

RESOLUTION NO. 904

A RESOLUTION PRESCRIBING MONTHLY RATES TO BE CHARGED FOR SANITARY AND STORM SEWER SERVICE.

WHEREAS, the Canby City Council has determined that the total annual costs of operation, maintenance, and debt service of the sanitary and storm sewer collection, treatment, and disposal system (Sewer System) must be self-sustaining through collection of monthly service rates, and an increase in rates is required in order to fund increased costs of operating, maintaining, and upgrading the City's Sewer System; and

WHEREAS, the Canby City Council has determined through a financial forecast and rate analysis that a series of three annual increases is necessary to meet the Sewer System's financial obligations for the next three years; and

WHEREAS, the City's Sewer Ordinance provides that the Council by Resolution shall establish appropriate rates to be charged for monthly sewer services; and

WHEREAS, Section 26 (4) of Chapter 459 of Oregon Laws 1991 requires that a governing body, when adopting or amending a fee resolution imposing new rates, may include a provision classifying said fees as subject to or not subject to the limitations set in Section 11 (b), Article XI of the Oregon Constitution; and

WHEREAS, the City Council has determined that the rates hereinafter specified and hereby established are just, reasonable, and necessary; now therefore it is hereby

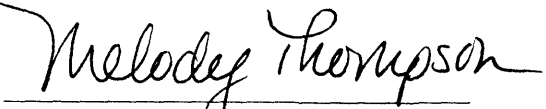
RESOLVED that:

1. Effective on each effective date shown in attached Exhibit "A," rates for sewer services shall be increased as specified in Exhibit "A."
2. The City reserves the right to allow non-residential customers to discharge and to charge additional rates for extra-strength sewage. Permission to discharge and rates for extra-strength sewage will be determined by the Wastewater Treatment Supervisor on a case-by-case basis.
3. For new non-residential customers, an estimate of usage will be made by the City and used for billing until a history of actual water usage is available. Deductions will be allowed for verified quantities of water lost in evaporation processes and water retained in products.
4. These sewer rates as now established shall continue until changed by subsequent resolution of the Canby City Council. The City Administrator shall notify the Canby Utility Board immediately of these rate changes so that they will be included in billings for the appropriate effective dates.

BE IT FURTHER RESOLVED that the Canby City Council hereby classifies the charges imposed herein as not being subject to the limitations imposed by Section 11(b), Article XI of the Oregon Constitution and that the City Recorder is hereby directed to publish notice in accordance with Oregon law.

This resolution is effective August 3rd, 2005.

ADOPTED by the Canby City Council on the 3rd day of August, 2005.



Melody Thompson, Mayor

ATTEST:



Kimberly Scheafek, City Recorder Pro Tem

RESOLUTION 904 - EXHIBIT "A"

Sewer Rates	Current rate (est. July 1, 1999)	Proposed Sept. 1, 2005	Proposed July 1, 2006	Proposed July 1, 2007
% increase		4%	4%	4%
Customer Class				
Residential single family	\$24.25	\$25.22	\$26.23	\$27.28
Residential apartment, per unit	\$24.25	\$25.22	\$26.23	\$27.28
Mobile home	\$24.25	\$25.22	\$26.23	\$27.28
Senior discount	\$17.28	\$17.97	\$18.69	\$19.44
Elementary School, per student	\$0.96	\$1.00	\$1.04	\$1.08
Middle & High School, per student	\$1.27	\$1.32	\$1.37	\$1.42
Transient housing (1st unit)	\$24.25	\$25.22	\$26.23	\$27.28
<i>Each additional bed</i>	\$12.73	\$13.24	\$13.77	\$14.32
Nursing home (1st two beds)	\$24.25	\$25.22	\$26.23	\$27.28
<i>Each additional bed</i>	\$12.73	\$13.24	\$13.77	\$14.32
Commercial retail, minimum	\$24.25	\$25.22	\$26.23	\$27.28
<i>per 100 cf of water use Nov. - March</i>	\$3.03	\$3.15	\$3.28	\$3.41
Commercial Government, minimum	\$24.25	\$25.22	\$26.23	\$27.28
<i>per 100 cf of water use Dec. & Jan.</i>	\$3.03	\$3.15	\$3.28	\$3.41
Industrial, minimum	\$24.25	\$25.22	\$26.23	\$27.28
<i>per 100 cf of water use</i>	\$3.03	\$3.15	\$3.28	\$3.41

SUMMARY

The City of Canby retained Economic & Financial Analysis to update the City's sanitary and storm sewer financial plan and recommend rate changes over the next few years. The City's sanitary and storm sewer systems are operated as a single unified utility that is financially self sufficient. Its primary source of revenue is a monthly user charge on customers connected to the sanitary sewer system. These revenues can be used for any operating or capital cost of the combined sanitary and storm sewer systems. The City also assesses all new real estate developments that connect to the sanitary sewer system a system development charge (SDC). State statutes restrict the use of SDC revenues to capital acquisitions and debt service.

The City periodically evaluates the utility's financial condition and future, and recommends rate changes and additional bond issues if necessary. In the 13 years since 1992, the City has increased rates only 5 times, and the last increase became effective July 1, 1999. Averaged over the 13 year, the City increased rates 2.7 percent per year; or, about the same as the average annual rate of inflation—2.5 percent.

The financial plan presented here recommends annual rate increases of 4 percent per year for the next four years. After that period, the City will have to re-evaluate its financial condition.

These rate increases along with a modest 1 percent annual rate of growth will provide sufficient revenue flow from user charges and the SDC to pay all operating and maintenance costs, complete about half of the \$5.1 million of capital improvements identified on the City's capital improvement plans for sanitary and storm sewers, payoff the utility's debts, and maintain a cash reserve sufficient to cover unexpected problems.

Table 1 and Figure 1 show the progression of the monthly single-family sewer rate (Table 10 below shows the rate schedule for all customer classes). The dashed line in Figure 1 is a trend line that approximates the average rate of inflation. Figure 2 shows revenues from user charges exceed operating expenses. The net income from operations (the area between Rate Revenues and Operating Costs in Figure 2) is used to pay annual interest and principal (debt service) on outstanding loans, make capital improvements, or be held in reserve for future year expenditures. Cash and Investments fluctuate as the City makes capital improvements and pays off existing debts.

Table 1 History and Forecast Sewer Bill, Single-Family Household

	Effective Date	% Increase	Single family	\$ Increase
History	1-Apr-92		\$17.75	
	1-Jul-93	2.82%	\$18.25	\$0.50
	1-Apr-94	10.96%	\$20.25	\$2.00
	1-Dec-97	9.88%	\$22.25	\$2.00
	1-Jul-98	4.49%	\$23.25	\$1.00
Current	1-Jul-99	4.30%	\$24.25	\$1.00
Recommendations	1-Jul-05	4.00%	\$25.22	\$0.97
	1-Jul-06	4.00%	\$26.23	\$1.01
	1-Jul-07	4.00%	\$27.28	\$1.05
	1-Jul-08	4.00%	\$28.37	\$1.09
	1-Jul-09	3.50%	\$29.36	\$0.99
	1-Jul-10	3.50%	\$30.39	\$1.03
	1-Jul-11	3.50%	\$31.45	\$1.06

Source: Economic & Financial Analysis.

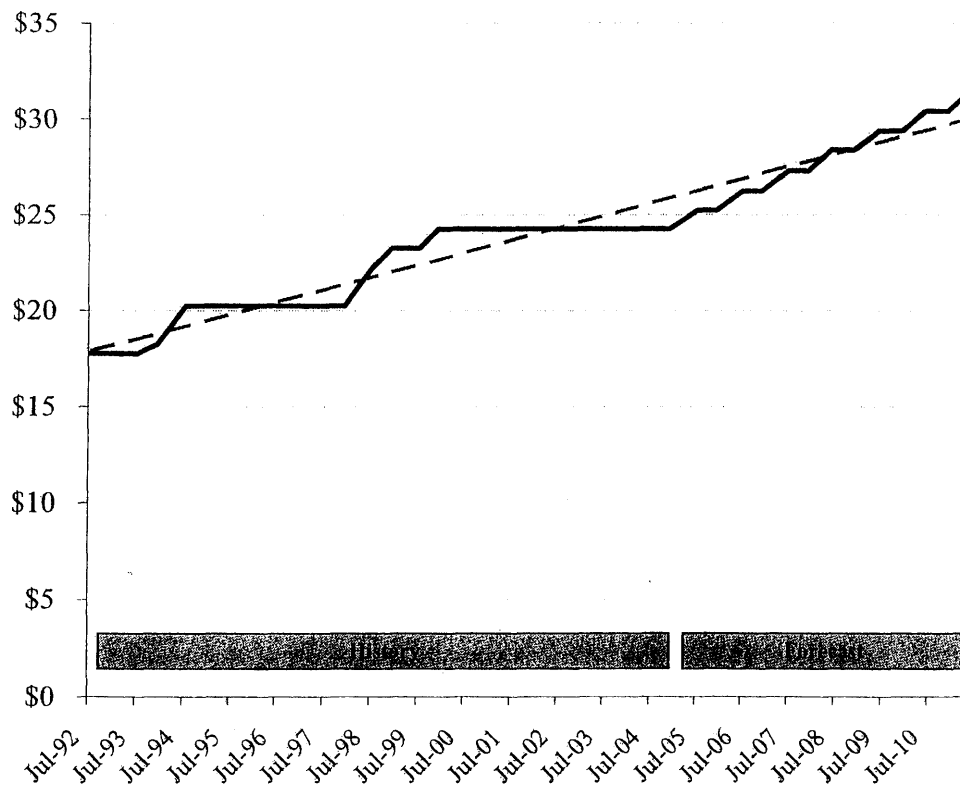
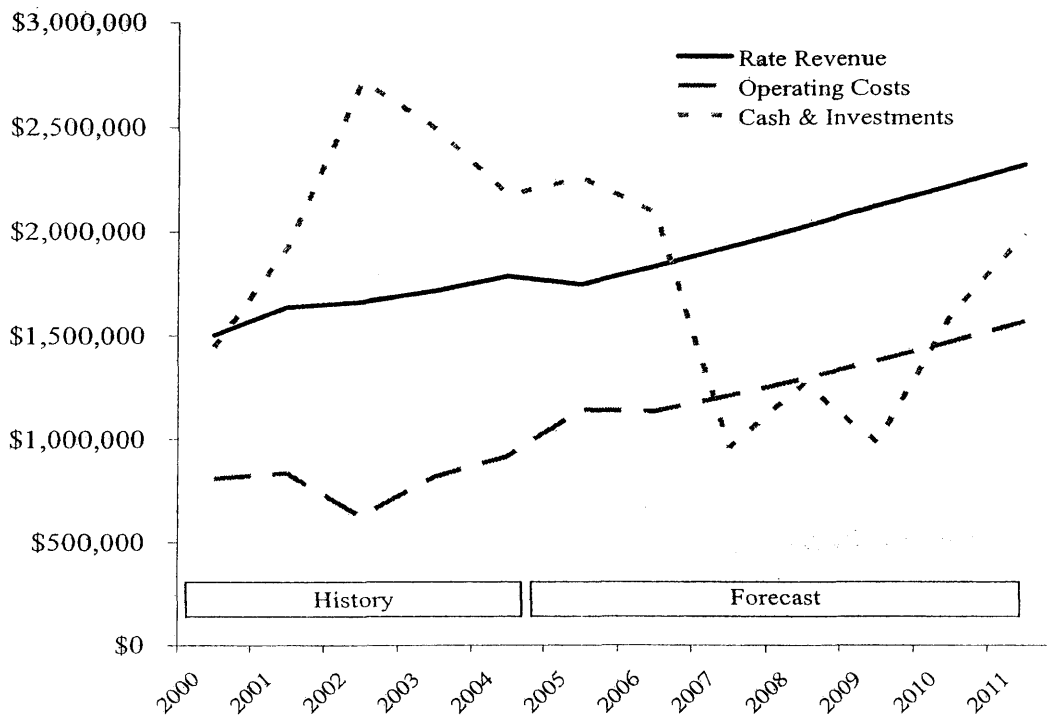
Figure 1 History & Forecast Monthly Sewer Bill, Single-Family

Figure 2 History & Forecast Cash Flows



RATE RECOMMENDATIONS

Table 9 shows the schedule of utility rates since April 1, 1992. Since then the City increased rates effective July 1, 1993, April 1, 1994, December 1, 1997, July 1, 1998, and finally July 1, 1999. For the past 5 years rates have remained constant.

The City uses several customer classes, most of which are shown in Table 9. The rates are based on the average sewage flow from a single family house, and the corresponding rate per house is \$24.25 per month. Apartments units and mobile homes pay the same rate as single family house, \$24.25 per month per housing unit. Senior citizens over the age of 65 and who earn less than \$13,650 per year qualify for a 30 percent discount.

Schools pay on the basis of enrollment that is certified by the school district at the first of each school year. Once set, the rate remains unchanged throughout the rest of the year.

Transient housing complexes and nursing homes pay a fixed monthly base rate of \$24.25 for the first transient unit or first 2 beds in a nursing home, and \$12.73 for each unit or bed thereafter.

Commercial and industrial customers pay \$3.03 per 100 cubic feet of recorded water usage but no less than the amount paid by a single family house, \$24.25.

Since 1992, rate increases have averaged 2.7 percent per year. The single largest increase was in April 1994 when rates were increased 11 percent. Three and a half years later the City increased rates another 9.88 percent followed by another 4.49 percent increase six months later—an accumulated one year increase of 15 percent. Rate increases were sporadic and in response to major capital improvements that required borrowing to fund.

The forecast avoids these sporadic increases by adopting annual increases based on the rate of inflation in operating and capital costs, and in response to the rate of growth. In the forecast, we assume rates of inflation of operating costs and capital costs that are marginally higher than in the recent history. Labor and energy costs have been increasing faster than inflation for the past two years. Also, the forecast is based on a slower growth rate (1 percent per year) than it has been historically—4.3 percent per year.

Table 10 shows the recommendations for rate increases: 4 percent per year beginning July 1, 2005 and each year through July 1, 2008. Rate increases thereafter need to be adjusted for inflation. The further the forecast extends into the future the less accurate it is because of the number of variables that can change. Through June 30, 2009, the single-family sewer rate will have increased \$4.12 per month—from \$24.25 to \$28.37.

After June 30, 2009 the City will have repaid two of its three loans and paid for more than one-half of the planned capital improvements. Annual rate adjustments likely may be reduced to 3.5 percent per year. By June 30, 2011, the single-family sewer rate will have increased to \$31.45.

Each year the City will have to evaluate changes in operating costs and the actual growth over the past year to evaluate the proposed rate increase.

Table 9 History and Current Rates by Class

Effective Date of Rates	History					Current 1-Jul-99
	1-Apr-92	1-Jul-93	1-Apr-94	1-Dec-97	1-Jul-98	
Annual rate Increases	N/A	2.82%	11.00%	9.88%	4.49%	4.30%
Customer Class						
Residential single family	17.75	18.25	20.25	22.25	23.25	24.25
Residential apartment, per unit	17.75	18.25	20.25	22.25	23.25	24.25
Elementary school, per student	0.67	0.68	0.80	0.88	0.92	0.96
Middle & high schools, per student	0.89	0.91	1.06	1.16	1.22	1.27
Mobile home	17.75	18.25	20.25	22.25	23.25	24.25
Senior Discount	12.65	13.00	14.43	15.86	16.57	17.28
Transient Housing (1st unit)	17.75	18.25	20.25	22.25	23.25	24.25
Each additional bed	8.88	9.23	10.63	11.68	12.20	12.73
Nursing home (1st 2 beds)	17.75	18.25	20.25	22.25	23.25	24.25
Each additional bed	8.88	9.23	10.63	11.68	12.21	12.73
Commercial Retail, minimum	17.75	18.25	20.25	22.25	23.25	24.25
per 100 cf of water use Nov.--March	2.22	2.28	2.53	2.78	2.90	3.03
Commercial Government, minimum	17.75	18.25	20.25	22.25	23.25	24.25
per 100 cf of water use Jan & Dec	2.22	2.28	2.53	2.78	2.90	3.03
Industrial, minimum	17.75	18.25	20.25	22.25	23.25	24.25
per 100 cf of water use	2.22	2.28	2.53	2.78	2.90	3.03

Table 10 Future Rate Recommendations by Customer Class

	Current 1-Jul-99	Recommendations 1-Jul-05	1-Jul-06	1-Jul-07	1-Jul-08	1-Jul-09	1-Jul-10	1-Jul-11
Annual rate Increases		4.00%	4.00%	4.00%	4.00%	3.50%	3.50%	3.50%
Customer Class								
Residential single family	24.25	25.22	26.23	27.28	28.37	29.36	30.39	31.45
Residential apartment, per unit	24.25	25.22	26.23	27.28	28.37	29.36	30.39	31.45
Elementary school, per student	0.96	1.00	1.04	1.08	1.12	1.16	1.20	1.24
Middle & high schools, per student	1.27	1.32	1.37	1.42	1.48	1.53	1.58	1.64
Mobile home	24.25	25.22	26.23	27.28	28.37	29.36	30.39	31.45
Senior Discount	17.28	17.97	18.69	19.44	20.22	20.93	21.66	22.42
Transience Housing (1st unit)	24.25	25.22	26.23	27.28	28.37	29.36	30.39	31.45
Each additional bed	12.73	13.24	13.77	14.32	14.89	15.41	15.95	16.51
Subsiding home (1st 2 beds)	24.25	25.22	26.23	27.28	28.37	29.36	30.39	31.45
Each additional bed	12.73	13.24	13.77	14.32	14.89	15.41	15.95	16.51
Commercial Retail, minimum	24.25	25.22	26.23	27.28	28.37	29.36	30.39	31.45
per 100 cf of water use Nov.--March	3.03	3.15	3.28	3.41	3.55	3.67	3.80	3.93
Commercial Government, minimum	24.25	25.22	26.23	27.28	28.37	29.36	30.39	31.45
per 100 cf of water use Jan & Dec	3.03	3.15	3.28	3.41	3.55	3.67	3.80	3.93
Industrial, minimum	24.25	25.22	26.23	27.28	28.37	29.36	30.39	31.45
per 100 cf of water use	3.03	3.15	3.28	3.41	3.55	3.67	3.80	3.93