



# STAFF REPORT

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**Meeting Type:** City Council  
**Meeting Date:** November 18, 2024  
**From:** Tyler Deems, City Manager  
John Ghilarducci, FCS Group  
**Subject:** Discussion: Updates to City Fees and Charges

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## **DECISION TO BE MADE:**

There is no decision proposed for this meeting. The intention of this agenda item is for the Council to receive the staff report and ask questions regarding the rate models. A public hearing for the Council to consider approval of increases to city fees and charges is scheduled for the following Council meeting on December 2, 2024.

## **BACKGROUND / CONTEXT:**

The City annually reviews and updates fees and charges to adjust for inflation for materials, operational expenses, and capital project funding. The Council's direction over the last several years, except for the pause during the COVID-19 pandemic, has been to adjust fees and charges on a regular basis to avoid less frequent larger rate increases. The current Master Fee Schedule can be found [here](#). The last time utility rates were modified was in June 2023.

Sandy is in a historic period of public infrastructure investment. The City's water, wastewater, and stormwater systems require improvements and expansion to ensure adequate supply of water and the capacity to effectively treat wastewater, and handle and manage stormwater runoff. Years of under-investment and holding down rate increase coupled with rapid growth has put the City in a difficult position of needing significant rate increases to complete the essential and mandated improvements to our water and wastewater facilities.

Examples of the essential and mandated improvements include reinvestment in Alder Creek Treatment Plant, constructing a new transmission line to Portland's Bull Run Filtration Plant to ensure compliance with the bilateral agreement regarding cryptosporidium, and significant work on both deferred maintenance and expansion of the wastewater treatment plant and related collection system.

The adjustments proposed in the rate models reflect the total capital construction costs, ongoing operations and maintenance expenses, and principal and interest payments for the related debt service associated with constructing the assets. It is important to note the rate increases being proposed tonight align with the rate increases that were proposed, approved, and adopted in the [BN 23-25 budget](#).

## **KEY CONSIDERATIONS / ANALYSIS:**

### **Water**

As the Council is aware, these are several vital capital improvement projects underway related to the City's drinking water system. Repairs to Sandercock Reservoir have been completed, and the reinvestment work at the Alder Creek Treatment Plant is already underway. These improvements increase the production of our own water supply and reduce the amount of water the City needs to purchase from Portland, as well as increasing overall system resiliency. In addition to these investments, a new transmission line to Portland's Bull Run Filtration Plant needs to be constructed to ensure that the City has access to water to meet our summer demand.

The proposed rate increase of 36% is based on the City's most recent financial models, which includes loans that have already been issued for the various projects noted above. Residential customers would see an increase in their monthly bill of approximately \$20.82 (for the average residential customer using 7 ccf). This proposed rate is already reflected in the existing budget and would go into effect with the January 2025 utility bills.

### **Wastewater**

For many years the City has been making strides in improving our collection and wastewater treatment systems. The complexity and vast expense of these projects requires loans to be obtained. Several loan agreements have been executed with the help of the State of Oregon's Revolving Loan Fund and the Federal Water Infrastructure Finance and Innovation Act (WIFIA) program. Both offer extremely favorable interest rates and repayment terms, which have helped in keeping the rates as low as possible. The ongoing investments address permit compliance, increasing treatment plant and collection system capacity, and constructing new facilities to accommodate the recent and future growth of the community. The draft amendment of the City's Wastewater Facilities Plan is scheduled to be presented to the Council on December 2nd.

The proposed rate increase of 16% is based on the City's most recent financial models, which includes the various loans mentioned above, \$1 million EPA grant, and \$14.7 million ARPA grant. Residential customers would see an increase in their monthly bill of approximately \$13.53 (for the average residential customer using 7 ccf). This proposed rate is already reflected in the existing budget and would go into effect with the January 2025 utility bills.

### **Stormwater**

The City's stormwater utility is underfunded and does not have the adequate revenue to plan, build, and construct repairs and new investments in the stormwater system. Last year, an emergency repair was needed to repair a pipeline under Tupper Park. The Wastewater Fund loaned the Stormwater Fund \$400,000 to complete the repairs. To prevent future financial issues such as this, it's important that the stormwater rate be increased. The stormwater rate is currently \$8.00 per equivalent residential unit (ERU) which is very low compared to other cities in Clackamas County. Staff is recommending incrementally increasing the fee to build cash reserves for future capital projects and continue to pay annual debt service requirements.

The proposed increased for the stormwater fee is \$2.00, bringing the total fee to \$10.00 per ERU. This proposed rate is already reflected in the existing budget and would go into effect with the January 2025 utility bills.

**BUDGET IMPACT:**

None. The recommended rate increases are already accounted for in the BN 23-25 budget.

**RECOMMENDATION:**

Staff recommends asking any questions related to the projects or rate increases. Staff will bring the proposal back to the Council on December 2nd for a public hearing prior to Council consideration of adoption.

**SUGGESTED MOTION LANGUAGE:**

None.

**LIST OF ATTACHMENTS / EXHIBITS:**

- FCS Presentation Slides
- Revised Fee Schedule