



# STAFF REPORT

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**Meeting Type:** City Council Meeting  
**Meeting Date:** March 17, 2025  
**From:** Tyler Deems, City Manager  
**Subject:** PUBLIC HEARING: Resolution 2025-11 – Adopting a New Methodology for Water and Wastewater System Development Charges

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## DECISION TO BE MADE:

Whether to adopt Resolution 2025-11, adopting a new methodology for water and wastewater system development charges.

Note: this hearing concerns adoption of the SDC methodology only. The Council will need to take subsequent action to update the actual SDC rates, which can be set at any level up to the maximum defensible amounts.

## BACKGROUND / CONTEXT:

This updated methodology for water and wastewater was presented to the Council on [November 18, 2024](#). At that meeting, the Council directed staff to issue the required 90-day notice and prepare for a public hearing to adopt the methodology.

Sandy is facing increasing capital costs related to major improvements required for its water and wastewater systems. The City's existing water and wastewater SDC methodologies do not reflect the forecasted costs of those major improvements. In the summer of 2024, the City contracted with FCS to prepare updated SDC calculations using the City's 2022 Water Master Plan and 2019 Wastewater System Facilities Plan, including more recent project cost information and system capacity data.

As the Council is aware, the City is currently engaged in a project to amend the Wastewater System Facilities Plan (WSFP), which is not yet complete. While it would have been possible to wait to update the sewer SDC methodology until after the plan amendment is finished, this new methodology based on the 2019 plan is being proposed for adoption at this time to allow the City to benefit from beginning to collect greater wastewater SDC revenue without further delay. The City has the option of updating the wastewater SDC again in the future after the WSFP amendment is adopted and approved.

**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 below.

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
<b>Total</b>	<b>\$</b>	<b>67,610,394</b>	<b>\$</b>	<b>42,473,058</b>
Growth in MCEs		<b>3,659</b>		<b>2,841</b>
Improvement Fee per MCE	\$	18,134	\$	14,932
Reimbursement Fee per MCE		319		-
Compliance Fee per MCE		24		19
<b>Total SDC per MCE</b>	<b>\$</b>	<b>18,477</b>	<b>\$</b>	<b>14,952</b>

**Total SDCs:** Below 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
<b>Water</b>	18,477	4,294.25
<b>Wastewater</b>	14,952	6,126.36
<b>Transportation</b>	39,800	9,716.00
<b>Parks</b>	31,333	12,117.67

Comparable Cities SDCs (figures updated March 2025):

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

**BUDGET IMPACT:**

While the amount of growth and development in Sandy over the next 20 years is impossible to predict 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 2025-11, adopting a new methodology for water and wastewater system development charges. As noted above, the Council will need to take subsequent action to update the actual SDC rates, which can be set at any level up to the maximum defensible amounts.

**SUGGESTED MOTION:**

"I move to adopt Resolution 2025-11."

**LIST OF ATTACHMENTS / EXHIBITS:**

- Water and Wastewater SDC Methodology Report: FCS, January 2025