City of Oregon City

STORMWATER SYSTEM DEVELOPMENT CHARGE UPDATE

FINAL REPORT
May 2021

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Section I. INTRODUCTION

I.A. SYSTEM DEVELOPMENT CHARGES

Oregon Revised Statutes (ORS) 223.297 to 223.314 authorize local governments to establish system development charges (SDCs), one-time fees on new development paid at the time of development. SDCs are intended to recover a fair share of the cost of existing and planned facilities that provide capacity to serve future growth.

ORS 223.299 defines two types of SDCs:

- A reimbursement fee designed to recover "costs associated with capital improvements already constructed, or under construction when the fee is established, for which the local government determines that capacity exists"; and
- An improvement fee designed to recover "costs associated with capital improvements to be constructed."

ORS 223.304(1) states, in part, that a reimbursement fee must be based on "the value of unused capacity available to future system users or the cost of existing facilities" and must account for prior contributions by existing users and any gifted or grant-funded facilities. The calculation must "promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities." A reimbursement fee may be spent on any capital improvement related to the system for which it is being charged (whether cash-financed or debt-financed) and on the costs of compliance with Oregon's SDC law.

ORS 223.304(2) states, in part, that an improvement fee must be calculated to include only the cost of projected capital improvements needed to increase system capacity for future users. In other words, the cost of planned projects that correct existing deficiencies or do not otherwise increase capacity for future users may not be included in the improvement fee calculation. An improvement fee may be spent only on capital improvements (or portions thereof) that increase the capacity of the system for which it is being charged (whether cash-financed or debt-financed) and on the costs of compliance with Oregon's SDC law.

I.B. UPDATING THE SDC

The City contracted with FCS GROUP to provide a utility financial plan for the stormwater utility. This financial plan included a revenue requirement analysis and SDC update. This report discusses only the SDC findings. A subsequent report will discuss the revenue requirement aspect of the study.

I.C. CALCULATION OVERVIEW

In general, SDCs are calculated by adding a reimbursement fee component and an improvement fee component—both with potential adjustments. Each component is calculated by dividing the eligible cost by growth in units of demand. The unit of demand becomes the basis of the charge. **Table 1** shows this calculation in equation format.

Table 1. SDC Equation

Eligible costs of available capacity in existing facilities		**Eligible costs of capacity-increasing capital improvements**		**SDC per unit of growth in demand**
Units of growth in demand	**+**	**Units of growth in demand**	**=**	

I.C.1. Reimbursement Fee

The reimbursement fee is the cost of available capacity per unit of growth that such available capacity will serve. In order for a reimbursement fee to be calculated, unused capacity must be available to serve future growth. For facility types that do not have available capacity, no reimbursement fee may be calculated.

I.C.2. Improvement Fee

The improvement fee is the cost of planned capacity-increasing capital projects per unit of growth that those projects will serve. In reality, the capacity added by many projects serves a dual purpose of both meeting existing demand and serving future growth. To compute a compliant improvement fee, growth-related costs must be isolated, and costs related to current demand must be excluded.

We have used the capacity approach to allocate costs to the improvement fee basis. Under this approach, the cost of a given project is allocated to growth by the portion of total project capacity that represents capacity for future users. That portion, referred to as the improvement fee eligibility percentage, is multiplied by the total project cost for inclusion in the improvement fee cost basis.

I.C.3. Adjustments

Two cost-basis adjustments are applied to the SDC calculation: fund balance and compliance costs.

I.C.3.a Fund Balance

All accumulated SDC revenue currently available in fund balance is also deducted from its corresponding cost basis. This practice prevents a jurisdiction from double-charging for projects that were in the previous methodology's improvement fee cost basis but have not yet been constructed.

I.C.3.b Compliance Costs

ORS 223.307(5) authorizes the expenditure of SDCs for "the 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." This compliance charge is included in the reimbursement portion of the City's SDC.

I.C.4. Growth Calculation

The growth calculation is the basis by which an SDC is charged. Growth for each system is measured in units that most directly reflect the source of demand. The City currently bases SDCs on an equivalent residential unit (ERU) basis calculated by multiplying the property's area range number (ARN), in increments of 5,000 gross square feet of parcel size, by the property's development intensity factor (DIF) as shown in **Table 2.** Under this approach, each residential account is considered one ERU while ERUs for all non-residential accounts are determined by applying the formula described above (ERU = ARN x DIF).

Table 2. Development Intensity Factors

Code	Land Use or Zoning	Development Intensity Factor
R1O	10,000 sq. ft./Dwelling Unit	0.25
R8	8,000 sq. ft./Dwelling Unit	0.50
R6	6,000 sq. ft./Dwelling Unit	0.50
RD-4MDP	Manufactured Dwelling Unit	0.60
R3.5	3,500 sq. ft./Dwelling Unit	0.60
R-2	Multi-Family	0.65
LO	Limited Office	0.80
NC	Neighborhood Commercial	0.80
HC	Historical Commercial	0.70
C	General Commercial	0.90
GI	General Industrial	0.75
CI	Campus Industrial	0.80
MUC1	Mixed Use Corridor 1	0.80
MUC2	Mixed Use Corridor 2	0.90
MUD	Mixed Use Downtown	0.90
MUE	Mixed Use Employment	0.80
I	Institutional District	Actual Impervious

Section II. STORMWATER SDC

This section provides detailed calculations of the recommended SDC for stormwater facilities.

II.A. GROWTH

For stormwater SDCs, projected growth is typically measured in impervious surface area. The Oregon City Baseline Housing Needs Analysis addresses the period from 2019 to 2039. Growth in impervious surface area for the study period is based on the assumed development detailed in that plan. **Table 3** shows projected customer growth in the City.

Table 3. Stormwater Customer Growth

Capacity	Total System
Existing ERUs	24,085
Future Capacity ERUs	2,406
Total ERUs	**26,491**

II.B. ELIGIBLE COSTS

Below are the calculated eligible cost bases for the SDC including any applicable adjustments.

II.B.1. Reimbursement Fee Cost Basis

The reimbursement fee cost basis is based on the City's current utility plant in service, net of asset useful life already used. **Table 4** shows the cost basis for the reimbursement portion of the SDC.

Table 4. Stormwater Reimbursement Fee Cost Basis

Reimbursement Fee Cost Basis	
Plant in service	$ 9,780,208
plus: CWIP (construction work in progress)	20,646
less: CIAC (contribution in aid of construction)	(5,414,274)
Net Reimbursement Fee w. General	4,386,579
Less useful life used	(3,103,216)
Allocable Reimbursement Fee	**$ 1,283,363**
Allocable Customer Base (ERUs)	**2,406**
Reimbursement Fee	**$533**

II.B.2. Improvement Fee Cost Basis

The improvement fee cost basis is based on a specific list of planned capacity-increasing capital improvements. The portion of each project that can be included in the improvement fee cost basis is determined by the extent to which each new project creates capacity for future users. The project list

is drawn from the 2019 Stormwater Master Plan, performed by Brown and Caldwell. **Table 5** shows how a total project cost of $22,636,000 is reduced to an eligible cost of $1,375,000. The total eligible portion of project cost by source is a weighted average and varies by project.

Table 5. Stormwater Improvement Fee Cost Basis

Improvement Fee Cost Basis		
Total Formally Adopted Capital Improvement Program	$	22,635,764
less: Existing Deficiency Share of Adopted Projects		(21,260,384)
Total Allocable Cost		1,375,380
less: SDC improvement Fund Balance		(85,138)
Net Improvement Fee	**$**	**1,290,242**
Allocable Customer Base (ERUs)		**2,406**
Improvement Fee		**$536**

The improvement fee cost basis must be reduced by any improvement fee fund balance (for the same facility type) currently held by the City. The City has a balance of $85,000 in stormwater improvement fees.

II.C. CALCULATED SDC

For residential and commercial development, the current SDC is $956 per ERU. The new SDC calculation was primarily prepared using 2020 data, however, the City increased the SDC per ERU from $902 to $956 in January 2021.

Dividing the sum of the net improvement fee cost basis by the projected growth results in the total calculated SDC of $1,070, as shown in **Table 6**.

Table 6. Stormwater SDC

Total Stormwater SDC	
Reimbursement Fee	$533
Improvement Fee	$536
Total SDC	**$1,070**

Section III. Conclusion

III.A. RECOMMENDED SDCS

Table 7 summarizes the recommended SDCs per ERU and compares the new calculation to the existing SDC. This calculated SDC represents the maximum possible charge the City could implement.

Table 7. SDC Summary and Comparison

Stormwater SDC	
Calculated Max SDC per ERU	$1,070
Current SDC per ERU	$956
Increase	**$114**

III.A.1. Exemptions and Waivers

The City may exempt or waive specific classifications of development from the requirement to pay SDCs. However, to do so it must have a cost or demand-based justification. The City may not arbitrarily exempt customers or customer types from SDCs.

III.B. INDEXING

Oregon law (ORS 223.304) also allows for the periodic indexing of SDCs for inflation, as long as the index used is:

> (A) A relevant measurement of the average change in prices or costs over an identified time period for materials, labor, real property or a combination of the three;
> (B) Published by a recognized organization or agency that produces the index or data source for reasons that are independent of the system development charge methodology; and
> (C) Incorporated as part of the established methodology or identified and adopted in a separate ordinance, resolution or order.

We recommend that the City index its maximum charges to the *Engineering News Record* Construction Cost Index 20 city average.

APPENDIX A – REIMBURSEMENT ELIGIBLE ASSET SCHEDULE

Asset Description	Original Cost	Original Cost less Contributions	CIAC	Useful Life Remaining
Vehicle	$ 884,660	$ -	$ 884,660	$ -
Bldg./Eqiup	104,249	91,657	12,592	525
Improvement	8,791,298	4,274,276	4,517,023	1,262,191
Total	**$ 9,780,208**	**$ 4,365,933**	**$ 5,414,274**	**$ 1,262,717**

APPENDIX B – STORMWATER CAPITAL PROJECT LIST

Project ID	Project Description	% Rate Funded	% Reimb & Improv SDC Funded	Unescalated Total	2020	2021	2022	2023	2024
Improvements	John Adams Basin Capacity Improvements	98%	2%	8,555,000	$ -	$ -	$ -	$ 1,366,500	$ 1,366,500
Improvements	South End Road Stormwater Improvements	94%	6%	3,209,000	-	-	-	-	-
Improvements	Division Street Infrastructure Improvements	100%	0%	770,000	-	-	-	-	-
Improvements	Rivercrest Neighborhood Infrastructure Improvements	100%	0%	2,428,000	-	1,214,000	1,214,000	-	-
Improvements	Harding Boulevard Sanitary Disconnect	100%	0%	-	-	-	-	-	-
Improvements	Pebble Beach Pond Retrofit	99%	1%	713,000	-	-	-	-	-
Improvements	Hiefield Court Culvert Improvements	95%	5%	657,000	-	-	-	-	-
Improvements	The Cove Water Quality Improvements	100%	0%	608,000	-	-	-	-	-
Improvements	Holcomb Boulevard Capacity Improvements	77%	23%	3,893,000	-	-	-	-	-
Improvements	Coffee Creek Stream Restoration	97%	3%	1,096,000	-	-	-	-	-
Improvements	Scattering Canyon Stormwater Improvement	97%	3%	521,000	-	521,000	-	-	-
Improvements	Newell Canyon Outfall Assessment	100%	0%	100,000	-	100,000	-	-	-
13	Manhole (Rehab)	100%	0%	1,900,000	-	100,000	100,000	100,000	100,000
14	Pipe Replacement	100%	0%	11,207,806	-	-	219,761	439,522	659,283
15	LID Facilities Maintenance	100%	0%	313,500	-	1,650	3,300	4,950	6,600
16	Culverts	100%	0%	855,000	-	45,000	45,000	45,000	45,000
17	WQ/Detention Pond Rehabilitation	100%	0%	475,000	-	25,000	25,000	25,000	25,000
18	Outfall Rehabilitation	100%	0%	600,000	-	200,000	200,000	200,000	-
19	Outfall Rehabilitation	100%	0%	1,140,000	-	60,000	60,000	60,000	60,000
20	Short Term Budget Repair	100%	0%	950,000	-	50,000	50,000	50,000	50,000
21	Fleet	100%	0%	180,000	-	180,000	-	-	-
22	Decant/Dewatering Facilities	100%	0%	1,500,000	-	-	-	750,000	750,000
23	Facilities	100%	0%	180,000	-	60,000	60,000	60,000	-
24	Tree Maintenance & TMDL Plantings	100%	0%	475,000	-	25,000	25,000	25,000	25,000

Project ID	Project Description	% Rate Funded	% Reimb & Improv SDC Funded	Unescalated Total	2025	2026	2027	2028	2029
Improvements	John Adams Basin Capacity Improvements	98%	2%	8,555,000	$ 1,780,000	$ 1,349,500	$ 1,349,500	$ 1,343,000	$ -
Improvements	South End Road Stormwater Improvements	94%	6%	3,209,000	-	-	-	-	-
Improvements	Division Street Infrastructure Improvements	100%	0%	770,000	-	-	-	-	-
Improvements	Rivercrest Neighborhood Infrastructure Improvements	100%	0%	2,428,000	-	-	-	-	-
Improvements	Harding Boulevard Sanitary Disconnect	100%	0%	-	-	-	-	-	-
Improvements	Pebble Beach Pond Retrofit	99%	1%	713,000	-	-	-	-	-
Improvements	Hiefield Court Culvert Improvements	95%	5%	657,000	-	-	-	-	-
Improvements	The Cove Water Quality Improvements	100%	0%	608,000	-	-	-	-	608,000
Improvements	Holcomb Boulevard Capacity Improvements	77%	23%	3,893,000	-	-	-	-	-
Improvements	Coffee Creek Stream Restoration	97%	3%	1,096,000	-	-	-	-	-
Improvements	Scattering Canyon Stormwater Improvement	97%	3%	521,000	-	-	-	-	-
Improvements	Newell Canyon Outfall Assessment	100%	0%	100,000	-	-	-	-	-
13	Manhole (Rehab)	100%	0%	1,900,000	100,000	100,000	100,000	100,000	100,000
14	Pipe Replacement	100%	0%	11,207,806	659,283	659,283	659,283	659,283	659,283
15	LID Facilities Maintenance	100%	0%	313,500	8,250	9,900	11,550	13,200	14,850
16	Culverts	100%	0%	855,000	45,000	45,000	45,000	45,000	45,000
17	WQ/Detention Pond Rehabilitation	100%	0%	475,000	25,000	25,000	25,000	25,000	25,000
18	Outfall Rehabilitation	100%	0%	600,000	-	-	-	-	-
19	Outfall Rehabilitation	100%	0%	1,140,000	60,000	60,000	60,000	60,000	60,000
20	Short Term Budget Repair	100%	0%	950,000	50,000	50,000	50,000	50,000	50,000
21	Fleet	100%	0%	180,000	-	-	-	-	-
22	Decant/Dewatering Facilities	100%	0%	1,500,000	-	-	-	-	-
23	Facilities	100%	0%	180,000	-	-	-	-	-
24	Tree Maintenance & TMDL Plantings	100%	0%	475,000	25,000	25,000	25,000	25,000	25,000

Project ID	Project Description	% Rate Funded	% Reimb & Improv SDC Funded	Unescalated Total	2030	2031	2032	2033	2034
Improvements	John Adams Basin Capacity Improvements	98%	2%	8,555,000	$ -	$ -	$ -	$ -	$ -
Improvements	South End Road Stormwater Improvements	94%	6%	3,209,000	1,604,500	-	-	1,604,500	-
Improvements	Division Street Infrastructure Improvements	100%	0%	770,000	-	-	-	-	-
Improvements	Rivercrest Neighborhood Infrastructure Improvements	100%	0%	2,428,000	-	-	-	-	-
Improvements	Harding Boulevard Sanitary Disconnect	100%	0%	-	-	-	-	-	-
Improvements	Pebble Beach Pond Retrofit	99%	1%	713,000	-	-	713,000	-	-
Improvements	Hiefield Court Culvert Improvements	95%	5%	657,000	-	-	-	-	-
Improvements	The Cove Water Quality Improvements	100%	0%	608,000	-	-	-	-	-
Improvements	Holcomb Boulevard Capacity Improvements	77%	23%	3,893,000	-	-	-	1,946,500	1,946,500
Improvements	Coffee Creek Stream Restoration	97%	3%	1,096,000	-	-	-	-	-
Improvements	Scattering Canyon Stormwater Improvement	97%	3%	521,000	-	-	-	-	-
Improvements	Newell Canyon Outfall Assessment	100%	0%	100,000	-	-	-	-	-
13	Manhole (Rehab)	100%	0%	1,900,000	100,000	100,000	100,000	100,000	100,000
14	Pipe Replacement	100%	0%	11,207,806	659,283	659,283	659,283	659,283	659,283
15	LID Facilities Maintenance	100%	0%	313,500	16,500	18,150	19,800	21,450	23,100
16	Culverts	100%	0%	855,000	45,000	45,000	45,000	45,000	45,000
17	WQ/Detention Pond Rehabilitation	100%	0%	475,000	25,000	25,000	25,000	25,000	25,000
18	Outfall Rehabilitation	100%	0%	600,000	-	-	-	-	-
19	Outfall Rehabilitation	100%	0%	1,140,000	60,000	60,000	60,000	60,000	60,000
20	Short Term Budget Repair	100%	0%	950,000	50,000	50,000	50,000	50,000	50,000
21	Fleet	100%	0%	180,000	-	-	-	-	-
22	Decant/Dewatering Facilities	100%	0%	1,500,000	-	-	-	-	-
23	Facilities	100%	0%	180,000	-	-	-	-	-
24	Tree Maintenance & TMDL Plantings	100%	0%	475,000	25,000	25,000	25,000	25,000	25,000

Project ID	Project Description	% Rate Funded	% Reimb & Improv SDC Funded	Unescalated Total	2035	2036	2037	2038	2039
Improvements	John Adams Basin Capacity Improvements	98%	2%	8,555,000	$ -	$ -	$ -	$ -	$ -
Improvements	South End Road Stormwater Improvements	94%	6%	3,209,000	-	-	-	-	-
Improvements	Division Street Infrastructure Improvements	100%	0%	770,000	-	-	770,000	-	-
Improvements	Rivercrest Neighborhood Infrastructure Improvements	100%	0%	2,428,000	-	-	-	-	-
Improvements	Harding Boulevard Sanitary Disconnect	100%	0%	-	-	-	-	-	-
Improvements	Pebble Beach Pond Retrofit	99%	1%	713,000	-	-	-	-	-
Improvements	Hiefield Court Culvert Improvements	95%	5%	657,000	-	657,000	-	-	-
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Improvements	Coffee Creek Stream Restoration	97%	3%	1,096,000	1,096,000	-	-	-	-
Improvements	Scattering Canyon Stormwater Improvement	97%	3%	521,000	-	-	-	-	-
Improvements	Newell Canyon Outfall Assessment	100%	0%	100,000	-	-	-	-	-
13	Manhole (Rehab)	100%	0%	1,900,000	100,000	100,000	100,000	100,000	100,000
14	Pipe Replacement	100%	0%	11,207,806	659,283	659,283	659,283	659,283	659,283
15	LID Facilities Maintenance	100%	0%	313,500	24,750	26,400	28,050	29,700	31,350
16	Culverts	100%	0%	855,000	45,000	45,000	45,000	45,000	45,000
17	WQ/Detention Pond Rehabilitation	100%	0%	475,000	25,000	25,000	25,000	25,000	25,000
18	Outfall Rehabilitation	100%	0%	600,000	-	-	-	-	-
19	Outfall Rehabilitation	100%	0%	1,140,000	60,000	60,000	60,000	60,000	60,000
20	Short Term Budget Repair	100%	0%	950,000	50,000	50,000	50,000	50,000	50,000
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23	Facilities	100%	0%	180,000	-	-	-	-	-
24	Tree Maintenance & TMDL Plantings	100%	0%	475,000	25,000	25,000	25,000	25,000	25,000