

AGENDA BILL 2010-06-28-07

Subject: *Public Hearing- Resolution No. 2010-27 - Water Rates and Decision to Place Measure on Ballot*

For Council: June 28, 2010

Land Use Case Number: N/A

Public Hearing: The Council continues to take public comment on the issue of modifying the methodology for assessing water rates in West Linn.

City Manager's Initials: _____

Attachments:

- Memorandum to the City Manager
- Res. No. 2010-27 authorizing placement of a ballot measure on the September 2010 ballot

Initiated by:

- City Council goals for 2009-2010; adopted Water Master Plan; adopted Sustainability Plan

Budget Impact:

- The City's Water Fund does not currently have revenue stream that is able to sustain the recommended amount capital maintenance on the water system.
- Voter approval of a new rate system will provide these resources.

Sustainability Impact:

- Consumption-based water pricing will provide an incentive for conserving water.

Policy Questions for Council Consideration:

- Does the Council wish to consider placing a measure on the September 2010 ballot that would base water pricing on water consumption to pay for water system maintenance projects and promote conservation?

Summary:

- The City Council adopted a new Water Master Plan in December 2009 that includes \$21 million of maintenance projects over the next 20 years, including constructing a new Bolton Reservoir.
- To raise the funds to initiate these projects, the City needs to modify the current water rate structure; West Linn water rates are currently the lowest in the region.
- Implementation of a conservation-based rate system may increase water rates by more than five percent for some high-volume water users.
- The West Linn City Charter only allows annual increases of up to five percent for any utility without a vote of the community.

Recommended Action:

- If the Council wishes to proceed with investment in the West Linn water system and to promote water conservation, the Council should approve the resolution, place this item on the September 2010 ballot, and actively advocate in favor of the ballot measure to ensure its passage.

Council Action Taken:

- Approved
- Denied
- Continued

Memorandum

Date: June 17, 2010

To: Chris Jordan, City Manager

From: Richard Seals, Finance Director

Subject: Resolution authorizing a ballot measure on water infrastructure investment and conservation water pricing

Purpose

The Council is asked to decide upon a conservation pricing method (one-tier or three-tier pricing, phased in over three years). The Council is also asked to review a resolution placing a ballot measure related to water infrastructure investment and conservation pricing on the September 21, 2010 Special Election ballot.

Background

Consistent with the City Council goals, the Adopted Water Master Plan, and the Adopted Sustainability Plan, staff developed two different water rate structures. These structures are designed to increase water revenues sufficient to pay debt service on new water revenue bonds, while incorporating an incentive for conservation by lowering the base water rate and charging per unit of water.

Water revenue bonds are needed to fund \$21 million of water infrastructure projects necessary to maintain the City's water system. The proposed water rate structures encourage water conservation whereas our current rate structure offers no conservation incentive for citizens using seven units or less.

Per the Council's request, the City provided information about the Council's consideration of conservation pricing via the web, email notices, earned and paid media, notices, three town hall meetings, and three public hearings at Council meetings.

Recommendation

If the Council wishes to proceed with investment in the West Linn water system and to promote water conservation, the Council should approve the resolution, place this item on the September 2010 ballot, and actively advocate in favor of the ballot measure to ensure its passage.

**RESOLUTION 2010-27
WEST LINN, OREGON**

A RESOLUTION OF THE WEST LINN CITY COUNCIL CALLING AN ELECTION TO SUBMIT TO THE VOTERS A MEASURE TO BASE WATER PRICING ON WATER CONSUMPTION TO PAY FOR IMPORTANT WATER SYSTEM MAINTENANCE PROJECTS AND PROMOTE CONSERVATION

WHEREAS, the City of West Linn owns and operates its drinking water system that distributes water to all homes and businesses in the City; and

WHEREAS, this system includes XX reservoirs, XX pump stations, and XX miles of transmission lines and pipes; and

WHEREAS, in accordance with state law, the City has an adopted Water Master Plan that describes how the water system should be maintained and expanded to accommodate the community's need for clean drinking water; and

WHEREAS, the expansion of the water system to accommodate new growth is paid for through system development charges assessed on new development, and

WHEREAS, it is the existing community's responsibility to pay for maintenance of the current system; and

WHEREAS, the adopted Water Master Plan includes \$21 million of required capital maintenance over the next 20 years; and

WHEREAS, much of the current system is decades old and includes asbestos pipes; and

WHEREAS, the Bolton Reservoir, the largest reservoir in the city, is now 97 years old and in need of replacement, and

WHEREAS, the City's current rate structure for water has produced revenues that have been barely adequate to maintain the system and make major capital investments over the past decade, and

WHEREAS, several years ago revenues from water rates were not even adequate to satisfy the bond covenants associated with the sale of revenue bonds in the late 1990's, and

WHEREAS, the City has increased rates by the maximum of five percent annually for the past five years in an effort to meet the bond covenants and complete relatively minor maintenance projects on the system; and

WHEREAS the current rate structure is fundamentally flawed for homes and businesses as it does not promote efforts to conserve water; and

WHEREAS, the City Council has a goal of promoting sustainable practices such as water conservation; and

WHEREAS, the City hired a consultant to review the City's water rate structure and make recommendations for changing the rate structure so that it would promote conservation while providing adequate revenues to accomplish the capital maintenance projects outlined in the adopted Water Master Plan; and

WHEREAS, these recommendations was discussed with the Utility Advisory Board and the City Council in 2009; and

WHEREAS, City staff has presented this information at a joint City Council/Utility Advisory Board work session in May 2010; and

WHEREAS, the City Council has held public hearings on this topic on May 24, June 14 and June 28; and

WHEREAS, The City has held open houses on June 2, June 8 and June 16 to inform the community and respond to questions; and

WHEREAS, the new water rate structure will result in some high-volume water users having rate increases of greater than five percent; and

WHEREAS, the West Linn City Charter requires a vote of the community for any utility rate increase of greater than five percent; and

WHEREAS, there is a special election scheduled for September 21, 2010;

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WEST LINN, CLACKAMAS COUNTY, OREGON THAT:

Section 1: An election is hereby called in and for the City of West Linn, Clackamas County, Oregon, for the purpose of submitting to the legal voters of the City the following question:

Shall the City base water pricing on water consumption to pay for water system maintenance projects and promote conservation?

Section 2: Tuesday, September 21, 2010, is hereby designated the date for holding the election for the purpose of voting on the measure.

- Section 3: The election will be conducted by the Clackamas County Elections Department by mail.
- Section 4: The precincts for said election shall be and constitute all of the territory included within the corporate limits of the City of West Linn.
- Section 5: The City Elections Officer is hereby directed to publish notice of receipt of ballot title in the West Linn Tidings or The Oregonian in compliance with ORS 250.275(5).
- Section 6: The City Elections Officer shall file the ballot title with the county clerk as required by ORS 254.095 and shall include the proposed measure in the statement of city measures to be voted on.
- Section 7: City staff is directed to prepare an Explanatory Statement for the measure and submit it for inclusion in the voters' pamphlet as provided in ORS 251.345.
- Section 8: The ballot title to appear on the ballots shall be:

CAPTION

Voter approval for water system investment and conservation-based rate system

QUESTION

Shall the City base water pricing on water consumption to pay for water system maintenance projects and promote conservation?

SUMMARY

The City of West Linn requests voter approval for a new water rate structure that would provide for investment in critical water system maintenance and promote water conservation.

The adopted Water Master Plan includes \$21 million in required water system infrastructure projects that include water line replacements, emergency supply connection improvements, and renovations to the 97-year-old Bolton Reservoir.

Investment in these projects would maintain West Linn's water distribution system. Maintaining the City's drinking water system in

accordance with the adopted Water Master Plan may prevent costly system failures in the future.

The proposed new water rate structure would base water pricing on water consumption by lowering the base water rate and charging for each additional unit of water used. This change in the 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 high-volume water users. West Linn ratepayers can visit <http://westlinnoregon.gov/water-rates> to see how conservation pricing affects their monthly utility bill.

Section 9: If a majority of those voting on the measure vote “yes,” the City will base water pricing on water consumption, beginning with the January 2011 utility billing cycle.

Section 10: This resolution is effective upon approval.

This resolution adopted this 28th day of June, 2010.

JOHN KOVASH, MAYOR

ATTEST:

TINA LYNCH, CITY RECORDER

APPROVED AS TO FORM:

CITY ATTORNEY