



City Council Agenda

Mayor
Christine Lundberg

City Council
Sean VanGordon, Ward 1
Hillary Wylie, Ward 2
Sheri Moore, Ward 3
Dave Ralston, Ward 4
Marilee Woodrow, Ward 5
Joe Pishioneri, Ward 6

City Manager:
Gino Grimaldi
City Recorder:
Amy Sowa 541.726.3700

City Hall
225 Fifth Street
Springfield, Oregon 97477
541.726.3700
Online at www.springfield-or.gov

The meeting location is wheelchair-accessible. For the hearing-impaired, an interpreter can be provided with 48 hours notice prior to the meeting. For meetings in the Council Meeting Room, a "Personal PA Receiver" for the hearing impaired is available. To arrange for these services, call 541.726.3700.

Meetings will end prior to 10:00 p.m. unless extended by a vote of the Council.

All proceedings before the City Council are recorded.

April 11, 2011

5:30 p.m. Work Session
Jesse Maine Room

CALL TO ORDER

ROLL CALL - Mayor Lundberg ____, Councilors VanGordon ____, Wylie ____, Moore ____, Ralston ____, Woodrow ____, and Pishioneri ____.

1. Jasper Trunk Sewer, P20353.
[Pam Eide] (20 Minutes)
2. Regional Wastewater, Local Wastewater, and Local Stormwater User Fees for Fiscal Year 11-12.
[Jeff Paschall/Ron Bittler/Len Goodwin] (30 Minutes)

ADJOURNMENT

6:20 p.m. Executive Session
(Estimated Time)
Pursuant to ORS 192.660(2)(d)
and ORS 40.225
Jesse Maine Room

CALL TO ORDER

ROLL CALL - Mayor Lundberg ____, Councilors VanGordon ____, Wylie ____, Moore ____, Ralston ____, Woodrow ____, and Pishioneri ____.

1. Labor Negotiations Between City and International Association of FireFighters (IAFF).
[Mary Bridget Smith] (30 Minutes)

ADJOURNMENT

AGENDA ITEM SUMMARY

Meeting Date: 4/11/2011
Meeting Type: Work Session
Staff Contact/Dept.: Pam Eide, PW
Staff Phone No: 541-736-1028
Estimated Time: 20 Minutes
Council Goals: Community and Economic Development and Revitalization

**SPRINGFIELD
CITY COUNCIL**

ITEM TITLE: JASPER TRUNK SEWER, P20353

ACTION

REQUESTED: Review and discuss the Jasper Trunk Sewer Project.

ISSUE

STATEMENT: The Council identified extending the Jasper Trunk Sewer, from its current terminus near the intersection of Jasper Road and 42nd Street to the Jasper/ Natron area, as a priority capital project. Staff would like to provide the Council with an update on the progress of the project.

ATTACHMENTS: Attachment 1: Council Briefing Memorandum
Attachment 2: CIP Project Sheet for Jasper Trunk Sewer
Attachment 3: Map

**DISCUSSION/
FINANCIAL
IMPACT:**

The extension of the Jasper Trunk Sewer was designated by the Council as a priority infrastructure need; in the FY 1999-2004 Capital Improvement Program. Council reaffirmed this project as a priority when they approved programming \$11.9 million of the funds from the FY 08-09 revenue bond issuance to the project in the capital budget.

During its adoption of the FY 2011 budget, the Council decided to defer the construction of the Jasper Trunk Sewer project in recognition of the economic downturn and the significant reduction in new housing starts in Springfield. Consequently, Council reprogrammed the funding for the construction of the project to other high priority rehabilitation and upgrade projects identified in the 2008 Wastewater Master Plan.

The current project budget includes funding to finish the design and easement acquisition phases of the project. The consultant has completed the 60% design plans and will begin easement acquisitions soon.

More detail is provided in the Council Briefing Memorandum.

MEMORANDUM

City of Springfield

Date: 4/11/2011**To:** Gino Grimaldi, City Manager**COUNCIL
BRIEFING
MEMORANDUM****From:** Len Goodwin, Assistant Public Works Director
Jeff Paschall, P.E., Supervising Civil Engineer
Pam Eide, P.E., Civil Engineer**Subject: Jasper Trunk Sewer, P20353**

ISSUE: The Council identified extending the Jasper Trunk Sewer, from its current terminus near the intersection of Jasper Road and 42nd Street to the Jasper/ Natron area, as a priority capital project. Staff would like to provide the Council with an update on the progress of the project.

COUNCIL GOALS/**MANDATE:**

Community and Economic Development and Revitalization

The Council has identified the Jasper/Natron area as a priority for new green field development. A key piece of infrastructure needed to enable future development within this area is extending a trunk sanitary sewer and the Council has provided a portion of the funding for the Jasper Trunk Sewer through the adopted Capital Improvement Program (CIP).

BACKGROUND:

The Jasper Trunk Sewer project was first identified as a needed piece of infrastructure in the 1980 Sanitary Sewer Master Plan. Since the adoption of the 1980 Master Plan, the project has become a priority project for the Council, as it is the key to development of 1,500 acres within the City's Urban Growth Boundary. The following is a summary of the key points in the development of this project:

- The Project was identified in the 1980 Sanitary Sewer Master Plan.
- The City constructed the first Phase from the Union Pacific Main Line on South 32nd Street to South 42nd Street at Jasper Road in 1997.
- Council first adopted the second Phase, now known as the Jasper Trunk Sewer project, into the 1999-2004 CIP scheduled as a 2002 Project.
- Funds were first programmed in the capital budget in FY 2003.
- Funds were redistributed over the years to other priority projects (Martin Luther King Parkway sanitary sewer, Harlow Lift Station, and Glenwood trunk sewer).
- The Project was again identified in the 2008 Sanitary Sewer Master Plan.
- The Council identified the project as a priority and dedicated \$11.9 million in funding from the 2009 revenue bond sale. In July, 2009, Murray Smith & Associates, Inc. (MSA) was hired as the design consultant.
- As part of the FY 2011 capital budget, the construction of the sewer was delayed and the construction funds (\$9.3 million) were redistributed to high priority rehabilitation and upgrade projects identified in the 2008 Wastewater Master Plan.

DISCUSSION:

Soon after MSA was hired, the design phase of the project was kicked into high gear, as the original plan was to construct the project in FY 2012. However, when the decision was made to delay construction of the project; the design phase was lengthened to better evaluate all routing options, as well as identify and negotiate easement needs. Currently the project is on schedule with the design 60% complete and projected to be within budget. The design phase will be complete in August 2011, with the construction of the project currently scheduled for early FY 2013. The following work has been accomplished during the design phase:

- The consultant prepared a Pre-Design Report identifying five (5) distinctive construction reaches (sections) with three (3) routing options for each section.
- A cost analysis was prepared for each routing option in the proposed construction reaches.
- The least cost routing was selected for designing each construction reach.
 - Construction Reach 1 is from South 42nd Street to approximately South 47th Street and eliminates the need for the existing Lucerne Meadows Pump Station, which will be removed from service as part of this project.
 - Construction Reach 2 extends to Mt. Vernon Road and eliminates the need for the Golden Terrace Pump Station, which will be removed from service as part of this project.
 - Construction Reach 3 ends at a private road at 36195 Jasper Road and eliminates the need for the Jasper Meadows Pump Station, which will be removed from service as part of this project.
 - Construction Reach 4 extends to Brand S Road and provides future service to the Brand S Road area.
 - Construction Reach 5 provides future service from Brand S Road to the southern Urban Growth Boundary (UGB) on Jasper Road.
- Topographic design surveys are complete along the entire corridor.
- The geotechnical investigation is completed including boring and analysis.
- The wetland delineations are complete and the Oregon Department of State Lands and Army Corps of Engineers have granted concurrence. Nineteen (19) individual wetlands, six ditches, and four creeks were identified and delineated.
- The necessity for fourteen permanent easements and temporary construction easements has been identified. Currently the consultant is completing property valuations. Negotiations will take place after the property valuations are approved by the City Engineer.
- Decommissioning of three sanitary sewer pump stations has been designed (Lucerne Meadows, Golden Terrace, and Jasper Meadows,) and included as part of the project plan set.

It had been anticipated that a single construction contract would be issued for the Jasper Trunk Sewer. However, with the five distinct construction reaches identified, the potential exists to manage construction of the project in phases. This will allow the construction phases to proceed as funding is identified (and, in particular, before the next issue of local wastewater revenue bonds), but may increase the total cost to deliver the project in the end. Higher costs would likely occur from inflation as the construction timeline is extended. This may or may not be off-set by an increase in administration costs due to managing multiple contracts.

The Lucerne Meadows Pump Station is at the end of its useful life. In order to keep the

station functional it will be necessary to construct significant upgrades estimated to cost up to \$80,000. Once Reach 1 of the Jasper Trunk Sewer is constructed, the Lucerne Meadows Pump Station can be decommissioned. At this point it appears to be feasible to construct Reach 1 even before a bond sale. Further staff analysis is required to determine how much of the entire project can be put into construction before a bond sale.

Estimated construction costs for each Reach are as follows:

Section	Location	Approx. Length (ft)	Cost
Reach 1	42 nd St. to 47 th St.	2,800	\$3,000,000
Reach 2	47 th St. to Mt. Vernon Rd.	4,700	\$2,000,000
Reach 3	Mt. Vernon Rd. to a Private Rd.	4,500	\$1,800,000
Reach 4	End of Reach 3 to Brand S Rd.	4,200	\$1,500,000
Reach 5	Brand S Rd. to UGB	1,700	\$1,000,000
	Totals	17,900	\$9,300,000

RECOMMENDED ACTION:

No action is requested. This is for your information only.

System Expansion, Upgrades, and Rehabilitation

Jasper Trunk Line Extension

Improvement SDC Eligibility: 81%

Map ID-WW2

Project Description: Installation of 18,000 feet of 10 to 27 inch diameter sewer along Jasper Road from 42nd Street to Natron and the Urban Growth Boundary. The City is planning on borrowing the total of the project cost and collecting the developer share through agreements and reimbursements upon connection to the system. Wastewater trunk lines are typically cleaned annually and video inspected by maintenance every five years. The additional impact on the operations and maintenance budget are shown below.

Justification: The Jasper sewer extension project will provide sewer service to the Jasper/Natron urban growth area that is currently not serviced. The Jasper Road Extension project from 57th and Main Street to Brand S Road and proposals for residential and industrial development in this area will stimulate the need for sewers. 100% of project costs are proposed to be funded with City funds, with an estimated 50% to be reimbursed to the City by grants, developer contributions, or assessments. Decommissioning of three existing pump stations is included in this project. Given completion of the Bob Straub Parkway, it is a priority to extend service to this area to meet anticipated development. The project is currently planned for construction in 2013. However, the Lucerne Meadows Pump Station, which will be decommissioned during construction of this trunk sewer, is at the end of its useful life and needs significant upgrades to continue to function. These upgrades are currently estimated to cost up to \$80,000. Staff is evaluating the alternative for keeping this pump station operational until the trunk sewer is constructed.

Project Driver: Springfield desires to provide services to areas within the Urban Growth Boundary (UGB) to promote future urban development. The Wastewater Master Plan prioritized this project for construction by 2010.

Project Trigger: Development in the Jasper/Natron Area and the need to decommission 3 pump stations and avoid costly system upgrades and maintenance activities.

Project Status: Design is underway, construction is deferred until 2013 pending funding.

Specific Plans/Policies Related to this Project:

- Council Direction
- 2008 Wastewater Master Plan

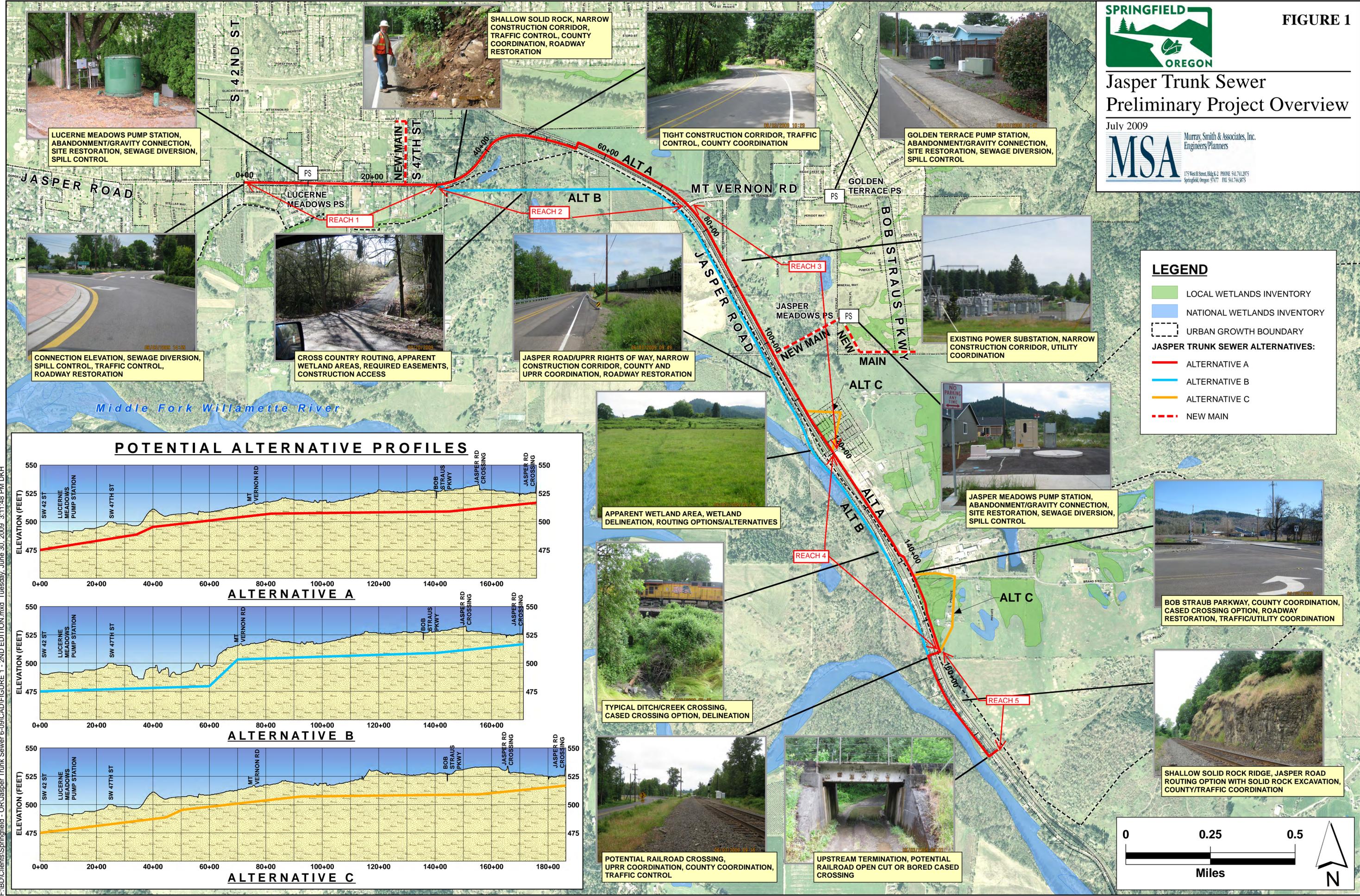
EXPENDITURE SCHEDULE (\$000s)								
Project Element	Total	Thru 2011	2012	2013	2014	2015	2016	Beyond 2016
Planning	\$ 200	\$ 200						
Engineering	\$ 750	\$ 350		\$ 400				
Land/Right of Way	\$ 500	\$ 500						
Construction	\$ 9,800	\$ 900		\$ 8,900				
Other	\$ -							
Total	\$ 11,250	\$ 1,950	\$ -	\$ 9,300	\$ -	\$ -	\$ -	\$ -

OPERATIONAL IMPACT (\$000s)								
Project Element	Total	Thru 2011	2012	2013	2014	2015	2016	Beyond 2016
Maintenance Costs	\$ 47	\$ 6	\$ 6	\$ 7	\$ 7	\$ 7	7	\$ 7
Personnel Costs	\$ 151	\$ 20	\$ 20	\$ 21	\$ 21	\$ 23	\$ 23	\$ 23
Total	\$ 198	\$ 26	\$ 26	\$ 28	\$ 28	\$ 30	\$ 30	\$ 30

FUNDING SOURCE (\$000s)									
Source	Fund #	Total	Thru 2011	2012	2013	2014	2015	2016	Beyond 2016
Special Assmt.		\$ -							
Revenue Bonds	409	\$ 1,750	\$ 1,750						
User Fees	409	\$ 200	\$ 200						
Federal Aid	420	\$ -							
State Aid	420	\$ -							
SDCs, Imp.	443	\$ -							
SDCs, Reimb.	442	\$ -							
Unspecified		\$ 9,300			\$ 9,300				
Total		\$ 11,250	\$ 1,950	\$ -	\$ 9,300	\$ -	\$ -	\$ -	\$ -

**Jasper Trunk Sewer
Preliminary Project Overview**

July 2009



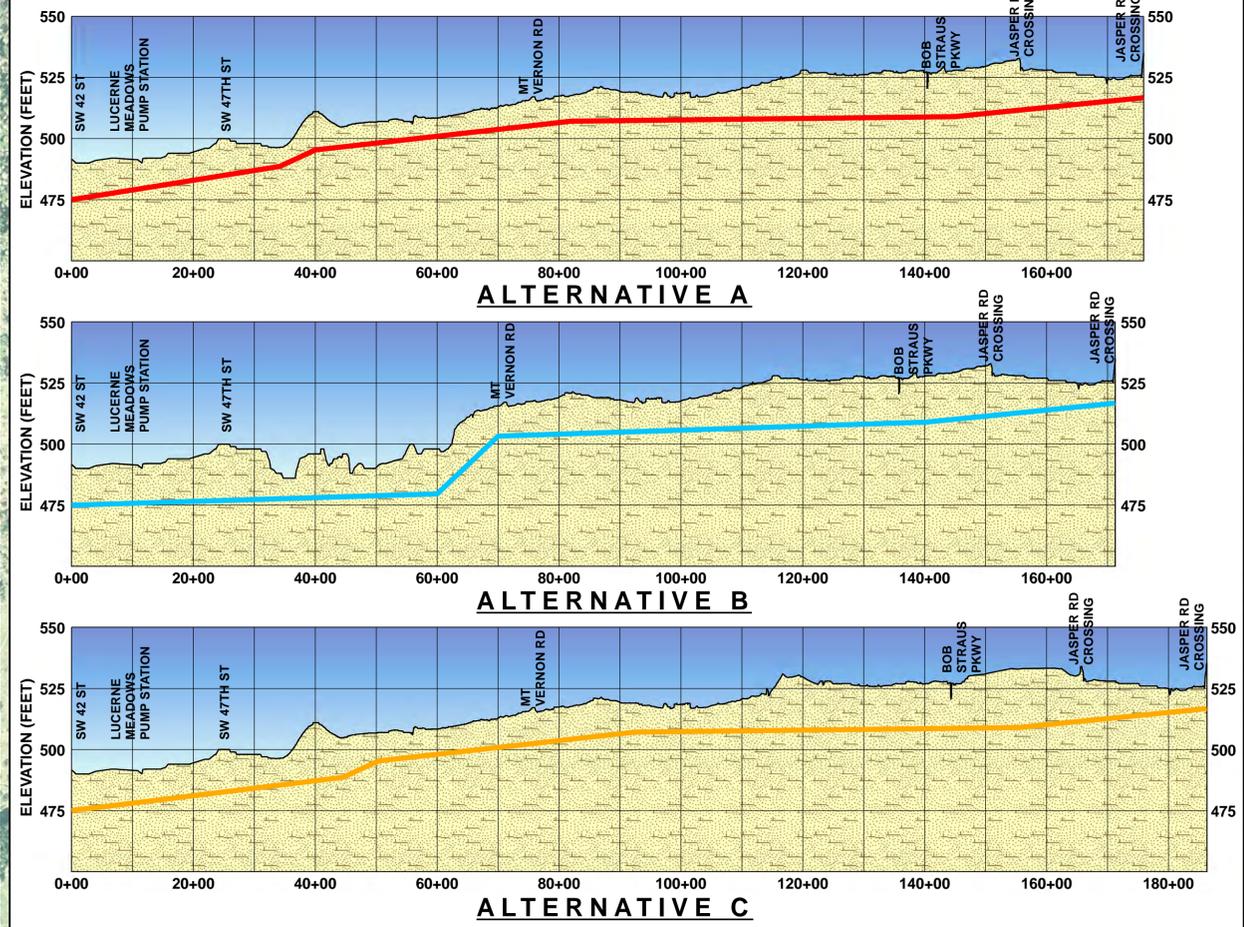
LEGEND

- LOCAL WETLANDS INVENTORY
- NATIONAL WETLANDS INVENTORY
- URBAN GROWTH BOUNDARY

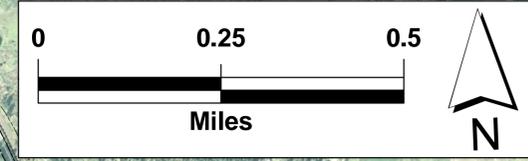
JASPER TRUNK SEWER ALTERNATIVES:

- ALTERNATIVE A
- ALTERNATIVE B
- ALTERNATIVE C
- NEW MAIN

POTENTIAL ALTERNATIVE PROFILES



F:\BDClients\Springfield - OR\Jasper Trunk Sewer 6-09\CAD\FIGURE 1 - 2ND EDITION.mxd Tuesday, June 30, 2009 3:11:48 PM DKH



AGENDA ITEM SUMMARY

Meeting Date: 4/11/2011
Meeting Type: Work Session
Staff Contact/Dept.: Jeff Paschall/PW
Ron Bittler/PW
Len Goodwin/PW
Staff Phone No: 541-726-1674
Estimated Time: 30 minutes
Council Goals: Financially Responsible
and Stable Government
Services

**SPRINGFIELD
CITY COUNCIL**

**ITEM TITLE: REGIONAL WASTEWATER, LOCAL WASTEWATER, AND LOCAL
STORMWATER USER FEES FOR FISCAL YEAR 11-12**

ACTION**REQUESTED:** Staff seeks direction establishing local wastewater and stormwater rates.**ISSUE****STATEMENT:**

User fees for local and regional wastewater and for stormwater were last reviewed by the City Council in May of 2010. Staff is in the process of developing Fiscal Year (FY) 11-12 local user fee options for consideration by Council later this spring. The Metropolitan Wastewater Management Commission (MWMC) approved a schedule of FY 11-12 regional wastewater user charges on April 8th and will be forwarding them to Springfield and Eugene for implementation.

ATTACHMENTS:

1. Council Briefing Memo
2. Residential Wastewater and Stormwater SDC/Rates Graphs

**DISCUSSION/
FINANCIAL
IMPACT:**

Each year, staff brings Council proposed user fee rates for local wastewater and stormwater programs. These fees are established to provide adequate revenue to fund operations and maintenance, capital improvement programs, and the debt service payments for the City of Springfield. In addition to these local fees, MWMC develops regional user fee rates to support the Regional Wastewater Program.

Regional Wastewater User Fees. At the March MWMC meeting, staff presented a draft budget and MWMC CIP based on a 4% user fee rate increase. MWMC will adopt the FY 11-12 regional user fee following a public hearing on April 8th. This rate will be forwarded to Eugene and Springfield for implementation.

Local Wastewater User Fees. The Council is requested to consider options for an increase in local wastewater user fees ranging from 3% to 9%. A 3% increase in FY 11-12 will increase the average monthly residential bill \$0.55, with 9% equivalent to \$1.66. The primary factor driving the need for increased local wastewater fees in FY 11-12 and subsequent years relates to the funding requirements of the local wastewater CIP. In FY 08-09, \$22.8 million in revenue bonds were issued, and to continue financing the CIP as approved by the City Council earlier this spring, issuance of additional revenue bonds is planned.

Stormwater User Fees.

Last year, Council approved a stormwater user rate increase of 15%, with annual 3% rate increases projected over the next five years. An Annual review of the revenue needed to support the stormwater budget and adopted CIP, confirms that the rate action plan recommended last year is still feasible. A 3% increase in FY 11-12 will increase the average monthly residential bill \$0.34.

By reducing costs and adjusting the timing of capital projects, the projected rate increase in FY 11-12 for both of the local user fees can be reduced from the anticipated \$2.00 to as low as \$0.89 per month on the average residential customers bill. Staff recommends that Council consider an increase of 4% (\$.074) to local wastewater fees (Option 4) and an increase of 3% (\$0.34) to the local stormwater fees in FY 11-12.

Upon receiving Council direction on the preferred options for local wastewater and stormwater user fees a draft schedule of user fees will be developed for a public hearing scheduled for May 16th.

MEMORANDUM

City of Springfield

Date: 3/31/2011
To: Gino Grimaldi, City Manager **COUNCIL**
From: Len Goodwin, Assistant Public Works Director **BRIEFING**
Ron Bittler, Environmental Services Manager
Jeff Paschall, P.E., Supervising Civil Engineer
Subject: FY 11-12 Wastewater and Stormwater User Fees **MEMORANDUM**

ISSUE:

Wastewater and stormwater user fees are reviewed and updated by the City Council annually. This process occurs in conjunction with adoption of the Budget and Capital Improvements Program (CIP) to ensure revenue adequacy. The Council also adopts the regional wastewater user fee set annually by the Metropolitan Wastewater Management Commission (MWMC).

This memo and the upcoming April 11th work session will focus on the local wastewater and stormwater user fees, drivers of revenue requirements projected for FY 11-12, and options for Council consideration. Information regarding the FY 11-12 MWMC regional wastewater fee being considered by the MWMC will also be included.

At the Council's April 11th work session, staff will seek Council direction in preparing a schedule of local wastewater and stormwater user fees for Council consideration following a public hearing on May 16th. The proposed FY 10-11 wastewater and stormwater revenue projections assume an effective date for new rates on bills rendered on or after July 1st.

COUNCIL GOALS/**MANDATE:**

Financially Responsible and Stable Government Services

In order to implement the Council-adopted CIP for local wastewater, additional revenue bonds will need to be considered. As part of the covenants to issue revenue bonds, the net revenue to debt service ratio must be greater than 1.25. Staff has provided options for Council to continue forward with the CIP and provided options regarding user rates to achieve Council goals.

BACKGROUND:

Each year, the City develops a CIP and operating budget for the local wastewater and stormwater programs. The CIP, operating budget, debt service obligations, and reserve levels established by the City Council determine the annual funding requirements. The primary funding sources include wastewater user fees (for operating and capital expenses) and system development charges (SDCs) (for capital expenses only). In addition to the local fees, the total wastewater user fees include regional charges established by the MWMC to fund the Regional Wastewater Program. The Cities of Springfield and Eugene annually implement the MWMC user charges consistent with the MWMC intergovernmental agreement (IGA). Descriptions of each of the utility systems are provided below.

LOCAL WASTEWATER SYSTEM:

The wastewater (or sanitary) system serving Springfield has two parts: a local collection system and a regional conveyance and treatment/disposal system. The local system is made up of more than 200 miles of collector pipes and 17 pump stations. It is owned and operated by the City of Springfield. Operation and Maintenance (O&M) of the local collection system is funded entirely by revenue from local sewer user fees. User fees are currently the primary source of funding for the local CIP, which provides for system preservation, major rehabilitation, and expansion to support community growth. Because of the scarcity of revenue available to this program, the Council has, for several years, prioritized and approved a list of CIP projects that defers all but the most vital rehabilitation and system upgrade needs.

REGIONAL WASTEWATER SYSTEM:

The regional (MWMC) wastewater system is comprised of numerous treatment facilities and a conveyance system owned by the MWMC, as described in the MWMC IGA. The primary regional wastewater facilities include the Water Pollution Control Facility (WPCF), the Biosolids Management Facility (BMF), Biocycle Farm, the Beneficial Reuse Site, several major pump stations and associated conveyances, and the large interceptor (“East Bank”) that carries Springfield’s wastewater to the WPCF.

Regional system O&M, provided by the City of Eugene, is funded entirely by revenue from regional wastewater user fees. The MWMC administration and the Springfield Industrial Pretreatment Program, are both integral parts of the Springfield Public Works and Finance Departments, and are also funded through regional wastewater user fees. Regional user fees also fund a significant portion of the MWMC CIP.

REGIONAL WASTEWATER FEES:

At the March MWMC meeting, staff presented a draft budget and MWMC CIP based on a 4% user fee rate increase. MWMC will adopt the FY 11-12 regional user fee following a public hearing on April 8th. This rate will be forwarded to Eugene and Springfield for implementation.

The primary factor driving regional wastewater user fee increases is the Commission’s capital financing plan associated with construction of the 2004 MWMC Facilities Plan

projects. The twenty-year capital projects plan is intended to provide environmental compliance and treatment capacity to serve community growth through 2025, at an estimated cost of \$196 million (in 2006 dollars). While major milestones were reached during FY 09-10 and FY 10-11, with respect to the completion of a number of construction projects, the 2004 Facilities Plan calls for additional capital projects totaling \$26 million to be designed and constructed in FY 11-12.

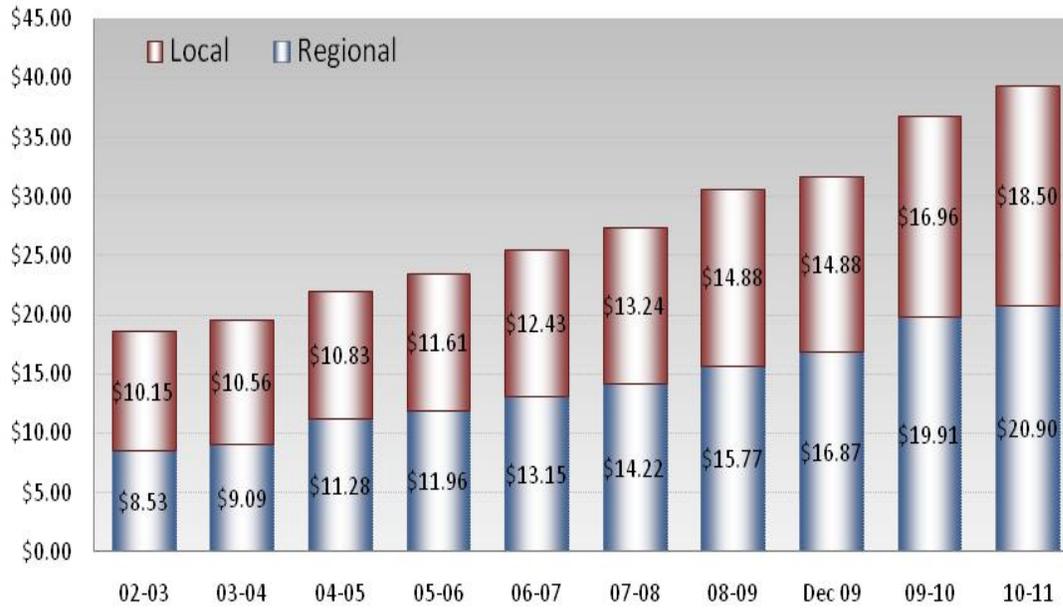
LOCAL AND REGIONAL WASTEWATER PROGRAM FUNDING AND USER FEE RATE HISTORY:

The wastewater user fees appearing on customers' monthly bills have a local (Springfield) and a regional (MWMC) component. In FY 10-11, based on a typical residential household using 5,000 gallons per month, the current local residential wastewater fee is \$18.50, and the residential regional fee is \$20.90. The current combined typical residential wastewater bill for Springfield residents is \$39.40. Residential customer bills are used as a benchmark for sewer rates because the volume and strength of the wastewater generated is similar within the customer class. The usage, and therefore the bills, of commercial and industrial uses vary dramatically because their wastewater volume and strength varies greatly. To give the Council some examples, a typical combined sewer bill with both local and regional components for one of the restaurants in Springfield that generates about 163,064 gallons of "very high" strength wastewater is about \$1,839. For a large grocery store generating about 113,696 gallons of "medium" strength wastewater, the typical monthly bill is about \$896.

Figure A below shows the trends (i.e. increases) in the local and regional user fees over the last several years. Prior to this trend, rates for local user fees were stable. Rates for MWMC user fees were stable for a long period of time (with no increases since 1996) prior to the annual increases that began in 2003. The annual rate increases for MWMC user fees occurring since 2003, and projected in future years, are driven primarily by: 1) lost revenue from industry shut downs; 2) steady declines in customer usage due to increased water conservation measures; 3) inflation; and 4) the 2004 Facilities Plan capital projects, which are intended to meet regulatory requirements and extend the effective life of the treatment plant through 2025.

Figure A

Springfield Monthly Residential & Local Wastewater Bill Trend



Year	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	Dec 09	09-10	10-11
Regional	\$8.53	\$8.53	\$9.09	\$11.28	\$11.96	\$13.15	\$14.22	\$15.77	\$16.87	\$19.91	\$20.90
Local	\$10.15	\$10.15	\$10.56	\$10.83	\$11.61	\$12.43	\$13.24	\$14.88	\$14.88	\$16.96	\$18.50
Total	\$18.68	\$18.68	\$19.65	\$22.11	\$23.57	\$25.58	\$27.46	\$30.65	\$31.75	\$36.87	\$39.40

% Rate Increase

Category	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	Dec 09	09-10	10-11
Regional	-	0%	7%	24%	6%	10%	8%	11%	7%	18%	5%
Local	-	0%	4%	3%	7%	7%	7%	12.5%	0%	14%	9%
Total	-	0%	5%	13%	7%	9%	7%	12%	4%	16%	7%

\$ Rate Increase

Category	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	Dec 09	09-10	10-11
Regional	-	\$0.00	\$0.56	\$2.19	\$0.68	\$1.19	\$1.07	\$1.55	\$1.10	\$3.04	\$0.99
Local	-	\$0.00	\$0.41	\$0.27	\$0.78	\$0.82	\$0.81	\$1.64	\$0.00	\$2.08	\$1.54
Total	-	\$0.00	\$0.97	\$2.46	\$1.46	\$2.01	\$1.88	\$3.19	\$1.10	\$5.12	\$2.53

Note: An interim rate increase for regional wastewater occurred in December 2009 due to the Hynix closure.

For Springfield’s local wastewater program, the current user fees are projected to generate about \$6.1 million during the current fiscal year. Current SDCs are projected to generate about \$300,000 for capital projects in the current fiscal year. For years, the Council has dedicated a significant portion of user fee revenues to the CIP. Over the last five years, the annual user fee contribution to the capital program has been approximately \$1 million. In addition, the amount of user fee revenues dedicated to annual debt service payments in the current budget year increased to just over \$2.3 million.

PREVIOUS COUNCIL ACTIONS:

To fund operating and capital requirements in FY 10-11, the Council increased local wastewater user fees by 9% and anticipated subsequent increases of 9% for FY 11-12 and FY 12-13, followed by annual 6% increases for the next 2 years. The primary driver

of the rate increase was a future bond issuance of \$17 million to pay for capital infrastructure priorities identified in the adopted CIP, and steady rate increases to prepare for future capital needs and provide for adequate maintenance and operations.

CAPITAL PROJECT FUNDING AND WASTEWATER USER FEE OPTIONS:

At the February 14, 2011 Work Session, staff presented the 2012-2016 Capital Improvement Program. At that time, Council reviewed and approved a CIP that prioritized funding for projects that are identified in the 2008 Wastewater Master Plan as necessary to maintain system integrity and meet regulatory obligations and deferred discretionary project work. In order to fund wastewater capital projects, a \$23.1 million revenue bond was issued in March of 2009. An additional \$17 million bond is currently anticipated in FY 2013, as well as a \$9 million bond in FY 2015 to pay for future capital projects. In order to maintain bond covenants, net revenues (revenues minus operations and maintenance expenses) must be 125% of the debt service payment for parity bonds. Furthermore, to issue new bonds, net revenues must be 125% of maximum debt service for all existing bonds and to-be-issued bonds. Typically, the maximum debt service payment does not occur in the same year the bonds are issued.

At the FY 10-11 Council user fee rate discussions, staff presented three separate five year rate outlooks that called for an initial rate increase in FY 10-11 of 5% at the low end to 16% at the high end. Council adopted the option that called for a series of annual 9% rate increases for three years, followed by two consecutive years of 6% increases. The primary drivers for the annual rate increases were capital infrastructure needs as well as maintaining bond covenant requirements. To lessen rate increase impacts staff worked to reduce operating budget expenditures by eliminating staff positions and cutting materials and supplies budgets. Between budgets for FY 2010 and FY 2011 the Local Wastewater Operating Fund was reduced approximately \$189,483 or nearly 6%. In addition, staff recommended and Council adopted a CIP and budget that delayed construction of the Japer Trunk Sewer Extension to FY 2013 enabling a rate outlook significantly lower than the previously anticipated FY 10-11 increase of 16%.

For the upcoming five year local wastewater financial outlook (FY12 to FY 16) four rate options and projections have been developed for Council consideration. The first two options for Council consideration provide adequate coverage for existing bonds as well as sufficient revenues to issue a \$17 million bond in FY 12-13. Both options are similar to the rate option selected by Council last year and are intended to implement the approved CIP and are driven by the 125% net revenue to debt service coverage ratio. The main difference between these options is that option 1 initiates a right of way use fee of 3%. This potential fee was discussed at the work session of March 21, and will be discussed in more detail at a work session scheduled for April 18. Similar to option 1, the third and fourth options implement a 3% right of way use fee, however the issuance of the \$17 million bond is delayed until FY 13-14. These latter options may potentially delay the completion of the Jasper Trunk Sewer Extension project, but staff is exploring strategies to construct the project in phases as funding can be identified. This could permit construction to begin as currently planned, even with a delay in any bond sale. The options differ in the amount of money that is made available for capital construction and in the level of volatility in rate increases.

OPTION 1:

Option 1 anticipates a \$17 million bond issuance in FY 12-13 and implements a 3% right of way use fee in FY 11-12. The five year rate outlook in this option is similar to the Council adopted option from last year. In Option 1, local user fees would increase \$1.66 per month on the average residential monthly bill for FY 11-12 and \$1.81 per month the following year. Option 1 provides a path to borrow the \$17 million in FY 12-13 and \$9 million in FY 13-14 to fund capital projects. Additionally, option 1 provides for funding to construct the entire length of the Jasper Trunk Sewer Extension as identified in the CIP, providing a continued revenue stream for future capital needs.

OPTION 2:

Option 2 anticipates a \$17 million bond issuance in FY 12-13 and absent a right of way use fee allows for a lower rate increase in FY 12-13. In Option 2, local user fees would increase \$1.66 per month in FY 11-12 on the average residential monthly bill and \$1.31 per month the following year. Similar to option 1, option 2 provides for funding to construct the entire length of the Jasper Trunk Sewer Extension as identified in the CIP.

OPTION 3:

Option 3 delays the \$17 million bond issuance one year to FY 13-14, and provides a lower user rate increase than previously planned for FY 11-12. With the implementation of option 3, local user fees would increase \$0.55 per month in FY 11-12 on the average residential monthly bill. Additionally, option 3 implements a 3% right of way use fee beginning in FY 11-12. Option 3 has the potential to delay final completion of the Jasper Trunk Sewer Extension, however the level of funding generated will allow construction of the first phase to begin on schedule.

OPTION 4:

Option 4 delays the \$17 million bond issuance one year to FY 13-14, and provides a lower user rate increase than previously planned for FY 11-12. With the implementation of option 4, local user fees would increase \$0.74 per month in FY 11-12 on the average residential monthly bill. Additionally, option 4 implements a 3% right of way use fee beginning in FY 11-12. Option 4 has the potential to delay final completion of the Jasper Trunk Sewer Extension, however the level of funding generated will allow construction of the first phase to begin on schedule. This option provides funding for capital projects through the generation of nearly \$9 million in capital funding.

FIVE-YEAR RATE IMPACTS:

The five-year summary of the four options is shown in the tables below.

Option 1: \$17M Bond in FY 12-13

Stable rate increase in FY 11-12 and FY 12-13

Implements a right of way use fee

Pros: Reduces risk of project delays, approved CIP funded, secures construction funding for all phases of the Jasper Trunk Sewer, generates over \$1 million for five year projection with implementation of a right of way use fee, \$9.8 million generated for capital project funding for the five year projection.

Cons: Highest projected user rate increases for the five year projection

Option 1: \$17M Bond in FY 12-13, 3% ROW User Fee Assessed

Year	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Avg. Mo. Res. Bill	\$ 20.15	\$ 21.96	\$ 22.62	\$ 23.30	\$ 24.00
% Increase	9.0%	9.0%	3.0%	3.0%	3.0%
Mo. \$ Increase	\$ 1.66	\$ 1.81	\$ 0.66	\$ 0.68	\$ 0.70
Annual \$ Increase	\$ 19.92	\$ 21.76	\$ 7.91	\$ 8.14	\$ 8.39
ROW Use Fee	\$ 184,090	\$ 200,697	\$ 218,352	\$ 225,877	\$ 232,653
Bond		\$17M			

Based upon average residential customer using 5,000 gal/month

Option 2: \$17M Bond in FY 12-13

Lower projected rate increase in FY 12-13

Pros: Reduces risk of project delays, approved CIP funded, secures construction funding for all phases of the Jasper Trunk Sewer, \$8.8 million generated for capital project funding for the five year projection.

Cons: Second highest projected user rate increases over the five year projection, right of way use fee is not implemented

Option 2: \$17M Bond in FY 12-13, 0% ROW User Fee Assessed

Year	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Avg. Mo. Res. Bill	\$ 20.15	\$ 21.46	\$ 22.10	\$ 22.77	\$ 23.45
% Increase	9.0%	6.5%	3.0%	3.0%	3.0%
Mo. \$ Increase	\$ 1.66	\$ 1.31	\$ 0.64	\$ 0.66	\$ 0.68
Annual \$ Increase	\$ 19.92	\$ 15.72	\$ 7.73	\$ 7.96	\$ 8.20
ROW Use Fee	\$ -	\$ -	\$ -	\$ -	\$ -
Bond		\$17M			

Based upon average residential customer using 5,000 gal/month

Option 3: \$17M Bond in FY 13-14

Lowest rate increase in FY 11-12

Pros: Lowest projected user rate increases over the five year projection generates over \$1 million for five year projection with implementation of a right of way use fee, \$8.4 million generated for capital project funding for the five year projection

Cons: Potential for delay in completing construction of the Jasper Trunk Sewer Extension, debt coverage ratio at minimum requirements in FY 13-14

Option 3: \$17M Bond in FY 13-14, 3% ROW User Fee Assessed

Year	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Avg. Mo. Res. Bill	\$ 19.04	\$ 19.90	\$ 20.69	\$ 21.31	\$ 21.95
% Increase	3.0%	4.5%	4.0%	3.0%	3.0%
Mo. \$ Increase	\$ 0.55	\$ 0.86	\$ 0.80	\$ 0.62	\$ 0.64
Annual \$ Increase	\$ 6.60	\$ 10.28	\$ 9.55	\$ 7.45	\$ 7.67
ROW Use Fee	\$ 184,090	\$ 190,559	\$ 198,651	\$ 206,049	\$ 212,733
Bond			\$17M		

Based upon average residential customer using 5,000 gal/month

Option 4: \$17M Bond in FY 13-14

Second lowest rate increase in FY 11-12

Pros: Second lowest projected user rate increases over the five year projection and generates over \$1 million for five year projection with implementation of a right of way use fee, \$9 million generated for capital project funding for the five year projection potentially eliminating future borrowing for current CIP projections, provides buffer with debt coverage ratio in FY 13-14

Cons: Potential for delay in completing construction of the Jasper Trunk Sewer Extension

Option 4: \$17M Bond in FY 13-14, 3% ROW User Fee Assessed

Year	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Avg. Mo. Res. Bill	\$ 19.23	\$ 20.00	\$ 20.80	\$ 21.74	\$ 22.72
% Increase	4.0%	4.0%	4.0%	4.5%	4.5%
Mo. \$ Increase	\$ 0.74	\$ 0.77	\$ 0.80	\$ 0.94	\$ 0.98
Annual \$ Increase	\$ 8.88	\$ 9.23	\$ 9.60	\$ 11.29	\$ 11.74
ROW Use Fee	\$ 184,090	\$ 192,288	\$ 199,878	\$ 207,886	\$ 217,120
Bond			\$17M		

Based upon average residential customer using 5,000 gal/month

COMPARISON OF WASTEWATER USER FEES TO OTHER OREGON CITIES:

Each year, staff updates a survey of wastewater user fees and SDCs in order to “benchmark” Springfield’s program costs to those of other similar communities. Figure B below shows a sample of communities for which FY 10-11 data was available. At this time, many cities are considering rate increases and Figure B represents current rates as of April 1, 2011. Many of the user rates may be higher, effective July 1st, than indicated below.

Figure B

City	Average Residential Wastewater Bill/mo*	Residential (2,400 sq ft) Wastewater SDC
Albany	\$41.17	\$2,402
Beaverton	\$34.48	\$4,135
Bend	\$36.98	\$2,840
Corvallis	\$30.04	\$4,170
Cottage Grove	\$38.38	\$1,368
Creswell	\$43.18	\$4,896
Eugene	\$30.15	\$3,301
Gresham	\$24.09	\$5,056
McMinnville	\$46.91	\$2,870
Portland	\$46.23	\$4,089
Salem	\$42.93	\$2,934
Springfield	\$39.40	\$5,194
Veneta	\$45.43	\$4,922
West Linn	\$26.40	\$2,855
Wilsonville	\$43.25	\$4,153
Average	\$37.93	\$3,679

*Note: Based on typical residential usage of 5,000 gallons per month.

**Note: Eugene and Springfield Bills reflect both local and regions wastewater fees

The average residential bill of all cities surveyed is \$37.93, which is about \$1.47 lower than Springfield’s current estimated average bill. The average wastewater SDCs for the surveyed cities is projected to be \$3,679, which is about \$1,515 lower than Springfield’s current rate for FY 10-11.

OTHER LOCAL WASTEWATER FUNDING CONSIDERATIONS:

At past City Council work sessions, councilors requested that staff assess the potential for other types of fees or charges that could bear some portion of the local wastewater costs in order to shift some of the burden away from user fees and SDCs. In addition,

staff has been asked for information about how the Council might provide consideration to low income and fixed income sewer customers. Responses to these considerations are provided below.

ALTERNATIVE FUNDING SOURCES:

Throughout the State of Oregon, the vast majority of sewer utility expenses are now covered through user rates and SDCs. In preparing the 2005 Financial Plan for the Regional Wastewater Program, staff and the MWMC financial advisor conducted a comprehensive evaluation of funding and financing mechanisms to support wastewater capital programs. From this research, the Financial Plan concluded that, without the benefit of grants and/or internal transfers from other funds, user fees and SDCs will be the primary source of revenue for wastewater utilities state wide. The most economically strategic financing tools appear to be State Revolving Fund loans and revenue bonds.

When the original treatment plants were constructed in the 1970s and 1980s, with about 80% federal grant funding, some communities, like Eugene-Springfield, funded the local match to the grants with General Obligation (GO) Bonds, which were repaid through property taxes. Among the reasons communities no longer tend to fund wastewater improvements with GO bonds is to reserve property taxes and bonding for other community priorities that do not have user rates and SDCs as a funding option. The Council could choose to put the discretionary development-driven capital projects on a future ballot.

Reimbursement Districts provide another funding tool that could be used in the future by the Council, particularly for development driven discretionary projects.

The City of Ashland dedicates a significant portion of a special restaurant tax to fund a portion of the wastewater utility. We are not aware of any other community in Oregon that funds wastewater programs in this manner. If the Council wishes to pursue this type of a fee to support wastewater capital programs, staff would need to return to Council with a work plan, scope and cost of a project to develop this type of fee for Council consideration.

Staff is not aware of other viable wastewater funding strategies. However, additional research could be conducted in the context of the Capital Financing Plan development.

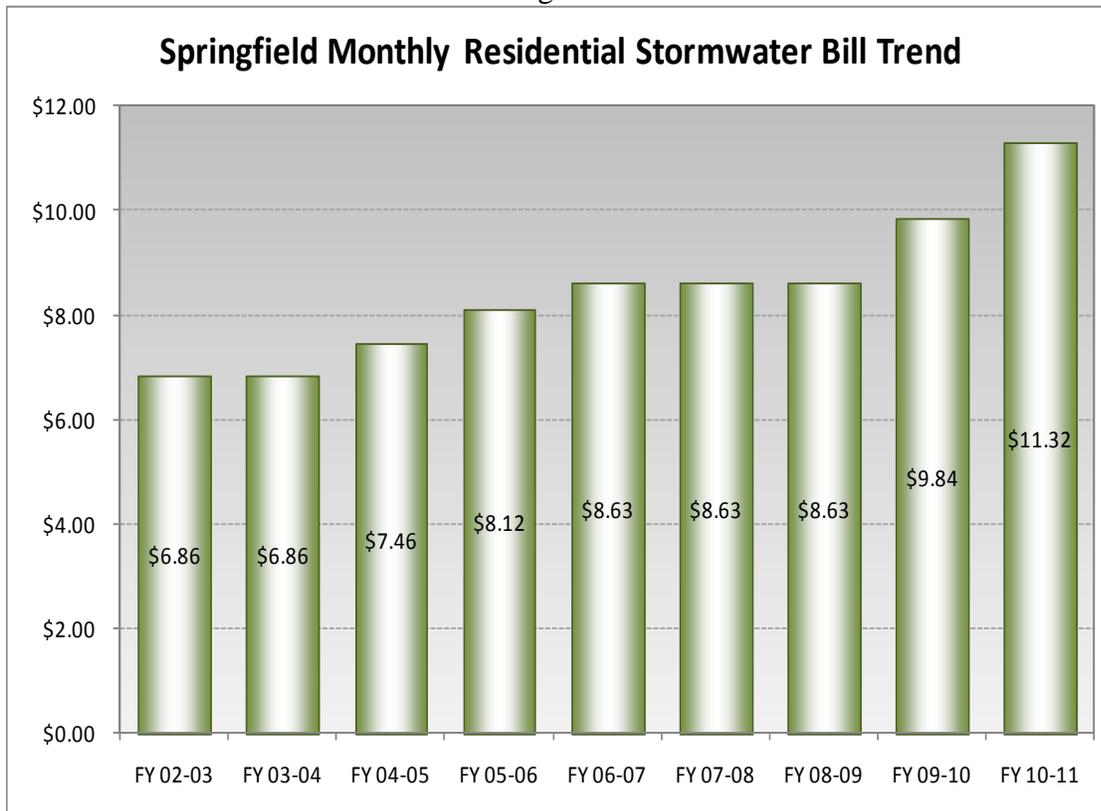
LOCAL STORMWATER PROGRAM FUNDING AND USER FEE RATE HISTORY:

In FY 10-11, the current local residential stormwater fee is \$11.32. For commercial customers, rates are calculated on the percentage of impervious area on the property as well as the total square footage of the property. Each commercial property is placed into one of five categories, very heavy, heavy, moderate, light, and none, and based on the category there is a specific monthly charge per 1,000 square feet of property plus a base fee of \$1.31 per month.

A commercial stormwater customer with 40% to 70% impervious area is categorized as a Heavy user and currently pays \$2.466 per 1,000 square feet of property plus a base fee of \$1.31. A monthly charge for a customer with 1.5 acres (approx. 65,340 sq. ft) would be \$162.48. Commercial customer rates will vary depending on the size of the property as well as the amount of impervious area.

Figure C below shows the trends (i.e. increases) in the local residential stormwater user fees over the last several years.

Figure C



Year	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11
Monthly Bill	\$6.86	\$6.86	\$7.46	\$8.12	\$8.63	\$8.63	\$8.63	\$9.84	\$11.32
% Increase	0%	0%	9%	9%	6%	0%	0%	14%	15%
\$ Increase	\$0.00	\$0.00	\$0.60	\$0.66	\$0.51	\$0.00	\$0.00	\$1.21	\$1.48

For Springfield's stormwater program, the current user fees are projected to generate about \$5.2 million during the current fiscal year. Current SDCs are projected to generate about \$90,000 for capital projects in the current fiscal year.

PREVIOUS COUNCIL ACTIONS:

Prior to FY 09-10, stormwater user fees had not increased since July 2006. In FY 09-10, stormwater residential user rates increased by 14% primarily in preparation for a stormwater revenue bond to pay for capital improvements included in the Stormwater Facilities Plan. The stormwater user rates were again increased 15% in the current fiscal year (FY 10-11) and in October 2010, \$10 million in revenue bonds were issued. Much like the local wastewater rates, stormwater rates were driven by the 125% net revenue to debt service coverage ratio required to issue revenue bonds.

CURRENT/FUTURE FUNDING NEEDS AND RATE OPTIONS:

In FY 08-09, Council adopted a comprehensive Stormwater Facilities Master Plan. The Master Plan identifies \$34 million (in 2008 dollars) in capital projects related to flood control and water quality. At the February 14, 2011 Work Session, staff presented the 2012-2016 Capital Improvement Program. At that time, Council reviewed and approved a CIP that prioritized funding for projects that are identified in the Stormwater Facilities Master Plan as necessary to maintain system integrity and meet regulatory obligations related to the completion of the Mill Race Restoration, and deferring discretionary project work.

Last year, Council approved a stormwater user rate increase of 15%, with annual 3% rate increases projected over the next five years. An Annual review of the revenue needed to support the stormwater budget and adopted CIP, confirms that the rate action plan recommended last year is still feasible. This rate plan is presented in the table below.

Stormwater User Rate Projections

Year	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16
Ave Res. Bill	\$11.66	\$12.01	\$12.37	\$12.74	\$13.12
% Increase	3.0%	3.0%	3.0%	3.0%	3.0%
\$ Increase	\$0.34	\$0.35	\$0.36	\$0.37	\$0.38
Bond		-	-	-	-

COMPARISON OF STORMWATER USER FEES TO OTHER OREGON CITIES:

Each year, staff updates a survey of stormwater user fees and SDCs in order to “benchmark” Springfield’s program costs to those of other similar communities. Figure D below shows a sample of communities for which FY 10-11 data was available. At this time, many cities are considering rate increases and Figure D represents current rates as of April 1, 2011. Many of the user rates may be higher, effective July 1st, than indicated below.

Figure D

City	Average Residential Stormwater Bill/mo*	Residential Stormwater SDC
Albany	\$0	\$0
Beaverton	\$6.75	\$1,439
Bend	\$4.00	\$0
Corvallis	\$5.48	\$209
Cottage Grove	\$5.08	\$1,255
Creswell	\$0	\$0
Eugene	\$9.82	\$557
Gresham	\$8.60	\$824
McMinnville	\$0	\$0
Portland	\$21.79	\$733
Salem	\$0	\$468
Springfield	\$11.32	\$1,141
Veneta	\$2.00	\$162
West Linn	\$4.82	\$994
Wilsonville	\$3.72	\$492
Average	\$7.58	\$552

RECOMMENDED ACTION:

As described above, staff has evaluated the funding requirements associated with the proposed FY 11-12 budget and the Council-adopted FY 12-16 CIP for the local wastewater and stormwater programs. Given the level of investment the City plans to make in wastewater and stormwater infrastructure, funding requirements cannot be met without increasing user fees in each of the next five years.

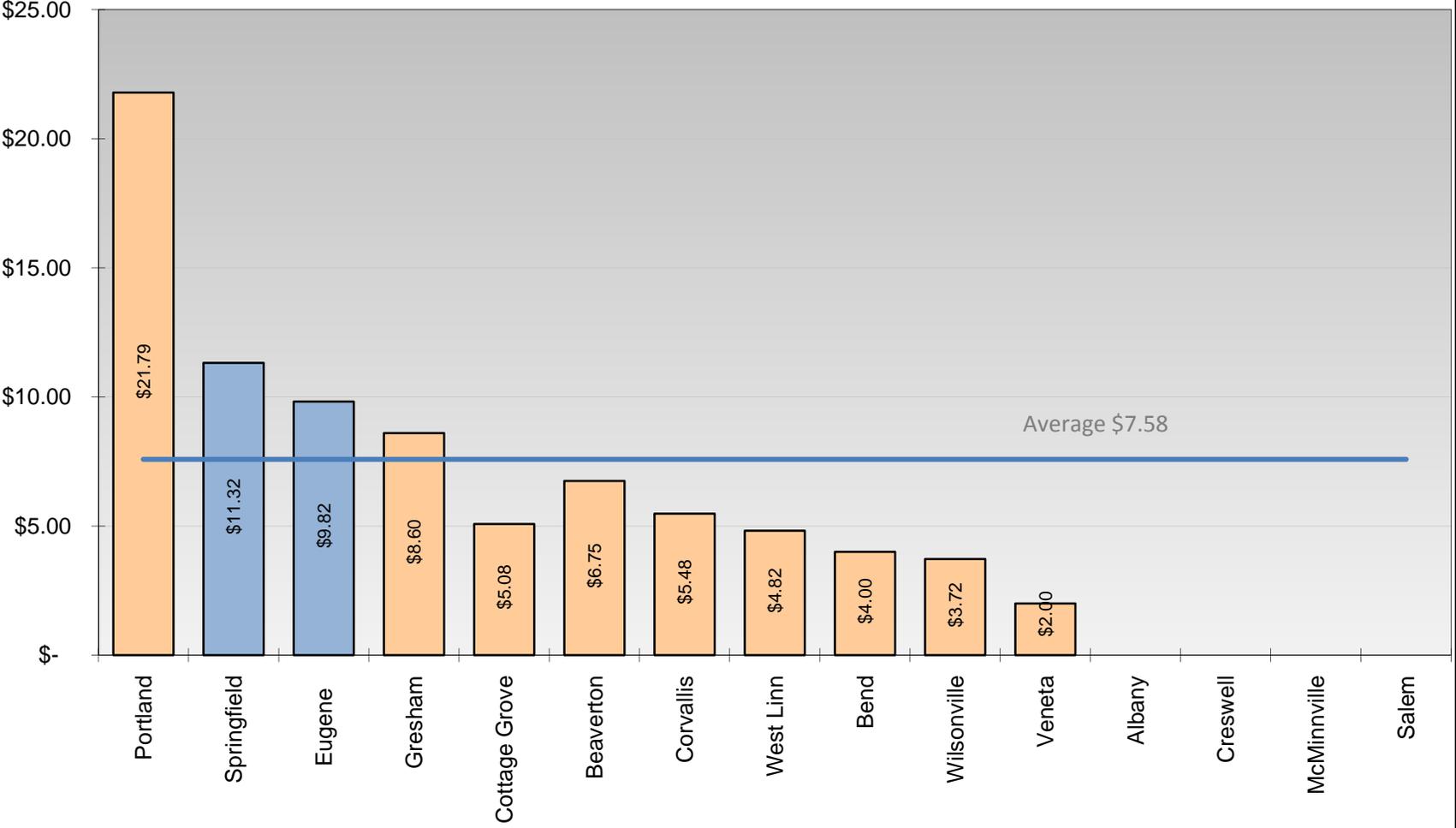
Staff recommends that Council consider a baseline increase of 4% to local wastewater fees in FY 11-12 (Option 4). This option provides stable user fee rate increases over the five year projection, generating nearly \$9 million dollars in capital funding reducing the potential need for future issuance of revenue bonds beyond the \$17 million in FY 13-14. Additionally, this scenario guards against the debt service ratio hitting the minimum allowable level in FY 13-14.

Staff recommends that Council consider continuing the rate option implemented last year and approve a baseline increase of 3% to local stormwater fees in FY 11-12. This option maintains current budget and bond covenant requirements.

Staff requests Council direction in order to prepare a draft schedule of local wastewater and stormwater fees, which will include the MWMC-adopted rates for FY 11-12 and the Council's selected local wastewater user fee option. The draft schedule of wastewater and stormwater fees will be reviewed and considered at a public hearing, which is scheduled for May 16th.

Average Monthly Residential Stormwater Fees

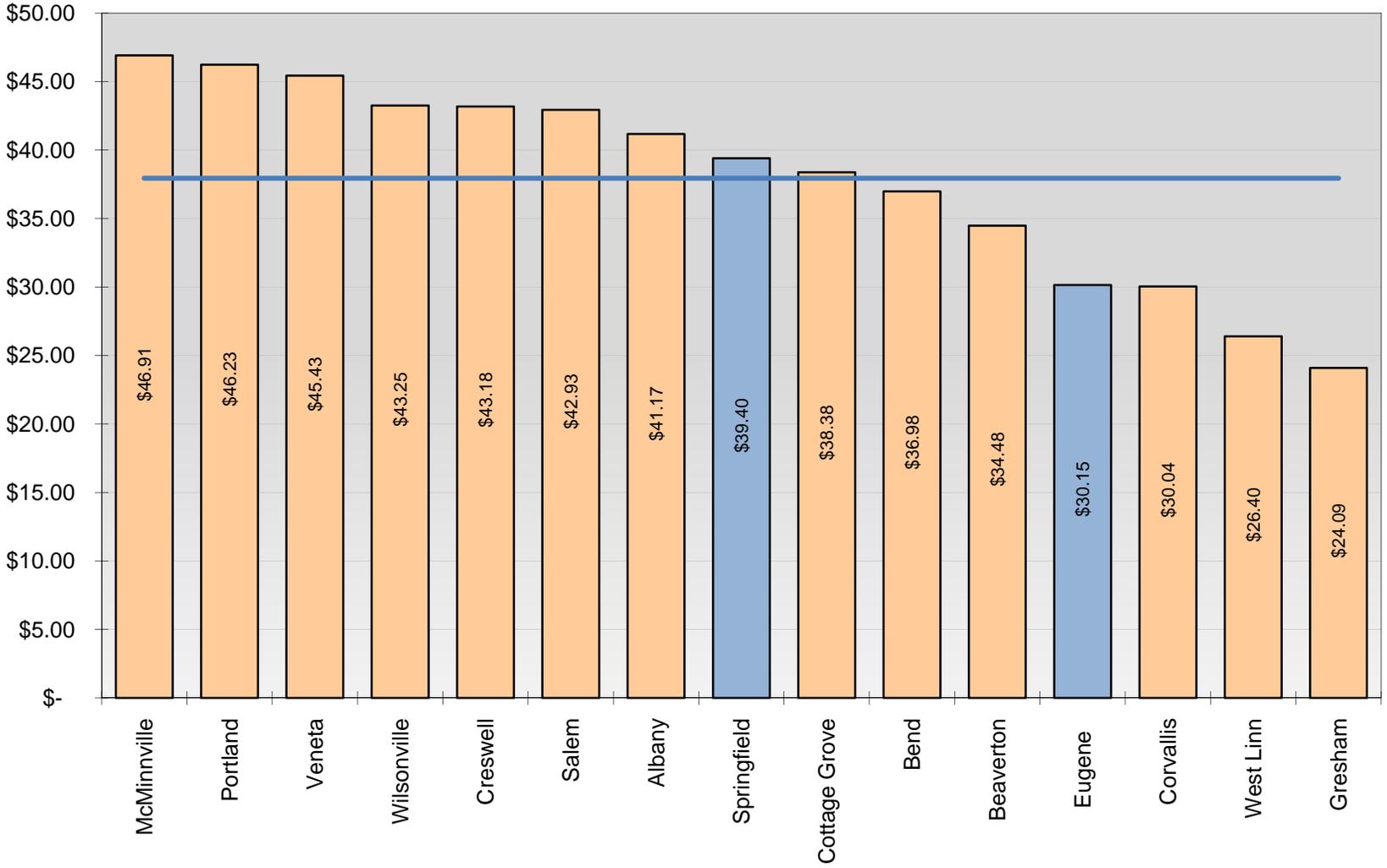
(Rates as of April 1, 2011)



Average \$7.58

Average Residential Wastewater User Fees

(Rates as of April 1, 2011)



Average Residential Wastewater and Storm Drain Fees

(Rates as of April 1, 2011)

