CITY COUNCIL AGENDA

July 11, 2016, 6:15PM

EXECUTIVE SESSION

CITY COUNCIL CHAMBERS, CITY HALL
29592 ELLENSBURG AVE
GOLD BEACH OR 97444

PRIOR TO THE BEGINNING OF THE EXECUTIVE SESSION, THE MAYOR SHALL READ THE FOLLOWING STATEMENTS INTO THE RECORD:

The City of Gold Beach City Council will now meet in executive session pursuant to ORS 192.660 (2)f) to consider written advice from our attorney.

Credentialed representatives of the news media and designated staff shall be allowed to attend the executive session. All other members of the audience are asked to leave the room. Representatives of the news media are specifically directed not to report or disclose any of the discussions during the executive session, except to state the general subject of the session previously announced. No decision may be made in executive session. At the end of the executive session, we will return to open session and welcome the audience back into the council chambers.

The executive session is held pursuant to ORS 192.660 (2) (f) To consider information or records that are exempt by law from public inspection, including written advice from our attorney.

Call to order: Time: _____

1. The pledge of allegiance

2. Roll Call:

	Present	Absent
Mayor Karl Popoff		
Council Position #1 Melinda McVey		
Council Position #2 Larry Brennan		
Council Position #3 Becky Campbell		
Council Position #4 Doug Brand		
Council Position #5 Tamie Kaufman		
City Administrator Jodi Fritts		

3. **Special Orders of Business:**
   None scheduled
4. **Consent Calendar**
   None scheduled
5. **Citizens Comments**
   None scheduled
6. **Public Hearing**
   None scheduled
7. **Citizen Requested Agenda Items**
   None scheduled
8. **Public Contracts and Purchasing**
   None scheduled
9. **Ordinances & Resolutions**
   None scheduled
10. **Miscellaneous Items (including policy discussions and determinations)**
    None scheduled
11. **City Administrator's Report**
    Will be presented at regular meeting
12. **Mayor and Council Member Comments**
    Will be presented at regular meeting
13. **Citizens Comments**
    None scheduled

14. **Executive Session**

The executive session was held pursuant to ORS 192.660 (2) (f) To consider information or records that are exempt by law from public inspection, including written advice from our attorney.

15. **Adjourn** **Time: _____**

CITY COUNCIL AGENDA
July 11, 2016, 6:30PM
Regular Meeting

CITY COUNCIL CHAMBERS, CITY HALL
29592 ELLENSBURG AVE
GOLD BEACH OR 97444

NOTE: THE COUNCIL WILL MEET IN EXECUTIVE SESSION AT 6:15 PRECEDING THE REGULAR MEETING. THE EXECUTIVE SESSION MAY/MAY NOT GO PAST 6:30. IF THE DOORS TO THE COUNCIL CHAMBERS ARE STILL CLOSED AT 6:30 THE EXECUTIVE SESSION IS STILL IN PROGRESS. PLEASE DO NOT ENTER. ONCE THE EXECUTIVE SESSION HAS CONCLUDED THE MAYOR WILL ANNOUNCE THAT THE REGULAR MEETING WILL BEGIN AND INVITE THE PUBLIC INTO THE CHAMBERS. THANK YOU.

Call to order: **Time:** _____

1. **The pledge of allegiance**
2. **Roll Call:**

	Present	Absent
Mayor Karl Popoff		
Council Position #1 Melinda McVey		
Council Position #2 Larry Brennan		
Council Position #3 Becky Campbell		
Council Position #4 Doug Brand STARTING VOTE		
Council Position #5 Tamie Kaufman		
City Administrator Jodi Fritts		
Student Liaison VACANT		

3. **Special Orders of Business:**
   The Mayor will present Appreciation of Service to Community Awards

4. **Consent Calendar:**
   None Scheduled

5. **Citizens Comments**
   As presented to the Mayor at the beginning of the meeting

6. **Public Hearing**
   a. Resolution R1617-02, calling for an election to refer to voters a tax on retail sales of recreational marijuana *(adoption in Section 9 further in meeting)*

7. **Citizen Requested Agenda Items**
   a. Request to address the Council-Amy Gaddis & Laurie Van Zante RE: Gold Beach Main Street (formerly Beautification Project) and water service

8. **Public Contracts and Purchasing**
   None Scheduled

9. **Ordinances & Resolutions**
   a. R1617-02 calling for an election to refer to voters a tax on retail sales of recreational marijuana
   b. R1617-01 adopting RCAC Water Rate Study

10. **Miscellaneous Items (including policy discussions and determinations)**
    a. Discussion of water rates for FY1617—resolution to adopt at August meeting
    b. LOC request for legislative priorities
    c. Discussion request from Councilor Kaufman
    d. Reconnection Fee Discussion

11. **City Administrator's Report**
    To be presented at the meeting

12. **Mayor and Council Member Comments**
    a. Mayor Karl Popoff
    b. Councilors
       1) Melinda McVey
       2) Larry Brennan
       3) Becky Campbell
       4) Doug Brand
       5) Tamie Kaufman
    c. Student Liaison, Vacant

13. **Citizens Comments**
    As permitted by the Mayor

14. **Executive Session**
    An executive session was help prior to this regular meeting tonight.

The next regularly scheduled City Council meeting is **Monday, August 8, 2016, at 6:30PM** in the Council Chambers of City Hall, 29592 Ellensburg Avenue, Gold Beach, Oregon.

15. **Adjourn** **Time: _____**

SPECIAL ORDERS OF BUSINESS

GOLD BEACH CITY COUNCIL
AGENDA REPORT

Agenda Item No. **3 a.**
Council Meeting Date: July 11, 2016

TITLE: Mayor's Award in Appreciation of Service to the Community

SUMMARY AND BACKGROUND:
Mayor Popoff has three Appreciation of Service awards he will be presenting tonight.

REQUESTED ACTION:
Informational only

Gold Beach

PUBLIC HEARING

GOLD BEACH CITY COUNCIL
AGENDA REPORT

Agenda Item No. **6 a, 9. a.**
Council Meeting Date: July 11, 2016

TITLE: Public Hearing Calling for an Election and Sending Ballot Measure to Voters for Recreational Marijuana Tax

SUMMARY AND BACKGROUND:
Per state law if we wish to tax recreational marijuana retail sales up to 3% the voters must pass an ordinance this November. As part of this report is the resolution, ordinance, and ballot title that our legal counsel has prepared for us.

NEEDED ACTION & SUGGESTED MOTION
***PUBLIC HEARING PORTION OF MEETING*: Take testimony, if any, from audience and discuss. Resolution will be adopted later in the meeting.**

***ORDINANCE & RESOLUTION PORTION OF THE MEETING*: A motion to adopt Resolution R1617-02 (this is a long motion…)**

I make the motion that the Council adopt Resolution R1617-02, a resolution calling an election on November 8, 2016, to refer to the voters of the City of Gold Beach a tax on retail sales of recreational marijuana in the City and adopting a ballot title and explanatory statement

RESOLUTION R1617-02

A RESOLUTION CALLING AN ELECTION ON NOVEMBER 8, 2016, TO REFER TO THE VOTERS OF THE CITY OF GOLD BEACH, OREGON, A TAX ON RETAIL SALES OF RECREATIONAL MARIJUANA IN THE CITY OF GOLD BEACH AND ADOPTING A BALLOT TITLE AND EXPLANATORY STATEMENT

WHEREAS, Section 4 of the Gold Beach Charter of 1986 provides:

> The City has all powers that the constitutions, statutes, and common law of the United States and of this state expressly or impliedly grant or allow municipalities, as fully as though this charter specifically enumerated each of those powers; and

WHEREAS, ORS 475B.345 allows the City of Gold Beach to impose a city tax of up to 3% on retail sales of recreational marijuana items within the City if the city tax is approved by the voters of the City at general election; and

WHEREAS, the Gold Beach City Council desires to impose a tax on the sale of recreational marijuana items by marijuana retailers in the City;

NOW, THEREFORE, THE CITY OF GOLD BEACH RESOLVES AS FOLLOWS:

Section 1. A city election is called for the purpose of submitting to the qualified electors of the City of Gold Beach an ordinance imposing up to a three percent (3%) tax on sales of marijuana items by licensed recreational marijuana retailers within the City of Gold Beach, a copy of which is attached to this Resolution as Exhibit A and incorporated into this Resolution by reference.

Section 2. The ballot title for this measure shall be as follows:

CAPTION: City tax on recreational marijuana retailers' sale of marijuana items

QUESTION: Shall Gold Beach impose a tax on sales of marijuana items by recreational marijuana retailers in the city?

SUMMARY: If adopted by the voters, this measure would impose a city tax on sales of marijuana items (including marijuana, marijuana products and marijuana extracts) by recreational marijuana retailers licensed by the Oregon Liquor Control Commission and located within the City of Gold Beach. The City Council would have the authority to set the

amount of the tax, but under no circumstances would the tax exceed three percent of the retail sales price of a marijuana item. The tax would be collected from consumers by recreational marijuana retailers at the point of sale. Recreational marijuana retailers would remit the tax to the City. The city tax would be imposed in addition to any state taxes on the sale of marijuana items. The city tax would not be imposed on medical marijuana sales.

Section 3. The City Council orders this City election to be held in the City of Gold Beach, Oregon, concurrently with the general election, on the 8th day of November, 2016, in accordance with the provisions of Chapter 254 of the Oregon Revised Statutes. The ballots shall be counted and tabulated and the results certified as provided by law.

Section 4. The election shall be conducted by Curry County. The County Clerk for Curry County is hereby instructed to prepare ballots and to take other actions necessary to conduct the election.

Section 5. If a majority of the legal voters of the City voting on this measure approve this measure, the ordinance attached as Exhibit A to this Resolution shall take effect on January 1, 2017.

Section 6. The explanatory statement for this measure attached as Exhibit B to this Resolution is hereby approved by the Council.

Section 7. This Resolution, including the proposed ballot title and explanatory statement, shall be delivered to the City Recorder on the date of its adoption.

Section 8. The City Recorder shall give notice of this measure as required by law and take such other actions and otherwise proceed with the election as provided by law and so as to carry out the purposes of this Resolution.

Section 9. This Resolution shall become effective immediately upon its adoption.

PASSED BY THE CITY COUNCIL OF THE CITY OF GOLD BEACH, COUNTY OF CURRY, STATE OF OREGON, and EFFECTIVE THIS 11th DAY OF JULY, 2016.

APPROVED BY:

_____

Karl Popoff, Mayor

ATTEST:

_____

Jodi Fritts, City Administrator/City Recorder

ORDINANCE NO. 659

IMPOSING A TAX ON RETAIL SALES OF RECREATIONAL MARIJUANA WITHIN THE CITY OF GOLD BEACH

WHEREAS, Section 4 of the Gold Beach Charter of 1986 provides:

> The City has all powers that the constitutions, statutes, and common law of the United States and of this state expressly or impliedly grant or allow municipalities, as fully as though this charter specifically enumerated each of those powers; and

WHEREAS, ORS 475B.345 allows the City of Gold Beach to impose a local tax of up to 3% on retail sales of recreational marijuana items within the City if the local tax is approved by the voters of the City at a general election; and

WHEREAS, the City of Gold Beach desires to impose a tax on the sale of recreational marijuana items by marijuana retailers in the City;

NOW THEREFORE, THE CITY OF GOLD BEACH ORDAINS AS FOLLOWS:

SECTION 1. DEFINITIONS.
The following words and phrases as used in this Ordinance shall have the following meanings:

A. "City" means the City of Gold Beach.

B. "Tax Administrator" means the City Administrator of the City of Gold Beach, the City Administrator's designee, and/or another individual or entity designated by the City to collect the tax on behalf of the City.

C. "Consumer" means a person who purchases, acquires, owns, holds or uses marijuana items other than for the purpose of resale.

D. "Marijuana item" means marijuana, cannabinoid products, cannabinoid concentrates and cannabinoid extracts as defined in ORS 475B.015.

E. "Marijuana retailer" means a person licensed under ORS 475B.110 who sells marijuana items to a consumer in the State of Oregon.

F. "Person" means individuals, corporations, associations, firms, partnerships, limited liability companies and joint stock companies.

G. "Retail sale price" means the total consideration paid to a marijuana retailer for a marijuana item by or on behalf of a consumer, excluding any tax.

SECTION 2. TAX IMPOSED.

The City of Gold Beach hereby imposes a tax on each marijuana item sold to a consumer within the City of Gold Beach by a marijuana retailer. The Gold Beach City Council shall set the tax rate by resolution; however, the tax rate adopted by the City Council shall not exceed three percent (3%) of the retail sale price for each marijuana item sold. The tax constitutes a debt owed by the consumer to the City and shall be extinguished only by payment to the marijuana retailer or to the City.

SECTION 3. COLLECTION.

The consumer shall pay the tax to the marijuana retailer at the time of the purchase or sale of the marijuana item. Every marijuana retailer shall collect the tax from the consumer at the time of the sale of a marijuana item. The tax collected by the marijuana retailer shall be held in trust by the marijuana retailer for payment to the City. The marijuana retailer shall remit the tax to the Tax Administrator. The Tax Administrator is authorized to exercise all supervisory and administrative powers with regard to the administration, collection and enforcement of the tax authorized by this Ordinance.

SECTION 4. ACCOUNTING AND RECORDS.

A. Every marijuana retailer must keep and preserve, in a generally accepted accounting format used for reporting revenue and taxes due on business activity, detailed records of all sales made and all taxes collected. Every marijuana retailer must keep and preserve such records for a period of six (6) years. The Tax Administrator shall have the right to inspect all such records at reasonable times.

B. For purposes of determining the accuracy of any tax return or for the purpose of an estimate of taxes due, the Tax Administrator may examine any books, papers, records, or memoranda bearing upon the marijuana retailer's tax returns, including

copies of the marijuana retailer's state and federal income tax returns and copies of the marijuana retailer's state marijuana tax returns. All books, invoices and other records shall be made available within the City for examination by the Tax Administrator during regular business hours.

SECTION 5. PENALTIES AND INTEREST

A. Any marijuana retailer who has not been granted an extension of time for remittance of tax due and who fails to remit any tax imposed by this Ordinance prior to delinquency shall pay a penalty of ten percent of the amount of the tax due in addition to the amount of the tax.

B. Any marijuana retailer who has not been granted an extension of time for remittance of tax due, and who fails to pay any delinquent remittance on or before a period of thirty days following the date on which the remittance first becomes delinquent shall pay a second delinquency penalty of fifteen percent of the amount of the tax due plus the amount of the tax and the ten percent penalty first imposed.

C. If the Tax Administrator determines that the nonpayment of any remittance due under this Ordinance is due to fraud or intent to evade the provisions of this Ordinance, a penalty of twenty-five percent of the amount of the tax shall be added the amount of the remittance due, in addition to the penalties stated in subsections A and B of this section.

D. In addition to the penalties imposed, any marijuana retailer who fails to remit any tax imposed by this Ordinance shall pay interest at the rate of one-half of one percent per month or fraction thereof, without proration for portions of a month, on the amount of the tax due, exclusive of penalties, from the date on which the remittance first becomes delinquent, until paid.

E. Every penalty imposed and any interest that accrues under the provisions of this Ordinance shall be merged with, and become a part of, the tax required to be paid.

SECTION 6. APPEAL

A. Any person aggrieved by any decision of the Tax Administrator may appeal to the City Administrator by filing a notice of appeal with the Tax Administrator within ten days of the date the notice of the decision is served or mailed. The Tax Administrator shall fix a time and place for hearing the appeal and shall give the appellant ten days' written notice of the time and place of the hearing.

B. Any person aggrieved by any decision of the City Administrator under subsection A of this Section may appeal to the Council by filing a notice of appeal with the Tax Administrator within ten days of the date the City Administrator's decision is served or mailed. The Tax Administrator shall transmit the notice, together with the file of the appealed matter, to the Council, who shall fix a time and place for hearing the appeal. The Council shall give the appellant not less than ten days written notice of the time and place of hearing the appeal.

SECTION 7. REFUND

Whenever the amount of any tax imposed under this Ordinance has been paid more than once or has been erroneously or illegally collected or received by the Tax Administrator, it may be refunded, provided a verified claim in writing therefor, stating the specific reason upon which the claim is founded, is filed with the Tax Administrator within three years from the date of payment. The claim shall be made on forms provided by the Tax Administrator. If the Tax Administrator approves the claim, the excess amount collected or paid may be refunded to, or may be credited on any amounts then due and payable from, the marijuana retailer from whom it was collected or by whom it was paid, and the balance may be refunded to the marijuana retailer or the marijuana retailer's administrators, executors or assignees.

SECTION 8. SEVERABILITY. Any provision of this Ordinance which proves to be invalid, void, or illegal shall in no way affect, impair, or invalidate any other provision of this Ordinance, and the remaining provisions of this Ordinance shall remain in full force and effect.

SECTION 9. CODIFICATION. If this Ordinance becomes effective as provided by Section 10 below, the City Recorder is hereby authorized and directed to codify Sections 1 through 8 of this ordinance in an appropriate Title of the Gold Beach Municipal Code and to change the word "Ordinance" to "Chapter" as appropriate when codified.

SECTION 10. EFFECTIVE DATE. If approved by a majority of the voters of the City of Gold Beach at the statewide general election held on Tuesday, November 8, 2016, this ordinance shall take effect on January 1, 2017.

Explanatory Statement

If this measure is approved by the voters of the City of Gold Beach, the City will impose a tax on sales of marijuana items (including marijuana flowers, marijuana concentrates, marijuana edibles and marijuana extracts) by recreational marijuana retailers licensed by the Oregon Liquor Control Commission (OLCC) and located within the City of Gold Beach. The City Council would have the authority to set the amount of the city tax, but the city tax could not exceed three percent of the retail sales price of a marijuana item.

The city tax would be collected from consumers by the recreational marijuana retailer at the point of sale. The recreational marijuana retailer would then remit the tax to the City.

The City would be able to use the revenues generated by this tax for any city purpose.

If approved, this city tax would be imposed in addition to any state marijuana taxes. This city tax would not be imposed on medical marijuana sales.

CITIZEN REQUESTED AGENDA ITEMS

GOLD BEACH CITY COUNCIL
AGENDA REPORT

Agenda Item No. **7 a.**
Council Meeting Date: July 11, 2016

TITLE: Request to address Council by Gold Beach Main Street (formerly Beautification Committee)

SUMMARY AND BACKGROUND:
Amy Gaddis and Laurie Van Zante made a request to address the Council:

From Amy: "I am working with Laurie Van Zante on the triangles on the north end of the Bridge and we would like to talk to you and the City Council on Monday regarding the water system there. It is my understanding that there is an irrigation/watering system in place in the triangle, but it has not been connected to the water that goes past the triangle.

We would like to talk to you and City Council on Monday night to see what options are available to make this a beautiful entry into our City.

We would like to be put on the agenda to present regarding water options.

Gold Beach

ORDINANCES & RESOLUTIONS

GOLD BEACH CITY COUNCIL
AGENDA REPORT

Agenda Item No. **6 a, 9. a.**
Council Meeting Date: July 11, 2016

TITLE: Public Hearing Calling for an Election and Sending Ballot Measure to Voters for Recreational Marijuana Tax

SUMMARY AND BACKGROUND:
Per state law if we wish to tax recreational marijuana retail sales up to 3% the voters must pass an ordinance this November. As part of this report is the resolution, ordinance, and ballot title that our legal counsel has prepared for us.

NEEDED ACTION & SUGGESTED MOTION
***PUBLIC HEARING PORTION OF MEETING*: Take testimony, if any, from audience and discuss. Resolution will be adopted later in the meeting.**

***ORDINANCE & RESOLUTION PORTION OF THE MEETING*: A motion to adopt Resolution R1617-02 (this is a long motion…)**

I make the motion that the Council adopt Resolution R1617-02, a resolution calling an election on November 8, 2016, to refer to the voters of the City of Gold Beach a tax on retail sales of recreational marijuana in the City and adopting a ballot title and explanatory statement

GOLD BEACH CITY COUNCIL
AGENDA REPORT

Agenda Item No. **9. b.**
Council Meeting Date: July 11, 2016

TITLE: Resolution Adopting Final Version RCAC Water Rate Study

SUMMARY AND BACKGROUND:
RosAnna Norval from RCAC formally presented the draft Water Rate Study at the May meeting. We held a workshop on June 1st to discuss the study further. After the workshop the Council directed me to as Ms. Norval to make some changes to the debt assumptions. Ms. Norval has made those changes. The adoption of the study in conjunction with the Water Master Plan formalizes and helps to track the study for future use.

NEEDED ACTION & SUGGESTED MOTION
A motion to adopt Resolution R1617-01

I make the motion that the Council adopt Resolution R1617-01, a resolution adopting a water rate study for the City of Gold Beach prepared by RCAC to accompany the water master plan and capital improvement plan adopted as Resolution R1516-10.

RESOLUTION R1617-01

A RESOLUTION ADOPTING A WATER RATE STUDY FOR THE CITY OF GOLD BEACH PREPARED BY RURAL COMMUNITY ASSISTANCE CORPORATION (RCAC) TO ACCOMPANY THE WATER MASTER PLAN & CAPITAL IMPROVEMENT PLAN ADOPTED AS RESOLUTION R1516-10

WHEREAS: In order to determine future domestic water supply and infrastructure needs for the City of Gold Beach the Council caused a water master plan to be prepared by the City's contract engineers; and

WHEREAS: The contract engineers, Dyer Partnership, prepared a plan that summarized the components of the existing water distribution system, analyzed water demand patterns, evaluated the current system with respect to critical service standards, and identified the improvements necessary to remedy system deficiencies and accommodate future growth; and

WHEREAS: The plan recommends specific projects for inclusion in the water distribution Capital Improvement Plan (CIP); and

WHEREAS: After a workshop and public hearing the Water Master Plan and Capital Improvement Plan was adopted by the Council at the April 18th, 2016 council meeting, and

WHEREAS: The City adopted the Water Master Plan and Capital Improvement Plan for future planning and budgeting of water infrastructure projects and for consideration for state and/or federal funding for such projects; and

WHEREAS: In order to determine whether current rates and annual inflation adjustments will adequately fund the existing water infrastructure operation and maintenance, and the capital improvement projects identified in the master plan, the City caused a water rate analysis to be conducted; and

WHEREAS: Rural Community Assistance Corporation (RCAC) previously assisted the City with a Wastewater rate analysis which the City found to be useful and beneficial; and

WHEREAS: RCAC conducted the water analysis and presented the draft rate study to the Council at the May 9th, 2016, Council meeting and the Council met in a workshop session on June 1, 2016, to further review the study and suggest changes and request additional information; and

WHEREAS: The final document was completed by RCAC in July to be reviewed and adopted by the Council as a supplemental document to the Water Master Plan & Capital Improvement Plan.

NOW THEREFORE, BE IT RESOLVED: the City Council of the City of Gold Beach adopts the City of Gold Beach Water Rate Analysis dated July 11, 2016, as prepared by Rural Community Assistance Corporation. A copy of the Water Rate Study is attached to this resolution as Exhibit A.

PASSED BY THE CITY COUNCIL OF THE CITY OF GOLD BEACH, COUNTY OF CURRY, STATE OF OREGON, and EFFECTIVE THIS 11th DAY OF JULY, 2016.

APPROVED BY:

_____

Karl Popoff, Mayor

ATTEST:

_____

Jodi Fritts, City Administrator/City Recorder

CITY OF GOLD BEACH - WATER

WATER RATE ANALYSIS

July 11, 2016

Prepared by:

RCAC
www.rcac.org

RosAnna Noval, Project Lead

Many thanks for their efforts during the analysis to:
City Administrator, Jodi Fritts-Matthey
Utility Clerk, Kim Hunnicutt
Utility Supervisor, Will Newdall

Rural Community Assistance Corporation
Corporate Office:
3120 Freeboard Drive, Suite 201
West Sacramento, CA 95691
916-447-2854

July 11, 2016

City of Gold Beach
29592 Ellensburg Ave.
Gold Beach, OR 97444

Subject: City of Gold Beach Water Rate Analysis

Dear Mayor Karl Popoff and Gold Beach City Council:

Thank you for the opportunity to work with the City of Gold Beach as you prepare for vital infrastructure improvements to your drinking water utility. RCAC commends you and the community for your investment in this crucial public health service.

Enclosed please find the final report for the City of Gold Beach Drinking Water Utility Rate Analysis. A draft of the report was presented at the May 9, 2016 regular city council meeting. The Council met with city staff on June 1, 2016 to discuss the report in greater detail.

As a result of the work session, the city requested RCAC amend and analyze the data to show the impacts of completing only the Phase 1 Capital Improvements. This adjustment lowers the financial need from approximately $19 million to just over $12 million. The amended analysis is available as Appendix D of the report. The calculations in the main body of the report remain as they were first presented to the City Council on May 9, 2016. This structure allows for decision makers and the public to review and compare both sets of data as the city determines the most desirable path forward regarding future infrastructure projects.

If you have additional questions, please feel free to contact me at 503-308-0207.
Sincerely,

RosAnna Noval

RosAnna Noval
Rural Development Specialist
Rural Community Assistance Corporation

Table of Contents

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2. Revenue Requirement and Financial Planning
3. Customer Water Demands
4. Current Rate
5. Water Rate Options
6. Conclusion and Recommendations

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B. Reserve Account Definitions
C. Capital Outlay Needs
D. Amended Debt Service Calculations

1. Purpose and Objective

The City of Gold Beach Oregon operates a water utility as a separate enterprise fund which is managed by city staff at the direction of the Gold Beach City Council and Mayor. The city policy is to adjust rates annually based on inflation. With multiple capital improvement projects outlined in the 2016 Water Master Plan and a focus on water supply and efficient use, the city desires a third-party evaluation of the water rates.

The City of Gold Beach requested assistance from the Rural Community Assistance Corporation (RCAC) to complete an analysis of the water rates and provide recommendations. The rate analysis was derived using historical water utility financial data provided by the City, for fiscal years ending (FYE) 2012-2015, as well as using the FYE 2016 approved budget. Historical trends, industry standards and input from city staff and decision makers contributed to the five year budget projection.

An accurate and useful rate analysis not only identifies the total annual revenue required by a utility to conduct its normal day-to-day operations, but it also anticipates and plans for future operating and capital needs. It attempts to determine whether the projected revenue under existing rates will satisfy those needs. The primary objective of this process is to ensure that the utility has the ability to obtain sufficient funds to develop, construct, operate, maintain, and manage its water system on a continuing basis, in full compliance with federal, state, and local requirements.

The objective of this rate analysis is to ensure customers of the City of Gold Beach water utility services are provided with safe drinking water from a system that is financially sustainable for generations to come. The approach to meet this objective is to create a rate structure which fully funds the water utility to meet regulatory and public health concerns, contribute to planned capital improvement projects, and encourage the responsible management and use of this natural resource. The major steps included in this approach are:

- Determine revenues needed to support the budget,
- Evaluate water usage versus revenue received as related to equity,
- Identify alternative structures/options for water rate charges,
- Review impacts of potential capital improvements on the rates, and
- Make recommendations for rate structure adjustments.

Rate structures and options were evaluated on the basis of

- Encouraging water use efficiency,
- Keeping the structure simple to understand and administer,
- Ensuring revenues were adequate to sustain the utility, and
- Preparing for future capital improvements.

The information contained in this document will assist the City of Gold Beach in making prudent financial decisions to ensure the long-term viability of the water utility.

2. Revenue Requirement and Financial Planning

The objective of developing a financial plan for a water system is to determine cash needs, revenue requirements and anticipated timing of utility costs to ensure that adequate funds are available to meet operational and maintenance needs as they occur. Financial planning for a small water system normally includes an examination of:

- Operating revenues;
- Operation and maintenance (O&M) expenses;
- Debt service (principal and interest payments) on borrowed funds, and
- Reserve requirements.

Planning for the future requires an examination of past and current activities. The annual budget outlines what it costs the City to provide services to its customers. Each year, the City and budget committee conduct a comprehensive line item review of the budgetary expenditures to maximize available resources and reduce operational costs where possible. In 2015, the City hired The Dyer Partnership to create a Water Master Plan. The plan was completed in early 2016 and identifies three phases of capital improvement projects.

Table 2.1 shows the actual financial numbers for the last four fiscal years and the budget information for the current fiscal year for the Gold Beach Water Fund. The fund balance is decreasing over time as shown in the last row of the table below. Revenues are fairly stable and are generally sufficient to meet basic operating expenses. In the last 4 years, the City of Gold Beach has self-funded multiple improvement projects shown in the Capital Outlay row below. Capital Outlay costs are the main driver of the decreasing fund balance. The *fund balance will not be sufficient to meet all future operational and capital project needs. Additional funding from loans, grants, customer revenues or a combination will be required.* The water financial data spreadsheet found in Appendix A provides additional detail.

Table 2.1 Historical and Current Gold Beach Water Fund Financial Data

Water Fund	FYE 2012 Actual	FYE 2013 Actual	FYE 2014 Actual	FYE 2015 Actual	FYE 2016 Budget
Operating Revenue	$ 533,652	$ 533,730	$ 532,650	$ 567,555	$ 547,000
Non-Operating Revenue	$ 128,756	$ 2,433	$ 5,514	$ 171,424	$ 154,200
Expenses	$ 587,544	$ 510,506	$ 555,372	$ 499,636	$ 652,257
Contingency (Emergency Reserve)	$ -	$ -	$ -	$ -	$ 50,000
Net Income (Loss)	**$ 74,864**	**$ 25,656**	**$ (17,208)**	**$ 239,343**	**$ (1,057)**
Capital Outlay	$ 245,462	$ 66,553	$ 24,620	$ 417,900	$ 468,000
Fund Balance	$ 692,506	$ 682,324	$ 579,052	$ 415,547	

Operating Revenues

Revenues are the main source of income to a utility and are typical thought of as operating and non-operating. Operating revenue is the stable and reliable income that comes from customer rates or user charges. Non-operating revenue such as interest on checking and reserve accounts, meter deposits, connection fees, and late payments, penalties and reconnection fees may be considered operating revenue, if they are stable and dependable revenue sources. Beginning fund balances may be considered non-operating revenue or included in the reserves description. As economic fluctuations in recent years have shown, caution should be used when predicting future revenue from growth related fees.

Operating Expenses

This is the first cost category that is considered when developing a financial plan. Operating and maintenance costs include the day to day expenses of getting drinking water to customers. Common expense items include labor, insurance, materials, electricity, and chemicals.

Water System Reserves

Reserves are an accepted way to stabilize and support a utility financial management. Small systems usually fund the operating expenses. However, they often don't consider putting money aside for a specific upcoming financial need or for an amount that can be used to provide rate stabilization in years when revenues are unusually low or expenditures are unusually high.

The rationale for maintaining adequate reserve levels is twofold. First, it helps to assure that the utility will have adequate funds available to meet its financial obligations in times of varying needs. Secondly, it provides a framework around which financial decisions can be made to determine when reserve balances are inadequate or excessive and what specific actions need to be taken to remedy the situation.

Utility reserve levels can be thought of as a savings account. Reserve balances are funds that are set aside for a specific cash flow requirement, financial need, project, task, or legal covenant. Common reserve balances are established around the following four areas: operating reserve, capital improvement/equipment replacement, emergency, and debt service reserve. These balances are maintained in order to meet short-term cash flow requirements, and at the same time, minimize the risk associated with meeting financial obligations and continued operational needs under adverse conditions. Additional information on the four common reserves can be found in Appendix B.

Deposits to reserve accounts may be broken into reduced annual installments to minimize the overall impact on rates. Once the target reserve has been met, the contributions can be redirected to other water reserve funds or water projects. Evaluate operating reserve levels on a regular basis to reflect current costs and utility needs.

In an effort to reduce costs for small water infrastructure improvements by self-funding projects when possible, the City implemented a water reserve charge separate from the base rate and water consumption charges. The City currently charges each account $2.00 per month.

This charge generates approximately $2,700 per month which is saved in a dedicated water reserve fund. In February 2016, the water reserve fund balance was -$109,939.64 due to the transfer of $150,000 from the reserve fund to the water fund earlier in the fiscal year. The FYE 2016 budget presents the Net Total for the fund to be a loss of $96,896. The FYE 2016 budget includes $35,000 in revenue for this fund, in addition to misc. revenue of $18,104 which is primarily from the Highway 101 Loan annual payment. Total annual revenue for the reserve fund is estimated at $53,000.

As a result of Resolution R1314-17 effective May 27, 2014, the water system reserve fund loaned the Highway 101 Sewer Debt Fund $154,000 at 3% interest as part of a larger financial decision to pay off a 2005 Oregon Department of Environmental Quality loan. The resolution states the Water Reserve Fund will receive $18,053.50 annually for ten years beginning in FYE 2015.

Table 2.2 Recommended Reserve Targets

Purpose	Amount
Debt Service Reserve	$808,173
Capital Improvement Plan (CIP) Reserve	$200,000
Emergency Reserve	$50,000
Operating Reserve	$134,566
Total Reserves	**$1,192,739**

Table 2.2 shows the recommended reserve targets as determined through conversations with city staff. Specific amounts were determined as follows:

- **Debt Service Reserve** – Target is based on the equivalent of one annual payment being required by the lending agency which is estimated at $808,173. See the debt service explanation under the Five Year Budget Forecast section for additional details on the amount.
- **Capital Improvement Plan (CIP) Reserve** – Determined after discussions with city staff about expected projects. The city is considering a large capital project in the next 5 years based on the recent master plan. The city knows that self-funding the entire multi-million dollar project estimate is not feasible. A target was set at $200,000 which will provide the city with some cash flow to complete small projects and to prepare documents necessary to secure funding for the large infrastructure project. After the major improvements are complete, this target will allow the city to proactively maintain the system in future years.
- **Emergency Reserve** – Current and prior budgets have included a contingency line item of $50,000. This amount is maintained as the target.
- **Operating Reserve** – Standard industry recommendation is 12.5% or 45 days of operational costs which covers one monthly billing cycle. The city previously set a goal to establish reserves for all funds at 90 days of operating costs for that fund. Based on a 4 year average of operating expenses, the target amount is $538,265 (annual avg) / 4 (90 days or 3 months) = $134,566.

Table 2.3 Scenario One - Reach Fully Funded Reserve Targets in Five Years

Reserve	Target	FYE 16 Budget	Difference	Needed Annual Contribution	Additional Cost/Customer/ Month*
Debt Service	$808,173	$0	$808,173	$108,635	$6.72
CIP	$200,000	$0	$200,000	$40,000	$2.47
Emergency	$50,000	$0	$50,000	$10,000	$0.62
Operating	$134,566	$0	$134,566	$26,913	$1.67
Total	**$1,192,739**	**$0**	**$1,192,739**	**$185,548**	**$11.48**

*Based on 1347 paying accounts. See Section 4 for explanation of number of accounts.

Assumptions for this rate study are Debt Service and CIP Reserves are connected to the Water Reserve Fund account, Emergency Reserve is the Water Fund contingency line item and the Operating Reserve is in the Water Fund balance.

All amounts in the Difference column have been divided by five years to determine the needed annual contribution in the table above. Five years is provided simply as an example; the city could choose more or less time or choose to prioritize one of the reserve targets to fully fund first, then work on the others.

Debt service reserve requirements vary by funding agency. Some require the amount be established upfront; others allow the reserve to be established over time. If possible, begin saving for this reserve now, prior to loan closing. Since the water reserve fund receives $18,054 annually for the next ten years for loan repayment and $35,000 from current reserve charges, the needed annual contribution for the debt service has been reduced by $53,000.

According to the July 31, 2015 balance sheet, the Water Fund balance was $415,547. However, the fund balance is depleting each year and will be depleted by any loss incurred in FYE 2016. The FYE Budget anticipates a net loss of $469,057. Meaning the fund balance would be completely depleted. Unless expenses were significantly lower than budgeted, the water fund would require a transfer from the water reserve or another source. Therefore, in Table 2.3, the operating reserve and the emergency reserve were calculated as if no money was currently set aside and the target amounts would be saved over the next five years.

Five Year Budget Forecast

RCAC utilized the FYE 2016 approved budget and developed projections for FYE 2017 to FYE 2021. A detailed spreadsheet of the water financial data can be found in Appendix A. Assumptions used when developing the five-year budget forecast include:

- **Revenues** – If current practices continue, rates would increase slightly each year based on inflation. Projections estimate a 1% increase each year for revenues from water sales.
- **Operational Expense** – Projections were determined based on conversations with city staff regarding inflation and RCAC knowledge of similar systems and industry practices. Wages and benefits are estimated to each increase at 2% and the remaining items to increase by 1% each fiscal year. Exceptions to this estimate are: *Transfers Out All Others, Capital Outlay and Contingency which are all 0% inflation.*

Capital Outlay was adjusted to zero for year 1, and $50,000 for years 2-5, expecting that the city will incur some out of pocket costs for the major projects or have small projects that will be self-funded.

- **Annual Reserve Contribution** – For the projected budget, contributions to the emergency and contingency reserves are included at $36,913 per year based on Table 2.3. This study assumes continuation of the existing system of a separate Water Reserve Fund charge, where the City currently charges each account $2.00 per month. This charge would be increased to reflect the desired targets for debt service and capital improvement reserves only and would be in addition to the water rate fees. *The additional reserve charge per account would increase from $2.00 to $9.19.*
- **Debt Service** – Annual payment amounts are determined by funding agencies when loans are acquired. For the purposes of this study and projections, the City Council asked RCAC to evaluate the potential costs of Phase 1 & 2 projects identified in Section 9 of the Water Master Plan. (Phase 3 projects did not include cost estimates and, therefore, are not included in this financial analysis.) The Master Plan outlined a tentative schedule of completing Phase 1 construction by Dec. 2019 with a total cost of $12,364,200. Based on Council direction, RCAC evaluated funding options for Phase 1 & 2 projects at a total cost of $19,942,500. Potential funding implications are shown in table 2.4. A conservative funding package (shown in bold in Table 2.4) with 10% grant and a loan with 3.25% interest rate at 40 years was chosen to estimate future costs and rate requirements. Annual loan payment is estimated at $808,173 with an annual cost per account of $600 or $50.00 per month. Debt service is added to expenses for the last two years of the projections.
    - Actual debt service will vary. More than one funding source will likely be needed and funding packages may occur over multiple years. The information below will need to be updated as soon as the Council makes decisions regarding financing and phasing of projects. Rates will likely require adjustment based on actual debt service conditions and initial payment date.

After initial presentation of the report, the Council requested RCAC evaluate the debt service based on project costs of $12,364,200. This report was amended to include these adjusted calculations (Appendix D) while leaving the original information intact as requested.

Table 2.4 Potential Funding Scenarios

	20 Year Period			40 Year Period		
	Interest Rate	**Annual Payment**	**Monthly Cost per Account***	**Interest Rate**	**Annual Payment**	**Monthly Cost per Account***
100% Loan $19,942,500		**0% Grant $0**				
	2.0	$1,219,618	$75.45	2.0	$729,013	$45.10
	3.25	$1,371,623	$84.86	3.25	$897,970	$55.55
90% Loan $17,948,250		**10% Grant $1,994,250**				
	2.0	$1,097,656	$67.91	2.0	$656,112	$40.59
	3.25	$1,234,461	$76.37	**3.25**	**$808,173**	**$50.00**
80% Loan $15,954,000		**20% Grant $3,988,500**				
	2.0	$975,694	$60.36	2.0	$583,210	$36.08
	3.25	$1,097,298	$67.89	3.25	$718,376	$44.44

*Based on 1347 paying accounts. See Section 4 for explanation of number of accounts.

Table 2.5 Water Fund Budget Forecast

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Operating Revenue	$552,300	$557,653	$563,060	$568,520	$574,035
Non-Operating Revenue	$4,200	$4,200	$4,200	$4,200	$4,200
Expenses	$584,413	$592,276	$600,262	$1,416,546	$1,424,784
Emergency & Operating Reserve	$36,913	$36,913	$36,913	$36,913	$36,913
Net Income (Loss)	**$(62,809)**	**$(65,318)**	**$(67,897)**	**$(878,719)**	**$(881,440)**
Capital Outlay	$0	$50,000	$50,000	$50,000	$50,000

Graph 2.1 Water Fund 10 Year Financial Picture

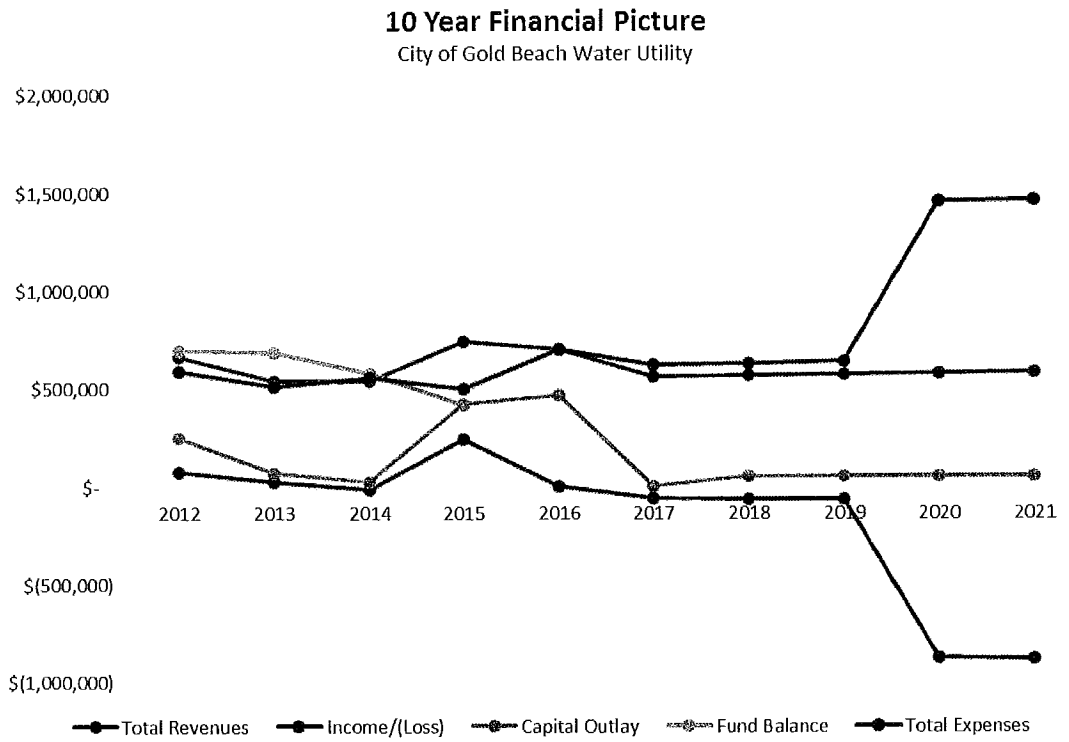


Table 2.5 and Graph 2.1 both reflect the budgetary impacts of inflation and saving for capital projects. In FYE 2020, debt service is added to the expenses. Revenues will not meet expenses as projected. *An adjustment will be required to maintain the fund balance and create a financial sustainable utility.* The Water Fund **revenue requirement** includes the expenses, transfers to reserve fund, and capital outlay amounts. The Water Reserve Fund revenue requirement is an additional amount that includes the annual contribution for the debt service and CIP reserves.

3. Customer Water Demands

When analyzing water rates it's vital to understand existing patterns of consumption among the system's customers. A large portion of customers may use a small percentage of water, and a small portion of customers may use a large percentage. The City of Gold Beach Water Utility currently separates accounts into five customer classes. Four classes designate residential customers from commercial accounts and those inside or outside of the city. The fifth class is only for water meters owned and operated for city purposes. City meters are read for utility operational purposes, but do not generate any revenue. For the purposes of this study, RCAC examined water use and revenue data from July 2014 to June 2015 to correspond with the city's fiscal year. The following table provides a breakdown of customer characteristics.

Table 4.1 Water Use Customer Characteristics by Class

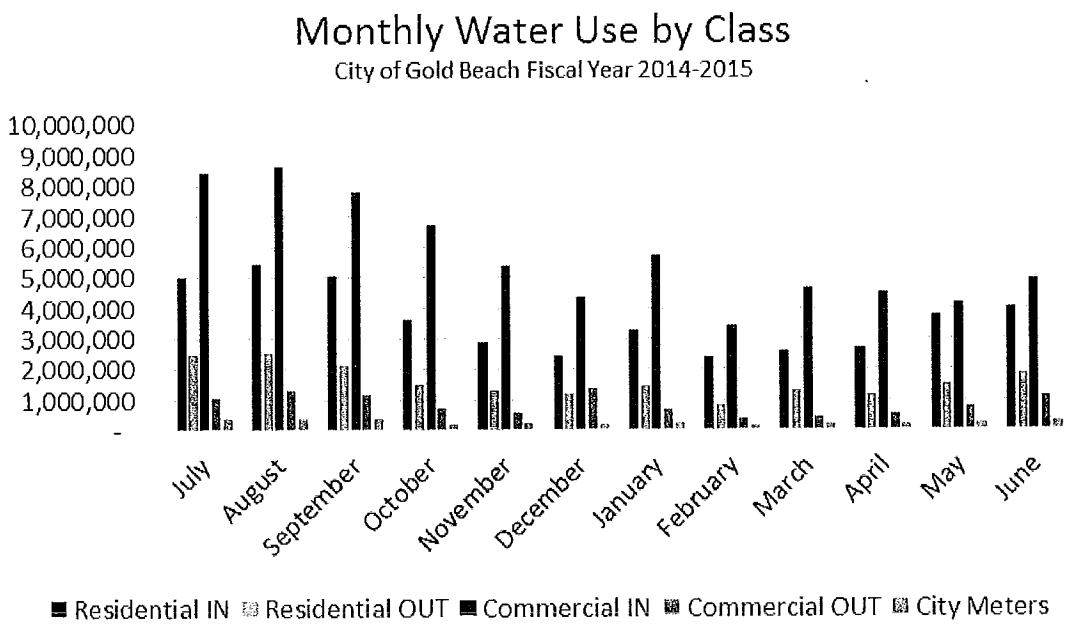
Class	Residential		Commercial		City Meter
	IN	OUT	IN	OUT	
City Rate Code	101	105	121	125	171
Number of Connections	989	324	253	40	15
Number of Active Accounts	842	298	236	40	13
Avg Monthly Use - Mean	4,264	5,360	24,228	20,790	17,380
Avg Monthly Use - Median	3,375	3,746	4,479	6,446	5,833
Active Accts 0 Gal	60	11	10	1	1
Total Annual Use in gallons	43,085,136	19,165,887	68,614,811	9,979,300	2,711,300
% of Total Use	30.0	13.4	47.8	7.0	1.9

During Fiscal Year Ending (FYE) June 2015, the City of Gold Beach data showed 1,621 metered connections with an average of 1,429 active accounts in the billing and use data. The difference between metered connections and active accounts includes all of the locations in the water system where there is a service line coming off of the main water line but there is no activity at that location. Perhaps there is a home site that installed water and sewer service but a home has not yet been built, or a building was destroyed by fire and not yet rebuilt. The water is turned off with no anticipation of when it will be turned back on, however the infrastructure remains and service may occur in the future. Active accounts appear in the annual billing and use data reports analyzed for this rate study. Of the "active" accounts, a total of 83 used zero gallons of water during the 12 month period.

The average monthly use was calculated for each account. In the table above, both the mean (average) and median figures are determined based on the averages for each account sorted smallest to largest. The difference between the two numbers is affected by the number of accounts with zero gallons and the high users.

For example, the commercial inside class with 14 accounts averaging more than 100,000 gallons per month skews the mean result higher. Whereas half of the accounts in that same category average 4,479 gallons or less each month.

Chart 4.1 City of Gold Beach Monthly Water Use



Water use by month is similar to most communities with higher water use in the summer and lower in the winter months. January is the exception; likely a result of the holiday season. (Note that while the meters were read in January and the water use recorded as January above, actual water use, for the most part, occurred in the month of December. Meters are read on a monthly cycle.) These fluctuations are consistent across all of the customer classes. Interpreting the trends in water use is important for understanding and predicting potential fluctuations in revenue. A rate structure that includes a charge based on water use, particularly if an increasing block rate is used, will result in additional revenue during summer months and potentially significantly less revenue in the winter months. A fully funded operations and maintenance reserve will minimize potential financial issues arising from the seasonal fluctuation in revenue.

In FYE 2015, the City sold 140,845,134 gallons of water. Expenses for that same time, not including capital outlay, were $499,636. The cost equals $3.55 per 1,000 gallons sold.

4. Current Rate

Rate Structures

The following are types of rates structures common to small drinking water systems:

- **Uniform Flat Rate** - Customers pay the same amount regardless of the quantity of water used. This type of rate is easiest to administer; however, it may not be fair to the lowest water users and does not promote water conservation or monitoring of use, leaks and wasted water.
- **Single or Uniform Block Rate** - Customers are charged a constant price per volume regardless of the amount of water used. The cost per block of water is often added to a minimum charge for having service available. This rate tends to be more equitable to customers than a flat rate as the cost to customer is in direct proportion to the amount use.
- **Declining or Decreasing Block Rate** - The price of water decreases as the amount used increases. This rate is effective for systems seeking to promote commercial users with high water use or for systems that experience few additional costs as water use increases. Be aware of impacts to low water users. This structure provides no monetary incentive for water conservation.
- **Inclining or Increasing Block Rate** - Designed to promote water use efficiency, the price of water increases as the amount used increases. This rate is effective for systems seeking to discourage high water use and minimizes cost impacts to low water users. Be aware of impacts to industrial or commercial customers that are high water users.

Block rates are commonly paired with a base rate. The base rate is a flat charge per month, which may or may not include a specified amount of water. The block rates are fees charged in addition to the base rate and directly determined by the amount of water used.

Current Rate Structure

For most small water systems, income from the sales of water (utility rates) is the single source of operating revenue. The City of Gold Beach currently uses a base rate, which includes some water use, with a multi-tiered declining block rate. The more water a customer uses the less they pay per gallon. The current rates and usage tiers are outlined in Table 4.1. This rate structure can be effective in certain situations, however it does not encourage water efficiency and, for some small systems, does not reflect the additional costs of higher water use. (Additional costs associated with higher water use may come from increased storage requirements, larger water main lines, additional chemical and treatment costs, wear and tear on equipment, etc.)

The City adjusts the base rate annually, depending on inflation. Years ago, city decision makers chose to charge customers outside of the city limits more than customers inside city limits. This additional charge was designed to account for higher costs to maintain and respond outside the City. The utility's current rate structure for water service is shown below. For the purposes of this financial analysis, the Council requested RCAC maintain this cost difference between the inside and outside city limits users.

Table 4.1 City of Gold Beach Water Rate Schedule

Residential:		IN	OUT
Base	0- 1,500 gallons	$17.23	$18.94
Tier 1	1,501- 2,500 gallons	$3.75	$4.32
Tier 2	2,501- 3,000 gallons	$2.54	$2.93
Tier 3	3,001-5 ,000 gallons	$1.27	$1.46
Tier 4	5,000+ gallons	$0.54	$0.63

Commercial:		IN	OUT
Base	0- 3,000 gallons	$23.55	$26.22
Tier 1	3,001- 7,000 gallons	$3.75	$4.32
Tier 2	7,001-10,000 gallons	$2.54	$2.92
Tier 3	10,001-20,000 gallons	$1.88	$2.16
Tier 4	20,001-30,000 gallons	$1.27	$1.46
Tier 5	30,000+ gallons	$0.61	$0.70

Tier prices are per 1,000 gallons for every class.

Plus Water Reserve Fund Charge $2.00 per account
Effective July 1, 2015

Table 4.2 Water Rate Customer Characteristics

Class	Residential		Commercial		City Meter
	IN	OUT	IN	OUT	
City Rate Code	101	105	121	125	171
Number of Connections	989	324	253	40	15
Number of Active Accounts	842	298	236	40	13
Avg Monthly Bill -Mean	$23.87	$28.68	$60.23	$64.09	$0.00
Avg Monthly Bill - Median	$23.74	$27.23	$30.45	$39.81	$0.00
Active Accts $0 annual bill	43	5	2	4	13
Total Annual Revenue	$241,212	$102,557	$170,557	$30,764	$0.00
% of Total Revenue	44.3	18.8	31.3	5.6	0
% of Total Use	30.0	13.4	47.8	7.0	1.9

During Fiscal Year Ending (FYE) June 2015, the City of Gold Beach data shows 1,621 metered connections with an average of 1,429 active accounts in the billing and use data. Of the "active" accounts, a total of 67 had a bill of $0 during the 12 month period. In addition, 15 residential accounts were charged less than $100 total for 12 months. Therefore, 82 of the "active" accounts contributed little or no revenue. *For planning purposes, all revenue estimates in Section 5 will be based on 1,347 active, bill paying accounts: Residential 1,077 and Commercial 270.* All 13 City Meters are included in the 82. Those meters may use water, however the city water utility does not charge other city departments for the water used.

Residential customers heavily subsidize the commercial customers. Residential customers used about 43% of the water and generated 63% of the revenue.

The average monthly bill was calculated for each account. In the table above, both the mean (average) and median figures are determined based on the averages for each account sorted smallest to largest. The difference between the two numbers is affected by the number of accounts with $0 bills and the high bills. For example, the commercial inside class with 11 accounts averaging more than $200 per month skews the mean result higher. Whereas half of the accounts in that same category average $30.45 or less per bill each month.

5. Water Rate Options

Section 2 demonstrated the need for additional revenue. Current practices are generally sufficient to meet basic operational expenses, however capital projects are reducing the fund balance. Projects outlined in the recent Water Master Plan will require loans or other outside funding. The revenue requirement was projected for the next five years and includes: operational expenses adjusted for inflation, contribution to reserve accounts, capital outlay expenses and debt service. The table below shows the projected revenue requirement.

Table 5.1 Water Fund Revenue Requirement

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Expenses	$584,413	$592,276	$600,262	$1,416,546	$1,424,784
Emergency and Operating Reserve	$36,913	$36,913	$36,913	$36,913	$36,913
Capital Outlay	$0	$50,000	$50,000	$50,000	$50,000
Revenue Requirement	**$621,326**	**$679,189**	**$687,175**	**$1,503,459**	**$1,511,697**
Current Revenue	$558,517	$563,871	$569,279	$574,740	$580,256
Difference	**$62,809**	**$115,318**	**$117,896**	**$928,719**	**$931,441**

Rates need to be adjusted in order to meet expenses and avoid depleting the fund balance and other reserves. For example, to generate enough revenue to make up the difference for FY 2016-17, an additional $3.89 per month would need to be collected from each account.

The City of Gold Beach desires to implement a rate structure which encourages efficient use of water and is easy to understand. The City wishes to keep the current residential and commercial and inside and outside city limits classifications. The City decided to continue with the additional 5% charge to customers outside of the city limits.

Changes to the current structure include reducing the number of tiers to a base rate plus 3 usage tiers. The new tiers were determined by analysis of customer water use during FY 2014-15. The new tiers are structured based on natural breaks and correspond to approximately 15% of accounts within the base rate range, 50% will be in Tier 1, 30% in Tier 2 and roughly 5% in Tier 3. The usage charges changed from a decreasing block rate to an increasing block rate. This change will assist with the City's goal of encouraging sustainable water use that will allow the water system to better manage any changes in future water supply.

During the study period, the water treatment plant produced 187,866,000 gallons of water. Assuming similar water production in FY 2016-2017, the cost to produce 1,000 gallons of water would be $3.31. The cost per 1,000 gallons sold would be higher since the city produces approximately 47,000,000 gallons more than it sells. Creating a rate structure on this number alone is not recommended due to large fluctuations in revenue, potential for cash flow problems, and questions of rate equity.

However, knowledge of the cost to produce 1,000 gallons can be useful when comparing rate structures and in analyzing system operations from one year to the next. In all of the options below, rates for each of the usage tiers are below $3.31, with one exception in Option 1A.

The rate options shown below are designed to meet the revenue requirements shown for FYE 2017 and FYE 2021 in the table above.

Rate Option 1A

Revenue generated is set to match the **current percent use**: Residential at 45% and Commercial at 55%. (To equal 100% percent, use was adjusted slightly due to city meter use.) Base rate is established to generate approximately 75% of the revenue requirement to assist with financial stability of the utility.

		FY 2016-2017		FY 2020-2021	
Residential:		**IN**	**OUT**	**IN**	**OUT**
Base	0- 1,500 gallons	$16.20	$17.01	$39.50	$41.48
Tier 1	1,501- 5,000 gallons	$0.75	$0.79	$3.00	$3.15
Tier 2	5,001- 15,000 gallons	$1.50	$1.58	$4.00	$4.20
Tier 3	15,001+ gallons	$2.00	$2.10	$4.75	$4.99
Commercial:		**IN**	**OUT**	**IN**	**OUT**
Base	0- 1,000 gallons	$79.00	$82.95	$192.50	$202.13
Tier 1	1,001- 7,000 gallons	$0.50	$0.53	$2.00	$2.10
Tier 2	7,001-83,000 gallons	$1.00	$1.05	$2.60	$2.73
Tier 3	83,001+ gallons	$1.50	$1.58	$3.00	$3.15

Tier prices are per 1,000 gallons for every class.

Plus Water Reserve Fund Charge: $9.19 per account

Rate Option 1B

Revenue generated is set to match the **current percent revenue**: Residential at 63% and Commercial at 37%. Base rate is established to generate approximately 75% of the revenue requirement to assist with financial stability of the utility.

		FY 2016-2017		FY 2020-2021	
Residential:		**IN**	**OUT**	**IN**	**OUT**
Base	0- 1,500 gallons	$22.50	$23.63	$55.25	$58.01
Tier 1	1,501- 5,000 gallons	$1.00	$1.05	$4.61	$4.84
Tier 2	5,001- 15,000 gallons	$2.25	$2.36	$5.50	$5.78
Tier 3	15,001+ gallons	$3.50	$3.68	$6.00	$6.30
Commercial:		**IN**	**OUT**	**IN**	**OUT**
Base	0- 1,000 gallons	$53.00	$55.65	$129.50	$135.98
Tier 1	1,001- 7,000 gallons	$0.25	$0.26	$1.00	$1.05
Tier 2	7,001-83,000 gallons	$0.70	$0.74	$1.50	$1.58
Tier 3	83,001+ gallons	$1.00	$1.05	$2.45	$2.57

Tier prices are per 1,000 gallons for every class.

Plus Water Reserve Fund Charge: $9.19 per account

Rate Option 2

Base rate is established by increasing inside city limit customers by $5.00 from current rates for FY2016-2017. Plus $5.00 per year after resulting in FY 2020-2021 rates $25.00 above current rates. Tier rates are adjusted to meet the remaining revenue requirement not generated from the base rates. Outside classes are adjusted based on the current percent differences between that class and the inside class.

		FY 2016-2017		FY 2020-2021	
Residential:		**IN**	**OUT**	**IN**	**OUT**
Base	0- 1,500 gallons	$22.23	$23.34	$42.23	$44.34
Tier 1	1,501- 5,000 gallons	$1.00	$1.05	$5.00	$5.25
Tier 2	5,001- 15,000 gallons	$2.00	$2.10	$6.50	$6.83
Tier 3	15,001+ gallons	$2.75	$2.89	$8.00	$8.40
Commercial:		**IN**	**OUT**	**IN**	**OUT**
Base	0- 1,000 gallons	$28.55	$29.98	$48.55	$50.98
Tier 1	1,001- 7,000 gallons	$1.00	$1.05	$5.00	$5.25
Tier 2	7,001-83,000 gallons	$2.00	$2.10	$6.50	$6.83
Tier 3	83,001+ gallons	$2.75	$2.89	$8.00	$8.40

Tier prices are per 1,000 gallons for every class.

Plus Water Reserve Fund Charge: $9.19 per account

Rate Equity

In setting or adjusting water rates, "equity" is the art of spreading the burden fairly among the system's customers. A system may not be able to entirely control the cost of producing, treating, storing, and distributing safe water to its customers, but it must recover the full cost of providing water and is responsible to ensure all customers are paying their fair share - not too much, not too little.

Most water systems strive to adopt a rate structure in which the amount of money paid by each customer is roughly proportional to that customer's demand on the system's capacity and resources. Within this overall strategy, concessions may be made for low or fixed income customers, attraction of commercial and industrial activity and the jobs they provide, and a wide range of other local and political considerations. In a detailed water use analysis, many systems discover large discrepancies between demands made on the system and revenue received. Sections 3 & 4 outline the current differences between percent water use per customer class and percent revenue recovered.

Revenue vs. Use Comparison

Class	Residential	Commercial
% of Total Use	45	55
% of Total Revenue		
Current	63	37
Option 1A	45	55
Option 1B	63	37
Option 2	59	41

Sample bills are helpful to see how the rate options translate into real numbers for customers. Below is a sampling of potential bills under the current and potential rate options for FY2016-2017. Take note of how bills change for customers at the low, mid and high water use for each customer class, as well as the median user (third column). For comparison of impacts to high water users, the cost per additional 10,000 gallons of water used is shown in the far right column.

In addition, the reserve charge, $2.00 for the current fee or $9.19 for the proposed reserve amounts, would be added to the amount shown below.

Sample Bills for FY2016-2017

Residential Inside							
Use	**0**	**2,500**	**3,400**	**7,000**	**10,000**	**20,000**	**Add. 10K**
Current	$17.23	$20.98	$24.36	$31.98	$37.61	$46.69	$5.40
Option 1A	$16.20	$16.95	$17.61	$21.83	$26.33	$43.83	$20.00
Option 1B	$22.50	$23.50	$24.38	$30.50	$37.25	$66.00	$35.00
Option 2	$22.23	$23.23	$24.11	$29.73	$35.73	$59.48	$27.50

Residential Outside							
Use	**0**	**2,500**	**3,700**	**7,000**	**10,000**	**20,000**	**Add. 10K**
Current	$18.94	$23.26	$28.45	$37.23	$43.70	$54.17	$6.30
Option 1A	$17.01	$17.80	$18.78	$22.94	$27.68	$46.08	$21.00
Option 1B	$23.63	$24.68	$25.99	$32.03	$39.11	$69.31	$36.80
Option 2	$23.34	$24.39	$25.31	$31.22	$37.52	$62.47	$28.90

Commercial Inside							
Use	**0**	**2,000**	**4,500**	**10,000**	**20,000**	**85,000**	**Add. 10K**
Current	$23.55	$23.55	$29.18	$49.82	$75.23	$185.68	$6.10
Option 1A	$79.00	$79.50	$80.74	$85.00	$95.00	$161.00	$15.00
Option 1B	$53.00	$53.25	$53.87	$56.60	$63.60	$109.70	$10.00
Option 2	$28.55	$29.55	$32.03	$40.55	$60.55	$192.05	$27.50

Commercial Outside							
Use	**0**	**2,000**	**6,400**	**10,000**	**20,000**	**85,000**	**Add. 10K**
Current	$26.22	$26.22	$40.89	$56.43	$85.66	$212.67	$7.00
Option 1A	$82.95	$83.48	$85.84	$89.28	$99.78	$169.09	$15.80
Option 1B	$55.65	$55.91	$57.07	$59.43	$66.83	$115.55	$10.50
Option 2	$29.98	$31.03	$35.70	$42.58	$63.58	$201.66	$28.90

6. Conclusions and Recommendations

Rates

- The fund balance will not be sufficient to meet future operational and capital project needs. Additional funding from loans, grants, customer revenues or a combination will be required.
- **Recommend** the city take action as soon as possible to adjust the rate structure and generate the additional revenue needed as shown in one of the options in section 5.
- Seek guidance before choosing a rate structure significantly different than those shown as revenue may not be sufficient to meet utility need.

Reserves

- Reserve amounts are below city desired and industry recommended best practices.
- **Recommend** the city prioritize additional revenue toward creating adequate reserves.

Customer Education

- A rate structure change requires adequate customer education prior to and during implementation.
- **Recommend** the city plan for customer education and support staff during this transition with appropriate policies or guidance for customer outreach.

Key points to remember with any rate adjustment:

- Successful utilities strive to *be transparent*. A sustainable utility must promote its services (highlights and the low points) and continuously educate its customers.
- Maintain a vigorous *collection and shut-off policy* to keep delinquent accounts at a minimum.
- When a utility implements a significant rate change, users may reduce their consumption with subsequent effect on revenue levels and the utility's ability to meet its financial obligations. Within 12 to 18 months after a rate increase, a thorough review should be conducted to *assess the actual impacts* to water use and revenue. Make adjustments as needed to ensure revenues will sufficiently cover expenses.
- *Review the budget and rates annually* or no less than every two years. Keeping track of customer seasonal and annual water demands and revenues generated will help determine operations needs, budget forecasts and rate adjustments.
- Establish a *pattern of small rate adjustments* every year to keep up with inflation and capital projects. This practice improves customer awareness of the cost of operating the water service and minimizes large rate increases every 5 or 10 years.

Additional Considerations:

- *Water loss* evaluation is separate from the rate analysis process. A goal of water loss less than 10% may be challenging to achieve but is highly encouraged. Reducing and managing water loss is critical to using resources efficiently. Minimizing water loss can reduce public health risks, electrical expenses, unnecessary wear and tear on pumps, tanks and water lines, and other costly impacts.
- *Identify all areas of service* provided and consider if a fee is appropriate. Fire protection service, irrigation, bulk water, construction site water use, public/community buildings & parks can be overlooked services. Any service provided incurs an expense. Whether the expense is divided among all users or charged to a specific user is determined by the utility's governing body.

Appendix A – Ten Year Financial Spreadsheet

	Gold Beach Water	2011-12 (Year End Actual)	2012-13 (Year End Actual)	2013-14 (Year End Actual)	2014-15 (Year End Actual)	Previous 4 yr. Average	2015-2016 Budgeted	Annual Inflation Factor %	2016-17	2017-18	2018-19	2019-20	2020-21
	Operating Income												
1	Inside Water Sales	$ 384,343.60	$ 388,038.45	$ 396,153.78	$ 412,565.48	$ 395,275.33	$ 400,000	1.00%	$ 404,000	$ 408,040	$ 412,120	$ 416,242	$ 420,404
2	Outside Water Sales	$ 132,182.75	$ 128,407.00	$ 123,116.35	$ 132,544.98	$ 129,062.77	$ 130,000	1.00%	$ 131,300	$ 132,613	$ 133,939	$ 135,279	$ 136,631
3	Penalties	$ 17,126.12	$ 17,284.18	$ 13,379.39	$ 22,444.91	$ 17,558.65	$ 17,000	0.00%	$ 17,000	$ 17,000	$ 17,000	$ 17,000	$ 17,000
11	Total Operating Income (Add lines 1 thru 10)	$ 533,652.47	$ 533,729.63	$ 532,649.52	$ 567,555.37	$ 541,897	$ 547,000		$ 552,300	$ 557,653	$ 563,060	$ 568,520	$ 574,035
	Operating Expense												
12	Personnel Services - Wages	$ 95,908.00	$ 126,110.92	$ 123,052.56	$ 126,660.56	$ 117,933.01	$ 131,600	2.00%	$ 134,232	$ 136,917	$ 139,655	$ 142,448	$ 145,297
13	Personnel Services - Benefits	$ 60,665.32	$ 76,787.40	$ 80,136.90	$ 79,781.12	$ 74,347.69	$ 83,700	2.00%	$ 85,374	$ 87,081	$ 88,823	$ 90,600	$ 92,412
14	Mat and Serv Dist & Gen (Lines <$10,000)	$ 43,528.87	$ 25,914.26	$ 21,664.91	$ 32,167.17	$ 30,818.80	$ 41,000	1.00%	$ 41,410	$ 41,824	$ 42,242	$ 42,665	$ 43,091
15	Mat and Serv Dist & Gen (Equipment O&M)	$ 9,056.62	$ 9,196.17	$ 10,107.60	$ 4,556.95	$ 8,229.34	$ 14,000	1.00%	$ 14,140	$ 14,281	$ 14,424	$ 14,568	$ 14,714
16	Mat and Serv Dist & Gen (Materials & Fittings)	$ 10,365.09	$ 8,320.75	$ 15,655.20	$ 5,827.07	$ 10,042.03	$ 10,000	1.00%	$ 10,100	$ 10,201	$ 10,303	$ 10,406	$ 10,510
17	Mat and Serv Dist & Gen (System Const. O&M)	$ 21,311.29	$ 20,467.71	$ 32,874.89	$ 27,004.77	$ 25,414.67	$ 25,000	1.00%	$ 25,250	$ 25,503	$ 25,758	$ 26,015	$ 26,275
18	Mat and Serv Dist & Gen (Contract Services)	$ 25,825.25	$ 24,133.16	$ 57,011.00	$ 15,406.26	$ 30,593.92	$ 25,000	1.00%	$ 25,250	$ 25,503	$ 25,758	$ 26,015	$ 26,275
19	Mat and Serv Intake & Treatment (Lines <$10,000)	$ 8,669.58	$ 6,191.35	$ 16,207.56	$ 4,345.11	$ 8,853.40	$ 84,300	1.00%	$ 8,800	$ 8,888	$ 8,977	$ 9,067	$ 9,157
20	Mat and Serv Intake & Treatment (Equip & Plant O&M)	$ 14,581.29	$ 8,669.74	$ 11,761.52	$ 7,053.66	$ 10,516.55	$ 12,000	1.00%	$ 12,120	$ 12,241	$ 12,364	$ 12,487	$ 12,612
21	Mat and Serv Intake & Trtmnt (Treatment & Chemicals)	$ 12,429.55	$ 15,072.23	$ 10,251.30	$ 13,447.41	$ 12,800.12	$ 14,000	1.00%	$ 14,140	$ 14,281	$ 14,424	$ 14,568	$ 14,714
22	Mat and Serv Intake & Treatment (Electricity)	$ 27,364.40	$ 25,337.55	$ 27,614.51	$ 25,119.15	$ 26,358.90	$ 30,000	1.00%	$ 30,300	$ 30,603	$ 30,909	$ 31,218	$ 31,530
23	Transfers Out General Indirect	$ 102,819.00	$ 132,805.00	$ 143,034.00	$ 152,267.00	$ 132,731.25	$ 163,989	1.00%	$ 165,629	$ 167,285	$ 168,958	$ 170,648	$ 172,354
24	Transfers Out All Others	$ 155,000.00	$ 31,500.00	$ 6,000.00	$ 6,000.00	$ 49,625.00	$ 17,668	0.00%	$ 17,668	$ 17,668	$ 17,668	$ 17,668	$ 17,668
25	Debt Service (Anticipated Start FYE 2020)	$ -	$ -	$ -	$ -	$ -	$ -	0.00%				$ 808,173	$ 808,173
26	Capital Outlay Total (Not an operating expense)	$ 245,462.46	$ 66,553.13	$ 24,620.02	$ 417,900.08	$ 188,633.92	$ 468,000	0.00%	$ -	$ 50,000	$ 50,000	$ 50,000	$ 50,000
27		$ -	$ -	$ -	$ -	$ -	$ -	0.00%					
28		$ -	$ -	$ -	$ -	$ -	$ -	0.00%					
29	Transfer to Reserves (Totals only if NOT allocated)	$ -	$ -	$ -	$ -	$ -	$ -	0.00%					
30	*Operating Cash Reserve [25% * (Annual O&M)]	$ -	$ -	$ -	$ -	$ -	$ -	0.00%	$ 26,913	$ 26,913	$ 26,913	$ 26,913	$ 26,913
31	*Capital Improvement	$ -	$ -	$ -	$ -	$ -	$ -	0.00%					
32	*Debt Service Reserve	$ -	$ -	$ -	$ -	$ -	$ -	0.00%					
33	*Emergency Reserve	$ -	$ -	$ -	$ -	$ -	$ 50,000	0.00%	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
34	Total Operating Expense (Add lines 12 thru 34)	$ 833,006.72	$ 577,059.37	$ 579,991.97	$ 917,536.31	$ 726,899	$ 1,170,257		$ 621,326	$ 679,189	$ 687,175	$ 1,503,459	$ 1,511,697
35	**NET OPERATING INCOME (LOSS)** (Line 11 less Line 34)	$ (299,354.25)	$ (43,329.74)	$ (47,342.45)	$ (349,980.94)	$ (185,002)	$ (623,257)		$ (69,026)	$ (121,536)	$ (124,116)	$ (934,939)	$ (937,661)
	Non-Operating Income												
36	Interest (All Checking, Savings & Reserves)	$ 8,755.83	$ 176.45	$ 183.45	$ 192.20	$ 2,326.98	$ 200	0.00%	$ 200	$ 200	$ 200	$ 200	$ 200
37	Other (Misc & SDC)	$ -	$ 2,256.63	$ 5,330.48	$ 21,231.65	$ 7,204.69	$ 4,000	0.00%	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000
38	Other (Transfer In - Water Reserve)	$ 120,000.00	$ -	$ -	$ 150,000.00	$ 67,500.00	$ 150,000	0.00%	$ -	$ -	$ -	$ -	$ -
39	Total Non-Operating Income (Add 36 thru 38)	$ 128,755.83	$ 2,433.08	$ 5,513.93	$ 171,423.85	$ 77,031.67	$ 154,200.00		$ 4,200	$ 4,200	$ 4,200	$ 4,200	$ 4,200
	NET INCOME (LOSS) (Add Line 35 and 39)	$ (170,598.42)	$ (40,896.66)	$ (41,828.52)	$ (178,557.09)	$ (107,970)	$ (469,057)		$ (64,826)	$ (117,336)	$ (119,916)	$ (930,739)	$ (933,461)

Appendix B – Reserve Account Definitions

Reserves are an accepted way to stabilize and support a utility financial management. Small systems usually fund the operating expenses but don't consider putting money for a specific upcoming financial need or for an amount that can be used to provide rate stabilization in years when revenues are unusually low or expenditures are unusually high. The rationale for maintaining adequate reserve levels is twofold. First, it helps to assure that the utility will have adequate funds available to meet its financial obligations in times of varying needs. Secondly, it provides a framework around which financial decisions can be made to determine when reserve balances are inadequate or excessive and what specific actions need to be taken to remedy the situation.

Utility reserve levels can be thought of as a savings account. Reserve balances are funds that are set aside for a specific cash flow requirement, financial need, project, task, or legal covenant. Common reserve balances are established around the following four areas: operating reserve, capital improvement/equipment replacement, emergency, and debt service reserve. These balances are maintained in order to meet short-term cash flow requirements, and at the same time, minimize the risk associated with meeting financial obligations and continued operational needs under adverse conditions.

Deposits to reserve accounts may be broken into reduced annual installments to minimize the overall impact on rates. Once the target reserve has been met, the contributions can be redirected to other water reserve funds or water projects. Operating reserve levels should be adjusted on a regular basis to reflect current costs.

Debt Service Reserve
Water utilities that have issued debt to pay for capital assets will often have required reserves that are specifically defined to meet the legal covenants of the debt. Debt service reserve requirements vary based on funding agency requirements. Commonly, debt service reserve represents an amount equal to one full annual loan payment and sometimes can be accumulated to this level over a period of five to ten years.

Operating Reserve
Operating reserves are established to provide the utility with the ability to withstand short term cash-flow fluctuations. There can be a significant length of time between when a system provides a service and when a customer pays for that service. In addition, a system's cash flow can be affected by weather and seasonal demand patterns. A 45-day operating reserve is a frequently used industry norm. Because of potential delays in collecting payment many utilities attempt to keep an amount of cash equal to at least 45 days or one-eighth of their annual cash O&M expenses in an operating reserve to mitigate potential cash flow problems.

Emergency Reserve
In addition to operating reserves, emergency reserves are an important tool for financial sustainability. Emergency reserves are intended to help utilities deal with short term emergencies which arise from time to time such as main breaks or pump failures.

The appropriate amount of emergency reserves will vary greatly with the size of the utilities and should depend on major infrastructure assets. An emergency reserve is intended to fund the immediate replacement or reconstruction of the system's single most critical asset; an asset whose failure will result in an immediate water outage or threat to public safety. For example, given that the largest single asset for a small rural utility may be the primary pump, the cost of replacing that pump in the case of a failure would be a good amount to save in emergency reserves.

Capital Improvement Reserve

A capital improvement reserve (also called an equipment replacement reserve) is intended to be used for replacing system assets that have become worn out or obsolete. Annual depreciation is frequently used to estimate the minimum level of funding for this capital reserve but it's important to understand that depreciation expense is an accounting concept for estimating the decline in useful life of an asset and does not represent the current replacement cost of that asset. As an example, a brand new system with a construction cost of $1 million and a service life of 100 years should (in theory) be setting aside $10,000 per year to fully capitalize the replacement cost of the infrastructure as it wears out. Many smaller systems find this to be impossible because of the effect on rates. A large number of small systems are falling into disrepair due to a lack of capital improvement planning.

To initiate a capital improvement plan (CIP), a small water or sewer system will start with a list of assets that includes the remaining service life, theoretical replacement costs in today's dollars and the remaining service life. It then calculates the monthly and annual reserve that must be collected from each customer to fully capitalize the replacement cost of each asset.

An alternative method is to set aside an annual amount equal to 1% to 2% of the total original cost asset value of the utility's property. Larger systems often have sufficient non-operating revenue to fund these reserve levels without affecting rates, but smaller systems often do not, leaving them to fund their CIP reserves from rates alone.

Regardless of the method used, creating a CIP and establishing even a minimal capital improvement reserve is highly recommended for any system that strives to remain financially viable in future years.

Appendix C – Capital Outlay Needs

Section 9

Capital Improvement Plan

9.1 Background

A capital improvement plan (CIP) is a long-term program for replacement of existing or installation of new infrastructure required to improve a system's function or maintenance. The Capital Improvement Plan for water and wastewater systems provides City Council, staff and residents with a systematic approach to dealing with its short-term and long-term infrastructure needs and demands.

Under ORS 223.309(1), a capital plan, public facilities plan, master plan or comparable plan must be prepared before the adoption of system development charges (SDCs). This plan must list the capital improvements that may be funded with improvement fee revenues and include the estimated cost and timing of each improvement. Oregon Revised Statutes discuss which improvements may be funded by SDC revenues (ORS 223.307) and what type of projects qualify for credit purposes. The capital improvement plan may be modified at any time pursuant to ORS 223.309 (2).

Water system improvements recommended for the City of Gold Beach are provided in this Plan along with associated costs. The recommended improvements for the City's Capital Improvement Plan were derived from the analysis presented in Sections 8, 9, and 10.

9.2 Project Priority

A summary of the Priority 1 improvements is presented in Table 9.2.1.

TABLE 9.2.1
SUMMARY OF PRIORITY 1 WATER SYSTEM PROJECTS

No. as per Fig. 9.3.1	Project Description	Total Project Cost
1	June St.	$204,900
2	Hunter Creek Rd. – Orchard Ln.	$114,000
3	Hunter Creek Loop Rd. – Mateer Rd.	$225,500
4	Hunter Creek Loop Rd. to Meyers	$234,100
5	Mateer Bridge	$144,000
6	Ferry Well Raw Water Intake	$1,200,000
7	Water Treatment Plant Improvements	$679,600
8	SCADA System	$262,000
9	Jerry's Flat Rd./Ellensburg Ave.	$9,300,100
	Total	$12,364,200

A summary of the Priority 2 improvements is presented in Table 9.2.2.

TABLE 9.2.2
SUMMARY OF PRIORITY 2 WATER SYSTEM PROJECTS

No. as per Fig. 9.3.2	Project Description	Total Project Cost
10	Wedderburn Loop Rd.	$287,000
11	Colvin St.	$155,600
12	Anns Ct.	$70,800
13	Hwy 101 -Hunter Creek Loop Rd.	$930,800
14	Hunter Creek Loop Rd. to Brooks	$419,300
15	3rd St.	$163,400
	Total	$2,026,900

A summary of the Priority 3 improvements is presented in Table 9.2.3.

TABLE 9.2.3
SUMMARY OF PRIORITY 3 WATER SYSTEM PROJECTS

No. as per Fig. 9.3.3	Project Description	Total Project Cost
16	Hwy 101 - Wedderburn Loop Rd.	$110,000
17	Tom Cat Dr.	$217,500
18	Park Dr.	$90,000
19	Kerber - Hwy 101	$57,800
20	Hunter Creek Loop Rd. to Mateer Rd.	$620,100
21	Mateer Rd.	$185,500
22	New Tank – Jerry's Flat Rd.	$1,752,000
23	Old Coast Hwy.	$348,400
24	Hwy 101 – Driftwood	$120,300
25	Doyle Pt.	$95,400
26	Hound Dog	$83,500
27	Big Prairie Reservoir	$170,000
28	Hound Dog Reservoir	$67,100
29	Wallace Reservoir	$71,700
30	Wedderburn/Knoxville Reservoir	$112,300
31	Hunter Creek Heights Reservoir	$7,900
32	Brooks Reservoir	$50,600
33	Seismic Shutoff Valves	$601,400
34	New Well – Hunter Creek Heights	$787,100
	Total	$5,548,600

Appendix D – Amended Debt Service Calculations

June 27, 2016

Capital Improvements Phase 1 Only

On May 9, 2016 RCAC presented the Gold Beach Water Rate Study at the regular City Council meeting. The City Council held a work session with city staff on June 1, 2016. As a result of the work session, the city requested RCAC amend and analyze the data to show the impacts of completing only the Phase 1 Capital Improvements. This adjustment lowers the financial need from approximately $19 million to just over $12 million.

RCAC created this appendix to reflect the areas of the original report that would be adjusted if the city chooses to complete only the Phase 1 Capital Improvements. The tables and language below correspond directly to the original report Sections 2 and 5 and show the updated numbers based on only Phase 1 improvements at a cost of $12,364,200. The amended excerpts below do not stand alone as a rate analysis and are supplemental to the original report.

The requested adjustment is related to debt that was not scheduled to occur until years 4 & 5 of the projections. Therefore the revenue requirement and proposed rate adjustments during years 1-3 remain unchanged.

Italics in the tables below are used to draw the reader's attention to where this change in the capital improvement dollar amount will have an impact.

Section 2 Excerpts –

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Table 2.2 Recommended Reserve Targets

Purpose	Amount
Debt Service Reserve	*$501,061*
Capital Improvement Plan (CIP) Reserve	$200,000
Emergency Reserve	$50,000
Operating Reserve	$134,566
Total Reserves	**$885,627**

Table 2.2 shows the recommended reserve targets as determined through conversations with city staff. Specific amounts were determined as follows:

- **Debt Service Reserve** – Target is based on the equivalent of one annual payment being required by the lending agency which is estimated at $501,061. See the debt service explanation under the Five Year Budget Forecast section for additional details on the amount.

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Table 2.3 Scenario One - Reach Fully Funded Reserve Targets in Five Years

Reserve	Target	FYE 16 Budget	Difference	Needed Annual Contribution	Additional Cost/Customer/ Month*
Debt Service	*$501,061*	*$0*	*$501,061*	*$47,212*	*$2.92*
CIP	$200,000	$0	$200,000	$40,000	$2.47
Emergency	$50,000	$0	$50,000	$10,000	$0.62
Operating	$134,566	$0	$134,566	$26,913	$1.67
Total	**$885,627**	**$0**	**$885,627**	**$124,125**	**$7.68**

*Based on 1347 paying accounts. See Section 4 for explanation of number of accounts.

Five Year Budget Forecast

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- **Annual Reserve Contribution** – For the projected budget, contributions to the emergency and contingency reserves are included at $36,913 per year based on Table 2.3. This study assumes continuation of the existing system of a separate Water Reserve Fund charge, where the City currently charges each account $2.00 per month. This charge would be increased to reflect the desired targets for debt service and capital improvement reserves only and would be in addition to the water rate fees. Debt service is $2.92 and CIP is $2.47 additional per account. *The monthly reserve charge would increase from $2.00 to $7.39 per account.*
- **Debt Service** – Annual payment amounts are determined by funding agencies when loans are acquired. For this amended analysis, the Council requested information for financing of Phase 1 only. The Master Plan outlined a tentative schedule of completing Phase 1 construction by Dec. 2019 with a total cost of $12,364,200. Potential funding implications are shown in table 2.4. A conservative funding package (shown in bold in Table 2.4) with 10% grant and a loan with 3.25% interest rate at 40 years was chosen to estimate future costs and rate requirements. Annual loan payment is estimated at $501,601 with an annual cost per account of $372 or $31.00 per month. Debt service is added to expenses for the last two years of the projections.
    - Actual debt service will vary. More than one funding source will likely be needed and funding packages may occur over multiple years. The information below will need to be updated as soon as the Council makes decisions regarding financing and phasing of projects. Rates will likely require adjustment based on actual debt service conditions and initial payment date.

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Table 2.4 Potential Funding Scenarios

	20 Year Period			40 Year Period		
	Interest Rate	Annual Payment	Monthly Cost per Account*	Interest Rate	Annual Payment	Monthly Cost per Account*
100% Loan $12,364,200		**0% Grant $0**				
	2.0	$756,154	$46.78	2.0	$451,983	$27.96
	3.25	$850,396	$52.61	3.25	$556,734	$34.44
90% Loan $11,127,780		**10% Grant $1,236,420**				
	2.0	$680,539	$42.10	2.0	$406,784	$25.17
	3.25	$765,356	$47.35	**3.25**	**$501,061**	**$31.00**
80% Loan $9,891,360		**20% Grant $2,472,840**				
	2.0	$604,923	$37.42	2.0	$361,586	$22.37
	3.25	$680,317	$42.09	3.25	$445,388	$27.55

*Based on 1347 paying accounts. See Section 4 for explanation of number of accounts.

Section 5 Excerpts

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Table 5.1 Water Fund Revenue Requirement

	FY 2016-17	FY 2017-18	FY 2018-19	*FY 2019-20*	*FY 2020-21*
Expenses	$584,413	$592,276	$600,262	*$1,109,434*	*$1,117,672*
Emergency and Operating Reserve	$36,913	$36,913	$36,913	*$36,913*	*$36,913*
Capital Outlay	$0	$50,000	$50,000	*$50,000*	*$50,000*
Revenue Requirement	**$621,326**	**$679,189**	**$687,175**	***$1,196,347***	***$1,204,585***
Current Revenue	$558,517	$563,871	$569,279	*$574,740*	*$580,256*
Difference	**$62,809**	**$115,318**	**$117,896**	***$621,607***	***$624,328***

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Rate Option 1A

Per direction from city staff, Rate Option 1A was not analyzed due to lack of interest during the City Council work session.

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Rate Option 1B

Revenue generated is set to match the **current percent revenue**: Residential at 63% and Commercial at 37%. Base rate is established to generate approximately 75% of the revenue requirement to assist with financial stability of the utility.

		FY 2016-2017		FY 2020-2021	
Residential:		**IN**	**OUT**	***IN***	***OUT***
Base	0- 1,500 gallons	$22.50	$23.63	*$44.00*	*$46.20*
Tier 1	1,501- 5,000 gallons	$1.00	$1.05	*$3.50*	*$3.68*
Tier 2	5,001- 15,000 gallons	$2.25	$2.36	*$4.30*	*$4.52*
Tier 3	15,001+ gallons	$3.50	$3.68	*$5.25*	*$5.51*
Commercial:		**IN**	**OUT**	***IN***	***OUT***
Base	0- 1,000 gallons	$53.00	$55.65	*$103.25*	*$108.41*
Tier 1	1,001- 7,000 gallons	$0.25	$0.26	*$1.00*	*$1.05*
Tier 2	7,001-83,000 gallons	$0.70	$0.74	*$1.35*	*$1.42*
Tier 3	83,001+ gallons	$1.00	$1.05	*$1.75*	*$1.84*

Tier prices are per 1,000 gallons for every class.

Plus Water Reserve Fund Charge: *$ 7.39 per account*

Rate Option 2

Base rate is established by increasing inside city limit customers by $5.00 from current rates for FY2016-2017. Plus $5.00 per year after resulting in FY 2020-2021 rates $25.00 above current rates. Tier rates are adjusted to meet the remaining revenue requirement not generated from the base rates. Outside classes are adjusted based on the current percent differences between that class and the inside class.

		FY 2016-2017		FY 2020-2021	
Residential:		**IN**	**OUT**	***IN***	***OUT***
Base	0- 1,500 gallons	$22.23	$23.34	*$42.23*	*$44.34*
Tier 1	1,501- 5,000 gallons	$1.00	$1.05	*$3.00*	*$3.15*
Tier 2	5,001- 15,000 gallons	$2.00	$2.10	*$4.10*	*$4.31*
Tier 3	15,001+ gallons	$2.75	$2.89	*$5.00*	*$5.25*
Commercial:		**IN**	**OUT**	***IN***	***OUT***
Base	0- 1,000 gallons	$28.55	$29.98	*$48.55*	*$50.98*
Tier 1	1,001- 7,000 gallons	$1.00	$1.05	*$3.00*	*$3.15*
Tier 2	7,001-83,000 gallons	$2.00	$2.10	*$4.10*	*$4.31*
Tier 3	83,001+ gallons	$2.75	$2.89	*$5.00*	*$5.25*

Tier prices are per 1,000 gallons for every class.

Plus Water Reserve Fund Charge: *$ 7.39 per account*

MISC. ITEMS

INCLUDING POLICY DISCUSSIONS & DETERMINATIONS

GOLD BEACH CITY COUNCIL
AGENDA REPORT

Agenda Item No. **10. a.**
Council Meeting Date: July 11, 2016

TITLE: Discussion & Decision for FY1617 water rates

SUMMARY AND BACKGROUND:
We discussed the water rates as outlined in the water rate study last month, in addition to a proposal from Councilor Kaufman after the June 1 workshop *(I asked that my staff proposal be disregarded from consideration – it was too much of an increase).*

After the discussion I said I would prepare some more scenarios of the impact of the various rates. I have attached the following information (I have also sent these as separate PDFs so they are more legible)

- Proposed rates based on the discussion from last month
- Excerpt from the water rate study (minus Option 1A which the council discounted at the workshop)—the excerpt has a breakdown of the rate impact on what the study determined were the general "break points" in usage
- My analysis of the top 5 high users in each rate class for FY1516,
    - in addition I extracted the mobile home parks and apartments so you can easily compare the impacts,
    - I also extracted the large government users so you can compare the impact to those agencies

Councilor Kaufman made the suggestion that the Council decide which rate structure to adopt tonight but do not make the effective date for 60-90 days to allow the users plenty of notice.

REQUESTED ACTION:
Decision on what rate structure to adopt and what the effective date will be.

FROM JUNE REPORT:

TITLE: Water Rate Study Discussion & Decision for rates for FY1617

SUMMARY AND BACKGROUND:

Last month, RosAnna Norval from RCAC presented the draft Water Rate Study. We held a workshop on June 1st to further discuss the study and recommend changes. The different rate options were discussed pro/con.

Attached to this report a breakdown of the rate options with 2 additions: one from Councilor Kaufman which is a variation on Option 2 (the flat $5 increase), and the second is from staff based on Councilor Kaufman's proposed flat increase ratio with changes to the proposed tier rates. After reviewing our current per 1K gallon rates I am concerned the new rate structure may be too low per 1K gallon. Please review and discuss.

We typically raise rates in July based on the prior 12 months municipal cost index inflation factor. Since we are proposing to completely restructure the rates this year, the restructuring will be our annual adjustment for FY1617. Based on the decision tonight I will prepare the rate resolution for the July meeting.

CURRENT:

Residential customers use 45% of produced water and account for 63% of revenue

Commerical customers use 55% of produced water and pay 37% of costs

~~Option 1A bases the proposed rates on the ratio of water use~~

Option 1B bases the proposed rates on the current revenue split

Option 2 is an across the board $5 increase to the base rates

Councilor Kaufman's is a version of Option 2 with

the flat increase based on ratio of the increase

RATES ARE PER 1K OF WATER

INSIDE RESIDENTIAL

CURRENT RATES 5K GALLONS **PROPOSED RATES 5K GALLONS**

TIERS	RATE PER 1K GALL	COST		TIERS	OPTION 1B RES-63% COMM-37%	OPTION 2 FLAT $5	COUN KAUF 30R/70C FLAT
0 - 1500	BASE	$ 17.23		1500 BASE	$ 22.50	$ 22.23	$ 20.73
1501 - 4000	3.75	$ 9.38		1501-5000	$ 1.00	$ 1.00	$ 1.00
4001 - 7000	2.54	$ 2.54		5001-15000	$ 2.25	$ 2.00	$ 2.00
7001 - 10000	1.88			15,001 +	$ 3.50	$ 2.75	$ 2.75
10001 - 15000	1.27						
15K +	0.54						
5,000 GALLONS		**$ 29.15**			**$ 26.00**	**$ 25.73**	**$ 24.23**

OUTSIDE RESIDENTIAL

CURRENT RATES 5K GALLONS **PROPOSED RATES 5K GALLONS**

TIERS	RATE PER 1K GALL	COST		TIERS	OPTION 1B RES-63% COMM-37%	OPTION 2 FLAT $5	COUN KAUF 30R/70C FLAT
0 - 1500	BASE	$ 18.94		BASE	$ 23.63	$ 23.34	$ 22.44
1501 - 4000	4.32	$ 10.80		1501-5000	$ 1.05	$ 1.05	$ 1.05
4001 - 7000	2.93	$ 2.93		5001-15000	$ 2.36	$ 2.10	$ 2.10
7001 - 10000	2.15			15,001 +	$ 3.68	$ 2.89	$ 2.89
10001 - 15000	1.46						
15K +	0.63						
5,000 GALLONS		**$ 32.67**			**$ 27.31**	**$ 27.02**	**$ 25.94**

INSIDE COMMERCIAL

CURRENT RATES 20K GALLONS				PROPOSED RATES 20K GALLONS			
TIERS	RATE PER 1K GALL	COST		TIERS	OPTION 1B RES-63% COMM-37%	OPTION 2 FLAT $5	COUN KAUF 30R/70C FLAT
0 - 3000	BASE	$ 23.55		BASE	$ 53.00	$ 28.55	$ 30.55
3001 - 10000	3.75	$ 26.25		1001-7000	$ 0.25	$ 1.00	$ 1.00
10001 - 20000	2.54	$ 25.40		7001-83000	$ 0.70	$ 2.00	$ 2.00
20001-30000	2.12			83001 +	$ 1.00	$ 2.75	$ 2.75
30001 - 50000	1.88						
50001 - 70000	1.63						
70001 - 100K	1.27						
OVER 100K	0.61						
20,000 GALLONS		**$ 75.20**			**$ 68.50**	**$ 62.55**	**$ 64.55**

OUTSIDE COMMERCIAL

CURRENT RATES 20K GALLONS				PROPOSED RATES 20K GALLONS			
TIERS	RATE PER 1K GALL	COST		TIERS	OPTION 1B RES-63% COMM-37%	OPTION 2 FLAT $5	COUN KAUF 30R/70C FLAT
0 - 3000	BASE	$ 26.22		BASE	$ 55.65	$ 29.98	$ 33.22
3001 - 10000	4.32	$ 30.24		1001-7000	$ 0.26	$ 1.05	$ 1.05
10001 - 20000	2.92	$ 29.20		7001-83000	$ 0.74	$ 2.10	$ 2.10
20001-30000	2.00			83001 +	$ 1.05	$ 2.89	$ 2.89
30001 - 50000	44.00						
50001 - 70000	1.88						
70001 - 100K	1.46						
OVER 100K	0.70						
20,000 GALLONS		**$ 85.66**			**$ 67.57**	**$ 65.68**	**$ 68.92**

EXCERPT FROM WATER RATE STUDY *(page 19-20 of July 11 revised)*

Rate Equity

In setting or adjusting water rates, "equity" is the art of spreading the burden fairly among the system's customers. A system may not be able to entirely control the cost of producing, treating, storing, and distributing safe water to its customers, but it must recover the full cost of providing water and is responsible to ensure all customers are paying their fair share - not too much, not too little.

Most water systems strive to adopt a rate structure in which the amount of money paid by each customer is roughly proportional to that customer's demand on the system's capacity and resources. Within this overall strategy, concessions may be made for low or fixed income customers, attraction of commercial and industrial activity and the jobs they provide, and a wide range of other local and political considerations. In a detailed water use analysis, many systems discover large discrepancies between demands made on the system and revenue received. Sections 3 & 4 outline the current differences between percent water use per customer class and percent revenue recovered.

Revenue vs. Use Comparison

Class	Residential	Commercial
% of Total Use	45	55
% of Total Revenue		
Current	63	37
Option 1B	63	37
Option 2	59	41

Sample bills are helpful to see how the rate options translate into real numbers for customers. Below is a sampling of potential bills under the current and potential rate options for FY2016-2017. Take note of how bills change for customers at the low, mid and high water use for each customer class, as well as the median user (third column). For comparison of impacts to high water users, the cost per additional 10,000 gallons of water used is shown in the far right column.

In addition, the reserve charge, $2.00 for the current fee or ~~$9.19~~ ***$7.39*** for the proposed reserve amounts, would be added to the amount shown below.

Sample Bills for FY2016-2017

Residential Inside							
Use	**0**	**2,500**	**3,400**	**7,000**	**10,000**	**20,000**	**Add. 10K**
Current	$17.23	$20.98	$24.36	$31.98	$37.61	$46.69	$5.40
Option 1B	$22.50	$23.50	$24.38	$30.50	$37.25	$66.00	$35.00
Option 2	$22.23	$23.23	$24.11	$29.73	$35.73	$59.48	$27.50

Residential Outside							
Use	**0**	**2,500**	**3,700**	**7,000**	**10,000**	**20,000**	**Add. 10K**
Current	$18.94	$23.26	$28.45	$37.23	$43.70	$54.17	$6.30
Option 1B	$23.63	$24.68	$25.99	$32.03	$39.11	$69.31	$36.80
Option 2	$23.34	$24.39	$25.31	$31.22	$37.52	$62.47	$28.90

Commercial Inside							
Use	**0**	**2,000**	**4,500**	**10,000**	**20,000**	**85,000**	**Add. 10K**
Current	$23.55	$23.55	$29.18	$49.82	$75.23	$185.68	$6.10
Option 1B	$53.00	$53.25	$53.87	$56.60	$63.60	$109.70	$10.00
Option 2	$28.55	$29.55	$32.03	$40.55	$60.55	$192.05	$27.50

Commercial Outside							
Use	**0**	**2,000**	**6,400**	**10,000**	**20,000**	**85,000**	**Add. 10K**
Current	$26.22	$26.22	$40.89	$56.43	$85.66	$212.67	$7.00
Option 1B	$55.65	$55.91	$57.07	$59.43	$66.83	$115.55	$10.50
Option 2	$29.98	$31.03	$35.70	$42.58	$63.58	$201.66	$28.90

TOP 5 INSIDE RESIDENTIAL (RATE 101) FY1516 USERS AVERAGED BY MONTH				
TOP 5 RESIDENTIAL INSIDE FY1516 MONTHLY AVERAGE GALLONS USED	FY1516 CURRENT RATE	OPTION 1B RES-63% COMM-37%	OPTION 2 FLAT $5	COUNCILOR KAUFMAN 30R/70C FLAT
53,483	$ 67.18	$ 181.50	$ 150.23	$ 148.73
44,992	$ 62.55	$ 153.50	$ 128.23	$ 134.98
43,692	$ 61.85	$ 150.00	$ 125.48	$ 123.98
37,750	$ 58.61	$ 129.00	$ 108.98	$ 107.48
36,992	$ 58.20	$ 125.50	$ 106.23	$ 104.73
USAGE	CURRENT	OP 1B	OP 2	COUNCILOR K
AVERAGE MEAN & MEDIAN FROM RATE STUDY				
MEAN 4,264	$ 27.28	$ 25.30	$ 25.03	$ 23.53
MEDIAN 3,375	$ 24.27	$ 24.40	$ 24.13	$ 22.63

TOP 5 OUTSIDE RESIDENTIAL (RATE 105) FY1516 USERS AVERAGED BY MONTH				
TOP 5 RESIDENTIAL OUTSIDE FY1516 MONTHLY AVERAGE GALLONS USED	FY1516 CURRENT RATE	OPTION 1B RES-63% COMM-37%	OPTION 2 FLAT $5	COUNCILOR KAUFMAN 30R/70C FLAT
122,208	$ 119.79	$ 444.67	$ 357.25	$ 356.35
98,042	$ 104.58	$ 356.35	$ 287.89	$ 286.99
70,383	$ 87.17	$ 253.31	$ 206.97	$ 206.07
34,325	$ 64.48	$ 120.83	$ 102.93	$ 102.03
27,600	$ 60.25	$ 98.75	$ 85.59	$ 84.69
USAGE	CURRENT	OP 1B	OP 2	COUNCILOR K
AVERAGE MEAN & MEDIAN FROM RATE STUDY				
MEAN 5,360	$ 33.72	$ 29.67	$ 29.12	$ 28.22
MEDIAN 3,746	$ 29.64	$ 25.94	$ 25.65	$ 24.75

TOP 5 INSIDE COMMERCIAL (RATE 121) FY1516 USERS AVERAGED BY MONTH				
TOP 5 COMMERCIAL INSIDE FY1516 MONTHLY AVERAGE GALLONS USED	FY1516 CURRENT RATE	OPTION 1B RES-63% COMM-37%	OPTION 2 FLAT $5	COUNCILOR KAUFMAN 30R/70C FLAT
179,333	$ 252.76	$ 203.70	$ 450.55	$ 452.55
176,667	$ 251.15	$ 201.70	$ 445.05	$ 447.05
141,542	$ 229.89	$ 166.70	$ 348.80	$ 350.80
134,458	$ 225.60	$ 158.70	$ 326.80	$ 328.80
108,300	$ 209.77	$ 133.70	$ 255.30	$ 257.30
USAGE	**CURRENT**	**OP 1B**	**OP 2**	**COUNCILOR K**
AVERAGE MEAN & MEDIAN FROM RATE STUDY				
MEAN 24,228	$ 84.19	$ 66.40	$ 68.55	$ 70.55
MEDIAN 4,479	$ 29.10	$ 53.88	$ 32.05	$ 34.05

TOP 5 OUTSIDE COMMERCIAL (RATE 125) FY1516 USERS AVERAGED BY MONTH				
TOP 5 COMMERCIAL OUTSIDE FY1516 MONTHLY AVERAGE GALLONS USED	FY1516 CURRENT RATE	OPTION 1B RES-63% COMM-37%	OPTION 2 FLAT $5	COUNCILOR KAUFMAN 30R/70C FLAT
245,500	$ 335.86	$ 283.55	$ 664.06	$ 667.30
93,875	$ 225.64	$ 125.00	$ 227.67	$ 230.91
92,500	$ 223.63	$ 123.43	$ 223.34	$ 226.58
61,383	$ 174.56	$ 97.17	$ 149.68	$ 152.92
55,500	$ 163.50	$ 93.10	$ 138.13	$ 141.37
USAGE	**CURRENT**	**OP 1B**	**OP 2**	**COUNCILOR K**
AVERAGE MEAN & MEDIAN FROM RATE STUDY				
MEAN 20,790	$ 87.58	$ 67.57	$ 65.68	$ 68.92
MEDIAN 6,446	$ 41.09	$ 56.95	$ 35.23	$ 38.47

MOBILE HOME PARKS & APARTMENTS				
MOBILE HOME PARKS & APARTMENTS	**FY1516 CURRENT RATE**	**OPTION 1B RES-63% COMM-37%**	**OPTION 2 FLAT $5**	**COUNCILOR KAUFMAN 30R/70C FLAT**
644,292	$ 534.17	$ 668.70	$ 1,729.30	$ 1,731.30
225,758	$ 280.86	$ 250.70	$ 579.80	$ 581.80
225,500	$ 280.70	$ 250.70	$ 579.80	$ 581.80
59,167	$ 148.92	$ 90.90	$ 138.55	$ 140.55
47,208	$ 128.70	$ 82.50	$ 114.55	$ 116.55
38,667	$ 112.68	$ 76.90	$ 98.55	$ 100.55
33,167	$ 102.36	$ 72.70	$ 86.55	$ 88.55
33,100	$ 102.23	$ 72.70	$ 86.55	$ 88.55
18,417	$ 71.21	$ 62.20	$ 56.55	$ 58.55
15,417	$ 63.58	$ 60.10	$ 50.55	$ 52.55
14,200	$ 60.49	$ 59.40	$ 48.55	$ 50.55
93,875	$ 225.64	$ 125.00	$ 227.67	$ 230.91
OUTSIDE COMMERCIAL				

GOVERNMENT/SCHOOLS/HEALTH					
GOVERNMENT/SCHOOLS/ HEALTH	FY1516 MONTHLY AVERAGE GALLONS USED	FY1516 CURRENT RATE	OPTION 1B RES-63% COMM-37%	OPTION 2 FLAT $5	COUNCILOR KAUFMAN 30R/70C FLAT
HOSPITAL	201,375	$ 266.10	$ 225.70	$ 511.05	$ 513.05
FAIRGROUNDS	157,667	$ 239.65	$ 182.70	$ 392.80	$ 394.80
HIGH SCHOOL	142,625	$ 230.54	$ 167.70	$ 351.55	$ 353.55
COURTHOUSE & JAIL	90,542	$ 192.72	$ 113.30	$ 208.55	$ 210.55
HIGH SCHOOL	73,333	$ 170.85	$ 100.70	$ 166.55	$ 168.55
RILEY CREEK	38,667	$ 112.68	$ 76.90	$ 98.55	$ 100.55
PORT	36,083	$ 107.83	$ 74.80	$ 92.55	$ 94.55
DOG POUND	22,058	$ 79.59	$ 65.00	$ 64.55	$ 66.55
PORT	20,775	$ 76.88	$ 64.30	$ 62.55	$ 64.55
LIBRARY	11,217	$ 52.91	$ 57.30	$ 42.55	$ 44.55
SR CENTER	9,583	$ 48.25	$ 56.60	$ 40.55	$ 42.55

OUTSIDE COMMERCIAL

SHORE PINES	137,083	$ 260.40	$ 170.15	$ 351.94	$ 355.18
CEMETERY	14,217	$ 68.75	$ 62.39	$ 50.98	$ 54.22

GOLD BEACH CITY COUNCIL
AGENDA REPORT

Council Meeting Date: JULY

TITLE: LOC Request to review and comment on top issues

SUMMARY AND BACKGROUND:
Annually LOC sends out a packet of topics that they plan on working on behalf of Oregon cities. They have requested that you review the packet and give your top four (4) priorities that you want them to address. I gave the packet to you in June so that you would have plenty of time to review before tonight. I am attaching the packet here again. They want me to send your feedback by July 22nd.

REQUESTED ACTION:
Decide which 4 are the Council's top priorities for this next year for LOC

FROM JUNE MEETING:
TITLE: LOC Request to review and comment on top issues

SUMMARY AND BACKGROUND:
Annual LOC sends out a packet of topics that they plan on working on behalf of Oregon cities. They have requested that you review the packet and give your top four (4) issues that you want them to address. I am giving you the packet in June so that you will have plenty of time to review before the July 11th meeting. They want me to send your feedback by July 22nd.

LEAGUE of Oregon CITIES

1201 Court Street NE, Suite 200 • Salem, Oregon 97301
(503) 588-6550 • (800) 452-0338 • Fax: (503) 399-4863
www.orcities.org

June 6, 2016

Dear Chief Administrative Official:

For the past three months, eight policy committees have been working to identify and propose specific actions as part of the League's effort to develop a pro-active legislative agenda for the 2017 session. They have identified 29 legislative objectives as set forth in the enclosed ballot and legislative recommendation materials. These objectives span a variety of issues and differ in the potential resources required to seek their achievement. Therefore, it is desirable to prioritize them in order to ensure that efforts are focused where they are most needed.

Each city is being asked to review the recommendations of the policy committees and provide input to the LOC Board of Directors as it prepares to adopt the League's 2017 legislative agenda. After your city council has had the opportunity to review the 29 proposals and discuss them with your staff, please return the enclosed ballot indicating the top four issues that your city council would like to see the League focus on in the 2017 session. **The deadline for response is July 22, 2016.** The board of directors will then review the results of this survey of member cities, along with the recommendations of the policy committees, and determine the League's 2017 legislative agenda.

Your city's participation and input will assist the board in creating a focused set of specific legislative targets that reflect the issues of greatest importance to cities. Thank you for your involvement, and thanks to those among you who gave many hours of time and expertise in developing these proposals.

Do not hesitate to contact me or Craig Honeyman, Legislative Director, with questions.
Sincerely,

Michael J. McCauley
Executive Director

INSTRUCTIONS

1. Each city should submit one form that reflects the consensus opinion of its city council on the **top four** legislative priorities for 2017.

2. Simply place an **X** in the space to the left of the city's top four legislative proposals (last pages of the packet).

3. The top four do not need to be prioritized.

4. Return by **July 22nd** via mail, fax or e-mail to:

   Paul Aljets
   League of Oregon Cities
   1201 Court St. NE, Suite 200
   Salem, OR 97301
   Fax – (503) 399-4863
   paljets@orcities.org

Thank you for your participation.

City of: _____

*Please mark **4** boxes with an **X** that reflect the top 4 issues that your city recommends be the priorities for the League's 2017 legislative agenda.*

Legislation

Community Development

- **A. Needed Housing Assistance Program** ☐
- **B. Natural Hazard Land Use Reform** ☐
- **C. DOGAMI Disaster Mapping** ☐
- **D. Floodplain Technical Assistance** ☐

Energy

- **E. Green Energy Technology Requirement** ☐
- **F. Funding Public Energy Projects** ☐
- **G. Updates to Oregon Energy Code** ☐

Finance and Taxation

- **H. Property Tax Reform - Market Value / Local Control** ☐
- **I. Property Tax Reform - Fairness and Equity** ☐
- **J. Local Lodging Tax** ☐
- **K. Nonprofit Property Tax Exemption** ☐
- **L. Marijuana and Vaping Taxes** ☐

General Government

- **M. Restore Recreational Immunity** ☐
- **N. Increase Local Liquor Fees** ☐
- **O. Marijuana Legalization Implementation** ☐
- **P. Mental Health Investments** ☐
- **Q. Qualification Based Selection** ☐

Human Resources

- **R. Subsidy for Retiree Health Insurance Repeal** ☐
- **S. PERS Reform** ☐
- **T. Arbitration Reform** ☐
- **U. Veterans Preference Clarifications** ☐

Telecommunications

- **V. Rights of Way** ☐
- **W. Franchise Fees** ☐
- **X. 9-1-1 Emergency Communications** ☐
- **Y. Technology Funding** ☐

Transportation

- **Z. Transportation Funding and Policy Package** ☐

Water/Wastewater

- **AA. Funding Water System Resilience** ☐
- **BB. Enhanced Prescription Drug Take-Back** ☐
- **CC. Water Supply Development Fund** ☐

Community Development

Legislation	Background
A. <u>Needed Housing Assistance Program</u> **Create state grants and technical assistance to cities working to develop housing development programs directed at new or innovative mans of providing housing solutions for low-income or senior populations.**	Cities are looking for new ways to serve the needs of a variety of people needing housing options and putting more resources toward housing projects. However, there is a need for state resources and assistance in implementing these programs. Funds that cities could access could be used to assist in land purchases for leasing for long-term low income housing, incentives for creating single story housing for seniors, tiny housing development, and planned developments that serve a range of incomes. Technical assistance to other cities should help a city determine what programs or planning options are available tools to help cities reach the goals set in the comprehensive plan.
B. <u>Natural Hazard Land Use Reform</u> **Create process for communities to move the UGB from an identified hazard area to resource lands and planning for replacing significant urban areas lost after a natural disaster.**	As science has better located some hazards areas and as regulations impact the expected development of other areas, cities need to find ways to respond more efficiently to address long-term planning for development. This requires a simplification of the process for changing the location of development, including adding new areas to the UGB, to account for lost development capacity. There also needs to be a streamlined process for a city to identify areas of new development should a disaster remove a large portion of the buildable land supply if a disaster should strike.
C. <u>DOGAMI Disaster Mapping</u> **Increase funding for DOGAMI to complete comprehensive disaster mapping of cities, including landslide and floodplain risk identification, and natural hazard related evacuation planning for additional potential risks such as tsunami or wildfire inundation.**	The Oregon Department of Geology and Mineral Industries (DOGAMI) provides a number of technical resources to cities to identify hazards that could impact development. The department is also an integral partner in creating plans for the emergency response for many disasters that could occur in the state. Increasing funds for comprehensive maps will help with long-term planning for hazard mitigation, resilience, and survival.
D. <u>Floodplain Technical Assistance</u> **Provide DLCD funding for technical assistance to cities implementing required changes to floodplain development management practices from FEMA.**	Because of the recent release of the Biological Opinion from the National Oceanic and Atmospheric Administration Fisheries Service related to the National Flood Insurance Program's potential to impact endangered species, there is a need for cities to receive significant assistance in implementing any changes required by the Federal Emergency Management Agency. As the federal process moves forward, the state must provide resources to help cities update comprehensive plans and development codes. This issue will have a number of impacts and assistance in the form of model codes, staff resources, grants, and other expertise will be necessary for cities trying to implement any changes or additional work.

Energy

Legislation	Background
E. <u>Changes to 1.5 Percent Green Energy Technology Requirement</u> **Advance legislation to statutorily modify the existing "1.5 percent green energy technology for public buildings" requirement to allow for alternative investment options such as offsite solar or community solar projects.**	Oregon statute currently requires public contracting agencies to invest 1.5% of the total contract price for new construction or major renovation of certain public buildings on solar or geothermal technology. The requirement allows for offsite technology, but only if the energy is directly transmitted back to the public building site and is more cost-effective than onsite installation. Removing the requirement that an offsite project be directly connected to the public building project could result in increased flexibility for local governments to invest in solar projects that are more cost-effective and provide for increased solar energy generation. In addition, the League will work to allow 1.5 percent funds to be invested in alternative projects that provide a greater economic or social return on investment. As an example, a city could use the funds on a community solar project to benefit low-income residents rather than being required to invest in solar generation at the site of the public building project.
F. <u>Funding for Public Energy Projects</u> **Support enhanced incentives for public energy projects including grants for technical assistance, feasibility studies and resource recovery projects for energy and fuel generation.**	There are programs that exist in Oregon for the purpose of incentivizing energy projects including renewable energy generation, alternative fuel vehicles, and energy efficiency. Programs such as the Business Energy Tax Credit (BETC), which was discontinued in 2014, and the State Energy Loan Program have been important tools for incentivizing energy projects for local governments. However, as a result of scrutiny over the administration of these incentives including private loan defaults, these programs are either no longer available, such is the case with the BETC program, or are at risk of being discontinued. It is critical for municipalities to have ongoing access to incentive opportunities as energy projects can be difficult to pencil-out and even more difficult for smaller communities to finance. The state of Oregon should take into consideration that loans for public energy projects, including cities, are lower-risk and should not be penalized in light of recent scrutiny. In addition, investments in these projects often result in environmental, social and economic benefits including long-term savings for taxpayers and reductions in greenhouse gas emissions. The League will work to enhance funding, including grants for technical assistance and feasibility studies for communities that currently do not have access to resources. The League will also advocate for incentives for energy and fuel generation projects. Examples of projects that warrant funding incentives include methane capture for fuel or energy generation, investments in community solar projects, renewable energy generation, and energy efficiency improvements.

Energy (Continued)

Legislation

G. Require Updates to Oregon Energy Code

Require the Oregon Building Codes Division (BCD) to engage in more frequent review of the state's energy code to reduce greenhouse gas reductions and ensure that Oregonians can more affordably and efficiently heat their homes and businesses.

Background

Oregon's statewide energy code for commercial and residential buildings is an important tool for achieving greenhouse gas reductions through decreased energy consumption while helping to ensure that Oregonians are able to more efficiently and affordably heat their homes and businesses. Federal law requires each state to certify that their state energy code is equivalent to federal model energy codes. While Oregon was once a leader in energy code adoption and implementation, the state is now in a position of falling behind the federal code. This is due, in large part, to a decision made by the Oregon Building Codes Division in 2013 which changed the code cycle from a three-year update to a six-year update. Major code changes, including adoption of national codes, will now occur every six years with minor changes occurring every three years. This change will impact Oregon's ability to keep pace with federal standards and new technologies in energy efficiency.

The League will work to support efforts to align new construction building codes with the state's climate goal timelines. In addition, the League will support efforts to establish a periodic review schedule to ensure that Oregon more frequently updates the state energy code in order to reflect federal code requirements. Also, the League will encourage the state to set specific targets for increased energy efficiency in residential and commercial building construction with specific goals for increasing energy efficiency standards for affordable housing projects and increasing use of net-zero and passive house building requirements. Finally, the League will work to require BCD to make regular reports back to the legislature to update on energy code implementation and goals.

Finance and Tax

Legislation	Background
H. <u>Property Tax Reform – Market Value / Local Control</u> **A legislative constitutional referral to reform the property tax system:** **a) to achieve equity, transitions to a market based property tax valuation system; and** **b) to restore choice, allows local voters to adopt tax levies and establish tax rates outside of current constitutional limits in their taxing jurisdictions.**	Property taxes are regulated largely by Measure 5 (1990) and Measure 50 (1997), as provided in the Oregon Constitution. Measure 50 established a new method for assessing property, discounting the assessment at 10 percent of the real market value and calling this assessed value. Assessed value is capped at an annual growth limit of 3 percent. As a state total, due to the limits and market changes, the gap between real market value and assessed value has now grown to nearly 25 percent over the past 20 years. This gap varies widely on a property by property basis, creating considerable property tax inequities for properties that sell for similar prices in a city. In short, Oregon property taxes have become disassociated from real market value and the result is considerable inequity. For FY 2014-15, 60 percent of cities, 97 percent of counties, and 89 percent of school districts had some compression. This means that the Measure 5 caps of $5 per $1000 for education and $10 per $1000 for general government on real market value have been exceeded in most taxing jurisdictions. The caps are over 25 years old and were set low as voters were anticipating a sales tax to be coupled with it. Voters can no longer vote for the services they desire due to these caps. With looming PERS costs increases, paying for services with the present restrictions will become very difficult in some cities.
I. <u>Property Tax Reform – Fairness and Equity</u> **A bill that pursues statutory modifications to the existing property tax system that enhances the fairness and adequacy of the current system.**	There are some adjustments to the property tax process and calculations that can be done statutorily. These include altering the changed property ratio statute and the statutory discount given to property owners who pay their taxes by November 15th. New property is added to the tax rolls using a county-wide ratio (assessed value to real market value) for determining the discount to apply to the real market value and that could be changed statutorily to a city-wide ratio in taxing districts who elect the change.

Finance and Tax (Continued)

Legislation

J. <u>Local Lodging Tax</u>

A lodging tax bill, the outcome of which, would:

a) **Provide jurisdictions greater flexibility to spend local lodging tax revenue to plan for and provide services and infrastructure related to tourism;**
b) **Reduce or eliminate the required reimbursement charge that a lodging tax collector is allowed to retain for filing a local lodging tax return; and**
c) **Improve efficiency and collection of local lodging taxes in cooperation with the state.**

Background

State law restricts how local lodging tax revenues may be expended. Post 2003, any new taxes or any tax increase requires a 70 percent revenue dedication to tourism promotion or tourism-related facilities. In addition, state statute provides that cities may not lower the actual percentage of lodging tax revenues that were dedicated to tourism prior to 2003. This means that cities have varied percentages of restricted local lodging taxes revenues. These numbers are arbitrary as they were set based on circumstances in 2003 that have often greatly changed. In addition, the legislative history shows that the legislature intended to provide some revenue flexibility and provide that certain infrastructure (roads, sewer lines, etc.) would qualify as tourism-related but the statutes need revision and clarification.

State law requires local governments to provide a 5 percent collector reimbursement charge if they impose a new lodging tax or tax increase after January 1, 2001. This is a deduction from the taxes that would otherwise be due. The state also provides a 5 percent collector reimbursement charge for state lodging taxes. In addition, local governments that had a reimbursement charge, must continue it. Thus, cities have very different reimbursement requirements—some are at zero, others are at 5 percent, and some are in between. When coupled with the state deduction, the deduction seems too generous.

The Oregon Department of Revenue now collects state lodging taxes throughout the state and could collect and enforce local lodging taxes at the same time if given statutory authority. Local governments could then enter into voluntary agreements with the state to delegate the collection. This option could make collection much more efficient and cost-effective for some local governments. In addition, cities continue to struggle with collections and auditing, particularly from online companies and private home rentals (through Airbnb, etc.) and this area of the law could be improved.

Finance and Tax (Continued)

Legislation	Background
K. Nonprofit Property Tax Exemption **Clarify and reform the statutory property tax exemption provided to nonprofit entities to address cost-benefit concerns for the continued full exemption in light of cost of city services provided to nonprofits and the changing services and business models of some nonprofit entity types.**	Nonprofit organizations that are charitable, literary, benevolent or scientific are provided a property tax exemption that will cost more than $194 million in the 2015-17 biennium. In addition, exemptions for the property of nonprofit religious organizations costs more than $113 million for the biennium. For many cities, much of the city is exempt from property taxes due to the public property exemption and these nonprofit exemptions. This includes hospitals, nursing homes, etc. The Legislature has formed a work group to look at the nonprofit property tax exemption issue as the nature and number of nonprofits is changing and the administration of the exemption has become complex for county tax assessors. Nonprofit entities require significant services, including transportation, water, sewer, police, fire, etc. Thus, the legislature is looking at property taxes more as a service tax and considering how the full exemption could be adjusted to have nonprofits pay for their fair share of costs of services or otherwise meet a benefit test for continuing an exemption.
L. Marijuana and Vaping Taxes **Defend against restrictions and preemptions regarding local marijuana and vaping taxes and advocate for appropriate state shared revenue levels and distribution formulas for state marijuana taxes and potential vaping taxes.**	There are no revenue use restrictions on local marijuana taxes, but the local marijuana tax rate is capped at 3 percent. There are no restrictions on local governments imposing a vaping tax. The state has not imposed a tax on vaping products to date but is considering a tax. Often when the state imposes a tax (for example, cigarette or liquor), the state preempts local governments from also imposing a tax. 10 percent of state marijuana taxes will be distributed to cities after state administrative costs. Distributions will be made per capita for revenues received prior to July 1, 2017. After July 1, they will be distributed based on the number of the various marijuana licenses issued in a city. Cities that prohibit establishments for recreational marijuana producers, processors, wholesalers or retailers will receive no state shared revenue. Likewise, cities that prohibit a medical marijuana grow site or facility will receive no state shared revenue.

General Government

Legislation	Background
M. <u>Restore Recreational Immunity</u> **Cities should enjoy protection from unreasonable litigation when offering recreational opportunities to the public.**	ORS 105.682 grants that a land owner is not liable for any personal injury, death or property damage that arises out of the use of their land for recreational purposes as long as no fee is charged in order to access that property. This statute allows cities to operate parks and trails without fear of lawsuit. However, in the recently decided Oregon Supreme Court case, *Johnson v Gibson,* It was held that even though the landowner may be immune from liability, their employees are not. As a result, two employees of the City of Portland were found liable for injuries sustained by a jogger in a park, employees who are indemnified by their employer. The practical effect of this ruling is that the immunity previously enjoyed by cities that allowed for robust park development have been eroded to the point of being non-existent. This priority directs LOC staff to seek to amend the ORS 105.682 to restore that immunity.
N. <u>Increase Local Liquor Fees</u> **Cities play an important role in the review and investigation of liquor license applicants and should be able to recoup costs associated with that role.**	ORS 471.166 allows cities to adopt fees that are "reasonable and necessary to pay expenses" associated the review and investigation of liquor license applicants. However, the same statute limits the amounts of those fees to between $25 and $100 depending on the license or approval being sought by the applicant. This priority is to pursue changes to this statue that allow cities to recoup the actual costs associated with performing their role in the liquor licensing process and allowing for periodic increases.

General Government (Continued)

Legislation	Background
O. Continue Marijuana Legalization Implementation **Allow for civil enforcement of marijuana laws.** **Ensure equitable distribution of marijuana shared revenues.** **Eliminate limitations on shared revenue use.**	One of the promises made by marijuana legalization advocates is that illicit sales and production of marijuana would shift into a legalized and regulated market. This has occurred to a large extent but many producers and retailers continue to seek the financial benefits or participation in the marijuana industry while avoiding the inconvenience of its regulatory framework. This priority seeks legislation that gives the Oregon Liquor Control Commission (OLCC) the same civil and administrative authority to prevent unlicensed sales and production of marijuana as it has in regards to liquor. Beginning in 2017, state shared revenue from marijuana will be distributed to cities based in the number of OLCC licensed commercial marijuana entities exist in their jurisdiction. This priority is to alter that arrangement so that is it distributed on a per capita basis to ensure equitable distribution among cities that are incurring costs. Measure 91 required that money distributed by the state to cities be used exclusively for costs associated with marijuana legalization. Tracking a dollar though a city's general fund and determining if a service was related to marijuana is inefficient if not impossible, and is not imposed for the receipt of liquor revenue. This priority is to advocate for legislation that removes this burden.
P. Protect Mental Health Investments Made in 2015 **Oregon made significant and strategic investments in protecting and caring for the mentally ill in 2015 that should be maintained.**	The Legislature increased access to mental health care and expanded existing, proven programs designed to de-escalate police contacts with the mentally ill. Those programs could be vulnerable in a difficult budget environment made challenging by increased PERS rates. This priority is defensive in nature and seeks to preserve investments that are improving the lives of mentally ill Oregonians.
Q. Remove Qualification Based Selection Mandate **Cities should be allowed to consider cost when making initial contract award decisions when hiring architects and engineers.**	Cities are currently required to use a procurement method that prevents the consideration of cost when contracting with architects and engineers for public improvements. Instead, cities must base their initial selection for these services based solely on qualifications and can only negotiate the price after an initial selection is made. This mandate is not a cost effective means for procuring services and is poor stewardship of the public's dollars. This priority is to seek the removal of this mandate.

Human Resources

Legislation	Background
R. <u>Repeal Requirement to Subsidize Retiree Health Insurance</u> **Public employers should not subsidize the health insurance of former employees when reasonable, cost competitive options exist.**	ORS 243.303 mandates that local governments provide retirees with access to health insurance and requires that they be placed in the same risk pool as active employees. As retirees are approximately 2.5 times more expensive to insure than active employees this mandate results in employers and current employees subsidizing the health insurance costs of former employees. This subsidization, according the Government Accounting Standards Board, must be shown on an audit as long term liability, thus creating an inaccurate perception of a city's financial condition. Further, this requirement could be described as anachronistic as individuals are now able to purchase health insurance under the Affordable Care Act. This priority is to eliminate ORS 243.303 from Oregon's laws.
S. <u>PERS Reform</u> **PERS benefits should be adjusted where legally allowable and investments should be maximized to ensure a sustainable and adequate pension system.**	The PERS unfunded liability stands at $22 billion and employer rates are anticipated to approach 30 percent of payroll in the coming biennium. Rates are expected to remain at that level for the next twenty years. This is not sustainable. This priority is to seek any equitable changes to benefits that will reduce employer rates while not pursuing options that are legally tenuous or counterproductive. Additionally, changes are to be sought to the investment portfolio that will maximize returns through improved risk management and efficiencies.

Human Resources (Continued)

Legislation	Background
T. <u>Arbitration Changes</u> **Public employers should have greater influence over the disciplining of their employees.**	Currently under the Public Employee Collective Bargaining Act, contested employee discipline matters must be submitted to an outside arbitrator for adjudication. Decisions by arbitrators are binding unless the conduct was a violation of public policy as defined by the state, there was serious criminal conduct or an egregious inappropriate use of force. This priority is to seek the following changes to the statue: • Arbitrator decisions should also comply with local policies; • Decisions should comply with policies related to any inappropriate use of force a; • Arbitrator decisions should recognize all criminal misconduct related to employment not just "serious"; • Employer disciplinary decisions as it regards employees who are supervisors as defined by the EEOC and BOLI should be given more weight.
U. <u>Veterans Preference Clarifications</u> **Requirements that veterans be given preference in public sector hiring should be clear and unambiguous for the benefit of veterans and employers.**	The State of Oregon requires and the League agrees that honorably discharged veterans deserve special consideration in public sector hiring. However, statutes describing how this is to be accomplished are unclear and ambiguous. Vague statutes do not serve the interests of employers or veterans. This priority seeks a clear definition of "preference" in the statute, ensure that recently separated veterans receive the consideration necessary for them to successfully enter the workforce and establishes clarity as to when the preference is to be applied.

Telecommunications, Cable & Broadband

Legislation	Background
V. Rights of Way **Oppose legislation that preempts local authority to manage public rights-of-way and receive compensation for their use.**	In its commitment to the protection of Home Rule and local control, the League consistently opposes restrictions on the rights of cities to manage their own affairs. From time to time, in the context of franchise fee and rights-of-way management authority discussions, proposals to restriction to this authority arise. These include a statewide franchise policy and revenue collection system as well as limiting the ability of cities to charge fees of other government entities. This is contrary to local government management authority, the ability to enter into agreements with service providers either by agreement/contract or ordinance and to derive revenues from business fees charged to users of public rights-of-way.
W. Franchise Fees **To ensure market fairness and equity, prepare legislation for possible introduction repealing ORS 221.515 (HB 2455 -7 in 2013, and HB 2172 in 2015) to remove franchise fee rate and revenue restrictions which currently apply to incumbent local exchange carriers but not to competitive local exchange carriers.**	Oregon statute currently contains a discrepancy between how cities collect franchise fees from incumbent local exchange carriers (ILECs) and competitive local exchange carriers (CLECs). ORS 221.515 limits cities collecting franchise fees from ILECs to a maximum of 7 percent of revenues derived from dial-up services, which represents only a portion of ILEC total revenues due to the addition of a broader array of customer services. There is no such rate cap or revenue restriction on CLECs, hence the discrepancy. In the past the League has worked with CLECs to "level the playing field." Repeal of ORS 221.515 would accomplish that.
X. 9-1-1 Emergency Communications **Support legislation enhancing the effectiveness of the state's emergency communications system through an increase in the 9-1-1 tax and/or a prohibition of legislative "sweeps" from accounts managed by the Oregon Office of Emergency Management.**	The League worked with other stakeholder groups in 2013 to extend the sunset date on the statewide 9-1-1 emergency communications tax to January 1, 2022 (HB 3317). In 2014, the League also worked to pass legislation including prepaid cellular devices and services under the 9-1-1 tax (HB 4055). As concerns mount with regard to disaster preparedness and recovery and as new upgrades to communications technology becomes available, it is apparent that state and local governments do not have the resources necessary to address challenges or take advantage of opportunities. Additional funding is needed and the practice of periodically sweeping funds out of the state's emergency management account for other uses should cease. It is worthy of note that the practice of "sweeps" disqualifies the state from receiving federal funds for emergency communications. It is unknown how many federal dollars have been foregone as a result of this policy.

Telecommunications, Cable & Broadband (Continued)

Legislation	Background
Y. Technology Funding **Seek additional funding to assist for cities in:** • **Increasing high speed broadband deployment and close the digital divide.** • **Purchasing upgraded emergency management communications equipment.** • **Providing local match money for federal funding programs, such as high speed broadband deployment.**	The deployment of broadband throughout the state of Oregon is critical to economic development, education, health and the ability of citizens to link with their governments. Additional funding, from various sources, including the state and federal government, needs to be allocated for this purpose. The need becomes even more acute when consideration is given to the certainty of a major seismic event. Often federal assistance comes with the requirement of a state or local match which is problematical for cities. A state mechanism for providing matching fund assistance would be helpful to those communities seeking to take control of their broadband destiny.

Transportation

Legislation

Z. Comprehensive, Multi-modal Transportation Funding and Policy Package

The League of Oregon Cities proposes that transportation infrastructure be raised to the same level of importance as other utilities, and be funded at a level capable of maintaining appropriate standards of operation and service. Therefore, the League will help draft and advocate for a comprehensive, inter-modal and statewide transportation funding and policy package that:

1. **Provides a significant increase in resources available for the preservation and maintenance of city streets by:**

    - **Substantially increasing the state gas tax and licensing and registration fees.**
    - **Indexing the state gas tax.**
    - **Continuing efforts to identify and implement alternative funding mechanisms (VMT, tolling, public-private partnerships, etc.).**
    - **Disaster resilience and seismic upgrades for all transportation modes.**
    - **The completion of transportation projects begun but not yet completed due to lack of funding or changes in funding criteria.**
    - **Providing additional funding for voluntary jurisdictional transfer.**
    - **Funding transportation enhancements such as bike-ped facilities.**
    - **Increasing funding for the statutory Special City Allotment program while maintaining the 50%-50% ODOT/city split.**
    - **Repealing the referral requirement (2009 Jobs and Transportation Act) on cities seeking to create/increase local gas tax.**

2. **Addresses statewide needs relating to intermodal transportation through:**

    - **Additional funding for transit operations and capital projects.**
    - **Additional funding for freight rail capital projects and operations (*Connect*Oregon, short-line rail and transload facilities).**

Background

Maintenance and preservation needs have outpaced the resources available for streets, roads and highways. In its March, 2016 Infrastructure Survey Report the League identifies a $3.7 billion capital need for highway and non-highway transportation projects ($2.6 billion highway / $1.1 billion non-highway). In addition, the report shows, for the 120 cities that participated, an aggregated street budget shortfall for operations and maintenance of approximately $217 million per year. Safety and disaster resilience were cited as major challenges and needs by most cities. Cities also expressed support for a voluntary jurisdictional transfer program (the sensible alignment of highway facilities and management responsibility) provided the availability of adequate funding to facilitate the transfer and to maintain the asset.

Given the threat that inadequate funding represents to investments already made in the transportation system, the League will insist on a transportation package that increases and makes more sustainable the ability of all government jurisdictions to preserve and maintain these assets. Notwithstanding its emphasis on the need to preserve and maintain existing streets, the League of Oregon Cities agrees that the state's transportation system and the policy and funding programs that support it must be multimodal and statewide in scope. The League will therefore work to pass legislation in 2017 that addresses funding and policy initiatives relating to all modes (streets, bike/ped, transit, rail, aviation and marine) and in so doing address such issues as:

- Connectivity and capacity (especially truck mobility/rail)
- Safety for all users across all modes
- Resiliency and recovery (seismic retrofit across all modes)
- Jobs and economic development
- Impact on climate change
- Active transportation and public health
- Transportation access available on an equitable basis to all Oregonians
- Continuing and extending *Connect*Oregon
- Ensuring adequate new revenues for program/equipment such as the Oregon Department of Motor Vehicles technology upgrade
- Creative solutions to ongoing challenges (dedicated non-roadway fund, increased local authority to fund transit, bike-ped funding, etc.)

- **Additional funding for passenger rail operations, equipment and capital projects (federal matching money and AMTRAK Cascades).**

3. **Does not:**
   - **Preempt local government ability to self-generate transportation revenues for street maintenance and preservation.**
   - **Change the dedication of State Highway Fund dollars to highway, road and street projects contained in Article 8, Section 3a of the Oregon Constitution.**
   - **Reduce cities 20% share of the State Highway Fund.**
   - **Create unfunded mandates requiring cities to undertake specific programs, such as greenhouse gas reduction scenarios.**
   - **Further complicate the planning and regulatory process that currently governs the project delivery process.**

- Maximizing local benefits of the federal FAST Act in Oregon

Water & Wastewater

Legislation

AA. Funding for Water System Resilience

Secure dedicated funding for water and wastewater system resilience and emergency preparation. This would include additional funds to plan for and upgrade water systems to increase seismic resiliency and funding to better position communities to better prepare for water supply shortages due to drought, climate change or other emergency scenarios.

Background

In general, Oregon's drinking water and wastewater systems are woefully underprepared for a catastrophic earthquake event. Restoration of water supply following such an event is critical for fire suppression, first aid, and for human health and safety. In 2013, the Oregon Resilience Plan provided estimates for service recovery of water and wastewaters systems in the event of a Cascadia earthquake under current infrastructure conditions. According to the plan, the estimated the timeframe for service recovery in the valley ranges from one to twelve months. For the coast, service recovery is estimated between one to three years.

In addition to risks associated with significant natural disaster events, recent drought conditions in Oregon have demonstrated the need for emergency supply planning and coordination with other water users to better address water supply challenges. It is critical that communities are able to acquire alternative and back-up water supplies from multiple sources in order to better prepare for supply shortages or emergency situations, such as natural disasters or supply contamination.

The League will work to identify and secure low-interest loans or grants to seismically upgrade drinking water and wastewater system infrastructure and to help ensure that these systems are more resilient and better positioned to respond to water supply shortages resulting from drought, climate change, natural disasters, or other system failures.

Water & Wastewater (Continued)

Legislation	Background
BB. <u>Promote an Enhanced Prescription Drug Take-Back</u> **Advocate for enhanced prescription drug take-back program funding and additional collection locations to reduce contamination of water from unwanted prescription drugs.**	Unused prescription drugs are problematic from both a public health and safety perspective as well as from a water quality perspective. Drug take-back programs help to ensure that unused prescription drugs are properly disposed of which keeps them from being abused, keeps them out of the hands of children, and keeps them from entering Oregon's waterways. Unwanted prescription drugs are often flushed down the toilet and despite wastewater treatment systems, y can end up contaminating lakes, streams and rivers. In 2014, U. S. Drug Enforcement Administration (DEA) expanded the types of locations allowed to accept unwanted medications including retail pharmacies and drug manufacturers. Prior to 2014, drug-take back programs were primarily supported through police department drop boxes. The challenge in expanding prescription drug take-back programs is now focused on the cost of transporting unused drugs from the take-back location to the disposal site and in educating the public about responsible disposal opportunities. The League will work with a variety of stakeholders, including public health advocates, to identify additional funding mechanisms to increase drug take-back collection locations across Oregon. Funding should support the transportation and responsible disposal of unused prescription drugs. Funds should also be dedicated for enhanced education of disposal opportunities and the establishment of convenience standards to ensure that all Oregonians have reasonable access to drug take-back locations.
CC. <u>Increased Funding for Water Supply Development</u> **Support additional water supply funding through the state's Water Supply Development Account.**	According to a survey conducted by the League, Oregon's water and wastewater infrastructure needs for cities alone are estimated to be $9 billion over the next twenty years. In addition, the survey identified 66 percent of respondent cities as being in need of additional water supply storage. The 2015 drought highlighted the need for additional investments in water supply infrastructure, including storage and water delivery system efficiencies. Additional storage project investments are not only critical for adequate drinking water supply, they are an important tool for supplementing streamflows and habitat restoration. The League will work to secure additional funding for existing water supply development programs. This includes support for feasibility grants and for the state's Water Supply Development Account which provides funding for water supply storage, reuse, restoration and conservation projects.

GOLD BEACH CITY COUNCIL
AGENDA REPORT

Agenda Item No. **10. c.**
Council Meeting Date: July 11, 2016

TITLE: Discussion Request from Councilor Kaufman

SUMMARY AND BACKGROUND:
Councilor Kaufman asked that I place the following on the agenda for discussion:

Mayor's office space at City Hall

I propose as of the new term of office that there will no longer be office space available for the next mayoral term. City Hall has always been cramped and it is not getting any easier for staff to deal with the limited space. It would be difficult for staff to terminate the office space for this position even though it is the administrator's job. Therefore, I propose the council make this decision in advance of the election so whomever runs would know in advance.

The council chambers are available to be scheduled for meetings and most of the elected official work is electronic now, physical space is not as needed as it once was.

Thank you,
Tamie Kaufman
Council Position 5

GOLD BEACH CITY COUNCIL
AGENDA REPORT

Agenda Item No. **10 d.**
Council Meeting Date: July 11, 2016

TITLE: Reconnection Fee rate determination

SUMMARY AND BACKGROUND:
We discussed the reconnection fee at the last meeting and I was asked to prepare a breakdown of fees that a property would be expected to pay if they were a regular customer—specifically how much for 12 months, 24 months, and 36 months of non-payment.

RECONNECTION FEE INFO
CURRENTLY WATER SDC IS $2800

MONTHS	DEBT SERVICE ONLY	MINIMUM MONTHLY BILL
12	$ 372.00	$ 839.52
24	$ 744.00	$ 1,679.04
36	$ 1,116.00	$ 2,518.56

THIS IS BASED ON RESIDENTIAL CUSTOMER

REQUESTED ACTION:
Discussion and decision on reconnection rate

FROM JUNE REPORT:
TITLE: Reconnection Fee rate determination
SUMMARY AND BACKGROUND:
We have discussed off and on in the past few years properties that are in foreclosure and abandoned and how to recapture the lost revenue when those properties are vacant. It has been especially disconcerting

for Councilor Kaufman. She had requested that I prepare a code amendment for this meeting. In the process of preparing that, I found that we actually already have good language in our code. We just need to adopt a "reconnection fee". I would suggest you discuss what amount that fee should be and we can adopt it with the annual water/sewer rate resolution in July. As a starting point, Councilor Kaufman had suggested the amount equal to what the current water SDC charge is. That charge is currently $2800.

FROM THE WATER UTILITY CODE:

3.125 Council to Set Rates and Other Charges.

(1) The Council shall have power and authority to establish all rates, deposits, fees, penalties, and other charges for the use and consumption of water from the city system and the connection thereto and to provide for the payment of water rates, deposits, fees, penalties, and other charges and to shut off the water from any house, tenant, or place for which the water rates, deposits, fees, penalties, and other charges are not duly paid; or when any rule or regulation is disregarded or disobeyed. **The establishment of said rates, deposits, fees, penalties, and other charges shall be by written resolution without the necessity of amending this Code**, and such resolution, when duly and regularly passed, shall be the lawful rates, deposits, fees, penalties, and other charges of the City.

3.225 Procedure for Reconnection. Whenever anyone shall apply for a reconnection or a turn on of water service where an application for initial water service is not required by the terms of this Code, **the applicant shall pay all delinquent bills and a reconnection fee as established by resolution of the City Council**. In the event that the amount then on deposit for such water service shall be less than the required amount, then the applicant shall also pay a sum sufficient to raise said deposit to the required amount. The reconnection fee shall be paid even though no physical disconnection has been made. A separate fee shall be paid for each reconnection.