# *CANBY UTILITY*
# *REGULAR BOARD MEETING*
# *DECEMBER 12, 2023*
# *7:00 P.M.*

## AGENDA

I. CALL TO ORDER

II. AGENDA
- Additions, Deletions or Corrections to the Meeting Agenda

III. CONSENT AGENDA
- Approval of Agenda
- Approval of Regular Board Meeting Minutes of November 14, 2023 (pp. 1-4)
- Approval of Write-Offs
- Approval of Payment of Water and Electric Bills

IV. CITIZEN INPUT ON NON-AGENDA ITEMS *Citizen's wanting to speak virtually, please email or call the Board Secretary-Clerk by 4:30 p.m. on December 12, 2023 with your name, the topic you would like to speak on, and contact information: bbenson@canbyutility.org or 503-263-4312.*

V. AUDIT REPORT for Fiscal Year Ended June 30, 2023 – Introduction by Carol Sullivan, General Manager. Presentation and Review by Julie Desimone, Moss Adams, LLC (pg. 5 plus Separate Items)

VI. RESOLUTION NO. 318 Revising Water System Development Charge Requirements and Standards – Mike Schelske, Finance Manager (pp. 6-15)

VII. DISCUSSION ITEM Revised Water System Development Charge Study and Final Report – Mike Schelske, Finance Manage (pp. 16-45)

VIII. RECOMMENDATION Authorize General Manager to Enter into a Consulting Services Contract for Source Water Supply Analysis – Carol Sullivan, General Manager (pg. 46)

IX. BOARD REPORT
- Chair Comments
- Board Member Comments

X. STAFF REPORTS

Operations Manager:
- FY 24 Capital Purchase of New Bucket Truck

General Manager Updates

XI. ADJOURN

# *CANBY UTILITY*
# *REGULAR BOARD MEETING MINUTES*
# *NOVEMBER 14, 2023*

**Board Present:** Chair Thompson; Members Horrax, Molamphy, Pendleton, and Hill

**Staff Present:** Carol Sullivan, General Manager; Barbara Benson, Board Secretary; Jason Berning, Operations Manager; Mike Schelske, Finance Manager; Sue Arthur, Purchasing Agent; and Cindy Dittmar, Customer Service Supervisor

**Others Present:** Steve Donovan of Donovan Enterprises, Inc.; Brian Hutchins, Veolia Water North America; Joe Brennan; and Corianne Burnett

Chair Thompson called the Regular Board Meeting to order at 7:00 p.m.

Chair Thompson presented the meeting agenda for consideration. She asked for any additions, deletions, or corrections to the meeting agenda, and there were none.

Chair Thompson presented the consent agenda for approval. Member Pendleton made the *MOTION to approve the consent agenda, consisting of the meeting agenda, regular meeting minutes of September 26 and October 10, 2023, write-offs in the amount of $936.99, payment of the electric and water department bills for $1,795,896.18. Member Horrax seconded, and the motion passed 5-0.

Chair Thompson asked for citizen input on non-agenda items, and there was none.

Finance Manager Mike Schelske introduced Steve Donovan of Donovan Enterprises, Inc., who Canby Utility hired to complete a study of the water system development charge (SDC) methodology and fees and a water rate study. Schelske stated that the Board last reviewed the SDC methodology in September 2010. There has not been a recalculation of the rates to account for capital projects, only inflationary adjustments. The Board adopted a Water System Master Plan in September, which included a significant capital improvement plan that must be supported through increased SDCs and rates. Schelske stated that Donovan was giving a presentation on the SDCs only and would return in January to present the water rate study results.

Donovan began by explaining the process of conducting an SDC study and defining what they are and how they can be used. SDCs are not paid for by the ratepayers; they are one-time fees charged to new developments and have two unique fee components: a reimbursement fee and an improvement fee. The SDC funds are restricted revenues and can only be used for specific purposes. They impact infrastructure development and the composition of our future water rate structures. He stressed that SDCs will be an essential funding component in addition to the future debt for the Willamette River source water supply and treatment plant project. He noted that the

Board's policy on SDC pricing must strike a balance between the philosophy of growth paying for growth and the goal of attracting smart growth and living wage jobs. The fees he proposed were the maximum amount that Canby Utility could charge for SDCs based on the study; however, the Board could charge less. Donovan noted that ratepayers must cover the difference for every dollar the Board decides not to charge in SDC fees. Donovan explained the SDC fee components, including reimbursement, improvement, and compliance under the Oregon Revised Statute.

Donovan said that more than 90 percent of Canby Utility's customer connections use a 3/4" meter, noting that Canby is predominately a residential community. The current SDC fee for a 3/4" meter is $4,755 and based on the approved capital improvement plan and Canby Utility's balance sheet, the SDC fee calculation allows for a maximum SDC charge of $12,885. The preponderance of this increase is directly related to the $82 million new facilities master plan and the Willamette River supply project. Donovan compared Canby Utility's current SDC fees to those in seven neighboring cities. Currently, Canby Utility has the second lowest SDC fees using the 3/4" meter for the comparison, and even with the proposed increase, Canby Utility still would not be the highest. Donovan also presented a chart showing Canby's total SDCs, including water, wastewater, transportation, parks, and storm drainage, and compared that to neighboring cities. Donovan said he is asking for guidance and consensus from the Board based on the SDC study. In January, staff will ask the Board to adjust SDC rates based on Donovan's recommendation.

In January, Donovan will present the results of the water rate study. Donovan shared preliminary rate information based on the need to build a new water treatment plant. He anticipates that Canby Utility's water rates will need to increase by 103%, depending on funding assumptions. Board discussion ensued regarding the SDC study findings, the process to calculate the SDC fees, the potential impact on growth and development, affordable housing, and the status of the comparison cities in adjusting their SDC rates. The Board gave consensus to proceed with preparing a resolution to adjust SDC rates at the January meeting. Donovan prepared a detailed report for Canby Utility's website, and staff will send letters to developers and interested parties to notify them of the proposed SDC rate adjustment.

Chair Thompson asked Donovan about his preliminary information on the water rate study. Donovan said that 49% of the water treatment plant and Willamette River water source project would be eligible for funding through the U.S. Environmental Protection Agency's WIFIA (Water Infrastructure Finance and Innovation Act) loan program. This program will be a critical component of the project's funding strategy. The WIFIA loan can carry 35 years; however, Donovan used a 30-year loan for his rate model.

The Water System Master Plan has $82 million identified for the project. He assumes Canby Utility will provide a $10 million equity contribution to the project, noting there is currently $8 million in the water fund. The WIFIA program funds will account for 49% of the total cost. Donovan explained that WIFIA uses an interest rate based on the prevailing U.S. Treasury bond rate for the duration of the loan. The U.S. Treasury bond rate was 4.75% on November 13. In his assumption, the 30-year WIFIA loan amount would be $35.28 million. That would equate to an

annual principal and interest payment of $2.2 million for 30 years. The remaining 51% of the cost would come from conventional 30-year revenue bonds. The annual principal and interest payment will be $2.4 million for 30 years, assuming a 5% rate on the revenue bonds. Those two funding sources equal $4.6 million of new costs to Canby Utility annually for 30 years. He shared that Canby Utility's annual operating costs are $4.5 million. Donovan expects water rates to increase by 103% to cover yearly costs and new debt payments. Water rates would double within five years. The Board could expect a minimum of 10% rate increases yearly. He also noted that the SDCs collected will be helpful and can be used to pay debt service.

The WIFIA program has a five-year grace period before payments must begin; however, he strongly recommends that the Board not consider postponing payments. The cumulative interest that would accrue in the five years is approximately $9.3 million. A brief discussion ensued regarding the city's growth with Area J and the future expansion of the Urban Growth Boundary.

Schelske also noted that our current resolution includes language stating that SDCs are due and paid upon a request for connection. Schelske said the language is vague and suggested amending the resolution to clarify when developers can pay for their SDCs. The Board gave consensus for Schelske to update the resolution language and bring it to the Board in December.

Human Resources/Administration Manager Barb Benson recommended adopting a Paid Leave Oregon (PLO) policy. Benson gave background on the paid leave program. The purpose of Canby Utility adopting a policy is to establish a requirement for employees to provide notice to the utility of their intent to use the leave and to explain the coordination of PLO with other leaves, such as the federal Family Medical Leave Act and the Oregon Family Leave Act. The Oregon Employment Department determines the eligibility of applications and makes all decisions on claim acceptance. A brief discussion ensued about why someone can request leave, the process to apply, and the State's rule-making process that may result in more changes to the program. Member Horrax made the *MOTION to adopt Canby Utility's Paid Leave Oregon policy. Member Molamphy seconded, and the motion passed 5-0.

Customer Service Supervisor Cindy Dittmar briefly reported the Red Flag Rules. The policy requires the customer service staff to receive training on identity theft prevention, and this refresher training was completed in September. The staff has not experienced any identity theft incidents during the past year.

Board Secretary Barb Benson reported on the upcoming employee recognition event scheduled for December 9 at the Willamette Valley Country Club. Benson reviewed the planned activities for the evening.

General Manager Carol Sullivan reported two class action settlement lawsuits regarding PFAS, also called Forever Chemicals. DuPont's lawsuit is for $1.185 billion, and 3M's is for $12.5 billion and involves 62,000 water systems. Canby Utility has conducted testing for PFAS (per- and polyfluoroalkyl substances), and the results have been non-detectible for the chemicals; however, the City of Molalla did have a one positive test last January. Water utilities have a deadline to opt in or out of the settlement agreements. Sullivan said that she and Veolia Water

North America's Brian Hutchins have spoken with legal counsel and learned that opting in would waive Canby Utility and the City of Canby's future rights to file a lawsuit for damages resulting from the presence of PFAS. Sullivan noted that Canby Utility's costs are minimal to date, and since no chemicals were detected, opting out of the settlement may be the best option. Canby Utility's water treatment plant does not currently have a treatment option for PFAS, which could cost between $3 and $5 per gallon. Using a six million gallons per day calculation, treating PFAS would cost approximately $18 to $30 million should they be detected in the water. Canby Utility's request to opt out of the two settlements must be filed by December 4 and December 11, 2023, respectively. Sullivan will discuss the options with the Board Attorney before making a decision. She noted that she may need to call a special board meeting if necessary. A brief discussion ensued.

Sullivan reported engaging HR Answers to begin the management team's salary survey.

Sullivan also reported that she is soliciting additional bids due to the amount of the quote she received for the water rights strategy and implementation report project. Sullivan made a correction to a report made last month. She clarified that the water rights on the Molalla River would not be moved to the Willamette River. Canby Utility would be adding a point of diversion on the Willamette River for the Molalla River water rights to supplement the Willamette River when flows are insufficient.

Sullivan reported that staff participated in Canby's Trunk or Treat Halloween celebration. Staff decorated one of Canby Utility's bucket trucks, parked downtown, and handed out Candy to the children. Staff is also going to participate in the Hotrod Dreamwork's snowman contest.

Chair Thompson asked Sullivan for an update on the Owners Representative for the Willamette River water treatment plant project. Sullivan said that she is issuing the Request for Proposals in January. She is continuing to meet with engineering firms in the meantime.

Member Molamphy made the *MOTION to adjourn the meeting. Member Pendleton seconded, and the motion passed 5-0.

The meeting adjourned at 8:15 p.m.

| | |
|---|---|
| Melody Thompson, Chair | David Horrax, Member |
| John Molamphy, Member | Jack Pendleton, Member |
| Jake Hill, Member | Barbara Benson, Board Secretary |

# MEMORANDUM

December 7, 2023

TO: Chair Thompson, Member Horrax, Member Molamphy, Member Pendleton, and Member Hill

FROM: Mike Schelske, Finance Manager

SUBJECT: Audit Report Fiscal Year End June 30, 2023

Our auditors, Moss Adams LLP Certified Public Accountants and Business Consultants, have completed Canby Utility's annual audit for the fiscal year ended June 30, 2023. Moss Adams has been performing our audit since 2015. This year we continued our positive working relationship and completed the audit on site.

Canby Utility received an unmodified or clean opinion, the highest form of assurance. Included with the audit is the Communications with Those Charged with Governance.

Julie Desimone from Moss Adams will attend the board meeting virtually to present the audit. Julie will be able to answer any questions the Board may have.

# MEMORANDUM

December 6, 2023

TO: Chair Thompson, Member Horrax, Member Molamphy, Member Pendleton, and Member Hill

FROM: Mike Schelske, Finance Manager

SUBJECT: Revising Canby Utility's Water System Development Charge Requirements and Standards

---

**Suggested Motion:** Motion to adopt Resolution No. 318, revising Canby Utility's Water System Development Charge Requirements and Standards, repealing Resolution No. 237.

**Background:** Canby Utility's current water system development charge (SDC) requirements and standards policy contains vague language regarding the utility's expectation for when a customer or developer is to pay their the SDCs for a project. The proposed changes to the resolution will provide clarity and eliminate the ambiguities that could lead to more than one interpretation of the policy. We are not aware of any concerns or issues in the past. A recent review of our policies related to SDCs discovered the potential for issues and therefore staff has proposed revisions to the policy.

The follow is a summary of the changes made to the policy:

Under Section I – Collection, the current resolution states:

I. Collection
   1. Water system development charges are due and must be paid upon:
      a. A request for connection; or
      b. Increased usage of the water system capital improvements.

Sentence (a) above would allow water SDCs to be paid before the customer pays the City of Canby SDCs and prior to the issuance of the required building permit(s).

To better align our process with the City of Canby and Clackamas County's permitting process, Section 1 in the resolution has been revised as stated below:

I. Collection
   1. Water system development charges are due and must be paid upon:
      a. A request for connection; or
      b. Increased usage of the water system capital improvements.
   2. A request for connection must include one of the documents listed below, and payments are not accepted without the required documentation:

a. Copy of Site Plan Review approval issued by City of Canby; or
b. A Clackamas County issued building permit.

3. Other water connection requests or connection changes shall be submitted to the General Manager or other designated person for review and determination of the appropriate charges.

The other Sections of the Resolution remain unchanged.

Thank you, and I will be available to answer any questions the Board may have.

**RESOLUTION NO. 318**

**A RESOLUTION OF THE CANBY UTILITY BOARD REVISING THE WATER SYSTEM DEVELOPMENT CHARGE REQUIREMENTS AND STANDARDS.**

The CANBY UTILITY BOARD resolves as follows:

Section 1. Resolution No. 237 is repealed.

Section 2. The following requirements and standards relating to Water System Development Charges are adopted:

A. Purpose.

The purpose of the Water System Development Charge is to impose a portion of the cost of water system improvements upon those developments that create the need for, or increase the demands on, water system capital improvements.

B. Scope.

The Water System Development Charges imposed by this resolution are separate from, and in addition to, any applicable tax, assessment, charge or fee otherwise provided by law or imposed as a condition of development.

C. Definitions.

As used in this chapter, the following terms shall mean:

"Capital improvements" means facilities or assets used for water supply, treatment, distribution, storage, or other assets required for the production of water.

"Connection" means water meter installation.

"Development" means conducting a building or mining operation, making physical change in the use or appearance of a structure or land, dividing land into two or more parcels (including partitions and subdivisions), and creating or terminating a right of access.

"Improvement fee" means a fee for costs associated with capital improvements to be constructed after the date a fee is adopted pursuant to Section (D) of this resolution.

"Land area" means the area of a parcel of land as measured by projections of the parcel boundaries upon a horizontal plane with the exception of a portion of the parcel within a recorded right-of-way or easement subject to a servitude for a public street or scenic or preservation purpose.

"Owner" or "owners" means the owner(s) of record title or the purchaser or purchasers under a recorded sales agreement, and other persons having an interest of record in the described real property.

"Parcel of land" means a lot, parcel, block or other use, and that includes the yards

and other open spaces required under the zoning, subdivision or other development ordinances.

"Qualified public improvement" means a water system capital improvement that is:

1. Required as a condition of development approval;

2. Identified in the plan adopted pursuant to Section (H) of this resolution; and either

3. Not located on or contiguous to a parcel of land that is the subject of the development approval; or

4. Located in whole or in part on or contiguous to the parcel that is the subject of development approval and required to be built larger or with greater capacity than is necessary for the particular development project to which the improvement fee is related.

"Reimbursement fee" means a fee for costs associated with water system capital improvements constructed or under construction on the date the fee is adopted pursuant to Section (D) of this resolution, and for which the Board determines that capacity exists.

"Water system development charge" means a reimbursement fee, an improvement fee or a combination thereof assessed or collected:

1. At the time of increased usage of a water system capital improvement; or

2. At the time of connection to the capital improvement.

Water system development charge does not include fees assessed or collected as part of a local improvement district or a charge in lieu of a local improvement district assessment, or the costs of complying with requirements or conditions imposed by a land use decision.

D. Water System Development Charges Established.

1. Water system development charges shall be established and may be revised by resolution of the Board.

2. Unless otherwise exempted by the provisions of this chapter or other local or state law, a water system development charge is imposed upon all developments within the city, and upon all developments outside the boundary of the city that connect to, or otherwise use, the water facilities of the utility.

3. A project financed solely by Canby Utility Board revenues is exempt from all portions of the system development charge.

E. Methodology.

1. The methodology used to establish the reimbursement fee shall consider the cost of then-existing water facilities, prior contributions by then-existing users, the value of unused capacity, rate-making principles employed to finance publicly owned capital improvements, and other relevant factors identified by the Board. The methodology shall promote the objective that future system users shall contribute no more than an equitable share of the cost of then-existing facilities.

2. The methodology used to establish the improvement fee shall consider the cost of projected capital improvements needed to increase the capacity of the water system to which the fee is related.

3. Based on the principles for the establishment of reimbursement fees and improvement fees, the methodology for the determination of system development charges shall consist of the following:

a. The calculations shall consider the costs and capacity of the system on an equivalent residential unit basis. Other users' costs and capacity shall be weighted according to accepted engineering and rate-making practices.

b. The determination of existing excess capacity and future capacity in the system shall be determined on an equivalent residential unit basis considering the engineering design criteria used in the sizing and time of the facilities for which the system development charge is being determined.

c. A change in the amount of a reimbursement fee or an improvement fee is not a modification of the water system development charge methodology if the change in amount is based on:

1. A change in the cost of materials, labor, or real property applied to projects or project capacity as set forth on the list adopted pursuant to ORS 223.309; or

2. The periodic application of one or more specific cost indexes or other periodic data sources. A specific cost index or periodic data source must be:

a. A relevant measurement of the average change in prices or costs over an identified time for materials, labor, real property or a combination of the three;

b. Published by a recognized organization or agency that produces the index or data source for reasons that are independent of the system development charge methodology; and

c. Incorporated as part of the established methodology or identified and adopted in a separate resolution.

F. Expenditures--Authorized.

1. Reimbursement fees shall be applied only to capital improvements associated with the water system for which the fees are assessed, including expenditures relating to repayment of indebtedness.

2. Improvement fees shall be spent only on capacity increasing capital improvements, including expenditures relating to repayment of future debt for the improvements. An increase in system capacity occurs if a capital improvement increases the level of performance or service provided by existing facilities or provided new facilities. The portion of the improvements funded by improvement fees must be related to demands created by development.

a. A capital improvement being funded wholly or in part from revenues derived from the improvement fee shall be included in the plan adopted by the utility pursuant to Section (H) of this resolution.

3. Notwithstanding subsections (1) and (2) of this section, water system development charge revenues may be expended on the direct costs of complying with the provisions of this resolution, including the costs of developing system development charge methodologies and providing an annual accounting of system development charge expenditures.

G. Expenditures--Restrictions.

1. Water system development charges shall not be expended for costs associated with the construction of administrative office facilities that are more than an incidental part of other capital improvements.

2. Water system development charges shall not be expended for costs of the operation or routine maintenance of capital improvements.

H. Improvement plan.

1. The Board shall adopt a plan that:

a. Lists the capital improvements that may be funded wholly or partially with improvement fee revenues;

b. Lists the estimated cost and time of construction of each improvement;

c. Describes the process for modifying the plan; and

d. The improvement plan previously adopted and in place at the time of adoption of this resolution by the Board remains in place until modified by subsequent Board action.

I. Collection.

1. Water system development charges are due and must be paid upon:

a) A request for connection; or

b) Increased usage of the water system capital improvements.

2. A request for connection must include one of the documents listed below, and payments are not accepted without the required documentation:

a) Copy of Site Plan Review approval issued by City of Canby; or

b) A Clackamas County issued building permit.

3. Other water connection requests or connection changes shall be submitted to the General Manager or designee for review and determination of the appropriate charges.

4. If access is made to the water system without an appropriate connection, the water system development charge is immediately due and payable upon the earliest day that such access occurred. Nine percent (9%) interest will accrue from that date until the charge is paid.

5. The General Manager or other designated person shall collect the applicable water system development charge from the owner of the parcel when any of the criteria in Subsections 1 through 4 of this section are met. The General Manager or other designated person is authorized to determine on a case-by-case basis if use of a water system capital improvement has increased.

6. The General Manager or designee shall not allow connection to the capital improvements until:

a. The water system development charge has been paid in full; or

b. An exemption is granted in accordance with Section (K).

J. Delinquent Charges--Hearing.

1. When the water system has been accessed but the water system development charge has not been paid, the General Manager shall report to the Board the amount of the uncollected charge, the description of the real property to which the charge is attributable, the date upon which the charge was due, and the name of the responsible party.

2. The Board shall, by motion, schedule a public hearing on the matter and direct that notice of the hearing be given to each party of interest with a copy of the General Manager's report concerning the unpaid charge. Notice of the hearing shall be given either personally or by certified mail, return receipt requested, or by both personal and mailed notice, and by posting notice on the parcel at least ten days before the date set for the hearing.

3. At the hearing, the Board may accept, reject or modify the determination of the General Manager as set forth in the report. The General Manager or designee is authorized to enforce a Board order compelling payment of the water system development charge. This authority includes placing a lien on the property to which the charge applies, referring the unpaid charge to a collection agency or any other lawful method the General Manager believes may result in payment of the charge.

K. Exemptions.

1. Additions to single-family dwellings that do not constitute the addition of a dwelling unit, as defined by the State Uniform Building Code, are exempt from all portions of the system development charge unless the addition is accompanied by the installation of a required water meter.

2. An alteration, addition, replacement, or change in use that does not increase the parcel's or structure's use of the capital improvement is exempt.

L. Credits.

1. A water system development charge shall be imposed when a change of use of a parcel or structure occurs, but credit shall be given for the computed system development charge to the extent that prior structures existed and services were established on or after the effective date of this resolution. The credit so computed shall not exceed the calculated system development charge. No refund shall be made on account of such credit.

2. A credit may be given for the cost of a qualified public improvement associated with a development. If a qualified public improvement is located partially on and partially off the parcel that is the subject of a development approval, the credit may be given only for the cost of the portion of that improvement not located on or wholly contiguous to the property. The credit provided for by this subsection shall be only for the improvement fee charged for the type of improvement being constructed and shall not exceed the improvement fee even if the cost of the qualified public improvement exceeds the applicable improvement fee. A credit may be granted only for the cost of that portion of such improvement that exceeds Canby Utility Board's minimum standard facility size or capacity needed to serve the particular development project or property.

3. Credits shall not be transferable from one development to another except in compliance with standards adopted by the Board. However, excess credit may be applied against improvement fees that accrue in subsequent phases of the original development project.

4. Credits shall not be transferable from one type of capital improvement to another.

5. Credits must be used not later than ten years from the date the credit is given.

6. The applicant shall have the burden of demonstrating that a particular

improvement qualified for a credit. The Canby Utility Board may deny the credit application if the application does not meet the requirements for credits set forth in this resolution and in state law, or that the improvement for which credit is sought is not listed in the plan approved pursuant to Section (H) of this resolution.

M. Revenue--Segregation and Use.

1. All funds derived from a particular type of system development charge are to be segregated by accounting practices from all other funds of the Board. That portion of the system development charge calculated and collected on account of a specific facility system shall be used for no purpose other than those set forth in Section (H) of this resolution.

2. The Finance Manager shall provide the Board with an annual accounting, based on the Canby Utility Board fiscal year, for water system development charges showing the total amount of system development charge revenues collected for each type of facility, the projects funded from each account, and the account balances.

N. Appeal procedure.

1. A person aggrieved by a decision required or permitted to be made by the appropriate official under this resolution or a person challenging the propriety of an expenditure of system development charge revenues may appeal the decision or the expenditure to the Board by filing a written request with the General Manager describing with particularity the decision of the appropriate official or the expenditure from which the person appeals.

2. An appeal of an expenditure must be filed within two years of the date of the alleged improper expenditure. Appeals of any other decision must be filed within ten days of the date of the decision.

3. The Board shall determine whether the appropriate official's decision or the expenditure is in accordance with this resolution and the provisions of ORS 223.297 to 223.314 and may affirm, modify or overrule the decision. If the Board determines that there has been an improper expenditure of water system development charge revenues, the Board shall direct that a sum equal to the misspent amount be deposited within one year to the credit of the account or fund from which it was spent.

4. A legal action challenging a methodology adopted by Board pursuant to Section (E) shall not be filed later than sixty days after its adoption. If the resolution establishing the methodology has a delayed implementation date for imposition of new system development fees, the sixty-day period shall commence on the date of resolution adoption and not on the date when the new methodology and fees will be implemented.

O. Relationship to other SDC Resolutions.

The methodology and procedures contained in this resolution are intended to establish the generic methods and procedures for water system development charges. These are intended to supplement any methodologies and procedures contained in the

resolutions establishing the actual methodologies and fees to be charged to bring water system development charges into conformance with ORS 223.297 to 223.314. Where there are conflicts between language contained in this resolution and that in the aforementioned resolution or resolutions, the more specific methodologies and procedures shall apply, except that any methodology or procedure which does not comply with ORS 223.297 to 223.314 is declared to be repealed.

P. Prohibited connections.

No person may connect to the water system of the Canby Utility Board unless the appropriate water system development charge has been paid or a Section (K) exception has been approved.

Q. Construction.

The rules of statutory construction contained in ORS Chapter 174 are adopted by this reference and made a part of this section.

Section 3. Severability. The invalidity of a section or subsection of this resolution shall not affect the validity of the remaining sections or subsections.

Section 4. Effective date. This resolution shall become effective immediately upon its adoption by the Board.

THIS RESOLUTION ADOPTED BY THE CANBY UTILITY BOARD THIS 12th DAY OF DECEMBER, 2023.

| | |
|---|---|
| Melody Thompson, Chair | David Horrax, Member |
| John Molamphy, Member | Jack Pendleton, Member |
| Jake Hill, Member | Barbara Benson, Board Secretary |

**MEMORANDUM**
December 6, 2023

TO: Chair Thompson, Member Horrax, Member Molamphy, Member Pendleton, and Member Hill

FROM: Mike Schelske, Finance Manager

SUBJECT: Revised Water System Development Charge Study and Final Report

Last month, Steve Donovan of Donovan Enterprises, Inc. presented the Water System Development Charge (SDC) study results. The Board agreed to have staff move forward with notifying interested parties and prepare a resolution for adoption at the January board meeting to adjust the SDC rates based on Donovan's recommendation.

The analysis was revisited since the last board meeting, and changes were made to the calculations. The updated and final report accompanies this memo. The updated analysis utilized the calculation method used by prior consultants, which was based on actual annual average usage by meter size to calculate the dwelling unit equivalent consumption factor.

For the calculation in the previous report, Donovan used a more common approach to calculate SDCs, based on meter flow rates according to AWWA standards. However, it is important to note that either calculation method is acceptable for determining SDCs and is not specified by our methodology. As such, management felt that using the subsequent approach was preferable to maintain consistency in the calculations. It would also reduce the risk of confusion or objections to the calculations of the new SDC fees.

The updated calculation method decreased the residential 5/8" x 3/4" meter from the projected $12,885 to $10,979. The SDC fees for other meter sizes also changed, most SDCs increased. The SDC Fee Summary schedule shows the current fees, fees from the prior report, and the fees from the final report.

I will present the updated report and answer any questions the Board may have.

## Water System Development Charges
## Proposed Adjustment Summary

| Meter Size | Current SDC | Proposed SDC **Prior Report** | Proposed SDC **Final Report** |
|---|---|---|---|
| **Residential** | | | |
| **5/8 x 3/4 Inch** | **$ 4,635** | **$ 12,885** | **$ 10,979** |
| 1 Inch | 7,416 | 21,475 | 16,515 |
| **Non Residential** | | | |
| 5/8 x 3/4 Inch | $ 5,099 | $ 12,885 | $ 9,462 |
| 1 Inch | 10,661 | 21,475 | 34,211 |
| 1.5 Inch | 18,077 | 42,950 | 61,535 |
| 2 Inch | 43,569 | 68,720 | 106,876 |
| 3 Inch | 64,427 | 128,850 | 102,108 |
| 4 Inch | 94,554 | 214,750 | 313,219 |
| **Irrigation** | | | |
| 5/8 x 3/4 Inch | $ 7,416 | $ 12,885 | $ 20,488 |
| 1 Inch | 25,956 | 21,475 | 55,729 |
| 1.5 Inch | 24,566 | 42,950 | 60,922 |
| 2 Inch | 38,007 | 68,720 | 90,028 |
| 3 Inch | 64,427 | 128,850 | 152,608 |
| **Multi Family (SDC Per DUE)** | $ 3,245 | | $ 7,685 |
| **Qualifying Small-lot Planned Unit** | $ 3,245 | | $ 7,685 |

Note:
The Water System Development Charge will increase by $6,344 for a 1.0 Dwelling Unit Equivalent (DUE) and by a factor of that amount for all customer classes and meter sizes based upon results of the Donovan Enterprises, Inc. consultant study.

Presented by:

DONOVAN
*enterprises, inc.*

November

# 2023

# Water System Development Charge Update

## Final Report

Prepared for:

CANBY UTILITY

Donovan Enterprises, Inc.
9600 SW Oak Street, Suite 335
Tigard, Oregon 97223-6596
☎ 503.517.0671



*Printed on Recycled Paper*

# 2023 Water SDC Update

CANBY UTILITY

Table of Contents


Introduction ..... 1

SDC Legal Authorization ..... 3

SDC Calculations ..... 4

- Reimbursement Fee ..... 4
- Improvement Fee ..... 5
- Process for the Granting of Credits, Exemptions, and Discounts ..... 7
  - SDC Credits Policy ..... 7
  - Partial and Full SDC Exemptions Policy ..... 8
  - SDC Discount Policy ..... 8

Conclusions and Recommendations ..... 9

Appendix A – SDC Calculations ..... 11

- Water SDC Calculations ..... 12
  - Water Demand Analysis ..... 12
    - Existing Water Demand and Population Growth ..... 12
    - Estimated Demand per Dwelling Unit Equivalent (DUE) ..... 12
    - Projected Demands ..... 14
  - Water Reimbursement Fee Calculations ..... 14
  - 2023 Water Capital Improvement Plan ..... 17
  - Water Improvement Fee Calculations ..... 20
  - Water SDC Model Summary ..... 22
  - Water SDCs in Neighboring Communities ..... 24

Appendix B – Historical Price Movements in the Engineering News Record Construction Cost Index ..... 26

# Introduction

Canby Utility (the Utility), a component unit of the City of Canby conducts periodic updates to its public facilities plans to provide orderly and sustainable growth of water supply, treatment, storage, transmission, and distribution systems. A key component to funding these public facilities is the system development charge (SDC) program. SDCs are one-time charges for new development designed to recover the costs of infrastructure capacity needed to serve new development. This section describes the policy context and project scope upon which the body of this report is based. It concludes with a non-numeric overview of the calculations presented in subsequent sections of this report.

The Utility's current schedule of SDCs for water were last reviewed in September of 2010 via Resolution No. 237. Upon completion of that review, the Utility Board adopted its current water SDC methodology. On September 26, 2023, the Board adopted its Waster System Master Plan via Resolution No. 314. That plan contains the Utility's current twenty-year water system capital improvement plan (CIP). With the preparation/adoption of the new water CIP, the Utility commissioned this update of its water SDCs to get the rates current. With this review and update, the Utility has stated a number of objectives:

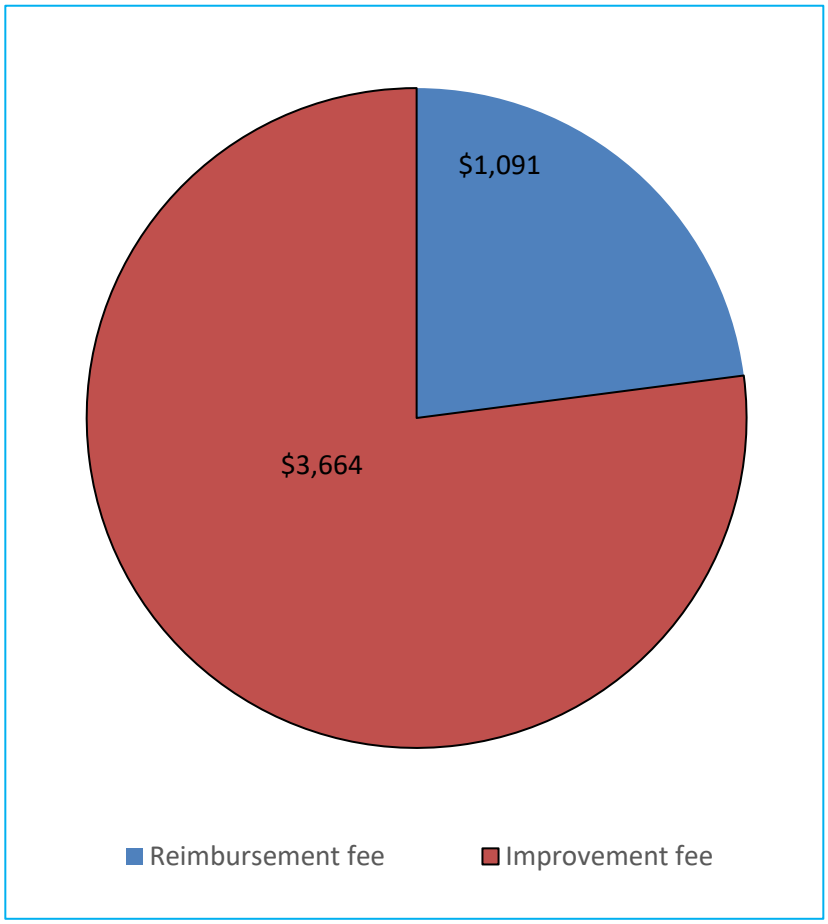
- Review the basis for water charges to ensure a consistent approach;
- Address specific policy, administrative, and technical issues which had arisen from application of the existing Water SDCs;
- Determine the most appropriate and defensible fees, ensuring that development is paying its way;
- Consider possible revisions to the structure or basis of the charges which might improve equity or proportionality to demand;
- Provide clear, orderly documentation of the assumptions and results, so that City staff can, by reference, respond to questions or concerns from the public.

This report provides the documentation of that effort and was done in close coordination with Utility staff and available facilities planning documents. The water SDC update complies with the Utility's adopted water SDC methodology as codified in Resolution No. 237.

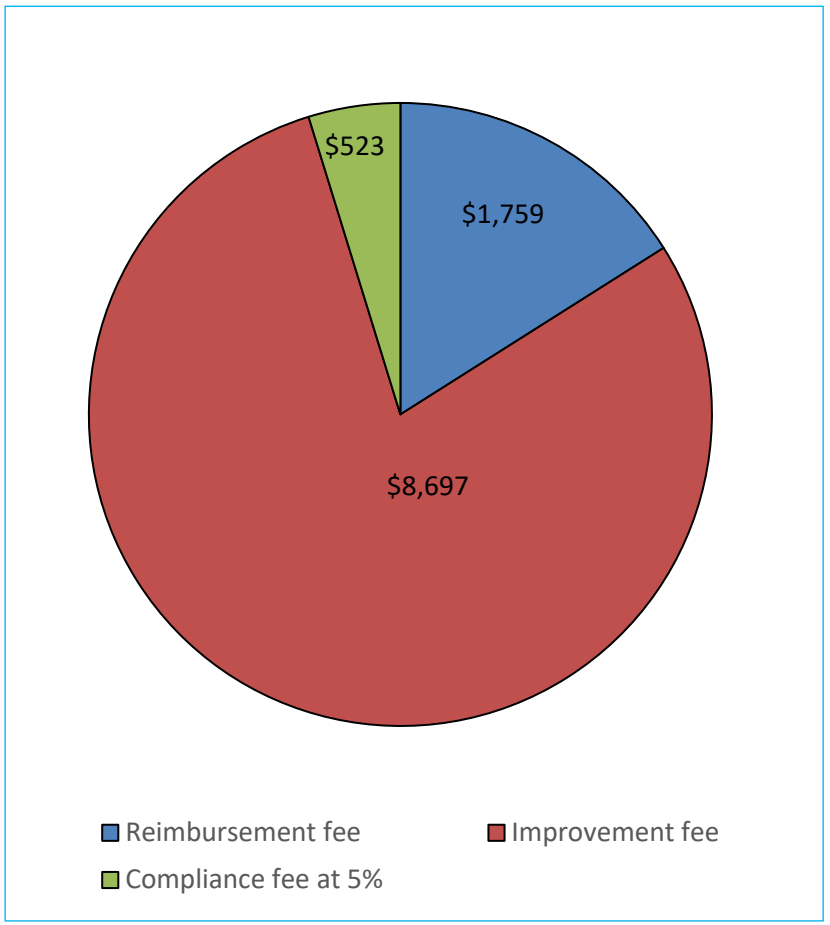
Figure 1 gives a component breakdown for the current and proposed residential equivalent SDCs for water. Appendix A to this report shows the detailed calculations that were used to arrive at the proposed SDCs for water supply, treatment, storage, transmission, and distribution services.

Figure 1 - Component Breakdown of the Proposed Residential Equivalent Water SDC

Current SDC for a 3/4” meter is $4,755




Proposed SDC for a 3/4” meter is $10,979



The framework for SDC calculation is established by Oregon Revised Statute (ORS) 223.297-314 which is the basis for this review. Under ORS 223.299, SDC's are defined as one-time fees imposed on new development and have two components: reimbursement and improvement.

*The reimbursement fee* considers the cost of existing facilities, prior contributions by existing users of those facilities, the value of the unused/available capacity, and generally accepted ratemaking principles. The objective is future system users contribute no more than an equitable share of the cost of existing facilities. The reimbursement fee can be spent on capital costs or debt service related to the systems for which the SDC is applied.

*The improvement fee* portion of the SDC is based on the cost of planned future facilities that expand the system's capacity to accommodate growth or increase its level of performance. An example is a facility which improves system capacity to better serve current customers and includes oversizing to serve growth. Only capacity increasing/level of performance costs provide the basis for the SDC calculation. The improvement SDC is calculated as a function of the estimated number of ⅝" x ¾" water meter equivalents to be served by the Utility's facilities over the planning period. Such a fee represents the greatest potential for future SDC changes.

*The administration fee* recovers costs incurred by the Utility for complying with the provisions of ORS 223.297 to 223.314, including the costs of developing system development charge methodologies, and providing an annual accounting of system development charge expenditures. The Utility's current water SDC does not have an administration fee component.

## SDC Legal Authorization

SDCs are authorized by Oregon Revised Statute (ORS) 223.297-314. The statute is specific in its definition of system development charges, their application, and their accounting. In general, an SDC is a one-time fee imposed on new development or expansion of existing development and assessed at the time of development approval or increased usage of the system. Overall, the statute is intended to promote equity between new and existing customers by recovering a proportionate share of the cost of existing and planned/future capital facilities that serve the developing property. Statute further provides the framework for the development and imposition of SDCs and establishes that SDC receipts may only be used for capital improvements and/or related debt service.

The calculations used to determine the improvement fee portion of the SDC must consider the cost of projected capital improvements needed to increase system capacity or level of performance. The improvement fee must also provide a credit for construction of a qualified public improvement.

Finally, two cost basis adjustments are potentially applicable to both reimbursement and improvement fees: fund balance and compliance costs.

- *Fund Balance* - To the extent that SDC revenue is currently available in fund balance, that revenue should be deducted from its corresponding cost basis. For example, if the Utility has Water improvement fees that it has collected but not spent, then those unspent improvement fees should be deducted from the Water system's improvement fee cost basis to prevent charging twice for the same capacity.
- *Compliance Costs* - ORS 223.307(5) authorizes the expenditure of SDCs on "the costs of complying with the provisions of ORS 223.297 to 223.314, including the costs of developing system development charge methodologies and providing an annual accounting of system development charge expenditures." To avoid spending monies for compliance that might otherwise have been spent on growth-related projects, this report includes an estimate of compliance costs in its SDCs.

## SDC Calculations

The essential ingredient in the development of an SDC for water services is valid sources of data. For this project, the consultant team has relied on a number of data sources. The primary sources have been the adopted 2023 water CIP. We have supplemented these data sources with utility billing records, certified census data, and other documents that we deemed helpful, accurate, and relevant to this study. Table 1 contains a bibliography of the key documents/sources that we relied upon to facilitate our analysis and hence the resulting SDCs.

Table 1 - Data Sources for the Calculation of Water SDC

| Master Plan Document and/or Corroborating Source Documentation |
|---|
| • Water Master Plan; Consor Engineering; adopted by the Board on September 26, 2023 via Resolution No. 314.<br>• Canby Utility Resolution No. 237 establishing water SDC requirements and standards; adopted by the Board on September 14, 2023.<br>• Utility water system fixed asset schedule; June 30, 2023; Canby Utility records.<br>• Utility billing system – active water meters in service report; September, 2023.<br>• Portland State University, College of Urban Affairs, Population Research Center; Coordinated Population Forecast 2022 through 2072 for Clackamas County, Oregon; June 30, 2022<br>• Canby Utility Annual Financial Reports; fiscal years ended June 30, 2021 and 2022.<br>• American Water Works Association Manual of Practice M6; Water Meters – Selection, Installation, Testing, and Maintenance; Fifth Edition. |

### Reimbursement Fee

The reimbursement fee represents a buy-in to the cost, or value, of infrastructure capacity within the existing system. Generally, if a system were adequately sized for future growth, the reimbursement fee might be the only charge imposed, since the new customer would be buying existing capacity. However, staged system expansion is needed, and an improvement fee is imposed to allocate those growth-related costs. Even in those cases, the new customer also relies on capacity within the existing system, and a reimbursement component is warranted.

In order to determine an equitable reimbursement fee to be used in conjunction with an improvement fee, two points should be highlighted. First, the cost of the system to the Utility's customers may be far less than the total plant-in-service value. This is due to the fact that elements of the existing system may have been contributed, whether from developers, governmental grants, and other sources. Therefore, the net investment by the customer/owners is less. Second, the value of the existing system to a new customer is less than the value to an existing customer, since the new customer must also pay, through an improvement fee, for expansion of some portions of the system.

The method used for determining the reimbursement fee accounts for both of these points. First, the charge is based on the net investment in the system, rather than the gross cost. Therefore, donated facilities, typically including water infrastructure built by developers and dedicated to the Utility as a

condition of land use approval and grant-funded facilities, would be excluded from the cost basis. Also, the charge should be based on investments clearly made by the current users of the system, and not already supported by new customers. Tax supported activities fail this test since funding sources have historically been from general revenues, or from revenues which emanate, at least in part, from the properties now developing. Second, the cost basis is allocated between used and unused capacity, and, capacity available to serve growth. This approach reflects the philosophy, consistent with the Utility's adopted Rules and Regulations, that facilities have been sized to meet the demands of the customer base within the established planning period.

## Improvement Fee

There are three basic approaches used to develop improvement fee SDCs: "standards driven," "improvements-driven," and "combination/hybrid" approaches. The "standards-driven" approach is based on the application of Level of Service (LOS) standards for facilities. Facility needs are determined by applying the LOS standards to projected future demand, as applicable. SDC-eligible amounts are calculated based on the costs of facilities needed to serve growth. This approach works best where the level of service standards has been adopted but no specific list of projects is available. The "improvements-driven" approach is based on a specific list of planned capacity increasing capital improvements. The portion of each project that is attributable to growth is determined, and the SDC-eligible costs are calculated by dividing the total costs of growth-required projects by the projected increase in projected future demand, as applicable. This approach works best where a detailed master plan or project list is available, and the benefits of projects can be readily apportioned between growth and current users. Finally, the combination/hybrid-approach includes elements of both the "improvements driven" and "standards-driven" approaches. Level of Service standards may be used to create a list of planned capacity-increasing projects, and the growth required portions of projects are then used as the basis for determining SDC eligible costs. This approach works best where levels of service have been identified and the benefits of individual projects are not easily apportioned between growth and current users.

The Utility's current methodology utilizes the "improvements" approach for the calculation of water SDCs. This study is using the "improvements-driven" method and has relied on the capital improvement plans that are incorporated in the 2023 adopted CIP.

For this SDC update, the improvement fee represents a proportionate share of the cost to expand the systems to accommodate growth. This charge is based on the capital improvement plans established by the Utility in the master plans for water services. The costs that can be applied to the improvement fees are those that can reasonably be allocable to growth. Statute requires that the capital improvements used as a basis for the charge be part of an adopted capital improvement schedule, whether as part of a system plan or independently developed, and that the improvements included for SDC eligibility be capacity or level of service expanding. The improvement fee is intended to protect existing customers from the cost burden and impact of expanding a system that is already adequate for their own needs in the absence of growth.

The key step in determining the improvement fee is identifying capital improvement projects that expand the system and the share of those projects attributable to growth. Some projects may be entirely attributable to growth, such as a new water line to serve a developing area. Other projects, however, are of mixed purpose, in that they may expand capacity, but they also improve service or correct a deficiency for existing customers. An example might be a distribution reservoir that both expands water storage

capacity and corrects a chronic capacity issue for existing users. In this case, a rational allocation basis must be defined.

The improvement portion of the SDC is based on the proportional approach toward capacity and cost allocation in that only those facilities (or portions of facilities) that either expand the water system capacity to accommodate growth or increase its respective level of performance have been included in the cost basis of the fee. As part of this SDC update, Utility Staff and their engineering consultants were asked to review the planned capital improvement lists in order to assess SDC eligibility. The criteria in Figure 2 were developed to guide the Utility's evaluation:

Figure 2 - SDC Eligibility Criteria

**Canby Utility**

**Steps Toward Evaluating**

**Capital Improvement Lists for SDC Eligibility**

ORS 223

1. Capital improvements mean the facilities or assets used for :
    a. Source of water supply
    b. Water treatment
    c. Water transmission
    d. Water storage
    e. Water pumping and distribution

    This definition DOES NOT ALLOW costs for operation or routine maintenance of the improvements;
2. The SDC improvement base shall consider the cost of projected capital improvements needed to increase the capacity of the systems to which the fee is related;
3. An increase in system capacity is established if a capital improvement increases the "level of performance or service" provided by existing facilities or provides new facilities.

Under the Utility' approach, the following rules will be followed

1. Repair costs are not to be included;
2. Replacement costs will not be included unless the replacement includes an upsizing of system capacity and/or the level of performance of the facility is increased;
3. New regulatory compliance facility requirements fall under the level of performance definition and should be proportionately included;
4. Costs will not be included which bring deficient systems up to established design levels.

In developing the improvement fee, the project team in consultation with Utility staff evaluated each of its CIP projects to exclude costs related to correcting existing system deficiencies or upgrading for historical lack of capacity. Only capacity increasing/level of performance costs were used as the basis for the SDC calculation, as reflected in the capital improvement schedules developed by the Utility. The improvement fee is calculated as a function of the estimated number of projected additional ⅝" x ¾" meter equivalents to be served by the Utility's facilities over the planning horizon.

Once the future costs to serve growth have been segregated (i.e., the numerator), they can be divided into the total number of new ⅝" x ¾" meter equivalents that will use the capacity derived from those investments (i.e., the denominator).

## Process for the Granting of Credits, Exemptions, and Discounts

### SDC Credits Policy

ORS 223.304 requires that credit be allowed for the construction of a "qualified public improvement" which is required as a condition of development approval, is identified in the Capital Improvement Plan, and either is not located on or contiguous to property that is the subject of development approval or is located on or contiguous to such property and is required to be built larger or with greater capacity than is necessary for the particular development project. The credit for a qualified public improvement may only be applied against an SDC for the same type of improvement and may be granted only for the cost of that portion of an improvement which exceeds the minimum standard facility size or capacity needed to serve the particular project. For multi-phase projects, any excess credit may be applied against SDCs that accrue in subsequent phases of the original development project. In addition to these required credits, the Utility may, if it so chooses, provide a greater credit, establish a system providing for the transferability of credits, provide a credit for a capital improvement not identified in the Capital Improvement Plan, or provide a share of the cost of an improvement by other means.

The Utility does have an adopted a policy for granting SDC credits and is codified in Resolution No. 237 Section 2, subsection L. That code language is shown below:

*Resolution No. 237, Section 2, Subsection L:*

Credits.

1. A water system development charge shall be imposed when a change of use of a parcel or structure occurs, but credit shall be given for the computed system development charge to the extent that prior structures existed and services were established on or after the effective date of this resolution. The credit so computed shall not exceed the calculated system development charge. No refund shall be made on account of such credit.
2. A credit may be given for the cost of a qualified public improvement associated with a development. If a qualified public improvement is located partially on and partially off the parcel that is the subject of a development approval, the credit may be given only for the cost of the portion of that improvement not located on or wholly contiguous to the property. The credit provided for by this subsection shall be only for the improvement fee charged for the type of improvement being constructed and shall not exceed the improvement fee even if the cost of the qualified public improvement exceeds the applicable improvement fee. A credit may be granted only for the cost of that portion of such improvement that exceeds Canby Utility Board's minimum standard facility size or capacity needed to serve the particular development project or property.

3. Credits shall not be transferable from one development to another except in compliance with standards adopted by the Board. However, excess credit may be applied against improvement fees that accrue in subsequent phases of the original development project.
4. Credits shall not be transferable from one type of capital improvement to another.
5. Credits must be used not later than ten years from the date the credit is given.
6. The applicant shall have the burden of demonstrating that a particular improvement qualified for a credit. The Canby Utility Board may deny the credit application if the application does not meet the requirements for credits set forth in this resolution and in state law, or that the improvement for which credit is sought is not listed in the plan approved pursuant to Section (H) of this resolution.

## Partial and Full SDC Exemptions Policy

The Utility may exempt certain types of development from the requirement to pay SDCs. Exemptions reduce SDC revenues and, therefore, increase the amounts that must come from other sources, such as user fees and property taxes. As in the case of SDC credits, the Utility does have an articulated policy relative to partial and full SDC exemption. That exemption policy is codified in Resolution No. 237 Section 2, Subsection K and is articulated as follows:

*Resolution No. 237, Section 2, Subsection K:*

Exemptions.

1. Additions to single-family dwellings that do not constitute the addition of a dwelling unit, as defined by the State Uniform Building Code, are exempt from all portions of the system development charge unless the addition is accompanied by the installation of a required water meter.
2. An alteration, addition, replacement or change in use that does not increase the parcel's or structure's use of the capital improvement is exempt.

## SDC Discount Policy

The Utility, at its sole discretion, may discount the SDC rates by choosing not to charge a reimbursement fee for excess capacity, or by reducing the portion of growth-required improvements to be funded with SDCs. A discount in the SDC rates may also be applied on a pro-rata basis to any identified deficiencies, which must be funded from sources other than improvement fee SDCs. The portion of growth-required costs to be funded with SDCs must be identified in the CIP. Because discounts reduce SDC revenues, they increase the amounts that must come from other sources, such as user fees or general fund contributions, in order to acquire the facilities identified in the updated water system master/facilities plans.

## Conclusions and Recommendations

The 2023 Water SDC update was done in accordance with Utility adopted Rules and Regulations and with the benefit of the 2023 adopted twenty-year CIP for water services. We recommend the Utility update the SDC charge to reflect the current capital improvement program. This will provide additional revenues to help fund the utility's future capital needs. The components of this fee for the standard ⅝" x ¾" meter are as follows in Table 2.

Table 2 - Proposed and Current Water SDCs for Standard 5/8" x 3/4" water meters

| Water SDC Components | Proposed | Current | Difference |
|---|---|---|---|
| Reimbursement fee | 1,759 | 1,091 | 668 |
| Improvement fee | 8,697 | 3,664 | 5,033 |
| Compliance fee at 5% | 523 | - | 523 |
| Total water SDC | $ 10,979 | $ 4,755 | $ 6,224 |

For meters larger than ⅝" x ¾," our proposed schedule of water SDCs is shown below in Table 3.

Table 3 - Proposed Schedule of Water SDCs by Water Meter Size

| | Fiscal 2023 Observed Meters and Consumption | | | | Proposed Schedule of Water SDCs | | | |
|---|---|---|---|---|---|---|---|---|
| Meter Size | Meters in Service | Billed Consumption (Ccf) | Billed Consumption (Ccf) per Meter | Consumption Factor | Reimbursement | Improvement | Compliance | Total |
| *Residential:* | | | | | | | | |
| 5/8 - 3/4-inch | 58,805 | 63,150,100 | 1,074 | 1.00 | $ 1,759 | $ 8,697 | $ 523 | $ 10,979 |
| 1 inch | 606 | 978,900 | 1,615 | 1.50 | 2,646 | 13,082 | 787 | 16,515 |
| *Non-Residential:* | | | | | | | | |
| 5/8 - 3/4-inch | 2,216 | 2,051,000 | 926 | 0.86 | 1,516 | 7,496 | 451 | 9,462 |
| 1-inch | 873 | 2,921,300 | 3,346 | 3.12 | 5,481 | 27,100 | 1,630 | 34,211 |
| 1.5-inch | 772 | 4,646,600 | 6,019 | 5.60 | 9,859 | 48,745 | 2,931 | 61,535 |
| 2-inch | 377 | 3,941,100 | 10,454 | 9.73 | 17,123 | 84,661 | 5,091 | 106,876 |
| 3-inch | 48 | 479,400 | 9,988 | 9.30 | 16,359 | 80,885 | 4,864 | 102,108 |
| 4-inch | 84 | 2,573,500 | 30,637 | 28.53 | 50,182 | 248,116 | 14,921 | 313,219 |
| *Irrigation:* | | | | | | | | |
| 5/8 - 3/4-inch | 303 | 607,180 | 2,004 | 1.87 | 3,282 | 16,230 | 976 | 20,488 |
| 1-inch | 144 | 784,900 | 5,451 | 5.08 | 8,929 | 44,145 | 2,655 | 55,729 |
| 1.5-inch | 100 | 595,900 | 5,959 | 5.55 | 9,761 | 48,260 | 2,902 | 60,922 |
| 2-inch | | | | 8.20 | 14,424 | 71,315 | 4,289 | 90,028 |
| 3-inch | | | | 13.90 | 24,450 | 120,888 | 7,270 | 152,608 |
| Multifamily (per DUE)* | | | | 0.70 | 1,231 | 6,088 | 366 | 7,685 |
| Qualifying Small-lot PUD (per DUE)* | | | | 0.70 | 1,231 | 6,088 | 366 | 7,685 |

* DUE - Dwelling Unit Equivalent

Note: Due to data inconsistency, the consumption factor for 2" and 3" irrigation meters are unchanged from the Resolution 203 factors.

# Appendix A – SDC Calculations

## Water SDC Calculations

### Water Demand Analysis

#### *Existing Water Demand and Population Growth*

Current Utility water demands are based on historical customer billing records, and actual water meters in service for fiscal 2022-2023. Projected demands are estimated based on an approximate population growth rate of 1.40 percent per year within the established limits of the Utility's service area. This annual population growth factor is based on the population forecasts contained in the Utility's adopted 2023 Water Master Plan Amendment (Section 3.7 Population Forecasts).

#### *Estimated Demand per Dwelling Unit Equivalent (DUE)*

The Utility principally serves single-family and multi-family residential customers and to a lesser extent, small commercial and industrial customers. Single-family residential water services generally have a consistent daily pattern of water use whereas water demands for multifamily residences, commercial and industrial users may vary significantly from service to service depending on the number of multifamily units per service or the type of commercial enterprise. When projecting future water demands based on population change, the water needs of nonresidential and multi-family residential customers are represented by comparing the water use volume at these services to the average single-family residential water service. A method to estimate this relationship is to calculate "Dwelling Unit Equivalents (DUEs)." The number of DUEs is based on the number of meters by size and the associated consumption factor. The consumption factors are calculated based on the average daily use of a single-family residential account with a 5/8" or ¾" water meter. This method of demand estimation has been in use by the Utility for over twenty years and was first codified in Resolution No. 203 (April, 2004). For this analysis, we have replicated this demand estimation methodology for consistency purposes. The process for calculating DUEs is shown below in Table 4.

## Table 4 – Estimated Dwelling Unit Equivalents

| | Fiscal 2023 Observed Meters and Consumption | | | | Resolution No. 203 Method for Calculating DUEs | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Meter Size | Annual Meters in Service | Annual Billed Consumption (Ccf) | Billed Consumption (Ccf) per Meter | Consumption Factor | Units | Number of Meters | Number of Dwelling Units | Consumption Factor | DUEs |
| *Residential:* | | | | | | | | | |
| 5/8 - 3/4-inch | 58,805 | 63,150,100 | 1,074 | 1.00 | Equivalent Meters | 4,900 | N/A | 1.00 | 4,900 |
| 1 inch | 606 | 978,900 | 1,615 | 1.50 | Equivalent Meters | 51 | N/A | 1.50 | 76 |
| Multifamily Residential: | | | | | | | | | |
| All meters | 28,908 | 20,774,900 | 719 | 0.67 | Dwelling Units | N/A | 2,409 | 0.67 | 1,612 |
| *Non-Residential:* | | | | | | | | | |
| 5/8 - 3/4-inch | 2,216 | 2,051,000 | 926 | 0.86 | Equivalent Meters | 185 | N/A | 0.86 | 159 |
| 1-inch | 873 | 2,921,300 | 3,346 | 3.12 | Equivalent Meters | 73 | N/A | 3.12 | 227 |
| 1.5-inch | 772 | 4,646,600 | 6,019 | 5.60 | Equivalent Meters | 64 | N/A | 5.60 | 361 |
| 2-inch | 377 | 3,941,100 | 10,454 | 9.73 | Equivalent Meters | 31 | N/A | 9.73 | 306 |
| 3-inch | 48 | 479,400 | 9,988 | 9.30 | Equivalent Meters | 4 | N/A | 9.30 | 37 |
| 4-inch | 84 | 2,573,500 | 30,637 | 28.53 | Equivalent Meters | 7 | N/A | 28.53 | 200 |
| *Irrigation:* | | | | | | | | | |
| 5/8 - 3/4-inch | 303 | 607,180 | 2,004 | 1.87 | Equivalent Meters | 25 | N/A | 1.87 | 47 |
| 1-inch | 144 | 784,900 | 5,451 | 5.08 | Equivalent Meters | 12 | N/A | 5.08 | 61 |
| 1.5-inch | 100 | 595,900 | 5,959 | 5.55 | Equivalent Meters | 8 | N/A | 5.55 | 46 |
| 2-inch | | | | 8.20 | Equivalent Meters | 3 | N/A | 8.20 | 25 |
| 3-inch | | | | 13.90 | Equivalent Meters | 11 | N/A | 13.90 | 153 |
| | | | | | | | | | 8,209 |
| Multifamily (per DUE)* | | | | 0.67 | | | | | |
| Qualifying Small-lot PUD (per DUE)* | | | | 0.67 | | | | | |

* DUE - Dwelling Unit Equivalent

Note: Due to data inconsistency, the consumption factor for 2" and 3" irrigation meters are unchanged from the Resolution 203 factors.

### *Projected Demands*

The planning horizon that was used for the Utility's 2023 adopted water facilities CIP is 20 years, through the year 2043. That is the forecast horizon that is used for the water SDC update. In the 2022-2023 capital planning effort, an estimated number of DUEs per acre for each land use type was established based on (then) current water demands by customer class and total developed land area by land use type. Land use type is analogous to customer class, which is to say the land use or zoning of a particular property reflects the type of water service, such as residential or commercial, provided to that property. The estimated number of potential DUEs per acre was applied to developable land within the existing water service area to estimate water demand.

For this SDC update, the project team did not use this strategy to forecast future water demand based on land use. With the benefit of actual meters in service, and a population growth forecast that is predicated on existing growth trends for the Utility a forecast of future DUEs was developed. Based upon these decision rules, the forecast of DUEs in use for this water SDC update are shown below in Table 5.

Table 5 – Forecast of Equivalent ⅝" x ¾" Meters for the 2023 Water SDC Update Study

| | | | 20-year Planning Horizon | | | | |
|---|---|---|---|---|---|---|---|
| | 2020 | 2022 | 2023 | 2043 | 2045 | Growth | CAGR[1] |
| Service Population Forecasts: | | | | | | | |
| 2023 Canby Utility Water Master Plan[2] | 18,220 | 18,979 | 19,245 | 25,414 | 25,056 | 6,169 | 1.4000% |
| U.S. Bureau of the Census | 18,173 | 18,074 | | | | | N/A |
| Population Research Center - PSU | 18,347 | | | | 25,056 | | 1.2544% |
| Total number of 5/8" or 3/4" meter equivalents (DUEs)[3] | | | 8,209 | 10,841 | | 2,632 | 1.4000% |

[1] Compound Annual Growth Rate

[2] Source: Canby Utility Water Master Plan; Consor Engineering; August, 2023; 2023 and 2043 population estimates interpolated from Table 3-5 Water Demand and Population Projection Summary

[3] Source: Canby Utility Water utility billing system records; September, 2023

## Water Reimbursement Fee Calculations

Derivation of the Water reimbursement fee is a six (6) step process. The methodological steps in its construction are restated here.

Step 1: Calculate the original cost of water fixed assets in service. From this starting point, eliminate any assets that do not conform to the ORS 223.299 definition of a capital improvement. This results in the **adjusted original cost of Water fixed assets**.

Step 2: Subtract from the adjusted original cost of water fixed assets in service the accumulated depreciation of those fixed assets. This arrives at the **modified book value of Water fixed assets in service**.

Step 3: Subtract from the modified book value of water assets in service any grant funding or contributed capital. This arrives at the **modified book value of Water fixed assets in service net of grants and contributed capital**.

Step 4: Subtract from the modified book value of water fixed assets in service net of grants and contributed capital any principal outstanding on long term debt used to finance those assets. This arrives a **gross water reimbursement fee basis**.

Step 5: Subtract from the gross water reimbursement fee basis the fund balance held in the water Reimbursement SDC fund (if available). This arrives at the **net water reimbursement fee basis**.

Step 6: Divide the net water reimbursement fee basis by the sum of existing and future DUEs to arrive at the **unit net reimbursement fee**.

The actual data that was used to calculate the total Water reimbursement fee is shown below in Table 6.

## Table 6 - Water Reimbursement Fee Calculations

| Line Item Description | 2023 |
|---|---|
| Utility Plant-in-Service (original cost):[1] | |
| Land and land improvements | $ 1,970,838 |
| Buildings | 7,145,442 |
| Distribution plant | 24,170,127 |
| Water treatment plant | 6,457,619 |
| Vehicles and rolling stock[2] | eliminated |
| Office furniture and equipment | 445,492 |
| Other equipment | 970,321 |
| Construction work in progress | 118,592 |
| Retirement work in progress | (732) |
| Total Utility Plant-in-Service | 41,277,700 |
| | |
| Accumulated depreciation[1] | |
| Land and land improvements | - |
| Buildings | - |
| Distribution plant | (7,482,382) |
| Water treatment plant | (6,362,014) |
| Vehicles and rolling stock[2] | eliminated |
| Office furniture and equipment | (231,300) |
| Other equipment | - |
| Construction work in progress | - |
| Total accumulated depreciation | (14,075,696) |
| | |
| Book value of water utility plant-in-service @ June 30, 2023 | 27,202,004 |
| | |
| Eliminating entries: | |
| Principal outstanding on bonds, notes, and loans payable[3] | |
| 2014 Water Revenue Refunding Bonds | 368,321 |
| 2017 Water Revenue Refunding Bonds | 1,048,679 |
| Developer Contributions | 6,713,455 |
| Grants, net of amortization | - |
| Total eliminating entries | 8,130,455 |
| | |
| Net basis in utility plant-in-service available to serve future customers | $ 19,071,549 |
| | |
| Estimated existing and future 3/4" Meter Equivalents (MEs) | 10,841 |
| | |
| Calculated reimbursement fee - $ per 5/8" or 3/4"ME | $ 1,759 |

[1] Source: Canby Utility fixed assets schedule June 30, 2023.

[2] ORS 223.299 specifically states that a "capital improvement" does not include costs of the operation or routine maintenance of capital improvements. This means the assets on the balance sheet such as certain vehicles and equipment used for heavy repair and maintenance of infrastructure cannot be included in the basis of the reimbursement fee.

[3] Source: Canby Utility Audit Report for the fiscal year ended June 30, 2022; Note 6 - Long Term Debt; page 34.

## 2023 Water Capital Improvement Plan

As discussed in the introduction of this report, the Utility Board adopted a new Utility-wide CIP on September 26, 2023. For this water SDC update, the water CIP was reviewed for accuracy with Staff and where appropriate, amended. This amendment process consisted of two steps. The first step was to eliminate master plan projects that Staff deemed unnecessary at the current time due to the very long lead times anticipated for their development. The second step in the CIP amendment process was to eliminate the cost of planned projects (or portions of projects) that have been funded and constructed since the adoption of the last water master plan. In this case, the planned future costs are deducted from the CIP. The actual costs spent on these projects were capitalized by the Utility, and now reside in the water system fixed asset inventory (i.e., balance sheet assets). These historical costs will be included in the reimbursement fee calculations.

The amended water system CIP now consists of future projects that remain a 20-year priority for the Utility, and only consists of projects yet to be completed. The resulting CIP that was used for this SDC update is shown in summary form in Table 7.

Table 7 - 2023 20-year Capital Improvement Plan

| Project No. | Project Description | Total Project Cost | Projected Funding Sources: Rates | Outside of 20 Year Planning Window | Developer Contributions | System Development Charges | Total |
|---|---|---|---|---|---|---|---|
| *Functional Cost Allocations:* | | | | | | | |
| **Source of Supply** | | | | | | | |
| S-1 | Secondary source and supply development | $82,000,000 | 76% | 0% | 0% | 24% | 100% |
| **Treatment Facilities** | | | | | | | |
| TP-1 | Pretreatment improvements | 5,300,000 | 0% | 100% | 0% | 0% | 100% |
| **Distribution System Improvements** | | | | | | | |
| D-01 | System looping improvements | $5,800,000 | 76% | 0% | 24% | 0% | 100% |
| D-02 | System looping improvements | 5,200,000 | 76% | 0% | 24% | 0% | 100% |
| D-03 | System looping improvements | 3,600,000 | 76% | 0% | 24% | 0% | 100% |
| D-04 | Transmission main upsizing | 6,800,000 | 76% | 0% | 0% | 24% | 100% |
| D-05 | Fireflow | 240,000 | 100% | 0% | 0% | 0% | 100% |
| D-06 | Fireflow | 340,000 | 100% | 0% | 0% | 0% | 100% |
| D-07 | Fireflow | 1,240,000 | 100% | 0% | 0% | 0% | 100% |
| D-08 | Annual pipeline rehabilitation | 12,000,000 | 100% | 0% | 0% | 0% | 100% |
| | *Subtotal distribution system* | **$35,220,000** | | | | | |
| **Storage Facilities** | | | | | | | |
| R-1 | 3.0 MG reservoir & pump station | $9,500,000 | 76% | 8% | 0% | 16% | 100% |
| **Pumping Facilities** | | | | | | | |
| PC-1 | Additional pumping capacity | 250,000 | 0% | 0% | 0% | 100% | 100% |
| **Planning** | | | | | | | |
| PS-1 | Water management and conservation plan update | $100,000 | 76% | 0% | 0% | 24% | 100% |
| PS-2 | Water rate & SDC study | 200,000 | 76% | 0% | 0% | 24% | 100% |
| PS-3 | Water system master plan update | 230,000 | 76% | 0% | 0% | 24% | 100% |
| PS-4 | Preliminary engineering study for improved storage use | 100,000 | 0% | 0% | 0% | 100% | 100% |
| PS-5 | AWIA update | 80,000 | 100% | 0% | 0% | 0% | 100% |
| | *Subtotal planning* | **$710,000** | | | | | |
| **Operational** | | | | | | | |
| O-1 | Clearwell rehabilitation | $0 | 100% | 0% | 0% | 0% | 100% |
| O-1 | Tank 1A rehabilitation | 700,000 | 100% | 0% | 0% | 0% | 100% |
| O-1 | Backup power (MTS) | 25,000 | 100% | 0% | 0% | 0% | 100% |
| | *Subtotal operational* | **$725,000** | | | | | |
| **Total master plan CIP cost** | | **$133,705,000** | | | | | |

Table 7 - 2023 20-year Capital Improvement Plan - Continued

| Project No. | Project Description | Total Project Cost | Projected Funding Sources: Rates | Outside of 20 Year Planning Window | Developer Contributions | System Development Charges | Total |
|---|---|---|---|---|---|---|---|
| *Dollar Cost Allocations:* | | | | | | | |
| **Source of Supply** | | | | | | | |
| S-1 | Secondary source and supply development | $82,000,000 | $62,094,731 | $0 | $0 | $19,905,269 | $82,000,000 |
| **Treatment Facilities** | | | | | | | |
| TP-1 | Pretreatment improvements | 5,300,000 | - | 5,300,000 | - | - | 5,300,000 |
| **Distribution System Improvements** | | | | | | | |
| D-01 | System looping improvements | $5,800,000 | 4,392,066 | - | 1,407,934 | - | 5,800,000 |
| D-02 | System looping improvements | 5,200,000 | 3,937,715 | - | 1,262,285 | - | 5,200,000 |
| D-03 | System looping improvements | 3,600,000 | 2,726,110 | - | 873,890 | - | 3,600,000 |
| D-04 | Transmission main upsizing | 6,800,000 | 5,149,319 | - | - | 1,650,681 | 6,800,000 |
| D-05 | Fireflow | 240,000 | 240,000 | - | - | - | 240,000 |
| D-06 | Fireflow | 340,000 | 340,000 | - | - | - | 340,000 |
| D-07 | Fireflow | 1,240,000 | 1,240,000 | - | - | - | 1,240,000 |
| D-08 | Annual pipeline rehabilitation | 12,000,000 | 12,000,000 | - | - | - | 12,000,000 |
| | *Subtotal distribution system* | **$35,220,000** | **$30,025,210** | **$0** | **$3,544,109** | **$1,650,681** | **$35,220,000** |
| **Storage Facilities** | | | | | | | |
| R-1 | 3.0 MG reservoir & pump station | $9,500,000 | 7,220,000 | 760,000 | - | 1,520,000 | 9,500,000 |
| **Pumping Facilities** | | | | | | | |
| PC-1 | Additional pumping capacity | 250,000 | - | - | - | 250,000 | 250,000 |
| **Planning** | | | | | | | |
| PS-1 | Water management and conservation plan update | $100,000 | 75,725 | - | - | 24,275 | 100,000 |
| PS-2 | Water rate & SDC study | 200,000 | 151,451 | - | - | 48,549 | 200,000 |
| PS-3 | Water system master plan update | 230,000 | 174,168 | - | - | 55,832 | 230,000 |
| PS-4 | Preliminary engineering study for improved storage use | 100,000 | - | - | - | 100,000 | 100,000 |
| PS-5 | AWIA update | 80,000 | 80,000 | - | - | - | 80,000 |
| | *Subtotal Planning* | **$710,000** | **$481,344** | **$0** | **$0** | **$228,656** | **$710,000** |
| **Operational** | | | | | | | |
| O-1 | Clearwell rehabilitation | $0 | - | - | - | - | - |
| O-1 | Tank 1A rehabilitation | 700,000 | 700,000 | - | - | - | 700,000 |
| O-1 | Backup power (MTS) | 25,000 | 25,000 | - | - | - | 25,000 |
| | *Subtotal operational* | **$725,000** | **$725,000** | **$0** | **$0** | **$0** | **$725,000** |
| | **Total master plan CIP cost** | **$133,705,000** | **$100,546,286** | **$6,060,000** | **$3,544,109** | **$23,554,605** | **$133,705,000** |
| | **Total master plan CIP Percentages** | | **75%** | **5%** | **3%** | **18%** | **100%** |

## Water Improvement Fee Calculations

The calculation of the water improvement fee also follows the logic discussed in the body of this report. As earlier stated, this study uses the improvements-driven method, and has relied on the capital improvement plans, and plan updates for the water infrastructure. Under this process, only three steps are required to arrive at the improvement fee. These steps are:

Step 1: Accumulate the future cost of planned improvements needed to serve growth. This arrives at **the gross improvement fee basis**.

Step 2: Subtract from the gross improvement fee basis the fund balance held in the Water Improvement SDC Fund. This arrives at **the net water improvement fee basis**.

Step 3: Divide the net water improvement fee basis by the forecasted number of growth DUEs over the planning period. This arrives at **the total water improvement fee**.

The actual data that was used to calculate the total Water improvement fee is shown below in Table 8.

Table 8 - Water Improvement Fee Calculations

| Line Item Description | Total Cost | SDC Ineligible | SDC Eligible |
|---|---|---|---|
| *Source of Supply* | | | |
| Secondary source and supply development | $82,000,000 | $62,094,731 | $19,905,269 |
| *Treatment Facilities* | | | |
| Pretreatment improvements | $5,300,000 | $5,300,000 | $0 |
| *Distribution System Improvements* | | | |
| System looping improvements | $ 5,800,000 | $ 5,800,000 | $ - |
| System looping improvements | 5,200,000 | 5,200,000 | - |
| System looping improvements | 3,600,000 | 3,600,000 | - |
| Transmission main upsizing | 6,800,000 | 5,149,319 | 1,650,681 |
| Fireflow | 240,000 | 240,000 | - |
| Fireflow | 340,000 | 340,000 | - |
| Fireflow | 1,240,000 | 1,240,000 | - |
| Annual pipeline rehabilitation | 12,000,000 | 12,000,000 | - |
| *Subtotal distribution system* | $ 35,220,000 | $ 33,569,319 | $ 1,650,681 |
| *Storage Facilities* | | | |
| 3.0 MG reservoir & pump station | $ 9,500,000 | $7,980,000 | $ 1,520,000 |
| *Pumping Facilities* | | | |
| Additional pumping capacity | $ 250,000 | $0 | $ 250,000 |
| *Planning* | | | |
| Water management and conservation plan update | $ 100,000 | $75,725 | $ 24,275 |
| Water rate & SDC study | 200,000 | 151,451 | 48,549 |
| Water system master plan update | 230,000 | 174,168 | 55,832 |
| Preliminary engineering study for improved storage use | 100,000 | - | 100,000 |
| AWIA update | 80,000 | 80,000 | - |
| *Subtotal planning* | $ 710,000 | $ 481,344 | $ 228,656 |
| *Operational* | | | |
| Clearwell rehabilitation | $ - | $ - | $ - |
| Tank 1A rehabilitation | 700,000 | 700,000 | - |
| Backup power (MTS) | 25,000 | 25,000 | - |
| *Subtotal operational* | $ 725,000 | $ 725,000 | $ - |
| Capital Improvement Plan Total | $133,705,000 | $110,150,395 | $ 23,554,605 |
| | 100% | 82% | 18% |

| | |
|---|---|
| Total Improvement Fee Eligible Costs for Future System Improvements | $ 23,554,605 |
| less: Water improvement SDC Fund balance as of June 30, 2023 | 667,860 |
| Adjusted Improvement Fee Eligible Costs for Future System Improvements | $22,886,745 |
| Total Growth in 3/4" Meter Equivalents (20 year forecast) | 2,632 |
| Calculated Water Improvement Fee SDC per Meter Equivalent | $8,697 |

## Water SDC Model Summary

The 2023 Water SDC update was done in accordance with Utility adopted Rules and Regulations and with the benefit of the 2023 adopted twenty-year CIP for water services. We recommend the Utility update the SDC charge to reflect the current capital improvement program. This will provide additional revenues to help fund the utility's future capital needs. The components of this fee for the standard ⅝" x ¾" meter are as follows:

| Water SDC Components | Proposed | Current | Difference |
|---|---|---|---|
| Reimbursement fee | 1,759 | 1,091 | 668 |
| Improvement fee | 8,697 | 3,664 | 5,033 |
| Compliance fee at 5% | 523 | - | 523 |
| Total water SDC | $ 10,979 | $ 4,755 | $ 6,224 |

For water meters larger than ⅝" x ¾," the project team has developed a schedule of SDCs based on the fiscal 2022-2023 actual consumption patterns by customer class and meter size. The resulting schedule of water SDCs for the array of potential meter sizes is shown below in Table 9.

Table 9 - Water SDCs by Water Meter Size

| | Fiscal 2023 Observed Meters and Consumption | | | | Proposed Schedule of Water SDCs | | | |
|---|---|---|---|---|---|---|---|---|
| Meter Size | Meters in Service | Billed Consumption (Ccf) | Billed Consumption (Ccf) per Meter | Consumption Factor | Reimbursement | Improvement | Compliance | Total |
| *Residential:* | | | | | | | | |
| 5/8 - 3/4-inch | 58,805 | 63,150,100 | 1,074 | 1.00 | $ 1,759 | $ 8,697 | $ 523 | $ 10,979 |
| 1 inch | 606 | 978,900 | 1,615 | 1.50 | 2,646 | 13,082 | 787 | 16,515 |
| *Non-Residential:* | | | | | | | | |
| 5/8 - 3/4-inch | 2,216 | 2,051,000 | 926 | 0.86 | 1,516 | 7,496 | 451 | 9,462 |
| 1-inch | 873 | 2,921,300 | 3,346 | 3.12 | 5,481 | 27,100 | 1,630 | 34,211 |
| 1.5-inch | 772 | 4,646,600 | 6,019 | 5.60 | 9,859 | 48,745 | 2,931 | 61,535 |
| 2-inch | 377 | 3,941,100 | 10,454 | 9.73 | 17,123 | 84,661 | 5,091 | 106,876 |
| 3-inch | 48 | 479,400 | 9,988 | 9.30 | 16,359 | 80,885 | 4,864 | 102,108 |
| 4-inch | 84 | 2,573,500 | 30,637 | 28.53 | 50,182 | 248,116 | 14,921 | 313,219 |
| *Irrigation:* | | | | | | | | |
| 5/8 - 3/4-inch | 303 | 607,180 | 2,004 | 1.87 | 3,282 | 16,230 | 976 | 20,488 |
| 1-inch | 144 | 784,900 | 5,451 | 5.08 | 8,929 | 44,145 | 2,655 | 55,729 |
| 1.5-inch | 100 | 595,900 | 5,959 | 5.55 | 9,761 | 48,260 | 2,902 | 60,922 |
| 2-inch | | | | 8.20 | 14,424 | 71,315 | 4,289 | 90,028 |
| 3-inch | | | | 13.90 | 24,450 | 120,888 | 7,270 | 152,608 |
| Multifamily (per DUE)* | | | | 0.70 | 1,231 | 6,088 | 366 | 7,685 |
| Qualifying Small-lot PUD (per DUE)* | | | | 0.70 | 1,231 | 6,088 | 366 | 7,685 |

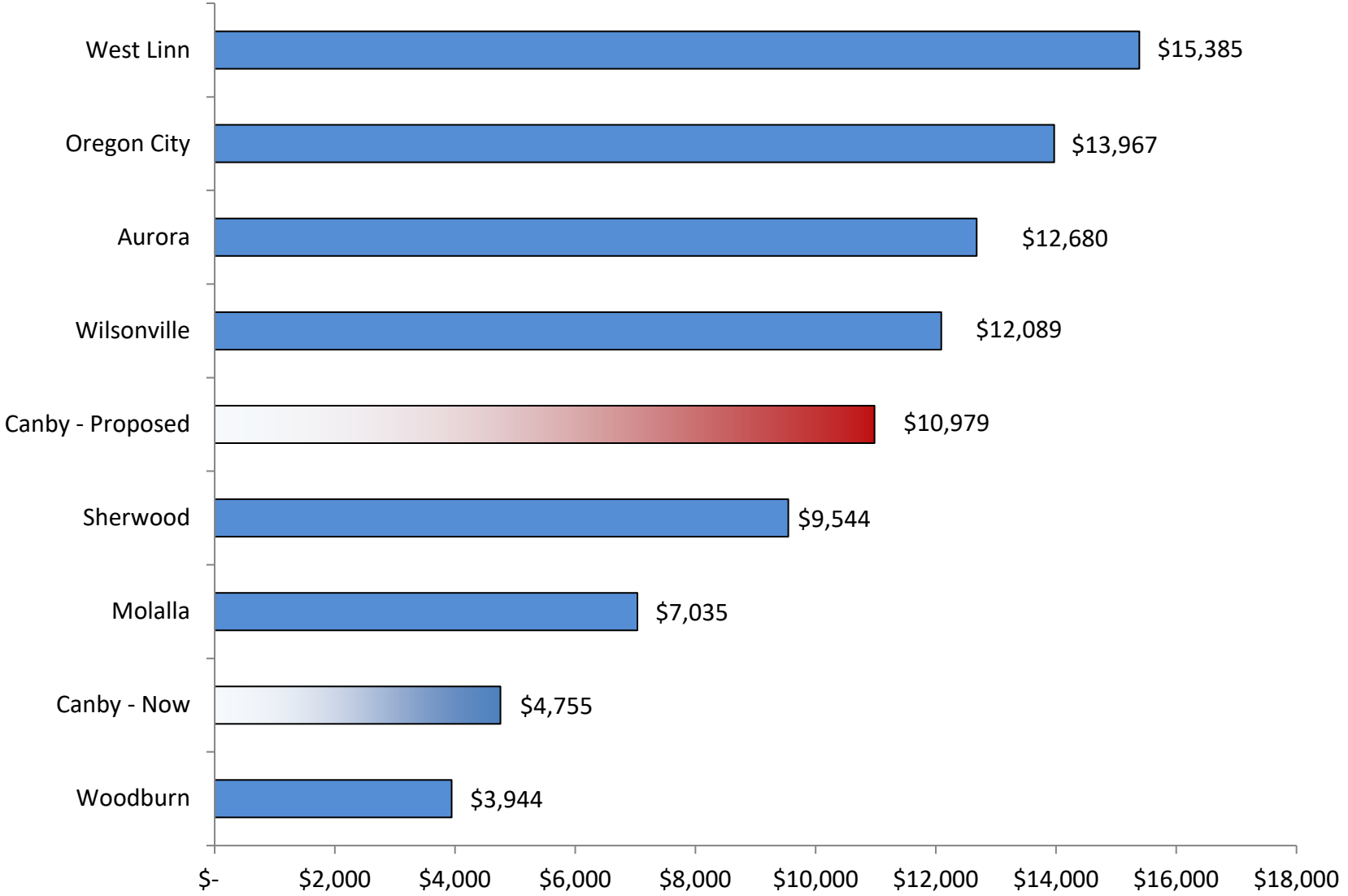
* DUE - Dwelling Unit Equivalent

Note: Due to data inconsistency, the consumption factor for 2" and 3" irrigation meters are unchanged from the Resolution 203 factors.

## Water SDCs in Neighboring Communities

Shown below in Figures 3 is a chart that compares the current and proposed water SDC for a single-family customer in the Utility to the same charge in similar communities in nearby Clackamas and Marion Counties.

Figure 3 - Neighboring Communities' Water SDCs (Detached Single Family) October, 2023



# Appendix B – Historical Price Movements in the Engineering News Record Construction Cost Index

HOW ENR BUILDS THE INDEX: 200 hours of common labor at the 20-city average of common labor rates, plus 25 cwt of standard structural steel shapes at the mill price prior to 1996 and the fabricated 20-city price from 1996, plus 1.128 tons of portland cement at the 20-city price, plus 1,088 board ft of 2 x 4 lumber at the 20-city price.

ENR'S CONSTRUCTION COST INDEX HISTORY (1990-2020)

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | AVG. | Annual Percent Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2023 | 13175 | 13176 | 13176 | 13230 | 13288 | 13345 | 13425 | 13473 | 13486 | 13498 | | | | |
| 2022 | 12556 | 12684 | 12791 | 12899 | 13004 | 13111 | 13167 | 13171 | 13173 | 13175 | 13175 | 13175 | 13007 | 7.07% |
| 2021 | 11627 | 11698 | 11749 | 11849 | 11989 | 12112 | 12237 | 12463 | 12464 | 12464 | 12647 | 12482 | 12148 | 5.95% |
| 2020 | 11392 | 11396 | 11397 | 11412 | 11418 | 11436 | 11439 | 11455 | 11499 | 11539 | 11579 | 11626 | 11466 | 1.46% |
| 2019 | 11206 | 11213 | 11228 | 11228 | 11230 | 11268 | 11293 | 11311 | 11539 | 11326 | 11381 | 11381 | 11300 | 2.16% |
| 2018 | 10878 | 10889 | 10959 | 10971 | 11013 | 11069 | 11116 | 11124 | 11170 | 11183 | 11184 | 11186 | 11062 | 3.04% |
| 2017 | 10531 | 10559 | 10667 | 10678 | 10692 | 10703 | 10789 | 10826 | 10823 | 10817 | 10870 | 10873 | 10736 | 3.84% |
| 2016 | 10132 | 10181 | 10242 | 10279 | 10315 | 10337 | 10379 | 10385 | 10403 | 10434 | 10442 | 10530 | 10338 | 3.02% |
| 2015 | 9972 | 9962 | 9972 | 9992 | 9975 | 10039 | 10037 | 10039 | 10065 | 10128 | 10092 | 10152 | 10035 | 2.33% |
| 2014 | 9664 | 9681 | 9702 | 9750 | 9796 | 9800 | 9835 | 9846 | 9870 | 9886 | 9912 | 9936 | 9807 | 2.72% |
| 2013 | 9437 | 9453 | 9456 | 9484 | 9516 | 9542 | 9552 | 9545 | 9552 | 9689 | 9666 | 9668 | 9547 | 2.56% |
| 2012 | 9176 | 9198 | 9268 | 9273 | 9290 | 9291 | 9324 | 9351 | 9341 | 9376 | 9398 | 9412 | 9308 | 2.63% |
| 2011 | 8938 | 8998 | 9011 | 9027 | 9035 | 9053 | 9080 | 9088 | 9116 | 9147 | 9173 | 9172 | 9070 | 3.08% |
| 2010 | 8660 | 8672 | 8671 | 8677 | 8761 | 8805 | 8844 | 8837 | 8836 | 8921 | 8951 | 8952 | 8799 | 2.67% |
| 2009 | 8549 | 8533 | 8534 | 8528 | 8574 | 8578 | 8566 | 8564 | 8586 | 8596 | 8592 | 8641 | 8570 | 3.13% |
| 2008 | 8090 | 8094 | 8109 | 8112 | 8141 | 8185 | 8293 | 8362 | 8557 | 8623 | 8602 | 8551 | 8310 | 4.30% |
| 2007 | 7880 | 7880 | 7856 | 7865 | 7942 | 7939 | 7959 | 8007 | 8050 | 8045 | 8092 | 8089 | 7967 | 2.78% |
| 2006 | 7660 | 7689 | 7692 | 7695 | 7691 | 7700 | 7721 | 7722 | 7763 | 7883 | 7911 | 7888 | 7751 | 4.10% |
| 2005 | 7297 | 7298 | 7309 | 7355 | 7398 | 7415 | 7422 | 7479 | 7540 | 7563 | 7630 | 7647 | 7446 | 4.65% |
| 2004 | 6825 | 6862 | 6957 | 7017 | 7065 | 7109 | 7126 | 7188 | 7298 | 7314 | 7312 | 7308 | 7115 | 6.28% |
| 2003 | 6581 | 6640 | 6627 | 6635 | 6642 | 6694 | 6695 | 6733 | 6741 | 6771 | 6794 | 6782 | 6695 | 2.39% |
| 2002 | 6462 | 6462 | 6502 | 6480 | 6512 | 6532 | 6605 | 6592 | 6589 | 6579 | 6578 | 6563 | 6538 | 3.09% |
| 2001 | 6281 | 6272 | 6279 | 6286 | 6288 | 6318 | 6404 | 6389 | 6391 | 6397 | 6410 | 6390 | 6342 | 1.94% |
| 2000 | 6130 | 6160 | 6202 | 6201 | 6233 | 6238 | 6225 | 6233 | 6224 | 6259 | 6266 | 6283 | 6221 | 2.67% |
| 1999 | 6000 | 5992 | 5986 | 6008 | 6006 | 6039 | 6076 | 6091 | 6128 | 6134 | 6127 | 6127 | 6060 | 2.35% |
| 1998 | 5852 | 5874 | 5875 | 5883 | 5881 | 5895 | 5921 | 5929 | 5963 | 5986 | 5995 | 5991 | 5920 | 1.64% |
| 1997 | 5765 | 5769 | 5759 | 5799 | 5837 | 5860 | 5863 | 5854 | 5851 | 5848 | 5838 | 5858 | 5825 | 3.61% |
| 1996 | 5523 | 5532 | 5537 | 5550 | 5572 | 5597 | 5617 | 5652 | 5683 | 5719 | 5740 | 5744 | 5622 | 2.76% |
| 1995 | 5443 | 5444 | 5435 | 5432 | 5433 | 5432 | 5484 | 5506 | 5491 | 5511 | 5519 | 5524 | 5471 | 1.18% |
| 1994 | 5336 | 5371 | 5381 | 5405 | 5405 | 5408 | 5409 | 5424 | 5437 | 5437 | 5439 | 5439 | 5408 | 3.78% |
| 1993 | 5071 | 5070 | 5106 | 5167 | 5262 | 5260 | 5252 | 5230 | 5255 | 5264 | 5278 | 5310 | 5210 | 4.53% |
| 1992 | 4888 | 4884 | 4927 | 4946 | 4965 | 4973 | 4992 | 5032 | 5042 | 5052 | 5058 | 5059 | 4985 | 3.10% |
| 1991 | 4777 | 4773 | 4772 | 4766 | 4801 | 4818 | 4854 | 4892 | 4891 | 4892 | 4896 | 4889 | 4835 | 2.18% |
| 1990 | 4680 | 4685 | 4691 | 4693 | 4707 | 4732 | 4734 | 4752 | 4774 | 4771 | 4787 | 4777 | 4732 | |

**MEMORANDUM**
December 7, 2023

TO: Chair Thompson, Member Horrax, Member Molamphy, Member Pendleton, and Member Hill

FROM: Carol Sullivan, General Manager

SUBJECT: Source Water Supply Consulting Services

---

**Suggested Motion:** Motion to authorize General Manager to enter into a consulting services contract with GSI, Inc., to perform an analysis on Canby Utility's source water supply.

**Background:** Staff is seeking to engage a water rights consultant to review Canby Utility's estimated reliable water supply for the future Willamette River source water supply project. The analysis will look at Canby Utility's permitted surface water rights, current and future, for the Molalla and Willamette Rivers.

The need for this study was determined while completing the Water System Master Plan. Our consultants identified potential challenges with the future supply based on flow rates at designated points along the river. The water right stipulates target flow conditions which could interrupt Canby Utility's ability to withdraw water from the Willamette River under low-instream flow events. Due to the potential for an interruptible supply of water, staff feels it is essential to have this analysis to ensure we manage the future water supply needs for Canby, and proactively address any permit restrictions as we prepare to develop a new water source.

The cost for the study was not budgeted and requires Board approval in accordance with Canby Utility's public contracting rules. I contacted three consultants to solicit quotes for the project and received two proposals. The third consultant felt that the scope of work was outside their area of expertise and declined to provide a quote.

I will be available to answer any questions the Board may have.