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City of Philomath
Public Works Committee
MINUTES
July 18, 2019

Mayor Eric Niemann called the meeting to order at 3:00 p.m. at the City Hall Council Chambers, 980 Applegate Street, Philomath, Oregon.

ROLL CALL:

Committee: Mayor Eric Niemann, Councilors Doug Edmonds and Chas Jones.

Staff: City Manager Chris Workman, Public Works Director Kevin Fear, Public Works Operations Supervisor Garry Black, and City Recorder Ruth Post.

MINUTES:

MOTION: Councilor Edmonds moved, Councilor Jones second to approve the minutes of the May 2, 2019 meeting as presented. Motion APPROVED 3-0 (Yes: Edmonds, Jones, Niemann; No: None).

TREE BOARD BUSINESS:

None.

PUBLIC WORKS BUSINESS:

SDC Methodology Update Kickoff – Mayor Niemann introduced Curt McLeod, P.E., of Curran-McLeod Inc. Consulting Engineers. Mr. Workman summarized the purpose of System Development Charges (SDCs). He reviewed the need for rates to be justifiable and the use of a methodology to make a determination of the justifiable and appropriate level for each SDC category of water, sewer, storm drain, streets and parks. He identified the year of the last SDC methodology updates for each category. He noted they have all been used for significant periods and some flaws in the prior methodologies have since been identified.

Mr. Workman explained that the current \$800 park SDC is being insufficient to make progress on the list of projects in the Park Master Plan. He reviewed the retention of Mr. McLeod for his services in updating all of the methodologies. He stated the Park SDC is completed and will increase the rate substantially but that he preferred to wait until all of the categories are completed to roll out a complete update at one time.

Mr. McLeod stated that SDCs must be understandable, equitable and defensible. He explained that it boils down to determining what impact one household has on the city's infrastructure systems. He stated that some methodologies make assumptions as to how much is committed to growth and that isn't a good thing. He explained that water and sewer SDCs are straightforward because there is a finite capacity. He stated that Philomath's current SDCs have used projected growth and he didn't believe that was the best method. He stated that a new water treatment plant could serve for 20 years or for 50 years depending on growth.

Mr. McLeod spoke about building out streets as shown within the Urban Growth Boundary (UGB) and that the methodology should be calculated based on build-out of the UGB.

Mr. McLeod stated he reviewed all three of the methodologies for streets, water and sewer dated between 2004 and 2005. He stated they were all calculated based on population growth to periods close

1 to 2019. He stated that only Portland State University population estimates and projections are allowed
2 to be used. He stated that master plans have sized facilities with finite capacity so there is no need to
3 use population. Mr. Workman explained the master plans are not for a specific period so much as they
4 are meant to be effective through completion of the projects on the lists as needed to meet the capacity
5 requirements of growth.

6
7 Mr. McLeod explained that SDCs are a payback method because facilities are necessary to have growth.
8 He reviewed the methodology to calculate one dwelling share of existing facilities and one share for
9 future buildout.

10
11 Councilor Edmonds requested tangible examples. Mr. McLeod provided a simplified example. He
12 reviewed basics of SDCs based on state statute, reimbursement to recover value of improvements
13 already constructed and to make improvements for future infrastructure. He stated that credits must be
14 given to developers who construct projects that are included in the master plan in lieu of SDCs and
15 offsite improvements are required to receive 100% credit. He stated credits are also given for on-site
16 improvements if it's required to be built larger than needed for that particular development.

17
18 Mr. Workman explained that SDCs are paid at the time building permits are issued. Mr. McLeod
19 summarized his preferred methodology format. He stated that SDCs are not a cash flow mechanism and
20 that the City must make the improvements now and collect from new people as they move in.

21
22 Mayor Niemann commented on the additional capacity in the plans for the new water treatment plan
23 allowing new people and growth to pay back for that additional capacity. There was discussion about
24 the need to constantly be improving facilities to keep pace and the ease of justifying improvements that
25 improve level of service. Mr. McLeod stated his belief that infrastructure should not be depreciated
26 because it doesn't necessarily get abandoned at the end of life. He stated he would make the case that
27 there is capacity value in property and buildings.

28
29 Mayor Niemann questioned the inflationary basis used for SDCs. Mr. McLeod explained the use of the
30 Engineering News Review index as a well-known industry standard. He stated it uses 20 cities to
31 determine inflation for building materials and costs. Mr. Workman described the annual inflation review
32 procedure used for SDCs.

33
34 Mr. McLeod stated that SDCs are not well understood and not typically challenged. He stated it's a fee
35 for the person who isn't here yet; and if it's too high, it's indefensible, or too low, it's inequitable. He
36 stated that the current SDCs have underplayed the value of existing facilities.

37
38 Mr. McLeod described the difference between capacity and flow availability in relationship to residential
39 versus industrial use. He discussed the use of peak day data and estimated usage for potential new
40 industrial users. There was discussion about the effect of apartment complexes and accessory dwelling
41 units on factoring.

42
43 Mr. McLeod reviewed the existing methodology documents noting flaws he identified in each. He
44 emphasized the need for anything larger than the minimum required pipe size to be included in
45 calculations and also costs for preparation of master plans. There was discussion about determination of
46 pipe sizes, pump stations, and storage tanks in relationship to projects and SDCs.

47

1 He stated that the City is stewards of SDC funds. There was ongoing discussion about methods of
2 calculating costs and recouping expenses associated with improvements through SDCs. He emphasized
3 not using depreciation but instead using reimbursement calculations. He stated there should be some
4 SDC cash flow always happening. There was review of the population forecasts stipulated in the current
5 methodology documents and the use of those numbers to determine the equivalent number of dwelling
6 units to share the cost of improvements. Mr. McLeod noted that the population projections in the
7 current street methodology called for the population to be 6,757 rather than the 4,715 actual
8 population, resulting in inaccurate allocations of project costs for SDCs. Mr. McLeod described how the
9 assumptions in the current methodology affect the outcome of the SDCs.

10
11 There was discussion about not including the standard pipe size in the new methodology. There was
12 discussion about over-collection on collection system and under-collection on the treatment plant based
13 on the assumptions. There was discussion about the effect of statute changes from the State. Mr.
14 McLeod stated statute changes wouldn't normally trigger SDC re-evaluation but changes to the Urban
15 Growth Boundary would. He explained that master plans are typically meant to be a 20-year window as
16 is the UGB, so evaluation of SDCs should co-inside with that. There was discussion about the number of
17 EDU's that can be served at a water treatment plant and the effect of a statute change increasing
18 density. There was discussion about facilities that have defined capacity to be used in calculating fees as
19 opposed to facilities like streets. Mr. McLeod stated those things are subjective and regular master plan
20 updates would impact those.

21
22 There was discussion about inclusion of feeder streets into a development being included in master
23 plans to enable the use of SDC dollars for credits. Mr. McLeod noted potential issues with including such
24 a project that could eat up an entire development's SDC obligation on that street with nothing left to go
25 to other needed infrastructure projects. He stated this would be a Council decision to consider. Mr.
26 Workman explained that the current methodology does not provide for this type of credit. Mr. Fear
27 reviewed the use of a reimbursement district by a developer to recoup costs from others who
28 subsequently hook into a service extension paid for by the developer. Mr. Workman explained that
29 moving to the methodology proposed by Mr. McLeod would give the developer credits for upsizing lines
30 and the City would need to determine the priority of spending those SDCs that way or towards a large
31 off-site project.

32
33 Mr. McLeod recommended using the SDC methodology to create an SDC overlay district rather than a
34 reimbursement district. He also recommended not allowing a developer to sell SDC credits. There was
35 discussion about a developer who qualifies for SDC credits by upsizing lines does not change the factors
36 involved in the cost of a home to the purchaser.

37
38 Mr. McLeod stated that Priority 1 and 2 projects should be included in SDC methodology calculations
39 and Priority 3 projects are growth related and should be paid for by growth.

40
41 Councilor Edmonds questioned the feedback from municipalities that switch to the type of methodology
42 Mr. McLeod is recommending. Mr. McLeod stated he would be happy to provide Mr. Workman with
43 that information. He described his history of preparing methodologies since 1991 and noted that they
44 change over time. He stated he's done five in the past three years. Mr. Workman stated that he had
45 received recommendations for Mr. McLeod from the cities he has most recently worked with.

46
47 Mr. McLeod stated the project lists in the water and wastewater master plans are huge and the SDCs are
48 likely to go up substantially. There was discussion about reviewing the Priority 1 and 2 project lists to

1 determine those that should be included in the methodology calculations. Mr. McLeod recommended
2 having everything on the list but assume that 75% funding will be reached and fees are reasonable. Mr.
3 McLeod stated the fees charged must be reasonable, and recognizes the amount of grant money that
4 needs to be garnered to bridge the gap.

5
6 Mayor Niemann tied the construction of projects listed in the Capital Improvement Plan (CIP) to the
7 SDCs needed to achieve those projects. Mr. Workman stated the methodologies needed to be updated
8 five years ago but it has taken over four years to get all of the expensive master plans updated first. He
9 noted the use of grant dollars to pay for the master plan updates. He stated the storm drain master plan
10 is yet to be completed and it makes no sense to update the methodology until that is completed.

11
12 Mr. McLeod stated the Transportation Master Plan did not project trips which is a key number, but the
13 current transportation SDC is pretty much on target. He didn't disagree with the concept of how it was
14 done. He has requested the trip information from the consultant who prepared the transportation plan.
15 He stated transportation projects are expensive.

16
17 Councilor Edmonds questioned if the priority lists could be narrowed down for inclusion in the SDC
18 methodology as those considered most timely. Mr. McLeod stated that could be done but he
19 recommended including all of the projects and expecting to only collect a portion of the needed funds
20 based on a reasonable rate. He stated a project may not be a priority right now but it could become one
21 in five years. There was discussion about the CIP project list serving that function of determining the
22 projects to be funded first.

23
24 Mr. McLeod reviewed the calculation method he would apply. Mayor Niemann questioned if Philomath
25 has missed the boat with the current methodology and fees. Mr. McLeod stated he did not necessarily
26 believe the current fees are high and may not be defensible but haven't caused the city to miss the boat.
27 He stated the primary reasons to update the fees it make sure they are high enough to complete the
28 necessary projects and to make sure they comply with statutes. He stated the current fees are not bad
29 but there are weaknesses in the current methodology.

30
31 Mr. Workman noted that when comparing SDCs to other cities, the city with the highest SDCs is typically
32 the one who has most recently updated their master plans and methodologies. As each city rotates
33 through that process, they move to the top of the list.

34
35 Councilor Edmonds questioned the process from here. He noted that there is one master plan to be
36 completed. Mr. Workman stated it makes sense to make the methodology change all at one time. He
37 stated a consistent methodology is better for explaining to developers, however he would prefer not to
38 wait to move forward until the storm drain master plan to be updated. He stated the same methodology
39 would be implemented for the storm drain plan. He said he'd hoped to see some reductions in SDCs but
40 the cost of the projects in the master plans may preclude that. He requested approval to have Mr.
41 McLeod move forward with his work rather than get multiple bids. Mr. Workman suggested having Mr.
42 McLeod perform preliminary calculations on the methodologies and bring them back to the Committee
43 for review prior to taking them to the Council.

44
45 Councilor Edmonds requested the cost of the proposed work. Mr. McLeod estimated \$7,500 each for
46 the methodologies. He stated everyone is busy right now and it wouldn't hurt his feelings for the
47 Committee to choose to wait two years. He noted that the City is recovering the bulk of its dollars under
48 the current methodologies. He stated he has a firm of eight people and has been in business for 35

1 years. He stated they only do municipality work. He suggested members of the Committee review SDCs
2 posted online for other communities. Councilor Edmonds noted he had.

3
4 Mr. McLeod stated that the SDC methodologies should be simple and shouldn't cost the \$25,000 some
5 communities pay. He noted that Philomath's SDCs should be simple with the only thing pushing
6 Philomath into a bigger league is capital improvement plans that total \$50 million and that's huge for a
7 future population estimate of 7,000 people. He offered to provide the Committee with additional work
8 examples from other cities his firm has developed methodologies for. He listed Harrisburg, Donald,
9 Mount Angel and Canby as other cities they've worked with.

10
11 Mayor Niemann stated that Mr. McLeod has given the Committee a lot to consider, especially in light of
12 the ongoing developments in Philomath. Mr. McLeod stated his firm could put together the documents
13 the City wants, making them as aggressive as the City wants while still being defensible. He wants to
14 make the methodologies easy enough for staff to understand, explain and calculate the correct SDCs.
15 Mr. McLeod thanked the Committee for their time and excused himself.

16
17 Councilor Edmonds questioned how the methodology is used and what methodologies other cities use.
18 He stated the methodology presented by Mr. McLeod seems logical but before he makes a decision, he
19 needs additional information. Mayor Niemann concurred. Councilor Edmonds had concerns about
20 financial impacts and the need to address those. There was additional discussion about capturing
21 infrastructure costs.

22
23 Mr. Workman stated he wanted the Committee to be comfortable with it but noted that the dollar
24 amount is low enough that there was no need to go out for additional bids at \$7,500 for each
25 methodology document. He added that they are eligible for SDC dollars to pay for and are budgeted for.
26 He noted that other firms to consider are easily at \$25,000 per study and described methodologies that
27 require calculations per fixture that can be very labor intensive on staff.

28 01:43:35

29 Mr. Workman stated he is concerned about the defensibility of the rates going forward. He stated,
30 however, that the methodology used at the time of the current studies was defensible and there's
31 nothing illegal about them. Councilor Edmonds concurred that things change over time. He stated he
32 had no issues with Mr. McLeod's methodology but requested to see a third option before making a
33 decision.

34
35 Mr. Workman stated a comparison of other cities' SDCs is available on the League of Oregon Cities
36 website and noted that Philomath's are not out of line but are in the upper third. He noted, though, how
37 low the current Park SDC is compared to Portland at \$13,000 per equivalent dwelling unit. He described
38 the high cost of property to purchase for parks. He stated it's easy to say the Park SDC shouldn't be
39 \$10,000 but the reality is it is going to go up to about \$5,000. He stated he'd prefer that some of the
40 others come down so the total doesn't go over \$25,000; but with the projected growth, that's unlikely.

41
42 Councilor Edmonds noted that the more things that are on the master plan priority lists, the more those
43 things impact the calculation of the SDCs. He added that nothing is free today and the methodology
44 makes that clear. Mayor Niemann described the local contributions that have made up for park SDC
45 funds by way of contributions and donations throughout the community.

46 01:49:25

47 Councilor Jones agreed with moving to a more defensible methodology but didn't see a problem with
48 Councilor Edmonds' recommendation. He questioned if a point is ever reached where the projects are

1 all completed and no need for SDCs and yet needing to begin paying towards the next generation of
2 water treatment plant. Mr. Workman stated that utility rates are the mechanism if there is no growth
3 happening. He stated every citizen is responsible for a share of the need for a new water treatment
4 plant.

5
6 Councilor Niemann summarized that a third methodology should be obtained for review and feedback
7 provided to him. There was discussion about the Committee making the decision to move forward with
8 preparation of the documents. Mr. Workman stated that reviewing a third methodology and seeing the
9 numbers involved may be enough for the Committee to make their decision. He stated he would get
10 that information sent out to the Committee and wait for feedback.

11
12 **Radar Speed Sign Discussion** – Mayor Niemann noted that after further review, it had been decided to
13 move that discussion to the Police Committee for evaluation. Councilor Edmonds stated that Public
14 Works would be involved as far as locating them but they would primarily be a speed enforcement tool
15 for the Police Department. There was brief discussion about ODOT placement requirements.

16
17 Meeting adjourned 4:56 p.m.

18
19 Meeting recorded by Ruth Post, MMC, City Recorder

DRAFT