

## Memorandum

Date: November 19, 2010

To: Chris Jordan, City Manager

From: Richard Seals, Finance Director

Subject: Water Rates and Water Fund Forecast Update

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### **Purpose**

The purpose of this report is to provide an update on the Water Fund Forecast in light of Measure 3-364 not passing on November 2, 2010, and provide insights as to various forecasting options of the Water Fund.

### **Background**

Below is a summary of recent events surrounding water rates. A more complete Chronology of Events summarizing events over the last three decades is offered as an attachment to this memo.

- Nov 2008 – Council adopts 2008 Water Master Plan completed by Murray Smith & Associates
- Apr 2009 – Utility Advisory Board issues rate increase recommendation statement to Council
- Jul 2009 – Water Rate Study is completed by Pioneer Consulting Group
- Jan 2010 – Water SDC rates are updated pursuant to FSC Group report
- Jul 2010 – Council places Measure 3-364 on ballot for voters
- Nov 2010 – Voters do not approve Measure 3-364 (4,113 yes to 7,691 no)

Pursuant to the 2008 Water Master Plan and following the recommendations of the Utility Advisory Board and a Water Rate Consultant, staff narrowed water rate increase and rate structure options down to the following:

- Option #1 – 3 Tiered option, implemented all at once effective January 1, 2011
- Option #2 – 3 Tiered option, phasing-in increase over three years starting January 1, 2011
- Option #3 – 1 Tiered option, implemented all at once effective January 1, 2011
- Option #4 – 1 Tiered option, phasing-in increase over three years starting January 1, 2011

These structures were designed to increase water revenues sufficient to fund debt service on new water revenue bonds of \$21 million for water infrastructure projects as identified in the 2008 Water Master Plan. \$12 million of additional projects were identified, but these projects related to capacity-increasing projects and are covered by the SDC rate increases phased-in over 3 years as approved by Council in January 2010. All four water rate options eliminated the 7 units of water currently included in the base fee to better promote water conservation by offering a financial incentive for citizens to conserve.

After a year of review, discussion, and deliberation, Council decided on Option #4 as the measure for voters to consider. At the November 2, 2010 election, Measure 3-364 did not pass.

## **Challenges to Overcome**

There are many challenges that the City of West Linn needs to overcome, including:

### A Long History of Community Interest surrounding Water Rates

- 1986 – Voters do not authorize the issuance of \$1.6 million in GO bonds for water improvements
- 1987 – Water System Improvement Task Force is formed and makes recommendations to Council
- 1987 – Citizens for Effective City Planning oppose proposed rate increase and referendum is passed
- 1994 – Utility Advisory Board is established to make rate increase recommendations to Council
- 1995 – Voters repeal 1994 proposed water rate increase
- 2010 – Voters do not pass water rate increase

### South Fork Water Board (SFWB)

Although West Linn is a 50% owner in SFWB along with Oregon City, SFWB's financial pressures are passed through for both cities' Water Funds to absorb. This comes in the form of any SFWB wholesale water rate increases in excess of West Linn's 5% voter limitation (38.5% in 1993; 68.3% in 1994; 10% in 2010) and in the form of debt bail-out (Oregon City \$2.4 million loan to SFWB in 2010 to pay off SFWB bonds as SFWB was not meeting their 125% of annual debt service bond covenant). As SFWB's projections for necessary long-term capital improvements continue into the future, both cities should continue to expect wholesale water rate increases in excess of 5%. How best does the City of West Linn continue to absorb these increases while maintaining a maximum 5% annual rate increase to its citizens?

### Water Master Plans

Five Water Master Plans have been completed and/or updated over the last three decades (1982, 1987, 1999, 2004, and 2008) all listing necessary water infrastructure projects. The last plan, in 2008, recommended \$33 million (\$21 million existing infrastructure and \$12 million SDC related) in necessary water projects. The challenge posed is that some community members prefer one Plan over another.

### Water Fund Financials

The City's Water Fund generates approximately \$3 million in water revenue per year to cover \$1 million in wholesale water cost and \$1.5 million in annual operating costs, before any routine capital needs. Some community members feel that water rate increases are not necessary and that there should be sufficient funds available to fund \$21 million in infrastructure improvements, where in reality, net operating revenues will not be able to fund these improvements.

### Existing Water Rate Structure

The existing water rate structure, adopted by Council in 1994, includes 7 units of water in the base fee amount charged monthly to City residences. Accordingly, community members using less than 7 units of water per month pay the same as their neighbors using 7 units of water. This poses two challenges: First, as the median water usage in the City is 7 units, 50 percent of residents are affected by this inequity. The second challenge lies in proposing a new rate structure that voters will approve that achieves the targeted revenue.

### 5 Percent Voter-Approval Requirement

As there are a multitude of possible rate structure combinations, most elected Councils simply make the difficult decision of adopting rate increases knowing that they represent the best interests of the residents. In West Linn, voters passed a Charter amendment requiring any increases over 5 percent to go to a vote. This Charter amendment resulted in West Linn having the lowest utility bills in the region but has also resulted in necessary infrastructure improvements go unfunded. This Charter amendment

does provide the voters of West Linn control over water rate increases, but is not a financially sustainable way to maintain an aging water system.

#### **Updated Five Year Forecast for the Water Fund and Options**

There are a multitude of possible combinations in forecasting the financials of the Water Fund. Attached are five different options showing a range of effects from our current forecast which includes 5% rate increases going forward to forecasts with no rate increases.

- Option #1 – 5% rate increases forecasted every year through FY16 [current forecast]
- Option #2 – No rate increases forecasted
- Option #3 – 5% rate increases forecasted and no Reserve for Future Capital Needs
- Option #4 – No rate increases forecasted and no Reserve for Future Capital Needs
- Option #5 – 5% rate increased forecasted and 1 FTE layoff or reassignment

Note that the *Debt Service* payments averaging \$150,000 annually pertain to the \$1.8 million in water revenues bonds sold in 2000. As this was a 20-year bond issue, they will be paid off in 2021 and hence, beyond this forecast. For Options #1, #2, and #5, an \$8 million revenue bond issue is forecasted in FY15 along with increased debt service starting the following year in FY16.

#### **Summary**

The Water Fund is designed to be a self-sustaining enterprise operation. However, many challenges exist and there is a long history of community interest regarding water rates. The five forecasts provided in this report show two things: (1) that 5% rate increases are necessary to continue the bare minimum of water service and (2) even with 5% annual rate increases and staffing cuts (Option #5), the Water Fund can get by, but any reserves available are simply not sufficient to come close to funding the \$21 million projects identified in the Master Plan.

The purpose of this report is to provide an update on the Water Fund Forecast in light of Measure 3-364 not passing on November 2, 2010, and provide insights as to various forecasting options of the Water Fund. After review by the Utility Advisory Board and the City Council, alternative forecasting combinations can be provided as well.

#### **Attachments**

- Water Fund Five Year Financial Forecast Options
- Chronology of Events relating to Water Rates in West Linn
- Measure 3-364 and Results of Election

**City of West Linn**

**Water Fund**  
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY06	FY07	FY08	FY09	FY10	FY11	PROJECTED		FY14	FY15	FY16
							FY12	FY13			
<b>Resources</b>											
Beginning fund balance	\$592	\$655	\$1,207	\$1,123	\$620	\$468	\$619	\$594	\$599	\$644	\$731
Water charges - base	2,315	2,780	2,457	2,807	2,763	2,916	3,045	3,198	3,359	3,528	3,705
Water charges - rate increases	121	146	129	148	145	129	152	160	168	176	185
Interest	14	20	25	85	1	3	3	3	3	3	3
Miscellaneous	23	32	29	(245)	61	40	41	42	43	44	45
Licenses and permits	39	-	-	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	-	-	-	8,000	-
Transfers from other funds	149	80	-	-	-	-	-	-	-	-	-
Total revenues	2,661	3,058	2,640	2,795	2,970	3,088	3,241	3,403	3,573	11,751	3,938
<b>Total Resources</b>	<b>\$3,253</b>	<b>\$3,713</b>	<b>\$3,847</b>	<b>\$3,918</b>	<b>\$3,590</b>	<b>\$3,556</b>	<b>\$3,860</b>	<b>\$3,997</b>	<b>\$4,172</b>	<b>\$12,395</b>	<b>\$4,669</b>
<b>Requirements</b>											
Personal services	\$581	\$580	\$596	\$510	\$580	\$585	\$614	\$645	\$677	\$711	\$747
Materials & services	1,196	1,206	1,234	1,249	1,313	1,400	1,470	1,544	1,621	1,702	1,787
Debt service	153	150	151	154	153	150	150	150	150	150	700
Transfers to other funds	490	561	617	1,027	686	717	657	684	705	726	748
Capital outlay											
Scheduled & emergencies	178	9	126	358	390	85	25	25	25	25	25
Annual deferred maintenance	-	-	-	-	-	-	175	175	175	175	175
Reserved for future needs	-	-	-	-	-	-	175	175	175	8,175	175
Total expenditures	2,598	2,506	2,724	3,298	3,122	2,937	3,266	3,398	3,528	11,664	4,357
Ending Fund Balance											
Policy requirement (15%)	116	117	124	113	133	147	162	177	194	211	229
Reserve for debt service (inc	151	151	151	151	151	151	151	151	151	151	151
Over (under) Policy	388	939	848	356	184	321	281	271	299	369	(68)
Total ending fund balance	655	1,207	1,123	620	468	619	594	599	644	731	312
<b>Total Requirements</b>	<b>\$3,253</b>	<b>\$3,713</b>	<b>\$3,847</b>	<b>\$3,918</b>	<b>\$3,590</b>	<b>\$3,556</b>	<b>\$3,860</b>	<b>\$3,997</b>	<b>\$4,172</b>	<b>\$12,395</b>	<b>\$4,669</b>
<b>Utility Rate Information:</b>											
% water rate increases	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Water portion of average bill	\$ 13	\$ 13	\$ 14	\$ 15	\$ 15	\$ 16	\$ 17	\$ 18	\$ 19	\$ 19	\$ 20
Total average utility bill	\$ 37	\$ 38	\$ 54	\$ 56	\$ 60	\$ 63	\$ 66	\$ 69	\$ 73	\$ 77	\$ 80
<b>Bond Covenant Information:</b>											
Coverage Ratio (130% min)	159%	417%	160%	202%	256%	257%	333%	353%	380%	408%	94%
Reserves (Max Annual DS)	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151

**Option #1 - 5% Rate increases forecasted every year**  
[Ending Fund Balance continues to decline dropping below policy in FY16 and covenant violated]

**City of West Linn**

**Water Fund**  
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY06	FY07	FY08	FY09	FY10	FY11	PROJECTED		FY14	FY15	FY16
							FY12	FY13			
<b>Resources</b>											
Beginning fund balance	\$592	\$655	\$1,207	\$1,123	\$620	\$468	\$619	\$442	\$135	(\$300)	(\$869)
Water charges - base	2,315	2,780	2,457	2,807	2,763	2,916	3,045	3,046	3,047	3,048	3,049
Water charges - rate increases	121	146	129	148	145	129	-	-	-	-	-
Interest	14	20	25	85	1	3	3	3	3	3	3
Miscellaneous	23	32	29	(245)	61	40	41	42	43	44	45
Licenses and permits	39	-	-	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	-	-	-	8,000	-
Transfers from other funds	149	80	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>2,661</b>	<b>3,058</b>	<b>2,640</b>	<b>2,795</b>	<b>2,970</b>	<b>3,088</b>	<b>3,089</b>	<b>3,091</b>	<b>3,093</b>	<b>11,095</b>	<b>3,097</b>
<b>Total Resources</b>	<b>\$3,253</b>	<b>\$3,713</b>	<b>\$3,847</b>	<b>\$3,918</b>	<b>\$3,590</b>	<b>\$3,556</b>	<b>\$3,708</b>	<b>\$3,533</b>	<b>\$3,228</b>	<b>\$10,795</b>	<b>\$2,228</b>
<b>Requirements</b>											
Personal services	\$581	\$580	\$596	\$510	\$580	\$585	\$614	\$645	\$677	\$711	\$747
Materials & services	1,196	1,206	1,234	1,249	1,313	1,400	1,470	1,544	1,621	1,702	1,787
Debt service	153	150	151	154	153	150	150	150	150	150	700
Transfers to other funds	490	561	617	1,027	686	717	657	684	705	726	748
Capital outlay											
Scheduled & emergencies	178	9	126	358	390	85	25	25	25	25	25
Annual deferred maintenance	-	-	-	-	-	-	175	175	175	175	175
Reserved for future needs	-	-	-	-	-	-	175	175	175	8,175	175
<b>Total expenditures</b>	<b>2,598</b>	<b>2,506</b>	<b>2,724</b>	<b>3,298</b>	<b>3,122</b>	<b>2,937</b>	<b>3,266</b>	<b>3,398</b>	<b>3,528</b>	<b>11,664</b>	<b>4,357</b>
Ending Fund Balance											
Policy requirement (15%)	116	117	124	113	133	147	162	177	194	211	229
Reserve for debt service (inc	151	151	151	151	151	151	151	151	151	151	151
Over (under) Policy	388	939	848	356	184	321	129	(193)	(645)	(1,231)	(2,509)
<b>Total ending fund balance</b>	<b>655</b>	<b>1,207</b>	<b>1,123</b>	<b>620</b>	<b>468</b>	<b>619</b>	<b>442</b>	<b>135</b>	<b>(300)</b>	<b>(869)</b>	<b>(2,129)</b>
<b>Total Requirements</b>	<b>\$3,253</b>	<b>\$3,713</b>	<b>\$3,847</b>	<b>\$3,918</b>	<b>\$3,590</b>	<b>\$3,556</b>	<b>\$3,708</b>	<b>\$3,533</b>	<b>\$3,228</b>	<b>\$10,795</b>	<b>\$2,228</b>

<b>Utility Rate Information:</b>											
% water rate increases	5%	5%	5%	5%	5%	5%	0%	0%	0%	0%	0%
Water portion of average bill	\$ 13	\$ 13	\$ 14	\$ 15	\$ 15	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16
Total average utility bill	\$ 37	\$ 38	\$ 54	\$ 56	\$ 60	\$ 63	\$ 65	\$ 67	\$ 69	\$ 69	\$ 70
<b>Bond Covenant Information:</b>											
Coverage Ratio (130% min)	159%	417%	160%	202%	256%	257%	232%	145%	60%	-29%	-26%
Reserves (Max Annual DS)	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151

**Option #2 - 0% Rate increases forecasted every year**  
[Ending Fund Balance drops below policy in FY13 and covenant violated in FY14]

**City of West Linn**

**Water Fund**  
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY06	FY07	FY08	FY09	FY10	FY11	PROJECTED		FY14	FY15	FY16
							FY12	FY13			
<b>Resources</b>											
Beginning fund balance	\$592	\$655	\$1,207	\$1,123	\$620	\$468	\$619	\$769	\$949	\$1,169	\$1,431
Water charges - base	2,315	2,780	2,457	2,807	2,763	2,916	3,045	3,198	3,359	3,528	3,705
Water charges - rate increases	121	146	129	148	145	129	152	160	168	176	185
Interest	14	20	25	85	1	3	3	3	3	3	3
Miscellaneous	23	32	29	(245)	61	40	41	42	43	44	45
Licenses and permits	39	-	-	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	149	80	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>2,661</b>	<b>3,058</b>	<b>2,640</b>	<b>2,795</b>	<b>2,970</b>	<b>3,088</b>	<b>3,241</b>	<b>3,403</b>	<b>3,573</b>	<b>3,751</b>	<b>3,938</b>
<b>Total Resources</b>	<b>\$3,253</b>	<b>\$3,713</b>	<b>\$3,847</b>	<b>\$3,918</b>	<b>\$3,590</b>	<b>\$3,556</b>	<b>\$3,860</b>	<b>\$4,172</b>	<b>\$4,522</b>	<b>\$4,920</b>	<b>\$5,369</b>
<b>Requirements</b>											
Personal services	\$581	\$580	\$596	\$510	\$580	\$585	\$614	\$645	\$677	\$711	\$747
Materials & services	1,196	1,206	1,234	1,249	1,313	1,400	1,470	1,544	1,621	1,702	1,787
Debt service	153	150	151	154	153	150	150	150	150	150	150
Transfers to other funds	490	561	617	1,027	686	717	657	684	705	726	748
Capital outlay											
Scheduled & emergencies	178	9	126	358	390	85	25	25	25	25	25
Annual deferred maintenance	-	-	-	-	-	-	175	175	175	175	175
Reserved for future needs	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,598</b>	<b>2,506</b>	<b>2,724</b>	<b>3,298</b>	<b>3,122</b>	<b>2,937</b>	<b>3,091</b>	<b>3,223</b>	<b>3,353</b>	<b>3,489</b>	<b>3,632</b>
Ending Fund Balance											
Policy requirement (15%)	116	117	124	113	133	147	162	177	194	211	229
Reserve for debt service (inc	151	151	151	151	151	151	151	151	151	151	151
Over (under) Policy	388	939	848	356	184	321	456	621	824	1,069	1,357
<b>Total ending fund balance</b>	<b>655</b>	<b>1,207</b>	<b>1,123</b>	<b>620</b>	<b>468</b>	<b>619</b>	<b>769</b>	<b>949</b>	<b>1,169</b>	<b>1,431</b>	<b>1,737</b>
<b>Total Requirements</b>	<b>\$3,253</b>	<b>\$3,713</b>	<b>\$3,847</b>	<b>\$3,918</b>	<b>\$3,590</b>	<b>\$3,556</b>	<b>\$3,860</b>	<b>\$4,172</b>	<b>\$4,522</b>	<b>\$4,920</b>	<b>\$5,369</b>
<b>Utility Rate Information:</b>											
% water rate increases	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Water portion of average bill	\$ 13	\$ 13	\$ 14	\$ 15	\$ 15	\$ 16	\$ 17	\$ 18	\$ 19	\$ 19	\$ 20
Total average utility bill	\$ 37	\$ 38	\$ 54	\$ 56	\$ 60	\$ 63	\$ 66	\$ 69	\$ 73	\$ 77	\$ 80
<b>Bond Covenant Information:</b>											
Coverage Ratio (130% min)	159%	417%	160%	202%	256%	257%	333%	353%	380%	408%	437%
Reserves (Max Annual DS)	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151

**Option #3 - 5% Rate increases and no Reserve for Future Capital Needs**  
[Ending Fund Balance increases through FY16]

**City of West Linn**

**Water Fund**  
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY06	FY07	FY08	FY09	FY10	FY11	PROJECTED		FY14	FY15	FY16
							FY12	FY13			
<b>Resources</b>											
Beginning fund balance	\$592	\$655	\$1,207	\$1,123	\$620	\$468	\$619	\$617	\$485	\$225	(\$169)
Water charges - base	2,315	2,780	2,457	2,807	2,763	2,916	3,045	3,046	3,047	3,048	3,049
Water charges - rate increases	121	146	129	148	145	129	-	-	-	-	-
Interest	14	20	25	85	1	3	3	3	3	3	3
Miscellaneous	23	32	29	(245)	61	40	41	42	43	44	45
Licenses and permits	39	-	-	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	-	-	-	-	-
Transfers from other funds	149	80	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>2,661</b>	<b>3,058</b>	<b>2,640</b>	<b>2,795</b>	<b>2,970</b>	<b>3,088</b>	<b>3,089</b>	<b>3,091</b>	<b>3,093</b>	<b>3,095</b>	<b>3,097</b>
<b>Total Resources</b>	<b>\$3,253</b>	<b>\$3,713</b>	<b>\$3,847</b>	<b>\$3,918</b>	<b>\$3,590</b>	<b>\$3,556</b>	<b>\$3,708</b>	<b>\$3,708</b>	<b>\$3,578</b>	<b>\$3,320</b>	<b>\$2,928</b>
<b>Requirements</b>											
Personal services	\$581	\$580	\$596	\$510	\$580	\$585	\$614	\$645	\$677	\$711	\$747
Materials & services	1,196	1,206	1,234	1,249	1,313	1,400	1,470	1,544	1,621	1,702	1,787
Debt service	153	150	151	154	153	150	150	150	150	150	150
Transfers to other funds	490	561	617	1,027	686	717	657	684	705	726	748
Capital outlay											
Scheduled & emergencies	178	9	126	358	390	85	25	25	25	25	25
Annual deferred maintenance	-	-	-	-	-	-	175	175	175	175	175
Reserved for future needs	-	-	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,598</b>	<b>2,506</b>	<b>2,724</b>	<b>3,298</b>	<b>3,122</b>	<b>2,937</b>	<b>3,091</b>	<b>3,223</b>	<b>3,353</b>	<b>3,489</b>	<b>3,632</b>
Ending Fund Balance											
Policy requirement (15%)	116	117	124	113	133	147	162	177	194	211	229
Reserve for debt service (inc	151	151	151	151	151	151	151	151	151	151	151
Over (under) Policy	388	939	848	356	184	321	304	157	(120)	(531)	(1,084)
<b>Total ending fund balance</b>	<b>655</b>	<b>1,207</b>	<b>1,123</b>	<b>620</b>	<b>468</b>	<b>619</b>	<b>617</b>	<b>485</b>	<b>225</b>	<b>(169)</b>	<b>(704)</b>
<b>Total Requirements</b>	<b>\$3,253</b>	<b>\$3,713</b>	<b>\$3,847</b>	<b>\$3,918</b>	<b>\$3,590</b>	<b>\$3,556</b>	<b>\$3,708</b>	<b>\$3,708</b>	<b>\$3,578</b>	<b>\$3,320</b>	<b>\$2,928</b>
<b>Utility Rate Information:</b>											
% water rate increases	5%	5%	5%	5%	5%	5%	0%	0%	0%	0%	0%
Water portion of average bill	\$ 13	\$ 13	\$ 14	\$ 15	\$ 15	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16	\$ 16
Total average utility bill	\$ 37	\$ 38	\$ 54	\$ 56	\$ 60	\$ 63	\$ 65	\$ 67	\$ 69	\$ 69	\$ 70
<b>Bond Covenant Information:</b>											
Coverage Ratio (130% min)	159%	417%	160%	202%	256%	257%	232%	145%	60%	-29%	-123%
Reserves (Max Annual DS)	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151

**Option #4 - 0% Rate increases and no Reserve for Future Capital Needs**  
[Ok through FY13, but then EFB drops below policy and covenant violated]

**City of West Linn**

**Water Fund**  
(amounts in thousands)

	ACTUALS					Current Year	+ 1	+ 2	+ 3	+ 4	+ 5
	FY06	FY07	FY08	FY09	FY10	FY11	PROJECTED		FY14	FY15	FY16
							FY12	FY13			
<b>Resources</b>											
Beginning fund balance	\$592	\$655	\$1,207	\$1,123	\$620	\$468	\$619	\$666	\$749	\$878	\$1,055
Water charges - base	2,315	2,780	2,457	2,807	2,763	2,916	3,045	3,198	3,359	3,528	3,705
Water charges - rate increases	121	146	129	148	145	129	152	160	168	176	185
Interest	14	20	25	85	1	3	3	3	3	3	3
Miscellaneous	23	32	29	(245)	61	40	41	42	43	44	45
Licenses and permits	39	-	-	-	-	-	-	-	-	-	-
Debt proceeds	-	-	-	-	-	-	-	-	-	8,000	-
Transfers from other funds	149	80	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>2,661</b>	<b>3,058</b>	<b>2,640</b>	<b>2,795</b>	<b>2,970</b>	<b>3,088</b>	<b>3,241</b>	<b>3,403</b>	<b>3,573</b>	<b>11,751</b>	<b>3,938</b>
<b>Total Resources</b>	<b>\$3,253</b>	<b>\$3,713</b>	<b>\$3,847</b>	<b>\$3,918</b>	<b>\$3,590</b>	<b>\$3,556</b>	<b>\$3,860</b>	<b>\$4,069</b>	<b>\$4,322</b>	<b>\$12,629</b>	<b>\$4,993</b>
<b>Requirements</b>											
Personal services	\$581	\$580	\$596	\$510	\$580	\$585	\$614	\$645	\$677	\$711	\$747
Savings from 1 FTE layoff/reassignment	-	-	-	-	-	-	(72)	(78)	(84)	(90)	(96)
Materials & services	1,196	1,206	1,234	1,249	1,313	1,400	1,470	1,544	1,621	1,702	1,787
Debt service	153	150	151	154	153	150	150	150	150	150	700
Transfers to other funds	490	561	617	1,027	686	717	657	684	705	726	748
Capital outlay											
Scheduled & emergencies	178	9	126	358	390	85	25	25	25	25	25
Annual deferred maintenance	-	-	-	-	-	-	175	175	175	175	175
Reserved for future needs	-	-	-	-	-	-	175	175	175	8,175	175
<b>Total expenditures</b>	<b>2,598</b>	<b>2,506</b>	<b>2,724</b>	<b>3,298</b>	<b>3,122</b>	<b>2,937</b>	<b>3,194</b>	<b>3,320</b>	<b>3,444</b>	<b>11,574</b>	<b>4,261</b>
Ending Fund Balance											
Policy requirement (15%)	116	117	124	113	133	147	162	177	194	211	229
Reserve for debt service (inc	151	151	151	151	151	151	151	151	151	151	151
Over (under) Policy	388	939	848	356	184	321	353	421	533	693	352
<b>Total ending fund balance</b>	<b>655</b>	<b>1,207</b>	<b>1,123</b>	<b>620</b>	<b>468</b>	<b>619</b>	<b>666</b>	<b>749</b>	<b>878</b>	<b>1,055</b>	<b>732</b>
<b>Total Requirements</b>	<b>\$3,253</b>	<b>\$3,713</b>	<b>\$3,847</b>	<b>\$3,918</b>	<b>\$3,590</b>	<b>\$3,556</b>	<b>\$3,860</b>	<b>\$4,069</b>	<b>\$4,322</b>	<b>\$12,629</b>	<b>\$4,993</b>
<b>Utility Rate Information:</b>											
% water rate increases	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Water portion of average bill	\$ 13	\$ 13	\$ 14	\$ 15	\$ 15	\$ 16	\$ 17	\$ 18	\$ 19	\$ 19	\$ 20
Total average utility bill	\$ 37	\$ 38	\$ 54	\$ 56	\$ 60	\$ 63	\$ 66	\$ 69	\$ 73	\$ 77	\$ 80
<b>Bond Covenant Information:</b>											
Coverage Ratio (130% min)	159%	417%	160%	202%	256%	257%	381%	405%	436%	468%	107%
Reserves (Max Annual DS)	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151	\$ 151

Option #5 - 5% Rate increases and 1 FTE layoff or reassignment  
[Ending Fund Balance is maintained through FY16]

## Chronology of Events relating to Water Rates in West Linn

[from 1982 through 2010]

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September	1982	Water System Master Plan (1982) was completed and released by Murray Smith & Associates.
May	1983	Voters authorize the issuance of \$1,025,000 in General Obligation bonds for construction of various water system improvements (1,036 yes to 933 no).
August	1983	Council passes Ordinance No. 1119 increasing water rates.
October	1983	GO Bonds are issued that were approved by the voters earlier in May 1983.
March	1986	Voters do not authorize the issuance of \$1,645,000 in General Obligation bonds for construction, repair and improvements to water distribution, transmission, and storage facilities and to acquire real property necessary for these improvements.
March	1987	Water System Master Plan (1987) was updated by Murray Smith & Associates  Council appoints members to a Citizens Water System Improvement Task Force, and establishes guidelines and their charge. The Task Force met weekly until the issuance of their final report in July.
July	1987	Council receives Task Force's final report containing their conclusions and recommendations. The Task Force's recommendations included increasing the water rates by 41.4% and issuing \$850,000 in water system improvement bonds.
August	1987	Based upon the Task Force's recommendation, the Council passes Resolution No. 87-19 to place an \$850,000 bond measure on the ballot. The voters approve this Measure (1,937 yes to 1,872 no) and the bonds were later issued in November 1987.  Council holds work session with Task Force to discuss recommended 41.4% rate increase pursuant to solving the financial needs of the water operations.  Council passes Ordinance No. 1208 increasing water rates by 33.6% (this increase was never put into effect as it was later repealed by the voters in November 1987).
November	1987	Referendum was placed on the ballot by a citizens group (Citizens for Effective City Planning) opposing the 33.6% water rate increase who gathered enough signatures on their referendum petition seeking a repeal of the water rate increase.  Voters repeal the City's proposed water rate increase and the previous rates that were in effect, are immediately reinstated per Ordinance No. 1220.

## Chronology of Events relating to Water Rates in West Linn

[from 1982 through 2010]

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February	1988	Staff prepares a report to Council presenting three water rate increase options to fund water operations and to pay for Priority II improvements at the end of 6 years.
March	1988	Council holds Town Hall meeting receiving public comment and input.
April	1988	Council adopts Ordinance No. 1234 increasing water rates by 8.5% based upon Option #1 of the 6-year operating scenario for the Water Fund.
October	1989	Staff updates and releases the Water Fund's 5-Year Operating Plan for fiscal years 1990 through 1994.
July	1991	SDCs are updated pursuant to new State law (Oregon's SDC Act) and Council passes Ordinance No. 1302 to comply. New SDC rates and methodologies are proposed based upon special 1991 study conducted by Economic Resource Associates.
July	1992	Council passes updated SDC charges based upon 1992 study conducted by Economic Resource Associates.
August	1993	Water Rates Cost-of-Service report is completed by Economic Resource Associates and Council holds work session to review and study report. Work on this report is completed a year later, with a final report issued in September 1994.
November	1993	South Fork Water Board (SFWB) increases its wholesale water rate charge to the cities of West Linn and Oregon City by approximately 38.5%. This increase was based upon a Cost-of-Service report conducted by Economic Resource Associates. With new rates in place, SFWB issues \$3 million in water revenue bonds.  Staff updates the Water Fund's 5-Year Operating Plan for fiscal years 1990 through 1994 reviewing last 4 years of results.
July	1994	SFWB increases its wholesale water rate charge to the cities of West Linn and Oregon City by approximately 68.3%. This increase was based upon a 2nd Cost-of-Service report conducted by Economic and Engineering Services, Inc. SFWB issues \$4.3 million in water revenue bonds.
August	1994	Water Rates Cost-of-Service report is updated by Economic Resource Associates. The last twelve months involved several Council work sessions discussing increasing water rates.
September	1994	Council passes Ordinance No. 1366 increasing water rates (this increase was also not put into affect as it was later repealed by the voters in November 1995).

## Chronology of Events relating to Water Rates in West Linn

[from 1982 through 2010]

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December	1994	SFWB receives SDC Report conducted by Economic and Engineering Services, Inc. and adopts SDC charges for SFWB.
November	1995	Voters repeal the City's proposed water rate increase with Ordinance No. 1366 and the previous rates were reinstated.
April	1999	Water System Master Plan (1999) was completed by Montgomery Watson.
June	1999	Council passes Resolution No. 99-25 authorizing up to \$5.4 million in water revenue bonds to fund projects identified in the Water Master Plan.
September	2000	Council passes Resolution No. 00-41 issuing \$1.8 million in water revenue bonds to fund repairs to the I-205/Abernethy Bridge water transmission main, construct a booster pump station, and other improvements as identified in the Water Master Plan. As part of this bond issuance, bond holders required a rate covenant test requiring debt service to always equal or exceed 130% of Net Operating Revenues as measured on an annual basis.
March	2004	Water System Master Plan (2004) was updated by City Staff (Gary Parkin, P.E.).
November	2008	Water System Master Plan (2008) was completed by Murray Smith & Associates.
April	2009	Utility Advisory Board recommends 16% water rate increases to Council including a comment that, pending the results of the Water Rate Study, Council may need to seek even more of a percentage increase.
July	2009	Water Rate Study is completed by Pioneer Consulting Group, Inc. and is presented to the Utility Advisory Board and Council. Includes raising of overall water rates to generate bond funding of Master Plan projects and conservation pricing that eliminates the 7ccfs currently included in the base amount.
January	2010	SDCs rates and methodologies are updated and increases are phased-in over 3 years pursuant to a SDC Fee Report conducted by FSC Group.
July	2010	Council passes Resolution No. 2010-27 placing a measure on the ballot (Measure 3-364) requesting voters to consider authorizing a water rate increase, phased-in over 3 years, and to change the rate structure to provide a conservation pricing structure that eliminates the 7ccfs currently included in the base water amount.
November	2010	Voters do not approve Measure 3-364 (4,113 yes to 7,691 no).



# CLACKAMAS COUNTY

## ELECTIONS DIVISION

# VOTERS' PAMPHLET

# GENERAL ELECTION NOVEMBER 2, 2010

Your voted ballot must be received  
in our office, or in an official ballot  
drop box, by 8:00 p.m. on  
Election Day, November 2, 2010.

### ATTENTION

This is the beginning of your county voters' pamphlet. The county portion of this joint voters' pamphlet is inserted into the center of the state pamphlet. Each page of the county section is clearly marked by a tinted outside edge.

All information contained in this county portion of the pamphlet has been assembled and printed by your County Elections Official.

You will not vote on everything in this pamphlet, only those candidates and measures that appear on the Official Ballot contained in your Vote-By-Mail packet.

Candidate Statements, Measure Text, Explanatory Statements and Arguments are printed exactly as filed -- no spelling or grammatical corrections are made. Not all candidates file statements; a complete list of open positions and candidates is included in this pamphlet.

Visit us on the internet:  
[www.clackamas.us/elections](http://www.clackamas.us/elections)

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**Clackamas County  
Elections Division  
1710 Red Soils Ct., Ste. 100  
Oregon City, OR 97045  
503.655.8510**

**SHERRY HALL,  
County Clerk**



Please recycle this pamphlet with your newspapers.

# Measure 3-364

## Ballot Title

### AUTHORIZING WATER SYSTEM INVESTMENT AND CONSERVATION-BASED RATE SYSTEM

**QUESTION:** Shall the City base water pricing on water consumption to fund water system maintenance, safety upgrades, and to promote conservation?

**SUMMARY:** West Linn requests voter approval of a water rate structure that would provide investment in critical water system maintenance and promote water conservation. The Water Master Plan includes \$21 million in required infrastructure projects that include waterline replacements, emergency supply connection improvements, and renovations to 97 year old Bolton Reservoir. Investment in these projects would maintain and increase the safety of West Linn's water distribution system. Maintaining the City's drinking water system in accordance with the Water Master Plan may prevent costly system failures in the future. The proposed water rate structure would base pricing on water consumption by lowering the base rate, charging for each additional unit of water used. This change in rate structure would be phased in over three years. Implementation of a conservation based rate system may increase water rates by more than five percent for higher volume water users in one or more of the three years of phase-in. West Linn ratepayers can visit <http://westlinnoregon.gov/water-rates> to see how conservation pricing affects their utility bill.

## Explanatory Statement

This measure would provide for a new water pricing system that would allow the City of West Linn to invest in water infrastructure projects and to base the monthly water bill on water consumption. This pricing structure is referred to as "conservation pricing." Customers using less water would be charged less; while customers using more water would be charged more, based on the number of units of water consumed.

Currently, the City charges a base rate to all users that includes seven units of water. A switch to conservation pricing would lower the base rate, and would charge customers for each unit of water used. It is estimated the implementation of conservation pricing may increase water rates by more than five percent for higher volume water users in one or more years of the three year phase in of conservation pricing. The West Linn Charter requires voter approval for water rate increases greater than five percent. Approval of this measure would not change this Charter provision and any future rate changes greater than five percent annually would also be subject to voter approval.

The adopted Water Master Plan includes \$21 million in required infrastructure projects that directly affect availability of clean drinking water and the emergency water supply. West Linn owns and operates its drinking water distribution system that distributes water to all homes and businesses in West Linn through a system of six reservoirs, five pump stations and 118 miles of transmission lines. The Master Plan projects include line replacements, emergency supply connection improvements, and renovations to the 97-year-old Bolton Reservoir. \$21 million in projects on the Master Plan list are within the existing city boundaries and these projects would not serve areas outside of West Linn.

According to the Water Master Plan, much of the current water system is decades old and if left unmaintained, could threaten the safety of drinking water and livability. A recent community survey

showed that West Linn residents value safe, clean drinking water and sustainable practices including water conservation. This proposed change in the water pricing structure could provide funding for these water infrastructure projects identified in the Master Plan that could ensure a safe, properly-maintained water system and may prevent costly system failures that could result from a lack of routine maintenance and necessary capital upkeep. Providing safe, clean water is a fundamental public health and safety service offered by the City.

The exact impact of conservation pricing on any individual customer is dependent upon water use. The City developed an online calculator at <http://westlinnoregon.gov/water-rates> to determine how conservation pricing would affect a monthly utility bill.

If approved, this measure would:

- Change water billing to a conservation rate
- Commence a three year phase in of conservation pricing on January 1, 2011 to fund Water Master Plan projects
- Begin work on the \$21 million in water system infrastructure projects

Voters can learn more about this ballot measure online at <http://westlinnoregon.gov/water-rates>.

*(This information furnished by Chris Jordan, City of West Linn.)*

# Measure 3-364

## Argument in Opposition

### PLEASE VOTE NO ON MEASURE 3-364

Don't be fooled. This measure is not just about maintenance or conservation. It's about bringing our water to the Stafford Area for development of thousands of new homes that will flood our market and further deflate our home values. According to a city poll, 74% of West Linn's citizens don't want Stafford to be developed.

The 2008 Water Master Plan, upon which these increased costs are based, was unnecessary because the 2004 Master Plan Update was more than adequately designed to serve for complete build out of West Linn. With only 18% of land within the city limits remaining undeveloped, the 2008 Plan capacity is oversized and too expensive.

**We have already had our rates raised 7 times since 2005. That is a cumulative total of 41% in increases we have been forced to pay.** Yet only two short lengths of deteriorating pipe were replaced in those same six years. Why have the pipes not been properly maintained with this increase in revenues? The Bolton emergency would not have happened if our increased water rates had been used proactively to replace pipes as they aged.

City Engineers weren't made available for any of the five meetings leading up to the decision on rate hikes. Why did the City Manager not have them attend any of these meetings even after a City Councilor repeatedly requested that they answer questions in public? **We deserve to know what we are being asked to pay for and that transparency has been sorely lacking.**

The City Charter of West Linn caps increases on water rates to 5% a year. This Charter protection works in the best interests of the people who pay the rates. Proactively monitoring the pipes and repairing or replacing them when there is a need is what is required.

**Don't get fooled. This huge increase in water rates is not needed.**

### PLEASE VOTE NO ON MEASURE 3-364.

Edward Schwarz, Engineer

*(This information furnished by Edward Schwarz.)*

**NO ARGUMENTS IN FAVOR OF THIS MEASURE WERE FILED.**

*The printing of this argument does not constitute an endorsement by the County of Clackamas, nor does the county warrant the accuracy or truth of any statement made in the argument.*

# Measure 3-368

## Ballot Title

**SHALL PART OF WILLAMETTE PARK BE USED FOR STREET WIDENING?**

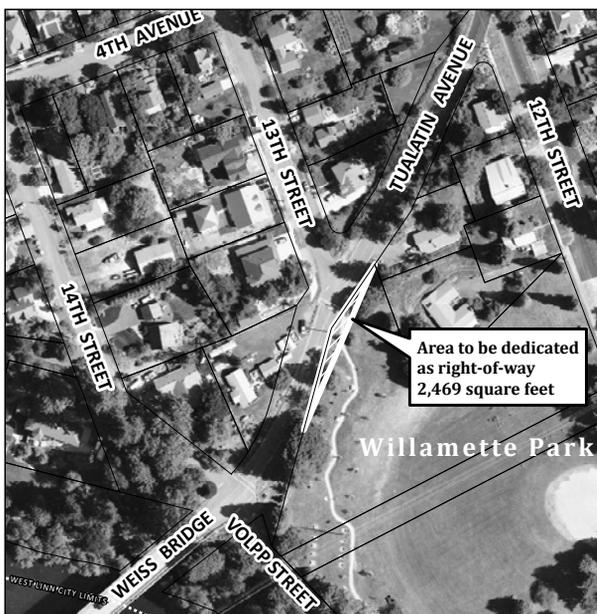
**QUESTION:** Shall the City allow 2,469 square feet of Willamette Park for widening the road and constructing a pedestrian median?

**SUMMARY:** This measure, if approved, would allow the use of a portion of Willamette Park along the east side of Tualatin Avenue immediately to the south of 13th Street to widen the right of way and construct a median for pedestrian use to and from the park and connectivity with existing sidewalks. The portion of the park to be used is shown on Exhibit A and consists of 2,469 square feet in the shape of a triangle. The maximum intrusion into the Park would be approximately 17 feet.

## Explanatory Statement

This measure, if approved, would allow the use of a portion of Willamette Park along the east side of Tualatin Avenue immediately to the south of 13<sup>th</sup> Street to widen the right of way and construct a median for pedestrian use to and from and park and connectivity with existing sidewalks. The portion of the park to be used is shown on Exhibit A and consists of 2,469 square feet in the shape of a triangle. The maximum intrusion into the park would be approximately 17 feet. The City of West Linn is required by its Charter to ask for voter approval for modifications to park property.

*(This information furnished by Chris Jordan, City of West Linn.)*



**NO ARGUMENTS IN FAVOR OR IN OPPOSITION TO THIS MEASURE WERE FILED.**

CITY OF WEST LINN Measure 3-364: Authorizing water system investment and conservation based rate system

Vote For 1

Yes . . . . .	4,113	34.84
No. . . . .	7,691	65.16
Total . . . . .	11,804	