

The City Council for the City of Junction City, met for a work session at 6:30 p.m. on Tuesday, October 23, 2018, in the Council Chambers of City Hall, 680 Greenwood Street, Junction City, Oregon.

**PRESENT:** Mayor, Mark Crenshaw; Councilors Kara McDaniel; Robert Stott, Jack Sumner, John Gambee, Dale Rowe, and Bill DiMarco; City Administrator, Jason Knope; Public Works Director, Gary Kaping; and City Recorder, Kitty Vodrup.

### 1. Call to Order and Pledge of Allegiance

Mayor Crenshaw called the meeting to order and led the Pledge of Allegiance at 6:30 p.m.

### 2. SCS Engineering Rate Study Presentation

Director Kaping stated that staff had been working with SCS Engineering on the rate study work since July. The study was still in process, but staff wanted to keep the Council informed as to where things were at. He introduced Ms. Quinn.

Ms. Vita, Quinn, Director of SCS Management Services, shared a Power Point on the Water, Sewer, and Sanitation Rate Study. The presentation included:

The rate study has three components:

1. Revenue Sufficiency Analysis – This looks at a long term financial management plan and the level of rate adjustments that would be necessary for the utilities to be able to meet their financial operational capital goals over a 10 year projection period.
2. Cost of Service/Billing Analysis – This looks at whether the current rate structure is aligned with the cost to provide the services to the residents.
3. Rate Structure Analysis – This looks at the rate structure itself. For example, for water and sewer, they look at the fixed charge versus the variable charge and how the City's rates are structured now, compared to other municipalities and utilities.

#### 1. Revenue Sufficiency Analysis

##### ❖ Water

- Some of the biggest financial pressure affecting the rates would be the Water Master Plan projects. Total of all projects in plan = \$16.8 million.
- Valve, hydrant, and water meter maintenance program.
- Hiring 2.5 FTEs (split with sewer) by Fiscal Year 2028.

##### ❖ Sewer

- Sewer Master Plan – Projects total \$9.3 million.
- Wastewater Treatment Plant (WWTP) construction = \$15 million. For purposes of this analysis, the assumption was that this would not happen until 2023.
- Hiring 3.5 FTEs (two split with water) by Fiscal Year 2028.

##### ❖ Sanitation

- Vehicle Replacement Program.
- Dumpster/containers replacements and purchasing additional ones to accommodate future growth.

##### ❖ Data Used for Revenue Sufficiency Model

- Fiscal Year 2018-2019 budget
- 10 Year Capital Expenditure Program
- Beginning Fund Balances as of 06-30-17
- Master Plans (Water and Sewer)
- Hiring Expectations

##### ❖ Determining Revenue Sufficiency

- Cash Flow Model - Making sure cash in is greater than cash out and the fund balance is increasing to save for capital projects, etc. This would be sustainable in the long term.

- ❖ Revenue Sufficiency Models
  - SCS vets each assumption on the model with staff. The model provides the level of rate adjustments that are necessary to fund operational, debt service coverage requirements, and working capital reserve targets that the fund has.
  - Example model scenarios were presented for water and sewer that included examples of the percentage of rate increases with or without master plans or the Wastewater Treatment Plant. A sanitation model scenario was also presented.

## 2. Cost of Services and Billing Analysis

- ❖ A variance analysis was done for water and sewer to make sure it was understood how customers were actually being billed.
- ❖ They looked at the fixed charges that customers pay, relative to variable charges.
- ❖ For sanitation, a full cost of service analysis was done that looked at the expenses of the fund and allocating those to different cost pools (collection and disposal) and then allocating those cost pools to service (garbage and yard debris). Those costs are then allocated to customer classes (cans or dumpsters), to make sure that the rates really reflect the cost to serve each type of customer class. (Currently in progress).

## 3. Rate Structure Analysis

- ❖ Currently in progress.

## Preliminary Recommendations

- ❖ Water
  - For fixed charges, base the meter charges on AWWA (American Water Works Association) meter equivalency factors; realigning fixed charges to this standard would have almost no impact on customers.
  - For the variable charge, consider an Inclining Block Rate structure for residential; the City has just a flat rate right now for consumption. An inclining block rate structure would incentivize people to conserve water and could also provide an opportunity to provide an Essential Domestic User Rate discount (amount of water needed to shower, flush toilets, and cook) for lower income customers.
- ❖ Sewer
  - Base the fixed charge on AWWA meter equivalency.
  - Consider Inclining Block Rate structure for residential.
  - Instead of doing the Winter Average billing for residential, consider using irrigation meters. Commercial does not have Winter Average billing and many commercial businesses in town have irrigation meters.
- ❖ Sanitation
  - Realign the rates with actual costs to provide services to each rate class and customer type.
  - Develop a full fee structure that would show all the costs for each size of container, each frequency of pickup, and number of containers.

## Next Steps

- ❖ Receive guidance from Council on funding and timing of projects in the master plans.
- ❖ Receive guidance from Council on using an inclining block rate structure.

Discussion followed, and Council members expressed interest in seeing information on the Inclining Block Rate structure. It was also noted that it would be beneficial to have additional scenarios to consider that included some prioritized master plan projects. Administrator Knope noted that the Master Plans already included a list of priority projects and costs that he could bring back.

Ms. Quinn noted that the reason she broke up the rate study into three parts was that they were normally done in different time frames. Even though the Revenue Sufficiency Analysis looked at developing long term rate adjustments over a 10 year period, the City would not be expected to adhere to that 10 year projection, but instead, would adopt a 5 year plan, which could be reviewed each one or two years by the Council, depending on how much things had changed.

Administrator Knope noted that the next steps after receiving Council direction tonight would be to bring back more information at a future Council meeting. Then a series of public meetings would be held to give the public a chance to weigh in on everything, before the Council started deliberating on any particular course of action.

The Council consensus was for staff to bring back information on the Inclining Block Rates and the priority projects in the Master Plans.

**3. Adjournment.** The Work Session was adjourned at 8:02 p.m.

ATTEST:

APPROVED:

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Kitty Vodrup, City Recorder

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Mark Crenshaw, Mayor