



June 25, 2019 City Council Work Session Minutes

Millersburg City Hall
4222 NE Old Salem Road
Albany OR 97321

- A. CALL TO ORDER: Called to order by Mayor Lepin at 6:30 p.m.
- B. ROLL CALL
Councilors Present: Mayor Jim Lepin, Councilors Dave Harms, Scott McPhee, Don Miller
Councilors Absent: Scott Cowan
Staff Present: Kevin Kreitman, City Manager; Janelle Booth, Assistant City Manager/City Engineer; Forrest Reid, City Attorney; Kimberly Wollenburg, City Recorder
Presenters: Deb Galardi, Galardi Consulting Group
Jeni Richardson
- C. PLEDGE OF ALLEGIANCE
- D. PUBLIC COMMENT
- E. COUNCIL MEMBER AND STAFF COMMENTS
- F. NEW BUSINESS
- 1) SDC Rates Study (discussion)
Assistant City Manager/City Engineer Booth introduced Deb Galardi who provided a brief introduction of her background and history of working with system development charges (SDCs) and water/sewer rates. Assistant City Manager/City Engineer Booth also introduced Jeni Richardson who is also working on the SDCs and water/sewer rates.
- Ms. Galardi started off her presentation by noting scope of this work session is to focus on water and sewer rates. She will return at a later date to discuss SDCs. She said the plan this evening is to go over the City of Millersburg's history on water/sewer rates, overall financing projections of how the utility funds are looking and then discuss rate structure options.
- She noted that the last water rate increase was in 2012, which is a fairly long time in terms of rates and was intended to be the first phase of the plan to phase out the current rate structure into a modernization. She said the last sewer increase was 2015 and was also intended to be the first phase of a multi-phase process. With this review, there are two pieces: the increase and how increase will happen and modernization of the rate structures. She said what she is illustrating tonight won't be substantially affected by decisions made on water/sewer SDCs.

She went over the methodology regarding enterprise funds and the need to have expenses covered by revenue since enterprise funds are not funded with general funds. Rates need to be sufficient to cover costs as well as provide at least six months of reserves. There are also contingency fund reserves for reliability and sustainability of systems. She next went over financial projects related to where rates currently are against revenues and increasing costs. The bottom line is that it's not an option not to have any increases but more as to how and when an increase happens.

Ms. Galardi noted the option for a phased approach with the rate structure changes happening a year or two before actually increasing rates. She also said that while raising water rates based on inflation can generate the required revenue, that approach won't work for sewer, which will likely need double the rate of inflation to generate the revenue required.

She noted that water/sewer rate structures need to be fair, equitable, defensible, and in line with current industry standards with differences based on various characteristics such as residential versus commercial versus industry, number in household in residential and so on.

She noted that Millersburg has a declining block rate structure which shows the amount charged decreases based on how much is used. This is an uncommon rate structure compared to a structure where there is a uniform rate charge with an increase the more water used. In 2012, the direction Council had indicated they were going was to move away from the declining block rate to one where all water use is charged at the same rate, which doesn't mean everyone has to be in the same customer class so residential could be different based on their usage pattern.

After Ms. Galardi went over the differences in rate profiles between residents, commercial, and industry as well as the impacts on system during peak demands, there followed lengthy discussion between Ms. Galardi and the Council regarding these items. There was also lengthy discussions regarding declining block rate and that City of Albany also uses this structure; however, Ms. Galardi noted that Albany will likely be moving away from this methodology some day. There was lengthy discussion regarding whether Millersburg should stay on same plan as Albany.

City Manager Kreitman and Assistant City Manager/City Engineer Booth noted residential concern over fairness as to the charges. While this is mostly on the sewer side, concern has been expressed over residents with two or less in the household paying the same as bigger households which have more impact on the water and sewer systems. Mayor Lepin and City Manager Kreitman brought up conversations they've had with residents regarding having to pay for water and sewer when they are not at home for prolonged periods (aka Snowbirds).

There was also lengthy discussion regarding industrial customers and how they are charged, including reviewing how commercial and industrial customers are classified. Ms. Galardi developed an illustration of what a volumetric base would be for majority of commercial/industrial accounts and moving to a fixed plus some volumetric component. She noted this could also be phased in.

In addition, the Council had lengthy discussions regarding water use over peak times. Councilor McPhee thought there might be more of a need to discuss water conservation with residents versus charging more when more water is used. He also thought a smart water system is a good approach. Councilor Miller suggested an increase is needed but so is conservation. Assistant City Manager/City Engineer Booth reminded the Council the City has a Water Management and Conservation Plan.

Ms. Galardi said the next steps are to confirm with the City of Albany of any future capital costs (sewer) and to explore with the City Council other options, including how to phase in changes. She noted that some more information on sewer is needed so she can review and provide final numbers and options. She added that the best time to change rates is in the fall when peak season has ended. For the July 30 Council work session, Ms. Galardi will rework some models showing various rate structures based on the discussions during the meeting.

- 2) Total Maximum Daily Limit Overview
Reschedule to the July 9, 2019 City Council meeting. Assistant City Manager/City Engineer Booth briefly went over the TMDL implementation tracking matrix, which has been agreed to with the Department of Environmental Quality as to what the City has agreed to do to help the pollutant factors into the Willamette River and as part of our DEQ obligation, she is required to go over this with the Council.

G. CLOSING PUBLIC COMMENT
None

H. CLOSING COUNCIL COMMENT

- 1) Councilor McPhee added one comment about the presented water rate structure change across the board and noted that all of that increase will go just into those three months of peak demand where they will see a 12% increase during those three months.

I. ADJOURNMENT

Meeting adjourned at 6:20 p.m.

Respectfully submitted:


Kimberly Wollenburg
City Recorder

Reviewed by:

Kevin Kreitman
City Manager

Note: Council may adjourn to executive session in accordance with ORS 192.660.

Upcoming Meetings & Events:

July 1, 2019 @ 6:00 p.m. – City Council Land Use Appeal
July 2, 2019 @ 6:00 p.m. – Events Planning Committee Meeting
July 9, 2019 @ 6:30 p.m. – City Council Meeting
July 11, 2019 @ 4:00 p.m. – Parks Committee Meeting
July 16, 2019 @ 6:00 p.m. – Planning Commission Public Hearing

The location of the meeting is accessible to the disabled. If you have a disability that requires accommodation to attend or participate, please notify the Millersburg City Hall in advance by calling 541-928-4523.