

**CITY OF COOS BAY CITY COUNCIL
Work Session Agenda Staff Report**

MEETING DATE	AGENDA ITEM NUMBER
October 30, 2013	

TO: Mayor Shoji and City Councilors
FROM: Jim Hossley, Director of Public Works
Through: Rodger Craddock, City Manager *REC*
ISSUE Draft Rate Study Presentation & Discussion

BACKGROUND

The City's most current wastewater cost of service and rate study was accepted by Council in 2009. Since 2009, the City has progressed in developing design plans and cost estimates for Wastewater Treatment Plant #2 along with several other projects. To ensure adequate revenue to cover debt service for funding the City's wastewater projects, the City obtained the Services of Donovan Enterprises to re-examine the City's wastewater rates and recommend annual adjustments. In addition, Donovan Enterprises examined the impact to rates should the City add downtown drainage improvements and the City take over repair of private sewer laterals.

Steve Donovan, with Donovan Enterprises will present his findings during the work session. He will be able to answer your questions.

Mr. Donovan will prepare the final draft of the rate study based on Council input at this work session. The final document will be brought to the Council for adoption at a future Council meeting.

ADVANTAGES

The work session will give the Council members the opportunity to learn about and ask questions regarding the rate study. The consultant will be able to make adjustments to the study based on Council input.

DISADVANTAGES

None

BUDGET

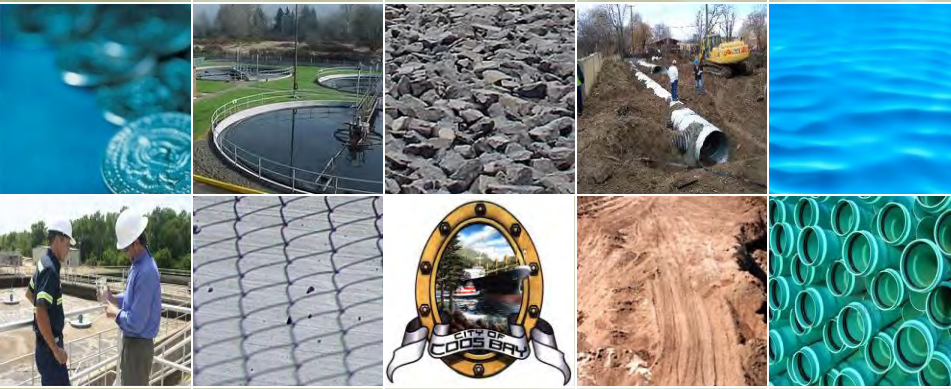
Not applicable.

RECOMMENDATION

Provide the Steve Donovan with feedback and direction regarding the rate study and whether to include the downtown drainage projects and/or repair of what are now a portion of private sewer laterals.

Wastewater System Funding City Council Work Session

October 30, 2013



Today's Agenda



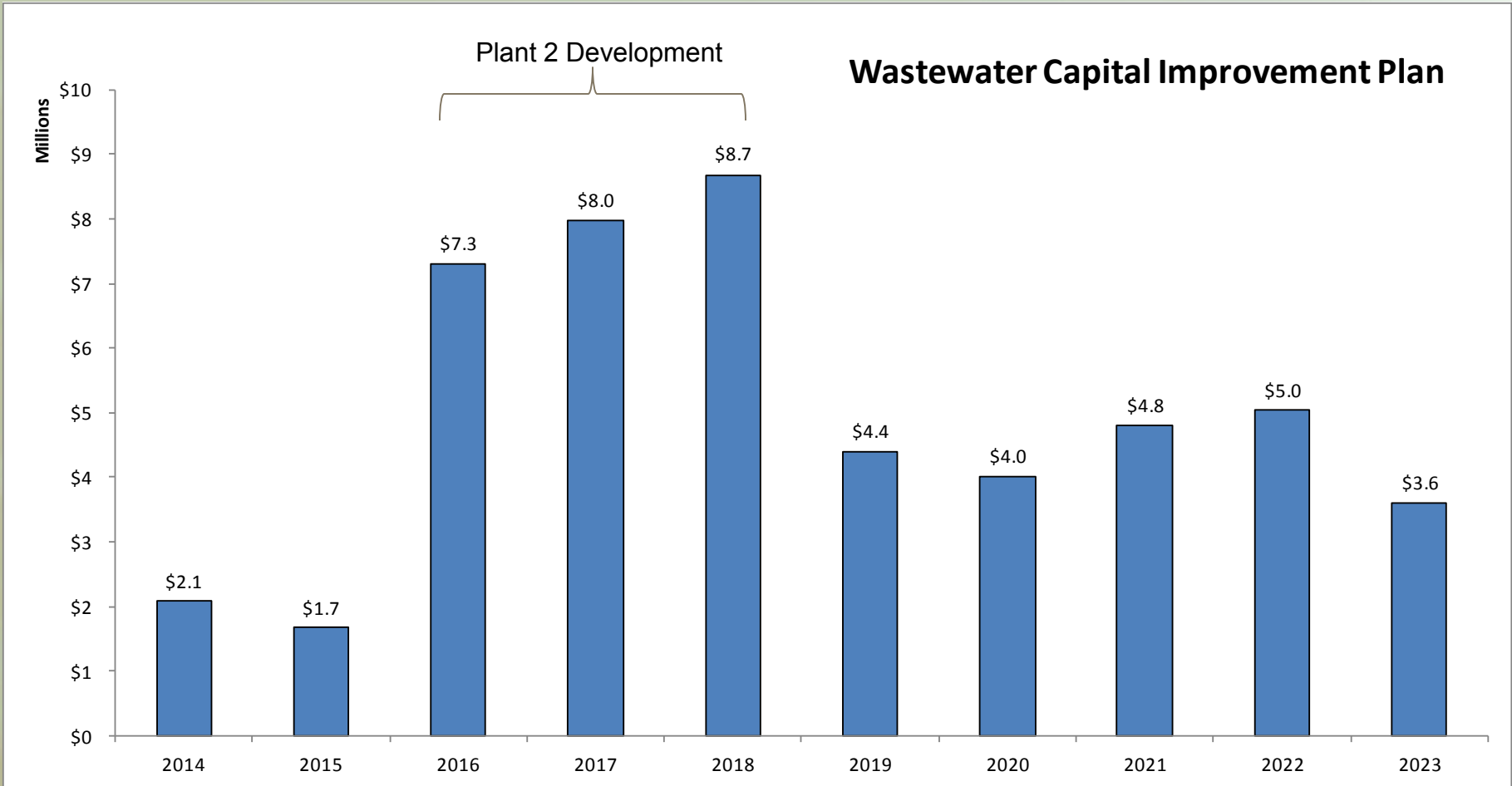
- Review the updated wastewater system capital improvement plan
- Staff recommended strategy to fund the capital improvement plan and future operations
- Private laterals maintenance and downtown drainage projects
- Policy issues for Council consideration
- Next Steps
- Council questions

Updated 20 Year Capital Improvement Plan



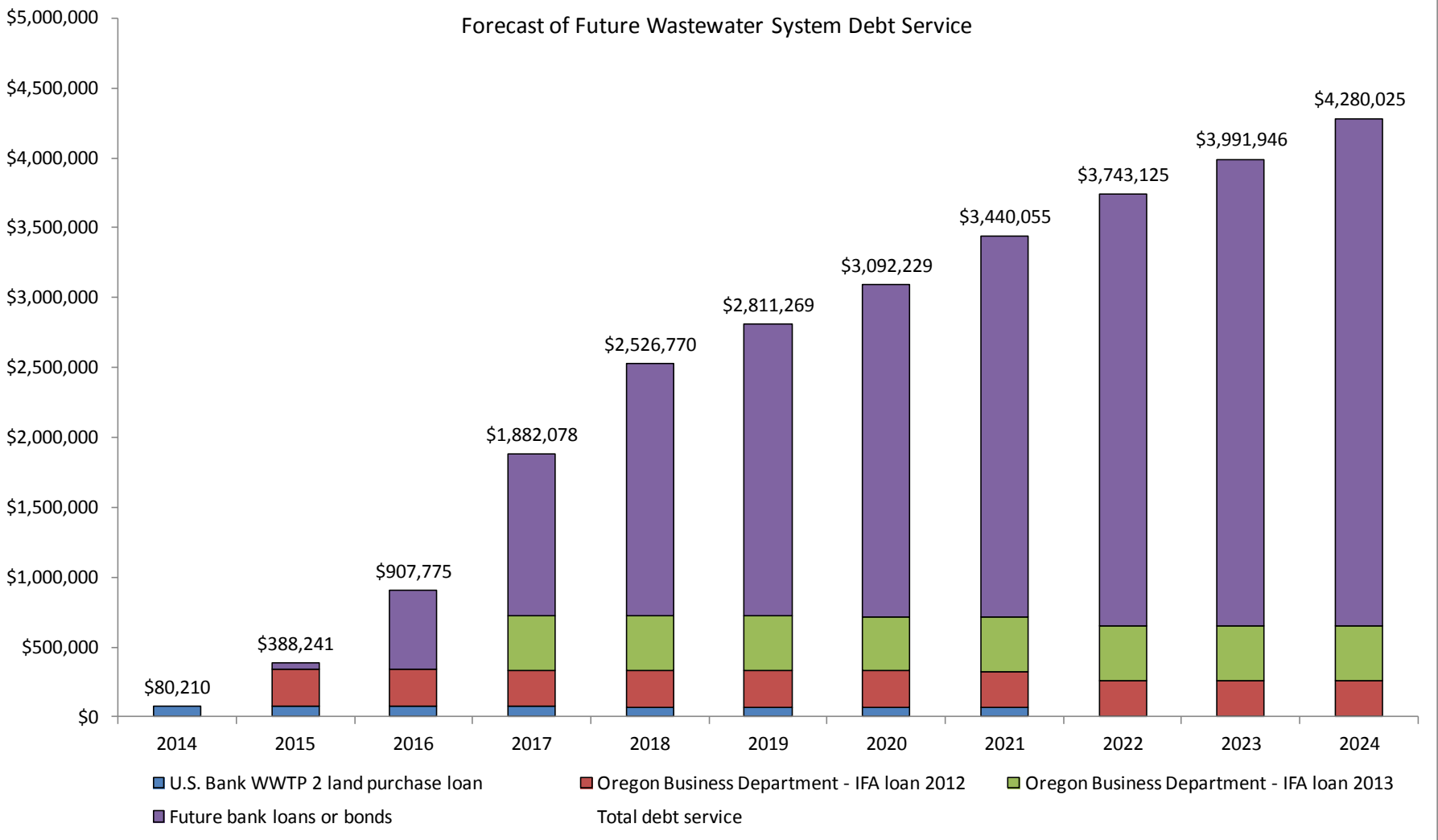
Master Plan Component	Estimated Total Cost (2013)	Funding Source		
		Current Loans	Awarded Grants	Unfunded
• Wastewater Collection and Drainage System Improvements	\$49.00m	\$6.55m	\$0.73m	\$41.72m
• Treatment Plant 2 Reconstruction	\$24.00m	\$4.57m	\$0.50m	\$18.93m
• Treatment Plant 1 Rehabilitation	\$8.40m	\$0.22m	\$0.02m	\$8.16m
Total 20 year Master Plan	<u>\$81.40m</u>	<u>\$11.34m</u>	<u>\$1.25m</u>	<u>\$68.81m</u>

Updated 20 Year Capital Improvement Plan



*Annual costs that require new funding sources (i.e., loans or bonds)

Forecast of Wastewater System Debt Service



Staff Recommended Funding Strategy



- Use free cash to buy down future rate increases
 - ✓ Transfer cash built up in the Revenue Bond Fund (12) to help pay future debt service incurred for the capital improvement plan

- Forecasted fund balances as of July 1, 2014:

❖ Wastewater Operating Fund (03)	334,282
❖ Revenue Bond Fund (12)	2,836,787
❖ Wastewater Improvement Fund (29)	<u>522,729</u>
Total	\$3,693,798

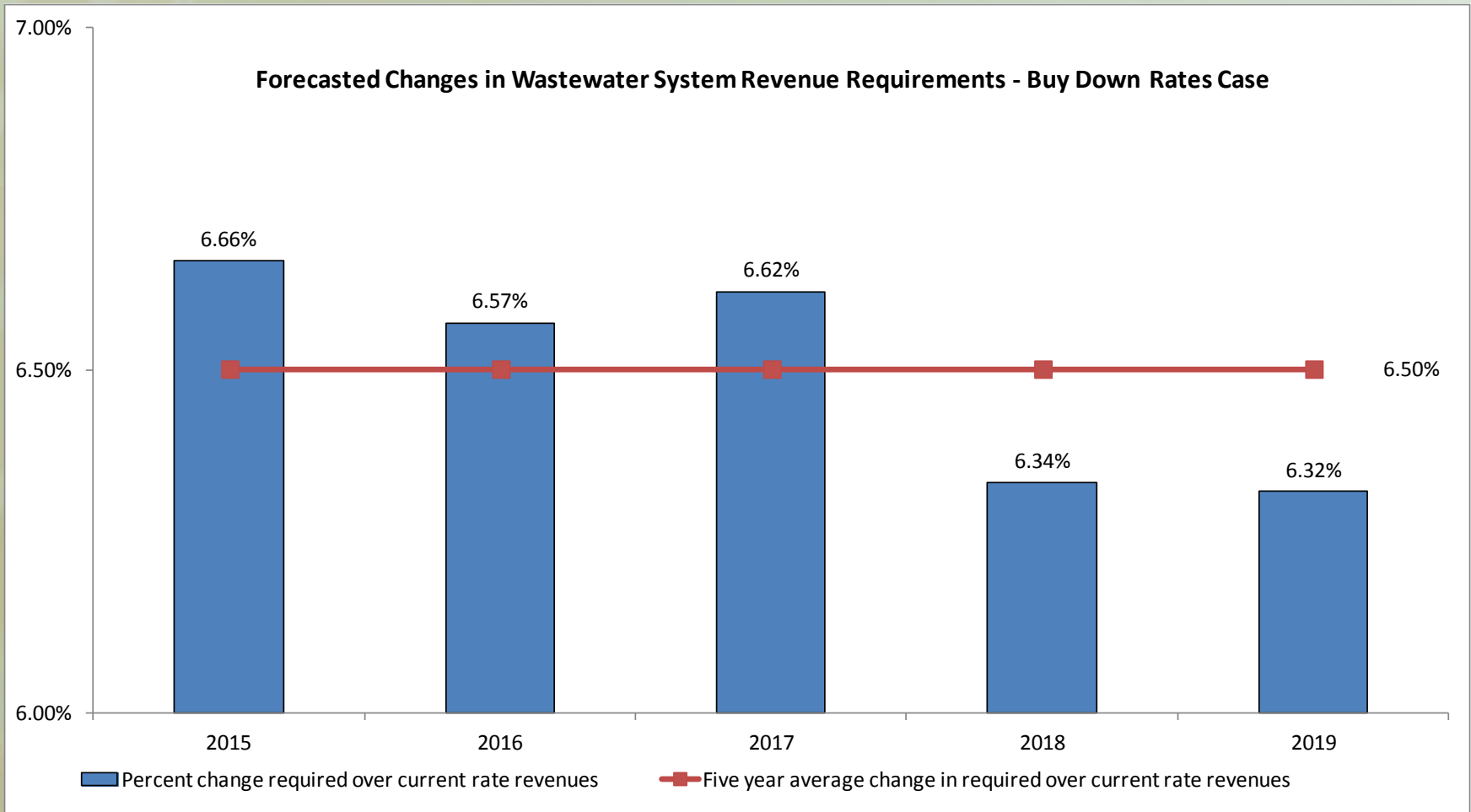
- The City will be the lead agency for securing future wastewater capital improvement loans

- Bunker Hill and Charleston will be assessed for current and future wastewater treatment services based on the proportionate flow and load contributions to the Plant 1 and 2

Staff Recommended Funding Strategy



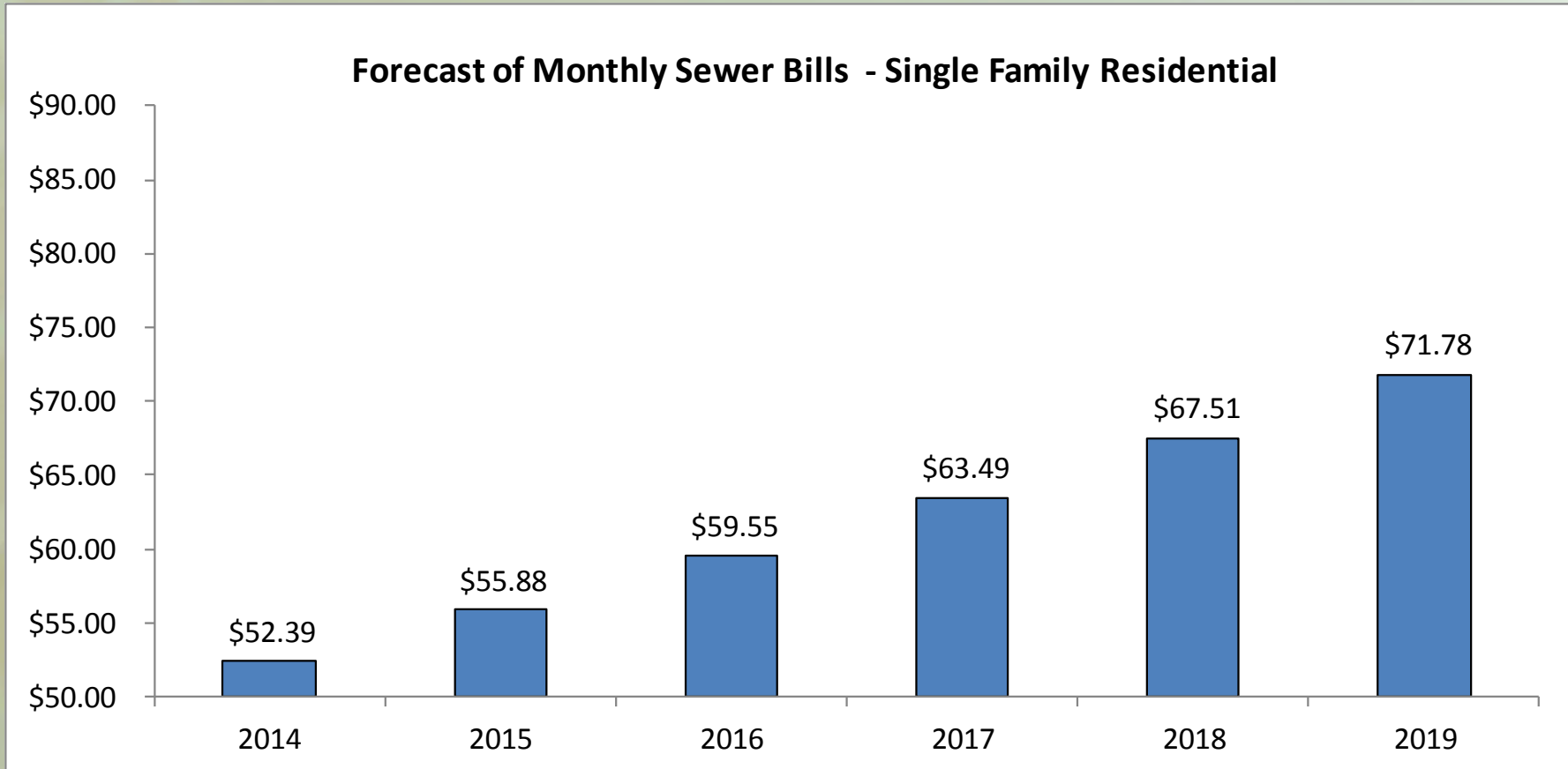
- Five year forecast of changes in wastewater system revenue requirements



Staff Recommended Funding Strategy



- Five year forecast of changes in average monthly single family residential wastewater bills



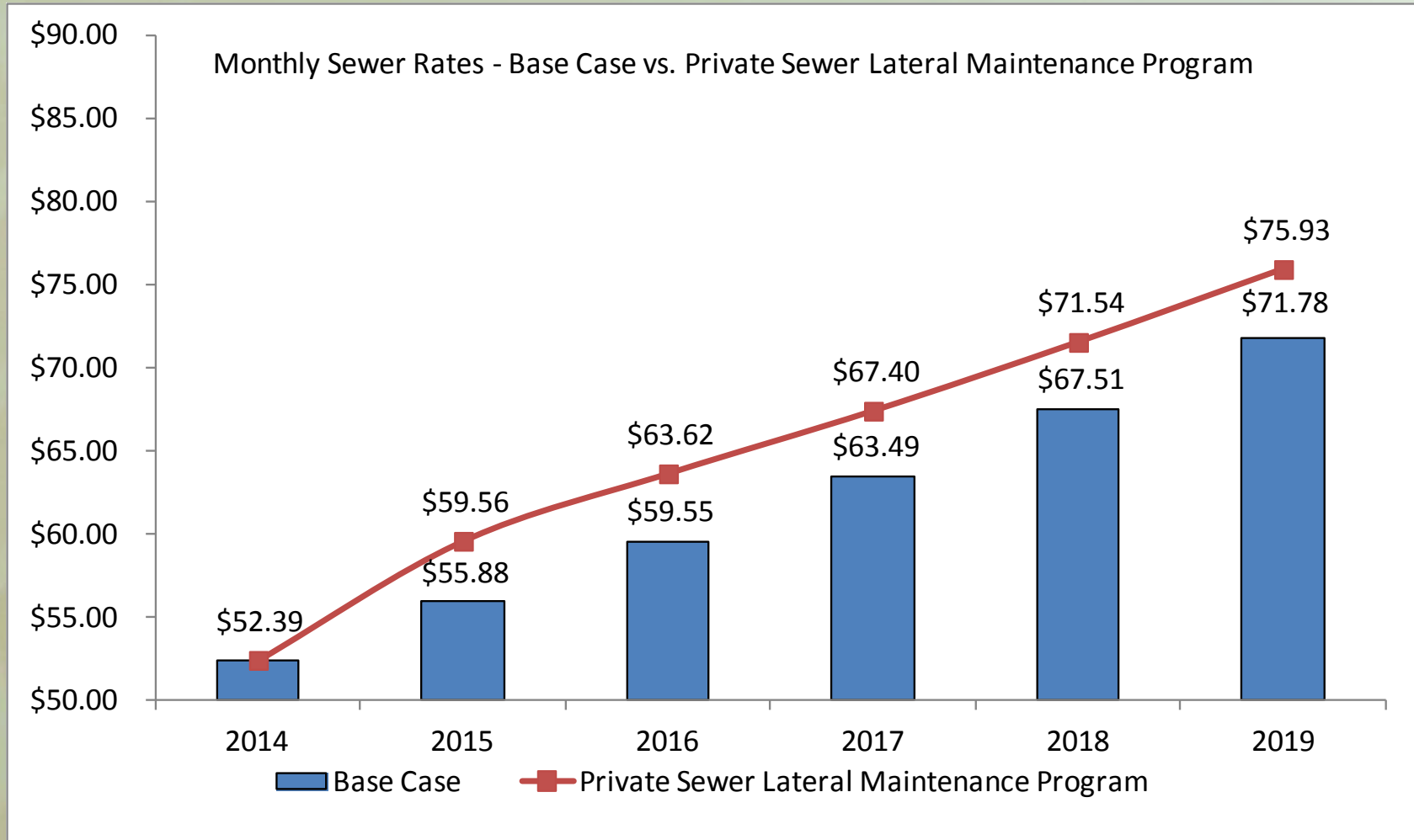
Private Laterals O&M & Downtown Drainage Projects

- **Background:**
 - **Private laterals** – City takes over responsibility for the maintenance and operation of private laterals within the public right of way. Assume City limits scope to 20 lateral repair projects per fiscal year. Estimated annual cost \$274,000 to \$394,000 per year; average = \$334,000
 - **Downtown drainage projects:** (all debt financed)
 - **Option 1:** Only highest priority project; drainage basin 11 Interceptor. Estimated capital cost at \$958,606
 - **Option 2:** Only perform the Egyptian Theater drainage project: Downtown pump station for drainage basin 11. Estimated capital cost at \$2,431,791
 - **Option 3:** Perform all of the downtown drainage projects identified in the 2013 downtown drainage study. Estimated capital cost at \$7,640,351

Private Laterals & Downtown Drainage Projects - Continued



Rate impacts of taking on private laterals O&M



Private Laterals & Downtown Drainage Projects - Continued



Rate impacts of the downtown drainage project options

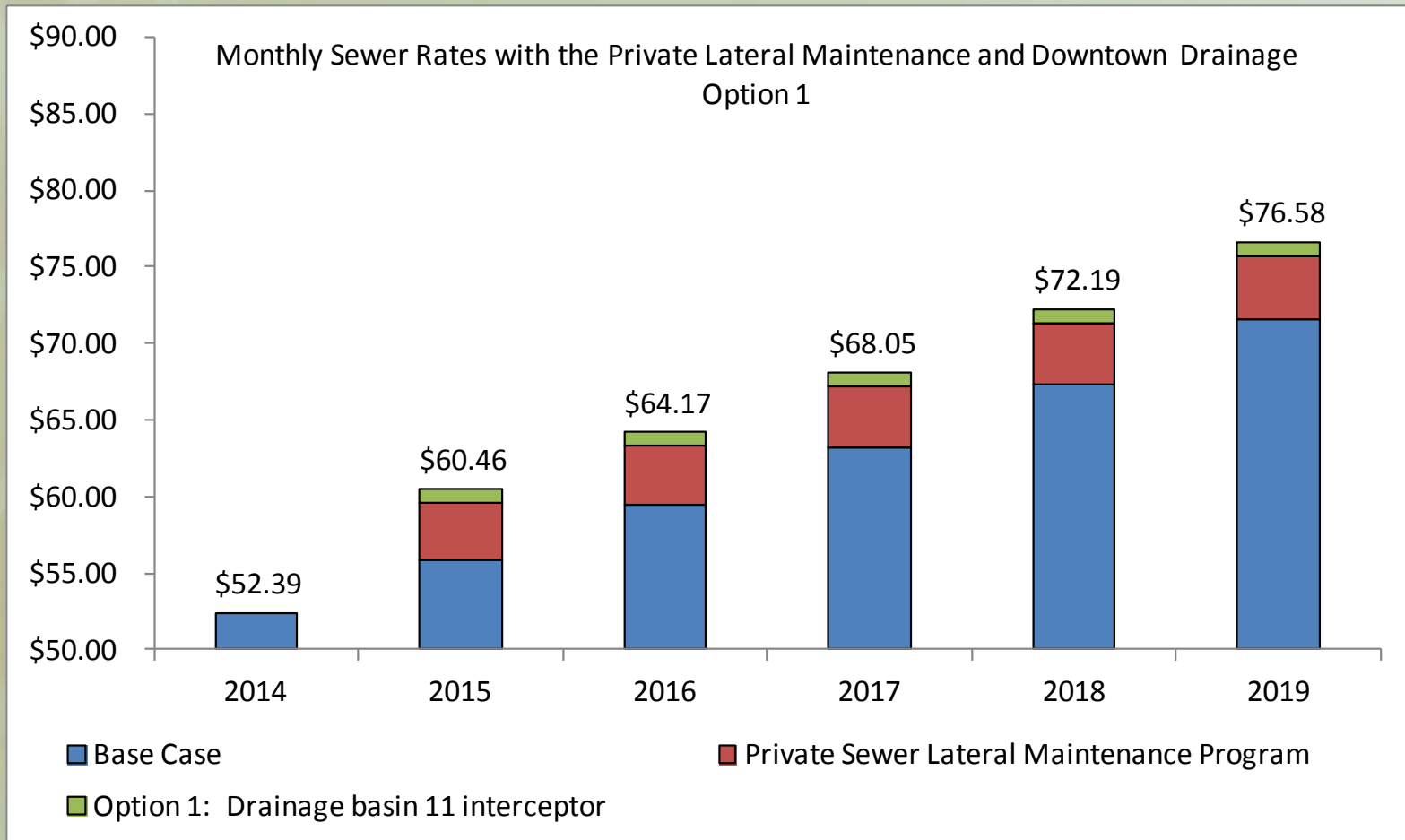
	2014	2015	2016	2017	2018	2019
Base Case	\$ 52.39	\$ 55.88	\$ 59.55	\$ 63.49	\$ 67.51	\$ 71.78
Downtown Drainage Options vs. Base Case:						
Option 1: Drainage basin 11 interceptor	\$ -	\$ 0.90	\$ 1.18	\$ 0.90	\$ 0.90	\$ 0.90
Option 2: Egyptian theater - pump station	\$ -	\$ 2.28	\$ 2.56	\$ 2.28	\$ 2.28	\$ 2.56
Option 3: all downtown drainage projects	\$ -	\$ 3.59	\$ 7.45	\$ 7.17	\$ 7.17	\$ 8.42
Private Sewer Lateral Maintenance Program	\$ -	\$ 3.68	\$ 4.07	\$ 3.91	\$ 4.02	\$ 4.14



Private Laterals & Downtown Drainage Projects - Continued



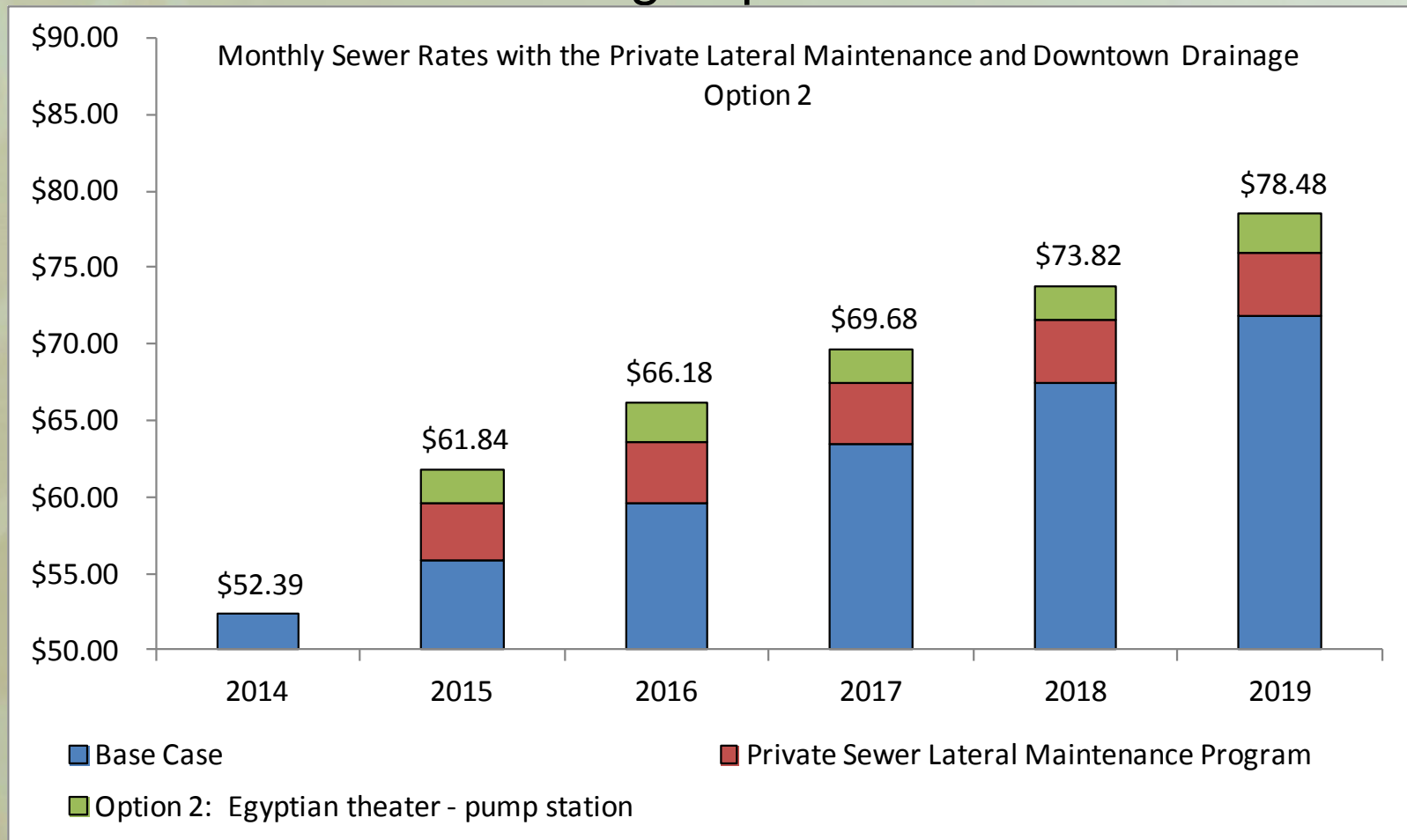
- Rate impacts of combining the private laterals O&M program with the downtown drainage option #1



Private Laterals & Downtown Drainage Projects - Continued



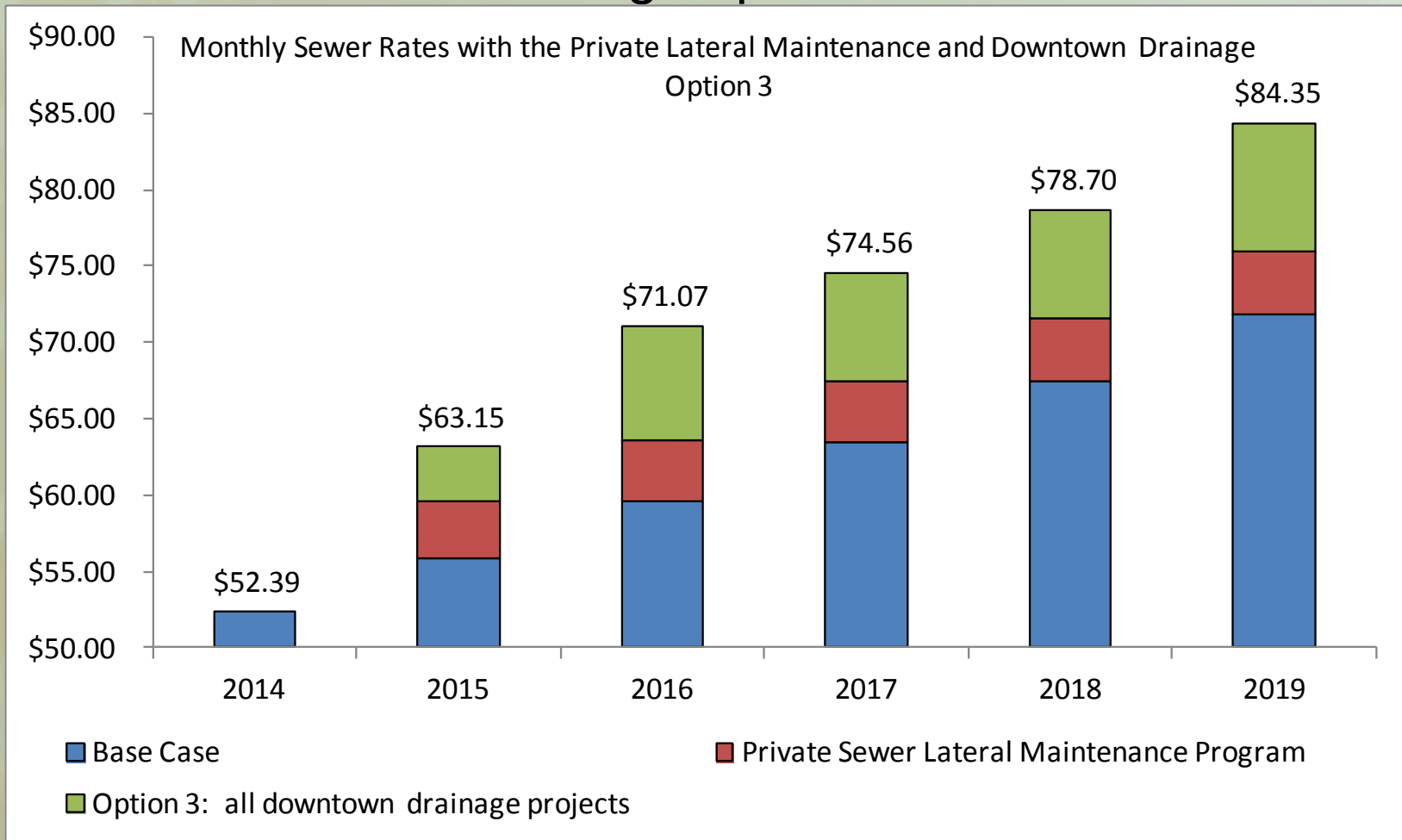
- Rate impacts of combining the private laterals O&M program with the downtown drainage option #2



Private Laterals & Downtown Drainage Projects - Continued



- Rate impacts of combining the private laterals O&M program with the downtown drainage option #3



Key Policy Considerations



Topic	Issue
<i>Charleston Sanitary District</i>	<ul style="list-style-type: none">▪ By the end of fiscal 2019, Charleston's treatment fees will grow to ~\$550k per year; The fiscal 2014 budget for Charleston is \$120k. Need new IGA to spell out rights and duties of both parties
<i>Future loans</i>	<ul style="list-style-type: none">▪ The City charter does not allow for the issuance of revenue bonds; A strategy needs to be developed for the type of debt that will be issued in the future to fund wastewater system capital improvements
<i>Private Laterals in the Public ROW</i>	<ul style="list-style-type: none">▪ Should the City take on the added costs of operating and maintaining private sewer laterals in the public right of way?
<i>Drainage in Downtown Core</i>	<ul style="list-style-type: none">▪ Should the City take on added costs of new major drainage projects in the downtown core?

Next Steps



- Gather input from project team to lock down the base case strategy
- Report back to the Council on progress with:
 - ✓ Charleston discussions
 - ✓ Status of CM/GC process for Plant 2 construction
 - ✓ Recommendation on future forms of long term debt
 - ✓ Any changes to the wastewater rate forecast
 - ✓ Any new developments from DEQ or regulatory agencies

Questions

