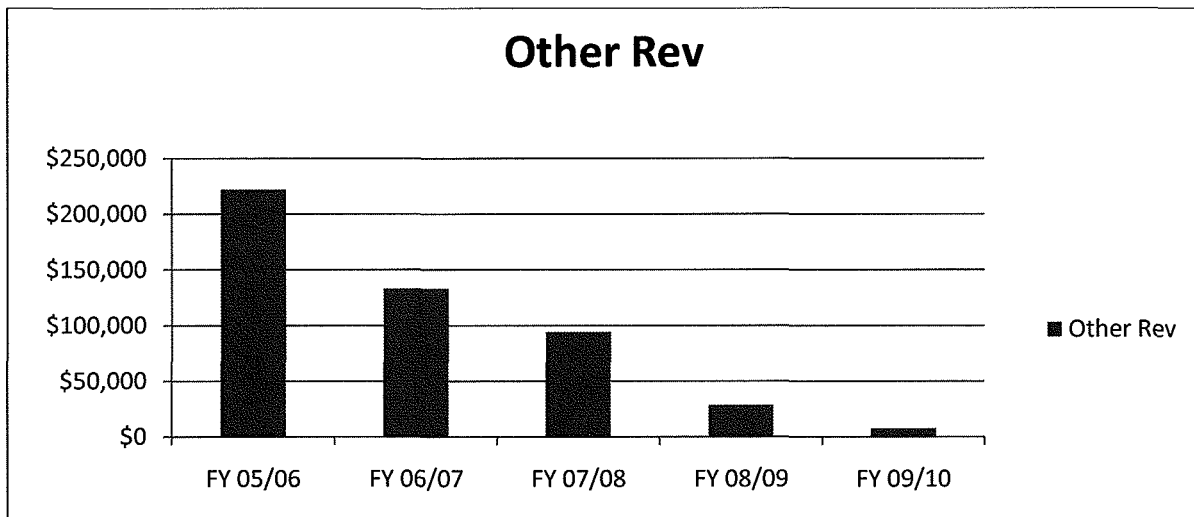
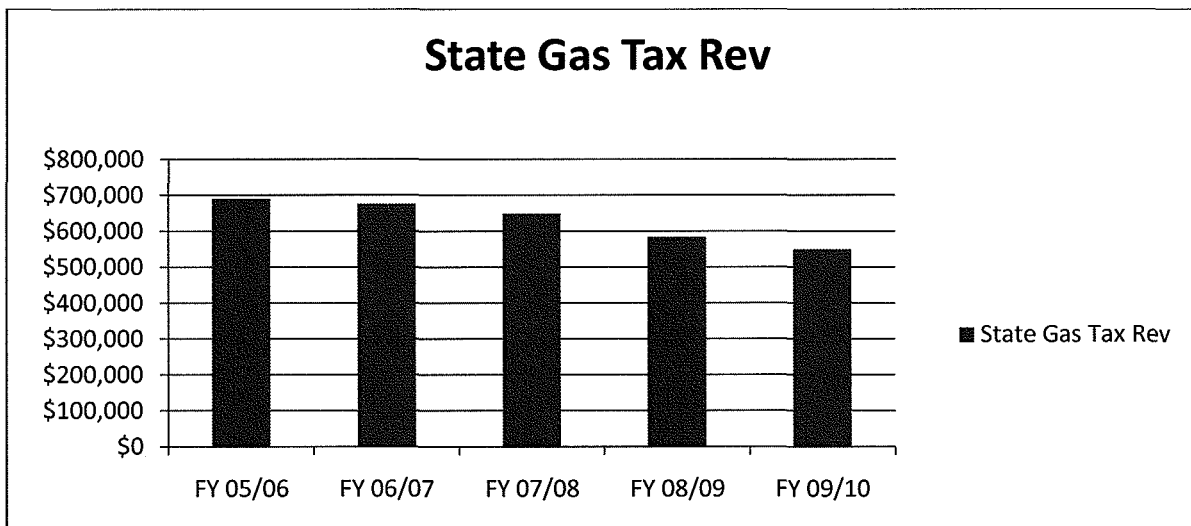
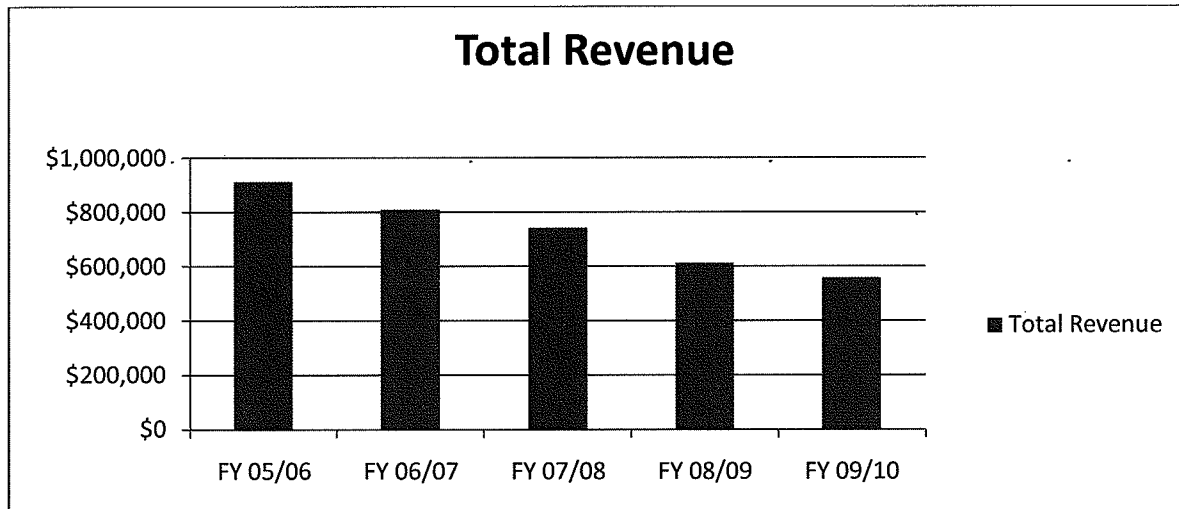


City Council Work Session - Major Policy Decisions 2010
January 6, 2010

In the past few years revenue from state gas taxes have been steadily declining. The chart below depicts a 20 percent drop in state gas tax revenue from FY 05/06 (\$690,437) to the projected FY 09/10 revenue of \$550,000. To compound the problem, other street fund revenues (construction excise tax, street repairs, erosion control fees and miscellaneous revenue) have also declined during the same period from \$222,027 in FY 05/06 to a projected \$7,721 in FY 09/10, which equates to a 96.5 percent reduction (see chart below). The final chart depicts total street fund revenue during the same time frame showing a 39 percent reduction (\$912,464/\$557,721). Please note that local gas, street maintenance fee and SDC's (system development charge) revenue was not included because they do not fund operations.





With declining revenue in the street fund it became necessary to reduce staff in the FY 09/10 budget. The FY 09/10 budget included reassigning two maintenance works dedicated to the street fund, one to building maintenance and the other to storm water. This leaves only two maintenance positions in the street department to perform routine maintenance. The duties include: patching potholes and minor street repairs, small overlays, curb repairs, tree trimming, street light maintenance, street sign maintenance (full time job), pavement markings, and various other activities. Needless to say, we lack sufficient staff to perform routine maintenance in the street department. In an effort to find additional funding for the street department, staff proposes the following revenue sources:

Funding utility locating services with franchise fee revenue

During calendar year 2009 Public Works spent 506 hours performing utility locates related to requests from Canby Utility, Wave Broadband Cable, Canby Telcom and NW Natural Gas. The hours, including overhead, equates to approximately \$37,950. The FY 09/10 budget projects the City will receive \$510,000 in lieu of taxes from Canby Utility, \$85,000 from Wave Broadband Cable franchise, \$90,000 from Canby Telcom franchise and \$175,000 from NW Natural Gas franchise. PW Staff proposes to allocate \$40,000 to the street fund to cover costs directly related to locate requests from franchise utilities.

Street Light Fee

In FY 07/08 the Street Fund expended \$54,763 to maintain street lights throughout the City. The expenditures included charges from Canby Utility for electricity and street light repairs, light fixtures, bulbs and photocells. It does not, however, include the cost of PW maintenance workers to replace bulbs and photo cells. During the 2009 calendar year PW expended 249 man hours at \$18,638 and 125 equipment hours at \$9,531 totaling \$28,169 to change street light bulbs and photo cells. All expenditures associated with street lighting totals \$82,932. Staff proposes creating a monthly street light fee of \$1.25 per month to be used to maintain the street light system. Currently there are 5,740 customers billed monthly which would generate \$86,100 annually. Staff would also propose the creation of a street light fund to make accounting of the revenue and expenditures easier. Any revenue not expended would remain in the fund.

Create a Storm Water Fund

Staff is in the process of developing a request for proposal (RFP) to hire a financial consultant to update the sewer rates and calculate a new storm water rate. Currently a portion of the sewer rate is intended to be used maintaining storm water infrastructure (according to the last sewer rate study completed in March 2005), but the exact amount was never clearly specified. Due to new regulations related to UIC's (underground injection control *drywells*) and the creation of several infiltration swales, staff is spending far more time working on storm water issues. With the creation of a clearly defined storm water rate, staff proposes the creation of a storm water fund to ease tracking of revenue, expenditures and SDC reserves. The storm water rate will initially be calculated based on staff time maintaining UIC's, UIC sampling, cleaning storm water piping and catch basins, maintaining infiltration swales and street sweeping. The storm water fee will also include a component to fund a storm water master plan. When the master plan is complete, rates and system development charges can be updated to reflect recommendations contained in the master plan.

City of Canby

Memorandum

DATE: January 6, 2010

TO: Mayor and Members of the City Council

FROM: Dwayne Barnes, Director of Public Works

SUBJECT: Reassuming The Water Department from CUB

Reassuming the Water System From Canby Utility Board

In 1982 a new City Charter was adopted by voters which placed jurisdiction, control, and management of all water facilities and services within Canby to the City of Canby. It also included a clause that permits the City to delegate all or a portion of its powers and duties relating to the operation and management of water facilities and services to CUB (Canby Utility Board); provided further that the City would retain ultimate jurisdiction, control and management of the water department and its operations and facilities.

The City subsequently entered into an IGA (intergovernmental agreement) with CUB granting authority to operate and manage the water system. The IGA includes language that the City can revoke the IGA after providing CUB with at least a one fiscal year notice to do so.

Up until December 2008 the City contracted with CUB for sewer billing because it was more cost effective to have CUB provide billing services because they were already billing for water and electrical. CUB was approached to add billing for Street Maintenance Fee (SMF) but wasn't interested. With the implementation of the SMF and the need for monthly billing it was decided the City would reassume sewer billing and do both billings in house.

Staff recommends the Council provide notice to Canby Utility that the City wishes to manage the water fund. The following reasons support staff's opinion that the City is prepared to manage the water fund:

- We now have billing resources in house and it only makes sense to bill water as well.

- Utility billing overhead can be split three ways (water, SMF, sewer) saving each fund money.
- The addition of the water fund will provide the City with the opportunity to reduce overhead costs paid by the Sewer and Street Funds.
- Most cities the size of Canby have at least one staff engineer and engineering technician. The addition of the Water Department will most likely allow the City to create these positions.
- To my knowledge, all of our neighboring cities have control of their respective water departments, which makes the City stronger as a whole.
- The cost for large equipment like dump trucks, backhoes, etc. could be spread over more funds which will strengthen the Fleet Department.
- Currently CUB water has several dump trucks and backhoes that were purchased with water funds. When the fleets are combined several redundant pieces of equipment can be surplused and the rental cost to all PW departments can be spread over three funds making all the funds stronger.
- Currently locates is a full time job for both CUB water and City Sewer/Storm Sewer. When the water department is returned to the City, one person can locate water, sewer and storm sewer, spreading the cost three ways and streamlining the locate process.
- CUB has four field staff in water department. Between locates and daily activities it's almost impossible to complete water line improvements in a reasonable time frame. The IGA states that any position funded by water funds is to be returned to the City if the water department is returned. This would bring the Public Works field staff to 10 employees, which gives all departments the ability to draw from a larger pool provided each fund pay for the labor expended in the respective department.
- When someone wants to develop property, they enter a very confusing process related to paying connection fees and system development charges. They have to go to the City for building permits, sewer fees, street fees and erosion control fees, and then they have to go over to CUB to pay water fees. It makes sense from a customer services perspective for the customer to pay all fees in one place.
- We have the management capacity in place which is better equipped to manage water systems. I am certified by the State of Oregon as a Water Distribution System Operator level four, which is the highest level possible in Oregon. To my knowledge, none of CUB's management staff are certified in water distribution. I am also certified as a Water Treatment Plant Operator level three and have 24 years experience managing water treatment and distribution systems including 14 years at department director level. CUB has no certified water treatment operators and contracts with Veolia North America for treatment plant operations.