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RCAC RATE STUDY COUNCIL WORKSESSION

October 26, 2021- 5:30 pm at City Hall, 100 W Halsey St., Halsey, OR

Meeting called to order at 5:48 pm

ROLL CALL

Present: Mayor Jerry Lachenbruch, Councilor Jerry Gillson, Councilor Randy McMillen

Staff Present: City Administrator Hilary Norton, Larissa Gangle,

Guests: Jeremy Perisol

PRESENTATION

Jeremy Perisol with RCAC presented a slide show to Council. The following topics were covered:

- RCAC as an organization and their purpose
- Why a Rate Study is Needed
 - Stay Financially Solvent, Often Required for Grants and Loans
- Rate Model- Based on AWWAA Standards (American Water Works Association)
- Consequences of Not Raising Rates Enough
 - Reduction in Reserves, Inability to pay bills, Inability to maintain system (resulting in violations)
- Guiding Principles of the Rate Study & Parameters
 - Be Sure that Rates are Sustainable, Equitable, and Justifiable
 - Parameters considered include: Inflation (Past & Future), Existing Loans, Conservation & Community Growth, Default Funding for Asset Replacement, and Past Year Customer Sales
- Suggested Reserve Contributions
 - Capital Replacement- \$36,893 per year. Inventory of all assets was used to calculate, including; when replacements will be needed, cost, and how they'll be paid for (cash, grant, or loan).

- Rate Alternatives Objectives
 - Determine a sustainable, fair, and justifiable rate; Build financial resiliency for the City; Prepare for future needs in advance; Set sufficient rates in order to avoid conducting another Rate Study; Address rates annually to stay on track.
- Rate Alternative Options- Two rate alternatives were presented to Council. Both options accomplish a balanced budget, the ability to save for future expenses related to asset replacement, and fully fund reserves by year 5.
 - Alternative 1-This Alternative includes phased base rate increases and larger increases to usage tier rates.

- Base Rate would Increase to \$50/month for Year 1, \$54 for Year 2, \$59.53 for Year 4, and \$60.72 for Year 5.
- Residential & Commercial Tiered Usage breaks would stay the same, but Tiered rates would increase as follows:

Tier Break (Gal)	Residential	Tier Break (Gal)	Commercial
0-3,000	\$0.00	0-4,000	\$0.00
3,001-7,000	\$2.00	4,001-7,000	\$3.00
7,001-15,000	\$2.50	7,001-15,000	\$3.00
15,001 +	\$3.00	15,001+	\$3.00

- Alternative 2- This option proposes a larger base rate increase in year 1 and smaller increases to usage tier rates.
 - Base Rate would Increase to \$52/month for Year 1, \$57.20 for Year 2, \$60.06 for Year 4, and \$62.49 for Year 5.
 - Residential & Commercial Tiered Usage Breaks Would Stay the Same, but tiered rates would Increase as follows:

Tier Break (Gal)	Residential	Tier Break (Gal)	Commercial
0-3,000	\$0.00	0-4,000	\$0.00
3,001-7,000	\$1.50	4,001-7,000	\$2.50
7,001-15,000	\$2.00	7,001-15,000	\$2.50
15,001 +	\$2.50	15,001+	\$2.50

Questions & Comments

-Administrator Norton reminded Council that this Rate Study is only a suggestion, and that Council ultimately makes the decision on rate increases.

-Councilor Gillson asked if there will be any repercussions if Council chooses not to accept the proposed rate increases, such as eligibility for future loans/grants. The answer is No, but the Rate Study may be referred to for future funding requests.

-Administrator Norton asked Jeremy to clarify the three types of reserve funds. There is an Operating Reserve, which should be liquid funds for day-to-day operating expenses; an Emergency Reserve Fund for replacing critical assets as needed, and a Capital Reserve Fund for planned upgrades/replacement.

- Mayor Lachenbruch asked if the spreadsheet takes into consideration the current assets that currently need replaced. Yes, it does.

DISCUSSION

After Jeremy ended his presentation there was discussion amongst Council about how the Census relates to USDA (United States Department of Agriculture) Funding eligibility.

ADJOURNMENT

The meeting was adjourned at 7:48 pm.

Jerry Lachenbruch, Mayor

Larissa Gangle, Assistant City Recorder