



Oregon

Theodore R. Kulongoski, Governor

Department of Land Conservation and Development

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Salem, OR 97301-2540

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www.lcd.state.or.us



NOTICE OF ADOPTED AMENDMENT

05/27/2011

TO: Subscribers to Notice of Adopted Plan
or Land Use Regulation Amendments

FROM: Plan Amendment Program Specialist

SUBJECT: City of Cottage Grove Plan Amendment
DLCD File Number 002-11

The Department of Land Conservation and Development (DLCD) received the attached notice of adoption. Due to the size of amended material submitted, a complete copy has not been attached. A Copy of the adopted plan amendment is available for review at the DLCD office in Salem and the local government office.

Appeal Procedures*

DLCD ACKNOWLEDGMENT or DEADLINE TO APPEAL: Tuesday, June 14, 2011

This amendment was submitted to DLCD for review prior to adoption pursuant to ORS 197.830(2)(b) only persons who participated in the local government proceedings leading to adoption of the amendment are eligible to appeal this decision to the Land Use Board of Appeals (LUBA).

If you wish to appeal, you must file a notice of intent to appeal with the Land Use Board of Appeals (LUBA) no later than 21 days from the date the decision was mailed to you by the local government. If you have questions, check with the local government to determine the appeal deadline. Copies of the notice of intent to appeal must be served upon the local government and others who received written notice of the final decision from the local government. The notice of intent to appeal must be served and filed in the form and manner prescribed by LUBA, (OAR Chapter 661, Division 10). Please call LUBA at 503-373-1265, if you have questions about appeal procedures.

*NOTE: The Acknowledgment or Appeal Deadline is based upon the date the decision was mailed by local government. A decision may have been mailed to you on a different date than it was mailed to DLCD. As a result, your appeal deadline may be earlier than the above date specified. NO LUBA Notification to the jurisdiction of an appeal by the deadline, this Plan Amendment is acknowledged.

Cc: Amanda Ferguson, City of Cottage Grove
Gloria Gardiner, DLCD Urban Planning Specialist
Ed Moore, DLCD Regional Representative
Gloria Gardiner, DLCD Urban Planning Specialist

<paa> YA



FORM **2**

DLCD

Notice of Adoption

In person electronic mailed

DATE
STAMP

DEPT OF

MAY 25 2011

**LAND CONSERVATION
AND DEVELOPMENT**
For Office Use Only

This Form 2 must be mailed to DLCD within **5-Working Days after the Final Ordinance is signed** by the public Official Designated by the jurisdiction and all other requirements of ORS 197.615 and OAR 660-018-000

Jurisdiction: **City of Cottage Grove**

Local file number: **CPA 2-11**

Date of Adoption: **5/23/2011**

Date Mailed: **5/24/2011**

Was a Notice of Proposed Amendment (Form 1) mailed to DLCD? Yes No Date: 3/10/2011

Comprehensive Plan Text Amendment

Comprehensive Plan Map Amendment

Land Use Regulation Amendment

Zoning Map Amendment

New Land Use Regulation

Other:

Summarize the adopted amendment. Do not use technical terms. Do not write "See Attached".

Adopted the 2011 City of Cottage Grove Public Facilities Plan as a refinement plan for the Public Facility element of the City of Cottage Grove Comprehensive Plan to comply with OAR 660-011.

Does the Adoption differ from proposal? No, no explanation is necessary

Plan Map Changed from:

to:

Zone Map Changed from:

to:

Location:

Acres Involved:

Specify Density: Previous:

New:

Applicable statewide planning goals:

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Was an Exception Adopted? YES NO

Did DLCD receive a Notice of Proposed Amendment...

45-days prior to first evidentiary hearing?

Yes No

If no, do the statewide planning goals apply?

Yes No

If no, did Emergency Circumstances require immediate adoption?

Yes No

DLCD file No. 002-11 (18744) [16655]

Please list all affected State or Federal Agencies, Local Governments or Special Districts:

Lane County

Local Contact: **Amanda Ferguson**

Phone: **(541) 942-3340** Extension:

Address: **400 Main Street**

Fax Number: **541-942-1267**

City: **Cottage Grove**

Zip: **97424**

E-mail Address: **planner@cottagegrove.org**

ADOPTION SUBMITTAL REQUIREMENTS

This Form 2 must be received by DLCD no later than 5 working days after the ordinance has been signed by the public official designated by the jurisdiction to sign the approved ordinance(s) per ORS 197.615 and OAR Chapter 660, Division 18

1. This Form 2 must be submitted by local jurisdictions only (not by applicant).
2. When submitting the adopted amendment, please print a completed copy of Form 2 on light green paper if available.
3. Send this Form 2 and one complete paper copy (documents and maps) of the adopted amendment to the address below.
4. Submittal of this Notice of Adoption must include the final signed ordinance(s), all supporting finding(s), exhibit(s) and any other supplementary information (ORS 197.615).
5. Deadline to appeals to LUBA is calculated **twenty-one (21) days** from the receipt (postmark date) by DLCD of the adoption (ORS 197.830 to 197.845).
6. In addition to sending the Form 2 - Notice of Adoption to DLCD, please also remember to notify persons who participated in the local hearing and requested notice of the final decision. (ORS 197.615).
7. Submit **one complete paper copy** via United States Postal Service, Common Carrier or Hand Carried to the DLCD Salem Office and stamped with the incoming date stamp.
8. Please mail the adopted amendment packet to:

**ATTENTION: PLAN AMENDMENT SPECIALIST
DEPARTMENT OF LAND CONSERVATION AND DEVELOPMENT
635 CAPITOL STREET NE, SUITE 150
SALEM, OREGON 97301-2540**

9. **Need More Copies?** Please print forms on 8½ -1/2x11 green paper only if available. If you have any questions or would like assistance, please contact your DLCD regional representative or contact the DLCD Salem Office at (503) 373-0050 x238 or e-mail plan.amendments@state.or.us.

Ordinance No. 3011

AN ORDINANCE AMENDING COTTAGE GROVE COMPREHENSIVE PLAN,
ADOPTING 2011 PUBLIC FACILITY PLAN.

THE CITY OF COTTAGE GROVE ORDAINS AS FOLLOWS:


Section 1. Purpose. The purpose of this ordinance is to amend the Comprehensive Plan for Cottage Grove to adopt the 2011 Public Facility Plan as shown in Exhibit "A" as a refinement plan to the Public Facilities and Services Element.

Section 2. Procedural Compliance. This amendment is in compliance with Title 14 Development Code of the Municipal code of the City of Cottage Grove and is based upon the City Council determination, after a Planning Commission public hearing and recommendation, that the adoption of this plan is a proper implementation of Statewide Planning Goal 11 Public Facilities and Services, OAR 660-015 and the City Comprehensive Land Use Plan and, therefore, is in the public interest and serves the health, safety, and welfare of the citizens of the City of Cottage Grove.

Section 3. Amendment. The Cottage Grove Comprehensive Plan is hereby amended as follows:

Adopt the 2011 Public Facility Plan as a refinement plan to the Public Facilities and Services Element of the Comprehensive Plan, as shown in Exhibit A attached hereto and by reference made a part thereof.

PASSED BY THE COUNCIL AND APPROVED BY THE MAYOR THIS 23rd DAY OF
MAY, 2011.


Richard Meyers, City Manager
Dated: May 23, 2011

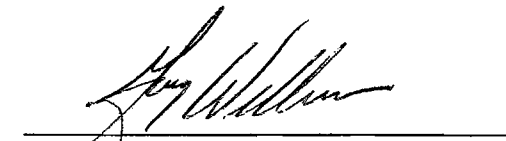

Gary Williams, Mayor
Dated: May 23, 2011

EXHIBIT A

Ordinance No. 3011

2011

Public Facility Plan



2011 Public Facility Plan

Prepared by:
Amanda Ferguson, City Planner
Ron Bradsby, City Engineer

Adopted by City Council
_____, 2011
Ordinance No. _____

INTRODUCTION

Purpose

This public facility plan is a refinement plan to the Public Facilities Element of the Cottage Grove Comprehensive Plan. It describes water, sewer, and storm water facilities that are designed to support the land uses designated in Cottage Grove's Comprehensive Plan Map for the next 20 years, through 2031.

The purpose of the plan is to assure that urban development in Cottage Grove is guided and supported by types and levels of urban facilities and services appropriate for the needs and requirements of the City's residents, and that those facilities and services are provided in a timely, orderly and efficient arrangement, as required by Statewide Planning Goal 11.

Jurisdiction

This public facility plan (PFP) covers all areas within Cottage Grove's Urban Growth Boundary (UGB) and includes projects necessary to service all unincorporated areas of Cottage Grove's existing UGB within the plan's horizon (2031). It is supported by background documents prepared by staff and consultant firms on behalf of the City, including the Water, Wastewater & Stormwater Utility Rate Study (prepared by FCS Group, 2010), the 1998 Water Master Plan, the 2007 Sanitary Sewer Master Plan, and the 2007 Storm Drainage Master Plan. Project costs are extrapolated to 2011 figures from the 2010 Utility Rate Study findings.

This PFP does not cover transportation facilities, as this facility has been adequately addressed through the 2007 Cottage Grove Transportation System Plan (TSP). The TSP was independently adopted as a refinement plan to the Cottage Grove Comprehensive Plan in 2008. This document, which was co-adopted with Lane County, acts as the public facility plan for transportation facilities within Cottage Grove's UGB. Cottage Grove will be initiating a Transportation System Plan Update in 2012/2013 to address the expanded Urban Growth Boundary area adopted in 2011. Goal 11 requirements for public facility planning through 2031 will be met for this facility through this update process. To satisfy TPR requirements, the ordinance adopting the Comprehensive Plan amendment package will include the following condition (or similar wording):

“Prior to approval of annexation and/or zone change of any property included within the UGB as a result of this ordinance, the applicant shall prepare an ODOT scoped and approved Traffic Impact Analysis and comply with provisions of the Transportation Planning Rule (OAR 660-012-0060). If analysis indicates significant affect per OAR 660-012-0060, applicant shall mitigate associated traffic impacts, as permitted and approved by ODOT.”

Urban Growth Management Agreement

The City of Cottage Grove has an Urban Growth Management Agreement with Lane County that dictates the management of unincorporated area within the urban growth boundary (See Exhibits). In essence, Lane County maintains jurisdiction over unincorporated properties within Cottage Grove's UGB until such time as these properties are annexed into the City. However, Cottage Grove maintains the Comprehensive Plan map that indicates future development potential on these areas, and constructs and maintains water, storm water, and sanitary sewer public facilities within the City with the express intent of expanding these services to these areas upon annexation. Lane County maintains roads and storm drainage facilities along these roads in unincorporated Cottage Grove, and continues to have jurisdiction on these transportation and storm drainage facilities until the City formally transfers jurisdiction of the

roads following adjacent annexations. It is the City's policy to transfer jurisdiction in a timely manner following annexation, so that all roads within the City's city limits are under City jurisdiction. Lane County does not maintain any water or waste water facilities within Cottage Grove's UGB. It is an assumption of this Public Facility Plan that no identified project will occur until such time as the property or public right-of-way is within the City's jurisdiction.

The Joint Agreement For Planning Coordination Between Lane County and the City of Cottage Grove, our current Urban Growth Management Agreement with Lane County signed in 2001, provides guidance for coordination between Lane County and Cottage Grove on public facility provision (storm water and transportation only). This agreement does not contain a specific reference a public facility plan as required by OAR 660-011-0015. However, the County has committed to working with the City of Cottage Grove to update this agreement in 2011 to reflect the current requirements of OAR 660-011-0015. As this document is updated, the new version will replace the 2001 agreement as an appendix to this PFP.

Plan Organization

Per OAR 660-011-0010(1), this Public Facility Plan must include the following elements:

- (a) An inventory and general assessment of the condition of all the significant public facility systems which support the land uses designated in the acknowledged comprehensive plan;
- (b) A list of the significant public facility projects which are to support the land uses designated in the acknowledged comprehensive plan;
- (c) Rough cost estimates of each public facility project;
- (d) Maps or written description of each public facility project's general location or service area;
- (e) Policy statement(s) or urban growth management agreement identifying the provider of each public facility system. If there is more than one provider with the authority to provide the system within the area covered by the public facility plan, then the provider of each project shall be designated;
- (f) An estimate of when each facility project will be needed; and
- (g) A discussion of the City's existing funding mechanisms and the ability of these and possible new mechanisms to fund the development of each public facility project or system.

The City has prepared this information in tabular format, divided into a chart for each the three main public facilities of concern: Storm Drainage, Drinking Water, and Wastewater. Each table includes: a list of significant projects, rough cost estimates for each project, an estimate of when the project will be enacted (divided into four, five-year periods), and a number locating the project on a map in the Appendices. A discussion has also been including on existing and proposed funding mechanisms for these projects. Comprehensive Plan and Statewide Planning Goal Findings are included demonstrating compliance with applicable state and local law. A copy of our urban growth management agreement with Lane County is included in the Appendix.

UTILITY SYSTEMS

Storm Drainage System Improvements

The City of Cottage Grove Storm Drainage Master Plan identifies and recommends capital improvement projects and programmatic actions for full development of the City's storm drainage system within the UGB. The Storm Drainage Master Plan includes 33 projects, with an estimated total cost of approximately \$13.7 million (\$22.3 million in inflated dollars) over the next twenty years. The Storm Drainage Improvements table and map that follows contains the actions identified in the 2007 Storm Drainage Master Plan and the 2010 Utility Rate Study, prioritized by expected construction date and updated for the purpose of this plan to February 2011 dollars.

STORM DRAINAGE SYSTEM IMPROVEMENTS (Feb. 2011 dollars)

Map No.	Project	Total Costs	FY 2011-16	FY 2016-21	FY 2021-26	FY 2026-31
1	South 10th Street (Washington Avenue to Quincy Avenue); Washington Avenue (South 10th to South 11th Streets); South 11th Street (Washington Avenue to Main Street) & Main Street (South 11th to South 12th Streets)	1,608,000	1,608,000			
2	South 7th Street (Quincy Avenue to Harrison Avenue); Harrison Avenue (South 7th Street to South 8th Street); & South 8th Street (Harrison Avenue to 200 feet south)	447,000	447,000			
3	Fillmore Avenue (South 8th Street west to RR tracks); Along RR tracks south to Coast Fork of the Willamette River	1,009,000	1,009,000			
4	Harrison Avenue (Blue Sky Drive to South S Street)	365,000	365,000			
8	Along South property line of Bohemia School (South "S" Street - South "R" Street to 135 feet east of South "R" Street)	203,000	203,000			
27	North Regional Park Ditch Cleaning	500,000	500,000			

	Miscellaneous Projects	1,100,000	275,000	275,000	275,000	275,000
5	Quincy Avenue (South 8th Street to South 10th Street)	467,000		467,000		
6	North 16th Street (Main Street to Harvey Lane)	959,000		959,000		
7	South 6th Street (Taylor Avenue to Quincy Avenue)	625,000		625,000		
9	Main Street (15th Street to 16th Street)	108,000		108,000		
10	Madison Avenue (South 3rd Street east to the Coast Fork of Willamette River)	467,000		467,000		
16	South 3rd Street (Quincy Ave. to Madison Ave.)	158,000		158,000		
24	South 16th (Washington Ave. to Main St.)	122,000		122,000		
11	Alley between Birch Ave. and Chestnut Ave. (North "J" Street to North "G" Street)	365,000			365,000	
12	North "G" Street (Alley to Birch Avenue); Birch Ave. (North "G" St. east across N. River Rd to Coast Fork)	225,000			225,000	
13	South 12th Street (Main Street thru Trailhead Park to Villard Ave.) & Villard Ave. (Columbia Ct. to Lane)	826,000			826,000	
14	Harvey Road (North 16th Street - east to terminus - back lot across Douglas St. to drainage ditch)	619,000			619,000	
15	Alley between Birch Ave. and Chestnut Ave. (North "J" Street to North "L" Street)	190,000			190,000	
17	Lane Street (Villard Avenue to Main Street)	453,000			453,000	
18	South 12th Street (Adams Ave. to Quincy Ave.);	1,596,000			798,000	798,000

	Quincy Ave. (South 12th west 100 feet) & Back lot (Quincy Ave. to Dublin)					
19	Thayer Ave. (Lane Street to N. 11th); N. 11th (Thayer to Pennoyer); Pennoyer (N. 11th to N. 9th); North 9th (Pennoyer to Woodson)	826,000				826,000
20	Lane Street (Villard Ave. to Thayer Ave.)	286,000				286,000
21	S. 16th Street (Gateway Blvd. to Washington Ave.)	380,000				380,000
22	M. Patrick Partition Private Road (Hillside Drive to Samuel)	158,000				158,000
23	E. Madison Avenue (S. 16th St. - under I-5 to Reservoir)	427,000				427,000
25	Adams Avenue (South 16th Street to Gateway Blvd. to I-5 right of way)	285,000				285,000
26	Jason Lee Ave. (Whitman Blvd. across S. River Rd. to the Coast Fork of Willamette River)	328,000				328,000
TOTAL		15,102,000	4,407,000	3,181,000	3,751,000	3,763,000

3,775,500

Water System Improvements

The following list of Water System Improvements identifies and recommends capital improvement projects for the development of the City's water system. The City has identified \$18.2 million (\$27.7 million in inflated dollars) in planned water capital improvement and replacement projects in the next 20 year period. The table below includes project titles and costs, prioritized by construction period. Projects were extrapolated from the 1998 Water System Master Plan by the City Engineer, based on current comprehensive plan land use designations and the current adopted coordinated population forecast. Cost estimates of capital projects and replacement needs were developed through the Water, Wastewater & Stormwater Utility Rate Study prepared by FCS Group in 2010, and updated for this plan to reflect February 2011 costs.

WATER SYSTEM IMPROVEMENTS (Feb. 2011 dollars)

Map No.	Project	Total Costs	FY 2011-16	FY 2016-21	FY 2021-26	FY 2026-31
1	12 inch on South "M" Street from Main Street to Bryant Avenue	61,000	61,000			
2	12 inch on South "N" Street from Bryant to Clark Avenues	4,000	4,000			
6	12 inch on Taylor Avenue from South 8th to South 10th Streets	43,000	43,000			
7	12 inch on Taylor Avenue from South 4th to South 6th Streets	41,000	41,000			
8	12 inch on Bryant from South "R" to South "M" Streets	102,000	102,000			
10	12 inch on South 10th Street Washington Ave to Main Street	13,000	13,000			
12	8 inch on North 10th Street from Hwy. 99 to Villard Avenue	93,000	93,000			
17	New Taylor Avenue Pump Station	289,000	289,000			
19	12 inch on Sweet Lane from Highway 99 to Blue Sky Drive	232,000	232,000			
	Add an additional bank of filters to increase production by 2 MGD at Water Treatment Plant	1,141,000	1,141,000			

	Yearly Program to upsize all water lines less than 8 inches in diameter to 8 inch pipe that are not listed above	9,000,000	2,250,000	2,250,000	2,250,000	2,250,000
	12" Valves	97,000	48,500	48,500		
16	New 3.1 MG Reservoir (West Side)	3,126,000	1,563,000	1,563,000		
3	12 inch on Cottage Grove Connector from Highway 99 to Row River Road	172,000		172,000		
4	12 inch on North 16th Street from Cottage Grove Connector to Washington Avenue	317,000		317,000		
5	12 inch on Washington Avenue from South 3rd to South 5th St.	49,000		49,000		
9	12 inch on Main from "R" to "M" Streets	111,000		111,000		
11	12 inch on South 6th Street from Taylor to Grant Avenues	92,000		92,000		
18	12 inch on Blue Sky Drive from Harrison to Sweet Lane	172,000		172,000		
22	12 inch on South 6th from Grant to Cleveland Avenues	147,000		147,000		
31	12 inch from intersection of North River Road/Main Street to intersection of South 5th Street/Washington Avenue	209,000		209,000		
32	8 inch to loop City Hall	29,000		29,000		
34	12 inch on South 4th Street from Harrison to Hayes Avenues	326,000		326,000		
36	Backup generator at Holly Pump Station	39,000		39,000		
37	Backup generator at Landess Pump Station	41,000		41,000		
13	8 inch on Main Street from 12th to Gateway	101,000			101,000	

	Boulevard					
14	8 inch on South 3rd Street from Harrison to Jefferson Avenues	96,000			96,000	
15	8 inch on South 12th Street from Jefferson to Adams Avenues	11,000			11,000	
	8" Valves	19,000			19,000	
25	8 inch under Highway 99 near Jim's Tire	22,000			22,000	
26	12 inch on Highway 99 from South River Road to Riverwalk Subdivision	69,000			69,000	
27	8 inch on South 10th Street & Johnson Avenue	7,000			7,000	
28	8 inch on North "O" Street from Ash to Birch Avenues	12,000			12,000	
29	8 inch on Ash Avenue from North "O" to North "Q" Streets	40,000			40,000	
30	8 inch on Daugherty from end to S. River Road	16,000			16,000	
33	8 inch on Row River Road from Bryson-Sears Road to Dorena Mobile Home Park	763,000			763,000	
35	12 inch on South River Road from Nellis to Harrison Avenue	246,000			246,000	
24	Knox Hill, 1.05 MG Reservoir	1,059,000			353,000	706,000
20	12 inch on Cleveland Avenue from Highway 99 to I-5	320,000				320,000
21	12 inch along Gateway Blvd. from Taylor to Cleveland Ave.	288,000				288,000
23	McFarland Butte, 1.25 MG Reservoir	1,261,000				1,261,000
	TOTAL	20,276,000	5,880,500	5,565,500	4,005,000	4,825,000
		5,069,000				

Wastewater System Improvements

The City of Cottage Grove Wastewater Master Plan identifies and recommends \$6.3 million (\$9.7 million in inflated dollars) in capital improvement projects and programmatic actions for the full development of the City's wastewater system. This plan was developed by Carollo Engineers in 2009, and reflects the City's ability and need to serve the existing UGB. The Wastewater Improvements table that follows contains the actions that are prioritized by expected construction date with costs updated to February 2011 dollars.

WASTEWATER SYSTEM IMPROVEMENTS (Feb. 2011 dollars)

Map No.	Project	Total Costs	FY 2011-16	FY 2016-21	FY 2021-26	FY 2026-31
1	Intersection at Grover/8th to Intersection at Chadwick/10th	380,000	380,000			
2	Intersection at Chamberlain/11th to Intersection at N. Goshen Highway	74,000	74,000			
	Inflow/Infiltration Corrective Work	321,000	321,000			
5	Digester Modification	277,000	277,000			
10	Alley (East Main to Washington) from South 5th to Better Bodies Fitness Center	97,000	97,000			
18	704 Quincy	18,000	18,000			
19	635 South 1st	27,000	27,000			
12	Lane Street and 10th Street	173,000	173,000			
14	Trailhead Park Sewer Relocation	55,000	55,000			
15	Drainage Projects at Golf Course	7,000	7,000			
	Miscellaneous Projects including CCTV inspections	1,200,000	300,000	300,000	300,000	300,000
	10th Street from Jefferson to Main Street	922,000		922,000		

	across SPRR to north of intersection of 8th/Gibbs					
4	6th Street from Taylor to Harrison Drive and South "S" Street	295,000		295,000		
	Rehabilitation/Replacement of Structurally Deficient Pipes in Basin C	804,000		268,000	536,000	
	Rehabilitation/Replacement of Structurally Deficient Pipes in Basin B	699,000			233,000	466,000
	Rehabilitation/Replacement of Structurally Deficient Pipes in Basin D	278,000			278,000	
	Rehabilitation/Replacement of Structurally Deficient Pipes in Basin F	27,000			27,000	
6	South 3rd from Madison to Harrison	146,000			146,000	
9	Alley (Washington & Adams) from 3rd to 5th	96,000			96,000	
11	Exit 174 irrigation for reuse effluent	63,000			63,000	
	Rehabilitation/Replacement of Structurally Deficient Pipes in Basin A	77,000				77,000
	Rehabilitation/Replacement of Structurally Deficient Pipes in Basin E	270,000				270,000
7	Alley (Main/Ash) from "M" to "Q"	137,000				137,000
8	Alley (Main/Washington) from South 10th to Coiner Park	123,000				123,000
13	Backup reuse effluent pump with vault	122,000				122,000
16	N. River Road from Main to Holly	153,000				153,000
17	N. River Road from Holly to Woodson	45,000				45,000
	TOTAL	6,886,000	1,729,000	1,785,000	1,679,000	1,693,000

FUNDING FOR CAPITAL PROJECTS

The City identified sources of funding available to help meet capital needs through the PFP's planning horizon in the 2010 Utility Rate Study. Potential sources include grants, developer contributions, and capital reserves (including System Development Charge (SDC) revenues). Debt will be issued to cover any costs not covered by these other funding sources. Revenue bonds will be used as the debt funding mechanism, although it is expected that the City will pursue lower cost loans, grants, and developer contributions whenever possible to reduce future costs for its ratepayers. The City of Cottage Grove Development Code and Municipal Code include regulations requiring developer contributions towards utility construction and over-sizing.

The Utility Rate Study provides a detailed description of funding sources for projects within the first five year period (through FY 2015), as well as funding mechanisms including bond issuance periods and projected SDC revenue for funding of projects through 2031. The pertinent sections of the Utility Rate Study have been included in the Appendix to this plan for reference. The City raised its water, sewer and storm water rates in fall 2010 and proposes to raise SDCs in summer, 2011 to address the recommendations of this study and to fully fund these projects within the next twenty years.

COMPREHENSIVE PLAN CONSISTENCY

This plan is consistent with and furthers the goals of the Cottage Grove Comprehensive Plan. The Public Facilities and Services Element deals with the provision of water, sewer, and storm sewer facilities, as well as education, fire and police protections, health services, municipal government facilities and services. The objective of this element includes the expansion and extension of public facilities and services to "keep pace with the needs of both existing and future development and coordinated with land use policies." The element also recommends continuing to use the Capital Improvements Program as the primary tool for scheduling priorities and timing of municipal improvements. The Public Facility Plan consolidates the capital improvement programs for water, sanitary, and storm sewer into one long-range capital improvement program that is coordinated with land use policies, in compliance with the Comprehensive Plan.

The Comprehensive Plan and the City's Annexation Policy does not allow for the expansion of city services into unincorporated areas. This PFP is in compliance with the Comprehensive Plan element as it projects needed improvements within the UGB, but only schedules those improvements upon annexation of those areas into the City.

GOAL FINDINGS

This Public Facility Plan is consistent with the relevant statewide planning goals as shown below.

Goal 1 – Citizen Involvement. The City of Cottage Grove has acknowledged land use codes that are intended to serve as the principal implementing ordinances to its comprehensive plan.

Adequate public notice of the proposed changes was provided through the Type IV public notice process as specified in Section 14.4.1.500 of the Cottage Grove Development Code. Public hearings were held at both the Planning Commission and City Council to consider this refinement plan. The process involves various forms of notification including notification in local newspapers and notification of impacted governmental agencies and recognized neighborhood groups.

Goal 2 – Land Use Planning. The City of Cottage Grove has established a land use planning process and policy framework as a basis for all decision and actions related to use of and to assure an adequate factual

base for such decisions and actions. The proposed change followed the process established in Title 14 of the City of Cottage Grove Municipal Code and has been found to be compatible with the City's Comprehensive Plan.

Goal 3 – Agricultural Lands. The Public Facility Plan does not affect the Cottage Grove Comprehensive Plan's or Rural Comprehensive Plan's consistency with this goal and this goal does not apply within adopted, acknowledged urban growth boundaries. None of the proposed projects are intended to provide urban facilities to properties outside of the UGB or to properties not already annexed into the City of Cottage Grove. Instead, projects were recommended through the background facility plans to meet the City's projected population and employment growth within the existing UGB.

Goal 4 – Forest Lands. The Public Facility Plan does not affect the Cottage Grove Comprehensive Plan's or Rural Comprehensive Plan's consistency with this goal and this goal does not apply within adopted, acknowledged urban growth boundaries. None of the proposed projects are intended to provide urban facilities to properties outside of the UGB or to properties not already annexed into the City of Cottage Grove. Instead, projects were recommended through the background facility plans to meet the City's projected population and employment growth within the existing UGB.

Goal 5 – Natural Resources, Scenic and Historic Areas, and Open Spaces. Some of the proposed stormwater, wastewater and drinking water projects are located within riparian areas. These proposed projects include improvements to existing outfalls and riparian enhancements to meet state and federal regulatory requirements. The City will obtain any necessary permits for each project from appropriate jurisdictions as required. The proposed projects were not designed nor intended to allow urban development to occur within a protected resource site. The projects do not adversely affect the City's natural resource inventories, so this proposal does not create an inconsistency with the goal.

Goal 6 – Air, Water and Land Resources Quality. Facilities recommended for construction in this Public Facility Study will comply with city, state and federal standards to protect air and water quality. All waste and process discharges from future development will not violate applicable state or federal environmental quality statutes, rules and standards. Public sanitary and storm sewer infrastructure will provide adequate service to any future development within the UGB.

Goal 7 – Areas Subject to Natural Hazards. Some of the proposed projects are located within mapped floodplain areas, but their presence does not have any adverse effect on existing policies or procedures adopted by the City of Cottage Grove for application in floodplain areas. Facilities recommended for construction in this Public Facility Study will comply with city, state and federal standards to protect against natural hazards. Steps will be taken to protect life and property from natural disasters and hazards during any future development by following all applicable building codes and regulations. Furthermore, proposed projects located in floodplain areas are intended to provide mitigation of flood events and, correspondingly, to protect life and property from damage due to flood impacts.

Goal 8 – Recreational Needs. All of the proposed projects are intended to improve or expand current facilities, or to accommodate future growth in population or employment, including recreational needs for developing areas. Determination of pipe sizes and capacity contemplates the presence of planned recreational facilities as proposed in the 2003 Water to Woods: Master Parks Plan, as well as needs for existing undeveloped parks within current city limits.

Goal 9 – Economic Development. Adequate public facilities are vital for economic development. Adoption of this public facility plan will formally adopt project lists for drinking water, sanitary sewer and storm drainage facilities that will ensure the City can serve proposed commercial and industrial development through 2031.

Goal 10 – Housing. Adequate public facilities are necessary to accomplish the objectives of this goal and applicable administrative rules. The purpose of the proposed plan is to provide capacity for future development of residential uses consistent with the comprehensive plan. Housing needs as identified by the City of Cottage Grove’s Comprehensive Plan map are adequately addressed through the proposed public facility plan.

Goal 11 – Public Facilities and Services. This plan is designed to assure that urban development in Cottage Grove is guided and supported by types and levels of urban facilities and services appropriate for the needs and requirements of the City’s residents, and that those facilities and services are provided in a timely, orderly and efficient arrangement, as required by Statewide Planning Goal 11.

OAR Chapter 660, Division 11, implements Goal 11. OAR 660-011-0030(1) requires that the public facility plan list the proposed projects and identify the general location of the project on a map. The proposed plan includes three tables of projects, and three corresponding maps. OAR 660-011-035 requires the public facility plan to include a rough cost estimate for public facility projects identified in the plan. The included tables include rough cost estimates for all projects. These costs are derived from the work performed during the preparation of the 2007 Storm Drainage Master Plan, the 2007 Sanitary Sewer Master Plan, and the 1998 Water Master Plan, as updated for City Council by Carollo Engineers in 2009/2010 for a comprehensive system development charge review.

With this information, the City can adequately plan for or develop timely, orderly and efficient arrangements of public facilities and services over the planning period (next 20 years).

Goal 12 – Transportation. The 2007 Transportation System Plan was independently adopted as a refinement plan to the Cottage Grove Comprehensive Plan in 2008. This document, which was co-adopted with Lane County, acts as a public facility plan for transportation facilities within Cottage Grove’s UGB. Cottage Grove will be initiating a Transportation System Plan Update in 2012/2013 to address the expanded Urban Growth Boundary area adopted in 2011. Goal 11 requirements for public facility planning through 2031 will be met for this facility through the update process.

Goal 13 – Energy Conservation. All of the projects are upgrades, enhancements or expansions of capacity within existing public facility systems. These projects maximize the efficiency of the existing systems and provide for infill and redevelopment opportunities that cannot go forward without these improvements. Hence adoption of this public facility plan is consistent with this goal.

Goal 14 – Urbanization. The public facility plan does not affect or change the existing UGB, although the background documents include projects/ideas for service provision to expansion areas to the south. The public facility plan details how the city will expand existing facilities to enable projected planned population and employment growth within the existing UGB.

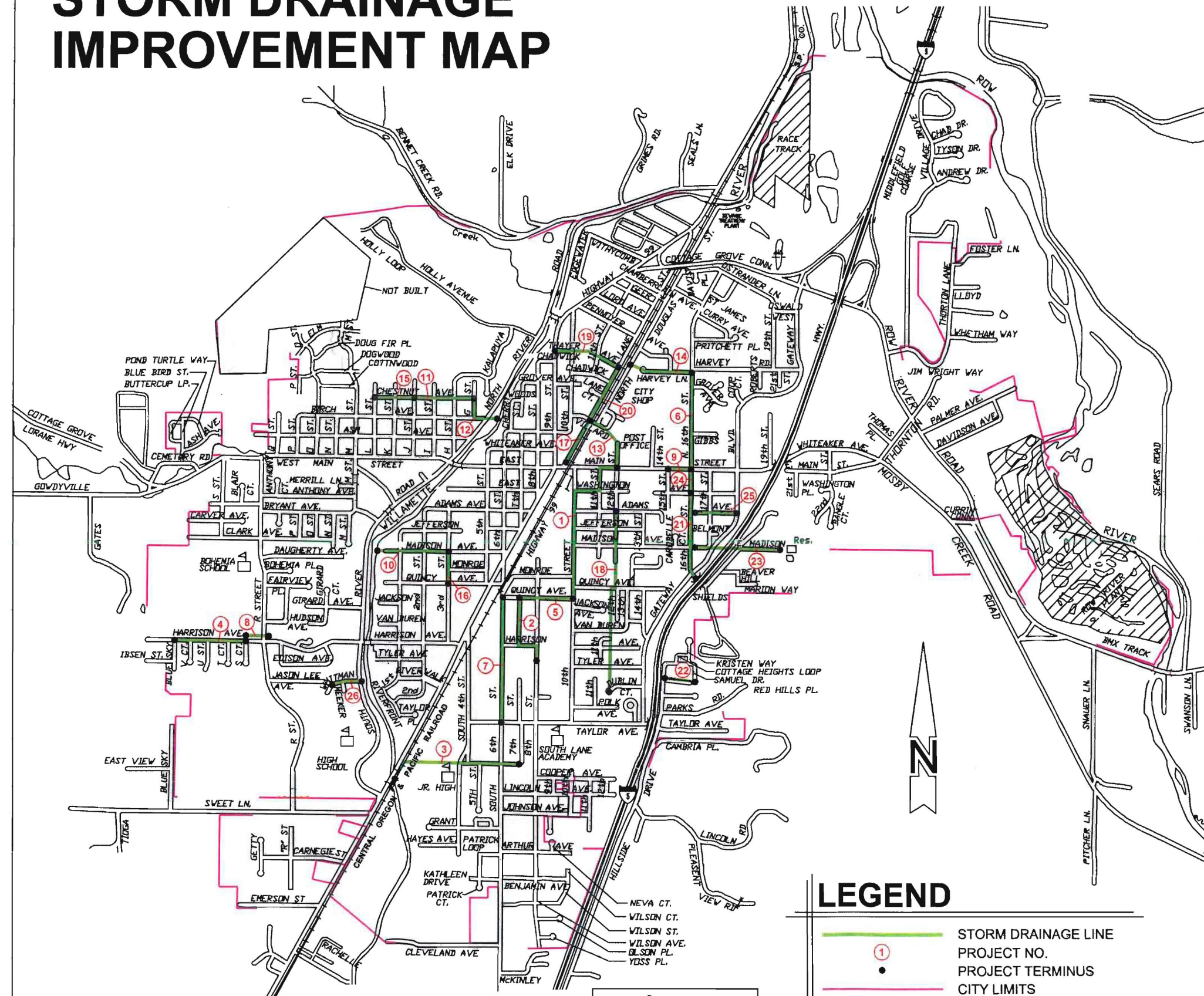
Goal 15 – Willamette River Greenway. Projects within the Willamette River Greenway are restricted to those which allow planned development of these areas to occur and which bring the City’s stormwater system into compliance with current Clean Water Act requirements. These projects will be constructed in compliance with City and State regulations for Willamette River Greenway and riparian development.

PUBLIC FACILITY PLAN
APPENDICES

1. Storm Drainage Improvement Map
2. Water Improvement Map
3. Wastewater Improvement Map
4. Water, Wastewater & Stormwater Utility Rate Study, Volume 1, FCS Group, 2010
5. Joint Agreement for Planning Coordination Between Lane County and the City of Cottage Grove
6. 1998 Water Master Plan
7. 2007 Sanitary Sewer Master Plan
8. 2007 Storm Drainage Master Plan

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STORM DRAINAGE IMPROVEMENT MAP

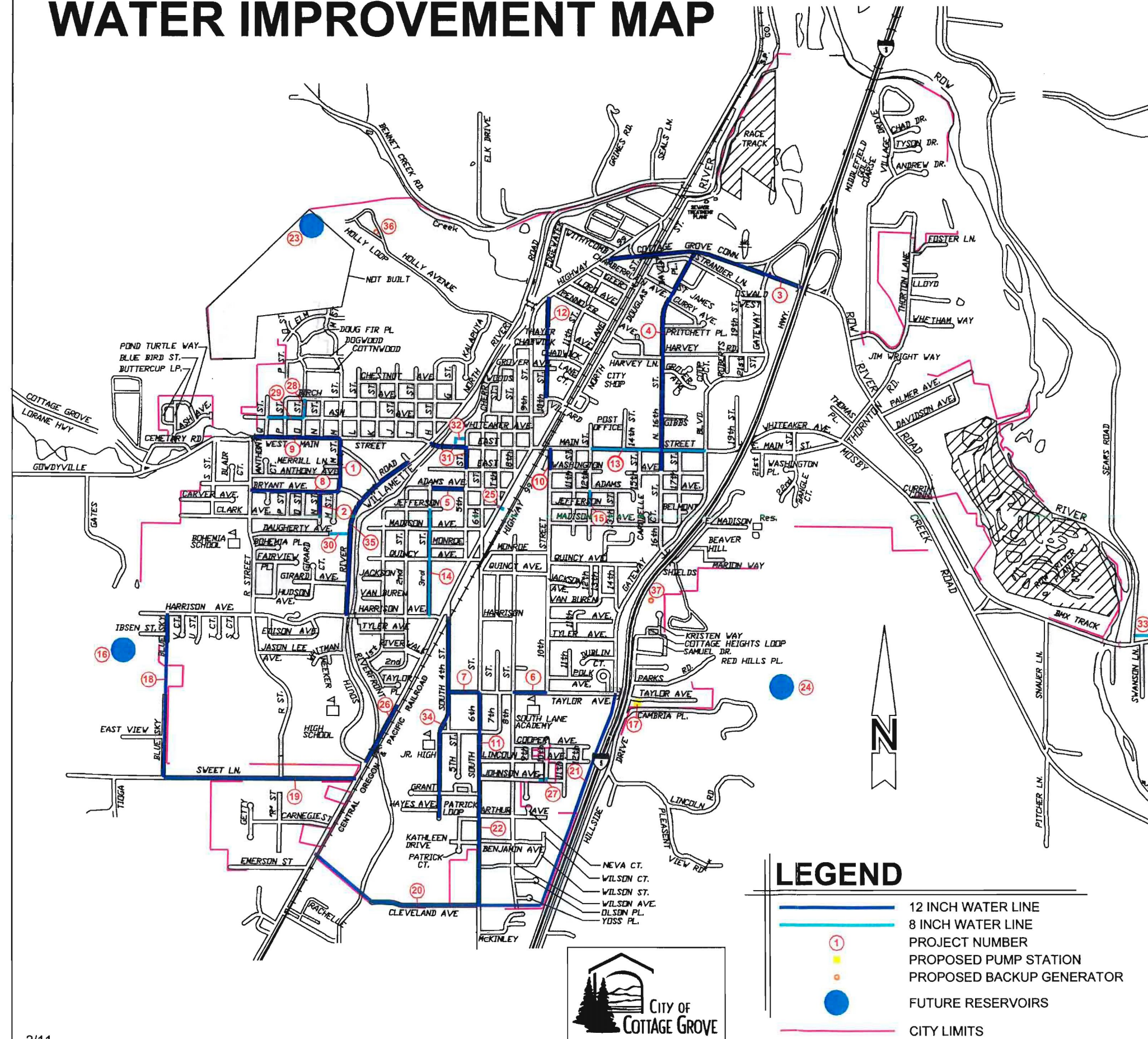


LEGEND








-  STORM DRAINAGE LINE
-  PROJECT NO.
-  PROJECT TERMINUS
-  CITY LIMITS



WATER IMPROVEMENT MAP

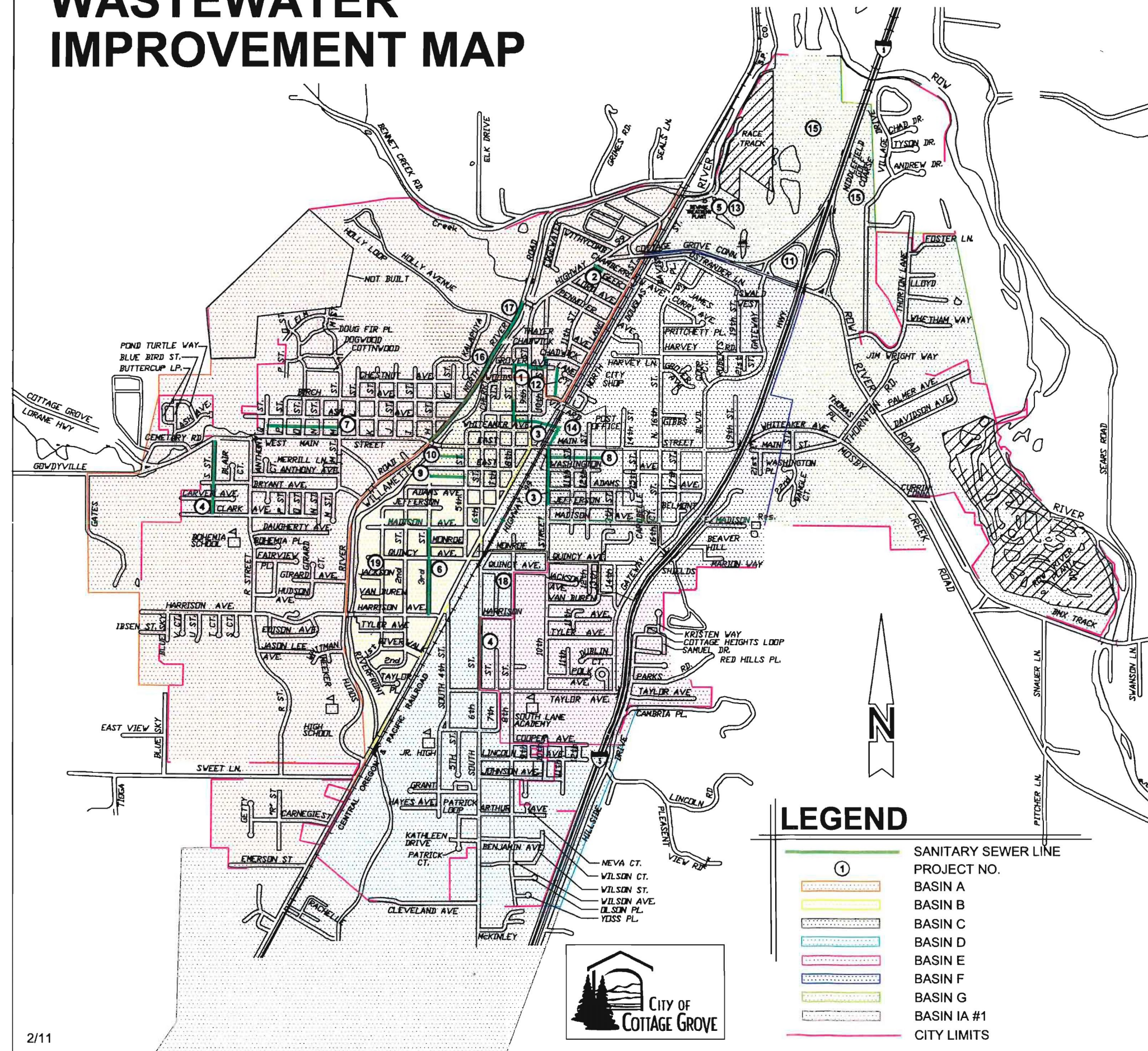


LEGEND

-  12 INCH WATER LINE
-  8 INCH WATER LINE
-  PROJECT NUMBER
-  PROPOSED PUMP STATION
-  PROPOSED BACKUP GENERATOR
-  FUTURE RESERVOIRS
-  CITY LIMITS



WASTEWATER IMPROVEMENT MAP



LEGEND

	SANITARY SEWER LINE
	PROJECT NO.
	BASIN A
	BASIN B
	BASIN C
	BASIN D
	BASIN E
	BASIN F
	BASIN G
	BASIN IA #1
	CITY LIMITS



WATER, WASTEWATER & STORMWATER UTILITY RATE STUDY VOLUME I

PREPARED FOR THE
CITY OF COTTAGE GROVE
COTTAGE GROVE, OREGON

CONSULTING SERVICES PROVIDED BY:



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SECTION I

INTRODUCTION

In March 2008, the City of Cottage Grove (City) retained FCS GROUP to perform a comprehensive study of rates and system development charges (SDCs) for its water, wastewater, and stormwater utilities, as well as system development charges for its parks and transportation services. The purpose of the study was to evaluate fiscal policies, revenue requirements, cost-of-service findings, rate designs, and SDCs for each service.

A. STUDY ELEMENTS

The major scope elements of the study included:

1. Develop capital cost bases for both the rate and SDC analyses. We worked with subconsultants DKS Associates, Don Ganer & Associates, and Murray, Smith & Associates. DKS Associates and Don Ganer & Associates performed the cost estimates for the transportation and park systems, respectively. Murray, Smith & Associates performed the cost estimates for the water, wastewater, and stormwater systems.
2. Analyze water, wastewater, stormwater, transportation, and parks system development charges and establish a schedule of updated charges for each service.
3. Develop a revenue requirement analysis for the water, wastewater, and stormwater utilities to determine the total amount of rate revenue needed to meet each utility's financial obligations, including capital, operating, and policy-driven commitments, for the study period.
4. Conduct cost of service analyses by identifying utility costs as they relate to various components of the system(s) and allocate those costs to customer classes based on each customer class's relative usage of and demand for the system(s).
5. Develop rate structures for each utility that recover total utility costs and take into consideration the cost of service results, pricing objectives such as conservation-based water rate structures, and other practical considerations.
6. Present study findings and recommendations to the City Council and public as requested.
7. Document study results in a project report, including technical appendices containing the detailed analyses.

B. STUDY PROCESS

The study process involved several iterations of analyses and the development of scenarios for rate increase strategies and rate structure alternatives. Workshops were held with City staff and the City Council to discuss policy issues and options, review findings, validate input parameters, and receive direction.

Final study findings incorporated recommended fiscal policies, rate increases, cost of service results, and rate structure alternatives.

C. REPORT ORGANIZATION

As requested by City staff, we prepared the study report in two separate volumes. This volume provides an overview of the methodologies used, and summarizes final study findings and recommendations for the water, wastewater, and stormwater rate analyses. Volume I is organized as follows. After the Section I Introduction, Section II explains the general methodology followed in the rate analyses. Rate study findings for the water, wastewater, and stormwater utilities are presented in Sections III, IV, and V, respectively. The spreadsheet model outputs and presentation materials are provided at the end of the report in Appendices I and II.

Volume II provides an overview of the methodologies, and summarizes final study findings for the water, wastewater, stormwater, parks, and transportation SDC analyses. This volume will be delivered under separate cover.

SECTION II

METHODOLOGY

The methods used in this rate study follow general industry guidelines for developing utility rates. Rates must generate enough revenue to maintain self-supporting and financially-viable utilities without undue discrimination toward or against any customer.

To that end, this study provides recommended utility fiscal policies, total annual rate revenue requirements for the period of the analyses, allocated utility costs by customer class, and rate structures designed to recover costs and meet City pricing objectives.

A. FISCAL POLICIES

Prudent fiscal management suggests that utility rates should be set as low as possible, yet at a sufficient level to provide for the long-term sustainability of utility systems. This study establishes a framework of reliable, reasonable policies to guide future financial decisions.

1. Self-Sufficient Enterprise Funds

Rates and charges were developed for this study based on the understanding that each utility operates as a self-supporting enterprise fund. The utilities receive revenues for provision of services on a user fee basis as opposed to property taxes or other non-utility revenue sources. By utilizing an enterprise fund concept of accounting, reporting and management, subsidies among various City-provided services are avoided. The City's budgeting process includes a balanced and controlled annual budget for each utility. For this study, utility rates are established such that each utility recovers the full cost of capital expenditures, operating & maintenance (O&M) expenses, debt service and related coverage requirements, and adequate levels of reserves.

2. System Reinvestment Funding

The purpose of system reinvestment funding is to provide for the replacement of aging system facilities to ensure sustainability of the system for ongoing operations. A common approach of municipal utilities is to establish a policy of system reinvestment funding through rates using depreciation expense as the benchmark for the appropriate level of funding.

Annual depreciation is a non-cash expense intended to recognize the consumption of utility assets over their useful lives. Collecting annual depreciation expense through rates provides a funding source for capital expenditures, especially those related to repair and replacement of the existing utility plant. Further, funding depreciation through rates helps to make certain that existing ratepayers pay for the use of the assets serving them (rate equity), with the cash flow funding at least a portion of the eventual replacement of those assets. As an alternative to full depreciation funding, depreciation funding net of outstanding debt principal is sometimes used as a relatively moderate replacement funding strategy. Using this approach, the full funding of depreciation is seen as having two uses: first, reducing liabilities by paying debt principal as due; and second, generating a cash asset for system reinvestment. Debt reduction, cash accumulation, or both, thereby offset depreciation. This "net depreciation funding" benchmark is roughly equivalent to "break-even" performance from a balance sheet perspective.

The City has not historically set rates at a level sufficient to provide funding for system replacement. Due to near-term significant rate impacts, this study did not incorporate system reinvestment funding from rates.

3. Reserve Levels

Cash reserves are a necessary and appropriate part of prudent utility management practices. The City's financial accounting appropriately maintains separate accounting of restricted and unrestricted operating and capital cash reserves for each utility. The following reserves and funding levels are recommended:

- Operating Reserve - Operating reserves are designed to provide a liquidity cushion to ensure that adequate cash working capital will be maintained to deal with significant cash balance fluctuations. This includes seasonal billings and receipts, unanticipated cash operating expenses, and/or lower than expected revenue collections. Target funding levels are generally expressed in the number of days' cash operating expenses, with the minimum requirement varying with the expected risk of unanticipated needs or revenue volatility. This study incorporates minimum targets of 45 days of cash operating expenses (12%) for the water utility and 30 days of cash operating expenses (8%) for the wastewater and stormwater utilities. Due to their link to actual usage, water rates and resulting revenues are more susceptible to changes in customer use and weather patterns.

The study also established maximum operating reserve targets. The maximum target operating reserves are set at 60 days of cash operating expenses (16%) for the water utility and 45 days of cash operating expenses (12%) for the wastewater and stormwater utilities. In any year where cash reserves exceed the target, we recommend using the excess to help pay for capital projects. This can be accomplished by calculating the target balance at year end (e.g. 60 days/365 days x actual operating expenses for the year) and comparing it against the actual ending cash balance. If the actual balance is greater than the target, the City may transfer the difference to the Capital Fund.

- Capital Contingency Reserve - The capital fund holds debt proceeds, system reinvestment funding from rates, if any, and any transfers of cash reserves from the operating fund. A capital contingency reserve is intended to provide a cushion against unanticipated capital projects and/or capital cost overruns. Common industry practice is to maintain a minimum balance in the capital fund equal to 1% to 2% of system-fixed assets or an amount equal to the 5-year annual average of the capital program. A contingency reserve of 1% of each utility's fixed assets was established for this study.
- Restricted Bond Reserve - When issuing revenue bonds, bond underwriters require that a utility establish a restricted cash reserve, typically equal to one-year's debt service payment (principal and interest) for each bond issue. The reserve can be used to fund the last year's debt service payment for each issue. This study incorporates the City's existing required reserve and incorporates additional reserve funding for any proposed new bond issues throughout the study period.

4. Debt Service Coverage

Revenue bond covenants often establish a minimum debt coverage ratio as a means of protecting an agency against the risk of nonpayment. As a security condition of issuance, utilities agree that revenue bonds have a high priority for payment (a senior lien) compared to most other utility expenditures. The only outlays with a higher lien are operating and maintenance expenses. Annual coverage over and above the debt service payment is a requirement of revenue bonds, and acts as a form of cushion or security for the bondholders against poor financial performance. Debt service coverage is expressed as a multiplier. For example, a 1.0 coverage factor would imply no additional cushion is required. A 1.50 coverage factor means rate revenues must be sufficient to pay operating expenses (excluding depreciation), annual revenue bond debt service, plus an additional 50% of annual revenue bond debt service.

None of the utilities has outstanding revenue bond debt. For this study, we assumed that any new revenue bond issuance would require a 1.50 coverage factor and each utility would independently meet the coverage requirements (self-supporting enterprise fund concept), excluding the use of SDC revenues.

Revenue generated in excess of utility cash needs in order to meet coverage can be used for any utility purpose, including capital financing or funding reserves.

B. RATE SETTING METHODOLOGY

The rate setting methodology includes discussion of the revenue requirement analysis (system-wide revenue needs assessment), cost of service analysis (equity among customer classes), and rate structure design (equity within customer classes). Results for each utility are separately presented in subsequent report sections.

1. Capital Projects and Funding

The capital funding analysis aims to identify the costs of capital projects and summarizes funding sources available to help meet those costs. In other words, total sources of funds must at least equal capital expenditures and provide for the targeted level of capital reserve funding (if any).

The first step is to estimate the current costs of capital improvements and replacement needs over the study period. City staff provided a listing of annual capital projects and associated costs stated in 2009 dollars. Given the economic environment, it is assumed that the construction costs will not change in Fiscal Years 2010 and 2011. To account for construction costs increasing later in the study period, an annual rate of inflation is used to escalate current day capital costs to the date of anticipated construction. Assumed construction cost inflation was projected at 4% per year, beginning in 2012.

With the system's capital needs defined, the next step is to identify the sources of funding available to help the City meet those needs. Potential sources include grants, developer contributions, and capital reserves (including SDC revenues). It is assumed that debt is issued to cover any costs not covered by these other funding sources. This analysis assumes that revenue bonds will be used as the debt financing mechanism, although it is expected that the City will pursue lower cost loans, grants, and developer contributions whenever possible to reduce future costs for its ratepayers. When applicable, this study assumes repayment of debt in equal annual

payments over the term of the loan. Debt service payments are assumed to start in the fiscal year issued. Other bond financing terms include: a 20-year repayment period; 6.0% interest rate; 2% issuance costs; a coverage factor of 1.50, and a bond reserve equal to one year's principal and interest payment.

2. Operating Forecast

The purpose of the operating forecast is to determine how well current rates and charges recover the costs the City incurs while operating and maintaining the utility systems. Detailed budgeted revenues and expenses form the basis for this forecast.

Projected revenues under existing rates provide the benchmark upon which to evaluate the need for revenue adjustments over the planning horizon. In the absence of rate increases, the main factor affecting revenue collections is the number of customers on the system and their associated usage/contribution. Therefore, the rate revenue forecast (under existing rates) for each utility is linked to the assumed customer growth in the service area.

Interest earnings and other miscellaneous revenues are forecast based on the type of revenue (late fees, inspection/permit fees, installation fees, rents, etc.), prevailing interest rates, and other escalation factors.

Operating and maintenance (O&M) costs generally go up over time due to inflation. This analysis accounts for this by escalating the majority of budgeted expenses annually for inflation (3% per year). Labor costs and benefits costs are forecast to increase at higher rates (4% and 10% respectively).

3. Revenue Needs Assessment

The revenue needs assessment (revenue requirement analysis) forecasts the amount of annual revenue needed to be generated by utility user rates for each service. It addresses the level of system-wide revenue needs, rather than the structure of the rates and recovery from individual customer classes. The analysis incorporates operating revenues, O&M expenses, and debt service payments to determine the sufficiency of the current level of rates. Revenue needs are also impacted by bond covenants and specific fiscal policies and financial goals established for the utilities. For rate levels to be sufficient, two individual conditions must be met:

- Cash requirements must be fulfilled. These requirements include discretionary elements established by the City's fiscal policies, as well as basic operating and capital-related needs.
- Coverage requirements stipulated (or anticipated) in bond or loan covenants as a condition of borrowing money must be realized.

In determining the revenue requirements, both the cash needs and coverage sufficiency tests must be met. If a rate revenue deficiency exists under both tests, the analysis adds the greatest deficiency to the forecasted rate revenue. The result is the total rate revenue requirement for any given year. The analysis uses this rate revenue requirement to indicate system-wide annual rate revenue adjustments for each utility and to drive the cost of service analysis.

4. Cost of Service Analysis

The cost of service analysis is intended to provide the analytical basis for equitably recovering the forecasted revenue requirement from classes of customers according to the demand they place on the system(s). Consistent with industry practice, the analysis involves a two-step process. First, capital and O&M costs are allocated to the functional categories (service functions) of the water and wastewater systems using operational and system design criteria. Second, based on customer class characteristics derived from historical billing system data (number of customers and monthly water usage) these functionally allocated costs are distributed to the customer classes. A cost of service analysis was not required for the surface water utility.

Cost of service allocations are made for a “test year” considered representative of the period in which proposed rates are expected to be in effect. For this study, FY 2010/11 was used as the test year.

Functional Cost Allocation

Capital-related costs include debt service payments and a portion of additions/uses of cash reserves. The most common methodology for assigning the capital portion of the revenue requirement to functional components is to allocate such costs on the basis of each system’s existing plant-in-service. The allocations for the plant-in-service utilize documented engineering planning criteria from both the City of Cottage Grove and industry standards.

Operating costs include O&M expenses and a portion of additions/uses of cash reserves. These costs are allocated to the functions based on a detailed review of line item categories, generally following the cost causation process used in the allocation of plant. For example, customer-billing costs are allocated to the “customer” category; maintenance and engineering salary costs are allocated to categories in proportion to total plant-in-service; and administrative costs are allocated in proportion to all other costs.

The functional cost allocation process results in a pool of costs for each functional category. From these cost pools, unit costs are created that form the building blocks for designing rate structures that recognize the demands of each customer class. Through this process, if one customer class places a higher or lower proportional average demand in one functional category, that customer class pays a higher or lower portion of that functional category’s cost.

Customer Class Allocations

The next step in the cost of service analysis involves distribution of the functionally allocated system costs to the customer classes.

Customer Usage Statistics

A key component in the distribution of costs to customer classes is testing the reliability and accuracy of customer statistics. This is accomplished through a review of historical billing system data and application of the rate schedule in effect for that year. City staff provided utility billing data for FY 2007/08, including the number of accounts, size of meters, and monthly water usage. The total revenue generated from these customer statistics should approximate the actual revenue receipts shown in the financial statements (with minor differences due to the timing of new connections/disconnects, delinquencies, etc.). If the revenue estimates are within reasonable

limits¹, statistics are determined “valid” and an adjustment factor is applied to the statistics if necessary to account for any minor discrepancies. The results of this analysis indicate that the customer statistics are valid and will serve as a reasonable basis for forecasting revenue and allocating system costs to the customer classes.

Further, customer usage statistics are evaluated to determine if current customer class designations represent an appropriate grouping of customers, or if revisions are warranted to better reflect customer groupings that exhibit similar usage patterns. This addresses rate equity among customer classes.

Distribution of Costs

The functionally allocated system-wide costs are distributed to the recommended customer classes to determine “cost shares” based on the relative demands placed on the system by each class. Projected test year customer statistics (FY 2010/11) form the basis for this allocation.

5. Rate Design

The principal consideration in designing utility rate structures is to obtain rates for customers that generate sufficient revenues for the utility and that are reasonably commensurate with the cost of providing service. Other considerations in rate design should include pricing objectives (such as promotion of water conservation), ease of implementation, and impact on customer bills. These considerations are consistent with the City’s identified rate structure goals.

Alternative rate structures were designed for all three utilities that improve the equity of cost recovery and, in the case of water, to further promote water conservation.

While a detailed cost-based calculation would be more defensible and perhaps more equitable, for the sake of simplicity, outside city rate differentials are often set according to common industry practice (policy-based rather than cost-based). These differentials usually range between 1.10 to 2.0 times the inside city rate, with the most common choices falling between 1.25 and 1.50. The City’s proposed differential falls within industry practice.

¹ As a general rule, 2% or less is an acceptable discrepancy. Total estimated revenues were less than the actual revenues by 0.25% for the water utility and 0.13% for the wastewater utility.

SECTION III

WATER UTILITY

A. REVENUE REQUIREMENTS

1. Data Sources & Key Assumptions

In addition to the fiscal policies discussed in Section II, the water study results were based on incorporation of the following major assumptions:

- The analysis covers a 6-year period (FY2009/10 through FY2014/15).
- The annual customer growth rate is assumed to be 1.37% based on the projected population growth as documented in the City's 2005 Buildable Lands Analysis Report.
- The City's existing water rate structure consists of two components: water fees to recover O&M expenses, and water surcharges to generate revenues to pay for capital expenditures and annual debt service. For the purposes of this rate study, we consolidated revenues from water fees and surcharges as rate revenues, and the water utility's total rate revenue needs were determined on a consolidated basis. The forecast of revenues under the existing rates relied on FY 2009/10 year-end estimates and used the assumed customer growth rate in subsequent years for its projections.
- Non-rate revenues include other miscellaneous revenues such as service connection fees, installation fees, miscellaneous charges for services, credit bureau revenues, and auction proceeds. The forecast of non-rate revenues relies on the FY 2010/2011 budget, escalated in proportion to customer growth and general cost inflation, or kept at the same level as FY 2010/11 budget depending upon the type of revenue.
- Operating expenses are forecast based on the FY 2010/11 budget, plus assumed annual cost escalation. Salary and overtime expenses are escalated by assumed labor cost inflation, benefits are projected to go up by assumed benefits cost increases, and other expenses are escalated using assumed general inflation rates.
- Existing debt service payment schedules were provided by City staff. Debt service for future years incorporates the impacts of the proposed capital financing plan.
- All the debt service payments are assumed to be made from operating funds.
- SDC revenue collections are based on the FY 2009/10 year-end estimates and assumed to stay the same throughout the analysis period based on the constant customer growth assumption.
- Interest earnings on available fund balances are assumed at an average earnings rate of 2.5%.
- Based on the information provided by City staff, FY 2008/09 beginning cash balances for operating, capital, and SDC improvement funds were \$209,908, \$883,440 and \$92,804, respectively.

2. Capital Projects and Funding Sources

The City has identified \$18.2 million (\$27.7 million in inflated dollars) in planned water capital improvement and replacement projects in the next 20-year period. Average annual capital spending is planned to be roughly \$1.2 million in inflated dollars. The detailed project list is included in Appendix I. As requested by the City, the study assumed that the City would implement its capital improvement program between FY 2011/12 and FY 2030/31. Since the analysis is based on the FY 2008/09 beginning cash balances, the capital funding analysis included the actual capital expenditures (\$1.8 million, both from capital fund and SDC fund) in FY 2008/09 to arrive at the available cash balances at the beginning of the projection period. About \$1.1 million of the FY 2008/09 capital spending was funded with proceeds from an existing water system improvement state loan. The year-end estimated (\$372,491) and the budgeted (\$335,174) capital expenditures were used for FY 2009/10 and FY 2010/11, respectively. It should be noted that these amounts represent the consolidated capital spending out of the capital fund and the SDC improvement fund.

Total capital spending in the 6-year analysis period (i.e. FY 2009/10 through FY 2014/15) is projected to be \$5.6 million in inflated dollars.

About \$1.7 million is expected to be funded with current and projected cash reserves (about 30% of total project costs). These reserves include SDC revenues, projected interest income of the capital fund, and operating fund balance. The remaining 70% (about \$3.9 million) will be needed from revenue bond proceeds. Bond issues in the amounts of \$1.7 million in FY 2011/12 and \$2.6 million in 2013/14 are forecast to fund projected capital needs, pay issuance costs, and fund required reserves. These projected bond issues assume that each issue will meet multi-year capital needs, primarily over two-year periods. Proceeds not used in the first year of issue are held (and shown in **Exhibit 1**) in the capital reserve for use in the subsequent year. Further, the City will likely combine the projected bond issues to include needs for all three utilities. Only the water utility portion of the bond needs is reflected in **Exhibit 1**, which summarizes annual planned capital expenditures along with assumed funding sources.

Exhibit 1: Water Utility Capital Projects and Funding Sources

Capital Funding	Fiscal Year Ending 6/30:						
	2009	2010	2011	2012	2013	2014	2015
Total Capital Projects	\$ 1,810,921	\$ 372,491	\$ 335,174	\$ 847,573	\$ 946,696	\$ 1,301,460	\$ 1,353,519
Proceed from Prior Loans / Grants	1,067,577	-	-	-	-	-	-
Revenue Bond Proceeds	-	-	-	595,487	-	1,028,776	-
Use of SDC Fund Balance	107,605	8,600	8,600	8,600	8,600	8,600	8,600
Use of Capital Fund Balance	635,739	363,891	326,574	243,487	938,096	264,085	1,344,919
Direct Rate Funding	-	-	-	-	-	-	-
Total Funding Sources	\$ 1,810,921	\$ 372,491	\$ 335,174	\$ 847,573	\$ 946,696	\$ 1,301,460	\$ 1,353,519

3. Revenue Needs Assessment

Revenue requirements, summarized in **Exhibit 2**, reflect the assumptions described herein, and indicate that forecasted revenues under existing rates are not sufficient to meet the needs of the water utility over the study period.

The water utility's total revenues are not adequate to pay for the operating and maintenance expenses and existing debt service payments. The water utility is projected to have an approximately \$130,000 deficit in FY 2009/10 under the existing rate revenues. To cover operating expenses and debt service requirements, an immediate 8.5% rate increase is needed. The analysis assumed that the projected 8.5% rate adjustment would be implemented before the FY 2009/10 year-end, and be in effect in June 2010 reducing the projected year-end operating deficit to approximately \$115,000.

By FY 2011/12, existing debt service payments will drop from \$1.1 million to roughly \$796,000. However, annual debt service payments are projected to be around \$947,000 with the addition of \$151,000 from the anticipated new revenue bond issue in FY2011/12, and reach approximately \$1.2 million in FY2013/14. With inflationary increases in O&M expenses, and the cumulative impact of the anticipated two bond issues, it is projected that 4.5% inflationary annual rate adjustments would be necessary in the last 3 years of the analysis period (FY 2012/13 through FY 2014/15).

It should be noted that future year rate increases assume the current planning projections used for this study and assumptions could change over time, materially impacting the results beyond the first few years. We recommend that the City review all underlying assumptions and update the analysis on a regular basis.

Exhibit 2: Water Utility Revenue Requirements Analysis

	Fiscal Year Ending 6/30:						
Revenue Requirements	2009	2010	2011	2012	2013	2014	2015
Revenues							
Rate Revenues Under Existing Rates	\$ 2,211,398	\$ 2,231,405	\$ 2,261,975	\$ 2,292,964	\$ 2,324,378	\$ 2,356,222	\$ 2,388,502
Non-Rate Revenues	97,814	133,219	59,479	60,542	66,494	67,362	73,978
Total Revenues	\$ 2,309,212	\$ 2,364,624	\$ 2,321,454	\$ 2,353,506	\$ 2,390,872	\$ 2,423,584	\$ 2,462,480
Expenses							
Cash Operating Expenses	\$ 1,196,370	\$ 1,352,649	\$ 1,427,500	\$ 1,496,691	\$ 1,570,283	\$ 1,648,628	\$ 1,732,111
Existing Debt Service	421,018	1,142,552	1,065,061	795,817	790,425	779,531	764,415
New Debt Service	-	-	-	151,359	151,359	380,840	380,840
Rate Funded CIP	-	-	-	-	-	-	-
Rate Funded System Reinvestment	-	-	-	-	-	-	-
Total Expenses	\$ 1,617,388	\$ 2,495,200	\$ 2,509,414	\$ 2,447,586	\$ 2,512,067	\$ 2,808,999	\$ 2,877,366
Annual Surplus / (Deficiency)	\$ 691,824	\$ (130,577)	\$ (187,960)	\$ (94,079)	\$ (121,195)	\$ (385,415)	\$ (414,886)
Annual Rate Adjustment	0.00%	8.50%	0.00%	0.00%	4.50%	4.50%	4.50%
<i>Cumulative Rate Adjustment</i>	<i>0.00%</i>	<i>8.50%</i>	<i>8.50%</i>	<i>8.50%</i>	<i>13.38%</i>	<i>18.48%</i>	<i>23.82%</i>
Rate Revenues After Rate Increase	\$ 2,211,398	\$ 2,247,211	\$ 2,454,243	\$ 2,487,866	\$ 2,635,438	\$ 2,791,763	\$ 2,957,360
Net Cash Flow After Rate Increase	691,824	(114,771)	21,160	104,541	189,865	50,126	153,972
Coverage After Rate Increases	n/a	n/a	n/a	6.99	7.64	3.20	3.50

B. COST OF SERVICE ANALYSIS

1. Cost of Service Allocation

In conducting the cost of service analysis, FCS GROUP followed the general methodology described in Section II. As noted earlier, cost of service allocations are developed for the FY 2010/11 test year.

Water utility plant and annual expenses were allocated to the following four functional cost categories:

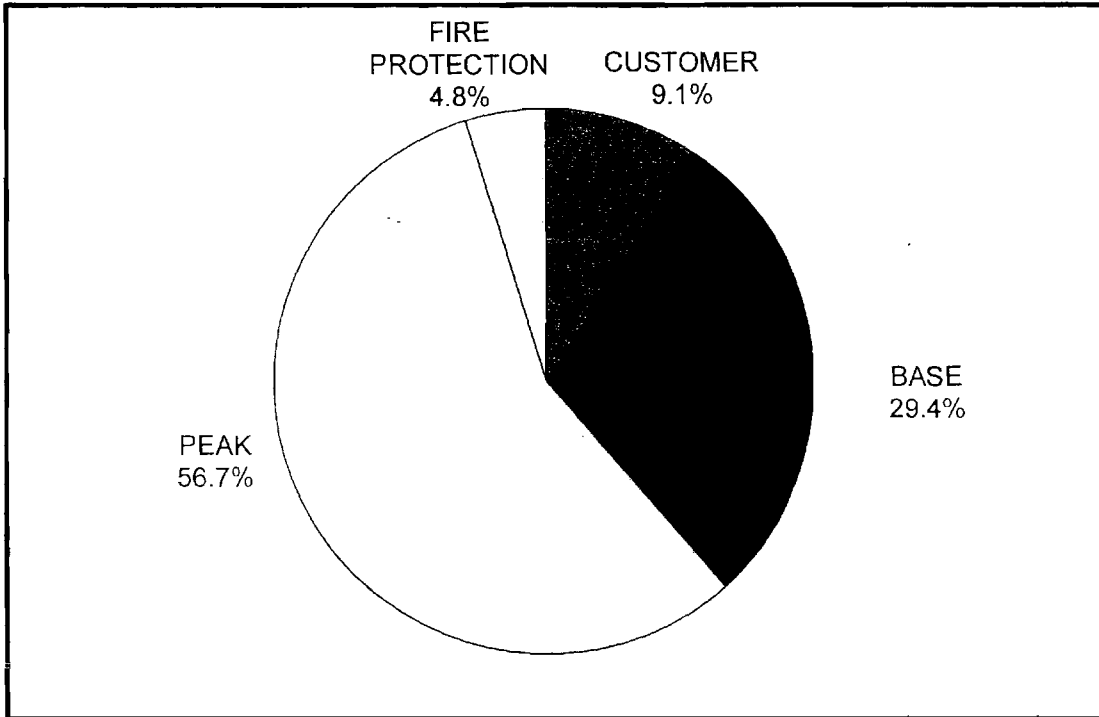
- **Customer costs** are associated with providing services to customers regardless of the level of water used, such as billing, meter reading, and office support. These costs are typically associated with the number of accounts or customers.
- **Base demand costs** are those costs that tend to vary with the amount of water produced/purchased, and are associated with meeting a constant, or average, annual rate of use.
- **Peak demand costs** are associated with providing facilities to meet the peak rates of use or maximum periodic demand placed on the system by customers, such as irrigation and seasonal operations and/or use.
- **Fire protection costs** are related to providing direct fire protection. This pertains to storage and pumping facilities, mains, and hydrants. *(Note: When the water system meets fire flow standards, all customers benefit by improved fire ratings and cost savings in lower fire insurance.)*

The following assumptions were applied in the functional allocations:

- The ratio of peak day demand to average day demand is 2.87 (as provided by the Water System Master Plan).
- The allocation of supply and treatment facilities is based on the ratio of peak day demand to average day demand.
- The allocation of storage is based on storage capacities dedicated to operational, standby, equalizing, and fire suppression functions (as provided by the Water System Master Plan).
- Allocations to pumping, and transmission and distribution (T&D) facilities are based on professional judgment, with the concurrence of City staff. The analysis assumes that 10% of pumping and T&D facilities are allocated to the fire protection component (for over-sizing). The remaining costs are assigned to base and peak demand using the ratio of peak to average day demand.
- Meters and services are allocated to customers.
- Hydrants are allocated to fire protection.
- O&M costs are allocated based on a detailed review of line items, such as salaries, office and operating supplies, chemicals, power costs, etc., and assigned to functions based on assumed cost causation.

Exhibit 3 summarizes the results of the functional allocation of the FY 2010/11 “test year” revenue requirement (dollar amount to be generated by rates) of \$2,454,243 million.

Exhibit 3: Water Utility Functional Allocation of Costs



These functionally allocated costs are then allocated to the customer classes based on the relative demands placed on the water system by each class. The resulting allocation of costs to each class forms the basis for setting rates.

2. Customer Class Designations and Customer Usage Statistics

For rate-setting purposes, all water utility customers are currently grouped into a single class, which includes residential, commercial, industrial, irrigation, and municipal accounts as well as parks, schools, churches, medical accounts, and restaurants.

City staff provided billing data for all customers by classification, including the number of customers, meter sizes, and monthly water usage data. Based on discussions with City staff and a review of class usage patterns, customer classes were regrouped as follows:

- Single Family Residential (SFR),
- Industrial,
- Irrigation, and
- Commercial (all other customers).

Functional costs were allocated to the revised customer classes as follows:

- Customer costs were allocated to customer classes based on their proportional share of total system number of accounts.
- Base demand costs were allocated to customer classes based on their proportional share of total system annual water usage.
- Peak demand costs were allocated to customer classes based on their peak summer usage. The summer season is defined as the four months of June through September billing records.
- Fire protection costs were allocated to customer classes based on their proportional share of total system number of accounts weighted by fire flow requirements. Fire flow requirement for each customer class is provided in the Water System Master Plan. The fire flow requirements are 1,100 gpm (gallons per minute) for residential customers, 2,750 gpm for commercial customers, and 4,250 gpm for industrial customers. Irrigation customers are not allocated any fire protection costs, since they do not benefit from fire protection services.

To illustrate this allocation process, the SFR class represents about 87% of the total number of customer accounts; 61% of base demand costs; and 60% of peak period usage. The respective percentages are applied to the total costs allocated to each functional component to determine the share of total costs assigned to the SFR customer class. The same process is used for each customer class. The resulting allocation of costs establishes the costs to serve each class and forms the basis for developing unit costs of service used in the design of the class-specific rate structures.

Exhibit 4 provides a comparison of the distribution of revenues under the current rate structure with the distribution of revenues indicated from the cost of service analysis.

Exhibit 4: Comparison of Water Revenue Distribution

Customer Classes	Revenue under Current Rate Structure [a]	% Share in Total	Revenues under Cost of Service Rates w Surcharge	% Share in Total	Indicated Increase / (Decrease)
Residential	\$ 1,767,872	72.03%	\$ 1,669,507	68.03%	-5.56%
Commercial	596,910	24.32%	676,460	27.56%	13.33%
Industrial	36,979	1.51%	37,454	1.53%	1.29%
Irrigation	52,482	2.14%	70,822	2.89%	34.95%
TOTAL	\$ 2,454,243	100.00%	\$ 2,454,243	100.00%	0.00%

[a] Assumes 8.5% rate increase applied.

As shown in the exhibit, the cost of service revenue distribution indicates that single family residential customers are paying slightly more than cost of service, while commercial, industrial, and irrigation customers are paying less than cost of service. This evidence suggests that a shift in costs among customer classes would result in a more equitable rate structure than is currently in effect.

The cost of service analysis is based on the average statistics of the customer class. Thus, all else being equal, individual customers exhibiting characteristics (meter size and water use) less than

or more than the class average will experience water bills respectively lower or higher than the class average. Incorporating the 8.5% system-wide rate revenue increase for FY 2010/11, this translates to customer class rate adjustments as follows:

- Single Family Residential - Based on the FY 2010/11 cost of service, the SFR class as a whole should have decreased rate revenue of 5.56%.
- Commercial - The commercial class as a whole should have increased rate revenue of 13.33%.
- Industrial - The industrial class as a whole should have increased rate revenue of 1.29%.
- Irrigation - The irrigation class as a whole should have increased rate revenue of 34.95%.

C. RATE DESIGN

The rate design exercise focuses on constructing water rates that meet both the revenue sufficiency and the equity criteria that the City desires for its customers.

1. Existing Rate Structure

The current water rate structure is shown following in **Exhibit 5**. All customers pay the same monthly base charge that increases by meter size. The monthly base charge includes a 1,000-gallon usage allowance. As for the volume charge, all customers pay \$1.40 per 1,000 gallons over the first 1,000 gallons of water consumption.

Exhibit 5: Existing Water Rates

Meter Size	Monthly Base Charge [1]	Monthly Surcharge		Total Monthly Fixed Charge
		WD - 1991	WS - 2004	
3/4 "	\$ 14.03	\$ 6.00	\$ 12.45	\$ 32.48
1"	23.29	15.00	31.13	69.42
1 1/2"	43.09	30.00	62.25	135.34
2"	68.38	48.00	99.60	215.98
3"	127.80	90.00	186.75	404.55
4"	212.12	150.00	311.25	673.37
6"	418.56	300.00	622.50	1,341.06
8"	759.89	480.00	996.00	2,235.89
Volume Rate per 1,000 gallons over the first 1,000 gallons				\$ 1.40

[1] Includes 1,000 gallons consumption allowance.

2. Proposed Rate Structure

The study evaluated several rate structure alternatives including across-the-board rates, cost of service rates without a capital improvement surcharge, and cost of service rates with a capital improvement surcharge. After reviewing these alternatives with City staff and the City Council, the following cost-of-service based rate structure was recommended:

- The water utility's total annual debt service payment in FY 2010/11 is used as the basis for the fixed monthly capital improvement surcharge. This amount is allocated to all water utility customers based on meter capacity equivalents. The remainder of the revenue requirement (i.e. total rate revenue requirement net of debt service payments) is allocated to functional categories and customer classes as previously described. These allocated costs formed the bases for monthly base and volume rates as explained below:
 - Fixed Base Charge - A base charge increasing by meter size and differentiated for each customer classes.
 - SFR - A three-tiered, increasing-block volume rate, with the third block set to target high-use water customers and send a more effective pricing signal.
 - All Other Customer Classes - Class-specific, single-block volume charges for commercial, industrial, and irrigation customers. Commercial and industrial customers are subject to the same volume rate.

Exhibit 6 presents the proposed cost of service rates for FY 2010/11.

Exhibit 6: Proposed Water Rates

Meter Size	Monthly Base Charges				Capital Imp. Charge
	Residential	Commercial	Industrial	Irrigation	All Customers
3/4 "	\$ 14.40	\$ 24.31	\$ 18.96	\$ 21.23	\$ 20.60
1"	29.57	51.34	35.25	48.63	51.51
1 1/2"	54.85	96.41	62.42	94.30	103.02
2"	85.19	150.48	95.01	149.11	164.83
3"	166.08	294.68	181.93	295.25	329.67
4"	257.09	456.90	279.72	459.67	515.11
6"	509.89	907.53	551.35	916.37	1,030.21
8"	813.25	1,448.28	877.30	1,464.42	1,648.34

Volume Rates per 1,000 gallons				
Block One [2]	\$ 1.15	\$ 1.42	\$ 1.42	\$ 2.40
Block Two [3]	1.40			
Block Three [4]	1.65			

[2] Up to 6,000 gallons for residential customers, all usage for the other customers.

[3] 6,000 - 15,000 gallons for residential customers.

[4] Usage over 15,000 gallons for residential customers.

Determination of Block Rate Thresholds for SFR Customers

There is no pre-established, appropriate number of blocks to use in the design of an increasing block rate structure. A common structure includes three blocks, but can be designed with any number of blocks depending on rate structure goals. Each water utility goal and customer class usage pattern should be evaluated when determining the number of blocks to establish. It was

determined that a three-block rate structure would effectively meet the City's water utility's needs.

The recommended thresholds for each of the three blocks were determined based on an evaluation of historical water usage patterns for the SFR customer class. The following assumptions were used in the analysis:

- Block 1 (0-6,000 gallons per month) is set at a slightly higher than average monthly winter period usage per account for the SFR class. This is assumed to approximate normal indoor usage and a nominal amount of outdoor winter use. According to water utility billing data, average monthly winter period usage per account for the SFR class is slightly higher than 5,000 gallons.
- The Block 2 (6,000-15,000 gallons per month) upper threshold is set slightly higher than two times the annual average usage per account for the SFR class. This is assumed to capture the majority of base demand use and a significant amount for normal summer use (peak use). According to water utility billing data, average annual monthly usage per account for the SFR class is around 7,000 gallons.
- Block 3 (over 15,000 gallons per month) captures all water usage above the Block 2 threshold and is designed to target excess summer water use.

3. Customer Bill Impacts

Sample customer bills for each class are presented in **Exhibit 7(a)** through **Exhibit 7(d)**.

Exhibit 7(a): Sample Water Bills - SFR

Single Family Residential Customer with 3/4" Meter					
Monthly Volume	Monthly Bill At Existing Rates	Monthly Bill At Across-the-Board Rates	Monthly Bill At Cost Of Service Rates (Alt. 2)	% Increase/ (Decrease) over Existing Rates	% Increase/ (Decrease) over Across-the-Board Rates
0 x 1,000 gallons	\$ 32.48	\$ 34.89	\$ 35.01	7.8%	0.3%
3 x 1,000 gallons	\$ 35.28	\$ 38.05	\$ 38.47	9.0%	1.1%
6 x 1,000 gallons	\$ 39.48	\$ 42.79	\$ 41.93	6.2%	-2.0%
9 x 1,000 gallons	\$ 43.68	\$ 47.53	\$ 46.14	5.6%	-2.9%
12 x 1,000 gallons	\$ 47.88	\$ 52.27	\$ 50.35	5.2%	-3.7%
15 x 1,000 gallons	\$ 52.08	\$ 57.01	\$ 54.57	4.8%	-4.3%
20 x 1,000 gallons	\$ 59.08	\$ 64.90	\$ 62.84	6.4%	-3.2%
30 x 1,000 gallons	\$ 73.08	\$ 80.70	\$ 79.38	8.6%	-1.6%
50 x 1,000 gallons	\$ 101.08	\$ 112.29	\$ 112.46	11.3%	0.2%

Exhibit 7(b): Sample Water Bills - Commercial

Commercial Customer with 3/4" Meter					
Monthly Volume	Monthly Bill At Existing Rates	Monthly Bill At Across-the-Board Rates	Monthly Bill At Cost Of Service Rates (Alt. 2)	% Increase/ (Decrease) over Existing Rates	% Increase/ (Decrease) over Across-the-Board Rates
0 x 1,000 gallons	\$ 32.48	\$ 34.89	\$ 44.91	38.3%	28.7%
3 x 1,000 gallons	\$ 35.28	\$ 38.05	\$ 49.18	39.4%	29.2%
6 x 1,000 gallons	\$ 39.48	\$ 42.79	\$ 53.45	35.4%	24.9%
9 x 1,000 gallons	\$ 43.68	\$ 47.53	\$ 57.73	32.2%	21.5%
12 x 1,000 gallons	\$ 47.88	\$ 52.27	\$ 62.00	29.5%	18.6%
15 x 1,000 gallons	\$ 52.08	\$ 57.01	\$ 66.27	27.2%	16.3%
20 x 1,000 gallons	\$ 59.08	\$ 64.90	\$ 73.39	24.2%	13.1%
25 x 1,000 gallons	\$ 66.08	\$ 72.80	\$ 80.51	21.8%	10.6%
30 x 1,000 gallons	\$ 73.08	\$ 80.70	\$ 87.63	19.9%	8.6%

Commercial Customer with 1" Meter					
Monthly Volume	Monthly Bill At Existing Rates	Monthly Bill At Across-the-Board Rates	Monthly Bill At Cost Of Service Rates (Alt. 2)	% Increase/ (Decrease) over Existing Rates	% Increase/ (Decrease) over Across-the-Board Rates
0 x 1,000 gallons	\$ 69.42	\$ 73.95	\$ 102.85	48.2%	39.1%
5 x 1,000 gallons	\$ 75.02	\$ 80.26	\$ 109.97	46.6%	37.0%
10 x 1,000 gallons	\$ 82.02	\$ 88.16	\$ 117.09	42.8%	32.8%
15 x 1,000 gallons	\$ 89.02	\$ 96.06	\$ 124.22	39.5%	29.3%
20 x 1,000 gallons	\$ 96.02	\$ 103.96	\$ 131.34	36.8%	26.3%
25 x 1,000 gallons	\$ 103.02	\$ 111.85	\$ 138.46	34.4%	23.8%
30 x 1,000 gallons	\$ 110.02	\$ 119.75	\$ 145.58	32.3%	21.6%
40 x 1,000 gallons	\$ 124.02	\$ 135.54	\$ 159.82	28.9%	17.9%

Exhibit 7(c): Sample Water Bills - Industrial

Industrial Customer with 3/4" Meter					
Monthly Volume	Monthly Bill At Existing Rates	Monthly Bill At Across-the-Board Rates	Monthly Bill At Cost Of Service Rates (Alt. 2)	% Increase/ (Decrease) over Existing Rates	% Increase/ (Decrease) over Across-the-Board Rates
0 x 1,000 gallons	\$ 32.48	\$ 34.89	\$ 39.56	21.8%	13.4%
5 x 1,000 gallons	\$ 38.08	\$ 41.21	\$ 46.68	22.6%	13.3%
10 x 1,000 gallons	\$ 45.08	\$ 49.11	\$ 53.80	19.3%	9.6%
15 x 1,000 gallons	\$ 52.08	\$ 57.01	\$ 60.92	17.0%	6.9%
25 x 1,000 gallons	\$ 66.08	\$ 72.80	\$ 75.16	13.7%	3.2%
50 x 1,000 gallons	\$ 101.08	\$ 112.29	\$ 110.76	9.6%	-1.4%
75 x 1,000 gallons	\$ 136.08	\$ 151.77	\$ 146.37	7.6%	-3.6%
100 x 1,000 gallons	\$ 171.08	\$ 191.26	\$ 181.97	6.4%	-4.9%

Exhibit 7(d): Sample Water Bills - Irrigation

Irrigation Customer with 3/4" Meter					
Monthly Volume	Monthly Bill At Existing Rates	Monthly Bill At Across-the-Board Rates	Monthly Bill At Cost Of Service Rates (Alt. 2)	% Increase/ (Decrease) over Existing Rates	% Increase/ (Decrease) over Across-the-Board Rates
0 x 1,000 gallons	\$ 32.48	\$ 34.89	\$ 41.83	28.8%	19.9%
5 x 1,000 gallons	\$ 38.08	\$ 41.21	\$ 53.85	41.4%	30.7%
10 x 1,000 gallons	\$ 45.08	\$ 49.11	\$ 65.87	46.1%	34.1%
15 x 1,000 gallons	\$ 52.08	\$ 57.01	\$ 77.89	49.6%	36.6%
20 x 1,000 gallons	\$ 59.08	\$ 64.90	\$ 89.90	52.2%	38.5%
25 x 1,000 gallons	\$ 66.08	\$ 72.80	\$ 101.92	54.2%	40.0%
30 x 1,000 gallons	\$ 73.08	\$ 80.70	\$ 113.94	55.9%	41.2%
40 x 1,000 gallons	\$ 87.08	\$ 96.49	\$ 137.97	58.4%	43.0%

SECTION IV

WASTEWATER UTILITY

A. REVENUE REQUIREMENTS

1. Data Sources & Key Assumptions

In addition to the fiscal policies discussed in Section II, wastewater study results were based on incorporation of the following major assumptions:

- The analysis covers a 6-year period (FY2009/10 through FY2014/15).
- The annual customer growth rate is assumed to be 1.37%, based on projected population growth as documented in the City's 2005 Buildable Lands Analysis Report.
- The City's existing wastewater rate structure consists of two components: wastewater user charges to cover O&M expenses, and wastewater system improvement surcharges to generate revenues to pay for capital expenditures and annual debt service. For the purposes of this rate study, revenues from wastewater user charges and wastewater system improvement surcharges were consolidated as rate revenues, and the wastewater utility's total rate revenue needs were determined on a consolidated basis. The forecast of revenues under the existing rates relied on FY2009/10 year-end estimates and projected using the assumed customer growth rate in subsequent years.
- Non-rate revenues include revenues related to the Middlefield Golf Course, rental property revenues, and other miscellaneous revenues. The forecast of non-rate revenues relied on the FY 2010/11 budget, and assumed to stay the same in subsequent years.
- Operating expenses are forecasted based on the FY 2010/11 budget, plus assumed annual cost escalation. Salary and overtime expenses are escalated by assumed labor cost inflation, benefits are projected to go up by assumed benefits cost increases, and other expenses are escalated using assumed general inflation rates.
- Existing debt service payment schedules were provided by City staff. Debt service for future years incorporates the impacts of the proposed capital financing plan.
- All the debt service payments are assumed to be made out of operating funds.
- SDC revenue collections are based on the FY 2009/10 year-end estimates and assumed to stay the same throughout the analysis period based on the constant customer growth assumption.
- Interest earnings on available fund balances are assumed at an average earnings rate of 3.0%.
- FY 2008/09 beginning cash balances for operating, capital, and SDC improvement funds were \$139,827, \$382,306, and \$385,482, respectively, based on the information provided by City staff.

2. Capital Projects and Funding Sources

The City has identified \$6.3 million (\$9.7 million in inflated dollars) in planned wastewater capital improvement and replacement projects in the next 20-year period. Average annual capital spending is planned to be roughly \$485,000 in inflated dollars. The detailed project list is included in Appendix I. As requested by the City, the study assumed that the City would implement this capital improvement program between FY 2011/12 and FY 2030/31. Since the analysis is based on the FY 2008/09 beginning cash balances, the capital funding analysis included the actual capital expenditures (\$377,878, both out of capital fund and SDC fund) in FY 2008/09 to arrive at the available cash balances at the beginning of the projection period. The year-end estimated (\$181,521) and the budgeted (\$18,500) capital expenditures, were used for FY 2009/10 and FY 2010/11, respectively. It should be noted that these amounts represent the consolidated capital spending out of the capital fund and the SDC improvement fund.

Total capital spending in the 6-year analysis period (i.e. FY 2009/10 through FY 2014/15) is projected to be \$1.6 million in inflated dollars.

In October 2009, the City obtained a \$129,573 bank loan with 5-year term and 3.71% interest rate to finance the FY 2009/2010 capital expenditures. The analysis accounts for this loan and related repayments in the capital fund cash flow analysis directly.

About \$300,000 is expected to be funded with current and projected cash reserves (about 19% of total project costs). These reserves include SDC revenues, projected interest income of the capital fund, and operating fund balance. The remaining 81% (about \$1.3 million) will be needed from revenue bond proceeds. Bond issues in the amounts of \$728,000 in FY 2011/12 and \$672,000 in 2013/14 are forecast to fund projected capital needs, pay issuance costs, and fund required reserves. These projected bond issues assume that each issue will meet capital needs over two-year periods. Proceeds not used in the first year of issue are held (and shown in **Exhibit 8**) in the capital reserve for use in the subsequent year. Further, the City will potentially combine the projected bond issues to include needs for all three utilities. Only the wastewater utility portion of the bond needs is reflected in **Exhibit 8**, which summarizes annual planned capital expenditures along with assumed funding sources.

Exhibit 8: Wastewater Utility Capital Projects and Funding Sources

Capital Funding	Fiscal Year Ending 6/30:						
	2009	2010	2011	2012	2013	2014	2015
Total Capital Projects	\$ 377,878	\$ 181,521	\$ 18,500	\$ 337,510	\$ 332,585	\$ 318,419	\$ 362,656
Revenue Bond Proceeds	-	-	-	281,225	-	85,758	-
Use of SDC Fund Balance	78,383	14,717	-	51,225	48,472	67,555	18,292
Use of Capital Fund Balance	299,495	166,804	18,500	5,060	284,113	165,106	344,364
Direct Rate Funding	-	-	-	-	-	-	-
Total Funding Sources	\$ 377,878	\$ 181,521	\$ 18,500	\$ 337,510	\$ 332,585	\$ 318,419	\$ 362,656

3. Revenue Needs Assessment

Revenue requirements, summarized in **Exhibit 9**, reflect the assumptions described herein, and indicate that forecasted revenues under existing rates are not sufficient to meet the needs of the wastewater utility over the study period.

The wastewater utility's total revenues are not adequate to pay for the operating and maintenance expenses and existing debt service payments. The wastewater utility is projected to have an approximately \$79,000 deficit in FY 2009/10 under the existing rate revenues. To cover operating expenses and debt service requirements, an immediate 10% rate increase is needed. The analysis assumed that the projected 10% rate adjustment would be implemented before the FY 2009/10 year-end, and be in effect in June 2010 reducing the projected year-end operating deficit to approximately \$64,000.

The existing deficit is driven by replacement of a loan reserve the City used for other purposes. The Oregon Department of Environmental Quality Clean Water State Revolving Fund required the City to replace the reserve amount within 4 years: \$133,930 in FY 2009/10, and \$65,000 for each year in the subsequent three years, to achieve the required total loan reserve of \$328,930 at the end of FY 2012/13.

With the projected operating deficit in FY 2009/10, the wastewater utility will not be able to meet the minimum operating reserve target. However, the recommended 10% rate adjustment is estimated to generate adequate revenues in FY 2010/11 to meet this target as well as pay for operating expenses and existing annual debt service.

Despite the annual debt service impacts of the anticipated bond issues (approximately \$63,000 in FY 2011/12, reaching to \$122,000 in FY 2013/14), it is projected that the wastewater utility will not need another rate increase until FY 2014/15. In the last year of the projection period, the study forecasted that a 6.5% rate adjustment would be needed to meet the wastewater utility's cash and debt obligations as well as maintain reasonable operating and capital fund balances going into the future years.

It should be noted that future year rate increases assume the current planning projections used for this study and assumptions could change over time, materially impacting the results beyond the first few years. We recommend that the City review all underlying assumptions and update the analysis on a regular basis.

Exhibit 9: Wastewater Utility Revenue Requirements Analysis

Revenue Requirements	Fiscal Year Ending 6/30:						
	2009	2010	2011	2012	2013	2014	2015
Revenues							
Rate Revenues Under Existing Rates	\$ 1,664,223	\$ 1,787,159	\$ 1,811,643	\$ 1,836,463	\$ 1,861,622	\$ 1,887,126	\$ 1,912,980
Non-Rate Revenues	516,591	477,704	557,201	564,492	568,589	570,829	572,879
Total Revenues	\$ 2,180,814	\$ 2,264,863	\$ 2,368,844	\$ 2,400,954	\$ 2,430,211	\$ 2,457,955	\$ 2,485,859
Expenses							
Cash Operating Expenses	\$ 1,432,409	\$ 1,391,786	\$ 1,481,800	\$ 1,551,749	\$ 1,626,013	\$ 1,704,930	\$ 1,788,868
Existing Debt Service	819,549	818,040	816,779	815,153	809,285	792,990	777,721
New Debt Service	-	-	-	63,473	63,473	122,064	122,064
Rate Funded CIP	-	-	-	-	-	-	-
Loan Reserve Replenishment [1]	-	133,930	65,000	65,000	65,000	-	-
Additions Req. to Meet Min. Op. Fund Bz	-	-	117,108	-	-	-	-
Total Expenses	\$ 2,251,958	\$ 2,343,756	\$ 2,480,688	\$ 2,495,375	\$ 2,563,771	\$ 2,619,984	\$ 2,688,653
Annual Surplus / (Deficiency)	\$ (71,145)	\$ (78,892)	\$ (111,843)	\$ (94,421)	\$ (133,560)	\$ (162,029)	\$ (202,795)
Annual Rate Adjustment	0.00%	10.00%	0.00%	0.00%	0.00%	0.00%	6.50%
<i>Cumulative Rate Adjustment</i>	<i>0.00%</i>	<i>10.00%</i>	<i>10.00%</i>	<i>10.00%</i>	<i>10.00%</i>	<i>10.00%</i>	<i>17.15%</i>
Rate Revenues After Rate Increase	\$ 1,664,223	\$ 1,802,052	\$ 1,992,807	\$ 2,020,109	\$ 2,047,784	\$ 2,075,839	\$ 2,241,056
Net Cash Flow After Rate Increase	(71,145)	(63,999)	186,430	89,225	52,602	26,684	125,281
Coverage After Rate Increases	n/a	n/a	n/a	16.27	15.80	7.76	8.52

[1] As required by Oregon Department of Environmental Quality Clean Water State Revolving Fund, City must replenish funds used for other purposes.

B. COST OF SERVICE ANALYSIS

1. Cost of Service Allocations

In conducting the cost of service analysis, FCS GROUP followed the general methodology described in Section II. Similar to the water utility rate analysis, wastewater cost of service allocations are also developed for an FY 2010/11 test year.

Wastewater utility plant and annual expenses were allocated to the following five functional cost categories:

- **Customer costs** are associated with providing services to customers regardless of the level of water used, such as billing, meter reading, and office support. These costs are typically associated with the number of accounts or customers.
- **Flow costs** are related to wastewater volume collected and sent to the treatment plant for processing.
- **Strength costs (i.e. Biochemical-Oxygen Demand - BOD, and Total Suspended Solids - TSS)** are associated with the processing of sewage.
- **Infiltration and Inflow (I&I) costs** are related to conveying and treating the infiltration and inflow of groundwater and stormwater runoff into the sewers.

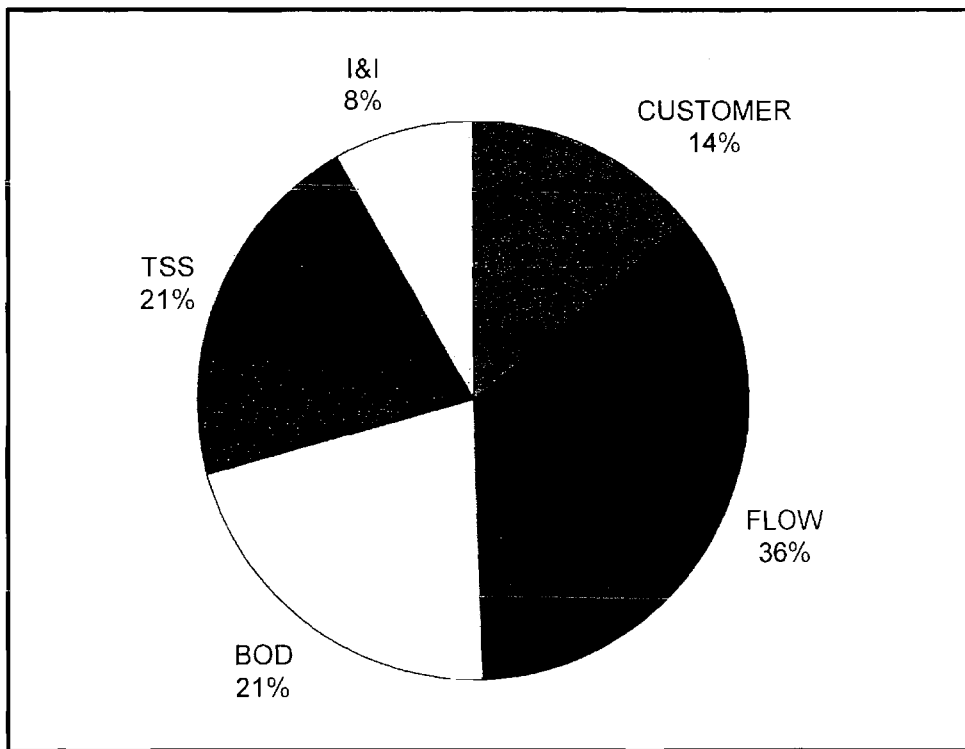
The following assumptions were applied in the functional allocations:

- The ratio of peak day flow (3.25 mgd) to average day flow (2.64 mgd) is 1.23 (as provided in the Draft Sanitary Sewer Mater Plan, page 4-10, Table 4-5).

- The allocation of collection and pumping facilities is based on professional judgment, with concurrence of City staff. The analysis assumes that 10% of collection and pumping facilities are allocated to customer. The remaining costs are assigned to flow and I&I using the ratio of peak day to average day flows.
- The allocation of treatment is again based on professional judgment, with concurrence of City staff. The analysis assumes 40% of the costs to be wastewater volume related, and this portion is allocated to flow and I&I using the ratio of peak day to average day flows. The remaining 60% is allocated to BOD and TSS equally.
- General plant costs are allocated as 20% to customer and 80% as all other.
- O&M costs are allocated based on a detailed review of line items, such as salaries, office and operating supplies, chemicals, power costs, etc., and assigned to functions based on assumed cost causation.

Exhibit 10 summarizes the results of the functional allocation of the FY 2010/11 “test year” revenue requirement (dollar amount to be generated by rates) of \$2.0 million.

Exhibit 10: Wastewater Utility Functional Allocation of Costs



These functionally allocated costs are then allocated to the customer classes based on the relative demands placed on the wastewater system by each class. The resulting allocation of costs to each class forms the basis for setting rates.

2. Customer Class Designations & Customer Usage Statistics

For rate-setting purposes, all wastewater utility customers are currently grouped into a single class (which includes residential, commercial, industrial, schools, churches, restaurants, and medical accounts).

City staff provided billing data for all customers by classification, including the number of customers, meter sizes, and monthly billed wastewater volume data. Based on discussions with City staff and a review of class usage patterns, customer classes were regrouped as follows:

- Single Family Residential (SFR),
- Industrial,
- Schools,
- Wastewater-only, and
- Commercial (all other customers).

Functional costs were allocated to the revised customer classes as follows:

- Customer costs and I&I costs were allocated to customer classes based on their proportional share of total system number of accounts.
- Flow, BOD, and TSS costs were allocated to customer classes based on billable water usage. Billable water usage is defined as the actual usage in the November to April period and the lesser of actual usage and winter average usage in the May to October period for the SFR class and schools. For all other customer classes, it is defined as the actual water usage.

To illustrate this allocation process, the SFR class represents about 87% of the total number of customer accounts; 61% of billable usage. The respective percentages are applied to the total costs allocated to each functional component to determine the share of total costs assigned to the SFR customer class. The same process is used for each customer class. The resulting allocation of costs establishes the costs to serve each class and forms the basis for developing unit costs of service used in the design of the class-specific rate structures.

Exhibit 11 provides a comparison of the distribution of revenues under the current rate structure with the distribution of revenues indicated from the cost of service analysis.

Exhibit 11: Comparison of Wastewater Revenue Distribution

Customer Classes	Revenue under Current Rate Structure [a]	% Share in Total	Revenues under Cost-of-Service Rates w/ Surcharge	% Share in Total	Indicated Increase / (Decrease)
Residential	\$ 1,430,825	71.80%	\$ 1,377,239	69.11%	-3.75%
Commercial	473,645	23.77%	531,523	26.67%	12.22%
Industrial	8,503	0.43%	7,166	0.36%	-15.73%
Sewer Only	20,712	1.04%	29,067	1.46%	40.34%
Schools	59,123	2.97%	47,813	2.40%	-19.13%
TOTAL	\$ 1,992,807	100.00%	\$ 1,992,807	100.00%	0.00%

[a] Assumes 10% rate increase applied.

As shown in the exhibit, the cost of service revenue distribution indicates that SFR, industrial, and school customers are slightly paying more than cost of service, while commercial and wastewater-only accounts are paying less than cost of service. This evidence suggests that a shift in costs among customer classes would result in a more equitable rate structure than that currently in effect.

The cost of service analysis is based on the average statistics of the customer class. Individual customers exhibiting characteristics (meter size and water use) less than or more than the class average will experience water bills respectively lower or higher than the class average. Incorporating the 10% system-wide rate revenue increase for FY 2010/11 translates to customer class rate adjustments as follows:

- Single Family Residential - Based on FY 2010/11 cost of service, the SFR class as a whole should have decreased rate revenue by 3.75%.
- Commercial - The commercial class as a whole should have increased rate revenue by 12.22%.
- Industrial - The industrial class as a whole should have decreased rate revenue by 15.73%.
- Wastewater Only - The wastewater-only class as a whole should have increased rate revenue by 40.34%.
- Schools - The schools rate class as whole should have decreased rate revenue by 19.13%.

C. RATE DESIGN

The rate design exercise focuses on constructing wastewater rates that meet both the revenue sufficiency and the equity criteria that the City desires for its customers.

1. Existing Rate Structure

The current wastewater rate structure is shown in **Exhibit 12**. All customers pay the same monthly base charge that increases by meter size. The monthly base charge includes a 1,000-gallon usage allowance. As for the volume charge, all customers pay \$1.41 per 1,000 gallons over the first 1,000 gallons of water consumption.

Exhibit 12: Existing Wastewater Rates

Meter Size	Monthly Base Charge	Capital Imp. Charge	Total Monthly Fixed Charge
3/4 "	\$ 14.23	\$ 15.50	\$ 29.73
1"	23.64	38.75	62.39
1 1/2"	43.73	77.50	121.23
2"	69.41	124.00	193.41
3"	129.71	232.50	362.21
4"	215.48	387.50	602.98
6"	424.85	775.00	1,199.85
8"	771.30	1,240.00	2,011.30
Sewer Only			\$ 21.32
Volume Rate per 1,000 gallons			\$ 1.41

2. Proposed Rate Structure

The study evaluated several rate structure alternatives including across-the-board rates, cost of service rates without a capital improvement surcharge, and cost of service rates with a capital improvement surcharge. After reviewing these alternatives with City staff and the City Council, the following cost-of-service based rate structure was recommended:

- The wastewater utility’s total annual debt service payment in FY 2010/11 is used as the basis for fixed monthly capital improvement surcharge. This amount is allocated to all wastewater utility customers based on meter capacity equivalents. Hence, monthly capital improvement surcharges that would be uniformly applicable for all customer classes and increase by meter size are calculated. The remainder of the revenue requirement (i.e. total rate revenue requirement net of debt service payments) is allocated to functional categories and customer classes as described above. These allocated costs formed the bases for monthly base and volume rates as explained below.
 - Fixed Monthly Base Charge - A monthly base charge uniformly applied to all customer classes, except wastewater-only accounts, on a per account basis.
 - Volume Charge - A uniform single block volume charge for all customer classes, except wastewater-only customers. For SFR and school customers, volume rates would be applied to actual usage for the November to April billing periods, and the lesser of the actual usage or winter average usage in the May to October billing periods. For commercial and industrial customers, the volume rate would be applied to actual usage.
 - Monthly Flat Charge for Wastewater Only Accounts - Wastewater-only accounts would be charged a monthly flat rate on a per account basis based on the assumed usage of 6,000 gallons per month, which is the system-wide winter average usage for SFR customers.

Exhibit 13 presents the proposed cost of service rates for FY 2010/11.

Exhibit 13: Proposed Wastewater Rates

Customer Class	Monthly Base Charges Per Account	Volume Rates per 1,000 gallons	Volume Rates Applied to
Residential	\$ 6.26	\$ 3.21	Winter Average Consumption
Commercial	6.26	3.21	Actual Consumption
Industrial	6.26	3.21	Actual Consumption
Sewer Only	25.49	n/a	Assumed consumption of 6,000 gallons
Schools	6.26	3.21	Winter Average Consumption

Meter Size	ME Ratios	Capital Imp. Surcharge
3/4 "	1	\$ 16.07
1"	2.5	40.18
1 1/2"	5	80.36
2"	8	128.58
3"	16	257.15
4"	25	401.80
6"	50	803.60
8"	80	1,285.77
Sewer Only	1	16.07

3. Customer Bill Impacts

Sample customer bills for each class are presented in Exhibit 14(a) through Exhibit 14(c).

Exhibit 14(a): Sample Wastewater Bills - SFR

Single Family Residential Customer with 3/4" Meter					
Monthly Winter Average Volume	Monthly Bill At Existing Rates	Monthly Bill At Across-the-Board Rates	Monthly Bill At Cost Of Service Rates (Alt. 2)	% Increase/ (Decrease) over Existing Rates	% Increase/ (Decrease) over Across-the-Board Rates
0 x 1,000 gallons	\$ 29.73	\$ 32.37	\$ 22.33	-24.9%	-31.0%
2 x 1,000 gallons	\$ 31.14	\$ 34.01	\$ 28.74	-7.7%	-15.5%
4 x 1,000 gallons	\$ 33.96	\$ 37.28	\$ 35.15	3.5%	-5.7%
6 x 1,000 gallons	\$ 36.78	\$ 40.56	\$ 41.57	13.0%	2.5%
8 x 1,000 gallons	\$ 39.60	\$ 43.83	\$ 47.98	21.2%	9.5%
10 x 1,000 gallons	\$ 42.42	\$ 47.10	\$ 54.39	28.2%	15.5%
12 x 1,000 gallons	\$ 45.24	\$ 50.38	\$ 60.80	34.4%	20.7%
15 x 1,000 gallons	\$ 49.47	\$ 55.29	\$ 70.42	42.3%	27.4%
20 x 1,000 gallons	\$ 56.52	\$ 63.47	\$ 86.45	52.9%	36.2%
25 x 1,000 gallons	\$ 63.57	\$ 71.66	\$ 102.48	61.2%	43.0%

Exhibit 14(b): Sample Wastewater Bills - Commercial and Industrial

Commercial / Industrial Customer with 3/4" Meter					
Monthly Volume	Monthly Bill At Existing Rates	Monthly Bill At Across-the-Board Rates	Monthly Bill At Cost Of Service Rates (Alt. 2)	% Increase/ (Decrease) over Existing Rates	% Increase/ (Decrease) over Across-the-Board Rates
0 x 1,000 gallons	\$ 29.73	\$ 32.37	\$ 22.33	-24.9%	-31.0%
4 x 1,000 gallons	\$ 33.96	\$ 37.28	\$ 35.15	3.5%	-5.7%
8 x 1,000 gallons	\$ 39.60	\$ 43.83	\$ 47.98	21.2%	9.5%
10 x 1,000 gallons	\$ 42.42	\$ 47.10	\$ 54.39	28.2%	15.5%
16 x 1,000 gallons	\$ 50.88	\$ 56.92	\$ 73.62	44.7%	29.3%
20 x 1,000 gallons	\$ 56.52	\$ 63.47	\$ 86.45	52.9%	36.2%
25 x 1,000 gallons	\$ 63.57	\$ 71.66	\$ 102.48	61.2%	43.0%
50 x 1,000 gallons	\$ 98.82	\$ 112.58	\$ 182.62	84.8%	62.2%
75 x 1,000 gallons	\$ 134.07	\$ 153.50	\$ 262.77	96.0%	71.2%

Commercial / Industrial Customer with 1" Meter					
Monthly Volume	Monthly Bill At Existing Rates	Monthly Bill At Across-the-Board Rates	Monthly Bill At Cost Of Service Rates (Alt. 2)	% Increase/ (Decrease) over Existing Rates	% Increase/ (Decrease) over Across-the-Board Rates
0 x 1,000 gallons	\$ 62.39	\$ 67.08	\$ 46.44	-25.6%	-30.8%
4 x 1,000 gallons	\$ 66.62	\$ 71.99	\$ 59.26	-11.0%	-17.7%
8 x 1,000 gallons	\$ 72.26	\$ 78.53	\$ 72.09	-0.2%	-8.2%
10 x 1,000 gallons	\$ 75.08	\$ 81.81	\$ 78.50	4.6%	-4.0%
16 x 1,000 gallons	\$ 83.54	\$ 91.63	\$ 97.73	17.0%	6.7%
20 x 1,000 gallons	\$ 89.18	\$ 98.18	\$ 110.56	24.0%	12.6%
25 x 1,000 gallons	\$ 96.23	\$ 106.36	\$ 126.58	31.5%	19.0%
50 x 1,000 gallons	\$ 131.48	\$ 147.28	\$ 206.73	57.2%	40.4%
75 x 1,000 gallons	\$ 166.73	\$ 188.20	\$ 286.87	72.1%	52.4%

Exhibit 14(c): Sample Wastewater Bills - Schools

Schools with 1" Meter					
Monthly Winter Average Volume	Monthly Bill At Existing Rates	Monthly Bill At Across-the-Board Rates	Monthly Bill At Cost Of Service Rates (Alt. 2)	% Increase/ (Decrease) over Existing Rates	% Increase/ (Decrease) over Across-the-Board Rates
0 x 1,000 gallons	\$ 62.39	\$ 67.08	\$ 46.44	-25.6%	-30.8%
4 x 1,000 gallons	\$ 66.62	\$ 71.99	\$ 59.26	-11.0%	-17.7%
8 x 1,000 gallons	\$ 72.26	\$ 78.53	\$ 72.09	-0.2%	-8.2%
10 x 1,000 gallons	\$ 75.08	\$ 81.81	\$ 78.50	4.6%	-4.0%
16 x 1,000 gallons	\$ 83.54	\$ 91.63	\$ 97.73	17.0%	6.7%
20 x 1,000 gallons	\$ 89.18	\$ 98.18	\$ 110.56	24.0%	12.6%
25 x 1,000 gallons	\$ 96.23	\$ 106.36	\$ 126.58	31.5%	19.0%
50 x 1,000 gallons	\$ 131.48	\$ 147.28	\$ 206.73	57.2%	40.4%
75 x 1,000 gallons	\$ 166.73	\$ 188.20	\$ 286.87	72.1%	52.4%

SECTION V

STORMWATER UTILITY

A. REVENUE REQUIREMENTS

1. Data Sources & Key Assumptions

In addition to the fiscal policies discussed in Section II, stormwater study results were based on incorporation of the following major assumptions:

- The analysis covers a 6-year period (FY2009/10 through FY2014/15).
- The annual customer growth rate is assumed to be 1.37% based on projected population growth as documented in the City's 2005 Buildable Lands Analysis Report.
- The City's existing stormwater rate structure consists of two components: stormwater fees to cover O&M expenses, and stormwater surcharges to generate revenues to pay for capital expenditures and annual debt service. For the purposes of this rate study, revenues from stormwater fees and stormwater surcharges as rate revenues were consolidated, and the stormwater utility's total rate revenue needs were determined on a consolidated basis. The forecast of revenues under the existing rates relied on FY2009/10 year-end estimates and projected using the assumed customer growth rate in subsequent years.
- Non-rate revenues include credit bureau revenues, auction proceeds, and other miscellaneous revenues. The forecast of non-rate revenues relied on the FY 2010/11 budget, and assumed to stay the same in subsequent years.
- Operating expenses are forecast based on the FY 2010/11 budget, plus assumed annual cost escalation. Salary and overtime expenses are escalated by assumed labor cost inflation, benefits are projected to go up by assumed benefits cost increases, and other expenses are escalated using assumed general inflation rates.
- The analysis assumes that the stormwater utility will add one full-time maintenance employee in FY 2012/13 at the inflated cost of \$78,650 (2010 cost is \$69,920).
- Existing debt service payment schedules were provided by City staff. Future years' debt service incorporates the impacts of the proposed capital financing plan.
- All the debt service payments are assumed to be made out of operating funds.
- SDC revenue collections are based on the FY 2009/10 year-end estimates and assumed to stay the same throughout the analysis period based on the constant customer growth assumption.
- Interest earnings on available fund balances are assumed at an average earnings rate of 2.5%.
- Based on the information provided by City staff, FY 2008/09 beginning cash balances for operating, capital, and SDC improvement funds were \$49,307, \$650,247, and \$420,523, respectively.

2. Capital Projects and Funding Sources

The City has identified \$13.7 million (\$22.3 million in inflated dollars) in planned stormwater capital projects in the next 20-year period. Average annual capital spending is planned to be roughly \$1.1 million in inflated dollars. The detailed project list is included in Appendix I. As requested by the City, the study assumed that the City would implement this capital improvement program between FY 2011/12 and FY 2030/31. Since the capital funding analysis is based on the FY 2008/09 beginning cash balances, it included the actual capital expenditures (\$290,785; both out of capital fund and SDC fund) in FY 2008/09 to arrive at the available cash balances at the beginning of the projection period. For FY 2009/10 and FY 2010/11, the analysis used the year-end estimated (\$339,846) and the budgeted (\$929,782) capital expenditures, respectively. It should be noted that these amounts represent the consolidated capital spending out of the capital fund and the SDC improvement fund.

Total capital spending in the 6-year analysis period (i.e. FY 2009/10 through FY 2014/15) is projected to be \$5.0 million in inflated dollars.

About \$1.1 million is expected to be funded with current and projected cash reserves, and rates (about 22% of total project costs). Cash reserves include SDC revenues, projected interest income of the capital fund, and operating fund balance. The remaining 78% (about \$3.9 million) will be needed from revenue bond proceeds. Bond issues in the amounts of \$728,000 in FY 2010/11, \$2.1 million in 2012/13, and \$1.6 million in 2014/15 are forecasted to fund projected capital needs, pay issuance costs, and fund required reserves. These projected bond issues assume that each issue will meet capital needs over two-year periods. Proceeds not used in the first year of issue are held (and shown in **Exhibit 15**) in the capital reserve for use in the subsequent year. It should be noted that timing of these bond issues is developed based on the stormwater utility's capital funding needs. However, the City will potentially combine the projected bond issues to include needs for all three utilities. As explained earlier, water and wastewater utility rate analyses project requiring bond issues in FY 2011/12 and FY 2013/14. As a result, the City might consider either arranging short-term financing for the stormwater utility, or delaying some of the FY 2010/2011 capital projects (if possible) so that all three utilities' bond funding needs would be coordinated.

Exhibit 15 summarizes annual planned capital expenditures, along with assumed funding sources.

Exhibit 15: Stormwater Utility Capital Projects and Funding Sources

Capital Funding	Fiscal Year Ending 6/30:						
	2009	2010	2011	2012	2013	2014	2015
Total Capital Projects	\$ 290,785	\$ 339,846	\$ 929,782	\$ 796,952	\$ 996,478	\$ 1,075,370	\$ 852,043
Revenue Bond Proceeds	-	-	98,647	-	910,594	-	641,678
Use of SDC Fund Balance	128,027	200,180	167,978	16,000	16,000	16,000	16,000
Use of Capital Fund Balance	162,758	139,666	663,156	639,404	69,884	1,023,982	194,365
Direct Rate Funding	-	-	-	141,548	-	35,388	-
Total Funding Sources	\$ 290,785	\$ 339,846	\$ 929,782	\$ 796,952	\$ 996,478	\$ 1,075,370	\$ 852,043

3. Revenue Needs Assessment

Revenue requirements, summarized in **Exhibit 16**, reflect the assumptions described herein, and indicate that forecasted revenues under existing rates are not sufficient to meet the needs of the stormwater utility over the study period.

The major contributing factors to the rate increases projected are the capital funding needs explained above. Projected revenues under existing rates would be adequate to pay for O&M expenses and existing debt service. However, the stormwater utility's capital funding needs necessitate issuance of sizable revenue bonds relative to existing revenues. Debt service payments and the bond coverage requirements of the anticipated bond issues will result in a series of 29% per year rate adjustments for the next three years. The analysis assumed that the first projected 29% rate adjustment would be implemented before the FY 2009/10 year-end instead of the beginning of FY 2010/11, and be in effect in June 2010.

It is projected that annual rate adjustment needs would drop to 14% in FY 2013/14 and FY 2014/15.

It should be noted that future year rate increases assume the current planning projections used for this study and assumptions could change over time, materially impacting the results beyond the first few years. The study recommends that the City review all underlying assumptions and update the analysis on a regular basis.

Exhibit 16: Stormwater Utility Revenue Requirements Analysis

Revenue Requirements	Fiscal Year Ending 6/30:						
	2009	2010	2011	2012	2013	2014	2015
Revenues							
Rate Revenues Under Existing Rates	\$ 268,696	\$ 313,026	\$ 317,314	\$ 321,662	\$ 326,068	\$ 330,536	\$ 335,064
Non-Rate Revenues	1,987	983	823	2,683	2,721	7,526	7,582
Total Revenues	\$ 270,683	\$ 314,009	\$ 318,137	\$ 324,344	\$ 328,790	\$ 338,061	\$ 342,646
Expenses							
Cash Operating Expenses	\$ 127,892	\$ 137,094	\$ 225,776	\$ 238,924	\$ 331,689	\$ 350,001	\$ 369,583
Existing Debt Service	38,285	38,358	38,503	38,575	32,526	15,880	2,495
New Debt Service	-	-	63,473	63,473	244,128	244,128	380,840
Rate Funded CIP	-	-	-	141,548	-	35,388	-
Rate Funded System Reinvestment	-	-	-	-	-	-	-
Total Expenses	\$ 166,177	\$ 175,452	\$ 327,752	\$ 482,520	\$ 608,343	\$ 645,398	\$ 752,917
Annual Surplus / (Deficiency)	\$ 104,505	\$ 138,557	\$ (9,615)	\$ (158,176)	\$ (279,553)	\$ (307,337)	\$ (410,271)
Annual Rate Adjustment	0.00%	29.00%	0.00%	29.00%	29.00%	14.00%	14.00%
<i>Cumulative Rate Adjustment</i>	0.00%	29.00%	29.00%	66.41%	114.67%	144.72%	178.98%
Rate Revenues After Rate Increase	\$ 268,696	\$ 320,591	\$ 409,336	\$ 535,277	\$ 699,968	\$ 808,895	\$ 934,774
Net Cash Flow After Rate Increase	104,505	146,122	82,406	55,440	94,346	171,023	189,438
Coverage After Rate Increases	n/a	n/a	3.17	4.96	1.53	2.02	1.52

B. COST OF SERVICE ANALYSIS

A cost of service analysis was not required for the stormwater utility. However, the existing rate structure was reviewed and an alternative rate structure was developed to recover stormwater utility costs from customers more equitably and fairly.

C. EXISTING AND PROPOSED RATE STRUCTURES

The City currently charges its stormwater utility customers a monthly stormwater fee and capital improvement surcharge on a per account basis (\$3.69 and \$4.00 a month, respectively), regardless of the customer type or the amount of run-off generating impervious surface area.

The term impervious surface area refers to hard surface area that prevents or slows water permeation into the ground. Impervious surface area is most widely accepted as an appropriate measure of a property's contribution of runoff, providing a clear relationship, or "rational nexus," to service received from a stormwater program.

Under the proposed new rate approach, single family residential customers would be charged based on the estimated average amount of impervious surface area per developed single family residential parcel, commonly referred to as an equivalent service unit or ESU. All other customer types would be charged based on actual measured impervious surface area by parcel, expressed as the number of ESUs on the parcel.

City staff studied a sample of SFR developments, and determined that the average impervious surface area for SFR customers is 2,650 sf. City staff also provided a summary of the City's existing land use data by acreage and percentage impervious area by category. With City staff's concurrence, the study did not include parks, recreational areas, playgrounds, vacant parcels, right-of-ways, and water surfaces. We estimated the total number of equivalent service units (ESUs) by dividing estimated impervious surface area of the applicable land use categories by the assumed average SFR impervious surface area of 2,650 sf. (i.e. ESU definition). Hence, the stormwater utility's current customer base is estimated to be approximately 8,542 ESUs (about 2,417 single family residential ESUs and 6,125 non-single family residential ESUs).

In FY 2010/11, budgeted total cash operating expenses was projected to be \$225,776. By dividing this amount by the number of estimated ESUs and by 12 (i.e. number of months), the monthly operating rate was calculated at \$2.17 per ESU.

Total projected rate revenues after the 29% rate increase in FY 2010/11 was \$409,336. After netting the cash operating expenses (\$225,776) from this amount, we calculated the capital related (surcharge) portion of the revenue requirement (i.e. \$183,560). Again by dividing this amount by the number of estimated ESUs and by 12, we calculated the monthly capital rate was calculated at \$1.77 per ESU.

Projected rates under both approaches are provided below in **Exhibit 17**.

Exhibit 17: Projected Stormwater Rates Under Alternative Rate Structures

Monthly Rates	Fiscal Year Ending 6/30:					
	2010	2011	2012	2013	2014	2015
Annual Rate Adjustment		29.00%	29.00%	29.00%	14.00%	14.00%
Existing Rate Structure (per account basis)						
Monthly Fee (per account)	\$ 3.69	\$ 4.76	\$ 6.14	\$ 7.92	\$ 9.03	\$ 10.29
Monthly Improvement Surcharge	4.00	5.16	6.66	8.59	9.79	11.16
Total Monthly Rate	\$ 7.69	\$ 9.92	\$ 12.80	\$ 16.51	\$ 18.82	\$ 21.45
Alternative Rate Structure (per ESU basis) [1]						
Calculated Number of ESUs	8,542	8,659	8,778	8,898	9,020	9,143
Cash Operating Expenses	\$ 225,776	\$ 238,924	\$ 331,689	\$ 350,001	\$ 369,583	
Monthly Rate per ESU	\$ 2.17	\$ 2.27	\$ 3.11	\$ 3.23	\$ 3.37	
Total Rate Revenues After Rate Increase	\$ 409,336	\$ 535,277	\$ 699,968	\$ 808,895	\$ 934,774	
less: Operating Expenses	(225,776)	(238,924)	(331,689)	(350,001)	(369,583)	
Capital Related Expenses	\$ 183,560	\$ 296,354	\$ 368,278	\$ 458,894	\$ 565,191	
Monthly Capital Surcharge per ESU	\$ 1.77	\$ 2.81	\$ 3.45	\$ 4.24	\$ 5.15	

[1] One equivalent service unit (ESU) is equal to one single family residential customer or 2,650 sq.ft. of impervious surface area for other customers.

Recommendation for Implementation of the New Rate Structure

While the proposed new rate structure would initially reduce rates to single family residences, individual charges to other customer types could increase, in some cases significantly, depending on the amount of impervious surface area on the parcel. To reduce the initial impact of the new rate structure on non-SFR developed property, FCS GROUP developed a two-year phasing strategy.

For FY 2010/2011, we propose that the City set the single family residential rate equal at the projected FY 2011/2012 level of \$5.08 (i.e. the \$2.27 operating rate plus the \$2.81 capital surcharge) per SFR. This rate represents a reduction of \$2.61 in the SFR rate from its current level, instead of a one-year \$3.75 decrease if the new rate structure were to be fully implemented in FY 2010/2011.

As a result of this strategy, we estimate that the City would generate \$66,678 in operating revenues, and \$82,706 in capital surcharge revenues in FY 2010/2011 from single family residences. The remaining operating and capital needs of the utility (\$159,098 and \$100,854, respectively) would need to be recovered from non-SFR customers.

The resulting monthly operating rate and capital surcharge for non-SFR customers would be \$2.14 and \$1.35 per ESU, respectively. The total monthly non-SFR rate in FY 2010/2011 would be \$3.49 per ESU (instead of \$3.94 per ESU).

The phasing strategy incorporates the assumption that SFR rates (both operating rate and capital surcharge) would stay the same in FY 2011/2012, while non-SFR rates would be increased to their calculated levels for the year. Hence, the monthly operating rate and capital surcharge would be consistently applied at \$2.27 and \$2.81 per ESU, respectively, for all customers in FY 2011/2012.

We expect that the estimated number of single family residential ESUs (i.e. 2,417) is appropriately conservative in light of the utility billing data we reviewed. Utility billing data indicated that the City had approximately 3,002 in-city residential wastewater customers in FY 2007/2008. However, utility billing records did not separate multi-family and single family residential accounts; therefore we were not able to determine with certainty the number of single family residential ESUs using the customer data we obtained.

**JOINT AGREEMENT FOR PLANNING COORDINATION BETWEEN LANE
COUNTY AND THE CITY OF COTTAGE GROVE**

THIS AGREEMENT is entered into by LANE COUNTY, a political subdivision of the State of Oregon, hereinafter referred to as "County," and by the CITY OF COTTAGE GROVE, a municipal corporation of the State of Oregon, hereinafter referred to as "City."

WHEREAS, ORS 190.010 provides that units of local government may enter into agreements for the performance of any or all functions and activities that a party to the agreement, its officers or agents, have authority to perform; and

WHEREAS, Statewide Planning Goal 2, Land Use Planning, requires that opportunities shall be provided for review and comment by affected governmental units during preparation, review and revision of plans and implementation ordinances; and Statewide Planning Goal 14, Urbanization, requires that establishment and change of urban growth boundaries (UGBs) shall be a cooperative process between a city and the county that surrounds it; and

WHEREAS, the administrative rule of the Oregon Land Conservation and Development Commission concerning Acknowledgment of Compliance with Statewide Planning Goals requires that each jurisdiction requesting Acknowledgment of Compliance include a written statement in its submission setting forth a plan for management of the unincorporated area within the UGB and for modification of the UGB [OAR 660-03-010 (2)];

WHEREAS, County and City further agree, although not required to do so by statute, to notify each other of certain actions that are inside the city limits or outside the UGB in an area known as the "area of interest;" and

WHEREAS, this agreement supersedes the prior "Joint Agreement For Planning Coordination" adopted between City and County.

NOW, THEREFORE, COUNTY and CITY AGREE that the following process will be used for mutually amending and implementing the UGB and City and County comprehensive plans for lands within the "Area of Interest" as designated in Exhibit "A" to this Agreement:

A. County will:

- I. Provide City with the opportunity to review and comment on the following matters proposed within or by County which fall within the "Area of Interest" as designated in Exhibit "A" to this Agreement prior to County issuing a decision pursuant to state and local law:
 - a. Adoption and/or amendment of site-specific Rural Comprehensive Plan and functional plans;

- b. Applications for individual land use control considerations, including the following:
 - (1) Rezoning;
 - (2) Conditional or Special Use Permits subject to approval by the Hearings Official;
 - (3) Partitions and Subdivisions;
 - (4) Site Reviews;
 - c. Proposed street or road construction or improvement and associated drainage, dedication or vacation;¹
 - d. Park planning;
 - e. Proposed special purpose service districts under County authority; and
 - f. Other similar or related matters of mutual concern, which are agreed upon in writing by both parties to this agreement.
2. Provide City with the opportunity to review and comment on the following matters proposed within or by County for unincorporated areas outside City and inside the UGB prior to County issuing a decision pursuant to state and local law:
 - a. Proposed new or revised planning implementation ordinances; and/or
 - b. other legislative measures including, but not limited to, zoning and subdivision ordinances, conditional or special permit requirements, and large area zoning or rezoning proposals.
 3. Co-adopt with City the following land use actions within unincorporated areas outside City and inside the UGB:
 - a. Establishment of and changes to UGB; and
 - b. Comprehensive Plan and refinement plan adoption and amendments.
- B. City will:
1. Provide County with the opportunity to review and comment on the following actions proposed by City prior to City issuing a decision pursuant to state and local law:
 - a. Adoption and/or amendments to Comprehensive Plans and Functional Plans;
 - b. Proposed new or revised planning implementation ordinances and/or other legislative measures including, but not limited to:
 - (1) Zoning and subdivision ordinances;

¹ Unless such matters are integrated with other matters covered by this Agreement.

- (2) Conditional or special permit requirements, and
 - (3) Large area zoning or rezoning proposals;
- c. Applications for the following land use actions:
- (1) Wetland projects when identification of a jurisdictional wetland or mitigation occurs outside the city limits;
 - (2) Floodway permit approvals;
 - (3) Water and sewer service extensions; and
 - (4) Land use actions that impact County roads.
- d. Applications for the following land use actions any time the land use action requires City to send notice to an owner of land outside the city limits:
- (1) Rezoning;
 - (2) Conditional Use Permits;
 - (3) Partitions and Subdivisions;
 - (4) Planned Unit Developments;
- e. Other similar or related matters of mutual concern, which are agreed upon in writing by both parties to this agreement.
2. Co-adopt with County the following land use actions within unincorporated areas outside City and inside the UGB:
- a. Establishment of and changes to UGB; and
 - b. Comprehensive Plan and refinement plan adoption and amendments.
- C. The following PROCEDURES will be followed by both County and City in fulfilling this Agreement. The party to whom or by whom the action is proposed is referred to as the originating party. The party receiving the action for review is referred to as the responding party.
1. The originating party shall provide notice to the other party no less than 20 days prior to the first scheduled official action on the proposal.
 2. Written comments received by the originating party shall be part of the public record on the proposed action.
 3. City and County will act expeditiously in response to notice to provide any comments by specified date so as not to delay unnecessarily action by the other. Lack of response will be interpreted as no objection.
 4. City and County will designate staff members to receive notices and to serve as liaison to each other in an effort to provide prompt response to review requests.

- 5. Either party who has commented or otherwise requests notice of the decision will receive such notice.
- D. The parties will meet to negotiate resolution of problems or conflicts concerning interpretation or implementation of the terms of this agreement. A neutral third party may be used, if parties agree, to help facilitate the negotiations.
- E. This Agreement may be modified only by mutual written consent of both parties.
- F. This agreement commences immediately and will automatically renew every year unless terminated by one party giving the other party sixty (60) days written notice of intent to terminate. Not less than thirty (30) days in advance of termination date, the parties will meet to discuss the reasons for termination.

IN WITNESS WHEREOF the parties have executed this Joint Agreement on the date set opposite their signatures.

~~BOARD OF COUNTY COMMISSIONERS--~~
~~OF LANE COUNTY, OREGON--~~

WILLIAM A. VANVACTOR
 COUNTY ADMINISTRATOR

DATE 2/21/02

by William A. VanVactor

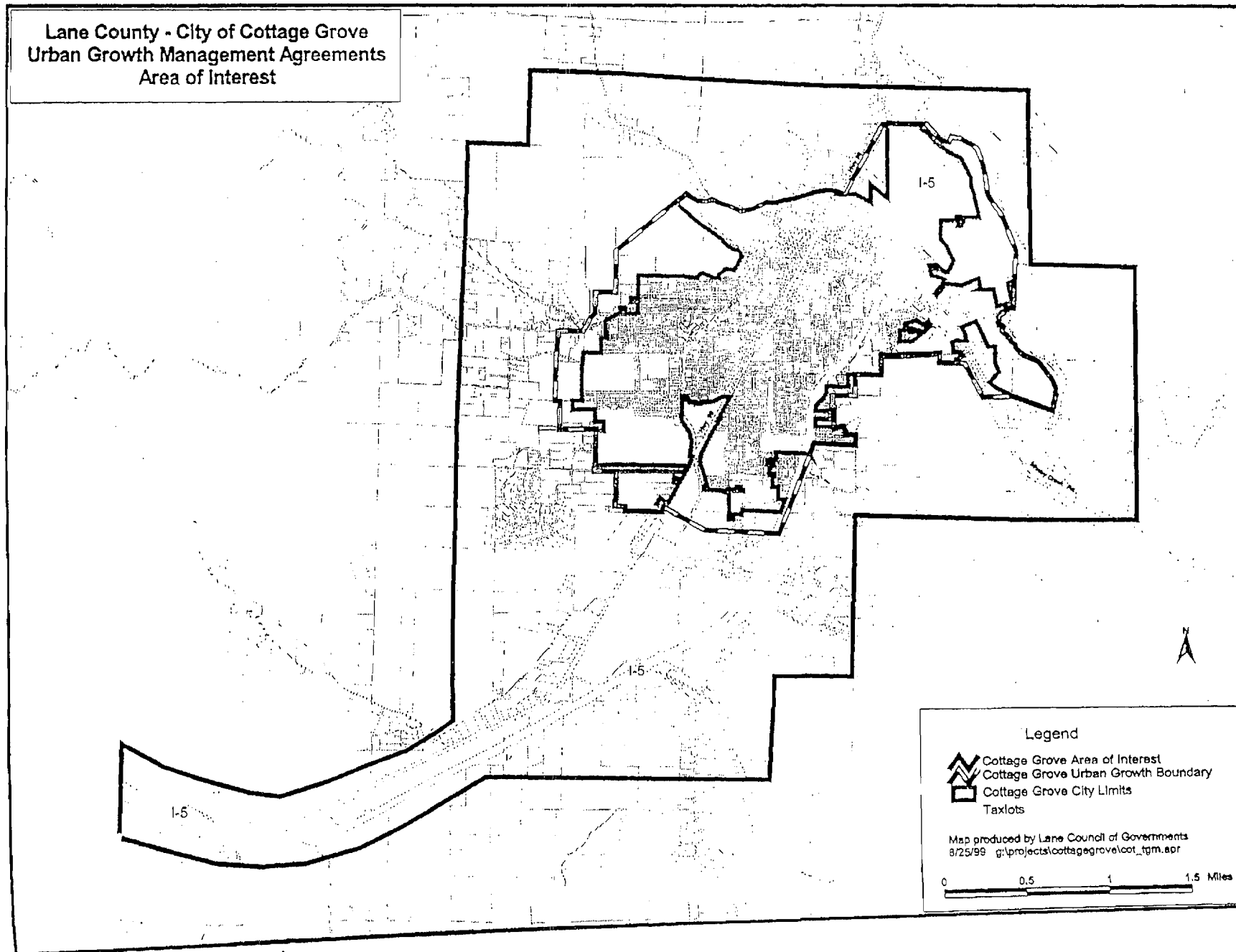
CITY OF COTTAGE GROVE

DATE Sept 28, 2001

by [Signature]

APPROVED AS TO FORM
 DATE 2/15/02 lane county
[Signature]
 OFFICE OF LEGAL COUNSEL

Lane County - City of Cottage Grove
Urban Growth Management Agreements
Area of Interest



Legend

- Cottage Grove Area of Interest
- Cottage Grove Urban Growth Boundary
- Cottage Grove City Limits
- Taxlots

Map produced by Lane Council of Governments
8/25/99 g:\projects\cottagrove\cot_tgm.apr

0 0.5 1 1.5 Miles

Amanda Ferguson

From: HOWE Kent [Kent.HOWE@co.lane.or.us]
Sent: Tuesday, March 29, 2011 4:44 PM
To: FERGUSON Amanda C (SMTP)
Cc: SCHESSER Howard (SMTP); SCHULZ Stephanie E; STEWART Faye H; LAIRD Matt P
Subject: RE: Amendment of Joint Agreement for Planning Coordination

Hi Amanda,

Initially I was thinking that it might make sense to do this effort county-wide. But, upon further reflection, it probably makes more sense to do city by city as each one amends their comp plan. Amending the coordination agreements individually is something that we can commit to within our existing small city coordination work that we have identified in our 2011 Long Range Planning Work Program. I support you including language in your PFP that states the City and County have committed to working together to update the Lane County/Cottage Grove UGMA in 2011 to reflect the current requirements of OAR 660-011-0015.

Kent Howe

Kent Howe
Planning Director
Lane County

From: Amanda Ferguson [<mailto:planner@cottagegrove.org>]
Sent: Friday, March 25, 2011 12:19 PM
To: HOWE Kent
Cc: SCHESSER Howard (SMTP); SCHULZ Stephanie E; STEWART Faye H
Subject: Amendment of Joint Agreement for Planning Coordination

Dear Kent,

The City of Cottage Grove is undergoing the adoption of a Public Facility Plan (addressing water, sanitary sewer and storm drainage facility provision through 2031). This document will become a refinement plan of our Comprehensive Plan, and will bring the city into compliance with Goal 11, a necessary step towards the eventual expansion of our UGB.

Per OAR 660-011, one of the appendices of this Public Facility Plan shall be our current Urban Growth Management Agreement with Lane County. The City's current agreement, titled "Joint Agreement for Planning Coordination Between Lane County and the City of Cottage Grove", was signed in 2001.

OAR 660-011-0015 requires that this UGMA includes a statement clarifying responsibility for the preparation, adopting and amendment of the public facility plan. (See text of the OAR below). This text is missing from our current Joint Agreement. OAR 660-011-0015 also states that if the current UGMA does not have this provision, it "shall be amended to do so prior to the preparation of the public facility plan".

As we are in the middle of a long-range planning project that necessitates the adoption of this PFP, we are proposing to include language in our PFP that states that the City and County have committed to working together to update this agreement in 2011 to reflect the current requirements of OAR 660-011-0015.

We would like to formally request that the County commit to working with Cottage Grove to amend our UGMA this year, whether that be through an individual City/County process or through a county-wide process.

Please let us know what your position on this process is. We look forward to working with you to solve this problem.

Thank you in advance for your help and cooperation.

Amanda Ferguson

City Planner

Cottage Grove
Community Development Department
400 E. Main Street
Cottage Grove, OR 97424
(541) 942-3340
planner@cottagegrove.org

660-011-0015

Responsibility for Public Facility Plan Preparation

(1) Responsibility for the preparation, adoption and amendment of the public facility plan shall be specified within the urban growth management agreement. If the urban growth management agreement does not make provision for this responsibility, the agreement shall be amended to do so prior to the preparation of the public facility plan. In the case where an unincorporated area exists within the Portland Metropolitan Urban Growth Boundary which is not contained within the boundary of an approved urban planning area agreement with the County, the County shall be the responsible agency for preparation of the facility plan for that unincorporated area. The urban growth management agreement shall be submitted with the public facility plan as specified in OAR 660-011-0040.

(2) The jurisdiction responsible for the preparation of the public facility plan shall provide for the coordination of such preparation with the city, county, special districts and, as necessary, state and federal agencies and private providers of public facilities. The Metropolitan Service District is responsible for public facility plans coordination within the District consistent with ORS 197.190 and 268.390.

Amanda Ferguson

From: Moore, Ed W [ed.w.moore@state.or.us]
Int: Thursday, April 07, 2011 9:49 AM
To: Ferguson, Amanda
Cc: Ed Moore; Gardiner, Gloria
Subject: Department comments on Cottage Grove PFP (CPA 2-11; DLCDC Cottage Grove 001-11)
Attachments: 660-011-0050 Standards for department review.pdf

Follow Up Flag: Follow up
Flag Status: Flagged

Amanda,

As I mentioned in my voice message, attached is a copy of our review comments on the above plan amendment. The PFP will meet the requirements of division 11 and can support the city's UGB expansion with the following amendments:

1. Add referenced plans as appendices to the PFP
2. Extend the revenue forecasts and analysis of the utility rate study, Appendix 4, to cover the entire planning period for which the UGB is proposed.

Item 1 above is a real easy fix since the studies are already done and require no amendments. The city can address Item 2 several way depending on how much work is involved - for the entire UGB or for only that area being added to the UGB; the city could propose that the revenue forecast for the area inside the existing UGB could be completed, say within a year from adoption of the PFP.

Finally as to timing; our preference would be for the city to address items 1 and 2 above prior to adoption of the PFP. However, if the city couldn't complete the analysis of Item 2 before the scheduled hearing date (and for purposes of adopting the PFP on schedule in the context of the city's UGB expansion), then the city could adopt the PFP without addressing Item 2; but when the PFP is reviewed in the context of the proposed UGB amendment (when it come to the department for acknowledgement in the manner of periodic review), we would request that the city address that deficiency at that time prior to acknowledgement of the expanded UGB. This second option could, however, potentially delay the acknowledgement of the new UGB.

Please give me a call and let me know how you want to proceed.

Ed

Ed Moore, AICP | Regional Representative
Community Services Division | Dept. Land Conservation and Development
S. Willamette Valley/S. Oregon Regional Office
c/o 635 Capitol St. NE, Suite 150 | Salem, OR 97301-2524
Voice: 971.239.9453 | Skype: ed.moore.dlcd
ed.w.moore@state.or.us | www.oregon.gov/LCD/

"What we count and measure reflects our values as a society and determines what makes it onto the policy agendas of governments. They can tell us whether we are better off than we used to be, whether we are leaving the world a better place for our children, and what we need to change." GPI Atlantic, 2009

660-011-0050

Standards for Review by the Department

The Department of Land Conservation and Development shall evaluate the following, as further defined in this division, when reviewing public facility plans submitted under this division:

(1) Those items as specified in OAR 660-011-0010(1);

(1) The public facility plan shall contain the following items:

(a) An inventory and general assessment of the condition of all the significant public facility systems which support the land uses designated in the acknowledged comprehensive plan;

(b) A list of the significant public facility projects which are to support the land uses designated in the acknowledged comprehensive plan. Public facility project descriptions or specifications of these projects as necessary;

(c) Rough cost estimates of each public facility project;

(d) A map or written description of each public facility project's general location or service area;

(e) Policy statement(s) or urban growth management agreement identifying the provider of each public facility system. If there is more than one provider with the authority to provide the system within the area covered by the public facility plan, then the provider of each project shall be designated;

(f) An estimate of when each facility project will be needed; and

(g) A discussion of the provider's existing funding mechanisms and the ability of these and possible new mechanisms to fund the development of each public facility project or system.

(2) Whether the plan contains a copy of all agreements required under OAR 660-011-0010 and 660-011-0015; and

(3) Whether the public facility plan is consistent with the acknowledged comprehensive plan.

Comment [EM1]: Contained in:
1998 Water System Master Plan
2007 Storm Drainage Master Plan
2007 Sanitary Sewer Master Plan
2009 Carollo Engineers Wastewater Study
Need to be incorporated as appendices to the PFP

Comment [EM2]: Tables:
Storm Drainage Pgs. 4 - 6
Water Pgs. 7 - 9
Wastewater Pgs. 10 - 11

Comment [EM3]: Tables:
Storm Drainage Pgs. 4 - 6
Water Pgs. 7 - 9
Wastewater Pgs. 10 - 11

Comment [EM4]:
Storm Drainage Appendix 1
Water Appendix 2
Wastewater Appendix 3

Comment [EM5]: Page 2 and Appendix 5

Comment [EM6]: Tables:
Storm Drainage Pgs. 4 - 6
Water Pgs. 7 - 9
Wastewater Pgs. 10 - 11

Comment [EM7]: Pg. 12
2010 Utility Rate Study Appendix 4
The FCS Group Utility Rate Study, Volume I, stops at 2015, but the PFP must have funding information for the full 20-year planning period

Comment [EM8]: Appendix 5

Comment [EM9]: Pg. 12

660-011-0045 Adoption and Amendment Procedures for Public Facility Plans

(1) The governing body of the city or county responsible for development of the public facility plan shall adopt the plan as a supporting document to the jurisdiction's comprehensive plan and shall also adopt as part of the comprehensive plan:

(a) The list of public facility project titles, excluding (if the jurisdiction so chooses) the descriptions or specifications of those projects;

(b) A map or written description of the public facility projects' locations or service areas as specified in sections (2) and (3) of this rule; and

(c) The policy(ies) or urban growth management agreement designating the provider of each public facility system. If there is more than one provider with the authority to provide the system within the area covered by the public facility plan, then the provider of each project shall be designated.



TO:

|||||
Attn: Plan Amendment Specialist
DLCD
635 Capitol St NE, Suite 150
Salem, OR 97301-2540