City of St. Helens

RESOLUTION NO. 2065

A RESOLUTION TO ADOPT RATE STUDY TO ESTABLISH METHODOLOGY FOR WATER, SEWER, AND STORM DRAINAGE UTILITY RATES AND SCHEDULE ADJUSTMENTS

WHEREAS, St. Helens Municipal Code Chapter 13, Section 02.040 states rates, fees, and other charges for utility services, shall be set or amended by Council in a public forum after considering a staff report and rate studies to provide an overview and allowing for public comments and testimony; and

WHEREAS, the St. Helens City Council conducted a work session concerning utility rates study on October 15, 2025. At that work session, the 2025 Utility Rates Study was presented by Consultant Steve Donovan and staff that recommended the utility rates adjustments needed for operating and capital needs; and

WHEREAS, on December 11, 2025, a public open house was held by City staff to provide information to the public concerning the future capital and operating needs of the utilities and for review of the recommended rates for the next five years; and

WHEREAS, on January 7, 2026, a public meeting was held by the City Council to consider changes to the utilities rates as provided by the 2025 Utility Rates Study; and

WHEREAS, the City Council concludes it is appropriate to adopt the 2025 Utility Rates Study to fund the operations, maintenance, and capital improvement of the City's municipal utilities systems; and

WHEREAS, the City Council has determined the proposed schedule of utilities rates, hereinafter specified and established are just, reasonable, and necessary; and

WHEREAS, the utilities rates proposed in the utilities rate study shall be adopted by separate resolution in June for implementation in July of the fiscal year as recommended by the rate study.

NOW, THEREFORE, THE CITY OF ST. HELENS RESOLVES AS FOLLOWS:

Section 1: In accordance with St. Helens Municipal Code Chapter 13, this Resolution, including the Rate Study, attached hereto as **Exhibit A**, reaffirms the methodology and provides the basis for utilities rates adjustments for the next 5 years.

Section 2: This Resolution shall become effective upon its adoption by the St. Helens City Council.

APPROVED AND ADOPTED by the City Council this 21st day of January 2026, by the following vote:

Ayes:

Nays:

Jennifer Massey, Mayor

ATTEST:

Kathy Payne, City Recorder

Exhibit A

Presented by:

DONOVAN enterprises, inc.

October

2025

Municipal Utilities Rate Study

Final Report

Prepared for:

City of St. Helens
FOUNDED 1850
Oregon

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Municipal Utilities Rate Study

Table of Contents

Executive Summary

The City of St. Helens is the sole provider of municipal utilities services to customers within the urban services boundary of the City. Revenues required to fund the delivery of these urban services are obtained from monthly user fees which are set by the City Council via its City charter authority. This study addresses the revenue required from rates needed to support future operations and maintenance costs for the water, wastewater, and stormwater utilities along with a funding plan for capital needs identified in the City's capital improvement plans.

With the active involvement of City staff, and input from the City Council, twenty-year planning models were developed for this project; however, the focus for the rate study is the five-year near-term forecast of fiscal 2027 through fiscal 2031. These financial models have been reviewed with the City as they were developed and will be provided as a project deliverable enabling the City to make future updates.

The purpose of this study is to develop a cost of service-based methodology that will accurately determine the cost the city incurs to deliver water, wastewater, and stormwater management services. The models developed for this project have been populated with budget data for fiscal 2026 along with actual results for fiscal 2025. Historical data for fiscal 2023 through 2024 has also been included. These models simulate the current service levels (CSL) of the utilities, and sensitivity cases for a number of funding issues facing the City's utilities. The results of each model run were expressed in terms of the rate impacts on the average single family residential customer's monthly bill for utility services.

Several presentations on this matter were made to the City council and the public. The specific dates of these meetings were as follows:

Date	***Presentation Content***
October 15, 2025	Sharing initial findings, conclusions, and recommendations of the analysis with the City Council at a City Council work session.
November 2025	All utility customers receive an insert with their November bills explaining the proposed utilities rate adjustments and the infrastructure projects that will be funded from rates. In addition, the city posted an article in the November edition of the City newsletter (the St. Helens Strand) detailing the proposed rate adjustments.
December 11, 2025	St. Helens Town Hall meeting to share issues and ideas with the public.
January 7, 2026	Circle back meeting with the City Council to chart the course for water, sewer, and stormwater rates strategy via work session.

The project team presented the base case and staff alternative rate forecasts to the City Council and the public at these meetings. Each of these cases contained a number of unique forecast variables that included capital funding strategies, cash positions at the end of the five-year forecasts, and multiple other dependent variables. After considerable discussion and deliberation, the City Council was presented with the Staff recommended rate strategy which calls for 6.35% per year rate increases for water, and 4.64% per year rate increases for wastewater, and 4.79% per year rate increases for stormwater.. The forecasted annual rate increases for all three rate recommendations are shown below in Table 1.

Table 1

City of St. Helens
Current and Forecasted Average Monthly Utility Bills - Single Family Residential

Utility Service	Current 2026	Forecast 2027	2028	2029	2030	2031
Water - 6.35%	$ 61.76	$ 65.68	$ 69.85	$ 74.29	$ 79.01	$ 84.02
Wastewater - 4.64%	64.18	67.16	70.27	73.53	76.95	80.52
Stormwater - 4.79%	17.16	17.98	18.84	19.75	20.69	21.68
Total	$ 143.10	$ 150.82	$ 158.97	$ 167.57	$ 176.64	$ 186.22
Annual change - $		$ 7.72	$ 8.15	$ 8.60	$ 9.08	$ 9.58
Annual change - %		5.40%	5.40%	5.41%	5.42%	5.42%

Water consumption assumptions:
Water - 5.98 kgal per month average
Sewer - winter monthly average water consumption at 3.74 kgal

Conclusions

- On balance, the City's utilities are in excellent financial condition. Fund balances exceed minimum operating reserve requirements, and revenue bond debt service coverage on water and wastewater debt exceeds covenants.
- We estimate the water fund will end this fiscal year (i.e., June 30, 2026) with a cash balance of $2.6 million. With 6.35% per year general water rate increases we project this fund will sustain this level of cash out 2031. With these future rate increases and the prudent use of cash reserves, there should be adequate funds available to pay for planned water system expenditures over the balance of the five-year forecast horizon. This also accounts for the planned borrowing of approximately $15.1 million for the 5 million gallon distribution reservoir in fiscal 2030.
- The City's current water rate structure conforms to industry practice. This structure consists of a monthly base charge and a volume charge for every 100 cubic feet of metered water consumed. The City employs conservation pricing mechanisms which also conforms to industry standard.
- We expect the wastewater fund to finish this fiscal year with $4.6 million in cash. Regular 4.64% annual rate increases should keep the fund stable through June 2031, ensuring enough cash for planned system expenses over the next five years. The forecast includes borrowing about $24.8 million in fiscal 2030 for trunk sewer capacity expansion; most of this funding is already secured from a new long-term debt issuance through the Clean Water State Revolving Loan Fund managed by Oregon DEQ.
- The City's current wastewater rate structure also conforms to industry practice. For residential customers, this structure consists of a monthly base charge and a volume charge for every 100 cubic feet of winter monthly average metered water consumed. The City bills commercial customers based

on their assumed strength of discharge. Under this approach, commercial customers are grouped into low, medium, high, and industrial extra strength categories based upon their standard industrial classification. The commercial volume charge is based on actual monthly metered water consumption.

- The stormwater fund is expected to end this fiscal year and June 30, 2031, with a $1.1 million cash balance, assuming annual rate increases of 4.79%. These increases and prudent reserve use should cover planned spending over the five-year forecast, with no borrowing anticipated. The budget allocates $250k annually from general rates for line replacements, CCTV inspections, small projects, and drainage investigations.

Recommendations

Water:

- *Water rates* - We recommend the City increase water rates on or near July 1, 2026, by 6.35%, and by 6.35% on July 1st every year thereafter until 2030. The immediate impact on the average single family residential customer is an increase in the water bill of approximately $3.92 per month. The average single family residential monthly water bill will go from the current amount of $61.76 to $65.68.

- *Funding of water capital repairs and replacements* – Over the last three fiscal years, in the water fund, the City has been spending on average approximately $441k per year on water system capital repairs and replacements. In our five-year forecast, we have budgeted $400k per year for these types of expenditures; all funded from rates. We recommend the City adopt this strategy in annual water system budget preparations. Please note, this $400k per year is over and above the ~$15 million that will be spent in fiscal 2029 and 2030 for the new 5-million-gallon distribution reservoir. See the next bullet for a further discussion of this project's funding strategy.

- *Funding of Master Plan priority capital improvements* – Our water system financial modeling assumes the Master Plan priority capital improvements (i.e., the 5 million gallon distribution reservoir) will cost approximately $15 million over the five-year forecast horizon. We have developed a funding plan that calls for the issuance of new debt in fiscal 2030 for the project. The City also has approximately $1.1 million held in reserve in the Water SDC Fund that will be applied to this project. We recommend the City implement this five-year funding strategy. We also recommend the City consult with its engineering team to verify our planning assumptions and estimated project costs. In these inflationary times, estimating future costs can be difficult.

Wastewater:

- *Wastewater rates* - We recommend the City increase wastewater rates on or near July 1, 2026, by 4.64%, and by 4.64% on July 1st every year thereafter until 2030. The immediate impact on the average single family residential customer is an increase in the wastewater bill of approximately $2.98 per month. The average single family residential monthly water bill will go from the current amount of $64.18 to $67.16.

- *Funding of the wastewater inflow and infiltration (I&I) abatement program* – We recommend the City continue to focus on its I&I abatement through regular annual expenditures. In our five-year forecast, we have budgeted $100k per year for this program; all funded from wastewater rates. We recommend the City adopt this strategy in annual wastewater system budget preparations.

- *Funding of wastewater capital repairs and replacements* – Over the last five fiscal years, in the sewer fund, the City has been spending on average approximately $666k per year on wastewater system capital repairs and replacements. In our five-year forecast, we have budgeted $500k per year for

these types of expenditures; all funded from rates. The City also has approximately $1.6 million held in reserve in the Sewer SDC Fund to pay for capacity expanding projects. As the wastewater collection and treatment systems age, these types of system repairs and replacements will become more common.

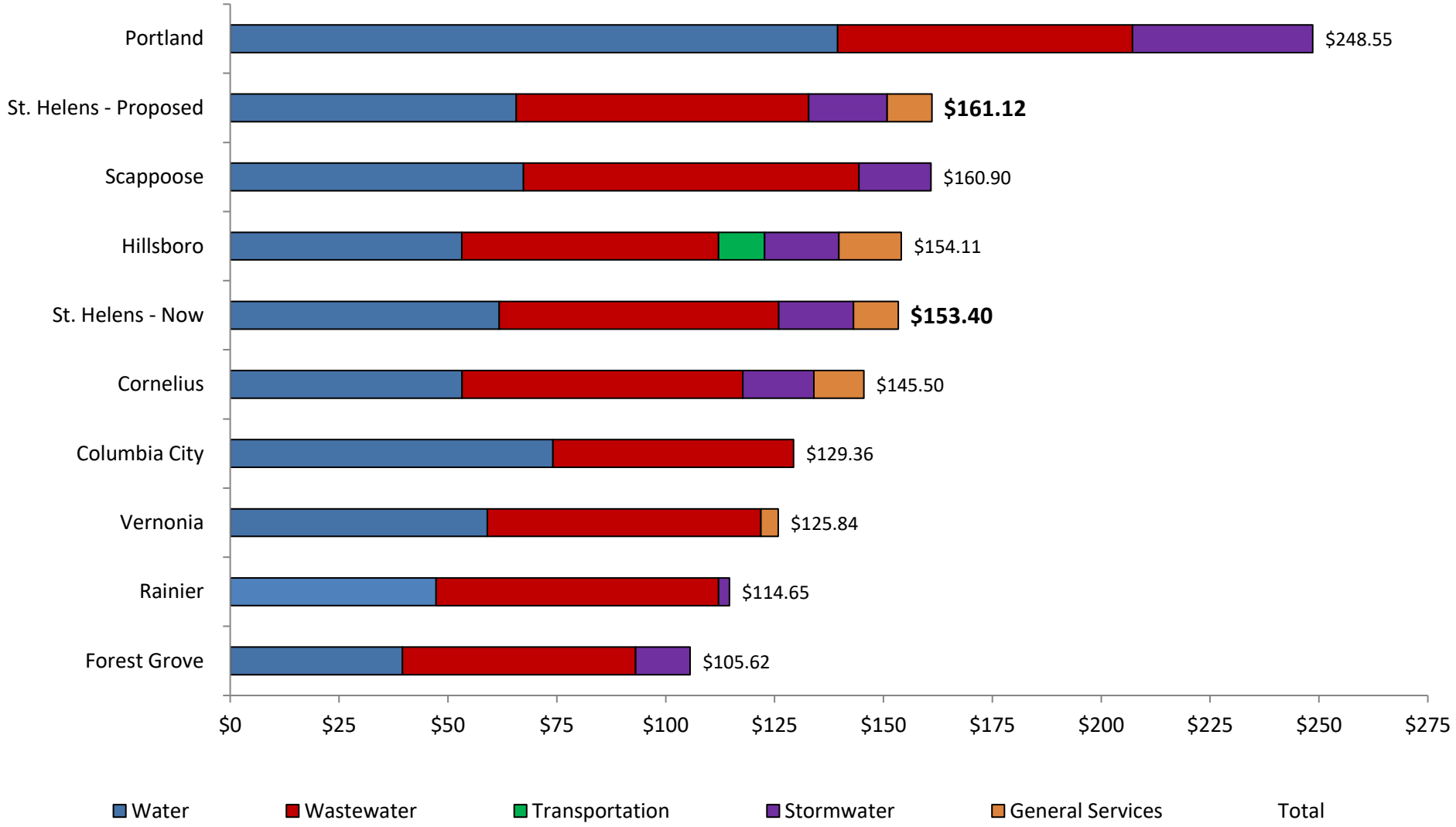
- *Funding of Master Plan priority capital improvements* – Our wastewater system financial modeling assumes the Master Plan priority capital improvements will cost approximately $24.8 million over the five-year forecast horizon. This money will be invested in increasing the hydraulic capacity of the City's sewer trunk system. Funding for this project will come from a new loan from the Clean Water State Revolving Loan Fund administered by the Oregon Department of Environmental Quality. In addition to having a deeply subsidized interest rate at 1%, the City will enjoy the benefit of a $2 million principal forgiveness due to the water quality enhancement feature of the project. We recommend the City consult with its engineering team to verify our planning assumptions and estimated project costs. Our modeling assumes this project will be completed in fiscal 2029 with repayment starting in fiscal 2030. We recommend the City adopt this strategy in annual wastewater system budget preparations.

Stormwater:

- Stormwater rates - We recommend the City increase stormwater rates on or near July 1, 2026, by 4.79%, and by 4.79% on July 1st every year thereafter until 2030. The immediate impact on the average single family residential customer is an increase in the water bill of approximately $0.82 per month. The average single family residential monthly water bill will go from the current amount of 17.16 to $17.98.
- *Funding of stormwater capital repairs and replacements* – Over the last five fiscal years, in the stormwater fund, the City has been spending on average approximately $20k per year on stormwater system capital repairs and replacements. This is an inadequate funding level. In our five-year forecast, we have budgeted $250k per year for these types of expenditures; all funded from rates. Specifically, we have allocated $200k of this budget for line replacements and CCTV inspections. The balance, $50k per year is allocated for small works, and storm drainage investigations. The City also has approximately $546k held in reserve in the Stormwater SDC Fund to pay for capacity expanding projects. We recommend the City adopt this strategy in annual stormwater system budget preparations. As the stormwater conveyance and detention systems age, these types of system repairs and replacements will become more common.

The recommendations of this municipal utilities rates study are pragmatic and reasonable. Our recommendations are focused on securing the financial future of the utilities and to make sure that all customers who receive the benefits of utilities services pay their proportionate share of the costs of delivering those utility services. Shown below in Figure 1 is a chart that compares the current and proposed utility rates for a single-family customer in St. Helens to the same charges in similar communities in the region.

Figure 1 - Neighboring Communities' Single Family Utility Bills - October 2025



Analysis Section

Background and Study Methodology

St. Helens is a residential community located along the Columbia River on State Highways 30 in Columbia County. The City owns and operates a culinary water system that serves approximately 5,208 customers and provided about 450 million gallons of water to customers in fiscal 2024-25. St. Helens has a wholesale water sales agreement with the City of Columbia City but has not sold any finished water to them since the summer of 2014. Out of the 5,208 active accounts, 91% are residential/small commercial customers. The balance of the accounts are larger multifamily, institutional, and industrial customers. The majority of industrial water use is on the Port of St. Helens property.

The City also owns and operates a wastewater collection and treatment system. The wastewater treatment plant is located at 451 Plymouth Street. It consists of two lagoons, an operations building, a chlorine building and a shop. The plant treats all of the domestic waste from both St. Helens and Columbia City. It also treats waste from a number of local industries. There are three employees at the plant, a Superintendent, two Operators, and one who also serves as the Pretreatment Program Coordinator. Along with the treatment plant, the operators also maintain nine sewer lift stations and one stormwater lift station throughout the City.

The treatment process consists of two lagoons. When waste enters the plant, it is screened and enters the smaller 3 acre lagoon for primary treatment. After that, it is disinfected and flows into the larger 40 acre lagoon. After the secondary treatment, it is discharged into the Columbia River. The typical flows to the river are between 6 and 10 million gallons per day.

Finally, the City owns and operates a storm drainage system that consists of 43.4 miles of storm drainage lines ranging in size from 6-inch diameter to 66-inch diameter, 2,466 storm structures (catch basins, manholes, cleanouts, storm inlets, and outfalls), and one stormwater pump station. The storm drainage system is essential in protecting the public health, water quality, and the environment. Effectively, all of the stormwater that is detained and conveyed within the City eventually flows to the Columbia River.

To pay for the operation, maintenance, replacement, and improvement of these water, wastewater, and stormwater systems, the City charges its customers fees on a monthly basis. The purpose of this study is to evaluate the City's methodology for calculating these fees and to perform an industry standard, cost of service analysis (COSA). The process used to prepare the COSA for the City's utilities follows standard ratemaking principles, as outlined by the American Water Works Association (AWWA), the Water Environment Federation (WEF), and the U.S. Environmental Protection Agency (EPA). This process consists of three steps:

1. Determine revenue requirements…(how much does it cost to provide service system-wide)
2. Allocate costs to customer classes…(who is causing the need for the service, and in what proportion)
3. Determine rate structure and develop rates…(align rates to recover costs from those causing the need)

Step 1: Determination of Revenue Requirements

Revenue requirements are the total costs of providing services to utility customers over a specific period of time (usually one year). These costs include operation and maintenance (O&M) and capital costs. O&M costs are the routine costs of operating and maintaining a utility system in order to provide service. For the purpose of rate setting, revenue requirements are projected from budgeted expenses and adjusted

based on historical cost trends and the expertise of utility staff. Examples of O&M costs are chemicals and electricity used at plants, skilled plant operator labor, and administrative expenses.

Capital costs, as defined for the City's rates structures, are the resources used to acquire or construct capital assets. These include current revenue funded (pay-as-you-go) improvements, planned annual contributions to funds for such purposes, and ongoing debt service requirements (principal and interest payments on outstanding loans and other obligations). Capital assets are defined as major assets that benefit more than a single fiscal period. Typical examples are land, improvements to land, easements, buildings, improvements, vehicles, machinery, equipment, and other infrastructure. Capital costs are projected for the rate-setting period based on the capital improvement plan, the City's bond covenants, and utility staff expertise.

To determine the amount of revenue that rates must generate annually, the total revenue requirements are reduced by nonrate or other system revenues. Examples of other system revenues are unrestricted interest earnings, revenues from wholesale contract customers, and revenue from miscellaneous charges. Total requirements less other system revenues equal requirements from rates.

Step 2: Allocate Revenue Requirements to Customer Classes

Determination of the costs of service by customer class is a four-step process. These steps are referred to as functionalization, joint and specific groupings, classification, and allocation. Functionalization involves categorizing revenue requirements according to utility functions. For example, wastewater functions typically include treatment (often broken up by unit process), collection, pumping, and customer service. Utilities incur varying levels of costs to perform the different system functions needed to meet customer demands. Therefore, the first step in the cost allocation process is to determine what it costs the utility to perform different service functions. Next, functional costs are grouped by joint and specific categories. This process allows for certain types of costs (e.g., industrial pretreatment costs) to be allocated directly to benefiting customers. The majority of costs are generally joint or common to all customers.

Following functionalization and joint and specific groupings, a classification process is undertaken. A fundamental objective in developing a rate system is to price utility services so that each customer pays for the service they receive in proportion to their use. Some costs incurred by the utilities are a function of quantity. In the case of water, is means metered water sales. In the case of wastewater, it means the amount of wastewater discharged to the collection system. Other costs are associated with serving customers regardless of the quantity that flows through the system.

Ideally, each customer would be charged according to the actual cost of providing service to his or her connection. However, it is impractical to estimate the cost of serving each individual customer. Therefore, it is accepted practice in the utility industry to classify customers into relatively few, reasonably homogeneous groups, and then to develop rates for each group. In the final step of the cost allocation process, the characteristics of the utilities' customers are analyzed, and costs are allocated to each class. For water systems, user characteristics include number of meters, base daily demand, and extra capacity demand measured in maximum day and maximum month demand. For wastewater systems, user characteristics include sewage flows, strengths, and the number of customer accounts.

The user characteristics serve as the basis for allocating costs by service characteristic to each customer class. The sum of each class's proportionate cost share of each service characteristic is that class's total cost-of-service.

Step 3: Determine Rate Structure and Develop Rates

The last step in the rate development process is the design of the rate structure and the development of rates. There are a variety of rate structure options available to meet a wide range of policy objectives. In the City's case, all utility customers are on a monthly billing cycle.

St. Helens water and wastewater rates are comprised of a fixed charge per customer per billing period (monthly) and a volume charge that varies based on water usage or estimated sewage flow. Stormwater fees are flat rated for residential customers at an assumed amount of impervious surface equal to 2,500 square feet. Commercial, institutional, and industrial customers are billed based on actual measured impervious surface.

Once a rate structure is selected, rates are calculated based on the costs-of-service by class determined in Step 2. The end result of this rate development process is an equitable distribution of system revenue requirements to system users.

Analysis of Water System Revenue Requirements

This analytical task determines the amount of revenue needed from water rates. This is driven by utility cash flow or income requirements, constraints of bond covenants, and specific fiscal policies related to the water utility. Based on two years of actual financial records, estimated results for fiscal 2025, and for the current budget year 2026, a base case analysis was developed. This case is predicated on a number of planning assumptions. These planning assumptions are discussed in detail below.

For the current upcoming budget year, it is forecasted the water utility will generate sufficient revenues from rates, charges, and fees to meet its obligations and produce an unappropriated ending balance in the water operating fund of $2,606,300. The beginning balance for the water operating fund in this same fiscal year is estimated to be $3,559,373. In order to establish and maintain cash balances in the water operating fund while continuing to support the funding of future operations and maintenance work, a 6.35% general water rate increase will be required for each of the ensuing five fiscal years starting on July 1, 2027.

For the forecast of revenue requirements, the following assumptions were made based on discussions with City staff:

Inflation in costs and growth in the customer base – In order to accurately reflect likely future conditions, the revenue requirements model was programmed to allow for inflation and cost escalation factors by budget line item. Per guidance from City staff, the following factors were applied for estimating future cost escalation:

- All direct labor line items – 3.0% per year
- Pension plan contributions (City cost) – 5.0% per year
- Health insurance premiums (City cost) – 5.0% per year
- Professional services (OMI contract) – 3.0% per year
- All other operating expense line items – 3.0% per year
- The growth forecast expressed in the annual increase in 3/4" meters is estimated to be 1.50% per year over the five (5) year forecast horizon.

Capital Improvement Plan Funding - In the current budget year 2026, total water system capital improvement costs are estimated to be $1,020,000, and consist of the following projects:

Project ID	Project Description	Cost
601-53310	reservoir siting study	$50,000
731-53302	annual maintenance - operations	100,000
731-53314	water meter replacements	70,000
731-53315	Railroad ave. watermain replacement	450,000
732-53302	annual maintenance – water filtration	100,000
732-53306	WFF rack replacement	250,000
		$1,020,000

For the five-year forecast, we have assumed an annual budget for routine capital repairs and replacements at $400k. With the assistance of City Staff, a 20 year water system capital improvement plan was developed for this rate study effort. Over this 20 year horizon, the City's water system capital improvement plan calls for the investment of $15,000,000, all directed at the siting, design, and construction of a new 5 million gallon water distribution reservoir. Current planning calls for this facility to be constructed in fiscal 2029 and finalized in fiscal 2030. Funding for the project is to come from the proceeds of a new senior lien water system revenue bond. The project funding plan and debt sizing is shown below in Table 2

Table 2 - Forecast of Future Water System Capital Financing Plan

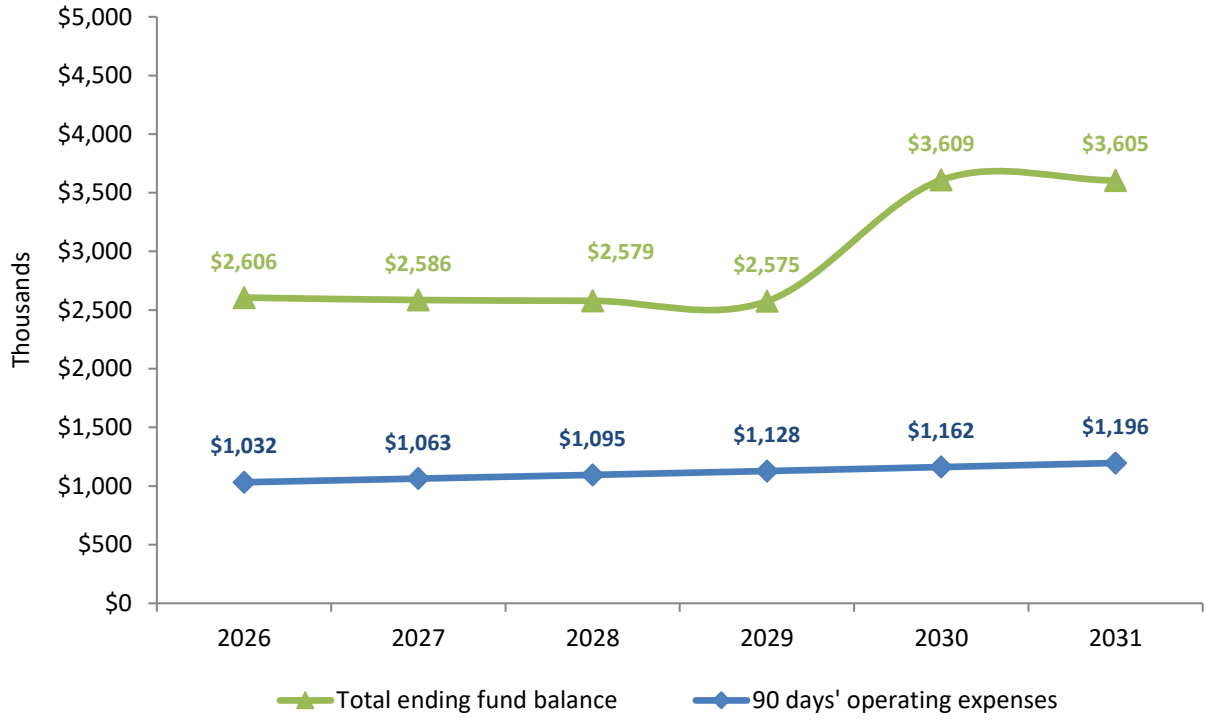
Capital Improvements Financing	2026	2027	2028	2029	2030
Capital Costs to be Funded	-	-	-	-	15,000,000
less: Contributions from SDCs	-	-	-	-	1,078,065
less: Contributions From Construction Fund bal	-				
less: Contributions From Utility Rates	-	-	-	-	-
less: Developer Contributions					
Amount to be Financed	-	-	-	-	13,921,935
Interim Borrowing:					
BANs Issued:	-	-	-	-	-
less: Borrowing Cost	-	-	-	-	-
less: Interest Payments	-	-	-	-	-
plus: Interest Earnings	-	-	-	-	-
Net Available from BANS	-	-	-	-	-
Long-term Borrowing:					
Revenue Bonds:					
Amount Borrowed	-	-	-	-	15,138,480
less: Financing Cost	-	-	-	-	151,385
less: Reserve Funding	-	-	-	-	1,065,160
less: Refunding of BANs	-	-	-	-	-
Net Funds from Revenue Bonds	-	-	-	-	13,921,935
General Obligation Bonds:					
Amount Borrowed	-	-	-	-	-
less: Financing Cost	-	-	-	-	-
less: Reserve Funding	-	-	-	-	-
less: Refunding of BANs	-	-	-	-	-
Net Funds from G.O. Bonds	-	-	-	-	-
New Annual Debt Service:					
Debt Service	-	-	-	-	1,065,160
Coverage	-	-	-	-	-
Reserve Funding	-	-	-	-	-

It should be noted that the City is budgeting for total water rate revenues of $4,400,000 for fiscal 2025-26. This level of ongoing cash flow in combination with general rates increases and fund balances in the water SDC and operating funds is sufficient to make the water capital funding plan work.

Operating Costs in Excess of Inflation – In most rate studies, there are certain operating cost categories that tend to grow in excess of the general price index. We have not identified any categories in this analysis. Also, we have not planned or budgeted for any additional labor. If the water utility does add staff, these costs will impact the current revenue requirements forecast.

Modeling for Contingencies, Reserves, and Ending Fund Balances - The financial engine of the water utility is the water operating fund. Because the utility cash finances all of its operations, the ending fund balance in the water operating fund is in effect the contingency fund for the utility. Over the past three years, the ending fund balance in the Water Operating Fund has been stable, primarily due to steady growth in rate revenue receipts, and expense controls initiated by City management. For planning purposes, we are expecting the Water Operating Fund will end all forecast years with a target ending fund balance in excess of ninety days of operating expenses. This target balance gives the water utility enough contingency to fund unforeseen operating cost spikes. The five year forecast of targeted Water Operating Fund balances and operating reserve requirements is shown below in Figure 2.

Figure 2 - Forecast of Water Operating Fund Balances and Operating Reserve Requirements



Revenue Requirements Forecast & Results

All of the above cost elements are contained in the revenue requirements model which is the platform for the "base case" forecast. The base case assumes the utility will fund the capital improvements strategy

(discussed above). Also, the utility would fund the operating costs as adjusted for inflation. This base case resulted in the following forecast of water system revenue requirements (Table 3).

Table 3 – Base Case Forecast of Water System Revenue Requirements

	Budget	Forecast				
	2026	2027	2028	2029	2030	2031
Projection of Cash Flow:						
Revenues:						
Charges for Services:						
Water Sales - Residential	4,400,000	4,400,000	4,833,309	4,979,068	5,081,072	5,826,432
Water Sales - Com/Ind	-	-	-	-	-	-
Late Reconnection Tamper Fees	200,000	200,000	200,000	200,000	200,000	200,000
Collections	-	-	-	-	-	-
Water Connections	10,000	10,000	10,000	10,000	10,000	10,000
Total Service Charges	4,610,000	4,610,000	5,043,309	5,189,068	5,291,072	6,036,432
Total other financing sources	-	-	-	-	-	-
Bond proceeds for projects	-	-	-	-	13,921,935	-
Total miscellaneous income	105,000	109,402	108,729	108,635	108,627	150,170
Subtotal gross operating revenues	4,715,000	4,719,402	5,152,039	5,297,704	19,321,635	6,186,602
Operations & Maintenance Expense:						
Total personal services	1,040,000	1,071,200	1,103,336	1,136,436	1,170,529	1,205,645
Total materials and services	3,145,400	3,239,762	3,336,955	3,437,064	3,540,175	3,646,381
Total capital outlay	1,020,000	400,000	400,000	400,000	14,321,935	400,000
Total debt service	462,670	462,430	463,840	430,510	1,065,160	1,065,160
Transfers to other funds (excluding transfers to SDC fund)	-	-	-	-	-	-
Total operations and maintenance expense	5,668,070	5,173,392	5,304,131	5,404,010	20,097,800	6,317,185
(Use)/replacement of fund balance	(953,070)					
Net Cash	-	(453,990)	(152,092)	(106,306)	(776,165)	(130,584)
Net Deficiency/(Surplus)	-	453,990	152,092	106,306	776,165	130,584
Test of Coverage Requirement:						
Gross Revenues:						
Operating revenues	4,715,000	4,719,402	5,152,039	5,297,704	5,399,699	6,186,602
System Development Charges	30,000	30,450	30,907	31,370	31,841	32,319
Total Gross Revenues	4,745,000	4,749,852	5,182,945	5,329,074	5,431,540	6,218,920
Operating Expenses:						
Total personal services	1,040,000	1,071,200	1,103,336	1,136,436	1,170,529	1,205,645
Total materials and services	3,145,400	3,239,762	3,336,955	3,437,064	3,540,175	3,646,381
Transfers to/(from) the rate stabilization account	-	-	-	-	-	-
Total Operating Expenses	4,185,400	4,310,962	4,440,291	4,573,500	4,710,705	4,852,026
Net Revenues	559,600	438,890	742,654	755,574	720,836	1,366,895
Debt Service	462,670	462,430	463,840	430,510	1,065,160	1,065,160
Coverage Recognized	1.21	0.95	1.60	1.76	0.68	1.28
Coverage Required	1.20	1.20	1.20	1.20	1.20	1.20
Net Deficiency/(Surplus)	(4,396)	116,026	(186,046)	(238,962)	557,356	(88,703)
Projection of Revenue Sufficiency and Forecasted Rates:						
Maximum Deficiency	-	453,990	152,092	106,306	776,165	130,584
Percent Increase Required Over Current Rate Revenues	**0.00%**	**9.85%**	**3.02%**	**2.05%**	**14.67%**	**2.16%**
Five Year Average Increase in Revenue Requirements		**6.35%**	**6.35%**	**6.35%**	**6.35%**	**6.35%**
Revenues Recovered From Existing Water Rates	4,400,000	4,400,000	4,833,309	4,979,068	5,081,072	5,826,432
add: Revenues Recovered From Rate Increase	-	433,309	145,759	102,004	745,359	126,041
Total Revenues Recovered From Rates & Charges after Increase	4,400,000	4,833,309	4,979,068	5,081,072	5,826,432	5,952,473

Analysis of Water Rates and Recommended Policy Changes

Wholesale Rates Charged to Columbia City

Columbia City has a contracted right to purchase culinary water from St. Helens under the terms of a 1982 long term water purchase agreement. An analysis of billing records indicates Columbia City has not purchased any water from the City since the summer of 2014. Section 5 of that agreement states:

> "5. AMOUNT OF WATER: Columbia City may purchase and use up to 1,000,000 cubic feet of water per month. In the event one or more additional water intake and treatment facilities yielding sufficient quantities are put in operation within the Columbia City limits, the monthly amount will increase by 500,000 cubic feet per month per well, provided Columbia City complies with the following paragraph.
>
> Columbia City shall pay a percentage representing its share of all water sold by St. Helens, of the cost of the additional water intake and treatment facilities and transmission lines to the point the water is delivered to Columbia City if Columbia City desires the additional 500,000 cubic feet from an additional well. No direct charge for capital costs of the additional water intake and treatment facilities will be made to Columbia City if they do not desire the additional water and remain at the 1,000,000 cubic feet level."

Historically, the rates charged to Columbia City have been developed under the "Utility" approach to rate making. Under this approach Columbia City's total unit rate per CCF of purchased water consists of the following components:

- Pro rata share of annual operations and maintenance expenses of the water system dedicated to produce, treat, and deliver water to Columbia City.
- Depreciation expense on water utility plant in service dedicated to produce, treat, and deliver water to Columbia City.
- Return on rate base – a rate of return on investments made by St. Helens customers in water utility plant and equipment that is used to serve Columbia City.

In the 2009 Water, Sewer, and Stormwater Rates Update, it was recommended the City adjust its wholesale water rate for Columbia City from $1.73 per ccf to $2.39 per ccf. Under the current rate schedule, the Columbia City wholesale water rate is $3.73 per ccf. Under this rate study, we were unable to verify these rates since no material amount of finished water has been sold to Columbia City for some time. In essence, Columbia City has its own dedicated ground water source to serve its needs and no longer uses the St. Helens water system for its base demand or peaking needs. We suggest the City reengage with the leadership of Columbia City to clarify this situation.

Allocation of Revenue Requirements to Customer Classes (Cost of Service)

The ratemaking methodology that was used to allocate water system revenue requirements is called the "base-extra capacity method" and is consistent with industry standards in water rate making. The City has been using this method at least since 2007. Under this methodology, costs of service are separated into three primary cost components: (1) base costs, (2) extra capacity costs, and, (3) customer costs.

Base costs are those that tend to vary with the total quantity of water used plus those operations and maintenance (O&M) expenses and capital costs associated with service to customers under average load conditions, without the elements of cost incurred to meet water use variations and resulting peaks in demand. Base costs include O&M expenses of supply, treatment, pumping, and distribution facilities.

Base costs also include capital costs related to water plant investment associated with serving customers to the extent required for a constant, or average, annual rate of demand/usage.

Extra capacity costs are those associated with meeting rate of use requirements in excess of average and include O&M expenses and capital costs for system capacity beyond that required for average rate of use. These costs have been subdivided into costs necessary to meet maximum-day extra demand, and maximum-hour demand in excess of maximum day demand.

Customer costs comprise those costs associated with serving customers, irrespective of the amount or rate of water use. They include meter reading, billing, and customer accounting and collection expense, as well as maintenance and capital costs related to meters and services.

Existing and Proposed Water Rates

The City's current water rate structure was last reviewed in 2022. A number of rate increases have been implemented by the Council since that time, but the basic water rate methodology has remained intact. Billings for customers include two components: a fixed rate (demand charge) and a volume rate (commodity charge). The two components are added together to compute an invoice for each customer. The City has installed a city-wide automatic meter reading system (AMR), and all water customers are be billed on a monthly basis. AMR, is the technology of automatically collecting consumption, diagnostic, and status data from water meters and transferring that data to a central database for billing, troubleshooting, and analyzing. This technology mainly saves utility providers the expense of periodic trips to each physical location to read a meter. Another advantage is that billing can be based on near real-time consumption rather than on estimates based on past or predicted consumption. This timely information coupled with analysis can help both utility providers and consumers to better control water consumption.

The fixed rates are based on costs associated with maintaining/reading meters and the costs associated with billing and are charged per connection to the water system. Volume rates are based on the customer class for each 100 cubic feet (ccf) of water. The last rate adjustments were made by the City Council via Resolution no. 2045 (dated June 18, 2025) with an implementation date of July 15, 2025. The current and proposed schedule of water rates and charges is shown below in Table 4.

Table 4 - Schedule of Current and Proposed St. Helens Water Rates

Water Rate Component Description	Current	Effective July 1 2026	2027	2028	2029	2030
Inside City:						
Fixed Rate (Demand Charge $/account):						
Monthly billings	$ 12.40	$ 13.19	$ 14.03	$ 14.92	$ 15.87	$ 16.88
Volume Rate (Commodity Charge $/ 100 cf):						
Residential (single family)	$ 6.17	$ 6.56	$ 6.98	$ 7.42	$ 7.89	$ 8.39
Multifamily						
Duplex	$ 5.96	$ 6.34	$ 6.74	$ 7.17	$ 7.62	$ 8.11
Apartments	$ 5.84	$ 6.21	$ 6.61	$ 7.02	$ 7.47	$ 7.94
Commercial/Industrial	$ 5.01	$ 5.33	$ 5.67	$ 6.03	$ 6.41	$ 6.82
Outside City:						
Fixed Rate (Demand Charge $/account):						
Monthly billings	$ 24.80	$ 26.37	$ 28.04	$ 29.82	$ 31.71	$ 33.72
Volume Rate (Commodity Charge $/ 100 cf):						
Residential (single family)	$ 12.34	$ 13.12	$ 13.96	$ 14.84	$ 15.79	$ 16.79
Multifamily						
Duplex	$ 11.92	$ 12.68	$ 13.48	$ 14.34	$ 15.25	$ 16.22
Apartments	$ 11.68	$ 12.42	$ 13.21	$ 14.05	$ 14.94	$ 15.89
Commercial/Industrial	$ 10.01	$ 10.65	$ 11.32	$ 12.04	$ 12.80	$ 13.62
Wholesale:						
Columbia City						
Volume Rate (Commodity Charge $/ 100 cf):	$ 3.73	$ 3.97	$ 4.22	$ 4.49	$ 4.77	$ 5.07

The volume rates contained in Table 4 are a product of the base-extra capacity allocation methodology. As the reader can see, the single family residential volume rate of $6.17 per ccf is higher than the corresponding volume rates for all other customer classes. This is a direct result of the peaking demand this customer class places on the system relative to the peaking demands associated with the other classes. We define the peaking factors as maximum month, and maximum day demands as a percentage of average month and average day demand, respectively. Intuitively, this makes sense since peaking demand for water occurs in the hot summer months when irrigation demand is at its highest. The largest users of irrigation water in the City are single family residential customers.

Rate Design Alternatives

The City's current water rate methodology is sound, conforms to industry practice, and promotes conservation. We see no reason to move off of this methodology.

Analysis of Wastewater System Revenue Requirements

For this budget year, it is forecast that the wastewater utility will generate sufficient revenues from rates, charges, and fees to meet its obligations and produce an unappropriated ending balance in the Wastewater Operating Fund of $4,590,898. The beginning balance for this same fiscal year is estimated to be $4,724,288. The financial stability of the wastewater system is strong. This level of operating reserve is well above ninety (90) days of operating expenses. The strategy for the wastewater utility is to maintain these reserve levels, sustainable rate increases over the five year forecast horizon, and to use this money as the funding source of wastewater operations and capital improvement projects.

For the forecast of revenue requirements, the following assumptions were made based on discussions with City staff:

Inflation in costs and growth in the customer base – Per guidance from City staff, the following factors were applied for estimating future cost escalation:

- All direct labor line items – 3.0% per year
- Pension plan contributions (City cost) – 5.0% per year
- Health insurance premiums (City cost) – 5.0% per year
- Professional services (including contract services) – 3.0% per year
- All other operating expense line items – 3.0% per year
- The growth forecast expressed in the annual increase in Equivalent Dwelling Units (EDUs) is estimated to be 1.50% per year over the five (5) year forecast horizon.

Capital Improvement Plan Funding In this budget year 2026, total wastewater system capital improvement costs are estimated to be $1,590,000. All of the projects are related to the wastewater collection system, and consist of the following projects:

Project ID	Project Description	Cost
735-53302	annual sewer maintenance – collection system	$50,000
738-53302	annual sewer maintenance – pumping services	75,000
603- 53302	annual sewer maintenance – system	50,000
603-53306	sewer capacity program design	1,250,000
736-53314	WWTP SCADA upgrade	40,000
736-53316	WWTP aerator replacement	125,000
		$1,590,000

All of the project costs show above will be funded with cash on hand with the exception of the sewer capacity program design. This project is being funded from a grant. The cash flows related to these projects are accounted for in the revenue requirements calculations. We have not budgeted for any costs in the other minor capital line items. Over the five-year forecast, we have budgeted $500k per year for general wastewater capital repair and replacement costs.

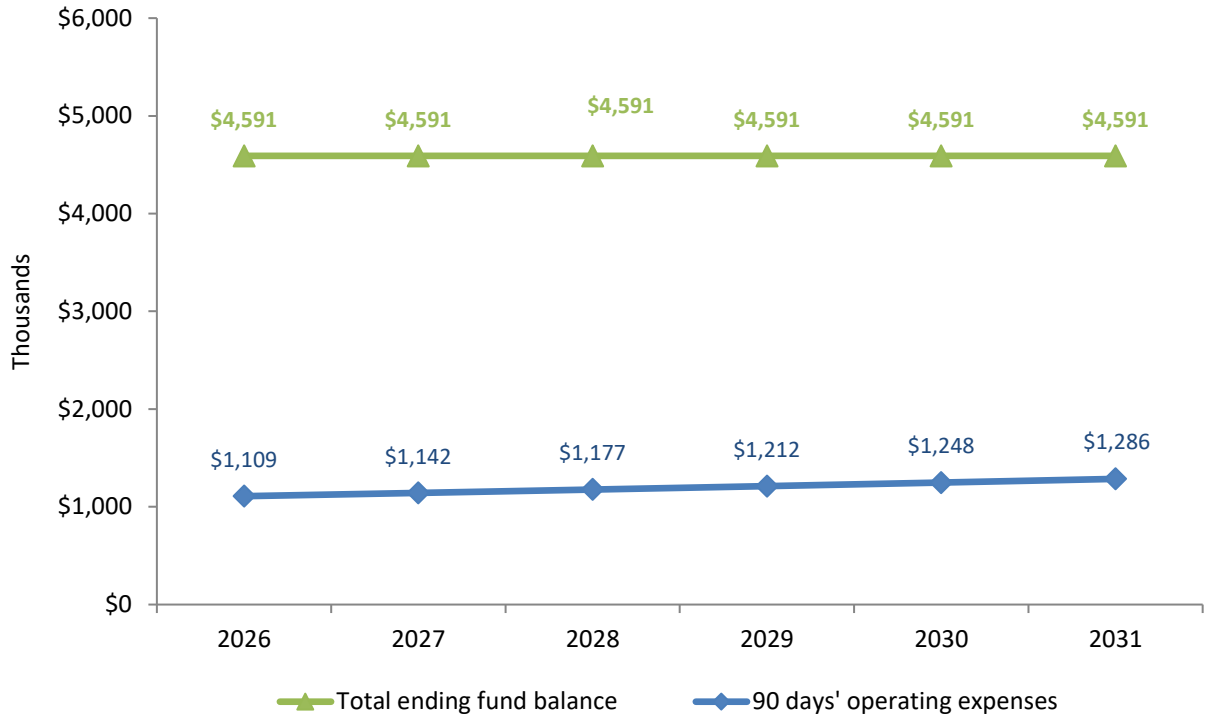
Over the next twenty years, the City plans on investing $24,800,000 in the wastewater system, the preponderance of which will be spent on collection system repair, replacement, and expansion. The City refers to this as the sewer capacity expansion project. This project is expected to be funded from the proceeds of a new loan from the Clean Water State Revolving Loan Fund administered by the Oregon Department of Environmental Quality. The project will take several years to complete. Current plannings assumes a completion date of late fiscal 2029 with debt repayment starting in fiscal 2030. The terms of this new loan are as follows:

- Term – 30 years
- Interest rate – 1.0%
- DEQ administration fee – 0.5% on principal outstanding
- Principal forgiveness - $2,000,000

Operating Costs in Excess of Inflation – As in the case of water, we have not identified any categories in this analysis. Also, we have not planned or budgeted for any additional labor. If the wastewater utility does add staff, these costs will impact the current revenue requirements forecast.

Modeling for Contingencies, Reserves, and Ending Fund Balances – As discussed above, the Wastewater Operating Fund is expected to end the fiscal year with an unappropriated ending fund balance of $4,590,898; a strong operating reserve. For planning purposes, we are expecting the Wastewater Operating Fund will end all forecast years with an ending fund balance well in excess of ninety days of operating expenses. This target balance gives the wastewater utility enough contingency to fund unforeseen operating cost spikes and to build a reserve for future capital funding support. The forecast of targeted wastewater operating fund balances and operating reserve requirements is shown below in Figure 3.

Figure 3 - Forecast of Wastewater Operating Fund Balances and Operating Reserve Requirements



Revenue Requirements Forecast & Results

All of the above cost elements are contained in the revenue requirements model and from this, the "base case" forecast was developed. The base case assumes the utility would fund the operating costs as adjusted for inflation. This base case resulted in the following forecast of wastewater system revenue requirements (Table 5).

Table 5 – Base Case Forecast of Wastewater System Revenue Requirements

	Budget	Forecast				
	2026	2027	2028	2029	2030	2031
Projection of Cash Flow:						
Revenues:						
Charges for Services:						
Sewer Service Charges	5,095,000	5,095,000	5,402,688	5,619,150	5,797,220	6,244,404
Secondary Boise	-	-	-	-	-	-
Sludge Disposal Charge	200,000	206,000	212,180	218,545	225,102	231,855
Connection Charge	5,000	5,150	5,305	5,464	5,628	5,796
Sewer LID Payments	-	-	-	-	-	-
Sewer Lateral Payments	-	-	-	-	-	-
Total other financing sources	1,250,000	-	-	-	-	-
Bond proceeds for projects	-	8,266,667	8,266,667	8,266,667	-	-
Total miscellaneous income	72,000	185,696	185,758	185,821	185,887	185,954
Subtotal gross operating revenues	6,622,000	13,758,513	14,072,597	14,295,648	6,213,837	6,668,010
Operations & Maintenance Expense:						
Total personal services	1,201,000	1,237,030	1,274,141	1,312,365	1,351,736	1,392,288
Total materials and services	3,296,800	3,395,704	3,497,575	3,602,502	3,710,577	3,821,895
Total capital outlay	1,590,000	8,766,667	8,766,667	8,766,667	500,000	500,000
Total debt service	667,590	666,800	750,677	792,183	1,098,707	1,094,930
Transfers to other funds (excluding transfers to SDC fund)	-	-	-	-	-	-
Total operations and maintenance expense	6,755,390	14,066,201	14,289,059	14,473,718	6,661,021	6,809,113
(Use)/replacement of fund balance	(3,458,390)					
Net Cash	3,325,000	(307,688)	(216,462)	(178,070)	(447,184)	(141,103)
Net Deficiency/(Surplus)	(3,325,000)	307,688	216,462	178,070	447,184	141,103
Test of Coverage Requirement:						
Gross Revenues:						
Operating revenues	5,372,000	5,491,846	5,805,930	6,028,981	6,213,837	6,668,010
System Development Charges	50,000	51,049	52,120	53,213	54,330	55,470
Total Gross Revenues	5,422,000	5,542,895	5,858,050	6,082,194	6,268,167	6,723,480
Operating Expenses:						
Total personal services	1,201,000	1,237,030	1,274,141	1,312,365	1,351,736	1,392,288
Total materials and services	3,296,800	3,395,704	3,497,575	3,602,502	3,710,577	3,821,895
Transfers to/(from) the rate stabilization account	-	-	-	-	-	-
Total Operating Expenses	4,497,800	4,632,734	4,771,716	4,914,868	5,062,314	5,214,183
Net Revenues	924,200	910,161	1,086,334	1,167,327	1,205,853	1,509,297
Debt Service	667,590	666,800	750,677	792,183	1,098,707	1,094,930
Coverage Recognized	1.38	1.36	1.45	1.47	1.10	1.38
Coverage Required	1.05	1.05	1.05	1.05	1.05	1.05
Net Deficiency/(Surplus)	(223,231)	(210,021)	(298,124)	(335,534)	(52,211)	(359,621)
Projection of Revenue Sufficiency and Forecasted Rates:						
Maximum Deficiency	-	307,688	216,462	178,070	447,184	141,103
Percent Increase Required Over Current Rate Revenues	**0.00%**	**6.04%**	**4.01%**	**3.17%**	**7.71%**	**2.26%**
Five Year Average Increase in Revenue Requirements		**4.64%**	**4.64%**	**4.64%**	**4.64%**	**4.64%**
Revenues Recovered From Existing Rates and Charges:	5,095,000	5,095,000	5,402,688	5,619,150	5,797,220	6,244,404
add: Revenues Recovered From Rate Increase	-	307,688	216,462	178,070	447,184	141,103
Total Revenues Recovered From Rates & Charges after Increase	5,095,000	5,402,688	5,619,150	5,797,220	6,244,404	6,385,507

Allocation of Revenue Requirements to Customer Classes (Cost of Service)

The cost of service analysis is intended to provide the analytical basis for equitably recovering the forecasted revenue requirement from customer classes according to the demand they place on the wastewater system. Consistent with industry practice, the analysis involves a two-step process; first, capital and O&M costs are allocated to the functional categories (service functions) of the wastewater system using operational and system design criteria. Then, based on customer class characteristics derived from historical billing system data (i.e., number of customers and monthly water usage), these functionally allocated costs are distributed to the customer classes.

Cost of service allocations are made for a test year considered representative of the period in which proposed rates are expected to be in effect. Fiscal 2026 has been used as the test year for the cost of service analysis.

Functional Cost Allocations

Capital and operating costs are allocated to the following functional components of the wastewater system. The wastewater functional components and their descriptions are shown in Table 6.

Table 6 - Wastewater System Functional Components

Wastewater Functional Component	Description
Customer Accounts	Costs associated with providing service to customers regardless of the level of wastewater contribution, such as billing and customer service. These costs are typically associated with the number of accounts or customers.
Wastewater Flow (Q)	Costs are associated with conveying and treating customer contributed wastewater flow (volume).
Infiltration & Inflow (I&I)	Costs are associated with conveying and treating I&I of groundwater and stormwater runoff into sanitary sewers.
Strength of Discharge	Costs are associated with treating effluent loadings of biochemical oxygen demand (BOD) and total suspended solids (TSS).

Capital related costs include debt service payments, system reinvestment funding, and a portion of additions/uses of cash reserves. The most common method of assigning the capital portion of the revenue requirement to functional components is to allocate such costs on the basis of existing plant-in-service. The allocation of historical plant assets utilizes documented engineering and planning criteria from both the City and industry standards.

Operating costs include O&M expenses and a portion of additions/uses of cash reserves. These costs are allocated to the functions based on a detailed review of line item categories, generally following the cost causation process used in the allocation of plant. For example, customer billing related costs are assigned to the customer component; system operating costs for collection and treatment are allocated in the same manner as collection and treatment plant costs; other operational costs are assigned in proportion to total plant; and general and administrative costs are allocated in proportion to all other costs.

The functional cost allocation process results in a pool of costs for each functional category. From these cost pools, unit costs are created form the building blocks for designing rate structures that recognize the demands of each customer class. As a result, costs will be recovered from customer classes based on their demand by functional category. Through this process if one customer class places a higher or lower proportional average demand in one functional category, that customer class pays a higher or lower portion of that functional category's cost.

Allocations to Customer Classes

The next step in the cost of service analysis involves distribution of the functionally allocated system costs to the customer classes. A key component in the allocation of system costs to customer classes is testing the reliability and accuracy of customer statistics. This is accomplished through a review of historical billing system data and application of the rate schedule in effect for that year. City staff provided historical billing system records for fiscal 2024-25, including number of accounts, equivalent residential units (ERUs), and monthly water usage. The test of reliability is conducted by applying the detailed billing statistics to the rates in effect for that year. The total revenue generated from these customer statistics should approximate the actual revenue receipts shown in the financial statements (with minor differences due to accounts receivables, delinquencies, timing of connections and disconnections throughout the year, etc.). If the revenue estimates are within reasonable limits, statistics are determined "valid," and an adjustment factor is applied to the statistics if necessary to account for any minor discrepancies. The results of this analysis indicated that the customer statistics are valid and will serve as a reasonable basis for projecting revenues and allocating system costs to the customer classes.

Customer usage statistics are also evaluated to determine if current customer class designations represent an appropriate grouping of customers, or if revisions are warranted to better reflect groupings that exhibit similar usage patterns. The City currently categorizes customers into two major groups for rate design purposes: Residential includes single family residential (SFR), multi-family residential (MFR), and manufactured home parks. The same schedule of rates applies to all customers within this class.

Commercial includes all non-residential customers, such as commercial businesses, schools, churches, etc. The same base charge applies to all customers within this class. The volume charge varies by subclass depending on an assumed strength concentration.

The functionally allocated system-wide costs are allocated to the recommended customer classes to determine "cost shares" based on the relative demands placed on the system by each class. Test year fiscal 2026 customer statistics form the basis for this allocation.

Functional costs are allocated to the customer classes as follows: Customer costs are allocated based on proportional shares of total system number of accounts. Wastewater flow costs are allocated to the customer classes based on their proportional share of total billed volume (winter water usage for SFR and actual monthly water usage for MFR and commercial customers). I&I costs are allocated based on customer flow patterns. Finally, strength costs are allocated to the customer classed based on their proportional share of total billed volume.

Determine Rate Structure and Develop Rates

The principal consideration in establishing utility rates is to obtain rates for customers that generate sufficient revenues for the utility and that are reasonably commensurate with the cost of providing service. Other considerations in designing rates should include customer equity, incentives for conservation, ease of implementation, and impact on customer bills. These considerations are consistent with the City's identified rate structure goals noted in the previous section.

Existing and Proposed Wastewater Rates

The City's current wastewater rate structure was last reviewed in 2022. Although the structure has not changed since that time, the rates have been increased on a regular basis. As in the case of water rates, billings for customers include two components: a fixed rate (demand charge) and a volume rate (commodity charge). The two components are added together to compute an invoice for each customer. The fixed rates are based on costs associated with maintaining/reading meters and the costs associated with billing and are charged per connection to the sewer system. Volume rates are based on the customer class for each 100 cubic feet (ccf) of water or a fixed amount if no measurable consumption is available. The last rate adjustments were made by the City Council via Resolution no. 2045 (dated June 18, 2025) with an implementation date of July 15, 2025. The current and the proposed schedule of wastewater rates and charges is shown below in Table 7.

Table 7 - Schedule of St. Helens Current and Proposed Wastewater Rates

Wastewater Rate Component Description	Current	Effective July 1 2026	2027	2028	2029	2030
Inside City:						
Fixed Rate (Demand Charge $/account):						
Monthly billings	$ 21.73	$ 22.74	$ 23.79	$ 24.89	$ 26.04	$ 27.25
Volume Rate (Commodity Charge $/ 100 cf):						
Residential (single family)						
With measurable water consumption	$ 8.49	$ 8.88	$ 9.30	$ 9.73	$ 10.18	$ 10.65
Multifamily						
Duplex	$ 6.66	$ 6.97	$ 7.29	$ 7.63	$ 7.98	$ 8.35
Apartments	$ 6.40	$ 6.70	$ 7.01	$ 7.33	$ 7.67	$ 8.03
Commercial						
Low strength	$ 7.49	$ 7.84	$ 8.20	$ 8.58	$ 8.98	$ 9.40
Medium strength	$ 9.47	$ 9.91	$ 10.37	$ 10.85	$ 11.35	$ 11.88
High strength	$ 13.18	$ 13.79	$ 14.43	$ 15.10	$ 15.80	$ 16.53
Special strength	Lab analysis	Lab analysis	Lab analysis	Lab analysis	Lab analysis	Lab analysis
Outside City:						
Fixed Rate (Demand Charge $/account):						
Monthly billings	$ 27.16	$ 28.42	$ 29.74	$ 31.12	$ 32.56	$ 34.07
Volume Rate (Commodity Charge $/ 100 cf):						
Residential (single family)						
With measurable water consumption	$ 10.43	$ 10.91	$ 11.42	$ 11.95	$ 12.50	$ 13.08
Multifamily						
Duplex	$ 8.32	$ 8.71	$ 9.11	$ 9.53	$ 9.97	$ 10.44
Apartments	$ 8.02	$ 8.39	$ 8.78	$ 9.19	$ 9.61	$ 10.06
Commercial						
Low strength	$ 8.93	$ 9.34	$ 9.78	$ 10.23	$ 10.71	$ 11.20
Medium strength	$ 11.84	$ 12.39	$ 12.96	$ 13.56	$ 14.19	$ 14.85
High strength	$ 16.46	$ 17.22	$ 18.02	$ 18.86	$ 19.73	$ 20.65
Special strength	Lab analysis	Lab analysis	Lab analysis	Lab analysis	Lab analysis	Lab analysis
Wholesale:						
Columbia City						
Volume Rate (Commodity Charge $/ 100 cf):	$ 2.54	$ 2.66	$ 2.78	$ 2.91	$ 3.05	$ 3.19

The City's current wastewater rate structure is consistent with industry standard and promotes conservation and equity. Some of the key elements of this rate structure are:

Treatment of Customers without Measurable Water Consumption

Under the City's wastewater rate structure, accounts are considered to be "without measurable water consumption" when potable water is obtained from a well or where the customer has no personal water consumption history established during the winter averaging period within the service area. For single family and multifamily residential customers, new customer accounts without history are set based on 5.50 ccf (monthly) per dwelling unit until measurable consumption is recorded and used to establish a new rate. Customers receiving only sewer service, who obtain potable water from a well or another water provider are set based on 5.50 ccf (monthly). Adjustments may be made based on actual usage during the winter averaging months of January through April if the customer can provide sufficient documentation.

For commercial customers without measurable water consumption history, a two-step policy is used as follows:

1. Strengths will be defined by Standard Industrial Classification (SIC) code (i.e., restaurants defined as high), or the customer may elect to have a qualified laboratory regularly monitor and provide measurements of Biological Oxygen Demand (BOD), Total Suspended Solids (TSS), and other particulates (i.e., fats, oils, and grease) to the City.
2. Volumes will be from certification of meter readings provided at the source (well or 3rd party provider). It will be the customer's responsibility to obtain and forward meter readings to the City on a regular basis. In absence of actual meter readings, the City will utilize average usage patterns from similar commercial customers with measurable usage. This method is to be an interim step until such time as a system to measure water usage can be implemented and/or received.

Residential Customers Charged Based on Winter Average Water Consumption

At one time, the City charged all residential wastewater customers on a flat rate basis. Some time ago, the City moved off of this approach and implemented a consumption based rate (CBR) strategy for its residential class. Commercial/industrial and wholesale customers have always been billed based on metered water consumption. Under a CBR methodology, a portion of the wastewater bill is based on how much water a customer uses during the non-irrigation or winter average period, as winter water use is a reasonable estimate of a customer's wastewater discharge. A CBR structure enhances the equity of the wastewater rates by relating a portion of an individual's wastewater bill to the actual discharge into the collection and treatment system. When coupled with a service charge per account that continues to assess the majority of wastewater system costs on a fixed monthly basis, a CBR structure generally balances revenue stability and equity objectives. The policy workings of the City's winter average billing methodology for residential accounts is:

1. Volume will be based on 4-month winter averaging of water consumption. The winter average period will be defined as the 4-month period starting with the first full billing cycle starting on or after December 15th of each year.
2. Accounts with an average usage of less than 1 ccf of water consumption are automatically assessed at the 5.50 ccf average.
3. Customers may request in writing to have the sewer based on actual usage if the property is vacant (transition between tenants, foreclosure, etc.) or consistently below 1 ccf per billing cycle over a 12-month period.

4. The assigned average for water consumption may be appealed to the City Administrator, or his/her designee, and could be modified pending a review of the account and findings thereof.

Commercial Customers Charged Based on Assumed Strength of Discharge

The City bills commercial customers based on their assumed strength of discharge. Under this approach, commercial customers are grouped into low, medium, high, and industrial extra strength categories based upon their standard industrial classification. The City's strength of discharge class limits are as follows:

Strength Classification	BOD (mg/l)	TSS (mg/l)
Low	0-250	0-300
Medium	251-500	301-600
High	501-1,000	601-1,200
Special	1,001+	1,201+

Per City code, the responsible person for paying the sewer charge may appeal the strength classification made by the City. Such appeal shall be made in writing to the City Administrator. The person appealing must provide sufficient information as to the strength of the sewer discharge created by their use so that the City Administrator or designee may evaluate the evidence and determine the proper strength of the waste generated.

Rate Design Alternatives

There are a variety of wastewater rate structures in use across the state and the nation. This study seeks to establish the guiding principles to be considered during the wastewater rate setting. It is important to establish the principles in advance of undertaking the technical work of rate setting. Once the principles are established and fixed, then the rate setting process evolves from them. It must also be recognized that there needs to be a balance in how the principles are applied; e.g., a flat rate is simple, but it may not necessarily be fair and equitable if customers are not equally responsible for the cost of the system. The Review will seek to determine and evaluate alternatives by comparing the various types of rate structures against each principle to determine which structure most satisfies the principles. One must recognize that one or more principles may compete or be in direct contrast with another. Ultimately, the objective is to identify the structure that best meets as many of the principles as possible.

Any rate structure that is considered must respect current legislation and contractual commitments. The main objective is to ensure the wastewater system is sustainable over the long term, thereby ensuring the protection of the health of citizens and the environment. The concepts of user pay, and full cost pricing are key elements of which the City should address in the future. The question of what each customer pays is, however, a complex issue with varying viewpoints and interests.

The following principles should be used to develop alternative rate structures for Council's consideration:

1. be fair and equitable
2. promote conservation
3. be affordable and financially sustainable
4. stabilize revenue
5. be justifiable
6. be simple to understand
7. support economic development;

The City's CBR rate structure has been in place for many years and works well for the City and its customers. Based on the equity the rate structure provides to customers, there is no reason to think the current rate structure for wastewater services is unfair or unreasonable. We recommend the City stay with this rate structure at this time.

Analysis of Stormwater System Revenue Requirements

This year, the stormwater utility is projected to generate enough revenue to cover its costs and leave an unappropriated ending balance of $1,091,777, starting with an estimated beginning balance of $1,338,777. Financial stability has improved over the past five years due to regular rate increases, resulting in operating reserves exceeding ninety days' expenses. The utility aims to maintain reserve levels, continue sustainable rate hikes, and fund operations and capital projects from these revenues. We are not budgeting for any future new debt issuances over the five year forecast horizon.

For the forecast of revenue requirements, the following assumptions were made based on discussions with City staff:

Inflation in costs and growth in the customer base – Per guidance from City staff, the following factors were applied for estimating future cost escalation:

- All direct labor line items – 3.0% per year
- Pension plan contributions (City cost) – 5.0% per year
- Health insurance premiums (City cost) – 5.0% per year
- Professional services (including contract services) – 3.0% per year
- All other operating expense line items – 3.0% per year
- The growth forecast expressed in the annual increase in Equivalent Dwelling Units (EDUs) is estimated to be 1.50% per year over the five (5) year forecast horizon. For stormwater, and EDU is defined as 2,500 square feet of impervious surface.

Funding of stormwater capital repairs and replacements – Over the last five fiscal years, in the stormwater fund, the City has been spending on average approximately $20k per year on stormwater system capital repairs and replacements. This is an inadequate funding level. In our five-year forecast, we have budgeted $250k per year for these types of expenditures; all funded from rates. Specifically, we have allocated $200k of this budget for line replacements and CCTV inspections. The balance, $50k per year is allocated for small works, and storm drainage investigations. The City also has approximately $546k held in reserve in the Stormwater SDC Fund to pay for capacity expanding projects. We recommend the City adopt this strategy in annual stormwater system budget preparations. As the stormwater conveyance and detention systems age, these types of system repairs and replacements will become more common.

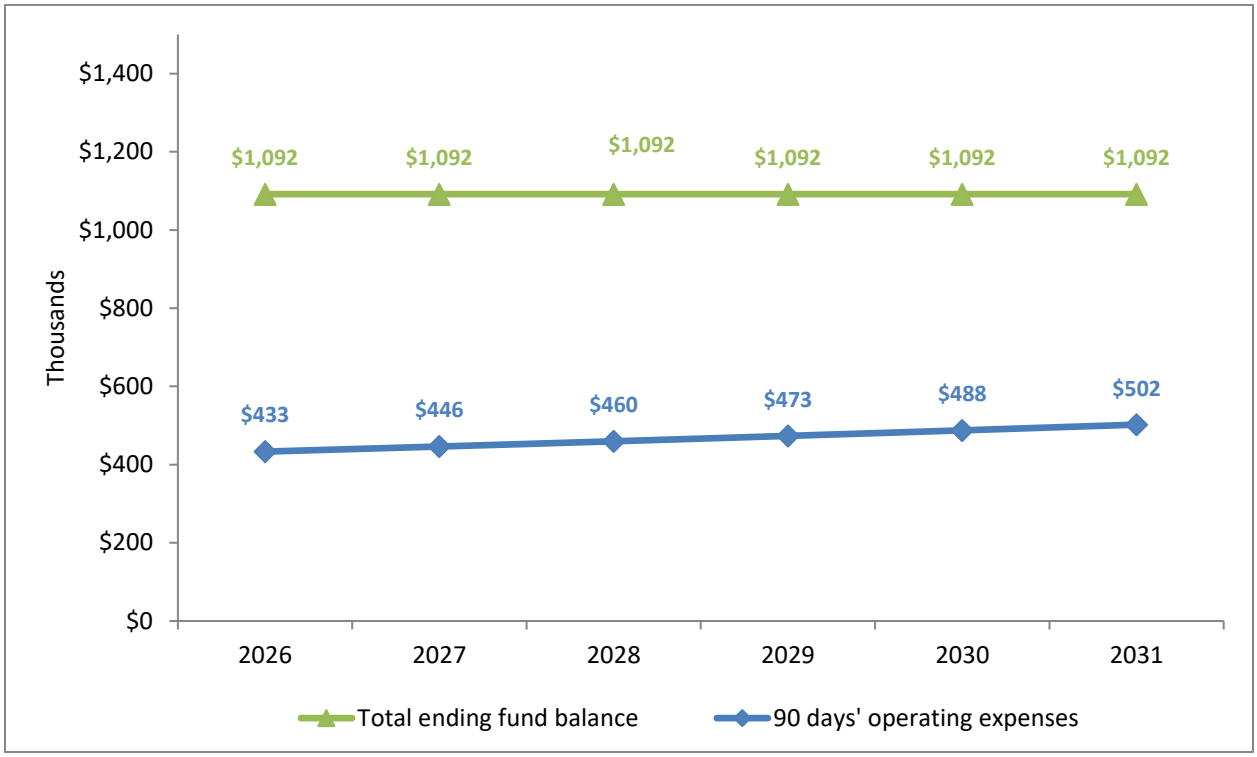
It is assumed all project costs will be funded with cash on hand or cash that is generated from stormwater rates and is accounted for in the revenue requirements calculations. We have not budgeted for any costs in the other minor capital line items.

Operating Costs in Excess of Inflation – As in the case of water and wastewater, we have not identified any categories in this analysis. Also, we have not planned or budgeted for any additional labor. If the wastewater utility does add staff, these costs will impact the current revenue requirements forecast.

Modeling for Contingencies, Reserves, and Ending Fund Balances – As discussed above, we expect to end this fiscal year with an unappropriated ending fund balance of $1,091,777 in the Stormwater Operating Fund. Our modeling indicates the Stormwater Operating Fund will end all forecast years with an ending

fund balance slightly excess of ninety days of operating expenses. The forecast of targeted Stormwater Operating Fund balances and operating reserve requirements is shown below in Figure 4.

Figure 4 - Forecast of Stormwater Operating Fund Balances and Operating Reserve Requirements



Revenue Requirements Forecast & Results

All of the above cost elements are contained in the revenue requirements model and from this, the "base case" forecast was developed. The base case assumes the utility would fund the operating costs as adjusted for inflation. This base case resulted in the following forecast of stormwater system revenue requirements (Table 8).

Table 8 – Base Case Forecast of Stormwater System Revenue Requirements

	Budget	Forecast				
	2026	2027	2028	2029	2030	2031
Projection of Cash Flow:						
Revenues:						
Total Service Charges	1,740,000	1,740,000	2,016,039	2,070,330	2,126,250	2,183,848
Total other financing sources	-	-	-	-	-	-
Bond proceeds for projects	-	-	-	-	-	-
Total miscellaneous income	20,000	43,671	43,671	43,671	43,671	43,671
Subtotal gross operating revenues	1,760,000	1,783,671	2,059,710	2,114,001	2,169,921	2,227,519
Operations & Maintenance Expense:						
Total personal services	610,000	628,300	647,149	666,563	686,560	707,157
Total materials and services	1,147,000	1,181,410	1,216,852	1,253,358	1,290,959	1,329,687
Total capital outlay	250,000	250,000	250,000	250,000	250,000	250,000
Total debt service	-	-	-	-	-	-
Transfers to other funds (excluding transfers to SDC fund)	-	-	-	-	-	-
Total operations and maintenance expense	2,007,000	2,059,710	2,114,001	2,169,921	2,227,519	2,286,845
(Use)/replacement of fund balance	(247,000)					
Net Cash	-	(276,039)	(54,291)	(55,920)	(57,598)	(59,326)
Net Deficiency/(Surplus)	-	276,039	54,291	55,920	57,598	59,326
Test of Coverage Requirement:						
Gross Revenues:						
Operating revenues	1,760,000	1,783,671	2,059,710	2,114,001	2,169,921	2,227,519
System Development Charges	20,000	20,220	20,442	20,667	20,895	21,124
Total Gross Revenues	1,780,000	1,803,891	2,080,152	2,134,669	2,190,816	2,248,643
Operating Expenses:						
Total personal services	610,000	628,300	647,149	666,563	686,560	707,157
Total materials and services	1,147,000	1,181,410	1,216,852	1,253,358	1,290,959	1,329,687
Transfers to/(from) the rate stabilization account	-	-	-	-	-	-
Total Operating Expenses	1,757,000	1,809,710	1,864,001	1,919,921	1,977,519	2,036,845
Net Revenues	23,000	(5,819)	216,151	214,747	213,297	211,799
Debt Service	-	-	-	-	-	-
Coverage Recognized	N/A	N/A	N/A	N/A	N/A	N/A
Coverage Required	1.20	1.20	1.20	1.20	1.20	1.20
Net Deficiency/(Surplus)	-	-	-	-	-	-
Projection of Revenue Sufficiency and Forecasted Rates:						
Maximum Deficiency	-	276,039	54,291	55,920	57,598	59,326
Percent Increase Required Over Current Rate Revenues	**0.00%**	**15.86%**	**2.69%**	**2.70%**	**2.71%**	**2.72%**
Five Year Average Increase in Revenue Requirements		**4.79%**	**4.79%**	**4.79%**	**4.79%**	**4.79%**
Revenues Recovered From Existing Rates and Charges:	1,740,000	1,740,000	2,016,039	2,070,330	2,126,250	2,183,848
add: Revenues Recovered From Rate Increase	-	276,039	54,291	55,920	57,598	59,326
Total Revenues Recovered From Rates & Charges after Increase	1,740,000	2,016,039	2,070,330	2,126,250	2,183,848	2,243,173

Ratemaking for Stormwater Services

Stormwater management utilities are authorized by Oregon statute as enterprise funds within a City's budget structure. They are defined as being financially self-sufficient and can be designed to furnish a comprehensive set of services related to stormwater quantity and quality management. Services that stormwater management utilities provide include not only the construction and maintenance of facilities necessary to control flooding and improve the character of surface runoff, but also implementation of best management practices (BMPs) designed to address nonpoint source pollution. These BMPs may

include water quality sampling, public education and plan review, stormwater system maintenance, site inspections, and basin planning. All of these program elements are part of the National Pollutant Discharge Elimination System (NPDES) permit requirements.

St. Helens' current stormwater utility fee is applied to customers based on a Drainage Residential Unit (DRU) approach. Under this structure, single-family homes are counted as one DRU and, on average, contain 2,500 square feet of impervious area. All non-single-family residential customers are charged based on their measured impervious surface area for each developed property which is then divided by the DRU value of 2,500 square feet of impervious surface. This determines the total number of DRUs billed to that non single-family residential customer. The City's current monthly stormwater rate is $17.16 per DRU. The City's current stormwater rate structure was last reviewed in 2022. Although the structure has not changed since that time, the rates have been increased on a regular basis. The last rate adjustments were made by the City Council via Resolution no. 2045 (dated June 18, 2025) with an implementation date of July 15, 2025. The current and the proposed schedule of wastewater rates and charges is shown below in Table 9.

Table 9 - Schedule of St. Helens **Current and Proposed** Stormwater Rates

Wastewater Rate Component Description	Current	Effective July 1 2026	2027	2028	2029	2030
Inside City:						
Residential - per drainage residential unit	$ 17.16	$ 19.07	$ 21.86	$ 22.20	$ 22.55	$ 22.91
Commercial - per 2,500 sq. ft. of impervious surface	$ 17.16	$ 19.07	$ 21.86	$ 22.20	$ 22.55	$ 22.91
Industrial - per 2,500 sq. ft. of impervious surface	$ 17.16	$ 19.07	$ 21.86	$ 22.20	$ 22.55	$ 22.91
All other Users - per 2,500 sq. ft. of impervious surface	$ 17.16	$ 19.07	$ 21.86	$ 22.20	$ 22.55	$ 22.91

Drainage Residential Unit (DRU). One drainage residential unit is the impervious surface area which is estimated to place approximately equal demand on the public stormwater system as that placed by an average residential dwelling unit. One DRU equals 2,500 square feet of impervious surface.

Rate Study Conclusions and Recommendations

Conclusions

- On balance, the City's utilities are in excellent financial condition. Fund balances exceed minimum operating reserve requirements, and revenue bond debt service coverage on water and wastewater debt exceeds covenants.
- We estimate the water fund will end this fiscal year (i.e., June 30, 2026) with a cash balance of $2.6 million. With 6.35% per year general water rate increases we project this fund will sustain this level of cash out to 30, 2031. With these future rate increases and the prudent use of cash reserves, there should be adequate funds available to pay for planned water system expenditures over the balance of the five-year forecast horizon. This also accounts for the planned borrowing of approximately $15.1 million for the 5 million gallon distribution reservoir in fiscal 2030.
- The City's current water rate structure conforms to industry practice. This structure consists of a monthly base charge and a volume charge for every 100 cubic feet of metered water consumed. The City employs conservation pricing mechanisms which also conforms to industry standard.
- We expect the wastewater fund to finish this fiscal year with $4.6 million in cash. Regular 4.64% annual rate increases should keep the fund stable through June 2031, ensuring enough cash for planned system expenses over the next five years. The forecast includes borrowing about $24.8 million in fiscal 2030 for trunk capacity expansion; most of this funding is already secured from new long-term debt through the Clean Water State Revolving Loan Fund managed by Oregon DEQ.
- The City's current wastewater rate structure also conforms to industry practice. For residential customers, this structure consists of a monthly base charge and a volume charge for every 100 cubic feet of winter monthly average metered water consumed. The City bills commercial customers based on their assumed strength of discharge. Under this approach, commercial customers are grouped into low, medium, high, and industrial extra strength categories based upon their standard industrial classification. The commercial volume charge is based on actual monthly metered water consumption.
- The stormwater fund is expected to end this fiscal year and June 30, 2031, with a $1.1 million cash balance, assuming annual rate increases of 4.79%. These increases and prudent reserve use should cover planned spending over the five-year forecast, with no borrowing anticipated. The budget allocates $250k annually from general rates for line replacements, CCTV inspections, small projects, and drainage investigations.

Recommendations

Water:

- *Water rates* - We recommend the City increase water rates on or near July 1, 2026, by 6.35%, and by 6.35% on July 1st every year thereafter until 2030. The immediate impact on the average single family residential customer is an increase in the water bill of approximately $3.92 per month. The average single family residential monthly water bill will go from the current amount of $61.76 to $65.68.
- *Funding of water capital repairs and replacements* – Over the last three fiscal years, in the water fund, the City has been spending on average approximately $441k per year on water system capital repairs and replacements. In our five-year forecast, we have budgeted $400k per year for these types of expenditures; all funded from rates. We recommend the City adopt this strategy in annual water system budget preparations. Please note, this $400k per year is over and above the ~$15 million that

will be spent in in fiscal 2029 and 2030 for the new 5 million gallon distribution reservoir. See the next bullet for a further discussion of this project's funding strategy.

- *Funding of Master Plan priority capital improvements* – Our water system financial modeling assumes the Master Plan priority capital improvements (i.e., the 5 million gallon distribution reservoir) will cost approximately $15 million over the five-year forecast horizon. We have developed a funding plan that calls for the issuance of new debt in fiscal 2030 for the project. The City also has approximately $1.1 million held in reserve in the Water SDC Fund that will be applied to this project. We recommend the City implement this five-year funding strategy. We also recommend the City consult with its engineering team to verify our planning assumptions and estimated project costs. In these inflationary times, estimating future costs can be difficult.

Wastewater:

- *Wastewater rates* - We recommend the City increase wastewater rates on or near July 1, 2026, by 4.64%, and by 4.64% on July 1st every year thereafter until 2030. The immediate impact on the average single family residential customer is an increase in the wastewater bill of approximately $2.98 per month. The average single family residential monthly water bill will go from the current amount of $64.18 to $67.16.

- *Funding of the wastewater inflow and infiltration (I&I) abatement program* – We recommend the City continue to focus on its I&I abatement through regular annual expenditures. In our five-year forecast, we have budgeted $100k per year for this program; all funded from wastewater rates. We recommend the City adopt this strategy in annual wastewater system budget preparations.

- *Funding of wastewater capital repairs and replacements* – Over the last five fiscal years, in the sewer fund, the City has been spending on average approximately $666k per year on wastewater system capital repairs and replacements. In our five-year forecast, we have budgeted $500k per year for these types of expenditures; all funded from rates. The City also has approximately $1.6 million held in reserve in the Sewer SDC Fund to pay for capacity expanding projects. As the wastewater collection and treatment systems age, these types of system repairs and replacements will become more common.

- *Funding of Master Plan priority capital improvements* – Our wastewater system financial modeling assumes the Master Plan priority capital improvements will cost approximately $24.8 million over the five-year forecast horizon. This money will be invested in increasing the hydraulic capacity of the City's sewer trunk system. Funding for this project will come from a new loan from the Clean Water State Revolving Loan Fund administered by the Oregon Department of Environmental Quality. In addition to having a deeply subsidized interest rate at 1%, the City will enjoy the benefit of a $2 million principal forgiveness due to the water quality enhancement feature of the project. We recommend the City consult with its engineering team to verify our planning assumptions and estimated project costs. Our modeling assumes this project will be completed in fiscal 2029 with repayment starting in fiscal 2030. We recommend the City adopt this strategy in annual wastewater system budget preparations.

Stormwater:

- Stormwater rates - We recommend the City increase stormwater rates on or near July 1, 2026, by 4.79%, and by 4.79% on July 1st every year thereafter until 2030. The immediate impact on the average single family residential customer is an increase in the water bill of approximately $0.82 per month. The average single family residential monthly water bill will go from the current amount of 17.16 to $17.98.

- *Funding of stormwater capital repairs and replacements* – Over the last five fiscal years, in the stormwater fund, the City has been spending on average approximately $20k per year on stormwater system capital repairs and replacements. This is an inadequate funding level. In our five-year forecast, we have budgeted $250k per year for these types of expenditures; all funded from rates. Specifically, we have allocated $200k of this budget for line replacements and CCTV inspections. The balance, $50k per year is allocated for small works, and storm drainage investigations. The City also has approximately $546k held in reserve in the Stormwater SDC Fund to pay for capacity expanding projects. We recommend the City adopt this strategy in annual stormwater system budget preparations. As the stormwater conveyance and detention systems age, these types of system repairs and replacements will become more common.

Neighboring Communities' Utility Rates by Service

Shown below in Figures 7 through 11 are charts that compare the current utility rates and SDCs for a single family customer in St. Helens to the same charges in similar communities in Columbia County, Oregon.

Figure 5 - Comparison of Neighboring Communities' Water Rates

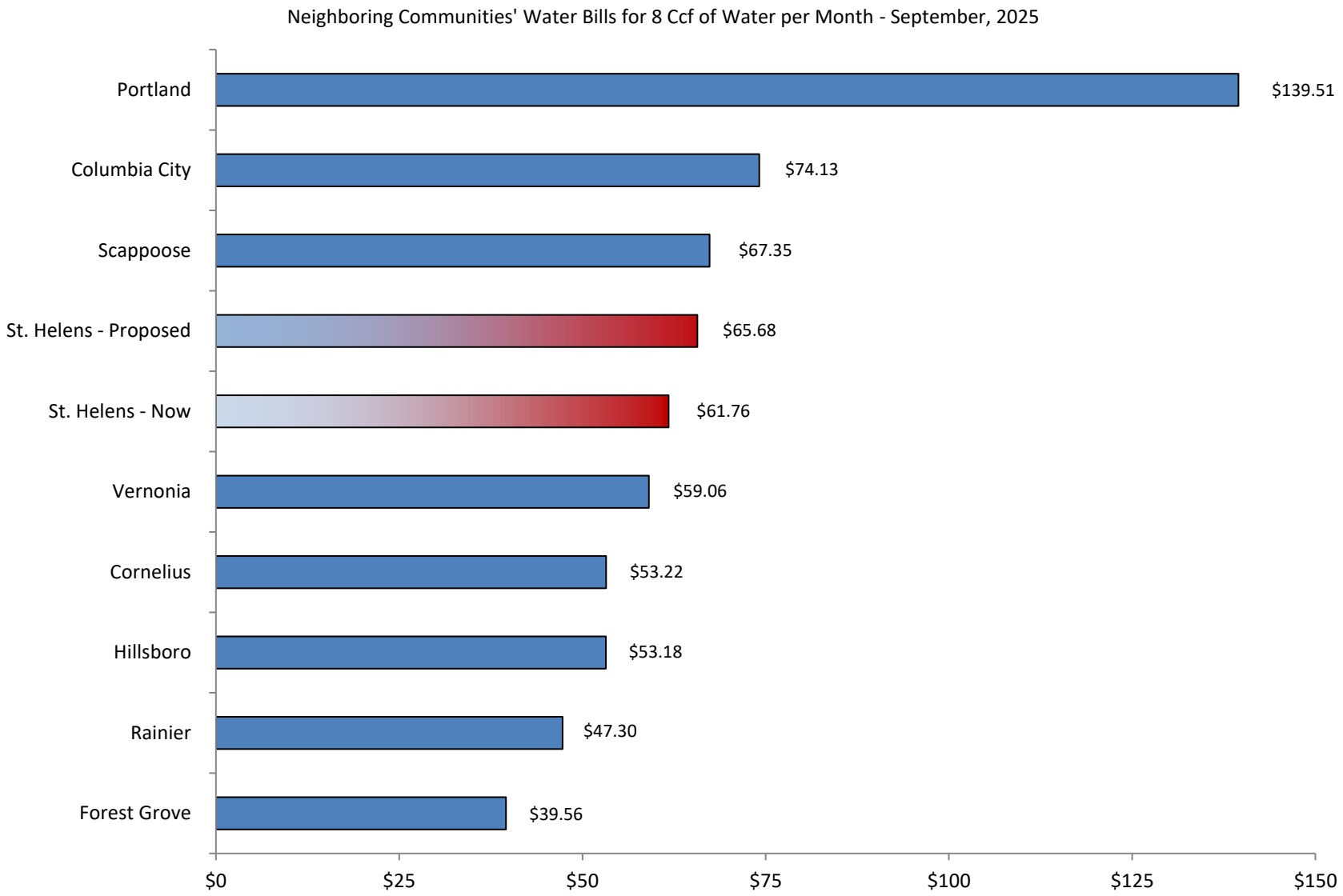


Figure 6 - Comparison of Neighboring Communities' Wastewater Rates

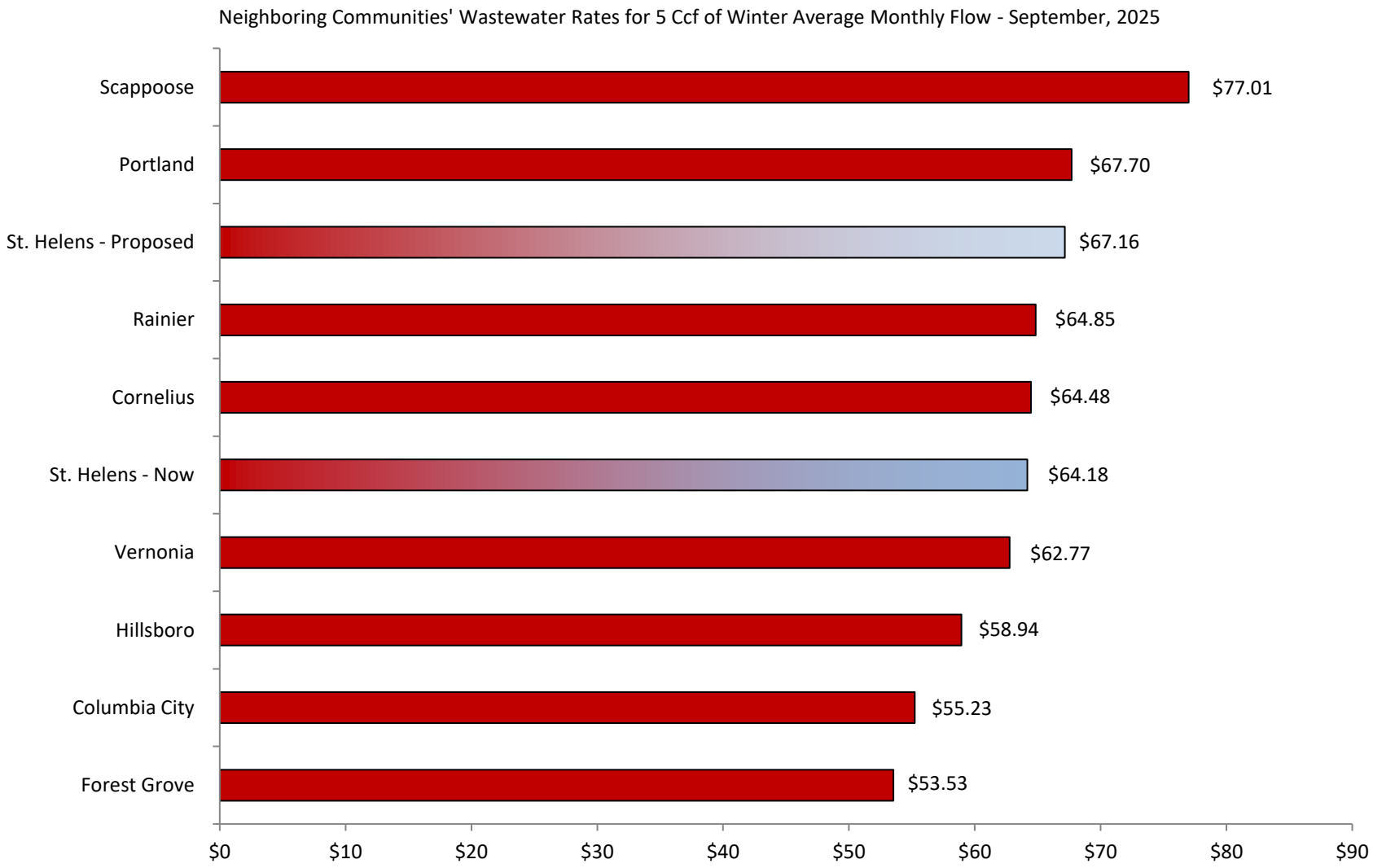


Figure 7 - Comparison of Neighboring Communities' Stormwater Rates

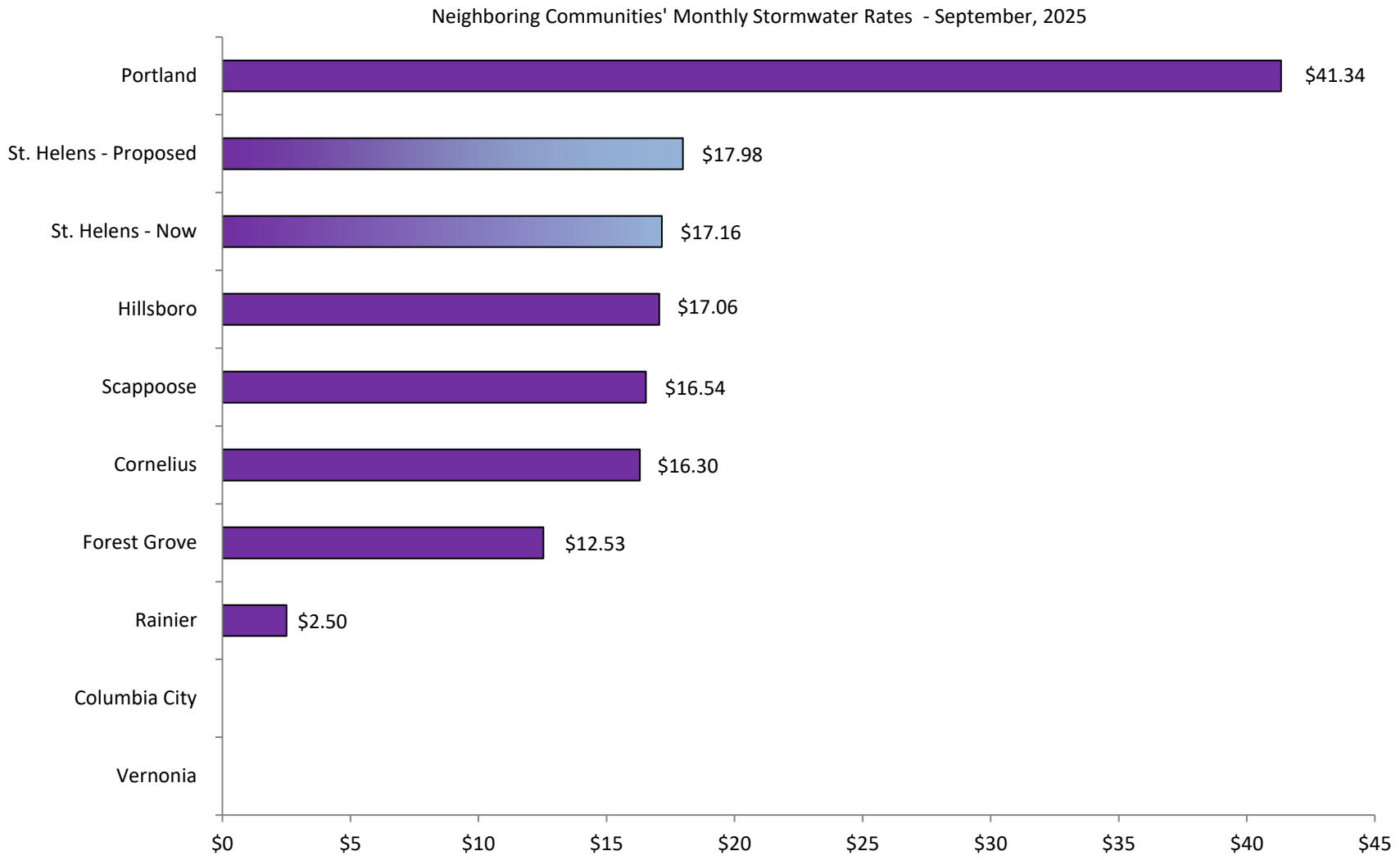


Figure 8 - Comparison of Neighboring Communities' Combined Water, Wastewater, Transportation, and Stormwater Rates

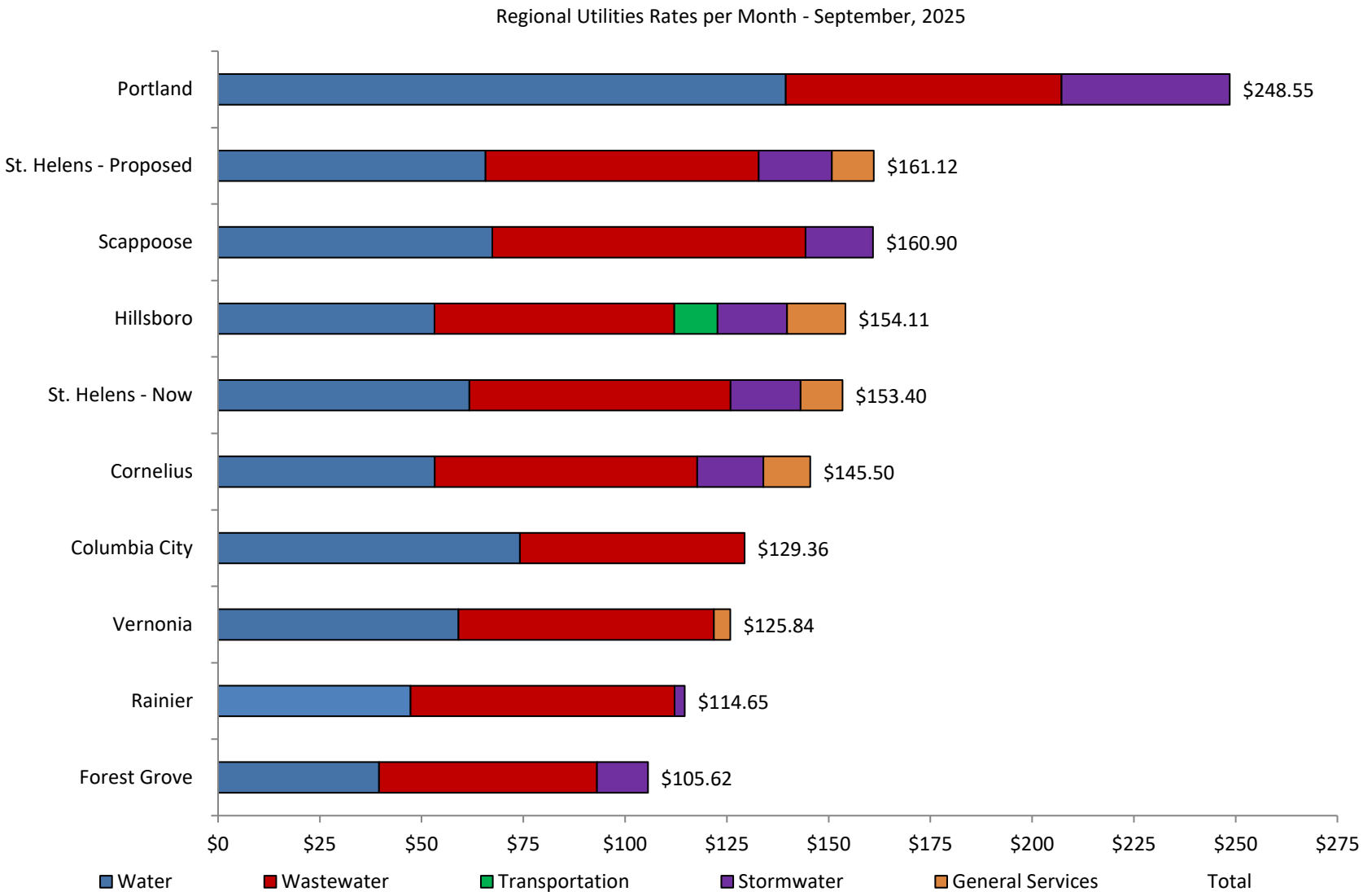


Figure 9 - Comparison of Neighboring Communities' SDCs (Single Family Residential)