



# STAFF REPORT

---

**Meeting Type:** City Council  
**Meeting Date:** April 6, 2026  
**From:** Tyler Deems, City Manager  
**Subject:** PUBLIC HEARING: Resolution 2026-08 - Adopting Revised Water and Wastewater SDC Rates

---

## DECISION TO BE MADE:

Update Water and Wastewater System Development Charges (SDCs) rates.

## APPLICABLE COUNCIL GOAL:

- **Goal 7.5.1:** Update Water system development charges
- **Goal 7.9.2:** Update Wastewater system development charges

## BACKGROUND / CONTEXT:

On [March 17, 2025](#), the City Council adopted an updated methodology for Water and Wastewater System Development Charges (SDCs), which incorporated the most current project information at that time for the various water and wastewater capital projects. On [April 7, 2025](#), the City Council adopted Resolution 2025-13, revising the Water and Wastewater SDC rates.

Since that time, staff has worked with our legal team from Beery, Elsner & Hammond, LLP and consultants from FCS Group to revise the methodology for both the Water and Wastewater SDCs to ensure that the methodology is clear and defensible. This revised methodology is being presented to City Council for adoption in an earlier portion of tonight's meeting.

In addition, the City Council has recognized that the most recent SDC rate updates were significant and has been thoughtfully reviewing ways to work with developers who already have development rights and the ability to develop during this moratorium period.

Finally, on [March 2, 2026](#), the City Council received an update regarding the various projects within the Water utility, which included bids for two projects, specifically S.3 and S.4 of the Water Master Plan, coming in less than what was originally expected in the planning phase. As a result, these projects are currently forecasted to come in significantly under budget. Associated revisions to the CIP listing for the Water SDC are being presented to City Council for adoption in an earlier portion of tonight's meeting. These revisions would result in a lower maximum defensible Water SDC than is reflected in the revised methodology.

**KEY CONSIDERATIONS / ANALYSIS:**

Prior to March 2025, the Water and Wastewater SDCs had not been revised in several years. The City currently has several major capital improvements projects underway, including upgrades to the Alder Creek Treatment Plant, construction of the pipeline to Portland Water Bureau’s Bull Run Filtration Facility, and a long-term treatment and discharge solution that needs to be implemented for the wastewater system as identified by the City’s consent decree with the Environmental Protection Agency (EPA).

Revised SDC calculations, based on the revised methodology and revised CIP being presented this evening, and which reflect the City’s Water and Wastewater project list, system capacity, and expected demand, are shown in the table below. The SDC calculations include four elements:

1. **Improvement Fee Cost Basis:** This represents the cost of capacity-expanding projects that will be used by growth and is based on the analysis and data in the revised Water and Wastewater SDC Methodology and the revised Water CIP being presented this evening. As shown, the improvement fee cost basis is \$45.5 million for the Water SDC and \$42.4 million for the Wastewater SDC.
2. **Reimbursement Fee Cost Basis:** This represents the cost of unused capacity available for growth in the City’s water and wastewater systems and is based on the analysis and calculations in the revised Water and Wastewater SDC Methodology being presented this evening. As shown, the reimbursement fee cost basis is \$1.2 million for the Water SDC, and \$0 for the Wastewater SDC.
3. **Compliance Costs:** This represents a small provision for costs related to compliance with SDC laws. As shown, the compliance cost is \$89,193 for the Water SDC and \$54,888 for the Wastewater SDC.
4. **Expected Growth in System Demand:** This is measured in meter capacity equivalents (MCEs). As shown in the table below, the expected growth is 3,659 MCEs for the Water SDC, and 2,841 for the Wastewater SDC. The growth estimates are slightly different due to the fact that the planning period for the Water SDC is through 2050, while the planning period for the Wastewater SDC is through 2040. To maintain the required nexus between the charge and the capacity it pays for, it is necessary to use growth estimates specific to each service.

As shown below, the calculation results in a maximum defensible SDC of \$12,766 for Water and \$14,952 for Wastewater:

Calculated SDCs	Water		Sewer	
Improvement Fee Cost Basis	\$	45,455,758	\$	42,418,170
Reimbursement Fee Cost Basis		1,167,725		-
Compliance Costs		89,193		54,888
<b>Total</b>	<b>\$</b>	<b>46,712,676</b>	<b>\$</b>	<b>42,473,058</b>
Growth in MCEs		<b>3,659</b>		<b>2,841</b>
Improvement Fee per MCE	\$	12,423	\$	14,932
Reimbursement Fee per MCE		319		-
Compliance Fee per MCE		24		19
<b>Total SDC per MCE</b>	<b>\$</b>	<b>12,766</b>	<b>\$</b>	<b>14,952</b>

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	\$ 12,766
3/4	1.50	19,149
1	2.50	31,916
1.5	5.00	63,831
2	8.00	102,130
3	16.00	204,259
4	25.00	319,155
6	50.00	638,311

As a summary of historical SDC rates and recently adopted increases, the table below is provided:

	Prior to April 7, 2025	Maximum Defensible - April 7, 2025	Proposed Revised SDC Rates - April 6, 2026
<b>Water SDC</b>	4,294.25	18,477	12,766
<b>Wastewater SDC</b>	6,126.36	14,952	13,163

After revising the Water SDC project list with revised project costs, the maximum defensible water SDC decreases by \$5,711. In an effort to ease the effect of SDCs on development projects for which development rights have already been obtained and which are able to proceed during the current development moratorium, staff recommends reducing the overall SDC package costs by a total of \$7,500, by adopting a Wastewater SDC of \$1,789 below the maximum defensible amount, or \$13,163.

It should also be noted that the City is currently in the process of revising its Wastewater Facility Plan. When that process is complete (currently scheduled for June 2026), staff will review any adopted amendments to the Facility Plan to determine whether modifications to the Wastewater CIP and Wastewater SDC rate are needed.

The revised SDC rates for Water and Wastewater results in a net increase from 2025 levels of \$15,508.39 in total.

Finally, a small number of development projects have obtained building permits during the time period between when the water and wastewater SDC rates were last amended and today. The developers of these projects paid the higher SDC rates reflected under April 7, 2025 in the table above. In an effort to treat these developers fairly, if City Council adopts lower SDC rates this evening, staff recommends refunding these developers the difference between the amounts they paid and the new, lower rates. The total amount of the refunds would be approximately \$42,000, split between the Water and Wastewater Funds.

**BUDGET IMPACT:**

While the amount of SDC revenue collected cannot be predicted precisely, the assumptions contained in the supporting long-range planning documents and draft SDC calculations indicate the new rates would provide a positive impact on Sandy’s water and wastewater system improvements. There are

currently 367.1 equivalent residential units (ERUs) that have been allocated to developments despite the existing moratorium. Should all these ERUs develop, approximately \$4.69 million would be collected in Water SDCs, and \$4.83 million would be collected in Wastewater SDCs.

**RECOMMENDATION:**

Hold a public hearing for the Water and Wastewater SDC rates. Staff recommends adopting the revised Water and Wastewater SDC rates as identified in Resolution 2026-08.

**SUGGESTED MOTION LANGUAGE:**

“I move to adopt Resolution 2026-08.”

**LIST OF ATTACHMENTS / EXHIBITS:**

- Resolution 2026-08
  - Exhibit A