



STAFF REPORT

Meeting Type: City Council Meeting
Meeting Date: April 7, 2025
From: Tyler Deems, City Manager
Subject: PUBLIC HEARING: Resolution 2025-13 – Adopting Revised Water and Wastewater System Development Charge Rates

DECISION TO BE MADE:

Whether to adopt Resolution 2025-13, adopting revised water and wastewater system development charge rates.

BACKGROUND / CONTEXT:

Sandy is facing increasing capital costs related to major improvements required for our water and wastewater systems. The City Council adopted an updated methodology for Water and Wastewater System Development Charges (SDCs), which incorporates the projects necessary to accomplish the City's current water and wastewater system development needs, at its [March 17, 2025 meeting](#). The City's existing SDC rates do not reflect the increased cost of materials and labor necessary to accomplish the water and wastewater system development projects identified in the methodology.

KEY CONSIDERATIONS / ANALYSIS:

Water and Wastewater SDCs: The draft SDC calculations; which reflect the City's water and wastewater project list, system capacity, and expected demand; are shown in the table on the following page.

The SDC calculations include three major elements:

1. The improvement fee cost basis: represents the cost of capacity-expanding projects that will be used by growth. The projects and project costs come from City staff's planning efforts, and the allocation to growth comes from industry-standard practices for determining growth's share. As shown, the improvement fee cost basis is \$66.4 million for the water SDC and \$42.4 million for the wastewater SDC. These calculations assume that the City will be using SDCs to help pay for debt issued to fund the project list.
2. The reimbursement fee cost basis: represents the cost of unused capacity available for growth in the City's water and sewer systems. The cost estimates came from the City's fixed asset schedule, while the capacity remaining for growth comes from statistics provided in the City's master plans. As shown, the reimbursement fee cost basis is \$1.2 million for the

water SDC and \$0 for the wastewater SDC, given the lack of data supporting available capacity in that system. The improvement fee and reimbursement fee cost bases, together with a small provision for compliance with SDC law (\$89,193 for the water SDC and \$54,888 for the sewer SDC) form the numerators of the respective SDC calculations.

3. The expected growth in system demand for each system: measured in meter capacity equivalents (MCEs), forming the denominator of the SDC calculations. As shown in the table below, that expected growth is 3,659 MCEs for the water SDC calculation, and 2,841 for the sewer SDC calculation. That the growth estimates are different is partially explained by the fact that the planning period for the water SDC is through 2050, whereas the planning period for the sewer SDC is through 2040. In addition, the growth estimates provided in each master plan supported different project lists. To maintain the required nexus between the charge and the capacity it pays for, it is more defensible to use growth estimates specific to each service.

Finally, dividing the numerator (the total cost basis) by the denominator (growth in system demand) yields the SDC calculation for each utility. As shown below, that calculation results in a maximum SDC of \$18,477 for the water utility and \$14,952 for the sewer utility.

Calculated SDCs	Water		Sewer
Improvement Fee Cost Basis	\$	66,353,476	\$ 42,418,170
Reimbursement Fee Cost Basis		1,167,725	-
Compliance Costs		89,193	54,888
Total	\$	67,610,394	\$ 42,473,058
Growth in MCEs		3,659	2,841
Improvement Fee per MCE	\$	18,134	\$ 14,932
Reimbursement Fee per MCE		319	-
Compliance Fee per MCE		24	19
Total SDC per MCE	\$	18,477	\$ 14,952

With respect to water, the rate per MCE is applied to the City's different meter sizes using the schedule shown in the table below.

Meter Size (Inches)	MCEs	Calculated SDC
5/8	1.00	\$ 18,477
3/4	1.50	27,716
1	2.50	46,193
1.5	5.00	92,387
2	8.00	147,819
3	16.00	295,638
4	25.00	461,935
6	50.00	923,870

Total SDCs: On the following page is a table detailing the current SDCs charge for each utility, as well as the maximum defensible charge for each utility. Also provided is a table showing the current SDCs charges of neighboring cities in Clackamas County. These comparable charges have been reviewed and updated with current 2025 amounts.

City of Sandy SDCs:

	Maximum Defensible	Current Charge
Water	18,477	4,294.25
Wastewater	14,952	6,126.36
Transportation	39,800	9,716.00
Parks	31,333	12,117.67

Comparable Cities SDCs (figures updated March 2025):

City	Water	Wastewater	Stormwater	Street	Parks	Total	Notes
Canby	11,140	3,389	295	4,096	6,913	25,833	Canby Water
Estacada	8,500	5,758	1,405	5,410	7,800	28,873	
Gladstone	9,684	6,958	3,724	4,573	9,670	34,609	
Happy Valley	13,122	10,010	518	12,556	10,296	46,502	Sunrise Water, WES
Lake Oswego	9,908	3,607	197	18,618	17,149	49,479	
Milwaukie	5,603	10,214	1,147	2,609	3,985	23,559	Wastewater based on square footage
Molalla	7,035	7,484	984	8,722	2,643	26,868	
Oregon City	15,793	12,207	1,240	14,566	8,090	51,896	Wastewater based on square footage
West Linn	15,792	14,254	1,796	4,313	16,515	52,670	
Wilsonville	12,391	7,102	2,432	16,823	14,000	52,748	
Average	10,897	8,098	1,374	9,229	9,706	39,304	
Sandy (existing)	4,294	6,126	-	9,716	12,118	32,254	Does not include FIL
% over/under	-61%	-24%	-100%	5%	25%	-18%	
Sandy (proposed)	18,477	14,952	-	9,716	12,118	55,263	Does not include FIL
% over/under	70%	85%	-100%	5%	25%	41%	

BUDGET IMPACT:

While the amount of growth and development in Sandy over the next 20 years cannot be predicted precisely, the assumptions contained in supporting long-range planning documents and draft SDC calculations indicate the new rates would provide a positive impact on Sandy's budget for water and wastewater system improvements over the next 20 years. If development occurs as projected in the SDC calculations and if the City adopts the proposed maximum SDCs, the proposed water SDC could generate as much as \$52 million in additional SDC revenue when compared with projections under the current SDC level. The proposed sewer SDC could generate as much as \$25 million in additional SDC revenue. The revenues could increase above those amounts if the City continues to adjust its SDC with inflation.

RECOMMENDATION:

Staff recommends approval of Resolution 2025-13, adopting revised water and wastewater system development charge rates, to generate funding to accomplish the water and wastewater system development projects identified in the methodology.

SUGGESTED MOTION:

“I move to adopt Resolution 2025-13.”

LIST OF ATTACHMENTS / EXHIBITS:

- Exhibit A: Master Fee Schedule