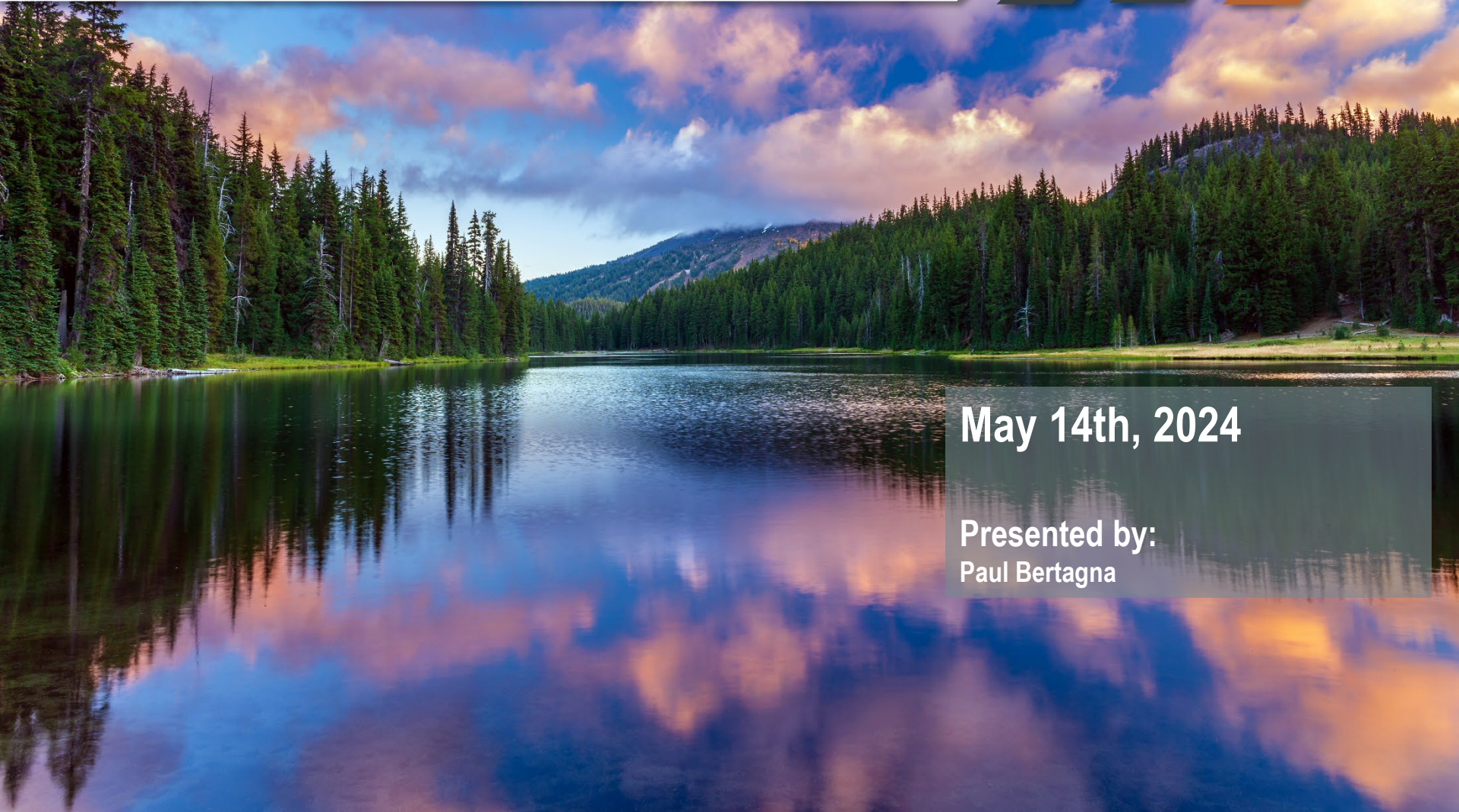
Financial Impact: \$25,000 consulting fee budgeted in the Water and Sewer funds for FY 23/24.

Attachments:

1. PowerPoint



2023 Water & Wastewater Utility Rate Study



May 14th, 2024

**Presented by:
Paul Bertagna**

Agenda



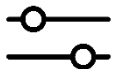
Study Objectives & Process



Fiscal Policies & Assumptions



Revenue Requirement Forecast/Financial Plan



Water Rate Structure Alternatives



Recommendations

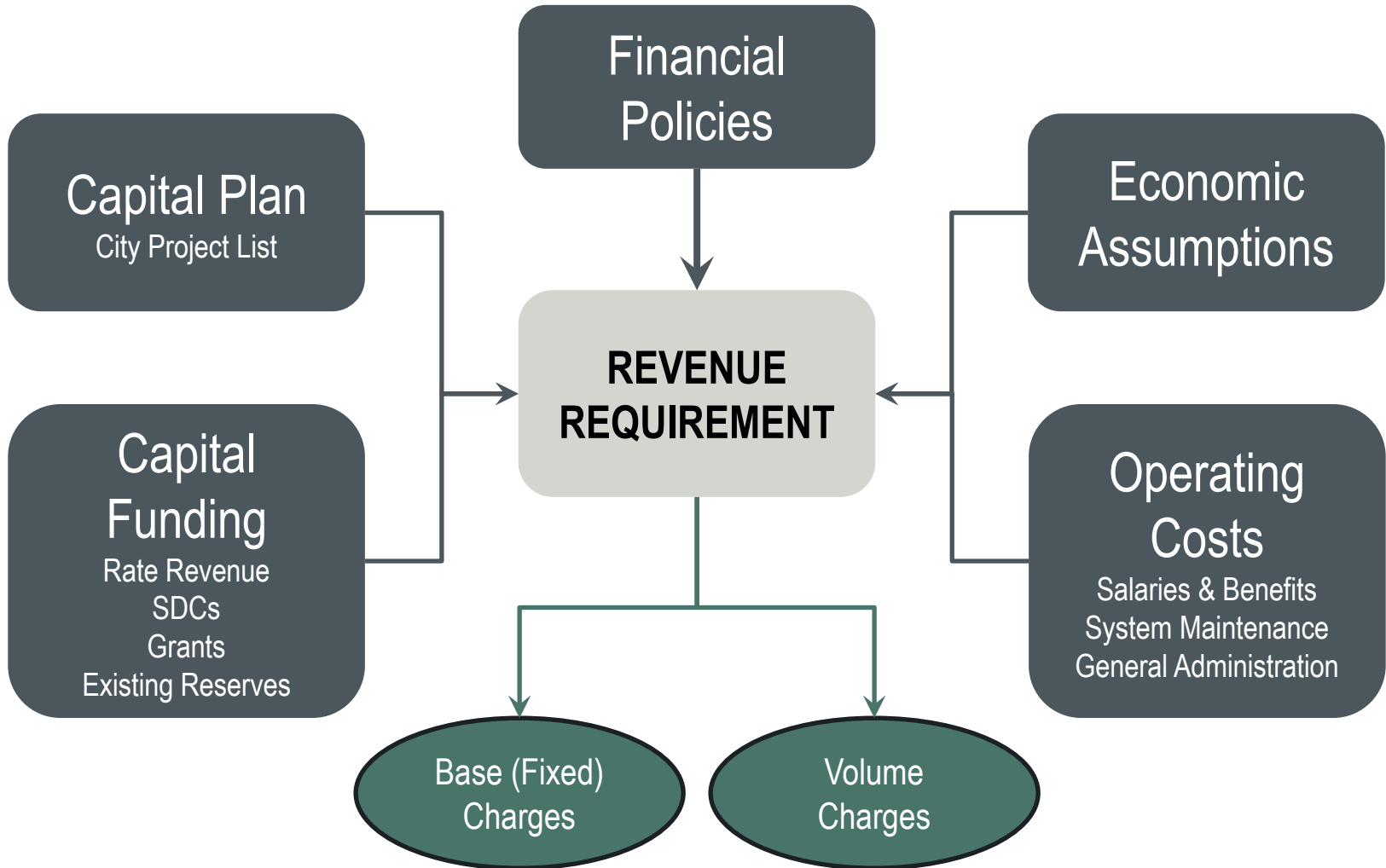


Key Study Objectives

- **Update financial plan for the City's water and wastewater utilities**
 - » Operation and maintenance
 - » Capital projects
- **Design water rate structure alternatives**
 - » Driven by key policy objectives
 - Equity: Improve alignment of cost causation/recovery through base charges
 - Conservation: Promote water conservation by increasing volume charges



Overview of the Utility Rate Study Process





Fiscal Policies

- **Each utility maintains an operating reserve of 2 months (16%) of expenses**
 - » ≈ \$138,000 for water, ≈ \$143,000 for wastewater based on 2024 Budget
- **Each utility funds transfers for capital through rates**

Reserve	Purpose	Annual Transfer
Capital Improvement Reserve	Provide funding for major capital projects and purchases	» Water: ≈ \$104,000 per year » Wastewater: N/A (not currently funded)
Capital Replacement Reserve	Provide funding to replace assets at the end of their lives	» Water: ≈ \$45,000 per year » Wastewater: ≈ \$46,000 per year

Goal: Maintain combined operating/capital balance equal to at least 180 days of operating expenses (policy recommended by bond rating agencies)



Key Assumptions

- **Annual Cost Inflation**

- » Employee Benefits: 9.2% per year
- » Credit Card Fees: 5.0% per year
- » Other Operating Costs: 4.0% per year
- » Construction Costs: 5.0% per year

- **Annual Growth**

- » 2.5% (\approx 72 equivalent dwelling units (EDU's)) per year

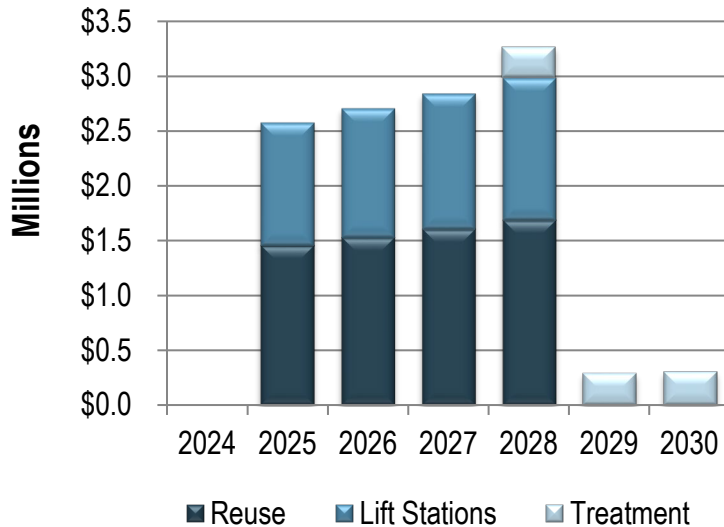
- **Operating Forecast**

- » Operating revenue generally projected based on FY 2023/24 Budget
 - Water rate revenue forecasted based on FY 2022/23 actuals
- » Expenses forecasted based on 2023/24 Budget
- » 7.0% franchise fee calculated on projected revenues

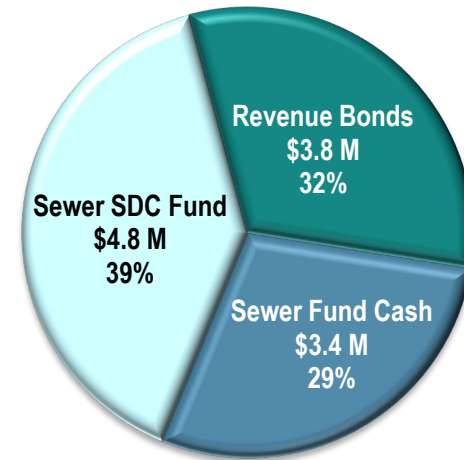


Wastewater Utility Capital Needs Forecast

Capital Costs by Year (2024 – 2030)



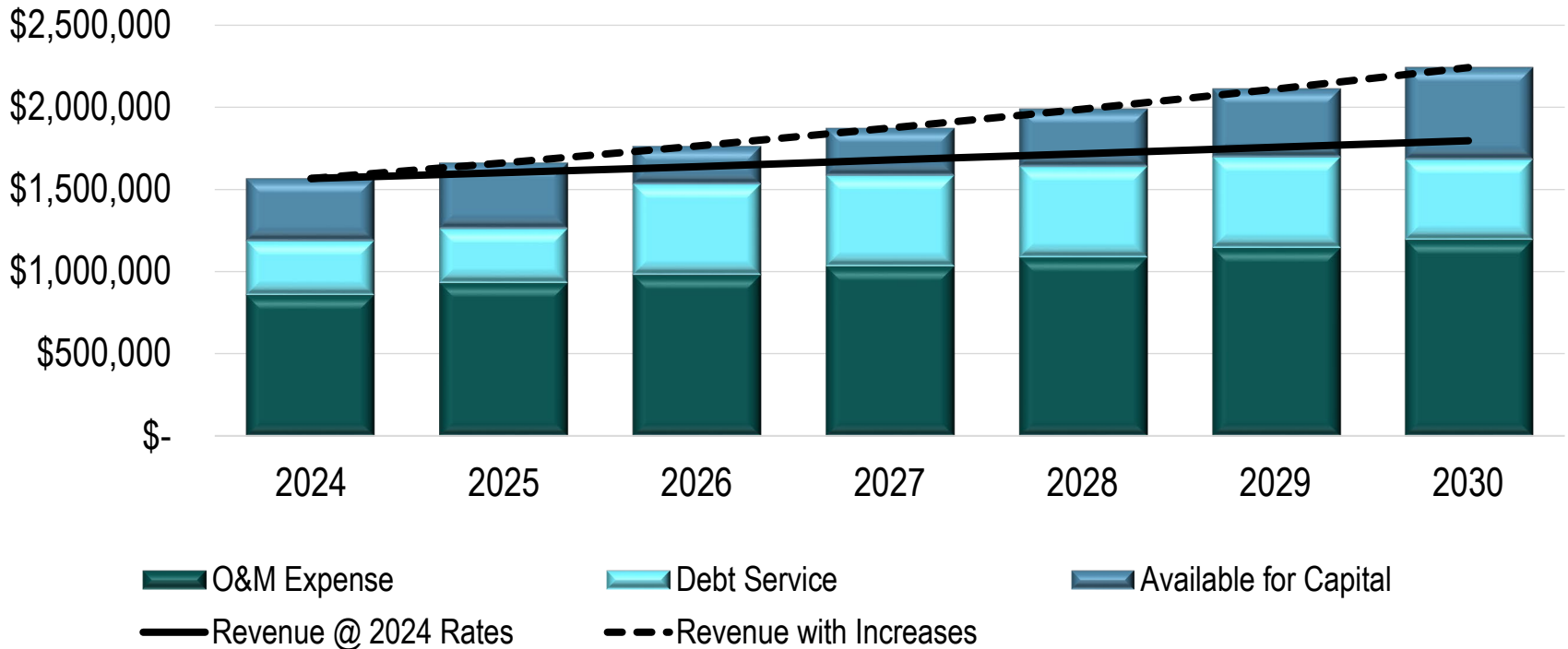
Capital Funding Strategy (2024 – 2030)



- **\$12.0 million in capital projects from 2024 – 2030**
 - » Reuse: \$6.3 million
 - » Lift Stations: \$4.8 million
 - » Treatment: \$0.9 million
- **Cash resources expected to cover \approx 68% of the planned project costs**
 - » \$3.4 M (29%) from Sewer Fund operating cash; \$4.8 M (39%) expected to be funded by SDCs
 - » \$3.8 M (32%) expected to be funded by revenue bonds
 - Increases annual debt service by \approx \$221,000 by 2030



Wastewater Utility Revenue Requirement Forecast

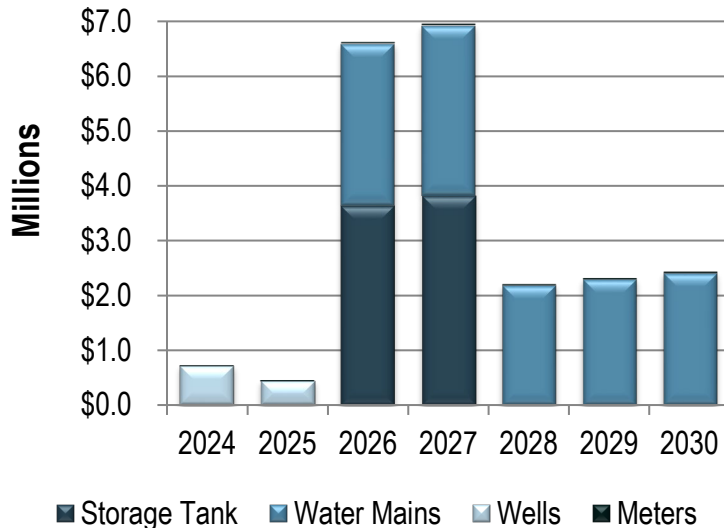


Wastewater Rate Forecast	Existing	Proposed				Projected	
	2024	2025	2026	2027	2028	2029	2030
Annual Rate Increase		4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Monthly Bill Per EDU	\$41.60	\$43.26	\$44.99	\$46.79	\$48.66	\$50.61	\$52.63
Change From Prior Year		+\$1.66	+\$1.73	+\$1.80	+\$1.87	+\$1.95	+\$2.02

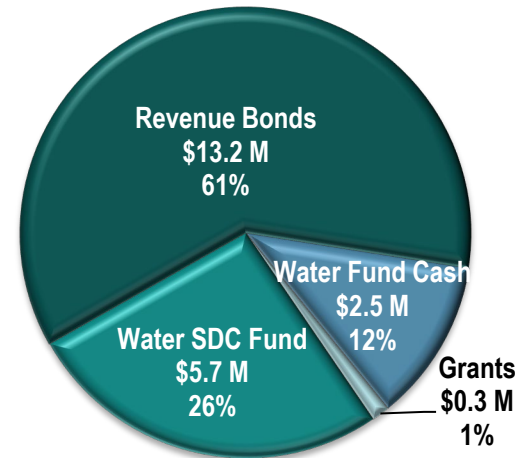


Water Utility Capital Needs Forecast

Capital Costs by Year (2024 – 2030)



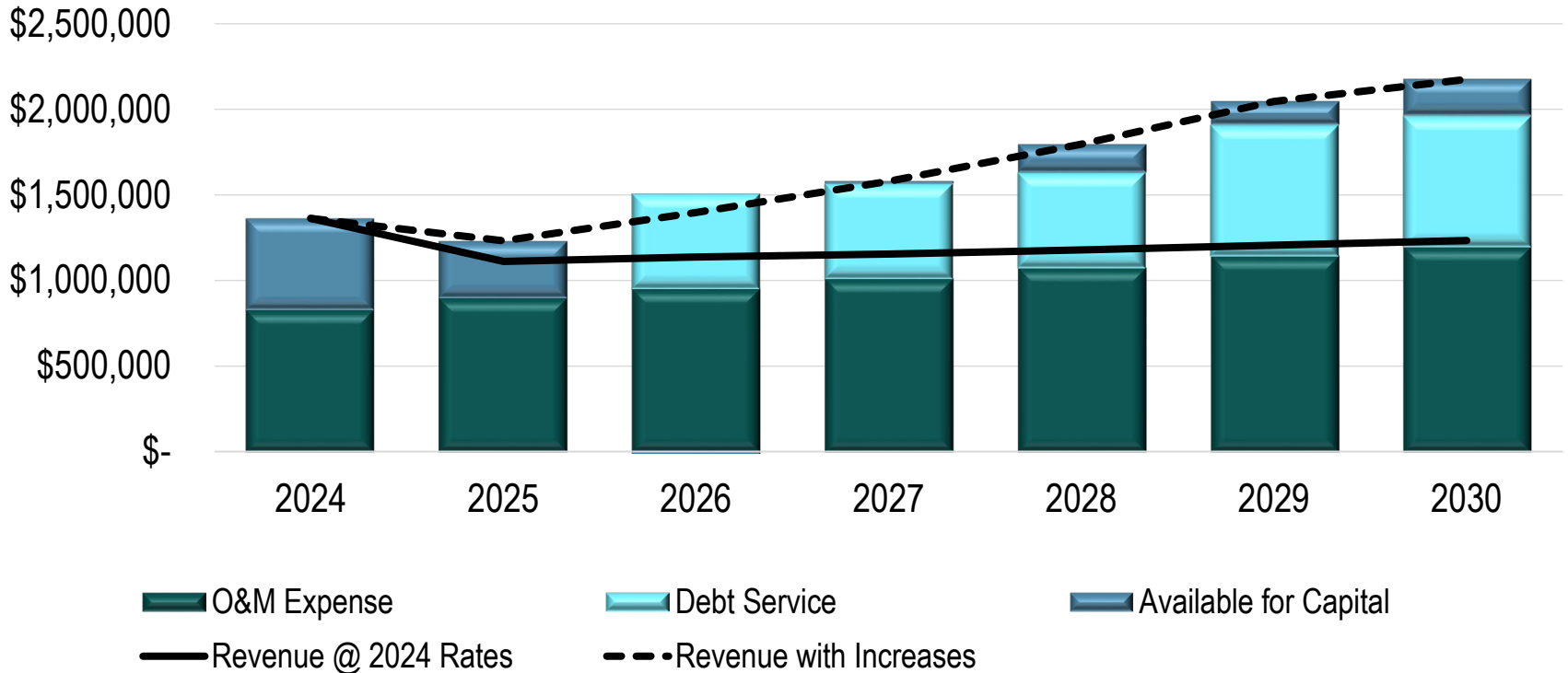
Capital Funding Strategy (2024 – 2030)



- **\$21.7 million in capital projects from 2024 – 2030**
 - » Water Mains: \$12.9 million
 - » Storage Tank: \$7.4 million
 - » Wells: \$1.2 million
 - » Meter Replacements: \$0.2 million
- **Cash resources expected to cover ≈ 38% of the planned project costs**
 - » \$2.5 M (12%) from Water Fund operating cash; \$5.7 M (26%) expected to be funded by SDCs
 - » \$13.2 M (61%) expected to be funded by revenue bonds
 - Increases annual debt service by ≈ \$767,000 by 2030



Water Utility Revenue Requirement Forecast



Water Rate Revenue Forecast	Existing	Proposed			Projected		
	2024	2025	2026	2027	2028	2029	2030
Annual Rate Revenue Increase		12.00%	12.00%	12.00%	12.00%	12.00%	4.00%



Water Rate Structure

Water Rate Structure	Current	Proposed			Projected		
	2024	2025	2026	2027	2028	2029	2030
Annual Water Rate Increase		12.0%	12.0%	12.0%	12.0%	12.0%	4.0%
Monthly Base Charge:							
5/8" and 3/4" Meters	\$19.37	\$21.69	\$24.29	\$27.20	\$30.46	\$34.12	\$35.48
1" and 1-1/2" Meters	\$21.72	\$24.33	\$27.25	\$30.52	\$34.18	\$38.28	\$39.81
2" Meter	\$24.07	\$26.96	\$30.20	\$33.82	\$37.88	\$42.43	\$44.13
3", 4", 6", and 8" Meters	\$58.70	\$65.74	\$73.63	\$82.47	\$92.37	\$103.45	\$107.59
Volume Charge Per CCF	\$1.00	\$1.12	\$1.25	\$1.40	\$1.57	\$1.76	\$1.83

- **Water utility costs are mostly fixed, driven in part by system capacity needs**
- **Water meter size defines potential capacity need of a connection**

Meter Size	3/4" x 3/4"	1"	1-1/2"	2"	3"	4"	6"	8"
Maximum Continuous Flow	30 gpm	50 gpm	100 gpm	160 gpm	320 gpm	500 gpm	1,000 gpm	1,600 gpm
Equivalent Residential Units (ERUs)	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33

- **Can improve equity by aligning base charge structure with fixed costs**



Water Rate Structure Alternatives

- **Alternative A: Secure Financing**

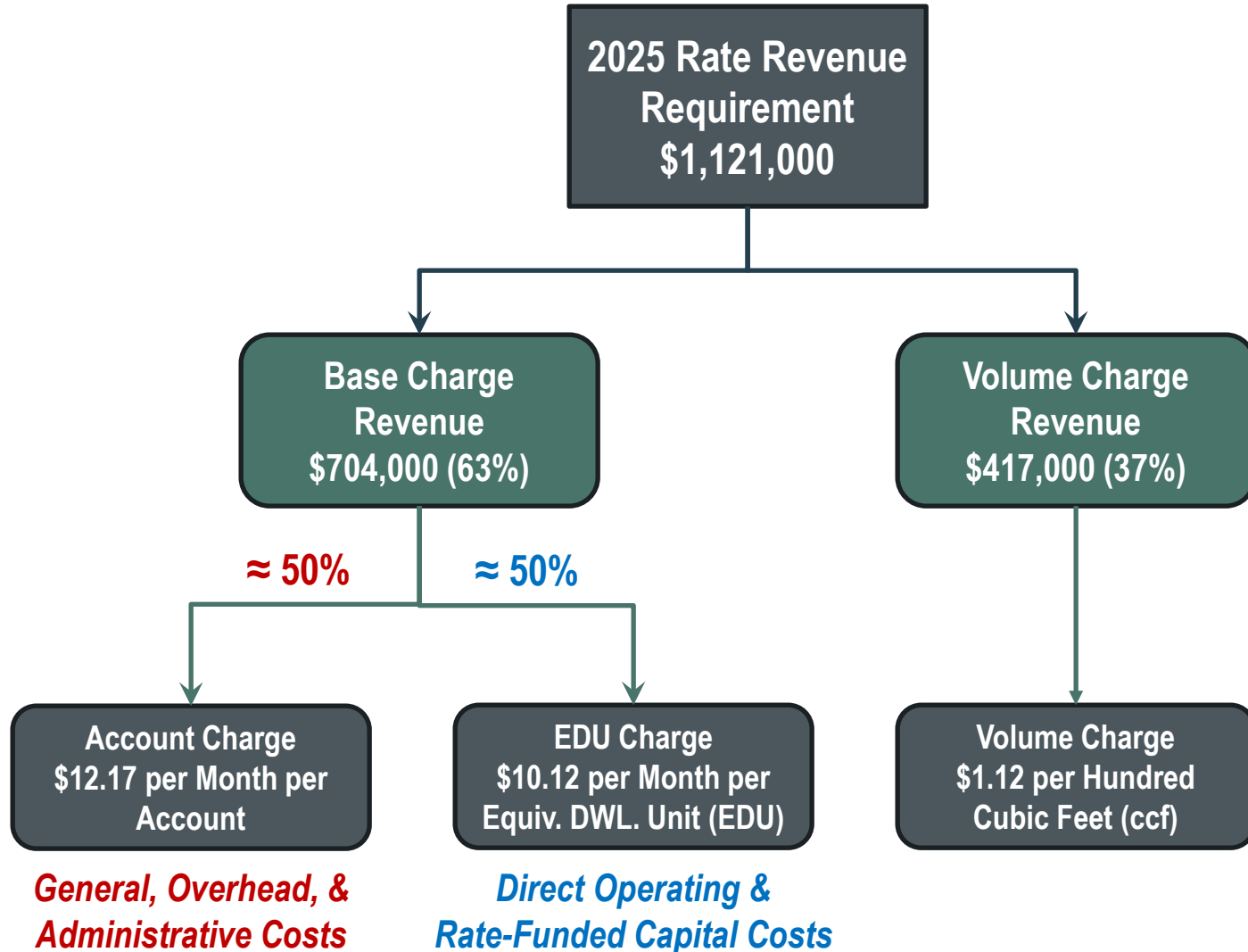
- » Recalibrates base charge structure
 - Account charge to recover costs equitably spread evenly to all customers
 - ERU charge to recover costs that scale with capacity needs (meter size)
 - Multi-family dwelling units charged 3/4” base charge per dwelling unit
 - Currently pay base charge based on meter size for each dwelling unit
 - Industry practice is to charge based on meter size or dwelling units
- » Targets 37% of cost recovery through volume charges (consistent with existing rates)

- **Alternative B: Enhanced Conservation**

- » Recalibrates base charge structure (*similar to Alternative A*)
- » Targets 50% of cost recovery through volume charges
 - Lower increases to base charges, higher increases to volume charges



Recalibrating the Water Rate Structure





Recalibrated 2025 Water Base Charge Structure

Meter Size	Account Charge	ME Charge	Total Base Charge (2025)	Base Charge (2025 Status Quo)
3/4"	\$12.17	\$10.12	\$22.29	\$21.69
1"	\$12.17	\$16.86	\$29.03	\$24.33
1-1/2"	\$12.17	\$33.72	\$45.89	\$24.33
2"	\$12.17	\$53.95	\$66.13	\$26.96
3"	\$12.17	\$107.90	\$120.08	\$65.74
4"	\$12.17	\$168.60	\$180.77	\$65.74
6"	\$12.17	\$337.20	\$349.37	\$65.74
8"	\$12.17	\$539.51	\$551.69	\$65.74



Rate Schedule

Alternative A: Secure Financing

Water Rates	Existing	Proposed			Projected		
	2024	2025	2026	2027	2028	2029	2030
Monthly Base Charge							
3/4" Meter	\$19.37	\$22.29	\$24.96	\$27.96	\$31.32	\$35.07	\$36.48
1" Meter	\$21.72	\$29.03	\$32.52	\$36.42	\$40.79	\$45.69	\$47.51
1-1/2" Meter	\$21.72	\$45.89	\$51.40	\$57.57	\$64.48	\$72.21	\$75.10
2" Meter	\$24.07	\$66.13	\$74.06	\$82.95	\$92.90	\$104.05	\$108.21
3" Meter	\$58.70	\$120.08	\$134.49	\$150.62	\$168.70	\$188.94	\$196.50
4" Meter	\$58.70	\$180.77	\$202.46	\$226.76	\$253.97	\$284.45	\$295.83
6" Meter	\$58.70	\$349.37	\$391.29	\$438.25	\$490.84	\$549.74	\$571.73
8" Meter	\$58.70	\$551.69	\$617.89	\$692.04	\$775.08	\$868.09	\$902.81
Volume Charge per ccf	\$1.00	\$1.12	\$1.25	\$1.40	\$1.57	\$1.76	\$1.83
% of Revenue from Volume Charges	37%	37%	37%	37%	37%	37%	37%

Wastewater Rates	Existing	Proposed			Projected		
	2024	2025	2026	2027	2028	2029	2030
Monthly Base Charge	\$41.60	\$43.26	\$44.99	\$46.79	\$48.66	\$50.61	\$52.63



Rate Schedule

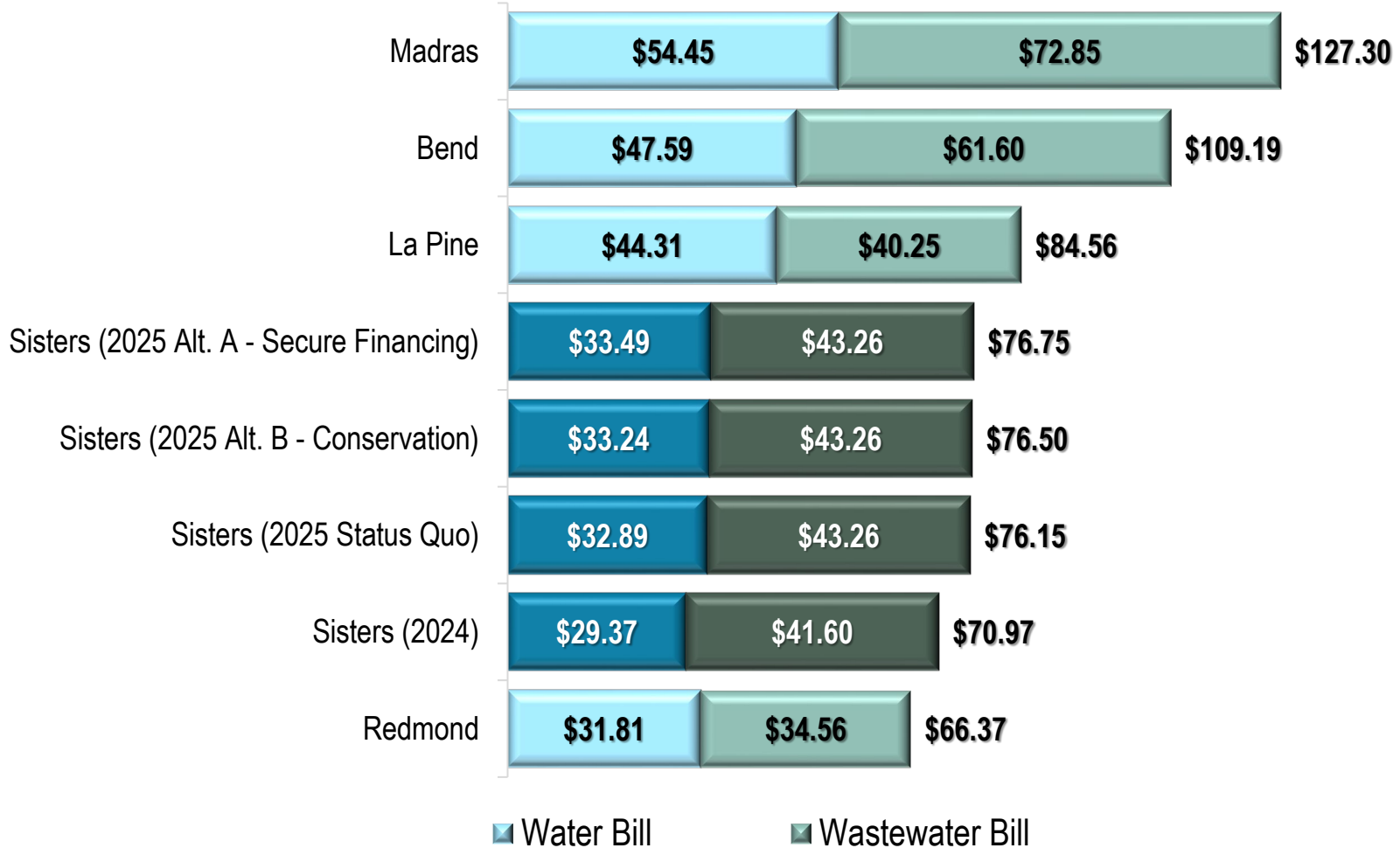
Alternative B: Enhanced Conservation

Water Rates	Existing	Proposed			Projected		
	2024	2025	2026	2027	2028	2029	2030
Monthly Base Charge							
3/4" Meter	\$19.37	\$20.84	\$22.42	\$24.12	\$25.95	\$27.92	\$29.04
1" Meter	\$21.72	\$27.15	\$29.21	\$31.42	\$33.81	\$36.37	\$37.83
1-1/2" Meter	\$21.72	\$42.91	\$46.17	\$49.67	\$53.44	\$57.49	\$59.79
2" Meter	\$24.07	\$61.82	\$66.52	\$71.56	\$77.00	\$82.84	\$86.15
3" Meter	\$58.70	\$112.27	\$120.79	\$129.95	\$139.82	\$150.43	\$156.45
4" Meter	\$58.70	\$169.01	\$181.84	\$195.64	\$210.49	\$226.47	\$235.52
6" Meter	\$58.70	\$326.64	\$351.43	\$378.11	\$406.80	\$437.68	\$455.19
8" Meter	\$58.70	\$515.80	\$554.95	\$597.07	\$642.38	\$691.14	\$718.78
Volume Charge per ccf	\$1.00	\$1.24	\$1.47	\$1.73	\$2.03	\$2.37	\$2.46
% of Revenue from Volume Charges	37%	41%	44%	46%	48%	50%	50%

Wastewater Rates	Existing	Proposed			Projected		
	2024	2025	2026	2027	2028	2029	2030
Monthly Base Charge	\$41.60	\$43.26	\$44.99	\$46.79	\$48.66	\$50.61	\$52.63



Combined Monthly Single-Family Bill



Assumed water use: 10 ccf | Assumed wastewater flow: 5 ccf



Recommendations

- **Adopt 2025 – 2027 wastewater rate increases of 4.0% per year**
- **Adopt 2025 – 2027 water rates, which reflect:**
 - » Revenue increases of 12.0% per year
 - » Alternative base rate structure

Residential Monthly Bill Forecast (Assuming 10 ccf of Water Usage)	Existing	Proposed			Projected		
	2024	2025	2026	2027	2028	2029	2030
Alternative A – Secure Financing							
Total Water/Wastewater Bill	\$70.97	\$76.75	\$82.45	\$88.75	\$95.68	\$103.28	\$107.41
Change from Prior Year		+\$5.78	+\$5.70	+\$6.30	+\$6.93	+\$7.60	+\$4.13
Percent Change from Prior Year		+8.1%	+7.4%	+7.6%	+7.8%	+7.9%	+4.0%
Alternative B – Enhanced Conservation							
Total Water/Wastewater Bill	\$70.97	\$76.50	\$82.11	\$88.21	\$94.91	\$102.23	\$106.27
Change from Prior Year		+\$5.53	+\$5.61	+\$6.10	+\$6.70	+\$7.32	+\$4.04
Percent Change from Prior Year		+7.8%	+7.3%	+7.4%	+7.6%	+7.7%	+4.0%

- **Monitor financial status regularly, considering adjustments as needed**
 - » Revisit 2028 – 2030 rate increases around 2027



Thank You! Questions?