FINAL DRAFT

Systems Development Charge Study

for the

City of Boardman, Oregon

February 14, 2000

Prepared by

EAS Engineering
P. O. Box 4297
Salem, OR 97302
(503)362-4983  Fax 370-4329
February 14, 2000

Mr. Rex Mather, City Manager
202 N. Main Street
P. O. Box 229
Boardman, OR 97818

RE: Second Draft - Systems Development Charge Study

Dear Mr. Mather:

The attached final draft report is provided for City review. I made the changes and additions from my notes and memory of the City Council work session and discussions and submittals from staff. A final report will be prepared following review of this draft.

This final draft is provided for review by staff, the City Council and the public. It is anticipated that the Council will provide a 30 day review period followed by a public meeting or hearing where written or verbal statements can be received for consideration by the City prior to adoption of the SDC.

An executive summary has been added to this draft outlining the basics of the report. This may be of assistance to the public or anyone new to the project.

I plan to attend the public meeting to present the plan and observe any testimony or discussion of the report. Following the meeting, I will seek direction from the staff and City Council before making any revisions for the final report. Please notify me of the date and time of the public meeting.

Thank you for the opportunity to be of service in preparing this Systems Development Charge Study.

Sincerely:

Edward A Sigurdson, PE, PLS.

edward sigurdson, PE, PLS.

eas board/sdc-cl-2-14-00
CITY OF BOARDMAN
SYSTEMS DEVELOPMENT CHARGE RATE STUDY

EXECUTIVE SUMMARY

Purpose of the Study
The City of Boardman is one of the fastest growing cities in the state of Oregon. Over the past thirty years, the city has grown from a population of 192 to its current population of 3,070 (July 1, 1999). The current growth rate is at or above 10 percent per year however; the City Council has adopted a growth rate of under 3 percent by setting a projected population of 5,500 at the year 2021. This may be conservative but is a reasonable projection for SDC and utility planning.

Over the past year, the city has undertaken the master planning of the sewer and water systems. This work has generated capital improvements plans (CIP) totaling more than $13 million for the 20-year planning period. The Council has determined that these projects are needed and is developing a funding program for implementing them. One element of this funding program will be the Systems Development Charge (SDC). Due to a significant industrial tax base within the City, property taxes will also be a significant element of the funding program. The majority of the required remaining funds will be derived from monthly user rates.

The City could consider the adoption of systems development charges for its water, sewer, storm drainage, transportation and parks systems. The City Council has determined that it will only consider water and sewer SDC’s at this time. This report therefore only addresses these two utilities.

Since 1989, the Oregon legislature has developed a body of law relating to the establishment of SDC’s in cities. The law has evolved at several legislative sessions including the last session in 1999. This law specifically requires cities to develop a specific methodology for establishing the SDC and determining fees. The city may assess both reimbursement fees and improvement fees. The former is intended to repay existing users for a portion of their original investment in the system, that portion to be used by new development. The later, the improvement fee, represents that portion of needed new construction contained in a CIP that relates only to growth or new development. The SDC fee is the total of these two elements.

The SDC study contains all of the methodology elements needed for the City Council to establish SDC rates by adopting the study and rate tables by Resolution. The City has developed an SDC ordinance that has been reviewed by the City Attorney for conformance to State and City law.
To provide a brief overview of this report, the following sections of this executive summary contain brief descriptions of the text by topic area:

**Growth Projections**
This study assumes that the population will grow from a 1999 population of 3,070 to 5,500 by the year 2021. This growth projection was used in the recent water and wastewater facility planning. It represents 2.7 percent per year, compounded growth, through the year 2021. It is the opinion of the engineer that this projection is conservative but reasonable for Boardman.

**Reimbursement Fee**
The reimbursement fee makes provision for new development to pay the existing system users for a portion of the original construction cost of the water and sewer systems. This fee applies only to the original construction cost of the existing facilities. This cost is then discounted by removing the percentage of the facilities required to serve existing users. The portion of the existing facilities that no longer provide service is also removed from consideration (depreciation of original cost). The original cost is therefore depreciated based on age and loss of function. This approach has been followed for both water and sewer services independently on Tables 1 through 3. Of the original construction cost of $5.9 million for existing public works facilities, only 20 percent or $1.2 million will be repaid by the SDC’s reimbursement fee. The remainder is either in use by existing users or it has inadequate capacity to serve growth.

The moneys collected by the reimbursement fee may be spent by the City with more flexibility than the improvement fee but must be spent for capital improvements within the service for which it was collected. No SDC fee may be used for ongoing operation or maintenance. All SDC funds must be kept separate from other city funds and investment interest must remain in the SDC account.

**Improvement Fee**
The report contains a detailed capital improvement program (CIP) for each of the two public works services. This CIP is the basis of the improvement fee. Specific projects are listed in the CIP and an estimate of project cost is developed. Any funding from outside sources, such as state and federal grants, funding from the Port of Morrow, etc., is then subtracted. Also the funding to come from property taxes is removed. The remaining cost is then divided by a percentage of the project that will be required to meet the needs of existing users. This remaining cost is the project cost to be paid by development through the SDC. In Boardman, this remaining cost represents 23 percent of the original construction cost. The remaining 77 percent of the cost must be recovered from user rates, property taxes, grants or other locally generated funding.
The reimbursement and improvement growth component costs to be applied to the SDC fee are as follows:

<table>
<thead>
<tr>
<th>Public Works Service</th>
<th>Reimbursement</th>
<th>Improvement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water System</td>
<td>$462,791</td>
<td>$1,655,675</td>
<td>$2,118,466</td>
</tr>
<tr>
<td>Wastewater System</td>
<td>$721,112</td>
<td>$1,088,491</td>
<td>$1,809,603</td>
</tr>
<tr>
<td>Totals</td>
<td>$1,183,903</td>
<td>$2,744,166</td>
<td>$3,928,069</td>
</tr>
</tbody>
</table>

**Basis for Establishing SDC Fees**

Several approaches are available for applying SDC fees to development. These include water meter size, water meter flow rates, equivalent residential unit demand, unique calculation for each development and many more. After review of several alternatives and discussion, the City Council has selected the EDU approach.

The EDU approach compares the requirement for service by any new user to the demand of a standard single-family house. For residential users, Table 9 provides the number of EDU’s for each type of proposed residential development. For commercial and industrial users, the City’s technical staff will calculate the number of EDU’s. Criteria to assist in this calculation are provided with the tables. The demands for water and sewer are computed separately for commercial and industrial users. For residential users, the one table is appropriate for both utilities.

**SDC Fee Schedule**

Table 8 in the report (also provided on Page ES-5) presents the maximum SDC fees that may be charged per EDU for water and sewer services. The amount of the reimbursement fee and the improvement fee is detailed. This is the maximum amount that may be charged to development based on the methodology and CIP contained in the study. The City Council may not charge a higher rate without revising the study. They may however, charge rates below Table 8 figures if they so decide. At the request of the Council, Tables 10-1 through 10-5 have been provided in the report. These tables decrease the total SDC from 90 percent to 50 percent in 10 percent increments.

**Implementation**

The following actions are recommended in the plan:

1. The City Attorney shall review the SDC ordinance for consistency with this SDC report and recent legislation. The elements of this report relating to applying the SDC fees to properties should be consistent in the ordinance, less the actual fee amount which will be adopted by resolution.

2. The first draft SDC study was reviewed with the City Council at two work sessions. Following this review, the report was edited to reflect the input of staff and the Council. This final draft is provided for additional review by the staff, Council and the prior to a public meeting. At the meeting, remarks and suggestions may be offered on the report or the fees. Following the public meeting, the comments or suggestions will be reviewed by
the staff and City Council. After due consideration, the City Council may adopt the report or request specific changes to be made prior to adoption.

3. The dollar amounts on the maximum SDC fee schedule (Table 8) may be reduced by any amount desired by the City Council prior to and after the public meeting. Fees may not be adopted higher that the amounts provided on Table 8.

4. It is recommended that once the City Council has established the SDC fees, they be adopted by resolution.

5. It is recommended that the City Council review the SDC rates every one or two years and revise the fees as appropriate. If the Council desires to adopt fees higher than listed on Table 8, the methodology of this report must be revised and the basis of the fees recalculated.

6. The City should carefully review the SDC revenue projections shown on Page 33 of the report. It should be understood that if the fees are reduced, the projected revenues would also drop proportionally. The implementation of the full SDC fees on Table 8 will provide up to 23 percent of the needed funds to construct the projects in the CIP. Other funding will be required for the remainder of the cost.

**Other Public Works Fees**
Cities who have adopted SDC charges may also adopt other public works fees that reflect direct services provided to the citizens by the City. The City is however, obliged by State law to limit these fees only where a direct service occurs and establish the amount fee to only recover the actual direct cost incurred. The City has structured its other public works fees in this manner.
### TABLE 8

**MAXIMUM SYSTEMS DEVELOPMENT CHARGE SCHEDULE**

The City Council may establish fees no higher than the figures below

<table>
<thead>
<tr>
<th>METER SIZE</th>
<th>REIMBURSEMENT FEE</th>
<th>IMPROVEMENT FEE</th>
<th>TOTAL SDC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WATER SYSTEM</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$507</td>
<td>$1,813</td>
<td>$2,319</td>
</tr>
<tr>
<td><strong>SEWER SYSTEM</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$789</td>
<td>$1,192</td>
<td>$1,981</td>
</tr>
<tr>
<td><strong>TOTAL OF ALL SYSTEMS DEVELOPMENT CHARGES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One DEU</td>
<td>$1,296</td>
<td>$3,004</td>
<td>$4,300</td>
</tr>
</tbody>
</table>

**Outside City SDC Fee -**

As the City property taxes are paying slightly more toward the construction of the projects listed on the CIP than the SDC, a surcharge of 128% shall be applied to SDC fees for development outside the city limits. Example: If the SDC for a development inside the city limits is $4,300, the SDC fee for an outside user is $4,300 x 2.28 = $9,805.
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for the

City of Boardman, Oregon

February 14, 2000

Prepared by

EAS Engineering
P. O. Box 4297
Salem, OR 97302
(503)362-4983  Fax 370-4329
# CITY OF BOARDMAN, OREGON
# SYSTEMS DEVELOPMENT CHARGE STUDY

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APPENDIX

Appendix A - SDC Law

Appendix B - New SDC Ordinance

Appendix C - Sample Resolution Adopting SDC Methodology

Appendix D - Sample Resolution Establishing Systems Development Charges

Appendix E - Sample EDU Calculation Sheet (Table 9)

Appendix G - Memos reviewing work completed by staff prior to this SDC report.
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Acknowledgements

The project team is grateful for the assistance of the staff of the City of Boardman for providing reports, records and personal knowledge necessary for the completion of this study. In addition a special thank you to the members of the City Council for participating in many long work sessions where the plan was explained and issues were worked to make the plan the product of the best thinking of the consultant, staff and elected officials.

City Council
Tom Meyers, Mayor
Bill Brown, Council President
Gene Allen, Councilor
Kathy Cash, Councilor
Dave Hirai, Councilor
Raymond Michael, Councilor
Jay Robinson, Councilor

Staff
Rex Mather – City Administrator
Ernabel Mittelsdorf, City Recorder
Barry Beyeler – Utilities & Natural Resources Manager

Consultant
Ed Sigurdson, PE, PLS – Project Engineer
CITY OF BOARDMAN

SYSTEMS DEVELOPMENT CHARGE RATE STUDY

PURPOSE OF THE STUDY

The City of Boardman is located on Interstate 84 west of the cities of Hermiston and Umatilla at the point where the Columbia River curves north from the freeway. This location is special as it is a point in eastern Oregon where all the key land based transportation systems intersect. Boardman is host to a military base, large water, coal and gas energy generation facilities, and food handling and processing facilities.

Boardman’s strong industrial base is growing as is its residential population. The city has grown from a population of 192 in 1970 to 1,663 in 1990 to 2,795 in 1998 to 3,070 in 1999. It is likely that this rapid growth will continue well past the year 2000. To accommodate this growth, the infrastructure of the city has had to expand very rapidly. Because the rate of growth is unprecedented, the public works facilities have required expansions faster that the normal 20-year planning cycle.

In an effort to better anticipate the needs within the water and sewer systems, the City selected the consulting firms of CH2M Hill and Anderson Perry & Associates to prepare water and wastewater facility plans. These plans and supporting data show a capital construction need of over $13 million dollars for this relatively small community. The vast majority of these needs are driven by growth. The City Council, therefore feels that is appropriate for growth to pay its fair share of expanding the water and sewer systems to accommodate it. The services of EAS Engineering were secured through an agreement and Task Order dated October 6, 1999 to complete a study for the implementation of Systems Development Charges for the City of Boardman. This study was to address only the water and sewer systems. The streets, storm drainage and parks systems may be considered at some future date.

As a community grows, the basic public facilities and services must also grow. All residential, commercial and industrial expansions of a city require public works services. As growth occurs, it is essential that the level of public works services not be degraded to the existing residents. It is also important that this growth pay its own way by providing projects or funding for the expansion of services needed to accommodate the growth. These public works services include streets, water, sewer, storm drainage and parks. Considerable costs are involved in extending these facilities into the new growth areas of the community.

For many years, Oregon communities have levied charges to new developments to help generate revenues to extend public works services. The term Systems Development Charges
(SDC) was commonly used for describing the charges. Over the years there was little legal
guidance for determining the basis of the charges and many developers found them
inconsistent as they worked around the state in different jurisdictions. To establish a
consistent basis for levying these Systems Development Charges (SDC's), the 1989 Oregon
Legislature approved House Bill 3224. This bill is known as the Oregon Systems
Development Act (OSDA) and sets forth rules for implementing SDC's. This law applies to
System Development Charges levied after July 1, 1991. The SDC law was subsequently
amended by the 1993 legislature (HB 3383). The A-engrossed versions of both bills are
included in the appendix of this report.

The authority to levy an SDC is established by ordinance. The City Attorney has developed
an ordinance based on the model ordinance developed by the League of Oregon Cities. This
ordinance is consistent with the provisions of the 1989 SDC law that went into effect in 1991
and the 1993 modification to that law. The new SDC ordinance is included in the Appendix
of this report. Following completion of this SDC study and adoption of the SDC ordinance,
the Council selected SDC fee table should be adopted by resolution of the City Council. The
combination of the implementing ordinance and adopted rate schedule will place the SDC in
effect in Boardman.

An SDC fee schedule is developed in this report and is presented near the end of the text
portion, before the appendix. Although they are adopted by Council resolution that requires
no hearing, the SDC law requires public review of the rates before adoption. It is therefore
necessary to provide a period of time for public input before the rates are put into effect.

Once adopted, it is recommended that the SDC fee schedule be reviewed by the City Council
every one or two years. It should be amended when appropriate. The SDC ordinance and
resolution shall:

1. Establish the legal authority for levying an SDC
2. Establish the amount of the charge
3. Define the type of permit to which the charge applies
4. Describe the methodology used to set the amount of the charge
5. Define the geographic area to which the charge applies if it is larger or smaller than
   the area within the city limits

This report is prepared to present these elements for City Council action.

As stated above, the City of Boardman is a small but growing Morrow County city. Its
population was 2,795 during the summer of 1998. Since that time the population has very
likely grown to over 3,000. This city has the potential for continuing its period of accelerated
growth for several more years. This is because of significant areas of residential, commercial
and industrial development within the community. Several new industries are planning to
locate in Boardman and, as in the recent past, commercial and residential development will be
needed to support the industry. The planning period for a typical public works study is 20
years. The City Council has recently carefully reviewed the potential growth of the city and has adopted a projected year 2021 population of between 5,000 and 5,500. This represents a growth rate of between 2.6% and 3.0%. This level of growth cannot be accommodated with the existing public infrastructure.

As a community grows, the basic public facilities and services must also grow. All residential, commercial and industrial expansions of a city require public works services. These services include water, sewer, streets, storm drainage and parks. This SDC study will directly address the needed water and sewer projects to permit this growth to occur and set forth an approach where this development can pay a fair and reasonable share to these costs.

GENERAL REQUIREMENTS OF OSDA

Following are several of the key issues of the current SDC law:

Existing Facilities (system facilities)
Over the years, existing rate and taxpayers have paid most of the cost of the existing public works facilities. An SDC may be levied to new developments that repay existing city ratepayers for an appropriate portion of the cost of the existing facilities that will be utilized by the new development. These moneys may be used as a portion of the existing ratepayers share of new capital improvements. This SDC fee component is defined as the Reimbursement Fee in the SDC ordinance and OSDA.

Planned Future Facilities
In addition to reimbursement for existing facilities, SDC’s may be levied to help fund planned public works facilities that are to be constructed in the future. This includes all non-maintenance projects planned for the public water, sewer, street, drainage, park systems. Cities may provide SDC fees for any or all of these systems. Boardman’s SDC applies to only water and sewer at this time.

Funds Used for Construction Only
Moneys received from SDC’s may be used only for the construction of specific projects; the specific type of projects that were used as a basis for establishing the SDC rate. These funds may also be used for debt service if the construction of the facilities is bonded or financed. SDC improvement fee funds therefore, must be used for capital construction of facilities or site acquisition. They may not be used for ongoing operational and maintenance costs. Any operations and maintenance costs plus the portion of capital costs not relating to growth (and thus not fundable by SDC fees) will normally be funded by the user rates, property taxes or other city funds.
Special Fund
Moneys collected from the SDC’s must be deposited in a special fund for each SDC and kept separate from all other city operational funds. This permits an accurate accounting of SDC revenues, expenditures and the interest received before the funds are expended. Interest received for invested SDC moneys shall remain in the SDC fund.

Service Connections and other Public Works Permits
By adopting an SDC ordinance, the City has taken on certain requirements for all other fees charged for public works services. All fees must reflect the actual cost of the service and may not be set arbitrarily. Water and sewer service connection fees plus street opening and similar fees may be charged independent of the SDC, however, these fees must accurately represent the actual cost of providing the connection or service. Any excess charges will be subject to all of the SDC requirements. For example, it is required that the sewer and water connection fees be limited to the actual cost of installing the connections only. This fee should be established by the City Council and should be based on an accounting of the cost of actual equipment, materials and labor for installing and inspecting the installation of services. An accurate average may be used to avoid the difficult accounting of charging a different connection fee for every new service. These service fees will also be addressed in this report. City employees should record time, materials and equipment expended on each permit to permit the detailed accounting of costs. For Boardman, an accurate estimate of these costs will be made in the absence of detailed actual accounting.

SDC METHODOLOGY

This section will set forth the basis for the recommended SDC rates contained in this report. The analysis in this section will develop the SDC rate schedule through the following process:

1. **Reimbursement Fee** - Examine the existing system for which an SDC is to be established and determine which portion of the expenditures made to date by the existing ratepayers should be reimbursed by new developments wishing to connect to the system. A "reimbursement fee" will be determined from this analysis.

2. **Improvement Fee** - Considerable improvements will be needed to allow each system to provide adequate service to any new developments wishing to connect to that system in the future. This study will develop a 20-year capital improvement plan listing all projects anticipated over the planning period. It will then define the percentage of each project required to serve the existing system users with the remaining portion need to meet the demands of growth. This analysis will yield an "improvement fee".
3. The total SDC will consist of the sum of the reimbursement fee and the improvement fee.

REIMBURSEMENT FEE

General
The City of Boardman has been incorporated as a city for 72 years. The street, sewer, storm drainage and water systems have evolved over much of that time. As 94 percent of the current population has come to Boardman in the past 30 years, most of the systems are relatively new. The primary problem lies in the fact that none of these systems were designed anticipating the level of growth that has occurred. Most system components are therefore at or nearing their design capacities. It is necessary to add new systems to the growth areas and to expand the existing systems to accommodate the higher loads. Much of the existing system is therefore relatively new and will be used by new development for service.

Accurate records are available for some but not all construction costs for the sewer and water systems. To establish the reimbursement fee, it is necessary to develop an estimate of the original cost of these two public works systems. Actual costs will be used where available. Where accurate costs are not available, it will be necessary to develop an approximation of these construction costs. For this study, assumed unit costs for pipelines and other system components will be used. The unit costs are then applied to an inventory of each system to develop an estimate of the original cost of constructing the sewer and water systems as they now exist.

Construction costs of existing system
Table 1 provides cost detail for the two public works systems being considered in this report. We have not been successful in collecting data from city records on the actual cost of all the existing facilities constructed over the years. Estimated unit costs are therefore utilized that are representative of unit costs for the period. This table provides a breakdown of cost for each major system component. These costs are used in Table 2, where necessary, by applying actual system quantities to the unit prices generating the value of the existing system. Table 1 therefore shows the average cost of the original construction based on the approximate average age of the system component. All incidental costs are included in the overall unit costs presented.

System value
Table 2 provides a summary of the length, in linear feet, and other units for the basic public works system inventories to be considered in this report. These units are multiplied by the average unit price from Table 1. Actual costs will be used directly where available. The result is the estimated actual construction cost of the existing public works facilities. These calculated costs will then be used to develop a reimbursement fee. New development will
repay some the original system costs back to the existing system users as reimbursement for having these basic services available for use.

The costs in Table 2 do not represent the replacement cost of each system. If the systems were constructed today, the costs would be considerably higher (see Table 3). The SDC will provide a fee for reimbursement of cost from new developments to the existing users who paid for the system originally. Only the original construction costs will therefore be considered in this analysis. The current construction costs shown are for information only and do not enter into the SDC calculation.

Over the years, and particularly in the past few years, elements of the public works facilities have been extended by development projects. The majority of these costs were born by the developers and passed on to the ratepayers in the selling price of the developments. Although these costs were not paid directly in water or sewer rates, they were paid by the ratepayers. These costs will be considered in the reimbursement fee analysis but will be more heavily discounted than costs paid directly in utility rates or taxes. The portion of these costs that benefit the total community will be considered rather than improvements designed to benefit only the abutting property.
### SDC CONSTRUCTION COST BASIS
#### EXISTING SYSTEM

<table>
<thead>
<tr>
<th>WATER SYSTEM</th>
<th>UNIT SIZE / COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>MINIMUM PIPE SIZE CONSIDERED</td>
<td></td>
</tr>
<tr>
<td>AVE. AGE UNIT PRICE</td>
<td></td>
</tr>
<tr>
<td>- 2&quot;</td>
<td>$7.00 PER FOOT</td>
</tr>
<tr>
<td>- 3&quot;</td>
<td>$8.00 PER FOOT</td>
</tr>
<tr>
<td>- 4&quot; (Avg. 25 years)</td>
<td>$10.00 PER FOOT</td>
</tr>
<tr>
<td>- 6&quot; (Avg. 20 years)</td>
<td>$16.00 PER FOOT</td>
</tr>
<tr>
<td>- 8&quot; (Avg. 10 years)</td>
<td>$34.00 PER FOOT</td>
</tr>
<tr>
<td>- 10&quot; (Avg. 20 years)</td>
<td>$32.00 PER FOOT</td>
</tr>
<tr>
<td>- 12&quot; (Avg. 5 years)</td>
<td>$45.00 PER FOOT</td>
</tr>
<tr>
<td>- 18&quot; (Avg. 5 years)</td>
<td>$70.00 PER FOOT</td>
</tr>
<tr>
<td>- 24&quot; (Avg. 5 years)</td>
<td>$58.00 PER FOOT</td>
</tr>
<tr>
<td>- 30&quot; (Avg. 5 years)</td>
<td>$105.00 PER FOOT</td>
</tr>
</tbody>
</table>

| WATER SOURCE - WELLS          | $350,000 LUMP SUM |
| RESERVOIRS (Elevated + 2 det. cells) | $300,000 LUMP SUM |
| PUMPING STATIONS              | $60,000 LUMP SUM  |

<table>
<thead>
<tr>
<th>SEWER SYSTEM</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MINIMUM PIPE SIZE CONSIDERED</td>
<td></td>
</tr>
<tr>
<td>AVE. AGE UNIT PRICE</td>
<td></td>
</tr>
<tr>
<td>- 4&quot; Sewer</td>
<td>$12 PER FOOT</td>
</tr>
<tr>
<td>- 6&quot; Sewer (w/ services)</td>
<td>$14 PER FOOT</td>
</tr>
<tr>
<td>- 8&quot; Sewer (w/ services)</td>
<td>$26 PER FOOT</td>
</tr>
<tr>
<td>- 10&quot; Sewer (w/ services)</td>
<td>$30 PER FOOT</td>
</tr>
<tr>
<td>- 12&quot; Sewer (w/ services)</td>
<td>$35 PER FOOT</td>
</tr>
<tr>
<td>- 15&quot; Sewer (w/ services)</td>
<td>$45 PER FOOT</td>
</tr>
<tr>
<td>- 18&quot; Sewer (w/ services)</td>
<td>$60 PER FOOT</td>
</tr>
</tbody>
</table>

| PUMPING STATIONS              |                 |
| - Old                         | $40,000 EACH    |
| - New                         | $200,000 EACH   |

<table>
<thead>
<tr>
<th>TREATMENT PLANT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$320,000 LUMP SUM</td>
</tr>
<tr>
<td>SDC EXISTING SYSTEM VALUE</td>
<td>TOTAL NUMBER</td>
</tr>
<tr>
<td>----------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td><strong>WATER SYSTEM</strong></td>
<td></td>
</tr>
<tr>
<td>DISTRIBUTION AND TRANSMISSION PIPING</td>
<td></td>
</tr>
<tr>
<td>- PIPE - 2''</td>
<td>0 l.f.</td>
</tr>
<tr>
<td>- PIPE - 3''</td>
<td>0 l.f.</td>
</tr>
<tr>
<td>- PIPE - 4''</td>
<td>7,240 l.f.</td>
</tr>
<tr>
<td>- PIPE - 6''</td>
<td>27,000 l.f.</td>
</tr>
<tr>
<td>- PIPE - 8''</td>
<td>40,010 l.f.</td>
</tr>
<tr>
<td>- PIPE - 10''</td>
<td>3,200 l.f.</td>
</tr>
<tr>
<td>- PIPE - 12''</td>
<td>4,320 l.f.</td>
</tr>
<tr>
<td>- PIPE - 18''</td>
<td>9,890 l.f.</td>
</tr>
<tr>
<td>- PIPE - 24''</td>
<td>2,420 l.f.</td>
</tr>
<tr>
<td>- PIPE - 30''</td>
<td>1,760 l.f.</td>
</tr>
<tr>
<td>Total Pipe Length -</td>
<td>95,840 l.f.</td>
</tr>
<tr>
<td><strong>WATER SOURCE - WELLS</strong></td>
<td>1 l.s.</td>
</tr>
<tr>
<td><strong>RESERVOIRS (Elevated + 2 det. cells)</strong></td>
<td>1 ea.</td>
</tr>
<tr>
<td><strong>PUMPING STATIONS</strong></td>
<td>1 ea.</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
</tr>
<tr>
<td>LESS GRANTS &amp; CONTRIBUTIONS</td>
<td>15 %</td>
</tr>
<tr>
<td>TOTAL PAID WITH LOCAL FUNDS</td>
<td></td>
</tr>
<tr>
<td><strong>SEWER SYSTEM</strong></td>
<td></td>
</tr>
<tr>
<td>COLLECTION SYSTEM</td>
<td></td>
</tr>
<tr>
<td>- 4'' Sewer</td>
<td>4,420 l.f.</td>
</tr>
<tr>
<td>- 6'' Sewer</td>
<td>740 l.f.</td>
</tr>
<tr>
<td>- 8'' Sewer</td>
<td>54,240 l.f.</td>
</tr>
<tr>
<td>- 10'' Sewer</td>
<td>10,810 l.f.</td>
</tr>
<tr>
<td>- 12'' Sewer</td>
<td>4,450 l.f.</td>
</tr>
<tr>
<td>- 15'' Sewer</td>
<td>4,970 l.f.</td>
</tr>
<tr>
<td>- 18'' Sewer</td>
<td>4,300 l.f.</td>
</tr>
<tr>
<td>Total Pipe Length -</td>
<td>83,930</td>
</tr>
<tr>
<td><strong>PUMP STATIONS</strong></td>
<td></td>
</tr>
<tr>
<td>- PUMP STATIONS (old)</td>
<td>4 ea.</td>
</tr>
<tr>
<td>- PUMP STATIONS (new)</td>
<td>1 ea.</td>
</tr>
<tr>
<td><strong>WASTEWATER TREATMENT PLANT</strong></td>
<td>1 l.s.</td>
</tr>
<tr>
<td><strong>LAND</strong></td>
<td>1 l.s.</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
</tr>
<tr>
<td>LESS GRANTS (EPA, ETC) - Estm.</td>
<td>1 l.s.</td>
</tr>
<tr>
<td>TOTAL PAID WITH LOCAL FUNDS</td>
<td></td>
</tr>
</tbody>
</table>
Analysis of existing system costs
After the cost of the existing system is determined, it is then necessary to determine how much of this system is required to supply the service needs of the existing users and how much is being held in reserve to serve growth. Only that portion of the system construction that remains available for growth can be considered in establishing the SDC reimbursement fee rates.

Table 3 provides an analysis of the existing system. The product of this analysis is the amount of the original construction that remains assignable to the SDC fee. For example, this study considers all water pipe smaller than two (2) inches in diameter as usable for local existing service only and is not designed for growth. This is a slightly conservative position as realistically, a new service may be connected to a small pipe in the future. It is city policy to construct a properly designed water main grid throughout the city limits to both provide suitable fire protection and adequate water supply to users. The smaller water lines will be phased out as this grid is expanded.

Using the unit costs and length provided in Table 2, Table 3 begins by listing the computed original construction cost of the two systems. It then projects the cost of these systems as if they were constructed today (for the reader's general information only). As noted on the table, only ratepayers cost are shown and the costs do not reflect the full construction cost of the facilities. Following these costs, a separation is made between the percentage of the system currently serving existing users and the remaining portion available to serve new developments (growth).

As a system ages, the useful life of the facility decreases and the value of the system also tends to decrease. The costs provided on Table 3 are further refined by calculating the value of the original investment that remains after system deterioration. Following the determination of the remaining value, this new figure is again reduced by an estimated amount of funding by non-user sources. This non-user funding may include federal and state grants, low interest loan savings, contributions by non-residents, a portion of developer construction, etc. Existing data on these sources are difficult to locate so the amounts are estimated based on past experience and knowledge provided by city staff. It is assumed that the sewer system was constructed using some EPA grant assistance. Elements of the water system have been replaced over time and the system inventory used in this study attempted to remove all lines that are no longer in service.

Non-city funded water and sewer elements have been reflected in the costs provided in Table 3. Existing cost data is used where found. With the non-city costs removed, the remaining costs are separated into that portion required to serve the existing users and that portion available for the use of new developments (growth). A reasonable amount of the adjusted original investment has been assigned to serve existing users. The remaining percentage is assigned to new users as their reimbursement to existing tax and ratepayers over the next twenty years. This new user percentage is once again reduced by computing the remaining
value of the original investment and is further reduced by subtracting an estimate of contributed capital.

The reimbursement fee returns some of the SDC fee directly to the City to offset part of the existing users costs in operating and expanding the system. The calculation method required under state law leaves only a small fraction of the original construction cost to be reimbursed by growth over the next 20+ years. This money however, may be used for more than capital construction for growth. It should not be used to offset annual maintenance costs but may be used for one-time maintenance related expenses such as a new maintenance building, purchase of a backhoe or truck, etc.
TABLE 3
Boardman SDC Table
2-11-00

ANALYSIS OF EXISTING SYSTEM
DETERMINATION OF COSTS OF EXISTINGAssignable TO THE SDC

<table>
<thead>
<tr>
<th>SYSTEM</th>
<th>TOTAL SYSTEM</th>
<th>SERVE EXISTING USERS</th>
<th>SERVICE FOR NEW USERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER SYSTEM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Length (ft.) *</td>
<td>95,840</td>
<td>76,672</td>
<td>19,168</td>
</tr>
<tr>
<td>Original Construction Cost</td>
<td>$3,889,000</td>
<td>3,111,200</td>
<td>$777,800</td>
</tr>
<tr>
<td>Cost if Constructed Today (x2.5)</td>
<td>$9,722,500</td>
<td>7,778,000</td>
<td>$1,944,500</td>
</tr>
<tr>
<td>Estimated Contributed Capital</td>
<td>$583,350</td>
<td>466,680</td>
<td>$116,670</td>
</tr>
<tr>
<td>Original Tax/Rate Payers Cost</td>
<td>$3,305,650</td>
<td>2,644,520</td>
<td>$661,130</td>
</tr>
<tr>
<td>Remaining Value of Original (70%)</td>
<td>$2,313,955</td>
<td>1,851,164</td>
<td>$462,791</td>
</tr>
<tr>
<td>Total Assignable Cost</td>
<td>$2,313,955</td>
<td>$1,851,164</td>
<td>$462,791</td>
</tr>
<tr>
<td>* Unknown size lines assumed smaller than 4&quot; &amp; not used.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SEWER SYSTEM

<table>
<thead>
<tr>
<th>LENGTH (ft.) - Gravity</th>
<th>83,930</th>
<th>46,162</th>
<th>37,769</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Construction Cost</td>
<td>$3,165,340</td>
<td>$1,740,937</td>
<td>$1,424,403</td>
</tr>
<tr>
<td>Cost if Constructed Today (x2.2)</td>
<td>$6,963,748</td>
<td>$3,830,061</td>
<td>$3,133,687</td>
</tr>
<tr>
<td>Estimated Contributed Capital</td>
<td>$700,000</td>
<td>$385,000</td>
<td>$315,000</td>
</tr>
<tr>
<td>Original Tax/Rate Payers Cost</td>
<td>$2,465,340</td>
<td>$1,355,937</td>
<td>$1,109,403</td>
</tr>
<tr>
<td>Remaining Value of Original (65%)</td>
<td>$1,602,471</td>
<td>$881,359</td>
<td>$721,112</td>
</tr>
<tr>
<td>Total Assignable Cost</td>
<td>$1,602,471</td>
<td>$881,359</td>
<td>$721,112</td>
</tr>
</tbody>
</table>
IMPROVEMENT FEE

General
The second portion of the total SDC fee is the improvement fee. The improvement fee will provide moneys to assist the City in funding the construction projects required to meet the needs of the growing community. These projects will be constructed to provide service to new users of the system. Part of their justification is, however, to improve service to the existing users. It is therefore, again necessary to separate costs between existing users and growth.

CIP
The first step in developing the improvement fee is to prepare a list of public facilities projects that will be needed over the 20-year planning period. This list or Capital Improvement Program (CIP) is presented in Table 4. Master planning is currently underway for both the water and sewer systems. The available information from these plans has been fully utilized in this SDC plan. The costs and projects were developed by discussing needs with staff and utilizing existing project planning data prepared by staff. All of this data was presented on the CIP in Table 4.

The growth of Boardman is a somewhat controversial issue. Some individuals within the community fully support the rapid growth and the healthy economy of the region. Others feel the growth is too fast and difficult to manage. In reality, growth is driven by economic conditions and any City has very limited ability to slow or control it. Under state law, a city may not stop growth but must plan for and implement the needed public works improvements to support it. Comprehensive planning, zoning and establishment of urban growth boundaries can provide orderly growth but will not stop or seriously reduce it. The economy in the Boardman area has generated the need for facilities to support it. Boardman and other nearby communities are growing in response to this activity. Expanded infrastructure is therefore required as reflected in Table 4.

Without a drastic reduction in the Oregon economy and a shutdown of the housing market, it is highly probable that Boardman will grow as projected in this report. At this time, there is nothing apparent that will reverse the growth. If the economic trends of the 1990's continue past the year 2000, the above 20-year forecast will easily be realized. In time, Morrow County will be making population projections for Boardman. These projections are for land use planning purposes. When available, they should be considered however this SDC study and other public works planning must be based on the most realistic projections possible for Boardman. The growth projections used in this plan are consistent with both the water and sewer master planning underway.
Water System

The existing water system in Boardman has evolved over many years but the majority of the system is relatively new. It was constructed with a reasonable planned growth rate based on the small community and past history. The unprecedented period of very rapid growth has caused this system to reach its design capacity much earlier than intended. It is now necessary to expand the system by adding a new water source, new transmission, new 5 million gallon reservoir, new pumping facilities and major improvements to the water distribution system. These improvements are projected to cost nearly $8 million dollars over the next 20 years.

Although Boardman has greatly increased its tax base through annexation of many industries and industrial land within the Port of Morrow, it does not have the financial capacity to construct all of the needed facilities with the funding available. In addition, it is appropriate that new development pay much of the cost of extending services to meet its needs rather than the existing residents and industries funding these improvements.

Boardman is currently planning the construction of a second Ranney collector water source to be located near the Columbia River. This sophisticated well will draw filtered water from the river-saturated aquifer and withdraw it for municipal use. Some treatment of the water may be needed depending on testing of the completed collector. Following treatment and disinfection, the water is pumped through large diameter transmission pipes into the City’s water distribution system.

The CIP contains an item for the construction of the treatment facility and the expansion of pumping stations. This will assure the water meets state and federal water quality standards and is properly pressurized to feed the City’s distribution pipe grid. To meet the fire demand, peak summer daily loads and the required emergency backup water supply, a new 5 million gallon reservoir will be needed. It will require a suitable site and pumping facilities to withdraw the water from the reservoir and reintroduce it into the pipe grid at the proper pressure.

The City has a sizeable water demand from both industrial and residential users. To meet these demands, it will be necessary to add nearly 40,000 feet of new and upsized water lines. The grid developed from these lines will provide proper levels of fire protection throughout the city and will meet the water demands of all users. It is anticipated that this work will be spread throughout the 20-year planning period however an initial surge of work may be needed within the first five years to meet the pent up demand of existing industrial and residential users.

Wastewater System

The existing wastewater system was constructed in 1979. The system consisted of a facultative lagoon (28 acres) wastewater treatment plant, land application of effluent (40
acres) from the lagoons, five pump stations and over 38,000 feet of lateral and trunk sewer lines. In addition, each user has a service line from the lateral sewer to their property.

Due the high loadings being placed on the wastewater system by the rapidly growing user base, the 20-year old facilities are being loaded beyond their capacity and are no longer able to stay within the requirements of the operating permit issued by Oregon’s Department of Environmental Quality (DEQ). In addition to the pressure placed on the system by growth, the standards for wastewater treatment have become more restrictive making the existing plant and irrigation much less effective than in the past.

The cities design consulting engineer completed a three year and two part wastewater system study in May 1999. The study makes many recommendations for improvements to the wastewater system. The projects recommended in these studies are combined with staff recommendations in the CIP presented in Table 4. This CIP contains the following project needs:

1. Expansion of the wastewater treatment plant. This includes new acreage for lagoons and irrigations, construction of new lagoons and biosolids handling and removal.
2. Lift station replacements and upgrades. A total of 8 pumping stations will be constructed, replaced or upgraded.
3. Collection system projects. This consists of sewer line construction both of new lines and the upsizing of undersized existing sewers.

Over the past 30 years, wastewater has become a very heavily regulated item. The federal EPA and state DEQ have considerable authority to control how the City handles its wastewater. They permit the treatment and discharge of wastewater and also control permitting of the construction of each element of the system being constructed and maintained. They have the ability to enforce their requirements and can fine a city thousands of dollars per day if the city is not responsive in meeting the regulations. Boardman is approaching a situation where such sanctions could be applied and it is imperative that the City stay ahead of the demands of DEQ and make the needed improvements before they are demanded. The projects listed on the CIP will keep the city ahead of such sanctions.

**Summary of CIP**

A 20-year Capital Improvement Program (CIP) for the City of Boardman is described in the sections above. Both of the two public works functions being considered are described and the needs of each discussed. A series of projects to meet these needs are identified and explained. To complete the CIP, it will be necessary to develop estimates of cost for the improvements and prioritize them by placing them on a time line for implementation. This CIP is presented on Table 4.
<table>
<thead>
<tr>
<th>No.</th>
<th>Project Description</th>
<th>Quantity</th>
<th>Unit Price</th>
<th>Total 30 Yr.</th>
<th>Funded By Property Tax</th>
<th>Funded By Others</th>
<th>Funded By City/SD</th>
<th>% Existing Users Related</th>
<th>Existing User Related</th>
<th>Project Priority and Schedule</th>
<th>Project Priority and Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>Expanded Water Source</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Second Ranney collector</td>
<td>1 ea</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>800,000</td>
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<tr>
<td>1.2</td>
<td>Transmission to distribution system</td>
<td>1 ls</td>
<td>600,000</td>
<td>600,000</td>
<td>480,000</td>
<td>0</td>
<td></td>
<td>120,000</td>
<td>25</td>
<td>50,000</td>
<td>90,000</td>
</tr>
<tr>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0</td>
<td>Water Pumping, Storage &amp; Treatment Requirements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Land, Site work &amp; S.MG reservoir</td>
<td>1 ls</td>
<td>1,300,000</td>
<td>1,300,000</td>
<td>325,000</td>
<td>0</td>
<td></td>
<td>975,000</td>
<td>35</td>
<td>341,250</td>
<td>633,750</td>
</tr>
<tr>
<td>2.2</td>
<td>Renovation of 0.125 MG water tower</td>
<td>1 ls</td>
<td>200,000</td>
<td>200,000</td>
<td>50,000</td>
<td>0</td>
<td></td>
<td>150,000</td>
<td>75</td>
<td>112,500</td>
<td>37,500</td>
</tr>
<tr>
<td>2.3</td>
<td>Water system capacity upgrades - pumping, disinfection &amp; treatment</td>
<td>1 ls</td>
<td>1,348,000</td>
<td>1,348,000</td>
<td>1,078,400</td>
<td>0</td>
<td></td>
<td>269,600</td>
<td>55</td>
<td>148,840</td>
<td>121,320</td>
</tr>
<tr>
<td>2.4</td>
<td>Public Works shops complex (33%)</td>
<td>1 ls</td>
<td>165,000</td>
<td>165,000</td>
<td>41,250</td>
<td>0</td>
<td></td>
<td>123,750</td>
<td>60</td>
<td>74,250</td>
<td>49,500</td>
</tr>
<tr>
<td></td>
<td>Water meter replacement prog. - ProRead meter</td>
<td>1 ls</td>
<td>77,500</td>
<td>77,500</td>
<td>18,375</td>
<td>0</td>
<td></td>
<td>58,125</td>
<td>35</td>
<td>49,060</td>
<td>8,719</td>
</tr>
<tr>
<td>2.6</td>
<td>Water line construction equipment (30%)</td>
<td>1 ls</td>
<td>25,500</td>
<td>25,500</td>
<td>6,375</td>
<td>0</td>
<td></td>
<td>19,125</td>
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<td>4,781</td>
<td>14,344</td>
</tr>
<tr>
<td>2.7</td>
<td>Booster pump station</td>
<td>1 ls</td>
<td>110,500</td>
<td>110,500</td>
<td>88,400</td>
<td>0</td>
<td></td>
<td>22,100</td>
<td>40</td>
<td>8,840</td>
<td>13,260</td>
</tr>
<tr>
<td></td>
<td>Total Storage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,220,500</td>
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<td>I-84 Crossing - Replace 8&quot; with 12&quot;</td>
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<td>61</td>
<td>234,850</td>
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## SANITARY SEWER SYSTEM

### TABLE 4 (Continued)

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<th>% EXISTING USERS</th>
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<th>GROWTH RELATED</th>
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<td>Effluent Irrigation - increased acreage &amp; facilities</td>
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### TOTAL CIP

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<th>TOTAL 20 YR AMOUNT</th>
<th>FUNDED BY PROPERTY TAX</th>
<th>FUNDED BY CITY/BSC</th>
<th>% EXISTING USERS</th>
<th>EXISTING USER RELATED</th>
<th>GROWTH RELATED</th>
<th>PROJECT PRIORITY AND SCHEDULE</th>
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</table>
It is recommended that the CIP provided on Table 4 be carefully reviewed by the staff and City Council often. It may be expanded, reduced or otherwise modified as appropriate. It is critical that the CIP properly reflect the needs, desires and priorities of the community as this CIP is the primary factor that defines the amount of the Systems Development Charges for Boardman.

The CIP in this plan should be updated, as improved information becomes available. It is recommended that the City Council formally review the CIP each year. It is assumed that the list will change as the planned work is firmed and moves to funding and design. As significant project changes occur, the SDC study analysis should also be updated to determine the amount that can be charged for SDC rates. The City Council can decide, at any time, to adjust the SDC rate schedule. If the Council wishes to adopt SDC rates higher than the maximum figures contained in this study, it will be necessary to address the methodology and modify the entire study.

The planning level cost estimates included in this CIP are based on 1999 construction costs. As the projects are reviewed and updated each year, the costs should be inflated appropriately.

**Funding of CIP Projects**

The projects shown in this plan may be difficult for a community the size of Boardman to fund without help from some outside source. The SDC fee will not fund the entire CIP. The following sources of funding have been considered:

1. SDC fees
2. Property Taxes
3. Water and Sewer monthly User Fees
4. Grants and loans from outside agencies such as block grants from the State and Federal Governments, Rural Development funding, Special Public Works funds through the State Department of Economic Development, etc. Due to the economic conditions and income level in Boardman, it is unlikely the city will attract a significant amount of State and Federal funds. Local funds are anticipated to pay most of the cost of implementing the CIP.

Based on discussions with staff and the Council, the engineer has made the assumption that approximately half of the construction costs in the CIP will be paid by property taxes. The majority of the remaining costs will be paid by the SDC fee and monthly user fees.

As individual project funding is developed, it should be reflected in any subsequent revision of this SDC study's CIP. As listed projects are completed, any bonded debt arising from the project may be paid by SDC funds. These completed projects should therefore, continue to be listed in the CIP to maintain their eligibility for SDC funding of the bonded debt. Also, from
time to time, projects may be added to the CIP list. It is further assumed that the SDC fee or charge will be increased or decreased every one or two years to adjust to the current funding needs and to balance the impact of inflation on construction costs.

Completion of a newly engineered system master plan will impact the CIP project listing and costs. This new planning should trigger a revision of the CIP. This capital improvement plan can become even more useful for annual budgeting if two additional levels of detail are added to it. First a one-page worksheet can be prepared for each project. It will contain the need for the project, an estimate of cost and a priority. The priority can be a numbered order of all projects on the list with number one having the highest priority. The priority system can also be simplified by assigning relative values to each project such as high, medium or low. With this done, each project can be assigned a specific year for construction. If projects are scheduled, this must be done with extreme care not to limit the flexibility of the City to adjust project construction schedules to be responsive to development needs and to take advantage of cost saving opportunities by combining projects or low bid opportunities. This flexibility is also important to take advantage of any special funding opportunities such as grants, low interest loans or developer funding. This flexibility is critical to the cost-effective operation of the city.

By adding the annual cost shown on the CIP for each year, the city's future cash flow needs for construction will be known. This process will show clearly the city's revenue need. By reviewing the need each year, the Council can make informed decisions about the adjustment of the user rates or the SDC charge.

It is possible that the city may permit developments outside the city limits, which will utilize city services. In this instance, it would not be equitable to charge the outside user the same SDC as the inside user as the inside user is shouldering a higher share of the CIP cost and thus the SDC fee. City residents are also using property taxes to pay for construction. It is therefore recommended that a surcharge be applied to the SDC fee for outside users. In examining the CIP, the property tax component is 1.28 times the SDC component (see Table 4). It is recommended that a surcharge of 105 percent be added to the basic SDC charge for outside users. This in effect means that the SDC should be figured in the normal way for the outside user then multiply by 2.28 to get the correct SDC fee.

**Growth component of CIP**

To develop the impact of the proposed capital construction projects on the SDC fee schedule it is first necessary to assign an appropriate portion of the project cost (projects listed in the CIP) to growth. Each project is considered individually. An estimate is made of the portion of a project that serves the existing users and the portion that will provide additional capacity within the system to serve growth. This assignment is shown on Table 4.

**Population projections**

Before the costs developed above can be incorporated into an SDC fee, it is necessary to project the amount of growth that can be expected during the twenty-year planning period.
First, a growth rate for the city must be established. Current growth information for the City of Boardman was developed recently and presented in the 1999 wastewater system study. This SDC study will utilize the information and projections provided in that study as it is the most current public works projection and has been carefully reviewed and adopted by the City as its basis for public works planning. It basically assumes that the area within the existing urban growth boundary will continue to grow over the next 20 years at a rate of 2.6 to 3.0 percent per year to a year 2021 population of 5,500.

The water master plan is being developed consistent with the wastewater plan population projection. Although growth is projected at 3 percent (2.686%) evenly to the year 2021, it is assumed that the growth rates will exceed this figure over the next 5 to 10 years then flatten to a much lower rate. The projected 2.686 percent is required to adjust from the actual 1999 population to the projection of 5,500 at the year 2021.

It is difficult to accurately project population far into the future. In the opinion of the engineer, the projections used in this and the previous reports are somewhat conservative and a higher rate of growth is likely. Boardman’s population growth rate for the past 28 years has been over 10 percent per year compounded. It has accelerated well over this rate in the past and has been holding at that level for nearly three years. Unless the economy slumps in the next few years, the city could reach its growth projections within the next 6 to 10 years. If the growth rate of the past 28 years continues past 1998, the city will exceed the projected 5,500 people by the year 2006. It is highly unlikely that this will happen and the projections used in this report and the water and sewer reports is much more reasonable. It is important to consider, however that it is quite possible that the projections developed will be exceeded within the 20-year planning period.

It will, therefore, be the prediction of this plan that the population will reach 5,500 by the year 2021 as shown below in Table 5.

### TABLE 5 Population Projections

|------|------|------|------|------|------|------|------|-------|

**Projected new services & EDU’s**

With the growth rate established, the next step is to project the number of building permits, water services or new housing units anticipated per year. The most common approaches to assigning SDC fees to development are:

- Water Meter Diameter – a single family residential service is a 5/8-3/4 inch meter.
- Water meter capacity – in general, the flow through a typical meter will increase by four fold as the meter size doubles.
EDU – Equivalent Residential Unit – this approach bases the fee on an average single residential home. Other users are ratioed from this basic service requirement.

City staff has reviewed these approaches for well over a year. Several reports were prepared for consideration by the City Council. This background information has been summarized in a report prepared by the engineer for consideration at a Council work session on October 6, 1999. The approach was discussed at length at that meeting. It was recommended by the engineer that the EDU method be used for assigning SDC costs to developments. This approach was approved by the City Council and is used in this report.

Many smaller communities use the meter size approach to assigning the SDC fee. It is easy to administer by staff and provides a good approach where the community is primarily single family residential. When a community begins expanding with multifamily complexes, motels, expanding commercial and adds new industrial developments, the water meter size tends to under fund the CIP and these more intensive land uses pay a much lower fee based on the demand for service they generate. The burden of funding growth shifts to the single family home. This report will carefully consider another approach for assigning the SDC fee to development, the Equivalent Dwelling Unit (EDU). This relates the demands for service of all developments to the demand of a standard single family home.

Table 6 projects the anticipated new building permits based on the growth rates adopted and shown in Table 5. Table 6 shows the current number of services and EDU’s. It then applies growth to the current EDU’s to predict the number of new EDU’s anticipated over the planning period.

Based on the growth rate of the past few years, it would appear that the city will grow initially faster than projected but will shift to a slow growth pattern in the later years of the planning period and meet the goal presented in Table 5. The predicted new services and EDU’s are based on this assumption.
TABLE 6

SYSTEM GROWTH ANALYSIS

1998 Population (July) - 2,795
Estm. 1999 Population (July) - 3,070
1999 EDU's - 3070/2.66 = 1154

<table>
<thead>
<tr>
<th>TYPE OF SERVICE</th>
<th>TOTAL 1999 EDU'S</th>
<th>PROJECTED YEAR 2020 EDU'S *</th>
<th>PROJECTED NEW EDU'S</th>
<th>AVERAGE NEW EDU'S PER YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER SYSTEM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equivalent Dwelling Units</td>
<td>1154</td>
<td>2067</td>
<td>913</td>
<td>42</td>
</tr>
<tr>
<td>SEWER SYSTEM</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equivalent Dwelling Units</td>
<td>1154</td>
<td>2067</td>
<td>913</td>
<td>42</td>
</tr>
</tbody>
</table>

* Growth per City Council = 5,500 by year 2020
ESTABLISHING BASIS FOR ASSESSING SDC FEES

With the costs and number of new services and EDU's established, the next step is to establish the standard SDC fees for the typical dwelling unit. Table 7 pulls together all of the key data developed earlier in this report to calculate the SDC rates. It presents a summary of this data and projects these figures into the Reimbursement and Improvement fees developed by this report. These are the base figures for a new typical residential user assuming the basis of assessing SDC fees is new water/sewer services or EDU's.

There are many ways to assign the systems development charge to a developing property. Keying it to a building permit is the most practical method. The charge may be applied equally to each building permit. This, however, may be unfair because a large development will place a greater demand on the public works facilities than a small single family home. The fee may also be applied to the dollar value to the building project or the square footage of the project. Most cities have found however, that the best way to levy a fair and equitable fee is to key it fee to the size of the development and its demand for services. This will be accomplished by tying the SDC to the number of equivalent residential housing units (EDU's). The larger the development, the larger the number of EDU's. Most cites throughout Oregon use either the EDU approach or the meter size approach. For this report, the SDC will use the EDU for simplicity of administration and improved accuracy in assigning the costs to non-single family developments.

The EDU approach basis the SDC fee on the demands of the average single-family residential home. The demand for service of all other land uses is ratioed back to the demands of the single-family home. One EDU therefore reflects the impact of one single-family home on the sewer and water systems. Table 8 provides detailed information for typical development classifications. This table offered as a basis for computing the fee. It may be modified is the staff or City Council has data to show that the EDU fractional amounts are not representative of the Boardman user. The figures are averages used in water and wastewater publications and other cities. They have been modified somewhat for Boardman but refinement is always possible.

Table 7 provides the summary detail that determines the SDC fee. For convenience in applying the fee, this information is summarized on Table 8. Table 8 represents the highest rates that may be charged by the City. The City Council may adopt rates as provided on Table 8 or at any amount less than these maximum figures. The reimbursement fee, improvement fee and total SDC fee for a specific development may be determined by finding the EDU designation on Table 9 and multiplying it by the user rate for a single family home on Table 8. This will yield the SDC charge for the specific type of development, when the EDU approach is used. This is explained in more detail in the section that follows.
### ASSIGNMENT OF COSTS FOR SDC

<table>
<thead>
<tr>
<th>SYSTEM</th>
<th>TOTAL ASIGNABLE COST</th>
<th>TOTAL COST TO EXISTING USERS</th>
<th>TOTAL GROWTH COMPONENT</th>
<th>EDU'S ADDED OVER 20-YR PERIOD</th>
<th>REQUIRED COST RECOVERY PER EDU</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER SYSTEM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursement Fee $2,313,955</td>
<td>$1,851,164</td>
<td>$462,791</td>
<td>913</td>
<td>$507</td>
<td></td>
</tr>
<tr>
<td>Improvement Fee  $2,883,093</td>
<td>$1,227,418</td>
<td>$1,655,675</td>
<td>913</td>
<td>$1,813</td>
<td></td>
</tr>
<tr>
<td>TOTAL WATER SYSTEMS DEVELOPMENT CHARGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$2,319</td>
</tr>
<tr>
<td>SEWER SYSTEM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursement Fee $1,602,471</td>
<td>$881,359</td>
<td>$721,112</td>
<td>913</td>
<td>$789</td>
<td></td>
</tr>
<tr>
<td>Improvement Fee  $2,150,525</td>
<td>$1,062,034</td>
<td>$1,088,491</td>
<td>913</td>
<td>$1,192</td>
<td></td>
</tr>
<tr>
<td>TOTAL SEWER SYSTEMS DEVELOPMENT CHARGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,981</td>
</tr>
<tr>
<td>TOTAL SDC FOR ALL SYSTEMS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$4,300</td>
</tr>
</tbody>
</table>
## TABLE 8

<table>
<thead>
<tr>
<th>METER SIZE</th>
<th>REIMBURSEMENT FEE</th>
<th>IMPROVEMENT FEE</th>
<th>TOTAL SDC</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER SYSTEM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$507</td>
<td>$1,813</td>
<td>$2,319</td>
</tr>
<tr>
<td>SEWER SYSTEM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$789</td>
<td>$1,192</td>
<td>$1,981</td>
</tr>
<tr>
<td>TOTAL OF ALL SYSTEMS DEVELOPMENT CHARGES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One DEU</td>
<td>$1,296</td>
<td>$3,004</td>
<td>$4,300</td>
</tr>
</tbody>
</table>

**Outside City SDC Fee -**

As the City property taxes are paying slightly more toward the construction of the projects listed on the CIP than the SDC, a surcharge of 128% shall be applied to SDC fees for development outside the city limits. Example: If the SDC for a development inside the city limits is $4,300, the SDC fee for an outside user is $4,300 x 2.28 = $9,805.
EDU Method of Calculating SDC Fees

The calculations below are based on average values taken from analysis of the City of Boardman water and sewer system demands. The residential and hotel/motel calculations are oriented to water demand. For these land uses, the EDU’s developed in this manner may reasonably be applied to both water and sewer SDC rates. For commercial, industrial and other land uses, water and sewer EDU’s are to be calculated individually by the City technical staff for each building permit received.

**TABLE 9 - EDU Method of Applying SDC Fees**

<table>
<thead>
<tr>
<th>User Classification</th>
<th>Calculation</th>
<th>EDU’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single family residential</td>
<td>84 gpcd (3.28) = 276 gpd =</td>
<td>1.0</td>
</tr>
<tr>
<td>Multiple-family residential</td>
<td>70 gpcd (2.76) = 193 gpd =</td>
<td>0.7</td>
</tr>
<tr>
<td>Mobile home park per wheeled unit</td>
<td>70 gpcd (2.99) = 209 gpd =</td>
<td>0.8</td>
</tr>
<tr>
<td>Manufactured home (perm. foundation)</td>
<td>84 gpcd (3.28) = 276 gpd =</td>
<td>1.0</td>
</tr>
<tr>
<td>Boarding house room</td>
<td>45 gpcd (1.73) = 78 gpd =</td>
<td>0.3</td>
</tr>
</tbody>
</table>

| Hotel / Motel                               |                              |       |
| Hotel / Motel                               | 35 gpcd (2.5) = 88 gpd =     | 0.3   |
| RV Park (short term occupancy - 4-weeks maximum) | 35 gpcd (2.5) = 88 gpd =     | 0.3   |

Commercial / Industrial

The SDC fee to be levied must be based on a calculation of the number of equivalent residential units for the development. It is likely that the number of water EDU’s will vary from the number of sewer EDU’s. Future street, storm and parks EDU’s will be identical to the sewer EDU figure unless modified by a revised SDC study. One water EDU is based on an average annual water consumption of 120 gallons per capita per day (gpcd) times 3.28 persons per residence for 276 gallons per day (gpd) per EDU. One wastewater EDU is based on sewage loading of 0.2 pounds of BOD and TSS per day per capita or 0.66 pounds per day per EDU at an average annual daily flow of 84 gpcd times 3.28 people per single family unit or 276 gpd. The technical staff shall develop a calculation of the number of EDU’s for each nonresidential development requesting a building permit. This calculation shall be based on the estimated wastewater discharge from the proposed development equated to the number of single family homes required to make the same discharge considering both flow and wastewater strength.

Where a building permit is requested for a facility not specifically listed on Table 9, it will be necessary to develop the number of EDU’s for the proposed project. The above table is also provided as a reference sheet in Appendix C. The table contains the calculations used to develop EDU’s for different land uses. This table combined with the EDU rate on Table 8 (or
as modified and adopted by the City Council), permit the SDC fee to be determined directly for most development situations anticipated within the Boardman UGB. As the rationale for calculating the EDU's is provided on the table, it can be applied to a user classification that is not included specifically.

**Water Meter Approach to Applying SDC Fees**

The water meter size approach is used other cities in the Boardman area for applying SDC fees to development. This approach is provided here to permit staff and City Council to understand the impact of the change to the EDU method. Under the meter approach, the size of the water meter serving a development project has a direct bearing to the load that facility places on the sewer and water system. The larger the project, the larger the water meter. In the past, this has been the most common method used in applying SDC fees to development projects. The fee is applied at the time the building permit issued and the water service is requested.

The fee can be applied to water meter based either on the size of the meter or the volume of water that passes through a meter. If the fee is applied based on the size of the meter, as the size of the meter doubles (say from a 3/4 inch meter to a 1 1/2 inch meter) the SDC fee will double. If the SDC fee is applied based on the volume of water that can flow through the meter, the fee will increase by approximately four fold as the size of the meter doubles. The actual flow varies by the type of meter being considered.

During the development of this SDC study, the City Council held work sessions with the engineer to discuss the SDC concepts in detail and to refine the approach to applying the SDC fee to development. In these deliberations, the City Council considered the impact of these two approaches to using the meter size. The flow-based approach escalates the fee very sharply as the meter size increases. After deliberation, the Council consensus was to base the fee on an approach that approximates the actual demands the new user will place on the system. The engineer has used the EDU approach for residential users and sets forth an approach to calculating the number of EDU’s for commercial and industrial users.

**Determination of Fee Schedule**

The fee schedule presented in Table 8 is the maximum amount the City Council of the City of Boardman may select for SDC fees based on the analysis in this study. The Council may feel that this amount is higher than it would like to assess at this time. If so, it will have the option of choosing between the following two options regarding the amount of the fee to be levied:

- *Table8 presents the maximum SDC fees that can be charged by the City of Boardman based on the methodology and capital improvement plan in this SDC study. The Council may levy this full amount by rate resolution. Any further rate increases in the future will require a full update of this SDC report.*
The Council may adopt any amount of their choosing that is less that the fees shown on Table 8. This will reduce the SDC income and shift the burden of implementing the Capital Improvement Program (CIP) more toward the existing ratepayers. This approach will allow the Council to raise rates in the future up the maximum amounts shown on Table 8. Tables 10-1 through 10-5 are provided as examples of a reduced rate SDC. The City Council requested that tables be provided at 10 percent reduction increments between 50 percent and 100 percent (100 percent is Table 8).

To assess the impact of reducing the fees below Table 8, it is noted that the SDC fees listed on this table will provide funding for only 23 percent of the projects on the CIP. The remaining costs must be born primarily by the existing ratepayers and taxpayers of the city. Table 4 made the assumption that either 80 percent or 25 percent (depending on the specific project) will be paid by property taxes. These specific assignments were made by the City Council. This reduces the maximum amount to be funded by SDC’s to 75 percent on specific projects but 23 percent for the entire CIP. Any outside project funding has been subtracted within this 23 percent figure. User rates or property taxes must cover the costs that remain.

Table 4 assigns a significant portion of the cost of each project to the existing users of the system, which will pay their share with user rates. If the SDC costs presented on Table 8 are reduced, this will in effect shift a greater portion of the cost from new development to the existing users. It may, however, be appropriate for the City Council to consider phasing in the increased SDC rate increase if they wish. If this is desired, a separate percent reduction may be applied or each item (water or sewer) as desired by the Council. Under no condition may the SDC rates be adopted higher than presented on Table 8 without revising this report.

The SDC fee schedule is based on the projected population growth. If the population growth, and thus building construction, occurs at a rate significantly different than the rate projected, the SDC fee should be reviewed and adjusted.
### TABLE 10-1

**RECOMMENDED SYSTEMS DEVELOPMENT CHARGE SCHEDULE**

**SDC RATES RECOMMENDED FOR ADOPTION**

This Table Establishes the Rates at 90% of the Maximum Level Set in Table 9

<table>
<thead>
<tr>
<th>METER SIZE</th>
<th>REIMBURSEMENT FEE</th>
<th>IMPROVEMENT FEE</th>
<th>TOTAL SDC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WATER SYSTEM</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$456</td>
<td>$1,631</td>
<td>$2,087</td>
</tr>
<tr>
<td><strong>SEWER SYSTEM</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$711</td>
<td>$1,072</td>
<td>$1,783</td>
</tr>
<tr>
<td><strong>TOTAL OF ALL SYSTEMS DEVELOPMENT CHARGES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$1,167</td>
<td>$2,704</td>
<td>$3,870</td>
</tr>
</tbody>
</table>

**Outside City SDC Fee -**

As the City property taxes are paying slightly more toward the construction of the projects listed on the CIP than the SDC, a surcharge of 128% shall be applied to SDC fees for development outside the city limits. Example: If the SDC for a development inside the city limits is $3,870, the SDC fee for an outside user is $3,870 × 2.28 = $8,824.
**TABLE 10-2**

RECOMMENDED SYSTEMS DEVELOPMENT CHARGE SCHEDULE

SDC RATES RECOMMENDED FOR ADOPTION

This Table Establishes the Rates at 80% of the Maximum Level Set in Table 9

<table>
<thead>
<tr>
<th>METER SIZE</th>
<th>REIMBURSEMENT FEE</th>
<th>IMPROVEMENT FEE</th>
<th>TOTAL SDC</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER SYSTEM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$405</td>
<td>$1,450</td>
<td>$1,855</td>
</tr>
<tr>
<td>SEWER SYSTEM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$632</td>
<td>$953</td>
<td>$1,585</td>
</tr>
<tr>
<td>TOTAL OF ALL SYSTEMS DEVELOPMENT CHARGES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$1,037</td>
<td>$2,403</td>
<td>$3,440</td>
</tr>
</tbody>
</table>

**Outside City SDC Fee -**

As the City property taxes are paying slightly more toward the construction of the projects listed on the CIP than the SDC, a surcharge of 128% shall be applied to SDC fees for development outside the city limits. Example: If the SDC for a development inside the city limits is $3,440, the SDC fee for an outside user is $3,440 x 2.28 = $7,844.
### TABLE 10-3

**RECOMMENDED SYSTEMS DEVELOPMENT CHARGE SCHEDULE**

**SDC RATES RECOMMENDED FOR ADOPTION**

This Table Establishes the Rates at 70% of the Maximum Level Set in Table 9

<table>
<thead>
<tr>
<th>METER SIZE</th>
<th>REIMBURSEMENT FEE</th>
<th>IMPROVEMENT FEE</th>
<th>TOTAL SDC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WATER SYSTEM</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$355</td>
<td>$1,269</td>
<td>$1,623</td>
</tr>
<tr>
<td><strong>SEWER SYSTEM</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$553</td>
<td>$834</td>
<td>$1,387</td>
</tr>
<tr>
<td><strong>TOTAL OF ALL SYSTEMS DEVELOPMENT CHARGES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$907</td>
<td>$2,103</td>
<td>$3,010</td>
</tr>
</tbody>
</table>

**Outside City SDC Fee**

As the City property taxes are paying slightly more toward the construction of the projects listed on the CIP than the SDC, a surcharge of 128% shall be applied to SDC fees for development outside the city limits. Example: If the SDC for a development inside the city limits is $3,010, the SDC fee for an outside user is $3,010 x 2.28 = $6,863.
**TABLE 10-4**

**RECOMMENDED SYSTEMS DEVELOPMENT CHARGE SCHEDULE**

SDC RATES RECOMMENDED FOR ADOPTION

This Table Establishes the Rates at 60% of the Maximum Level Set in Table 9

<table>
<thead>
<tr>
<th>METER SIZE</th>
<th>REIMBURSEMENT FEE</th>
<th>IMPROVEMENT FEE</th>
<th>TOTAL SDC</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER SYSTEM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$304</td>
<td>$1,088</td>
<td>$1,392</td>
</tr>
<tr>
<td>SEWER SYSTEM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$474</td>
<td>$715</td>
<td>$1,189</td>
</tr>
<tr>
<td>TOTAL OF ALL SYSTEMS DEVELOPMENT CHARGES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$778</td>
<td>$1,803</td>
<td>$2,580</td>
</tr>
</tbody>
</table>

**Outside City SDC Fee -**

As the City property taxes are paying slightly more toward the construction of the projects listed on the CIP than the SDC, a surcharge of 128% shall be applied to SDC fees for development outside the city limits. Example: If the SDC for a development inside the city limits is $2,580, the SDC fee for an outside user is $2,580 x 2.28 = $5,883.
TABLE 10-5

RECOMMENDED SYSTEMS DEVELOPMENT CHARGE SCHEDULE
SDC RATES RECOMMENDED FOR ADOPTION

This Table Establishes the Rates at 50% of the Maximum Level Set in Table 9

<table>
<thead>
<tr>
<th>METER SIZE</th>
<th>REIMBURSEMENT FEE</th>
<th>IMPROVEMENT FEE</th>
<th>TOTAL SDC</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER SYSTEM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$253</td>
<td>$906</td>
<td>$1,160</td>
</tr>
<tr>
<td>SEWER SYSTEM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$395</td>
<td>$596</td>
<td>$991</td>
</tr>
<tr>
<td>TOTAL OF ALL SYSTEMS DEVELOPMENT CHARGES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>One EDU</td>
<td>$648</td>
<td>$1,502</td>
<td>$2,150</td>
</tr>
</tbody>
</table>

**Outside City SDC Fee**

As the City property taxes are paying slightly more toward the construction of the projects listed on the CIP than the SDC, a surcharge of 128% shall be applied to SDC fees for development outside the city limits. Example: If the SDC for a development inside the city limits is $2,150, the SDC fee for an outside user is $2,150 x 2.28 = $4,902.
TYPE OF PERMIT

The SDC permit fee shall apply to requests for new water and sewer services. It shall also apply to all building permits. An SDC may be levied only once for a building or structure. If the building is removed and replaced with a building of higher utility use or is remodeled, a new SDC may be levied based only on the increase in use.

The amount of the SDC fee will be tied to the size of the development (demand for public works services) as compared to the demands of a single-family home. If a building permit is requested for a remodel or reconstruction of an existing building, the SDC's fee will be proportioned to added demand placed on the utility systems.

GEOGRAPHIC AREA

The SDC charge defined in this report shall apply to all building permits or requests for new water or sewer services within the jurisdiction and city limits of the City of Boardman. This includes requests for city services for areas outside the city limits. Due to the use of property taxes to fund a significant part of the CIP, the charge will be greater for new users outside the city limits as they do not pay taxes at the City property tax rate. The full increased rate SDC will be assessed to the outside user if within the urban growth boundary, even if only one city service is provided such as water service. The SDC is assessed assuming the property will be eventually annexed to the city. No further SDC assessment will be made at the time of annexation for the development already assessed the EDU based fee unless new construction occurs on the property that significantly changes the original calculation the SDC fee.

SDC REVENUES

The maximum SDC rate schedule on Table 8 will generate new revenue for the city's use in funding construction projects listed on the CIP. Table 6 projects 42 new EDU's each year based on the planned growth rates. This, of course, is an average figure and will vary from year to year. The average annual revenue from the SDC charge at the projected growth rate is calculated as follows:

\[
\text{Average Annual Revenue} = \frac{\text{Water SDC} \times \text{Sewer SDC}}{42} = \frac{2,319 \times 1,981}{42} = 97,398 + 83,202 = 180,600
\]

These figures can change if growth or CIP factors change generating an update to the SDC analysis. If a major capital improvement is needed and reserve funds are not available, the
project can be funded by selling bonds. These bonds must be secured by some revenue source before a lender will supply the bond capital. Anticipated SDC fees can be used to make bond payments however lenders will normally not consider SDC receipts as acceptable revenues to secure a bond issue. This is because during a recession or housing slump, the city may experience one or more years of very low SDC receipts and therefore will not have the funds to make the bond payments. Some other means of making the bond payments during these periods will be required.

It can be assumed that growth will not occur at the exact rate projected above for each year. It is possible that more units will be built in the first five or ten years then drop off providing the averages projected. As the growth trends are regularly reviewed by the staff and City Council, it is important to consider that growth is projected in this report over a total 20-year period. Development trends will vary. Several years of experience may be required before adjusting the SDC rates initially adopted by the Council if the adjustment is impacted by the growth rate.

ORDINANCE

Systems Development Charges have existed for many years. The Oregon Legislature became aware that there were substantial differences in how individual cities implemented the SDC’s and in 1989 they passed a law placing rules on how SDC’s would be enacted and applied. The original 1989 bill (House Bill 3224), which established the SDC law, is provided in Appendix A of this report. A revision to this law was made by the 1993 legislature that added requirements relating to taxes and special levies for projects covered by the SDC's. An engrossed bill of that legislation is included in the appendix. The League of Oregon Cities prepared an SDC law document, as it existed in 1996, that has also been provided plus the changes made by the 1999 legislature.

Preparing a new SDC implementing ordinance, or modifying the existing one is beyond the scope of work for this study. The city has recently developed a SDC ordinance and is in the process of adopting it. The ordinance is expected to be in place before the adoption of this report and adoption of the rate resolution adopting the SDC fees.

IMPLEMENTATION

This draft SDC report is presented for review by the staff and City Council. Work sessions may be desired or the city may wish to make the draft available to the public prior to considering it for passage. A public meeting is required to permit the City Council to receive input from interested parties before modification and adoption.
The SDC fees can be levied based on the number of equivalent dwelling units (EDU) or the size (or capacity) of the water meter for a new or remodeled structure. The EDU approach is recommended in this study, as it will be easy for the staff to administer and better fits the changing nature of development in the community.

The staff and City Council should carefully review this report. Notification should be made to the public and they should be given an opportunity to review the document and provide testimony at a public meeting. The SDC ordinance must be in place before the SDC can be implemented.

Following are recommended actions to implement this SDC study report:

1. The SDC ordinance should be reviewed by the City Attorney for consistency with this SDC report and recent legislation. The elements of this report relating to applying the SDC fees to properties should be consistent in the ordinance, less the actual fee amount, which will be adopted by resolution.

2. This draft SDC study may be reviewed with the City Council at a work session. Following this meeting, the report will be edited to reflect the input from the Council. The draft report (revised if necessary) will then be available to the public at City Hall prior to a public meeting on the SDC report and fees.

3. The figures on the maximum SDC fee schedule may be reduced by any amount desired by the City Council prior to and after the public meeting. Fees may not be adopted higher that the figures shown on Table 8. The five Table 10's have been provided to assist the Council in this decision.

4. It is recommended that once the City Council has established the SDC fees, they be adopted by resolution.

5. It is recommended that the City Council review the SDC rates every one or two years and revise the fees as appropriate. If the Council desires to adopt fees higher than listed on Table 8, the methodology of this report must be revised and the basis of the fees recalculated. The CIP and allocation of property tax to fund projects are the critical factors in establishing the fees contained in this report.

6. Carefully review the revenue projections shown above and consider the impacts on implementing the CIP. The SDC fees projected in Table 8 will provide only a portion of the needed funds to implement the CIP. Other sources of funds will be needed to allow the projects to be completed. These typically include user rates and grants from State or Federal agencies.
OTHER PUBLIC WORKS FEES

With the establishment of SDC fees, it is imperative that other city public works fees also are structured to reflect the actual cost of providing these services. The City has recently revised its fees to be consistent with this requirement. All public works fees should be given this test.
APPENDIX

Appendix A - SDC Law

Appendix B - New SDC Ordinance

Appendix C - Sample Resolution Adopting SDC Methodology

Appendix D - Sample Resolution Establishing Systems Development Charges

Appendix E - Sample EDU Calculation Sheet (Table 9)

Appendix G - Memos reviewing work completed by staff prior to this SDC report.
APPENDIX A

Existing SDC Law
A BILL FOR AN ACT

Relating to system development charges; creating new provisions; and amending ORS 223.304.

Be it enacted by the People of the State of Oregon:

SECTION 1. ORS 223.304 is amended to read:

223.304. (1) Reimbursement fees shall be established by ordinance or resolution setting forth a methodology that considers the cost of the existing facility or facilities, prior contributions by existing users, the value of unused capacity, rate-making principles employed to finance publicly owned capital improvements and other relevant factors identified by the local government imposing the fee. At the request of an interested party during the development of the methodology, the local government's methodology shall also consider property taxes paid during the preceding five years if those taxes were paid pursuant to serial or bond tax levies specifically imposed for the purpose of expanding the infrastructure system for which the system development charge is imposed. Such tax payments need not be analyzed on the basis of specific properties. The local government's consideration of such taxes may take into account increases in property values that are in excess of general price increases experienced in the local community and that could reasonably be related to the construction of infrastructure improvements serving those properties subject to the system development charge. The methodology shall promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities. The methodology for establishing such fees shall be available for public inspection.

(2) A reimbursement fee imposed by a local government for costs associated with capital

NOTE: Matter in boldfaced type in an amended section is new; matter (italics and bracketed) is existing law to be omitted. New sections are in boldfaced type.
improvements already constructed shall be based on an estimate of the value of the remain-
ing useful life of the improvements and any other factors, such as opportunity costs, that have been identified as relevant to the value of the system capacity being provided to the person paying the fee.

[(5)] (3) Improvement fees shall be established by ordinance or resolution setting forth a methodology that considers the cost of projected capital improvements needed to increase the capacity of the systems to which the fee is related. The methodology for establishing such fees shall be available for public inspection.

[(5)] (4) The ordinance or resolution that establishes an improvement fee shall also provide for a credit against such fee for the construction of a qualified public improvement. A "qualified public improvement" means [one] a capital improvement that is:(a)

[(a)] required as a condition of residential development approval, [;]
[(b)] identified in the plan adopted pursuant to ORS 223.309[;] and either:
[(c)] (a) Not located on or contiguous to property that is the subject of [residential] development approval; or [;]

(b) Located in whole or in part on or contiguous to property that is the subject of development approval and required to be built larger or with greater capacity than is necessary for the particular development project to which the improvement fee is related.

[(5)] (5)(a) [If a qualified public improvement is partially located on and partially located off property that is the subject of the residential development approval, the credit shall be only for the cost of the portion of the improvement not located on or wholly contiguous to the property. The credit provided for by subsection (3) of this section shall be only for the improvement fee charged for the type of improvement being constructed and shall not exceed such improvement fee even if the cost of the capital improvement exceeds the applicable improvement fee.] The credit provided for in subsection (4) of this section shall be only for the improvement fee charged for the type of improvement being constructed, and credit for qualified public improvements under subsection (4)(b) of this section may be granted only for the cost of that portion of such improvement that is larger or of greater capacity than necessary for the particular development project or property. The applicant shall have the burden of demonstrating that a particular improvement qualifies for credit under subsection (4)(b) of this section.

(b) When the construction of a qualified public improvement gives rise to a credit amount greater than the improvement fee that would otherwise be levied against the project receiving development approval, the excess credit may be applied against improvement fees that accrue in subsequent phases of the original development project. This subsection shall not prohibit a unit of government from providing a greater credit, or from establishing a system providing for the transferability of credits, or from providing a credit for a capital improvement not identified in the plan adopted pursuant to ORS 223.309, or from providing a share of the cost of such improvement by other means, if a unit of government so chooses.

[(5)] (6) Any unit of local government that adopts a system development charge shall maintain a list of persons who have made a written request for notification prior to adoption or amendment of a methodology for any system development charge. Written notice shall be mailed to persons on the list at least 45 days prior to adoption or amendment of a system development charge, and the methodology supporting the adoption or amendment shall be available at least 30 days prior to the adoption or amendment. The failure of a person on the list to receive a notice that was mailed shall not invalidate the action of the local govern-
The unit of local government may periodically delete names from the list, but at least 30 days prior to removing a name from the list must notify the person whose name is to be deleted that a new written request for notification is required if the person wishes to remain on the notification list. No legal action intended to contest the methodology used for calculating a system development charge shall be filed after 60 days following adoption or modification of the system development charge ordinance or resolution by the local government. A person shall contest the methodology used for calculating a system development charge only as provided in ORS 34.010 to 34.100, and not otherwise.

(7) For development that requires a building permit, collection of system development charges shall not take place prior to the issuance of the building permits.

SECTION 2. Section 3 of this Act is added to and made a part of ORS 223.297 to 223.314.

SECTION 3. A unit of government shall not establish an improvement fee the amount of which is based upon a significant increase in the level of performance or service of a system beyond current levels within the jurisdiction of the unit of government, unless the unit of government can demonstrate that:

(1) The increase in performance or service benefits primarily new or projected development;

(2) The increase in performance or service is required by federal or state law or rule; or

(3) The unit of government has adopted or adopts contemporaneously with the improvement fee a capital improvement plan, public facilities plan, master plan or comparable plan that is intended to provide the increased level of performance or service to current residents within the jurisdiction of the unit of government.

SECTION 4. ORS 223.304, as amended by section 1 of this Act, and section 3 of this Act apply to a governmental unit when the governmental unit adopts or amends an ordinance or resolution after the effective date of this Act that sets forth a methodology for a system development charge imposed by the governmental unit.
A-Engrossed

House Bill 3224

Ordered by the House April 13
Including House Amendments dated April 13

Sponsored by Representative YOUNG, Senator OTTO (at the request of League of Oregon Cities, Oregon State
Home Builders Association, Home Builders Association of Metro Portland)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject
to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the
measure.

Authorizes local governments to establish system development charges. Defines "system development charge." Limits improvement fees to be spent on capacity increasing capital improvements. Applies only to system development charges in effect on or after July 1, 1991.

A BILL FOR AN ACT

Relating to system development charges.

Be It Enacted by the People of the State of Oregon:

SECTION 1. The purpose of this 1989 Act is to provide a uniform framework for the imposition
of system development charges by local governments for specified purposes and to establish that
such fees may be used only for capital improvements.

SECTION 2. As used in this 1989 Act:

(a) "Capital improvement" means facilities or assets used for the following:

(A) Water supply, treatment and distribution;
(B) Waste water collection, transmission, treatment and disposal;
(C) Drainage and flood control;
(D) Transportation; or
e) Parks and recreation.

(b) "Capital improvement" does not include costs of the operation or routine maintenance of
capital improvements.

(2) "Improvement fee" means a fee for costs associated with capital improvements to be con-
stucted.

(3) "Reimbursement fee" means a fee for costs associated with capital improvements already
constructed or under construction.

(4)(a) "System development charge" means a reimbursement fee, an improvement fee or a com-
bination thereof assessed or collected at the time of increased usage of a capital improvement or
issuance of a development permit, building permit or connection to the capital improvement. System
development charge includes that portion of a sewer or water system connection charge that is
greater than the amount necessary to reimburse the unit of local government for its average cost
of inspecting and installing connections with water and sewer facilities.

(b) "System development charge" does not include any fees assessed or collected as part of a
local improvement district or a charge in lieu of a local improvement district assessment, or the cost
of complying with requirements or conditions imposed upon a land use decision.

NOTE: Matter in bold face in an amended section is new; matter [italics and brackets] is existing law to be omitted.
SECTION 3. (1) Local governments are authorized to establish system development charges, but the revenues produced thereafter shall be expended only in accordance with this 1989 Act. If a local government expends any such revenues in violation of the limitations described in section 5 of this 1989 Act, the local government shall replace the misspent amount with moneys derived from other sources. Replacement moneys shall be deposited in a fund designated for the system development charge revenues not later than one year following a determination that the funds were misspent.

(2) Local governments shall adopt administrative review procedures by which any citizen or other interested person may challenge an expenditure of system development charge revenues. Such procedures shall provide that such a challenge must be filed within two years of the expenditure of the system development charge revenues. The decision of the local government shall be reviewed only as provided in ORS 34.010 to 34.100, and not otherwise.

SECTION 4. (1) Reimbursement fees shall be established by ordinance or resolution setting forth a methodology that considers the cost of the existing facility or facilities, prior contributions by existing users, the value of unused capacity, rate-making principles employed to finance publicly owned capital improvements and other relevant factors identified by the local government imposing the fee. The methodology shall promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities. The methodology for establishing such fees shall be available for public inspection.

(2) Improvement fees shall be established by ordinance or resolution setting forth a methodology that considers the cost of projected capital improvements needed to increase the capacity of the systems to which the fee is related. The methodology for establishing such fees shall be available for public inspection.

(3) The ordinance or resolution that establishes an improvement fee shall also provide for a credit against such fee for the construction of a qualified public improvement. A "qualified public improvement" means one that is:

(a) Required as a condition of residential development approval;
(b) Identified in the plan adopted pursuant to section 6 of this 1989 Act; and
(c) Not located on or contiguous to property that is the subject of residential development approval.

(4) If a qualified public improvement is partially located on and partially located off property that is the subject of the residential development approval, the credit shall be only for the cost of the portion of the improvement not located on or wholly contiguous to the property. The credit provided for by subsection (3) of this section shall be only for the improvement fee charged for the type of improvement being constructed and shall not exceed such improvement fee even if the cost of the capital improvement exceeds the applicable improvement fee. This subsection shall not prohibit a unit of government from providing a greater credit, or from providing a credit for a capital improvement not identified in the plan adopted pursuant to section 6 of this 1989 Act, or from providing a share of the cost of such improvement by other means, if a unit of government so chooses.

(5) No legal action intended to contest the methodology used for calculating a system development charge shall be filed after 60 days following adoption or modification of the system development charge ordinance or resolution by the local government.

SECTION 5. (1) Reimbursement fees shall be spent only on capital improvements associated with the systems for which the fees are assessed including expenditures relating to repayment of indebtedness.
(2) Improvement fees shall be spent only on capacity increasing capital improvements, including 
expenditures relating to repayment of debt for such improvements. An increase in system capacity 
may be established if a capital improvement increases the level of performance or service provided 
by existing facilities or provides new facilities. The portion of such improvements funded by im-
provement fees must be related to current or projected development.

(3) System development charges shall not be expended for costs associated with the construction 
of administrative office facilities that are more than an incidental part of other capital improve-
ments.

(4) Any capital improvement being funded wholly or in part with system development charge 
revenues shall be included in the plan adopted by a local government pursuant to section 6 of this 
1989 Act.

(5) Notwithstanding subsections (1) and (2) of this section, system development charge revenues 
may be expended on the direct costs of complying with the provisions of this 1989 Act, including the 
costs of developing system development charge methodologies and providing an annual accounting 
of system development charge expenditures.

SECTION 6. (1) After July 1, 1991, any local government which has adopted a system develop-
ment charge by ordinance or resolution shall prepare a capital improvement plan, public facilities 
plan, master plan or comparable plan which lists the capital improvements that may be funded with 
improvement fee revenues and the estimated cost and timing for each improvement.

(2) A local government that has prepared a plan described in subsection (1) of this section may 
modify such plan at any time.

SECTION 7. System development charge revenues shall be deposited in accounts designated for 
such moneys. The local government shall provide an annual accounting for system development 
charges showing the total amount of system development charge revenues collected for each system 
and the projects that were funded.

SECTION 8. (1) This 1989 Act shall apply only to system development charges in effect on or 
after July 1, 1991.

(2) The provisions of this 1989 Act shall not be applicable if they are construed to impair bond 
obligations for which system development charges have been pledged or to impair the ability of local 
governments to issue new bonds or other financing as provided by law for improvements allowed 
under this 1989 Act.

SECTION 9. The adoption of a system development charge, or a plan as provided for in section 
6 of this 1989 Act, or any modification thereto, is not a land use decision pursuant to ORS chapter 
197.

SECTION 10. Sections 1 to 9 of this Act are added to and made a part of ORS 223.205 to 
223.295.
SYSTEM DEVELOPMENT CHARGES

From Oregon Revised Statutes, 1997

223.297 Policy. The purpose of ORS 223.297 to 223.314 is to provide a uniform framework for the imposition of system development charges by governmental units for specified purposes and to establish that the charges may be used only for capital improvements. [1989 c.449 s.1; 1991 c.902 s.25]

Note: 223.297 to 223.314 were added to and made a part of 223.205 to 223.295 by legislative action, but were not added to and made a part of the Bancroft Bonding Act. See section 10, chapter 449, Oregon Laws 1989.

223.299 Definitions for ORS 223.297 to 223.314. As used in ORS 223.297 to 223.314

(1) (a) "Capital improvement" means facilities or assets used for the following:

(A) Water supply, treatment and distribution;

(B) Waste water collection, transmission, treatment and disposal;

(C) Drainage and flood control;

(D) Transportation; or

(E) Parks and recreation.

(b) "Capital improvement" does not include costs of the operation or routine maintenance of capital improvements.

(2) "Improvement fee" means a fee for costs associated with capital improvements to be constructed.

(3) "Reimbursement fee" means a fee for costs associated with capital improvements already constructed or under construction.

(4) (a) "System development charge" means a reimbursement fee, an improvement fee or a combination thereof assessed or collected at the time of increased usage of a capital improvement or issuance of a development permit, building permit or connection to the capital improvement. System development charge includes that portion of a sewer or water system connection charge that is greater than the amount necessary to reimburse the governmental unit for its average cost of inspecting and installing connections with water and sewer facilities.

(b) "System development charge" does not include any fees assessed or collected as part of a local improvement district or a charge in lieu of a local improvement district assessment, or the cost of complying with requirements or conditions imposed upon a
land use decision, expedited land division or limited land use decision. [1989 c.449 s.2; 1991 c.817 s.29; 1991 c.902 s.26; 1995 c.595 s.28]

Note: See note under 223.297.

223.300 [Repealed by 1975 c.642 s.26]

223.302 System development charges; use of revenues; review procedures.

(1) Governmental units are authorized to establish system development charges, but the revenues produced therefrom shall be expended only in accordance with ORS 223.297 to 223.314. If a governmental unit expends any such revenues in violation of the limitations described in ORS 223.307, the governmental unit shall replace the misspent amount with moneys derived from other sources. Replacement moneys shall be deposited in a fund designated for the system development charge revenues not later than one year following a determination that the funds were misspent.

(2) Governmental units shall adopt administrative review procedures by which any citizen or other interested person may challenge an expenditure of system development charge revenues. Such procedures shall provide that such a challenge must be filed within two years of the expenditure of the system development charge revenues. The decision of the governmental unit shall be reviewed only as provided in ORS 34.010 to 34.100, and not otherwise. [1989 c.449 s.3; 1991 c.902 s.27]

Note: See note under 223.297.

223.304 Determination of amount of system development charges; ordinance; credit allowed against charge; limitation of action contesting ordinance imposing charge; notification request.

(1) Reimbursement fees shall be established by ordinance or resolution setting forth a methodology that considers the cost of the existing facility or facilities, prior contributions by existing users, the value of unused capacity, rate-making principles employed to finance publicly owned capital improvements and other relevant factors identified by the local government imposing the fee. The methodology shall promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities. The methodology for establishing such fees shall be available for public inspection.

(2) Improvement fees shall be established by ordinance or resolution setting forth a methodology that considers the cost of projected capital improvements needed to increase the capacity of the systems to which the fee is related. The methodology for establishing such fees shall be available for public inspection.

(3) The ordinance or resolution that establishes an improvement fee shall also provide for a credit against such fee for the construction of a qualified public improvement. A "qualified public improvement" means a capital improvement that is required as a condition of development approval, identified in the plan adopted pursuant to ORS 223.309 and either:
(a) Not located on or contiguous to property that is the subject of development approval; or

(b) Located in whole or in part on or contiguous to property that is the subject of development approval and required to be built larger or with greater capacity than is necessary for the particular development project to which the improvement fee is related.

(4)

(a) The credit provided for in subsection (3) of this section shall be only for the improvement fee charged for the type of improvement being constructed, and credit for qualified public improvements under subsection (3)(b) of this section may be granted only for the cost of that portion of such improvement that exceeds the government units minimum standard facility size or capacity needed to serve the particular development project or property. The applicant shall have the burden of demonstrating that a particular improvement qualifies for credit under subsection (3)(b) of this section.

(b) When the construction of a qualified public improvement gives rise to a credit amount greater than the improvement fee that would otherwise be levied against the project receiving development approval, the excess credit may be applied against improvement fees that accrue in subsequent phases of the original development project. This subsection shall not prohibit a unit of government from providing a greater credit, or from establishing a system providing for the transferability of credits, or from providing a credit for a capital improvement not identified in the plan adopted pursuant to ORS 223.309, or from providing a share of the cost of such improvement by other means, if a unit of government so chooses.

(c) Credits shall be used in the time specified in the ordinance but not later than 10 years from the date the credit is given.

(5) Any unit of local government that proposes to adopt a system development charge shall maintain a list of persons who have made a written request for notification prior to adoption or amendment of a methodology for any system development charge. Written notice shall be mailed to persons on the list at least 45 days prior to the first hearing to adopt or amend a system development charge, and the methodology supporting the adoption or amendment shall be available at least 30 days prior to the first hearing to adopt or amend. The failure of a person on the list to receive a notice that was mailed shall not invalidate the action of the local government. The unit of local government may periodically delete names from the list, but at least 30 days prior to removing a name from the list must notify the person whose name is to be deleted that a new written request for notification is required if the person wishes to remain on the notification list. No legal action intended to contest the methodology used for calculating a system development charge shall be filed after 60 days following adoption or modification of the system development charge ordinance or resolution by the local government. A person shall contest the methodology used for calculating a system development charge only as provided in ORS 34.010 to 34.100, and not otherwise. [1989 c.449 s.4;1991 c.902 s.28; 1993 c.804 s.20]

Note: See note under 223.297.
223.307 Authorized expenditure of system development charges.
(1) Reimbursement fees shall be spent only on capital improvements associated with the systems for which the fees are assessed including expenditures relating to repayment of indebtedness.

(2) Improvement fees shall be spent only on capacity increasing capital improvements, including expenditures relating to repayment of debt for such improvements. An increase in system capacity may be established if a capital improvement increases the level of performance or service provided by existing facilities or provides new facilities. The portion of such improvements funded by improvement fees must be related to current or projected development.

(3) System development charges shall not be expended for costs associated with the construction of administrative office facilities that are more than an incidental part of other capital improvements.

(4) Any capital improvement being funded wholly or in part with system development charge revenues shall be included in the plan adopted by a governmental unit pursuant to ORS 223.309.

(5) Notwithstanding subsections (1) and (2) of this section, system development charge revenues may be expended on the direct costs of complying with the provisions of ORS 223.297 to 223.314, including the costs of developing system development charge methodologies and providing an annual accounting of system development charge expenditures. [1989 c.449 s.5; 1991 c.902 s.29]

Note: See note under 223.297.

223.309 Preparation of plan for capital improvements financed by system development charges.

(1) Any governmental unit which has adopted a system development charge by ordinance or resolution shall prepare a capital improvement plan, public facilities plan, master plan or comparable plan which lists the capital improvements that may be funded with improvement fee revenues and the estimated cost and timing for each improvement.

(2) A governmental unit that has prepared a plan described in subsection (1) of this section may modify such plan at any time. [1989 c.449 s.6; 1991 c.902 s.30]

Note: See note under 223.297.

223.310 [Amended by 1957 c.397 s.3; repealed by 1971 c.325 s.1]

223.311 Deposit of system development charge revenues; annual accounting. System development charge revenues shall be deposited in accounts designated for such moneys. The governmental unit shall provide an annual accounting for system development charges.
showing the total amount of system development charge revenues collected for each system and the projects that were funded. [1989 c.449 s.7; 1991 c.902 s.31]

Note: See note under 223.297.

223.312 [1957 c.95 s.4; repealed by 1971 c.325 s.1]

223.313 Application of ORS 223.297 to 223.314.

(1) ORS 223.297 to 223.314 shall apply only to system development charges in effect on or after July 1, 1991.

(2) The provisions of ORS 223.297 to 223.314 shall not be applicable if they are construed to impair bond obligations for which system development charges have been pledged or to impair the ability of governmental units to issue new bonds or other financing as provided by law for improvements allowed under ORS 223.297 to 223.314. [1989 c.449 s.8; 1991 c.902 s.32]

Note: See note under 223.297.

223.314 Adoption of system development charge not a land use decision. The adoption of a system development charge, or a plan as provided for in ORS 223.309, or any modification thereto, is not a land use decision pursuant to ORS chapters 195 and 197. [1989 c.449 s.9]

Note: See note under 223.297.

223.315 [Repealed by 1971 c.325 s.1]
Relating to system development charges.

Be It Enacted by the People of the State of Oregon:

SECTION 1. { + Section 2 of this 1999 Act is added to and made a part of ORS 223.297 to 223.314. + }

SECTION 2. { + (1) As used in this section, 'employer' means any person who contracts to pay remuneration for, and secures the right to direct and control the services of, any person. (2) A governmental unit may not establish or impose a system development charge that requires an employer to pay a reimbursement fee or an improvement fee based on: (a) The number of individuals hired by the employer after a specified date; or (b) A methodology that assumes that costs are necessarily incurred for capital improvements when an employer hires an additional employee. (3) A methodology set forth in an ordinance or resolution that establishes an improvement fee or a reimbursement fee shall not include or incorporate any method or system under which the payment of the fee or the amount of the fee is determined by the number of employees of an employer without regard to new construction, new development or new use of an existing structure by the employer. + }

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Passed by House May 6, 1999
Repassed by House July 9, 1999
APPENDIX B

Existing SDC Ordinances
SDC Ordinance

A draft System Development Charge Ordinance for Boardman, dated 9-29-99 is provided in this appendix. The City Attorney must check this document for consistency with the LOC model ordinance provided in the appendix and with the latest changes to the SDC law. Attached are sample ordinances which may prove useful to the City Attorney in drafting the new ordinance for the City of Boardman.
CITY OF BOARDMAN ORDINANCE NO. 

The people of Boardman do ordain as follows:

Section 1. Purpose. The purpose of the system development charge is to impose a portion of the cost of capital improvements for water, wastewater drainage, streets, flood control, and parks upon those developments that create the need for or increase the demands on capital improvements.

Section 2. Scope. The system development charge imposed by this ordinance is separate from and in addition to any applicable tax, assessment, charge, or fee otherwise provided by law or imposed as a condition of development.

Section 3. Definitions. For purposes of this ordinance, the following mean:

Capital Improvements. Facilities or assets used for:

(1) Water supply, treatment and distribution;
(2) Waste water collection, transmission, treatment and disposal;
(3) Drainage and flood control;
(4) Transportation; or
(5) Parks and recreation.

Development. Conducting a building or mining operation, making a physical change in the use or appearance of a structure or land, dividing land into two or more parcels (including partitions and subdivisions), and creating or terminating a right of access.

Improvement Fee. A fee for costs associated with capital improvements to be constructed after the date the fee is adopted pursuant to Section 4 of this Ordinance.
Land Area. The area of a parcel of land as measured by projection of the parcel boundaries upon a horizontal plane with the exception of a portion of the parcel within a recorded right-of-way or easement subject to a servitude for a public street or scenic or preservation purpose.

Owner. The owner or owners of record title or the purchaser or purchasers under a recorded sales agreement, and other persons having an interest of record in the described real property.

Parcel of Land. A lot, parcel, block or other tract of land that is occupied or may be occupied by a structure or structures or other use, and that includes the yards and other open spaces required under the zoning, subdivision, or other development ordinances.

Permittee. The person to whom a building permit, development permit, a permit or plan approval to connect to the sewer or water system, or right-of-way access permit is issued.

Qualified Public Improvements. A capital improvement that is:

1. Required as a condition of development approval;
2. Identified in the plan adopted pursuant to Section 8 of this Ordinance; and either
3. Not located on or contiguous to a parcel of land that is the subject of the development approval; or
4. Located in whole or in part on or contiguous to property that is the subject of development approval and required to be built larger or with greater capacity than is necessary for the particular development project to which the improvement fee is related.
(5) For purposes of this definition, contiguous means in a public way which abuts the parcel.

Reimbursement Fee. A fee for costs associated with capital improvements constructed or under construction on the date the fee is adopted pursuant to Section 4 of this Ordinance.

System Development Charge. A reimbursement fee, an improvement fee or a combination thereof assessed or collected at the time of increased usage of a capital improvement, at the time of issuance of a development permit or building permit, or at the time of connection to the capital improvement. "System development charge" includes that portion of a sewer or water system connection charge that is greater than the amount necessary to reimburse the city for its average cost of inspecting and installing connections with water and sewer facilities. "System development charge" does not include fees assessed or collected as part of a local improvement district or a charge in lieu of a local improvement district assessment, or the cost of complying with requirements or conditions imposed by a land use decision, expedited land use division or limited land use decision.

Section 4. System Development Charge Established.

(1) System development charges shall be established and may be revised by resolution of the council. The resolution shall set the amount of the charge, the type of permit to which the charge applies, and, if the charge applies to a geographic area smaller than the entire city, the geographic area subject to the charge.

(2) Unless otherwise exempted by the provisions of this Ordinance or other local or state law, a system development charge is hereby imposed upon all development within the city, upon the
act of making a connection to the city water or sewer system within the city, and upon all development outside the boundary of the city that connects to or otherwise used the sewer facilities, storm sewers, or water facilities of the city.

Section 5. Methodology.

(1) The methodology used to establish the reimbursement fee shall consider the cost of then-existing facilities, prior contributions by then-existing users, the value of unused capacity, rate-making principals employed to finance publicly owned capital improvements, and other relevant factors identified by the council. The methodology shall promote the objective that future systems users shall contribute no more than an equitable share of the cost of then-existing facilities.

(2) The methodology used to establish the improvement fee shall consider the cost of projected capital improvements needed to increase the capacity of the systems to which the fee is related.

(3) The methodology used to establish the improvement fee or the reimbursement fee, or both, shall be contained in an ordinance adopted by the council.

Section 6. Authorized Expenditures.

(1) Reimbursement fees shall be applied only to capital improvements associated with the systems for which the fees are assessed, including expenditures relating to repayment of indebtedness.

(2) (a) Improvement fees shall be spent only on capacity increasing capital improvements, including expenditures relating to repayment of future debt for the improvements. An increase in system capacity occurs if
a capital improvement increases the level of performance or service provided by existing facilities or provides new facilities. The portion of the capital improvements funded by improvement fees must be related to demands created by current or projected development.

(b) A capital improvement being funded wholly or in part from revenues derived from the improvement fee shall be included in the plan adopted by the city pursuant to Section 8 of this Ordinance.

(3) Notwithstanding Subsections (1) and (2) of this section, system development charge revenues may be expended on the direct costs of complying with the provisions of this Ordinance, including the costs of developing system development charge methodologies and providing an annual accounting of system development charge expenditures.

Section 7. Expenditure Restrictions.

(1) System development charges shall not be expended for costs associated with the construction of administrative office facilities that are more than an incidental part of other capital improvements.

(2) System development charges shall not be expended for costs of the operation or routine maintenance of capital improvements.

Section 8. Improvement Plan. The council shall adopt a plan that:

(1) Lists the capital improvements that may be funded with improvement fee revenues;
(2) Lists the estimated cost and time of construction of each improvement; and

(3) Describes the process for modifying the plan.

In adopting this plan, the council may incorporate by reference all or a portion of any public facilities plan, master plan, capital improvements plan or similar plan that contains the information required by this section.

Section 9. **Collection of Charge.**

(1) The system development charge is payable upon issuance of:

(a) A building permit;

(b) A development permit;

(c) A development permit for development not requiring the issuance of a building permit;

(d) A permit or approval to connect to the water system;

(e) A permit or approval to connect to the sewer system;

or

(f) A right-of-way access permit.

(2) If no building, development, or connection permit is required, the system development charge is payable at the time the usage of the capital improvement is increased.

(3) If development is commenced or connection is made to the water or sewer systems without an appropriate permit, the system development charge is immediately payable upon the earliest date that a permit was required.

(4) The City Manager or designee shall collect the applicable system development charge from the permittee when a
permit that allows building or development of a parcel is issued or when a connection to the water or sewer system of the city is made.

(5) The City Manager or designee shall not issue such permit or allow such connection until the charge has been paid in full, or until provision for installment payments has been made pursuant to Section 10 of this Ordinance, or unless an exemption is granted pursuant to Section 11 of this Ordinance.

Section 10. **Installment Payment.** (Optional)

(1) When a system development charge of $2,500.00 or more is due and collectible, the owner of the parcel of land subject to the development charge may apply for payment in 20 semi-annual installments, to include interest on the unpaid balance, in accordance with ORS 223.208.

(2) The City Manager or designee shall provide application forms for installment payments, which shall include a waiver of all rights to contest the validity of the lien, except for the correction of computational errors.

(3) An applicant for installment payments shall have the burden of demonstrating the applicant's authority to assent to the imposition of a lien on the parcel and that the interest of the applicant is adequate to secure payment of the lien.

(4) The City Manager or designee shall report to the [appropriate city official] the amount of the system development charge, the dates on which the payments are due, the name of the owner, and the description of the parcel.

(5) The City Manager or designee shall docket the lien in the lien docket. From that time the city shall have a lien upon the described parcel for the amount of the system development charge,
together with interest on the unpaid balance at the rate established by the council. The lien shall be enforceable in the manner provided in ORS Chapter 223.

Section 11. Exemptions.

(1) Structures and uses established and existing on or before [effective date of Ordinance] are exempt from a system development charge, except water and sewer charges, to the extent of the structure or use then existing and to the extent of the parcel of land as it is constituted on that date. Structures and uses affected by this subsection shall pay the water or sewer charges pursuant to the terms of this Ordinance upon the receipt of a permit to connect to the water or sewer system.

(2) Additions to single-family dwellings that do not constitute the addition of a dwelling unit, as defined by the State Uniform Building Code, are exempt from all portions of the system development charge.

(3) An alteration, addition, replacement or change in use that does not increase the parcel's or structure's use of the public improvement facility are exempt from all portions of the system development charge.

(4) A project financed by city revenues is exempt from all portions of the system development charge.

Section 12. Credits.

(1) When development occurs that is subject to a system development charge, the system development charge for the existing use, if applicable, shall be calculated and if it is less than the system development charge for the use that will result from the development, the difference between the system development charge
for the existing use and the system development charge for the proposed use shall be the system development charge. If the change in the use results in the system development charge for the proposed use being less than the system development charge for the existing use, no system development charge shall be required. No refund or credit shall be given unless provided for by another subsection of this section.

(2) A credit shall be given to the permittee for the cost of a qualified public improvement upon acceptance by the city of the public improvement. The credit shall not exceed the improvement fee even if the cost of the capital improvement exceeds the applicable improvement fee and shall only be for the improvement fee charged for the type of improvement being constructed.

(3) If a qualified public improvement is located in whole or in part on or contiguous to the property that is the subject of development approval and is required to be built larger or with greater capacity than is necessary for the particular development project, a credit shall be given for the cost of the portion of the improvement that exceeds the city's minimum standard facility size or capacity needed to serve the particular development project or property. The applicant shall have the burden of demonstrating that a particular improvement qualifies for credit under this subsection. The request for credit shall be filed in writing no later than 60 days after acceptance of the improvement by the city.

(4) When the construction of a qualified public improvement located in whole or in part or contiguous to the property that is the subject of development approval gives rise to a credit amount greater than the improvement fee that would otherwise be levied
against the project, the credit in excess of the improvement fee for the original development project may be applied against improvement fees that accrue in subsequent phases of the original development project.

(5) Notwithstanding Subsections (4) and (5), when establishing a methodology for a system development charge, the city may provide for a credit against the improvement fee, the reimbursement fee, or both, for capital improvements constructed as part of the development which reduce the development's demand upon existing capital improvements and/or the need for future capital improvements, or a credit based upon any other rationale the council finds reasonable.

(6) Credits shall not be transferable from one development to another.

(7) Credits shall not be transferable from type of system development charge to another.

(8) Credits shall be used within 10 years from the date the credit is given.

Section 13. Notice.

(1) The city shall maintain a list of persons who have made a written request for notification prior to adoption or amendment of a methodology for any system development charge. Written notice shall be mailed to persons on the list at least 45 days prior to the first hearing to adopt or amend a system development charge. The methodology supporting the adoption or amendment shall be available at least 30 days prior to the first hearing to adopt or
amend a system development charge. The failure of a person on the list to receive a notice that was mailed shall not invalidate the action of the city.

(2) The city may periodically delete names from the list, but at least 30 days prior to removing a name from the list, the city must notify the person whose name is to be deleted that a new written request for notification is required if the person wishes to remain on the notification list.

Section 14. Segregation and Use of Revenue.

(1) All funds derived from a particular type of system development charge are to be segregated by accounting practices from all other funds of the city. That portion of the system development charge calculated and collected on account of a specific facility system shall be used for no purpose other than those set forth in Section 6 of this Ordinance.

(2) The appropriate city official shall provide the city council with an annual accounting, based on the city's fiscal year, for system development charges showing the total amount of system development charge revenues collected for each type of facility and the projects funded from each account.

Section 15. Appeal Procedure.

(1) A person challenging the propriety of an expenditure of system development charge revenues may appeal the decision or the expenditure to the city council by filing a written request with the City Manager or designee describing with particularity the decision of the City Manager or designee and the expenditure
from which the person appeals. An appeal of an expenditure must be filed within two years of the date of the alleged improper expenditure.

(2) Appeals of any other decision required or permitted to be made by the City Manager or designee under this Ordinance must be filed within 10 days of the date of the decision.

(3) After providing notice to the appellant, the council shall determine whether the City Manager or designee's decision or the expenditure is in accordance with this Ordinance and the provisions of ORS 223.297 to 223.314 and may affirm, modify, or overrule the decisions. If the council determines that there has been an improper expenditure of system development charge revenues, the council shall direct that a sum equal to the misspent amount shall be deposited within one year to the credit of the account or fund from which it was spent. The decision of the council shall be reviewed only as provided in ORS 34.010 to 34.100, and not otherwise.

(4) A legal action challenging the methodology adopted by the council pursuant to Section 5 shall not be filed later than 60 days after the adoption. A person shall contest the methodology used for calculating a system development charge only as provided in ORS 34.010 to ORS 34.100, and not otherwise.

Section 16. **Prohibited Connection.** No person may connect to the water or sewer systems of the city unless the appropriate system development charge has been paid or the lien or installment payment method has been applied for and approved.
Section 17. **Penalty.** Violation of Section 16 of this Ordinance is punishable by a fine not to exceed $__________________.

Section 18. **Construction.** The rules of statutory construction contained in ORS Chapter 174 are adopted and by this reference made a part of this Ordinance.

Section 19. **Severability.** The invalidity of a section or subsection of this Ordinance shall not affect the validity of the remaining sections or subsections.

Section 20. **Classification.** The city council determines that any fee, rates or charges imposed by this Ordinance are not a tax subject to the property tax limitations of Article XI, Section 11(b) of the Oregon Constitution.

PASSED by the City Council and approved by the Mayor this ___ day of ________________, 1999.

CITY OF BOARDMAN

By: ____________________________
Title: Mayor

Councilor                         Councilor

Councilor                         Councilor

Councilor                         Councilor

Attest:

City Recorder
Model System Development Charge Ordinance

Prepared by the League of Oregon Cities
April 13, 1994

[City's ordaining clause]

Section 1. **Purpose.** The purpose of the system development charge is to impose a portion of the cost of capital improvements for water, wastewater drainage, streets, flood control, and parks upon those developments that create the need for or increase the demands on capital improvements.

Section 2. **Scope.** The system development charge imposed by this ordinance is separate from and in addition to any applicable tax, assessment, charge, or fee otherwise provided by law or imposed as a condition of development.

Section 3. **Definitions.** For purposes of this ordinance, the following mean:

**Capital Improvements.** Facilities or assets used for:

1. Water supply, treatment and distribution;
2. Waste water collection, transmission, treatment and disposal;
3. Drainage and flood control;
4. Transportation; or
5. Parks and recreation.

**Development.** Conducting a building or mining operation, making a physical change in the use or appearance of a structure or land, dividing land into two or more parcels (including partitions and subdivisions), and creating or terminating a right of access.

**Improvement fee.** A fee for costs associated with capital improvements to be constructed after the date the fee is adopted pursuant to section 4 of this ordinance.

**Land area.** The area of a parcel of land as measured by projection of the parcel boundaries upon a horizontal plane with the exception of a portion of the parcel within a recorded
right-of-way or easement subject to a servitude for a public street or scenic or preservation purpose.

Owner. The owner or owners of record title or the purchaser or purchasers under a recorded sales agreement, and other persons having an interest of record in the described real property.

Parcel of land. A lot, parcel, block or other tract of land that is occupied or may be occupied by a structure or structures or other use, and that includes the yards and other open spaces required under the zoning, subdivision, or other development ordinances.

Permittee means the person to whom a building permit, development permit, a permit or plan approval to connect to the sewer or water system, or right-of-way access permit is issued.

Qualified public improvements. A capital improvement that is:

(1) Required as a condition of residential development approval;
(2) Identified in the plan adopted pursuant to section 8 of this ordinance; and either
(3) Not located on or contiguous to a parcel of land that is the subject of the development approval; or
(4) Located in whole or in part on or contiguous to property that is the subject of development approval and required to be built larger or with greater capacity than is necessary for the particular development project to which the improvement fee is related.
(5) For purposes of this definition, contiguous means in a public way which abuts the parcel.

Reimbursement fee. A fee for costs associated with capital improvements constructed or under construction on the date the fee is adopted pursuant to section 4 of this ordinance.

System development charge. A reimbursement fee, an improvement fee or a combination thereof assessed or collected at the time of increased usage of a capital improvement, at the time of issuance of a development permit or building permit, or at the time of connection to the capital improvement. "System development charge" includes that portion of a sewer or
(3) The methodology used to establish the improvement fee or the reimbursement fee, or both, shall be contained in an ordinance adopted by the council.

Section 6. Authorized Expenditures.

(1) Reimbursement fees shall be applied only to capital improvements associated with the systems for which the fees are assessed, including expenditures relating to repayment of indebtedness.

(2) (a) Improvement fees shall be spent only on capacity increasing capital improvements, including expenditures relating to repayment of future debt for the improvements. An increase in system capacity occurs if a capital improvement increases the level of performance or service provided by existing facilities or provides new facilities. The portion of the capital improvements funded by improvement fees must be related to demands created by current or projected development.

(b) A capital improvement being funded wholly or in part from revenues derived from the improvement fee shall be included in the plan adopted by the city pursuant to section 8 of this ordinance.

(3) Notwithstanding subsections (1) and (2) of this section, system development charge revenues may be expended on the direct costs of complying with the provisions of this ordinance, including the costs of developing system development charge methodologies and providing an annual accounting of system development charge expenditures.

Section 7. Expenditure Restrictions.

(1) System development charges shall not be expended for costs associated with the construction of administrative office facilities that are more than an incidental part of other capital improvements.

(2) System development charges shall not be expended for costs of the operation or routine maintenance of capital improvements.
Section 8. Improvement Plan. The council shall adopt a plan that:

(1) Lists the capital improvements that may be funded with improvement fee revenues;

(2) Lists the estimated cost and time of construction of each Improvement; and

(3) Describes the process for modifying the plan.

In adopting this plan, the council may incorporate by reference all or a portion of any public facilities plan, master plan, capital improvements plan or similar plan that contains the information required by this section.

Section 9. Collection of Charge.

(1) The system development charge is payable upon issuance of:

(a) A building permit;

(b) A development permit;

(c) A development permit for development not requiring the issuance of a building permit;

(d) A permit or approval to connect to the water system;

(e) A permit or approval to connect to the sewer system; or

(f) A right-of-way access permit.

(2) If no building, development, or connection permit is required, the system development charge is payable at the time the usage of the capital improvement is increased.

(3) If development is commenced or connection is made to the water or sewer systems without an appropriate permit, the system development charge is immediately payable upon the earliest date that a permit was required.

(4) The [appropriate city official] shall collect the applicable system development charge from the permittee when a permit that allows building or development of a parcel is issued or when a connection to the water or sewer system of the city is made.

(5) The [appropriate city official] shall not issue such permit or allow such connection until the charge has been paid in full, or until provision for installment payments has been made pursuant to
section 11 of this ordinance, or unless an exemption is granted pursuant to section 12 of this ordinance.

(optional) Section 10. Installment Payment.

(1) When a system development charge of $25 or more is due and collectible, the owner of the parcel of land subject to the development charge may apply for payment in 20 semi-annual installments, to include interest on the unpaid balance, in accordance with ORS 223.208.

(2) The [appropriate city official] shall provide application forms for installment payments, which shall include a waiver of all rights to contest the validity of the lien, except for the correction of computational errors.

(3) An applicant for installment payments shall have the burden of demonstrating the applicant's authority to assent to the imposition of a lien on the parcel and that the interest of the applicant is adequate to secure payment of the lien.

(4) The [appropriate city official] shall report to the [appropriate city official] the amount of the system development charge, the dates on which the payments are due, the name of the owner, and the description of the parcel.

(5) The [appropriate city official] shall docket the lien in the lien docket. From that time the city shall have a lien upon the described parcel for the amount of the system development charge, together with interest on the unpaid balance at the rate established by the council. The lien shall be enforceable in the manner provided in ORS Chapter 223.

Section 11. Exemptions.

(1) Structures and uses established and existing on or before (effective date of ordinance) are exempt from a system development charge, except water and sewer charges, to the extent of the structure or use then existing and to the extent of the parcel of land as it is constituted on that date. Structures and uses affected by this subsection shall pay the water or sewer charges pursuant to the terms of this ordinance upon the receipt of a permit to connect to the water or sewer system.
(2) Additions to single-family dwellings that do not constitute the addition of a dwelling unit, as defined by the State Uniform Building Code, are exempt from all portions of the system development charge.

(3) An alteration, addition, replacement or change in use that does not increase the parcel's or structure's use of the public improvement facility are exempt from all portions of the system development charge.

(Optional) (4) A project financed by city revenues is exempt from all portions of the system development charge.

Section 12. Credits.

(1) When development occurs that is subject to a system development charge, the system development charge for the existing use, if applicable, shall be calculated and it if it less than the system development charge for the use that will result from the development, the difference between the system development charge for the existing use and the system development charge for the proposed use shall be the system development charge. If the change in the use results in the system development charge for the proposed use being less than the system development charge for the existing use, no system development charge shall be required. No refund or credit shall be given unless provided for by another subsection of this Section.

(2) A credit shall be given to the permittee for the cost of a qualified public improvement upon acceptance by the city of the public improvement. The credit shall not exceed the improvement fee even if the cost of the capital improvement exceeds the applicable improvement fee and shall only be for the improvement fee charged for the type of improvement being constructed.

(3) If a qualified public improvement is located in whole or in part on or contiguous to the property that is the subject of development approval and is required to be built larger or with greater capacity then is necessary for the particular development project, a credit shall be given for the cost of the portion of the improvement that exceeds the city's minimum standard facility size or capacity needed to serve the particular development project or property. The applicant shall have the burden
of demonstrating that a particular improvement qualifies for credit under this subsection. The request for credit shall be filed in writing no later than 60 days after acceptance of the improvement by the city.

(4) When the construction of a qualified public improvement located in whole or in part or contiguous to the property that is the subject of development approval gives rise to a credit amount greater than the improvement fee that would otherwise be levied against the project, the credit in excess of the improvement fee for the original development project may be applied against improvement fees that accrue in subsequent phases of the original development project.

(5) Notwithstanding subsections (4) and (5), when establishing a methodology for a system development charge, the city may provide for a credit against the improvement fee, the reimbursement fee, or both, for capital improvements constructed as part of the development which reduce the development's demand upon existing capital improvements and/or the need for future capital improvements, or a credit based upon any other rationale the council finds reasonable.

(6) Credits shall not be transferable from one development to another.

(7) Credits shall not be transferable from type of system development charge to another.

(8) Credits shall be used within 10 years from the date the credit is given.

Section 13. Notice.

(1) The city shall maintain a list of persons who have made a written request for notification prior to adoption or amendment of a methodology for any system development charge. Written notice shall be mailed to persons on the list at least 45 days prior to the first hearing to adopt or amend a system development charge. The methodology supporting the adoption or amendment shall be available at least 30 days prior to the first hearing to adopt or amend a system development charge. The failure of a person on the list to receive a notice that was mailed shall not invalidate the action of the city.
(2) The city may periodically delete names from the list, but at least 30 days prior to removing a name from the list, the city must notify the person whose name is to be deleted that a new written request for notification is required if the person wishes to remain on the notification list.

Section 14. Segregation and Use of Revenue.

(1) All funds derived from a particular type of system development charge are to be segregated by accounting practices from all other funds of the city. That portion of the system development charge calculated and collected on account of a specific facility system shall be used for no purpose other than those set forth in section 6 of this ordinance.

(2) The appropriate city official shall provide the city council with an annual accounting, based on the city’s fiscal year, for system development charges showing the total amount of system development charge revenues collected for each type of facility and the projects funded from each account.

Section 15. Appeal Procedure.

(1) A person challenging the propriety of an expenditure of system development charge revenues may appeal the decision or the expenditure to the city council by filing a written request with the [appropriate city official] describing with particularity the decision of the [appropriate city official] and the expenditure from which the person appeals. An appeal of an expenditure must be filed within two years of the date of the alleged improper expenditure.

(optional) (2) Appeals of any other decision required or permitted to be made by the [appropriate city official] under this ordinance must be filed within 10 days of the date of the decision.

(3) After providing notice to the appellant, the council shall determine whether the [appropriate city official's] decision or the expenditure is in accordance with this ordinance and the provisions of ORS 223.297 to 223.314 and may affirm, modify, or overrule the decisions. If the council determines that there has been an improper expenditure of system development charge revenues, the council shall direct that a sum equal to the misspent amount shall be deposited within one year to the credit
of the account or fund from which it was spent. The decision of the council shall be reviewed only as
provide in ORS 34.010 to 34.100, and not otherwise.

(4) A legal action challenging the methodology adopted by the council pursuant to section 5
shall not be filed later than 60 days after the adoption. A person shall contest the methodology used
for calculating a system development charge only as provided in ORS 34.010 to ORS 34.100, and not
otherwise.

Section 16. **Prohibited Connection.** No person may connect to the water or sewer systems
of the city unless the appropriate system development charge has been paid or the lien or installment
payment method has been applied for and approved.

Section 17. **Penalty.** Violation of section 16 of this ordinance is punishable by a fine not to
exceed $__________.

Section 18. **Construction.** The rules of statutory construction contained in ORS Chapter 174
are adopted and by this reference made a part of this ordinance.

Section 19. **Severability.** The invalidity of a section or subsection of this ordinance shall not
affect the validity of the remaining sections or subsections.

*(optional)* Section 20. **Classification.**

The city council determines that any fee, rates or charges imposed by this ordinance are not a
tax subject to the property tax limitations of Article XI, Section 11(b) of the Oregon Constitution.

*(optional)* Section _____. **Repeal.** Ordinance No. ________, enacted ____________, is repealed.
(optional) Section ____. **Saving Clause.** Ordinance No. ______, repealed by this ordinance, shall remain in force for the prosecution, conviction, and punishment of persons who violate Ordinance No. ______ before the effective date of this ordinance.

(optional) Section ____. **Effective Date.** This ordinance shall become effective _____ days after its passage by the council and approval by the mayor.
APPENDIX C

Sample Adopting the SDC Methodology
BEFORE THE CITY COUNCIL FOR THE CITY OF
LAFAYETTE, OREGON
SITTING FOR THE TRANSACTION OF CITY BUSINESS

In the Matter of a Resolution Amending
Resolution 96-5 To Adopt New System
Development Charge Amounts Effective
February 1, 1998.

RESOLUTION 98-25

THE CITY COUNCIL OF THE CITY OF LAFAYETTE, OREGON (the “Council”) sat for the transaction of city business on Thursday, January 8, 1998 at 7:30 p.m. in the council chambers at City Hall.

WHEREAS, the City Council previously authorized establishment of system development charges for the City through the adoption of Ordinance No. 467; and

WHEREAS, Resolution No. 96-5 adopted Table 9, the “Recommended Systems Development Charge Schedule” from the “Systems Development Charge Study” prepared by Edward A. Sigurdson, PR, P.L.S., dated August 26, 1994 (revised June 12, 1996) as the systems development charges for the city of Lafayette; and

WHEREAS, Section 5 of Ordinance No. 467 provides that the City may revise system development charges through the adoption of a resolution; and

WHEREAS, it is desirable to update the City’s system development charges to capture the cost of new projects;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lafayette, Oregon that:

Section 1.

Section 1 of Resolution No. 96-5 is amended to read as follows:

“Section 1: Methodology. The City hereby affirms that the methodology in the “Systems Development Charge Study” prepared by Edward A. Sigurdson, FE., P.L.S. dated August 26, 1994 (updated June 12, 1996 and November 3, 1997) is the appropriate method for determining the systems development charges, A copy of the study and the updates are attached hereto as Exhibit “A” and incorporated herein by this reference.”

Section 2.

Section 2 of Resolution No. 96-5 is amended to read as follows:

“Section 2: Charges Established. System development charges for water, sewer, streets, storm drainage and parks are hereby established. Charges shall be in the amounts outlined in Table 8 the “Maximum Systems Development Charge Schedule” dated November 3, 1997 from the “Systems
Development Charge Study” prepared by Edward A Sigurdson, PE, PLS, dated August 26, 1994 (updated June 12, 1996 and November 3, 1997). A copy of the schedule is attached hereto as Exhibit “B” and is incorporated herein by this reference. The charges shall take effect on February 1, 1998 and shall remain in effect until changed by a resolution of the City Council.”

Section 3. Section 3 of Resolution No. 96-5 is amended to read as follows:

“Section 3: Permits. The charges in this resolution shall be due and payable upon the issuance of the following permits:

A. Water - The first issued of a building permit, a development permit for development not requiring the issuance of a building permit or a permit to connect to the water system.

B. Sewer - The first issued of a building permit, a development permit for development not requiring the issuance of a building permit or a permit to connect to the sewer system.

C. Street & Storm Drainage - The first issued of a building permit, a development permit for development not requiring the issuance of a building permit or a right-of-way access permit.

D. Parks - The first issued of a building permit or a development permit for development not requiring the issuance of a building permit.”

ADOPTED: this 8th day of December, 1998.

VOTE: Ayes: 4 Nays: 0 Abstentions: 0 Absent: 1

Mayor Ron Ross

Attested: 

Robert S. Willoughby, City Administrator
APPENDIX D

Sample Establishing Systems Development Charges
CITY COUNCIL, CITY OF ST. PAUL, STATE OF OREGON

Resolution R98-12

ESTABLISHING THE SYSTEM DEVELOPMENT CHARGES FOR WATER, SEWER, TRANSPORTATION, STORM DRAINAGE AND PARKS SYSTEMS

WHEREAS, the City has previously adopted an ordinance imposing a system development charge for water, sewer, transportation, storm drainage and parks systems development charges and has adopted a new resolution establishing the methodology for determining the system development charges (Resolution R98-12);

NOW, THEREFORE,

BE IT RESOLVED by the City Council of the City of St. Paul that based upon adopted methodology, the water, sewer, transportation, storm drainage and parks systems development charges shall be as set forth on the schedule attached as Exhibit “A”, and by this reference incorporated herein.

BE IT FURTHER RESOLVED that this resolution is effective immediately upon its passage and shall supercede current system development charges.

PASSED this 12th day of NOVEMBER, 1998.

SIGNED this 12th day of NOVEMBER, 1998

Mayor

City Recorder

Lien & Johnson
Attorneys at Law
4855 River Road N.
Keizer, Oregon 97303
(503) 390-1635
<table>
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<tr>
<th>METER SIZE</th>
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APPENDIX E

EDU Calculation Sheet
### TABLE 9 - EDU Method of Applying SDC Fees

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<tr>
<th>User Classification</th>
<th>Calculation</th>
<th>EDU's</th>
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<td>Residential</td>
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<tr>
<td>Single family residential</td>
<td>84 gpcd (3.28) = 276 gpd = 1.0</td>
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</tr>
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<td>Multiple-family residential</td>
<td>70 gpcd (2.76) = 193 gpd = 0.7</td>
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<td>Mobile home park per wheeled unit</td>
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<tr>
<td>Manufactured home (perm. foundation)</td>
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</tr>
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<td>Boarding house room</td>
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</tr>
<tr>
<td>Hotel / Motel</td>
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<td></td>
</tr>
<tr>
<td>Hotel / Motel</td>
<td>35 gpcd (2.5) = 88 gpd = 0.3</td>
<td></td>
</tr>
<tr>
<td>RV Park (short term occupancy -</td>
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</tr>
<tr>
<td>4-weeks maximum)</td>
<td>35 gpcd (2.5) = 88 gpd = 0.3</td>
<td></td>
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</tbody>
</table>

### Commercial / Industrial

The SDC fee to be levied must be based on a calculation of the number of equivalent residential units for the development. It is likely that the number of water EDU's will vary from the number of sewer EDU's. Future street, storm and parks EDU's will be identical to the sewer EDU figure unless modified by a revised SDC study. One water EDU is based on an average annual water consumption of 120 gallons per capita per day (gpcd) times 3.28 persons per residence for 276 gallons per day (gpd) per EDU. One wastewater EDU is based on sewage loading of 0.2 pounds of BOD and TSS per day per capita or 0.66 pounds per day per EDU at an average annual daily flow of 84 gpcd times 3.28 people per single family unit or 276 gpd. The technical staff shall develop a calculation of the number of EDU's for each nonresidential development requesting a building permit. This calculation shall be based on the estimated wastewater discharge from the proposed development equated to the number of single family homes required to make the same discharge considering both flow and wastewater strength.
APPENDIX F

Memo of Previous Staff Work
MEMO

DATE: September 10, 1999
(Revised September 17, 1999)
TO: Kathy Moore, City Manager
FROM: Ed Sigurdson, PE
SUBJECT: SDC Status Report
Cc: Barry Beyeler

GENERAL

Below is a discussion of my assignment, an overview of what an SDC is and a summary of my findings, conclusions and recommendations. The reader is directed to the findings, conclusions and recommendations sections of this memo report for a brief overview of its contents.

On August 3, 1999, a task order was signed which authorized me to review the existing material developed for implementing an SDC fee for water and sewer for the City of Boardman. Due to a heavy workload from prior assignments, I indicated the review could not begin the remainder of this work until the end of the month or early September. My charge in this initial effort is to:

- Meet with staff plus elected and appointed officials (previously completed on July 7, 1999). Another meeting may be appropriate to review my findings and recommendations.
- Review memos, reports and other materials provided by the City.
- Request any other specific additional documents uncovered in the above research.
- Prepare a memo form report which lists and describes the information completed by staff and made available. The memo shall also critique that material and make specific recommendations on any further work needed to place the City Council in a position to make the remaining decisions needed to implement the SDC. This further work may involve preparation of an SDC report or package which can be adopted by the Council. Any additional work by EAS Engineering beyond the budget approved will be presented in a Task Order #2.
- This memo report was not intended to be a complete SDC study but is to be a roadmap on how to complete one fully utilizing the material completed to date.

This memo responds to the above tasks and presents my initial findings. It provides a summary of what an SDC is, what has been completed by staff to date toward implementing an appropriate SDC, my initial findings and conclusions from reviewing the work completed, and what needs to be done from here to complete the work. My specific recommendations will describe how to implement an SDC for the City of Boardman.
WHAT IS AN SDC?

This section is provided at the beginning of this memo report to level the playing field. It is important to have a basic understanding of what an SDC is, its basic legal requirements, and how it is to be developed.

The Systems Development Charge (SDC) has been used by Oregon cities for over 20 years to provide a way for new development to assist in funding the new public works facilities required to permit that development to receive basic services – to help developments pay their own way when it comes to basic municipal services. The charge is a one-time fee paid by a developer for a construction project that requires public works services. The charge is levied at the time the building permit is requested and its amount should be proportional to the amount of public works services used by the development.

In the early years of SDC’s, most cities selected an arbitrary fee amount based on what they found other cities were charging. The development community found the rates varied from city to city and had little to do with the needs of a given city for funding needed public improvements. They therefore approached the legislature with a series of bills to establish the methodology and process for establishing SDC’s. State law now carefully controls SDC’s.

Following are several of the key issues of the current SDC law:

Existing Facilities (system facilities)
Over the years, existing tax and ratepayers have paid much of the cost of the existing public works facilities. The SDC law now provides for two SDC fees – the reimbursement fee and the improvement fee. The reimbursement fee is designed to partially repay existing users for the portion of the system they provided for the new developers. The improvement fee is used to directly pay for new construction projects that benefit the developer directly. The reimbursement fee pays existing ratepayers for a portion of the original construction cost of the existing system, the portion the developer will be using. The amount of this fee is computed by first determining the original construction cost to the system, then depreciating it to the current date, then determining how much of this system is excess capacity the therefore available to the developer. The fee paid should vary to an individual development depending on the amount of the existing services they will require for their development. These reimbursement fee moneys, once collected by the city, may be used to construct the identified capital improvements (like the improvement fee) or they may be used to fund one-time expenditures to assist in operating the system. They should not become a regular part of the annual maintenance budget as SDC revenues will vary from year to year depending on the number of building permits issued and therefore are not a dependable revenue for budgeting. This Reimbursement Fee will be defined in
the SDC ordinance and is authorized by the Oregon Systems Development Act (OSDA).

**Planned Future Facilities**
In addition to reimbursement for existing facilities, SDC’s may be levied for planned public works facilities that are to be constructed in the future. This includes all elements of the total public water, sewer, street, drainage, park or other public works system for which an SDC will be levied. This is the improvement fee element of the total SDC fee. Boardman's SDC will initially apply to only the water and sewer utilities but may be expanded to storm drainage, streets and parks in the future.

**Funds Used for Construction Only**
Improvement fee moneys received from SDC’s may be used only for the construction of specific projects; the specific type of projects that were used as a basis for establishing the SDC rate. These funds may also be used for debt service if the construction of the facilities is bonded or financed. SDC funds therefore, must be used for capital construction and facilities or site acquisition. They may not be used for ongoing operational and maintenance costs. Any operations and maintenance costs plus the portion of capital costs not relating to growth (and thus not fundable by SDC fees) will normally be funded by the user rates or other city funds.

**Special Fund**
Moneys collected from the SDC's must be deposited in a special fund for each SDC and kept separate from all other city operational funds. This permits an accurate accounting of SDC expenditures plus the interest received before the funds are expended. Interest received for invested SDC moneys shall remain in the SDC fund.

**Service Connections**
By adopting an SDC ordinance, the City will be taking on certain requirements for all other fees charged for public works services. All fees must reflect the actual cost of the service and may not be established on an arbitrarily basis. Water and sewer service connection fees plus street opening and similar fees may be charged independent of the SDC, however, these fees must accurately represent the actual cost of providing the connection or service. Any excess charges will be subject to all of the SDC requirements. For example, it is required that the sewer and water connection fees be limited to the actual cost of installing the connections only. This fee should be established by the City Council and should be based on an accounting of the cost of actual equipment, materials, labor and overhead for installing and inspecting the installation of services. An accurate average may be used to avoid the difficult accounting of charging a different connection fee for every new service.
from this position and now prefer the EDU approach as it provided the most accurate fee based on the true impact of a development on the public works systems.

- The memo recommends using the water meter’s flow capacity for computing water SDC’s. This approach and the EDU approach are very similar. It proportions the SDC fee to the actual demand the development will place on the water system. This approach works well for the water SDC but may not approximate the demand on the sewer system or streets or parks, etc. The EDU approach can accomplish approximately the same thing but in a little more general way. It uses the demand of a single family home and applies this demand to all five public works services; water, sewer, streets, storm drainage and parks.

- Barry’s memo specifically intended the water demand method to apply only to water. Another system will apply to sewer and eventually storm drainage, streets and parks. He recommended the EDU method.

- If the SDC is based completely on the demands placed on the systems by the development, the fee can be very large for large development projects. For example if a single family home pays $1,000 for a ¾” meter, an industry needing a 6” meter will pay $64,000 or more based on the increase in flow that can pass through the 6” meter (which is only eight times the diameter of the ¾” meter). In general, flow is the square of the meter size. It should therefore be noted that using either the EDU or water meter capacity methods, the SDC paid by a large user of city services will be much greater than the single family home.
  - Equivalent Dwelling Unit (EDU) – as the size of a water meter doubles (3/4” to 1 ½”) the SDC will increase by nearly 4 fold.
  - Water meter size – As the size of the meter doubles, the SDC will double.
  - Flow capacity of water meter installed – as the size of the meter doubles, the SDC will increase by four fold or more.

- The discussion above shows the increase in SDC fee can be significant for a major user such as an industry, motel or other large user of city services. This is the key decision factor in choosing the method of applying the SDC fee. It is important that this is understood by the City Council as it may impact the economic growth of the community. The higher the SDC fee, the greater the incentive for industry to consider other communities.

- There is a positive side of the higher SDC for industry. If all industry is paying high SDC’s in Boardman, they will know that funds are being collected for the public improvements that will assure the needed services will be provided. Other communities may not be able to meet the short or long term needs of the industry or other similar major users.

- If the water demand is used for the water SDC and the EDU approach is used for the sewer and future storm drainage, streets and parks SDC’s, two tables
will be needed to assist staff in determining the SDC fee for any non-single family residential building permit.

**Water Reimbursement Fee**

- Barry indicated the value of the existing system is $1.2 million and 40 percent of that cost was paid by residents of the community.

- I have not seen the figures that develop these numbers but the $1.2 million must be the actual cost of the improvements at the time they were constructed. The 40% figure should be an accurate approximation if actual figures are not available in the City records. If actual figures are available they should be accurately used. It is also necessary to determine the remaining life of this investment and depreciate the figure to the present time. Developing the percentage or the existing system available for growth and multiplying it by the depreciated value further reduces the system value. The resulting final figure becomes the base for calculating the reimbursement fee. The final figure will be a fraction of the original construction amount.

**Water Improvement Fee**

- Barry projected the water system expansion cost at $1.8 million, contractor cost only. It is then necessary to add non-construction costs of 25 to 40 percent. It is likely that additional costs well be required to expand or rehabilitate the system to meet the needs of existing users. Project costs for the sole benefit of existing users are not applicable to SDC rates and are therefore not necessary to consider. I prefer to show all anticipated project costs and then apply a percentage for existing users resulting in the portion that applies to growth.

- He indicated that a second major main may be needed at an additional cost.

- He also said the existing water system capacity is 6,030 gpm and that 7,000 gpm is needed for growth. If the existing system is adequate for existing users, the costs for expansion are for growth and thus applicable to SDC fees. This can be clearly presented on a Capital Improvement Plan spreadsheet.

**SDC Formula**

- To compute the SDC amount Barry used the formula:

  Proposed meter flow / system capacity = % system capacity for specific service

  Reimbursement costs + improvement costs * % system capacity = SDC fee.

- Barry then uses examples to show how this formula will apply to different size meters. He then uses the formula to calculate the SDC fee for these examples.

- A table is provided to show the capacity of each size and type of meter to make application of the formula to each building permit relatively simple.
In the past, I have found several questions arise using this method that must be addressed in the rate documentation. They include:

- Design flow – Will average daily flows be used or peak demand flows. There are good arguments for using either.

- Meter Size - If average flows are used, the meter size and capacity will require adjustment to average flow capacity as water meters are sized to the maximum instantaneous demand (peak demand not average demand). For many users, it is possible through design to use a smaller water meter than is normally needed for the facility. If large piping is placed on each side of the meter, it may be possible to operate the meter over its design capacity to handle peak demands and operate it near its capacity for average flows. Example; 6” piping to the facility with a 4” meter to keep the SDC fee down. It would be well to add language to specify that the water meter is matched to the demand flow of the development, not just the requested size by the developer. This will take a review by technical staff for all larger users.

- Permit issuance - To assist counter staff, it may be well to have a table, much like the existing EDU table, that permits proper sizing for SDC purposes. This will take some thought. It may be possible to convert meter size to EDU’s and have one EDU chart for all utilities. The water EDU would be different than the other utilities.

**May 26, 2998 – Memo to Kathy Moore & City Council from Barry Beyeler – SDC Strategies Update**

This memo was written to further explain the approach developed in the May 14, 1998 memo discussed above. It focuses on policy questions that the City Council may wish to consider before adopting the SDC. They are as follows:

- Using water meter capacity to compute SDC. Barry’s points supporting this approach:
  - Each user pays fair share – easy to justify to the public.
  - Easily understood
  - One segment of the community is not subsidizing the other.

- Refinement of Reimbursement Fee
  - In computing the value of the existing system, the amount of the original construction must be discounted due to depreciation from age. This is a requirement of the law and Barry is correct that this must be done. It is also necessary to determine what part of this system is for existing users and what part is available for growth. Both of these factors must be considered in computing the reimbursement fee.
  - Barry indicated that distribution piping was not used in base figure for reimbursement fee. I recommend using all of the system, then
removing the costs applied to existing users. It is reasonable that some of the distribution will be used to supply water to development.

- Refinement of Improvement Fee
  - Barry indicates that a Capital Improvement Plan (CIP) must be adopted by the City Council before or with the SDC. I agree that this is essential.
  - Water and sewer master plans will provide the majority of the CIP for these services.

- Improvement Fee Credit
  - An SDC statute is quoted discussing a SDC fee credit.
  - Barry suggests an adjustment is needed based on the average water used by the new development rather than the maximum capacity of the water meter. In my experience, it is possible to base the SDC fee on the maximum demand of a user or the average consumption of water by a user. Arguments can be developed for both rationales. The capital investment in the water system (the sizing of the components in the system) is based on its ability to meet the maximum demands of the users not the average demands. It is therefore reasonable to spread this cost to users peak demand from the system. If this is done, all users must be analyzed on a peak demand basis. It is also reasonable to spread the cost on the average demand of the users. Either approach works but the application must be consistent for all users whichever approach is taken.
  - I interoperate the statute quoted to mean that if a developer constructs part of the CIP with his project, he shall get SDC credit for the cost of that work.
  - Barry stresses that the method of computing SDC must be equitable for all new users of the system. I agree.

March 31, 1999 – Memo to Kathy Moore & City Council from Barry Beyeler – Refinement of Water SDC formula and addition of a Sewer formula

Water Formula

- Two formulas are provided. One for routine building permits and one for larger or unusual users that will require special analysis.
- The normal user is discounted to 20 percent of their peak demand, or peak water meter capacity, as the basis of computing the SDC fee.
- A larger user would be based on their actual average water use as a percentage of the meters maximum capacity. This would be some discount amount equal to or greater than 20 percent.
Sewer Formula

- This is the first discussion of how the sewer SDC would be calculated.
- Sewer SDC's are to be calculated on an EDU basis (Equivalent Dwelling Unit)
- Similar formula used to maintain same equity between users.
- He has determined the gallons per user plus the number of users per household to get gallons of wastewater per day. He then ratios this flow against the system design flow to get the users percentage of that flow. This percentage is then applied to the total of the Reimbursement and Improvement costs to calculate the SDC fee. This approach is reasonable. I use a slightly different approach but will come up with similar results.
- The EDU table for different users is provided in the existing sewer rate schedule. This schedule is currently used to determine the number of EDU’s for each type of user for monthly water rates. The table is proposed for use also for the sewer SDC. This type of table is typically developed by other cities that use EDU’s for determining the SDC fee. It makes applying the SDC to a building permit practical for counter staff. Only the rare exception will be referred to the City’s technical staff for analysis and calculation of SDC fee.

Connection Fees

Under the SDC law, connection fees may be charged to new users in addition to SDC fees. The law requires however that the fee amount be structured to recover only actual out of pocket costs for providing the connections. Connection charges should be kept separate from SDC charges as they must be spent only for providing the connection. Barry appropriately added the existing connection charges to the SDC fees to see the total impact on the new user. If these connection charges are based on the actual City cost of the connection, no change is needed. If the approved connection costs have any arbitrary amounts within them, they must be recalculated.

After reviewing a draft of this report, Barry supplied me with the basis used to determine the connection fee. It shows that they are based on actual (or possibly estimated) costs of equipment, materials and labor of city personnel in completing the connection work. It would therefore seem that the city has recently met requirement for using average actual costs in charging connection fees. As mentioned earlier, it is important to capture actual costs with the city’s accounting system. If the actual costs vary from the costs developed, they should be adjusted to reflect the actual costs. All public works fees must be based on this approach to fixing the fee amount.
April 14, 1999 – Memo to Kathy Moore and City Council from Barry Beyeler – Impacts of other Project Funding.

This memo addressed the following issues:

- If tax revenues are used to fund the CIP, SDC rates can be lowered. Tax rates come from existing users as well as new users. Using taxes for significant part of the CIP projects will shift more of the burden of the construction to the existing system users. This impact can be lessened somewhat by bonding the cost of the improvements and paying the bonds back with taxes from both existing users and the new users which have become property tax payers. The phase in of Port industries property tax will again shift costs to existing users.

- As a public works system is used over the years, it begins to ware out. System elements need to be replaced just to maintain the existing level of service. User fees should fund the majority of replacement costs in existing system, non-growth related improvements. Tax funds may also cover a portion of these costs.

- The industrial properties within the Port of Morrow have increased Boardman’s tax base and property tax revenues. These revenues can and should be used to fund capital costs for operating the five public works systems (water, sewer, street, etc.).

- Barry provided a spreadsheet to compare SDC and Connection Fee costs among Boardman, Umatilla and Hermiston. Boardman SDC fees are listed at 100% and 50% levels. The 50% level is similar to Hermiston and Umatilla at the lower rates but for the larger users, the Boardman rates are significantly lower as computed from Barry’s formulas. This raises City Council questions of equity between users and how the community wishes to grow.

- Other issues were presented for open Council discussion:
  - SDC rates, for eligible properties outside the City Limits, should be higher as they will not be paying City property tax. Once the balance is determined between SDC fees and tax revenue, the City tax portion of CIP funding developed should be added to the outside users overall SDC fee plus any outside surcharge that is desired and justifiable.
  - Class exemptions for Schools, government buildings, low income housing, etc. Should exemptions from SDC’s be considered? It is suggested they should not. Again, this is an important item for Council discussion.

SDC Charges Philosophy Sheet – By Barry Beyeler?

This is a one-page flyer that must have been attached to one of the documents presented to the City Council for discussion. It focuses several excellent points for
discussion and recommends decisions or actions. The points made on the flyer include:

**Water SDC’s**

- Use water demand as basis of fee
- Use Barry’s formula for computing SDC’s
- Lower SDC fee and use property tax to fund most of the CIP as this is the understanding at the time the Port industries were annexed to get water.

**Sewer SDC’s**

- Fund most of CIP from SDC’s rather than tax base. Sewer was not the issue at annexation of Port industries.
- Use some method of fixing SDC fees inside and outside the Port as port industries outside the city will not pay property taxes. Outside users must have a fee somewhat comparable to inside SDC plus inside taxes.
- Need revenue analysis to determine surcharge to be charged outside city limits fees.
- If a prospective industry with large SDC agrees to annex, the SDC fee should be adjusted.
- The cost of land should not be directly used in the fee analysis as its value is artificially changed due to being within the Port of Morrow, who owns the land and leases it to the industries. This issue will take some thought to resolve. This is an excellent point.

**Other Data Provided by Staff**

Several additional documents were provided by staff that apply to the SDC work. Following are my comments on each:

- **Future Conditions Analysis section of the May 1999 Transportation Study** - This document shows a 2.3 percent population increase over the 23 year period 1997 to 2020. It shows rapid growth through year 2002 then a much slower rate of growth. I find this analysis reasonable and will use it in my SDC analysis unless redirected by the City Council.

- **A June 1999 spreadsheet detailing SDC fee methodology** – This unidentified document appears to have been provided by a financial consultant. It provides specific SDC criteria and dollar amounts. Compares funding the CIP with rates and SDC’s. Shows SDC charges for sewer if EDU approach used and existing EDU user table. Basis of the analysis is a $933 SDC for a single family home. This analysis would be an excellent double check if I develop my independent analysis of SDC rates. I have a computer model for computing SDC fees based on all the required criteria. It can be used once several policy decisions are made. They will be outlined in the recommendations section of this report.
- **Boardman estimated tax revenue spread sheet (6-23-99).** This document shows:
  - Remaining 8-year phase-in of fixed Port tax base
  - Revenues form 4.21 and 3.47 tax rates
  - Subtracts 6% non-collectable taxes from totals computed
  - Distributes costs at 25% to water fund, 25% to sewer fund and 50% to general fund.
  - Also shows potential reserve fund amounts if funded at 25%, 35%, 40% and 50%.

- **Draft SDC Ordinance** – appears to follow the League of Oregon Cities model ordinance. It will be addressed in the recommendations.

- **Wastewater System Study, Phase II** by Anderson Perry; May 1999. Excellent study with specific project recommendations. It also contains population projections what are somewhat different than the Transportation Study projections. I plan to use the Transportation Plan figures in the SDC analysis.

- **Copy of Table 5-8, Alternative C, Port of Morrow Circle 52 Expansion** – Project cost estimate for wastewater system improvements totaling $4,308,500. Anderson Perry has added an approximate distribution to the existing system. I assume this to be the cost that could be assigned to existing system users which is 25%.

- **Power Point presentation** by Barry Beyeler – It is set up as a workshop tool so staff and the City Council can go through the key decision issues and resolve them. This document is well developed. The discussion topics provided include:
  - What is an SDC?
  - Are SDC’s needed?
  - How do we get to an implemented SDC?
  - Define goals and objectives of SDC’s
  - Establish sources of funding for CIP and rough percentage from each source.
  - Fair method of applying SDC’s
  - Detailed discussion of each method of applying fees
  - Review of water SDC calculation formula
  - Review of sewer SDC calculation formula
  - Adjustments to applying formulas.
  - Summary
This is an outstanding tool for workshop discussion. The font is a little small to read easily but the format and approach are excellent. The subject matter on the tables is excellent. If this approach were used in the future, we have to only update the text to the current topics.

INITIAL FINDINGS, CONCLUSIONS AND COMMENTS

Findings

1. A very good effort has gone to the development of the SDC by City staff. This work generally follows the requirements of state law and generates SDC amounts that are reasonable and consistent with many other Oregon cities.

2. The approach taken is somewhat different than I normally use in developing an SDC but gets to an end result that is relatively close to one I would develop. My approach would create a report with considerable more documentation and detail to develop each aspect to the SDC fee. A report provides a single source of SDC information to the public or development organization to explain the methodology and the detail that generates the SDC fee. I feel a single document containing all the information is in the best interest of the city.

3. Boardman has several factors that complicate the development of an SDC over a typical city. They are:
   - The City is developing a high revenue stream from property taxes that has the potential to fund a major portion of any needed capital improvements. This is very unusual when comparing to the financial status of a typical city.
   - The City has annexed industrial property within the Port of Morrow that was in need of City water. The increase in city property taxes was intended to greatly assist the City in making improvements to its water system to permit adequate water for the industries. This must be carefully factored into the amount of the SDC levied.
   - Some of the industrial land within the Port of Morrow remains outside the City limits. If any of this land will receive city services, development on those parcels should pay a higher SDC to at least partially offset the role City property tax plays in funding needed capital improvements. The cost to a developer may seem to be higher when locating inside the City (or outside with City services) however, when all costs are considered, locating in the city may well be the least costly alternative.
   - The property tax for a property within the Port of Morrow is different than a property inside the city but not within the Port. This is because the Port owns its land and leases it to the industries. This reduces the property tax somewhat due to the land value.

4. Boardman wishes to remain competitive with Hermiston and Umatilla in attracting new industrial, commercial and residential developments.
5. It is unusual to use a different method of computing water and sewer SDC's. It has been proposed to base water SDC on water consumption and the sewer SDC on number of ERU's. This will make the administration of the fee somewhat more difficult for counter personnel but can be done. I prefer to use one approach and apply it to each SDC being used, however, in an industrial area with high water users, separating water from the remaining SDC's has a strong logic. I support the staff approach to using water demand for water SDC and EDU's for sewer and eventually also for storm drain, streets and parks.

6. The draft ordinance has been written to apply SDC’s to all five public works facilities eligible by law - water, sewer, streets, storm drainage and parks. It is my understanding that the city wishes to implement only water and sewer initially and add the other three at a later date.

7. The development of the Reimbursement Fee and Improvement Fee is somewhat abbreviated in the materials I reviewed. I would suggest a more rigorous approach. The reimbursement fee should provide a list of facilities with their original construction cost and the portion paid by others. Only a portion of the original construction cost amount can be used. This amount must be discounted by assigning an amount to existing users and the remaining amount to growth. Only the growth amount can be considered in the SDC. Presenting this on a spreadsheet provides a very clear understanding of what costs have been used for these fees.

The improvement fee needs a detailed capital improvement program with a list of each project to be funded with the SDC. This list must be complete as only projects from the list may be constructed with SDC funds. I typically list the total project cost for each job then show the amount to be funded by other sources (grants or property taxes) and the portion of each project that applies to existing users and to growth. Only the growth portion applies to the SDC.

8. It is my opinion that it will be necessary to assemble the development of the SDC into one consistent report before implementation. A report can be reviewed not only by staff and City Council but also by the public. State law requires that the report be made available to the public for a reasonable period of time, typically 30 days, followed by a public meeting where citizens can provide input to the City Council. This typical report will contain more detail than the materials I have reviewed above.

Conclusions

1. Report needed - An SDC report is needed that contains the full statement of how the rates were developed and related detail.

2. Previous work completed - The basic methodology used by staff in developing the SDC is sound however some minor refinements are needed in the SDC report.
3. **Existing system value** - A detailed valuation of the existing system is needed with analysis for depreciation and assignment of the facilities to existing users and growth. This is used in developing the reimbursement fee.

4. **CIP** - A detailed capital improvement is needed for each city utility to be funded by SDC’s. It must show funding by taxes and other sources and make an assignment of each project to existing users and growth.

5. **EDU table** - Assuming the EDU method will be used for at least part of the SDC fees, a careful review of the existing ERU table should be made. There is considerable flexibility in developing this table due to varying standards used by different engineers and cities.

6. **City Council Direction** – Before an SDC can be put in place, the City Council must make specific decisions about the following:
   
a. A Capital Improvement Plan (CIP) is needed listing all projects required over the next 20 years. This should be developed in a manner shown on Table 4 of the attached tables. Once developed, it should be carefully reviewed and approved by the City Council.

b. It is anticipated that construction of the projects listed in the CIP will be funded by a combination of property taxes, user rates, SDC fees and possibly grants or other outside funds. This distribution should be recommended in a SDC report and carefully reviewed and approved by the City Council.

c. The staff memos describe three approaches to applying the SDC fee to development projects. Use of average water use of the development is recommended for the water SDC and number of Equivalent Dwelling Units (EDU’s) is recommended for the sewer SDC plus storm drain, street and parks SDC’s when they are considered in the future. This approach may be implemented by using the water meter type and size or use of an assigned water consumption value for a specific type of development. I concur in the use of water consumption as the basis of assigning the fee. The vehicle for assigning this cost needs some work. This should be developed in an SDC report and presented for specific City Council approval.

d. Construction of the CIP projects will be funded by both the SDC and property tax. The Council must provide direction at some point on this balance. A series of scenarios may be useful in fixing this balance.

e. How will SDC’s be applied to projects outside the city limits both inside and outside the Port of Morrow? It is assumed the SDC fee will be higher than to offset the property tax element of CIP funding. This needs some development.

f. An SDC report will prepare one SDC fee table similar to the attached Table 9. The final Table 9 will be the maximum amount the City Council can adopt based on the CIP and methodology contained in the SDC report. The City Council will have the option to approve the table.
as presented or they may feel the impact of the rate is too high and adopt any lesser amount. If a lesser amount is adopted, the Council may reconsider the rates at any time and increase them in increments, or all at one time, to the amount on the final Table 9. They can not raise the rates above the final Table 9 without modifying the report and methodology.

**Council direction summary** - The Council has given some direction on several of the above items in the past. To date, the staff has been given no clear direction on how to proceed with SDC implementation other than approving my review. If a draft SDC report is prepared as I will recommend, it will contain a specific list of policy issues for consideration by the City Council. A work session should be set for careful consideration of each of the items on the list plus any other questions council members may have of the SDC report. Once the Council has had the opportunity to review the report and complete the work session (report may be modified and a hearing held), they will be in a position to adopt the SDC report and fee schedule and pass the implementing resolution. This will place the SDC fee in effect.

7. **Development of SDC methodology** - The material completed to date by staff is in the form of several independent memos and tables. It shows an evolution of thought, which is appropriate for development a fee system as complex as this. It now needs to be pulled together into an SDC report.

**RECOMMENDATIONS**

Following are my recommendations for implementing SDC fees for Boardman:

1. Request EAS Engineering to prepare a draft report containing the full SDC development in one volume. This will be done in close coordination with staff and will utilize the material completed by staff and contained in this memo report.

   a. The draft report shall be completed in 7 weeks and a draft copy provided to the staff and each City Council member for review and study.

   b. A Council work session should then be set where staff and myself review the report with the elected officials and respond to their questions and direction. A specific list of issues will be reviewed at the work session and all questions by Council members or staff will be received and either answered directly or researched and presented in a memo or the final draft of the report.

   c. The report shall clearly indicate the assumptions and decisions made in developing the SDC methodology and rates.

   d. The report shall contain a table of SDC rates for water and sewer. It should also briefly address streets, storm drainage and parks and outline
what if anything should be done in the future to also implement SDC fees for them.

2. The City Council should direct the City Attorney to review the draft SDC ordinance, after reading this memo report, and prepare it for adoption. It should then be set for first and second reading as soon as possible. Once the ordinance is in place, the SDC report and rate sheet can be adopted by resolution and implemented without waiting for the legal timing of the authorizing ordinance.

Some time will be required to write an SDC report. Normal timing for EAS is 120 days but due to the urgency and work completed, approximately 45 to 60 days would be possible. It is also possible to have the tables and draft rates developed within 3 to 4 weeks if needed. The text would follow on the 45 to 60 day schedule. An alternative schedule may be negotiated if desired by the city.