



PUBLIC WORKS DEPARTMENT

WATER/WASTEWATER TASK FORCE

Si necesita ayuda para comprender esta información, por favor llame 503-588-6211

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Task Force Members

- Brad Nanke, City of Salem Councilor, Chair
- Bruce Anderson, City of Keizer Councilor
- Steven Anderson, General Public
- Warren Bednarz, City of Salem Councilor
- Chuck Bennett, City of Salem Councilor
- Sam Brentano, Marion County Board of Commissioners
- Bill Burich, Food Processing
- Mark Fields, Suburban East Salem Water District
- Jim Lewis, City of Salem Councilor
- Greg Machado, Chamber of Commerce
- Rick Massey, Salem Homebuilders' Association
- David Sawyer, Administrator, City of Turner

City Staff

- Peter Fernandez, PE, Public Works Director
- Alicia Blalock, Administrative Services Manager
- David Lacy, Management Analyst
- Judy Postier, Executive Assistant

MEETING AGENDA

Thursday, July 28, 2016
11:30 a.m. – 1:30 p.m.
Traffic Control Center Conference Room
Public Works Department
555 Liberty Street SE, Room 325

1. Call to Order
2. Discussion Items
Resume with Discussion Paper E
3. Public Comment
4. Next Meeting: August 11, 2016

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City of Salem Public Works Department
Water/Wastewater Task Force
FINAL ACTION SHEET
July 14, 2016

Call to Order

The meeting was called to order at 11:35 a.m. by Chair Brad Nanke.

Members in Attendance:

Brad Nanke, Chair, Salem City Council
Bruce Anderson, Keizer City Council
Steve Anderson, General Public
Warren Bednarz, Salem City Council
Chuck Bennett, Salem City Council
Sam Brentano, Marion County Commissioner
Bill Burich, General Business
Mark Fields, Suburban East Salem Water District
Jim Lewis, Salem City Council
Rick Massey, Salem Homebuilders' Association
Greg Machado, Chamber of Commerce
David Sawyer, Administrator, City of Turner

Public:

Kathleen Dewoina, Citizen
Rich Fry, Developer
Kent Hunsaker, Creekside Resident
Tim Wood, City of Keizer Finance Director

Absent Members:

None

Discussion Items

Item A: Irrigation Cost Relief Options – Steve Anderson made a motion to keep the Irrigation classification but examine the recommendation for capping the rate and spreading the difference to the other customer classes (Option 5). Motion was seconded. The motion carried unanimously.

Item B: Utility Debt Prepayment and Refinancing Options – Warren Bednarz made a motion to support Option 1 for both the 2009 OECDD Loan (Prepay Remaining Balance in January 2017) and 2009 FF&C Loan (The City will work with financial advisors to analyze the existing debt, and determine the structure of the refunded debt issuance). Motion seconded by Chuck Bennett. Motion carried unanimously.

Item C: Utility Rate Support for Distressed Water Systems – Warren Bednarz made a motion to have staff either develop a policy of fixed maximum payment per customer or advertise the cost of improvements as set by staff. Chuck Bennett seconded the motion. The motion carried unanimously.

Item D: Utility Rate Support for Floodplain Properties – Warren Bednarz made a motion to adopt Options 1 (Staff Provided Information Support) and 2 (New Loan Program). The motion was seconded by Chuck Bennett. A counter motion was made by Steve Anderson to defer to a later date. The motion was seconded by Sam Brentano. The motion failed by a 3 yea to 5 nay vote. The original motion carried by a 5 yea to 3 nay vote.

Public Comment

Kent Hunsaker and Rich Fry provided comments on Item A as they relate to the operation of Creekside Golf Course. Kathleen Dewoina provided comments on Item A as they relate to impacts on residential customer classifications.

Adjourn

The meeting adjourned at 1:37 p.m. The next meeting is July 28, 2016.

A - Irrigation Cost Relief Options

(Revised 7/28/16)

Policy Question

Shall the City of Salem make a change in policy regarding irrigation rates?

Summary

Representatives from Creekside have requested a change in billing practice for the golf course. They proposed reclassification of their irrigation account to a commercial water only account. This proposal could be handled administratively, however issues such as this are normally considered as part of the Cost of Service Analysis (COSA) methodology (last updated by the City in 2012). Under the current COSA framework, all irrigation accounts pay a significantly higher volumetric rate (per unit of consumption) compared to commercial or other types of accounts. The next COSA update has not been scheduled at this time. Given that this decision is critical to the operation of the golf course and the surrounding neighborhood, staff has developed options for consideration in this rate cycle.

Discussion

Irrigation volumetric rates, currently priced at \$4.24 per hundred cubic feet (ccf), are significantly higher than the volumetric rates of Residential (\$2.65), Public (\$2.58), Commercial (\$2.19), or Multi-family (\$2.14) accounts. There are currently about 670 inside-City irrigation accounts representing residential, multifamily, commercial, and public uses. As part of the 2012 COSA a large amount of data was collected on water use by customer class. Salem's methodology employs a common rate setting practice of assigning peaking costs to customer classes based on their share of the water consumed during peak usage periods. Customers who demand proportionately more water during peak demand periods have a greater cost to serve than those who do not. By their very nature, irrigation accounts have the highest proportionate use of the system during the peak summer season, and as a result, irrigation customers pay more per ccf than customers who use water more consistently throughout the year.

The current rates reflect customer usage characteristics developed in 2011. More current water use data were analyzed to determine whether there had been changes in relative peak demands across customer classes. Data from 2015 show a modest reduction (almost 10 percent) in irrigation peak demands relative to other customer classes. In evaluating the equity of the current rates, it may also be appropriate to consider different types of peaking requirements. While current water meters do not allow for analysis and monitoring of peak day or hour demands (unlike electric meters), it is often the case that large nonresidential customers irrigate during off-peak hours. Peak hour costs represent approximately 20 percent of total irrigation costs.,

Several alternatives may be considered that would have the requested outcome of reducing the cost of irrigation water either to all customers or specifically to Creekside Golf Course. Some options may achieve a similar result for Creekside, but may have vastly different impacts on total revenue or other customer classifications. Following are four possible options for consideration

A - Irrigation Cost Relief Options

(Revised 7/28/16)

as well as the preliminary estimated financial impacts and administrative or policy considerations associated with each.

1. Eliminate the Irrigation Classification and reclassify all accounts to the companion Commercial, Public, Single Family Residential, or Multi-family classification providing the main service to the customer.

Estimated Impacts

- Reduction of approximately \$1,000,000 in water revenue
- Savings of approximately \$100,000 to Creekside Golf Course
- Increase in water volumetric rates of 4 to 5 percent for all customers inside the City would be necessary to maintain current revenue.
- Estimated cost to an average single family customer (8 ccf) would be about \$1 per month (assuming a 5 percent increase in volume rates)

Considerations

- Requires considerable administrative effort resulting from the reclassification of approximately 670 accounts.
- An estimated five percent of the accounts will require field verification.
- More difficult to implement than some other options based on broader impact.
- If this is the preferred option, a decision would need to be made about how much analysis specific to customer classes is required to recalculate peaking factors and redistribute costs proportionately to the non-irrigation classes. A change of this kind outside of a full COSA negates the methodology to some degree for all classes.

2. Reclassify Creekside Golf Course as Commercial.

Estimated Impacts

- Reduction of about \$100,000 annually in water revenue to the utility
- Savings of \$100,000 to Creekside Golf Course.
- Volumetric rate increase of 0.5 percent for all inside-city customers to maintain revenue.
- Estimated cost to an average single family customer (8 ccf) would be \$.11 per month (assuming 0.5 percent increase shared by all customers).

Considerations

- Equity concerns for many customers and customers classes.
- Other Irrigation account holders, such as cemeteries, maintain large landscaped areas for business purposes and would continue to be charged the higher rate.
- Public customers, such as schools, maintain and irrigate ballfields and would continue to pay the higher rate.

A - Irrigation Cost Relief Options

(Revised 7/28/16)

3. Create a Golf Course classification with a reduced irrigation rate.

Estimated Impacts

- To be calculated when rates are identified.

Considerations

- Development of a new class would be challenging without revising the COSA. A basis for calculating the rate must be identified based on the user characteristics that define the classification.

4. Maintain the current classification system until the next COSA is conducted.

Estimated Impacts

- No revenue loss to the utility as long as Creekside Golf Course continues current consumption levels.
- No savings to Creekside Golf Course without a change in billing practice.

5. Maintain the current classification system and reduce the irrigation rate to reflect more current usage characteristics and eliminate peak hour costs.

Estimated Impacts

- The combined change from both adjustments is approximately 30 percent and would result in a rate reduction to \$2.97 from \$4.24 per ccf.
- Reduction of about \$600,000 annually in water revenue to the utility if not reallocated to other customers through the rate structure.
- Savings of \$60,000 to Creekside Golf Course.
- Volumetric rate increase of three percent for all inside-city customers to maintain revenue.
- Estimated cost to an average single family customer (8 ccf) would be about \$0.65 per month (assuming 3 percent increase shared by all customers).

Considerations

- Provides same benefit to all irrigation customers and maintains integrity of classification system.
- Most residential accounts do not have separate irrigation meters, so their rate is a combined irrigation/indoor use. It is appropriate for the pure irrigation rate to be higher than a hybrid rate for Residential at \$2.65 per ccf (or \$2.73 per ccf if costs are reallocated through the rate structure.)

Options and Recommendations

Staff recommends Option 5.