

SWAC Notes for October 10, 2012

Attending

Mayor Lore Christopher
Councilor Brandon Smith
Councilor Mark Caillier
Jon Unger (by phone)
Matt Knudsen
Tim Smith
Bill Lawyer
Elizabeth Sagmiller
Susan Gahlsdorf
Kat LaFever
Matt Reyes

Handouts: Stormwater Fund Long-Range Financial Plan (spreadsheet)

Meeting came to order at 11:36 a.m.

Tim called the meeting to order. This meeting only had no agenda, as there was only one issue to review, that of the 5 Year Stormwater Fee Proposal. Tim turned the meeting over to Susan Gahlsdorf and Bill Lawyer.

Susan went over the spreadsheet outlining the long range projected budget for the stormwater fund (from 2012/13 through 2017/18). While this budget had originally been intended as a 5 year plan, it was amended to be a 5½ year in order to accommodate the time period needed to demonstrate the fund as fully self-sustaining. There are three years in the middle of the term where inter-fund borrowing needs to take place. But by the end of the 5½ year period, all the money is paid back with interest (another \$10,000). Inter-fund borrowing is a normal part of municipal business and helps stabilize rates.

Susan explained that this budget is based off a 60 day cash supply (which is the same as the City's sewer and water utilities). We do not yet have outside debt on this fund, and so can choose our own cash supply/reserve rules.

Susan noted that this budget and rate plan covers only the operation of the stormwater fund, and does not cover CIP projects or significant improvements/upgrades to the stormwater infrastructure. As these needs are identified in future, we will perform needed projects/improvements through the use of long term financing, and spread that cost among the current and future rate payers at that time.

Bill pointed out that this budget suspended the practice of reserving money for a future VacCon truck, because it is not appropriate to take money from current rate payers for a level of service which may not be realized for many years. At such time as we need to replace or get a new VacCon or other large purchases, these will be secured with long-term financing to stay equitable. The \$40,000 which has already been set aside for this equipment will be returned to the Stormwater Operating fund.

Keizer is moving away from the 'household mentality' of budgeting, which does not fit with municipal rate-payer funding. Because city-run utilities have thousands of rate-payers who may or may not use the service for the long term, the rate system (and burdens upon it) must be closely matched. Current rate levels must stay abreast of current levels of service. Therefore, as much as possible, current ratepayers should not be charged for costs associated with future improvements. Thus, we move away from 'saving up' for purchases.

The current forecasted budget over 5 years gives a monthly rate increase of \$0.42 per ESU (3000sqft). Bill said the ESU unit of 3000 sqft was calculated based on the average square foot of a residential impervious footprint in Keizer.

Councilor Smith asked if we were planning to send a letter to school districts or other large non-commercial landowners to let them know the estimated increase in their stormwater fee this would represent. Bill Lawyer said it was not planned at this point, but was an idea worth considering.

Councilor Caillier said that the city of Salem is in the midst of their own storm water utility changes, but their increases will be considerably more than what Keizer is proposing (many times more expensive). Because Keizer is already on an ESU basis with their stormwater fee, this increase will not be nearly as large. Salem is only now going to an area-based calculation, and their current system vastly undercharges large impervious properties. This proposed rate increase for Keizer represents a much smaller impact, because it is already distributed equitably based on number of ESUs.

Tim Smith said that he's reviewed this budget, and it looks very reasonable. He did wonder why the Stormwater fund is suddenly funding all of the street sweeping costs starting in 2013/14. Bill Lawyer said that the Streets fund has always paid an inter-fund transfer to Storm for its contribution to stormwater runoff (based on the impervious ESUs). However, it was discovered they had underestimated the actual ESUs, so it was decided that the inter-fund transfer from Streets would go up in 2013/14, and the Storm fund would take over full cost of the street sweeping program in exchange. These changes provide more direct and transport cost allocation between the Street and Storm Water funds.

Mayor Lore Christopher joined the meeting in progress, at this point.

Susan pointed out in the notes at the end of the packet, that projected rates for various budget categories (Personnel Services, Retirement Costs, Medical Insurance, Materials & Services and Capital Outlay) are based on current labor contracts, PERS actuarial numbers, rate increase projections from city insurance providers and OSU inflation conversion factors.

Bill Lawyer pointed out that the current fee projections do NOT index Contractual Services, nor Storm Pipe Extension/Repair, as these are fixed costs. The group questioned this proposal, and felt that these items might indeed be expected to grow; if only by 1 or 2 percent per year (e.g. even renewed contracts are given the ability to propose slight increases to consider inflation of costs). The group decided after some discussion, that it would be more confusing and perhaps inaccurate not to index these two items as well.

Susan applied indexing to Contractual Services, and to Storm Pipe Extension/Repair, and found the new rate only went up \$0.01 per ESU, to index both items over the full five years. Based on this new calculation, the new proposed rate would be a monthly increase of \$0.43 per ESU (instead of \$0.42).

Mayor Christopher asked if we had numbers to represent where we came up with the \$150,000 per year for Storm Pipe Extension and Repairs. There weren't direct numbers available to hand, but these were a very conservative estimate of costs. It is hard to guess what the costs might be, given that so little of our system has actually been televised and inspected. Elizabeth mentioned that one UIC decommissioning this summer cost about \$130,000.

The group agreed that it would be beneficial to look at some of our past repair costs, to give an idea what \$150,000 in repair or pipe extension would cover. The presenters to Council should be prepared to explain the reasoning behind all our budget numbers. In this case, having an idea what an average small, medium and large repair might cost, and then estimate how many repairs might be done per year, and add some percentage to that each year (indexing).

Matt Reyes pointed out that smaller repairs (such as buried structures) can be done in-house at lower cost. Bill Lawyer explained that the line item in question is only referring to repairs or pipe extensions of significant size.

Councilor Caillier asked if we were bound by the permit(s) to televise/inspect a certain amount of piped system per year. Elizabeth explained that, depending on how the new permit is worded, we will at least be required to 'average' 10% of the system television inspected per year (Contractual Services item), and at worst may be required to do that amount each year. If the former is true, we may be able to do less one year, but would have to 'make that up' in a future year. The Councilor wondered whether we might need to increase that item (as we do not have enough currently budgeted to cover the full 10% requirement).

It was asked whether monies which were not spent in a fiscal year, roll over the following year. Susan confirmed that, by law, all monies raised by the utility fees must be spent on that utility, so they would roll over.

Tim Smith said that he was very impressed with the whole fiscal modeling found here. Even though this increase would represent several thousand dollars of added expense for him (because of rental units he owns) he feels this is a very conservative increase. He felt the amount in the Repairs line item was especially low, but could make use of possible savings in other areas of the budget. This is a very conservative budget, especially given the amount of increased regulatory requirements handed down over the last few years.

Tim stressed that the regulatory requirements were well known by all the committee members, but would really need to be stressed to the Council in order for them to fully appreciate the need for this rate structure. The group agreed that this point could not be stressed enough to the Council. The Mayor requested that Tim attend the work session of Council in November on this issue, simply to let them know that he is both going to be financially impacted by this increase, and still favors its passage.

Elizabeth mentioned that in order for this plan to work, there would need to be operational changes. The current system has stormwater operations staff disconnected from other stormwater staff, in a way which hinders communication and effective workload distribution. Bill Lawyer said that due to injury, operational staff has not been at a place where more could be asked of them. However, he intends to expect more in future. The current plan does add one more utility worker (75 percent storm) which, along with higher output from current stormwater operations workers, may allow us to meet current permit requirements.

Elizabeth said that she and Matt Reyes have been looking over more prescriptive workload assignments for existing stormwater utility workers. Elizabeth did have to tell DEQ this last year that minimum requirements were not met, due to staff injury (which does not excuse Keizer from meeting permit conditions).

The group decided there was no need for a further meeting before Council work session on this topic on November 13th.

The SWAC was unanimously in favor of proposing the current (revised) Financial Plan and proposed monthly rate increase of \$0.43/ESU to the Council.

The Mayor stressed the importance of having reasons and numbers to back up as much of this projected budget as possible. Elizabeth asked how staff should bring this topic to the community, and the Mayor said the Council should decide that.

Meeting Adjourned: 12:20 p.m.