



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council

THROUGH: Sherilyn Lombos, City Manager

FROM: Nic Westendorf, Deputy Public Works Director
Erin Engman, AICP, Senior Planner

DATE: July 10, 2023

SUBJECT:

Consideration of 2023 Water Master Plan update which includes updated System Development Charge (SDC) methodology and rates, along with corresponding Plan text and map amendments to the Tualatin Comprehensive Plan and Development Code.

RECOMMENDATION:

The Planning Commission has recommended that the Council approve the Master Plan and proposed amendments PTA 23-0002 / PMA 23-0002 and adopt Ordinance No. 1476-23.

Staff recommend Council approve Ordinance No.1477-23 adopting the updated System Development Charge (SDC) methodology and rates.

EXECUTIVE SUMMARY:

The current Water Master Plan was adopted in January 2013. Since then, Tualatin has seen continued infill development, as well as the addition of the Basalt Creek Plan Area. The increased development, paired with increased water use, prompted the need for an updated Master Plan to ensure Tualatin can continue to provide water that meets both current and future needs. The proposed adoption of the 2023 Master Plan would address the above needs and ensure the City is strategically investing in its water system.

The plan identifies three priorities that guide much of the proposed work:

1. Provide safe, high-quality water to all customers
2. Provide a reliable and economical supply of water to meet current and future needs
3. Provide a resilient water system to reduce risk posed by natural disaster events

The updated Water Master Plan identifies capital improvement projects (CIP). In total, 54 projects were identified. These projects will guide proactive repair and replacement of existing system components, increase the resiliency and redundancy of the system, and ensure that current and future peak summer demands can be met.

The Master Plan also includes a Water Supply Strategy which explores the various regional water sources and recommends Tualatin continue to purchase water from the City of Portland. That strategy, found as Appendix B to the Master Plan, helped guide the decision to negotiate a 30-year contract to continue purchasing water from Portland, which is currently underway.

An online open house was active from June 1st to the 22nd to gather public feedback. Overall, the feedback was very positive. Main takeaways include:

People are well informed about Tualatin's water system

- 66% said they knew where the City's water comes from and 55% knew that Tualatin's water is gravity fed all the way from Portland!

Proactive repair, resiliency and redundancy improvements are priorities

- 77% said repair and replacement of parts before they fail is a top priority
- 54% said improved resiliency or improved redundancy as a top priority

For most, the proposed rates feel reasonable

- 37% said they are on board with the increases and happy to pay for a reliable, resilient system
- 37% said they understand the need but don't love the increase
- 11% said they understand the need but can't really afford the increase

Support for purchasing water from Portland

- Many comments in support of ongoing negotiations with Portland for a long-term contract

Concerns about lack of backup supply

- Some worry around Tualatin's distance from Portland, risk of disruption, and questions about backup options or a closer supply

Staff advertised the SDC changes in the Daily Journal of Commerce (DJC) as a way to notify interested parties. In addition, staff sent an email notification to every contact in the City's permitting software database who had pulled permits and would potentially be impacted by the change in methodology/rates. Over 2,100 individuals were notified. From this, no comments were received regarding the updated SDCs.

Overall, engagement was very positive. Customers seem supportive of the priorities in the plan and are understanding of proposed rate and SDC increases. Feedback regarding the lack of affordability of rates has been noted by staff; future work can be done to ensure Tualatin's water remains as affordable as possible, especially for lower income residents.

SUMMARY OF PROPOSED COMPREHENSIVE PLAN AMENDMENTS:

Proposed amendments would adopt the 2023 Water Master Plan and incorporate the Water Master Plan as a supporting document to the Comprehensive Plan. Text amendments would update Comprehensive Plan Chapter 9 (Public Facilities & Services) goals and policies and Development Code Chapter 74 consistent with the Water Master Plan.

A map amendment to Comprehensive Plan Map 9-1 would update existing and future water infrastructure details consistent with the Water Master Plan. In sum, the Water Master Plan and corresponding amendments support water infrastructure to serve the existing and future population and economy of the City of Tualatin.

SUMMARY OF WATER AND SDC RATES:

To ensure the City can continue to sustainably operate the water system and develop new infrastructure needed to meet growing water demands, the Master Plan proposes increased water rates and system development charges (SDCs). The increased revenue will support ongoing operations and maintenance of the system, construction of capital projects to improve resiliency and capacity, and the cost of purchasing water from Portland. Costs of operations and project construction continue to increase.

Rates: The Master Plan recommends a 12% rate increase through 2030. This applies to the usage rate and fixed charges, broken down in the table below. Beyond 2030, proposed rate increases return to the current 4.25% annual increase, which is current practice used to keep revenues on track with inflation.

Across-the-Board Rate Schedule	Previous 2022	Existing 2023	ATB 2024	ATB 2025	ATB 2026	ATB 2027	ATB 2028	ATB 2029	ATB 2030	ATB 2031	ATB 2032
Annual System-Wide Rate Increase			12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	4.25%	4.25%
Usage Rate per CCF	\$3.34	\$3.48	\$3.90	\$4.37	\$4.89	\$5.48	\$6.13	\$6.87	\$7.69	\$8.02	\$8.36
Water Service Charge (all customers)	\$4.74	\$4.94	\$5.53	\$6.20	\$6.94	\$7.77	\$8.71	\$9.75	\$10.92	\$11.38	\$11.87
Water Facility Charge (residential customers)	\$4.68	\$4.88	\$5.47	\$6.12	\$6.86	\$7.68	\$8.60	\$9.63	\$10.79	\$11.25	\$11.72

Note: "Across-the-Board" (ATB) means that all stated rates increase by the same percentage (both the fixed and volume charges), which maintains the existing rate structure.

While a 12% rate increase is large, Tualatin has some of the most affordable water rates in the region. Rates will continue to remain affordable in comparison to neighboring jurisdictions, even with the proposed increases. The 2023 increase will cost the average homeowner an additional \$4.52 per month. Even after the increase, Tualatin’s rates are still among the lowest in the region.

Jurisdiction	Monthly Water Bill*
Portland	\$104.05
Tualatin Valley Water District	\$77.49
Tigard	\$72.43
Beaverton	\$63.20
Lake Oswego	\$54.09
Hillsboro	\$46.23
Oregon City	\$44.05
Wilsonville	\$42.99
Tualatin (Proposed)	\$42.18
Tualatin (Current)	\$37.66

*Assumes a single-family residence with 8 CCF of usage

System Development Charges (SDC): The Master Plan recommends a one-time SDC increase. This means a \$2,724 increase for the construction of a typical single-family home. The proposed increase is due to the additional capital needs in the water system to support future growth within the City. After this one-time increase, the SDC rates will continue to be indexed annually based on regional construction costs to ensure revenues keep up with inflation, which is current practice.

Increasing SDCs is important to ensure new development is paying for its share of existing and future infrastructure costs. Without proper SDC rates these costs would be subsidized by existing water customers. As shown in the table below, Tualatin currently has one of the lowest water SDCs in the region and will continue to remain competitive even after the proposed one-time increase.

Jurisdiction	SDC for an SFR*
Oregon City	\$13,967
Hillsboro	\$13,395
Beaverton	\$10,329
Tualatin Valley Water District	\$9,716
Lake Oswego	\$9,571
Tualatin (Proposed)	\$8,290
Wilsonville	\$7,349
Tigard	\$5,973
Tualatin (Current)	\$5,566
Portland	\$4,563

*SFR = single-family residence

OUTCOMES OF DECISION:

If approved, adoption of the updated 2023 Water Master Plan, associated plan text amendments, and updated SDC methodology and rates will take effect. These changes will guide future planning and development work as well as provide staff direction on future operation, maintenance, and development of Tualatin’s water system.

ALTERNATIVES TO RECOMMENDATION:

- Continue the discussion to a later date
- Approve the amendments and adopt the Ordinance(s) with additional changes
- Deny the amendments and decline to adopt the Ordinance(s)

FINANCIAL IMPLICATIONS:

Approval of Ordinance No. 1476-23, approving the Master Plan and updating the comprehensive plan, would not have a direct financial impact. Future adoption of increased water rates would generate additional revenue to complete projects outlined in the Master Plan.

Approval of Ordinance No. 1477-23, updating the SDC charges, would generate increased revenue based on development that would in turn help finance projects outlined in the Master Plan.

Denial of either ordinance would result in the City not being able to fully fund the projects found in the Master Plan.

ATTACHMENTS:

- Presentation – Water Master Plan
- Ordinance No. 1476-23
- Ordinance No. 1477-23
- Exhibit 1: Plan Map Amendment PMA 23-0002

- Exhibit 2: 2023 Water Master Plan
- Exhibit 3: Findings and Analysis
- Exhibit 4: Plan Text Amendment PTA 23-0002
- Exhibit 5: Public Notice
- Exhibit 6: Water Rates and SDC Study