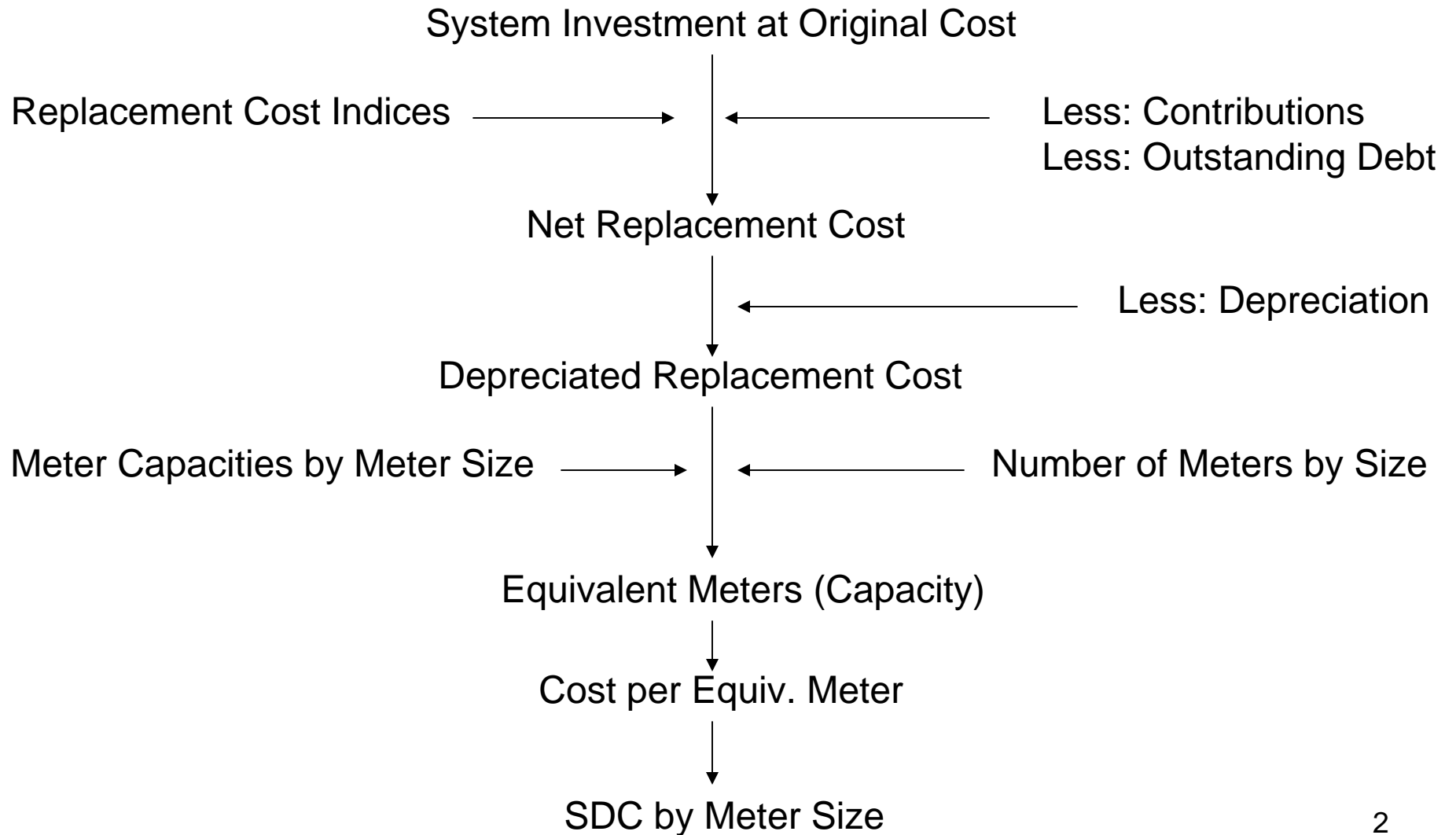


Water Bureau SDCs

Presentation to DRAC

October 29, 2008

Basic Methodology



Important Points

- This is a Reimbursement Fee Approach
 - Not tied to particular planned projects
 - Not tied to revenue needs
 - Existing users are reimbursed for prior capacity investments made on behalf of new users
 - When old facilities are fully depreciated, they drop out of the calculation.
 - Contributed property (e.g., water service lines) are excluded from the calculation.
 - Outstanding debt is subtracted to avoid double charging

DRAC Questions

- What is the history of your bureau's SDCs, and how were they established?
 - Water Bureau SDCs were first established in 1975. A study by Brown and Caldwell at about that time established the methodology. The details of that process have not been retained in available records.
 - The basic methodology is the Reimbursement Fee approach.
 - The methodology has undergone mostly minor modifications since SDCs were originally established. The major changes:
 - Wholesale customers no longer subject to SDCs --questions regarding both the legality and policy merits of charging them.
 - Wholesale customers are not “owners”
 - Wholesale customers do not retain capacity rights
 - Enforcement of extra-territorial charges
 - Outstanding debt is subtracted to avoid double charging

DRAC Questions

- Where are the SDC funds your bureau collects allocated? Are they discretionary (policy) or mandated (federal or state)?
 - Water Bureau SDCs are deposited in the Construction Fund to finance capital projects and pay debt service.
 - SDC funds are used to finance a portion of the entire capital program. Accordingly, they finance a mix of discretionary and mandated projects. The majority are discretionary. Future LT2 requirements might alter this mix.

DRAC Questions

- How are the SDCs calculated for each project?
 - Water Bureau SDCs are not calculated by project. The SDCs are a reimbursement fee based on the cumulative net investment in the entire system capacity, not future projects. Thus, it is based on the sum of all prior projects, as permitted under the ORS.

DRAC Questions

- Who reviews the SDCs?
 - The fees are prepared by Anne Conway and Eric Hofeld, Principal Financial Analysts
 - The reviewers are David Hasson, Ph.D., Finance Director and Cecelia Huynh, Finance Manager.
 - SDCs and all other rates and fees are presented for annual review by Portland Utilities Review Board and to any other interested parties.
 - Public Hearing: City Council and the public

DRAC Questions

- How often are they updated and what is the schedule?
 - Water Bureau SDCs are updated annually in the late Spring.

DRAC Questions

- How are the impacts of SDC funded projects measured?
 - “Impacts” in what sense? Question is unclear.
 - % of projects completed?
 - % of projects funded by SDCs?
 - Effectiveness?
 - Other?
 - Because the SDCs are reimbursement fees and because the funds are included with all other CIP funding, there is no obvious way to measure the impacts other than to examine each project and evaluate whether it meets its individual objective.

DRAC Questions

- What is the feasibility of a one stop shop location to identify and calculate SDCs for a given project?
 - In the Water Bureau's case, this is feasible. Water's SDCs are based on water meter sizes. In most cases, the meter size is fairly standardized, based on flow requirements, including fire flows. Once the meter size is known, the SDC is determined.

DRAC Questions

- How does your bureau respond if SDC revenue drops sharply in a given year?
 - The Water Bureau will reduce expenditures, use financial reserves, and/or consider increasing water rates the following year.
 - SDCs are not used to target a specific revenue total.

DRAC Questions

- How are items determined to be fees rather than SDCs?
 - Fees are charges for services. SDCs are one-time charges to new development to reimburse existing ratepayers for prior investments in system capacity, as allowed by State law.

DRAC Questions

- How are SDC funded projects selected, prioritized, and allocated funds?
 - The Water Bureau's SDCs are reimbursement fees, which can be used for virtually any capital project or for capital project debt service.
 - CIP projects are selected based on system needs, risks and consequences of failure, cost, Council priorities, regulatory requirements, etc.
 - SDC revenue is not allocated to individual projects
 - SDC revenue is part of the general mix of funds used to finance the CIP.

DRAC Questions

- Does the bureau's selection/prioritization process include references to other City plans.....?
 - The process gives consideration to the Comprehensive Plan and any other plans adopted or directed by Council.
 - The documents generated by the bureau's process do not specifically reference these plans in most cases.

Water SDCs

Meter Size	Charge
5/8"	\$ 1,760
3/4"	\$ 2,640
1"	\$ 4,401
1-1/2"	\$ 8,801
2"	\$ 14,082
3"	\$ 26,403
4"	\$ 44,005
6"	\$ 88,010
8"	\$ 140,817
10"	\$ 253,118

Comparison of Typical Residential System Development Charges

Portland	\$1,760.00
Tigard	\$2,041.00
Beaverton	\$3,144.00
Gresham	\$4,153.00
Tualatin Valley Water District	\$4,744.00

SDCs

- Projected \$2.75 million in FY 2008-09
- Funds 4.3% of the capital program
- SDCs decreased 1.6% this fiscal year

Additional Information

- Water Bureau Website
 - <http://www.portlandonline.com/water/index.cfm?c=29876>
- Water Bureau Development Services Staff
 - In person
 - Phone: 503-823-7368
 - Pre-printed information
- Water Bureau Finance Staff