



PUBLIC MEETING NOTICE KEIZER CITY COUNCIL

PAID
7/8/04

NOTICE OF WORK SESSION

The Keizer City Council will meet for a Work Session on **Monday, July 12, 2004 at 12:00 p.m.** This session will be held at Keizer City Hall, 930 Chemawa Road NE, Keizer, Oregon. The agenda for this meeting includes discussion of the water rate and cost of service analysis report.

This location is accessible to the disabled. Please contact City Hall if special arrangements are necessary. Questions regarding this meeting may be directed to Chris Eppley, City Manager at (503) 390-3700, ext. 102.

DATED this 8th day of July, 2004.

Tracy L. Davis, CMC
City Recorder

NOTICE FOR INFORMATIONAL PURPOSES ONLY

CITY OF KEIZER MISSION STATEMENT
***KEEP CITY GOVERNMENT COSTS AND SERVICES TO A MINIMUM BY
PROVIDING CITY SERVICES TO THE COMMUNITY IN A COORDINATED,
EFFICIENT AND LEAST COST FASHION***

A G E N D A
KEIZER CITY COUNCIL
WORK SESSION

Monday, July 12, 2004

12:00 p.m. (Noon)

**Robert L. Simon Council Chambers
Keizer City Hall, Keizer, Oregon 97303**

1. CALL TO ORDER

2. ROLL CALL

3. DISCUSSION

a. City of Keizer Water Rates/COSA

4. ADJOURN

Upon request, auxiliary aids and/or special services for those with disabilities will be provided. To request services, please contact us at 390-3700 or through Oregon Relay 1-800-735-2900 at least two working days(48 hours) in advance

June 10, 2004

*distributed
by Judy
Smith*

Councilor Judy Smith
Keizer City Council
930 Chemawa Road NE
Keizer, OR 97303

Subject: Keizer Water Rate Structure and Proposed Increases

Ms. Smith,

I was able to watch the Keizer City Council meeting on June 7, 2004. I want to thank you for your concern regarding Keizer's current water rate structure. I applaud your ability to ask the tough questions regarding Keizer's current class rate structure.

First let me tell you that I do not agree with the current class rate structure Keizer has adopted. Water is a good example of a metered commodity. Metered commodities lend themselves to a pricing structure allowing those who use more pay to pay more. Those who use less pay less. This is accomplished by charging one consumption rate.

Keizer City staff seems to be arguing that homeowners cause "peak demands" at certain times. Because of these demands we should be charged a higher water rate for all the water we consume. I don't buy this argument. Apparently you don't either. City staff is associating peak demand with overall water consumption. Peak demands, if they exist, are caused by all water users using water at the same time. I think homeowners are being singled out most likely because we make up the largest number of accounts. I recall city staff stating that residential accounts make up 90% of the city's water accounts. More interesting was the statement that these 90% of the accounts only use 78% of the water! I argue multi-family accounts use similar amounts of water at similar times as residential accounts. And I can think of many commercial accounts that water landscape and provide facilities to the public.

Having a higher water rate for residential accounts is akin to charging people who drive more than others a higher gasoline tax. It makes little sense. If I drive more, I purchase more gasoline. When I purchase more gasoline, I pay more gasoline tax. That's how I pay for my fair share of maintaining the roads. I'm not charged a higher gasoline tax because I drive more. I simply pay more at the same rate. Seems reasonable that water rates be similar. If I use more water, I pay more.

I want to be clear. I am not arguing about the cost of Keizer water. Rather, I am arguing that the cost to manage the water system and deliver water is not shared equally

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among all water users. Even when you consider the fixed monthly fees based on water meter size, the class rate system does not distribute costs fairly. I believe the cost of the Keizer water system should be shared fairly by all users. Seems to me a similar consumption rate is the answer.

Keizer's current rate structure does not promote users to adjust their water usage times to avoid peak demands nor does it promote conservation. I encourage you to promote a water rate that is similar for all users. The more you use the more you pay. I also encourage you to consider a rate structure that encourages conservation and gives users recognition for adjusting water usage times.

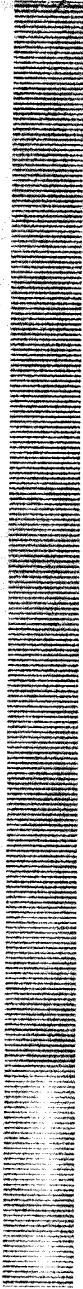
Until these issues are adequately addressed, I can not support a rate increase for Keizer's water system.

Respectfully,

A handwritten signature in cursive script that reads "David McKane".

David McKane
674 Fall Creek Drive N
Keizer OR 97303

djmckane@comcast.net



Water Rate Structure Alternatives



City of Keizer, OR

City Council Workshop
July 12, 2004

Presented by:
Karyn Johnson
Senior Project Manager

Issues/Concerns being Evaluated

- Fixed Charge: Meter Size versus no. of Units
- Volume Charge
 - Inter-class equity: SFR versus MFR
 - Intra-class equity: low, average, and high water users
- Social Policies

Cost of Service Basics

- “Cost of service” refers to setting rates based on shares of costs
- Pricing structures emphasize cost burden as basis, and not:
 - Ability to pay
 - What the market will bear
 - Social objectives
- “User fee” versus a “tax”

Considerations in Choosing a Rate Structure

- Utility goals
 - Revenue adequacy
 - Equity
 - Water conservation
- Industry standards
- Availability of information
 - Meter size
 - No. of units
 - Detailed customer usage history
- Simplicity

Water Rate Components

- Fixed Charge
 - Customer-related costs; function of number of accounts
 - Meters & Services related costs; function of the size of meter (meter & service factor)*
 - Fire protection costs; function of the size of meter (meter capacity factor)*
- Volume Charge
 - Base costs; function of average annual water usage
 - Peak costs; function of peak period water usage

* See Slide No. 7

Fixed Charge: Why Does Meter Size Matter?

- Potential demand on the system
- Cost of assembly, repair and maintenance
- Valid and documented industry benchmark
- Information readily available

Fixed Charge: Basic Meter Statistics

Meter Size	Meter & Service Factor *	Flow Capacity *	Flow Factor
5/8x3/4 inch	1.0	10 gpm	1.0
3/4 inch	1.1	15 gpm	1.5
1 inch	1.4	25 gpm	2.5
1.5 inch	1.8	50 gpm	5
2 inch	2.9	80 gpm	8
3 inch	11	160 gpm	16
4 inch	14	250 gpm	25
6 inch	21	500 gpm	50
8 inch	29	800 gpm	80

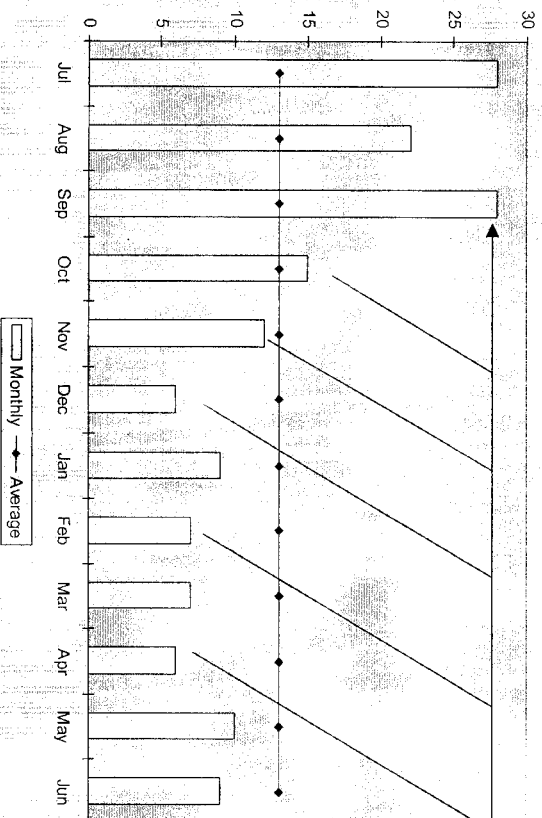
* - Meter & Service factor per AWWA M1 manual. Flow capacity is determined by AWWA ratings (C700-95 & C702-92) for maximum continuous flow rate.

Fixed Charge: Why not a per Unit Charge?

- Very few, if any, costs recovered from the fixed component are a function of the number of units connected to a meter
- Would likely over-recover costs from some multi-family customers
 - If number of units is greater than the flow factor for a given meter size
- Less common industry benchmark

Residential Water Usage Patterns – Single Family

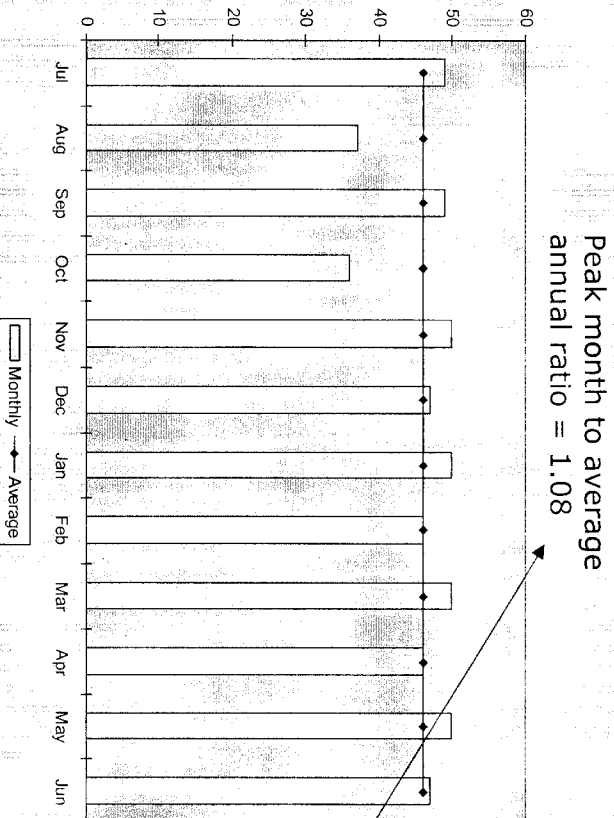
Peak month to average
annual ratio = 2.13



Water system facilities must be built to meet peak capacity requirements; under-utilized capacity is very expensive!

Average annual ϕ
Usage/acct = 13 ccf

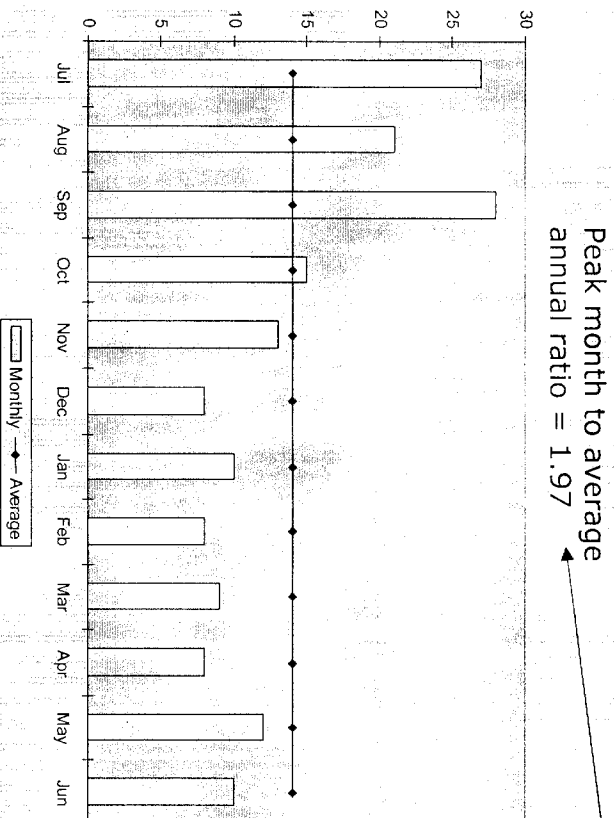
Residential Water Usage Patterns – Multi-Family



Average annual Usage/act = 46 ccf

Multi-family customers place less peak demand on the water system than do single family customers.

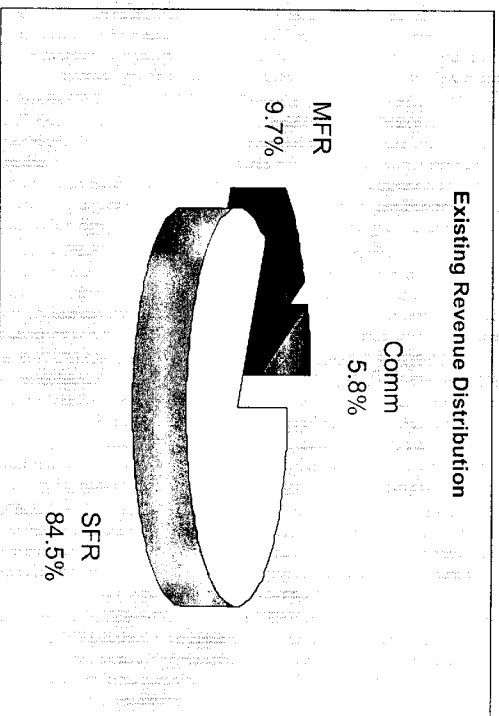
Residential Water Usage Patterns – SRF & MFR



Combining SFR & MFR results in a slight decrease to SFR and a material increase to MFR. (Because MFR is a very small percentage of total)

Average annual Usage/act = 14 ccf

Distribution of Costs to Customer Classes



Alternative Residential Volume Rate Structures

- Existing: Customer class uniform volume rate (SRF, MFR, Comm)
- Alt. 1: Combined residential (SFR & MFR) uniform volume rate
- Alt. 2: SFR 3-tiered volume rate and MFR uniform rate (based on class specific cost of service)
- Alt. 3: SFR 3-tiered volume rate and MFR uniform rate (based on combined average cost for SFR & MFR)

Residential Volume Rate Structure: Existing

- Customer class uniform volume charge
 - Establishes a separate volume charge for each class based on class average customer statistics
 - Applies the same rate per unit of water to all customers within a given customer class
 - Recognizes differing usage patterns among the customer classes: SFR, MFR, and Commercial
 - Assumes all customers within a class have similar usage patterns

Residential Volume Rate Structure: Alternative 1

- Combined SFR/MFR uniform volume charge
 - Establishes a single volume charge based on combined SRF and MFR class average customer statistics
 - Applies the same rate per unit of water to all SFR and MFR customers
 - Assumes all customers within the combined class have similar usage patterns
 - Equitable if usage patterns are similar; becomes less equitable if a significant diversity in usage patterns exist

Residential Volume Rate

Structure: Alternative 2

- SRF 3-tiered volume rate
 - Based on class average customer statistics
 - Unit cost of water increases as water usage increases above defined thresholds; example:
 - 1st block (0-6 ccf/month) captures lower than average water usage, providing a cost break to low water users and an incentive to conserve
 - 2nd block (7-24 ccf/month) captures roughly twice the average water usage providing for reasonable peak period usage at an average rate
 - 3rd block (> 24 ccf/month) targets excessive peak period usage and charges a higher than average rate
- MFR uniform volume charge based on class average customer statistics

Residential Volume Rate

Structure: Alternative 3

- SRF 3-tiered volume rate
 - Based on combined SFR & MFR class average customer statistics
 - Same tiered structure and application of rates as under Alternative 2; except the rate per unit will differ
- MFR uniform volume charge based on combined SRF & MRF class average customer statistics

Comparison of Alternative Water Rates

For illustrative purposes only. Actual rates per unit will require more detailed analysis of customer statistics and incorporation of City staff's proposed 2004 revenue increase of 4 percent.

Customer Class	Existing \$/ccf	Alt. 1 \$/ccf	Alt. 2 \$/ccf	Alt. 3 \$/ccf
Single Family				
0 - 6 ccf	\$ 0.96	\$ 0.90	\$ 0.65	\$ 0.60
7 - 24 ccf	\$ 0.96	\$ 0.90	\$ 0.96	\$ 0.90
> 24 ccf	\$ 0.96	\$ 0.90	\$ 1.95	\$ 1.80
Multi-Family				
All Usage	\$ 0.58	\$ 0.90	\$ 0.58	\$ 0.90
Commercial				
All Usage	\$ 0.76	\$ 0.76	\$ 0.76	\$ 0.76

* Based on the 2002 Rate Study Analysis

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SERVICES TO THE COMMUNITY IN A COORDINATED, EFFICIENT AND LEAST COST FASHION

A G E N D A
KEIZER CITY COUNCIL
EXECUTIVE SESSION

Monday, July 12, 2004

1:00 p.m.

Keizer City Hall

Keizer, Oregon 97303

1. **CALL TO ORDER**

2. **ROLL CALL**

3. **DISCUSSION**

- a. Pursuant to ORS ORS 192.660(2)(e) – To conduct deliberations with persons designated by the governing body to negotiate real property transactions.

4. **ADJOURN**

Upon request, auxillary aids and/or special services for those with disabilities will be provided. To request services, please contact us at (503) 390-3700 or through Oregon Relay 1-800-735-2900 at least two working days(48 hours) in advance.

The Oregon Public Meeting Law authorizes governing bodies to meet in executive session in certain limited situations. An executive session is defined as any meeting or part of a meeting of a governing body which is closed to certain persons for deliberations on certain matters as defined by ORS 192.660. These sessions are closed to the public. The media may attend the session, unless the Oregon State Statutes specifically prohibits media attendance. The governing body is not allowed to take any final action or make any final decisions during the executive sessions. Any final action or decision must be made after returning or at the next regularly scheduled meeting.



PUBLIC MEETING NOTICE KEIZER CITY COUNCIL

PAID
7/16/04

NOTICE OF EXECUTIVE SESSION

NOTICE is hereby given that the City Council of the City of Keizer will meet in executive session on **Monday, July 12th, 2004 beginning at 1:00 p.m.**

The Executive Session is being held pursuant to ORS 192.660(2)(e) – To conduct deliberations with persons designated by the governing body to negotiate real property transactions.

The Executive Session will be held at Keizer City Hall, 930 Chemawa Road NE, Keizer, Oregon. This location is accessible to the disabled. Please contact City Hall if special arrangements are necessary.

Questions regarding this session may be directed to Chris Eppley, City Manager at 390-3700, extension 102.

Dated this 8th day of July, 2004.

Tracy L. Davis, CMC
City Recorder

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