

WES Advisory Committee AGENDA

November 14, 2019

Time	Topic	Action
6:30 pm <i>10 minutes</i>	Welcome, introductions, and opening remarks <u>Pledge of Allegiance</u> <i>Greg Geist, WES Director</i> <i>Diana Helm, WES Advisory Committee Chair</i>	Inform
6:40 pm <i>2 minutes</i>	October 24, 2019, Meeting Summary <i>Approve</i>	Approve
6:42 pm <i>5 minutes</i>	2020 Meeting Duration and Frequency <i>Presented by Greg Geist, WES Director</i>	Decide
6:47 pm <i>13 minutes</i>	OR Consensus Update <i>Presented by Greg Geist, WES Director</i>	Inform
7:00 pm <i>45 minutes</i>	WES Rules and Standards Update Equivalent Dwelling Unit (EDU) Methodology <i>Presented by Ron Wierenga, WES Environmental Services Manager and Erin Blue, WES Financial Analyst</i>	Motion to support recommended approach
7:45 pm <i>45 minutes</i>	WES System Development Charges <i>Presented by Chris Storey, WES Assistant Director</i>	Inform/Discuss
8:30 pm	Adjourn	

November 14, 2019

WES Rules and Standards Update Equivalent Dwelling Unit (EDU) Methodology

Ron Wierenga, Environmental Services Manager
Erin Blue, Financial Analyst



WESAC Discussion: What are we going to talk about...

- Review WES's Current methodology for assigning EDUs to residential projects
- Review results of an analysis looking at the relationship between dwelling size and water usage
- Seek concurrence on recommended approach to modify residential EDU methodology

WES's Residential EDU Methodology



Residential EDU Determination

- Context: Estimate sewer system impact of a residential customer
- Current Policy: House-is-a-house, multifamily and mobile homes a fraction thereof

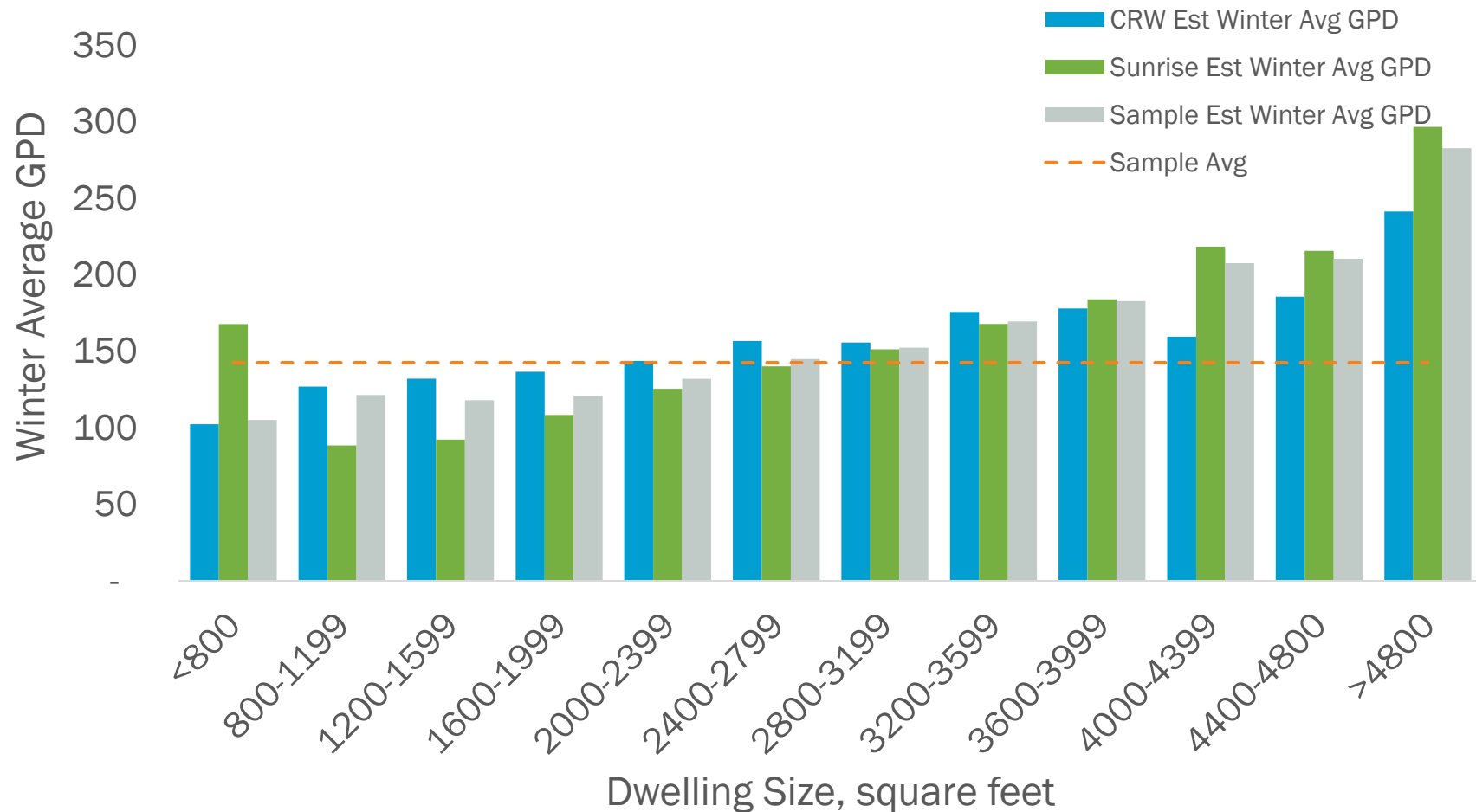
Element	District	Other Examples
Residential	<ul style="list-style-type: none">• Single Family 1 EDU• Multifamily 0.8 EDU• Mobile 0.8 EDU• Townhomes/ADU 0.8 EDU	<ul style="list-style-type: none">• Base-plus sf model (Eugene, OR)• Per sf & home size categories (Newport, OR)• By type with a small home category (MWMC, Sarasota, FL)• By type + per sf over certain size (Houston, TX)

Analysis

- Is there a relationship between dwelling size and wastewater system impact?
 - PSU/Portland Water Bureau Study
 - Water Research Foundation Report
 - US Census Data

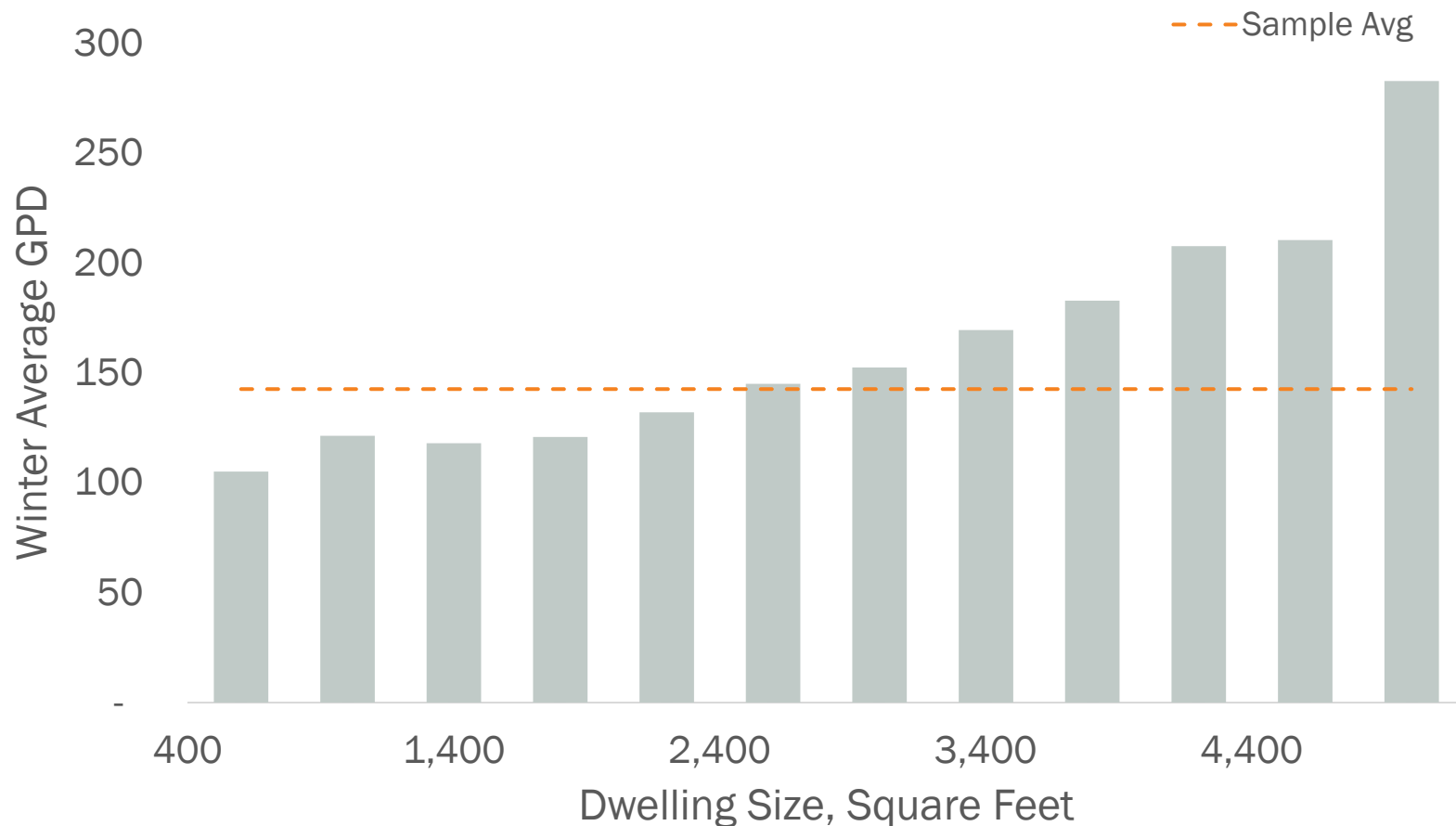
Analysis

- What did Clackamas County data show?
 - Water use increases with dwelling size
 - Support for adjusting residential EDU assignment



Analysis – Potential Application to EDU Assignment

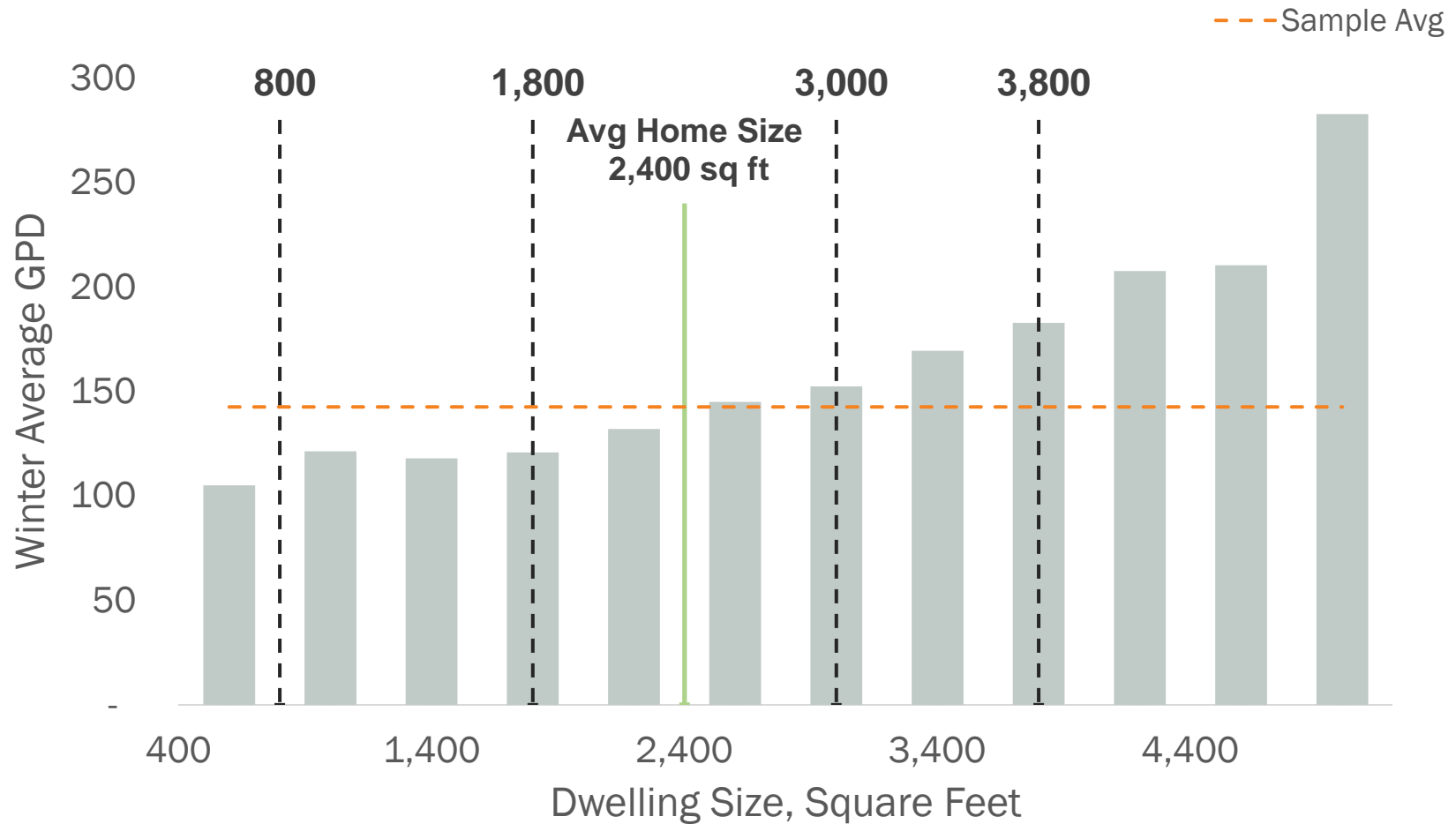
- What dwelling sizes should be equivalent to 1 EDU?
- What dwelling sizes should be more or less than 1?



Analysis – Potential Application to EDU Assignment

2 Step Process

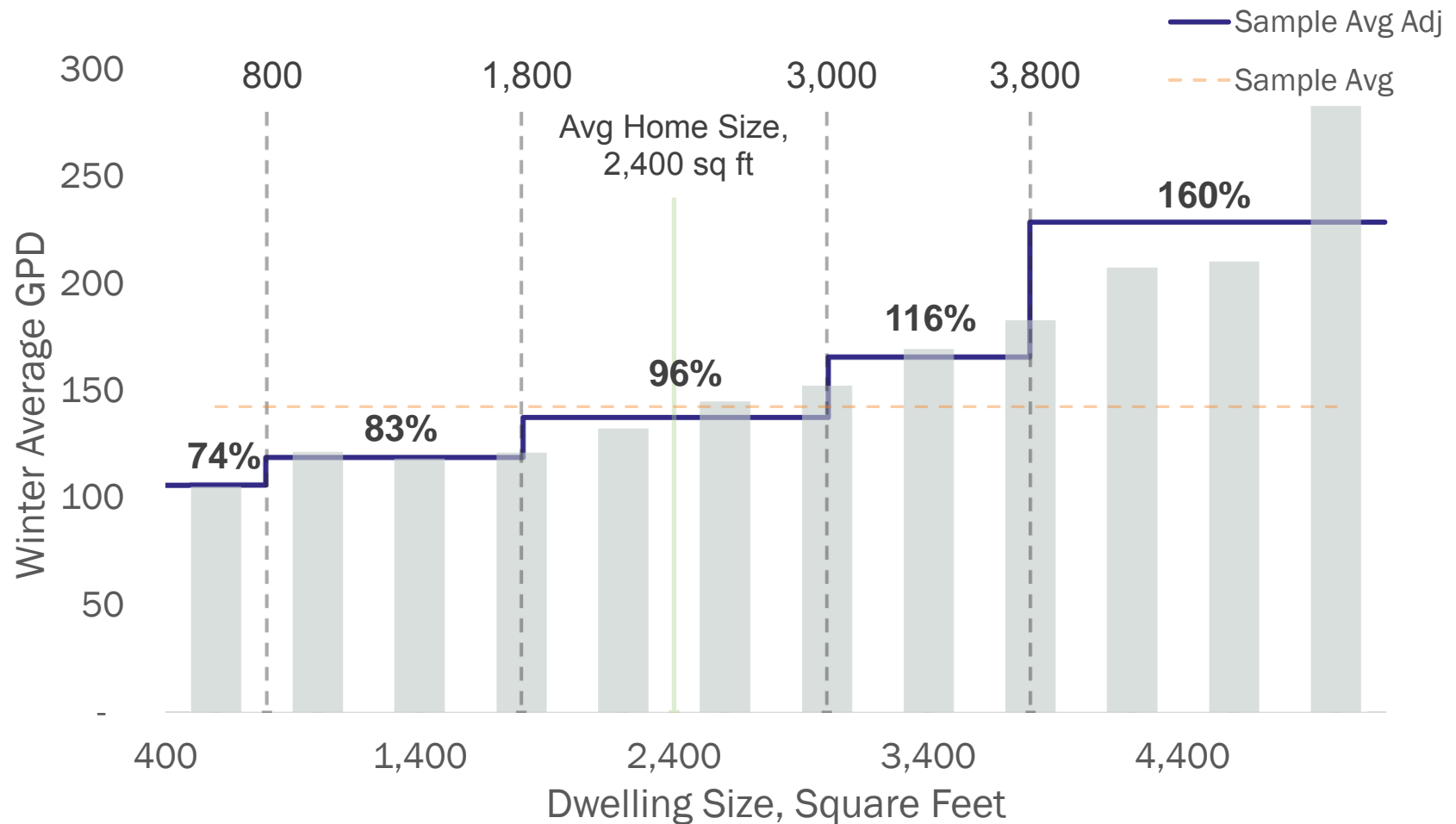
1. Determine categories



Analysis – Potential Application to EDU Assignment

2 Step Process

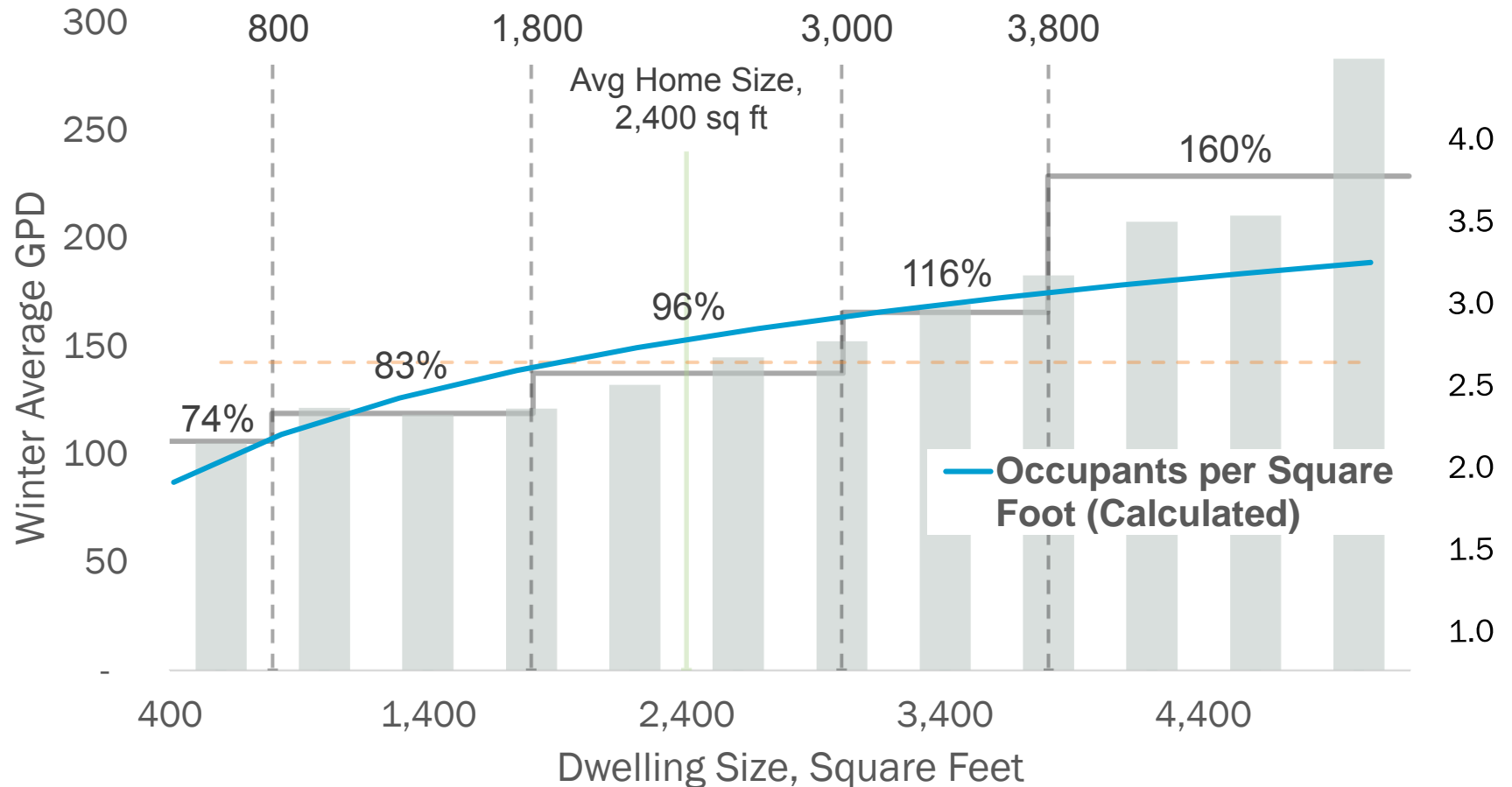
1. Determine Categories
2. Calculate relative impact based on data



Analysis – Potential Application to EDU Assignment

2 Step Process

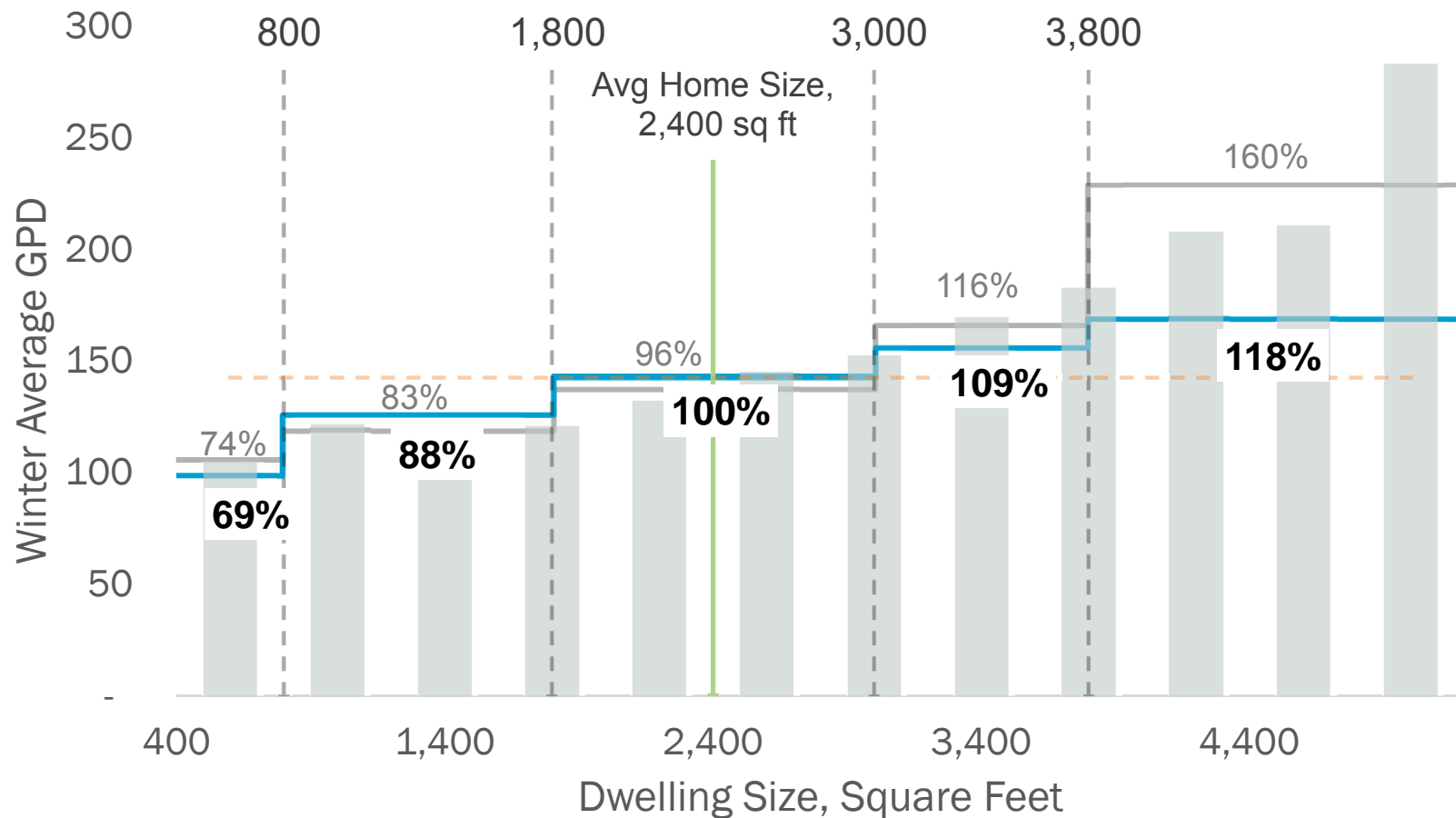
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Analysis – Potential Application to EDU Assignment

2 Step Process

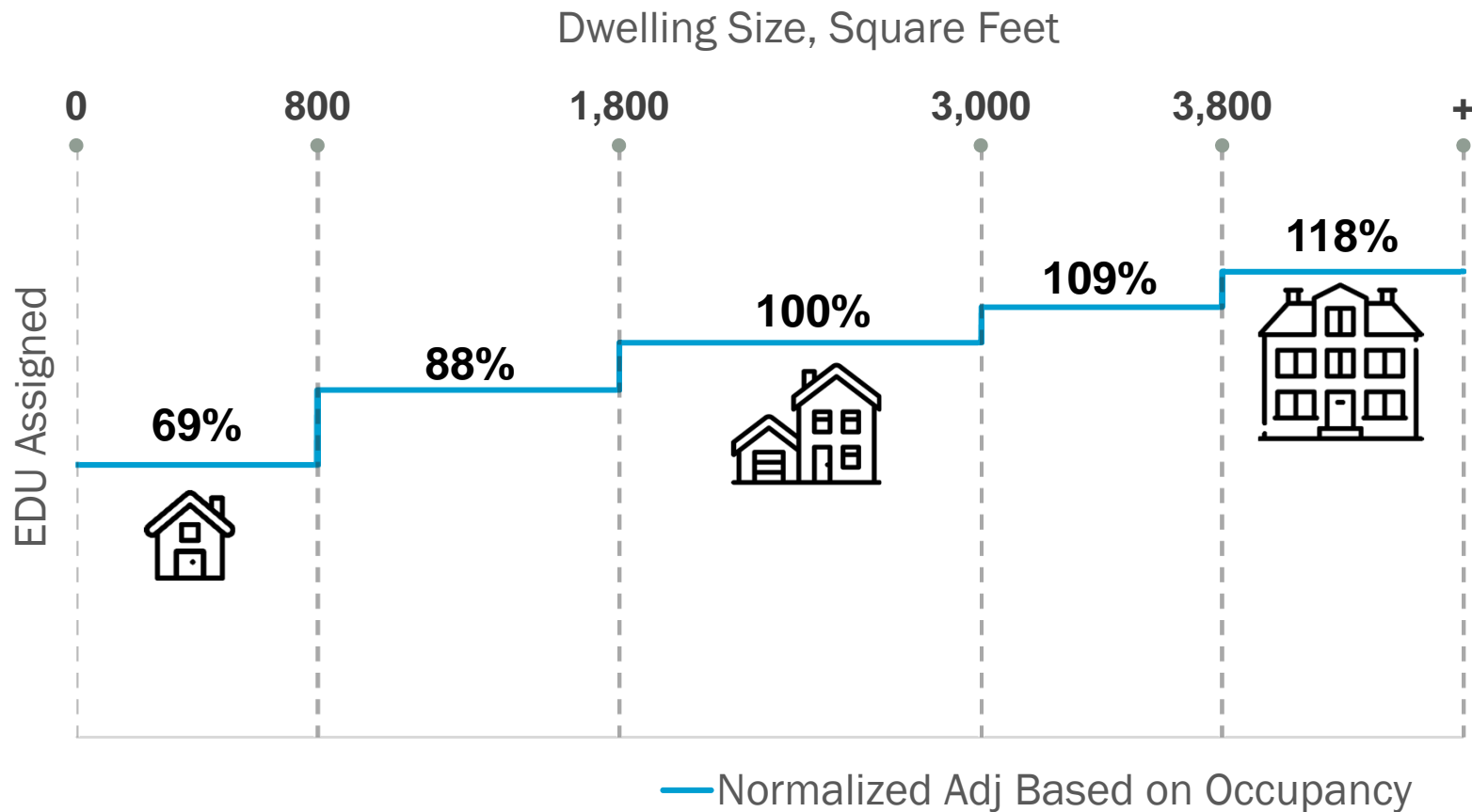
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Analysis – Potential Application to EDU Assignment

2 Step Process

1. Determine Categories
2. Calculate relative impact based on data



Conclusions

- Data supports link between dwelling size and water use
- EDU assignment based on that link would result in greater accuracy by reflecting impact on the wastewater system

Recommended approach for residential EDU assignment

- 3 Dwelling Size Categories

Dwelling Size Category (Sq Ft)	Adjustment to EDUs Assigned ¹	SDC Fee based on Adjusted EDUs ² (rounded)
< 800	69%	\$ 5,420
800 – 3,799	100%	7,850
≥ 3,800	118%	9,260

¹ Relative adjustments are calculated from the logarithmic regression formula for occupants per household by dwelling size adapted from National Census Data. % adjustments are then normalized to reflect 100% in the middle dwelling size category.

² Based on WES' current residential SDC fee of \$7,850.

Recommended approach for residential EDU assignment

- 5 Dwelling Size Categories

Dwelling Size Category (Sq Ft)	Adjustment to EDUs Assigned ¹	SDC Fee based on Adjusted EDUs ² (rounded)
< 800	69%	\$ 5,420
800 – 1,799	88%	6,910
1,800 – 2,999	100%	7,850
3,000 – 3,799	109%	8,560
≥ 3,800	118%	9,260

¹ Relative adjustments are calculated from the logarithmic regression formula for occupants per household by dwelling size adapted from National Census Data. % adjustments are then normalized to reflect 100% in the middle dwelling size category.

² Based on WES' current residential SDC fee of \$7,850.



Comments & Questions from 10/24 Meeting

1. Impact on calculation of SDC
2. Impact on projected SDC Revenue
3. Impact on WES' capital plan
4. Impact on housing trends and availability

Comments & Questions from 10/24 Meeting


1. Impact on calculation of SDC

- SDC method forecasts EDUs using annualized population growth rates applied to current EDU base
 - Only a change in the population growth rate would impact the EDU forecast


Comments & Questions from 10/24 Meeting

2. Impact on projected SDC Revenue in theory...

Scenario 1: All new houses <800 square feet

Population Growth	Est. occupants per house	# of houses needed	SDC Fee w/ rev. EDU assignment	Total SDC Revenue
1,000	1.78 	562	\$5,420	\$3,046,040

Scenario 2: All new houses >3,800 square feet

Population Growth	Est. occupants per house	# of houses needed	SDC Fee w/ rev. EDU assignment	Total SDC Revenue
1,000	3.04 	329	\$9,260	\$3,046,540

Comments & Questions from 10/24 Meeting

3. Impact on WES' capital plan

- From a capacity standpoint CIP based on accommodating populations and general development plans
- From a revenue standpoint as previously stated the method used to assign EDUs doesn't significantly impact revenue so projects will be funded

Comments & Questions from 10/24 Meeting

4. Impact on housing trends and availability

- US Census data: changes in household demographics slow
- Clackamas County average person per household

2000	2018
2.62	2.58

- Minor shifts in proportions per category

Dwelling Size Category	2011 Normalized Adj EDU Assigned	2017 Normalized Adj EDU Assigned
<800	73%	69%
800-1,799	89%	88%
1,800-,2999	100%	100%
3,000-3,799	108%	109%
≥3,800	116%	118%

Comments & Questions from 10/24 Meeting

4. Impact on housing trends and availability
 - Clackamas County Regional Housing Needs Analysis
 - Growth in housing driven by population growth
 - Future housing will look a lot like past housing
 - If it differs, likely to move in the direction of smaller houses and units
 - 1 and 2 person households are predicted to increase

Recommendation

- Further develop the methodology to determine EDUs assigned to residential projects using 5 categories of dwelling sizes

Dwelling Size Category (Sq Ft)	Adjustment to EDUs Assigned ¹	SDC Fee based on Adjusted EDUs ² (rounded)
< 800	69%	\$ 5,420
800 – 1,799	88%	6,910
1,800 – 2,999	100%	7,850
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Questions?

November 14, 2019

System Development Charges


Chris Storey, Assistant Director



Discussion Topics Concerning SDCs

- » Policy issues/major points concerning SDCs
- » Overview – Forecasted vs. Current SDCs
- » Review of prior decisions
- » SDCs in neighboring communities
- » Fiscal impact of SDC policy options

Policy issues/major point concerning SDCs

- ❑ SDCs are not charged to rate payers
 - ❖ SDCs are one time fees charged to new development at the time of permit issuance
 - ❖ By statute, SDCs consist of two unique fee components; a reimbursement fee and an improvement fee
 - ❑ SDCs do have an impact on infrastructure development and the composition of our future rate base
 - ❑ The policy on SDC pricing encompasses the tension between the philosophy of “growth pays for growth” and the goal of affordable housing and supporting economic development
 - ❑ WES is in the process of redefining an “EDU”. This will have a minor impact on SDC calculations
- 

Overview – Forecasted vs. Current

	Calculated SDCs	SDCs as of July 1, 2019
SDCs by rate zone:		
Rate zone 1:		
Reimbursement fee	-	-
Improvement fee	11,926	7,850
Administration fee*	596	-
Total rate zone 1 SDC	\$ 12,523	\$ 7,850
Rate zone 2:		
Reimbursement fee	357	-
Improvement fee	12,042	7,850
Administration fee*	620	-
Total rate zone 2 SDC	\$ 13,019	\$ 7,850
* note: administration fees are different between rate zones based on assumed flat 5% fee on total calculated reimbursement and improvement fees per zone		

» Calculated SDCs based on adopted 5-year CIP and forecasted 5-year growth in EDUs

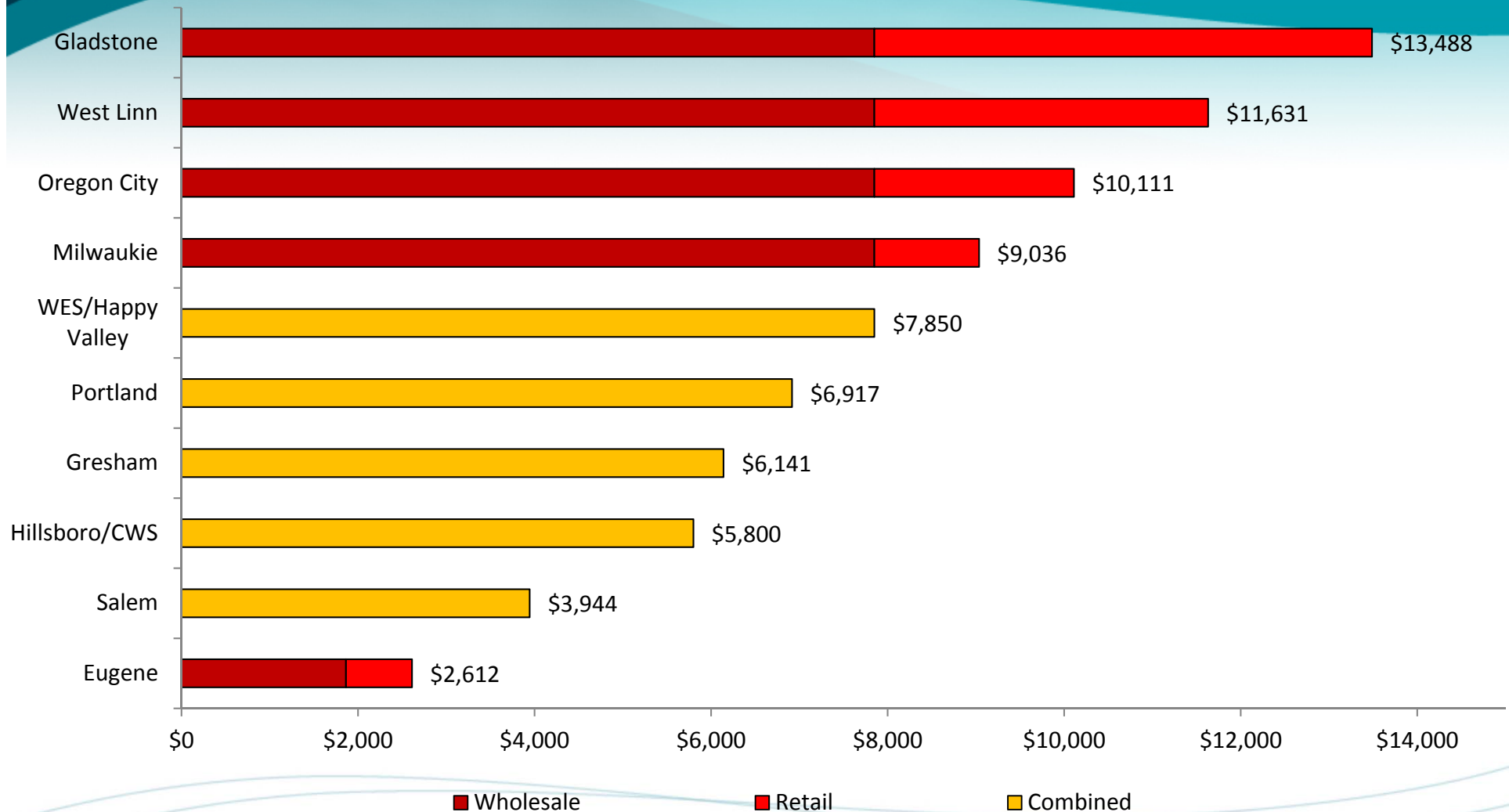
Prior Decisions

- » Committee deliberated the SDC policy at the March and May 2019 meetings.
- » The Committee recommended an interim step of harmonizing the wholesale sewer SDC across the system at \$7,850, which was an inflationary adjustment in Rate Zone 2 and a substantial increase in Rate Zone 1.
- » BCC adopted this recommendation and it was implemented July 1, 2019. WES staff committed to bringing back next steps, and that is this discussion.

SDCs in Neighboring Communities

» Wastewater Only

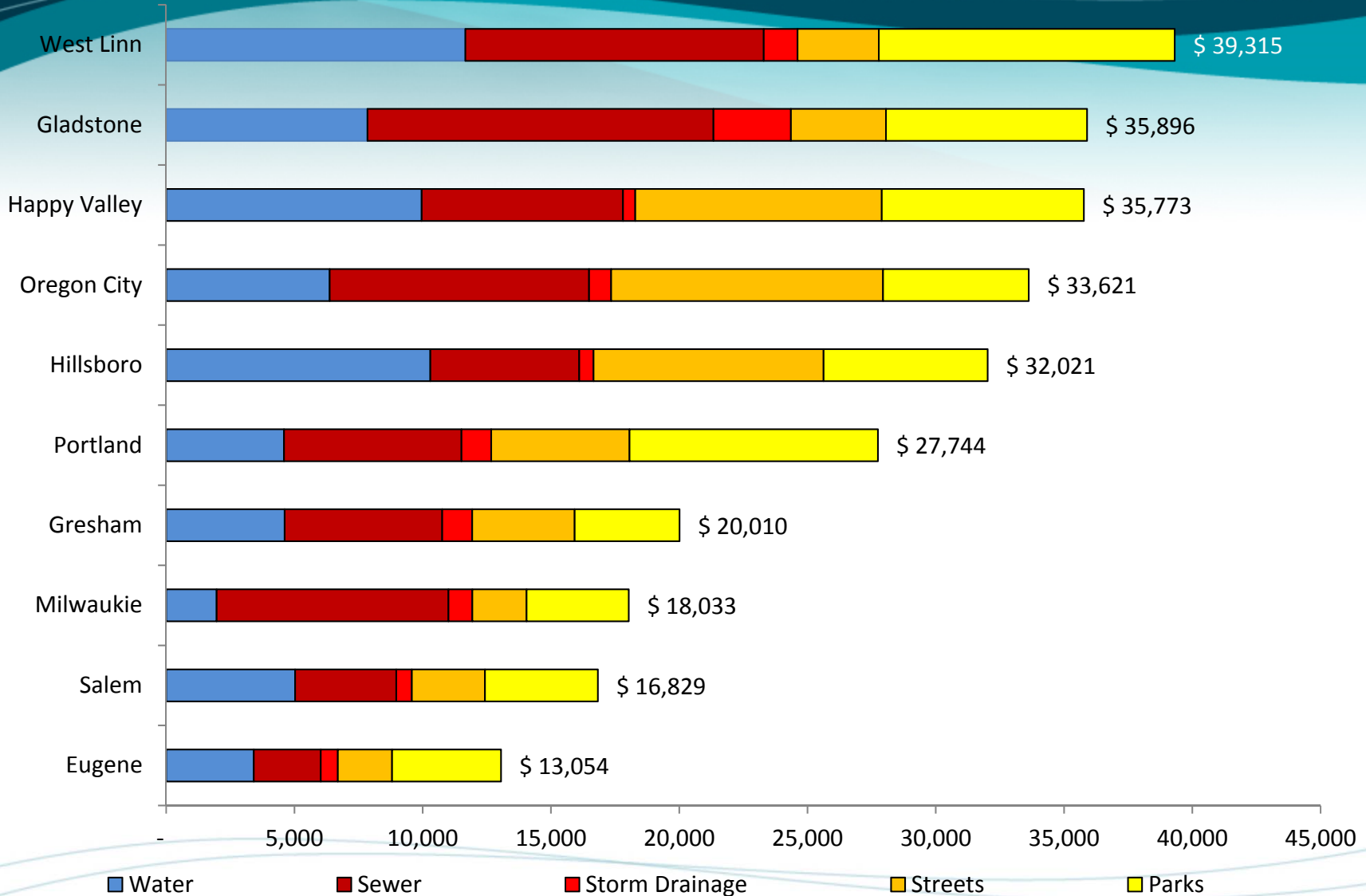
Neighboring Communities' System Development Charges - Wastewater SFR November, 2019



SDCs in Neighboring Communities - Continued

» All SDCs

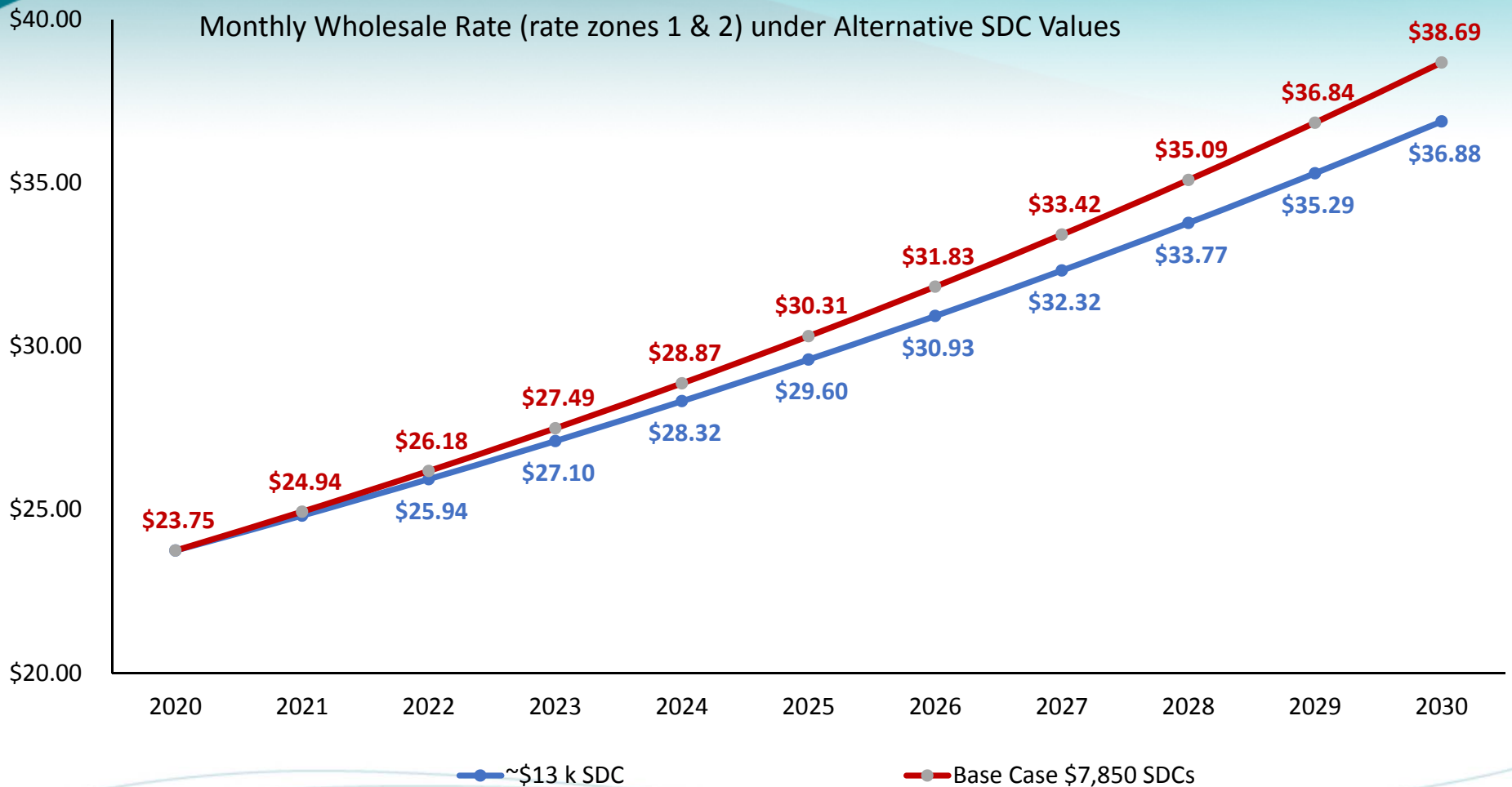
Neighboring Communities' System Development Charges - November, 2019



Fiscal Impact

- » By statute, WES may charge an SDC of up to \$13,019 per EDU.
- » As noted in prior charts, the current WES wholesale sewer rate of \$7,850 is at or near top of comparables.
- » There is a fiscal trade-off in collecting less than the full SDC since the infrastructure must still be built to serve new customers. This shows up in the monthly rate.

SDC Rates & Impact on Monthly User Fee Rates



Next Steps

- » Committee deliberates and gives direction on what additional policy options they would like to consider, if any, or other information to inform the deliberations.
- » We can model a phase in to full SDC collection at various levels – it will show a wholesale rate impact somewhere between the current two trend lines.
- » By March 2020, committee gives direction about approach to build into recommended 2020-21 budget.

Questions

