CITY OF TOLEDO **AGENDA**

Fire Department
285 NE Burgess Rd
Toledo, Oregon 97391
6:00 p.m.

TOLEDO CITY COUNCIL
Regular Meeting – also via Zoom Meeting Platform
April 20, 2022

Virtual Meeting: The City Council will hold the meeting in person for the City Council and staff as well as through the Zoom video meeting platform. The public is encouraged to attend the meeting electronically. Visit the meetings page on the city website for meeting login information.

Public Comments: The City Council may take limited verbal comments during the meeting. Written comments may be submitted by email to lisa.figueroa@cityoftoledo.org 3:00 p.m. the day of the meeting to be included in the record. Comments received will be shared with the City Council and included in the record.

1. Call to Order and roll call

2. Proclamations/Presentations
Proclamation – Arbor Day
Presentation – Sexual Assault Awareness presentation; Executive Director Amber Wishoff

3. Joint meeting with the Greater Toledo Pool & Recreation Pool District Board of Directors

4. Interview
Interview applicant for Budget Committee vacancy

5. Visitors/Public Comment
(The public comment period provides the public with an opportunity to address the City Council regarding items not on the agenda. Please limit your comments to three (3) minutes).

6. Consent Agenda
Minutes from the regular meeting held March 16 and the work sessions held February 23 and March 23, 2022

7. Discussion Items
- Water and Sewer rate study review in anticipation of setting new rates in May

8. Decision Items
- Interview and consider appointment of individual to the Budget Committee
- Permit application – Consume Alcohol in public places for Cycle Oregon event Item for consideration
- Contract Award for water main and service line replacements and authorize the City Manager to sign the Task Order

Comments submitted in advance are preferable. Comments may be submitted by phone at 541-336-2247 extension 2060 or by e-mail at lisa.figueroa@cityoftoledo.org. The meeting is accessible to persons with disabilities. A request for an interpreter for the hearing impaired, or for other accommodations for persons with disabilities, should be made at least 48 hours in advance of the meeting by calling city offices at (541) 336-2247.

9. Reports and Comments

- Committee updates

10. Adjournment

Proclamation

Observance of Toledo Arbor Day and National Arbor Day 2022

WHEREAS, in 1872, the Nebraska Board of Agriculture established a special day to be set aside for the planting of trees, and

WHEREAS, this holiday, called Arbor Day, was first observed with the planting of more than a million trees in Nebraska, and

WHEREAS, Arbor Day is now observed throughout the nation and the world, and

WHEREAS, trees can be a solution to combating climate change by reducing the erosion of our precious topsoil by wind and water, cutting heating and cooling costs, moderating the temperature, cleaning the air, producing life-giving oxygen, and providing habitat for wildlife, and

WHEREAS, trees are a renewable resource giving us paper, wood for our homes, fuel for our fires, and countless other wood products, and

WHEREAS, trees in our city increase property values, enhance the economic vitality of business areas, and beautify our community, and

WHEREAS, trees — wherever they are planted — are a source of joy and spiritual renewal.

NOW THEREFORE, I, Rod Cross, Mayor of the City of Toledo, Oregon, do hereby proclaim April 23rd, 2022, as Arbor Day in the City of Toledo and I urge all citizens to celebrate Arbor Day and to support efforts to protect our trees and woodlands.

DATED THIS 20th DAY OF APRIL, 2022

_____

Rod Cross, Mayor

2021 Supplemental Intergovernmental Agreement

This supplemental Intergovernmental Agreement (IGA) between City of Toledo (City) and the Greater Toledo Pool Recreation District (District), dated April 16, 2021 memorializes the terms of a renegotiation and change in the terms of the original IGA Signed by the parties on February 21, 2018, and thereafter revised in 2019 and the lease as amended on February 26, 2020.

Recitals

1. The City and the District desire to continue to cooperate with each other to continue the operation of the current "Pool" by the District;

2. The City previously operated the "Pool" but because of financial constraints has been unable to keep up with the deferred maintenance of the facility and its operation placing a strain on the City budget;

3. The City and the District both continue to believe that the continued maintenance of a swimming pool in the community is a quality of life issue and adds to the community's attractiveness for economic development, for the well-being of the community, including the elderly and children, and to addresses safety issues within the community by providing a continuing community service to teach children how to swim;

4. The plan continues to be that the District will lease and operate the "Pool" facility and thereby ease the financial strain on the City, and continue the operation of the facility and make it available to the citizens within the Recreational District which includes the City.

The Agreement

1. The City and the District entered into the original lease ("Lease") referred to by this IGA on February 21, 2018. The City and the District amended the lease on February 26, 2020, attached hereto and incorporated by reference ("superseding lease").

2. The District continues to assume any and all legal liability associated with the condition of the pool structure itself, the building in which it is housed, and the continuing operation, maintenance, and improvement thereof.

3. In 2019, The City and the District renegotiated certain terms for the City to provide water and sewer service to the pool and therefore amend the IGA.

4. The superseding lease provides that the term will be for a total of ten ten-year terms (including the initial term) renewable at the sole discretion of the District so long as the District is in compliance with the superseding lease. The rental will be one dollar per the initial term or renewal thereof, payable in advance. The City and the District will meet annually to confer on matters concerning the Pool. The property leased will continue to include that portion of tax lots 10900 and 11200, on Lincoln County tax assessor's map 11-10-08-CC, that contains the "Pool" facility, its equipment and components, related structures to the west of the pool building, and shared parking with the patrons of the City's library. The lease as well as any other necessary supporting agreements provides that either party with reasonable notice can open the terms thereof for possible discussion/possible revision.

5. The City will continue to provide a monthly water allowance from the City's water system as well as equivalent sewer system use. The monthly amount of water allowed by the City will be progressively decreased:

150,000 gallons (2021),

130,000 gallons (2022), and

110,000 gallons (2023).

The commencement period will begin March 1, 2021 and will end February 28, 2023. There will be a mandatory review by the parties and an opportunity to confer at the end of each year of the complementary free water and sewer services.

5.1 The City will make a donation to the District each fiscal year of an amount equivalent to the gallons of water as well as equivalent sewer system use as described in 5.2. The District will pay for water usage as well as equivalent sewer system use as described in 5.2.

5.2

March 1, 2021 - June 30, 2021: Pool to be billed for usage over 150,000 gallons per month

July 1, 2021 – February 28, 2022: The City will make donation of $28,417.92 and District will be billed for utility fees as any other customer within the City limits.

March 1, 2022 – February 28, 2023: The City will make donation of $38,229.24 and District will be billed for utility fees as any other customer within the City

limits.

March 1, 2023 – February 28, 2024: The City will make donation of $33,848.60 and District will be billed for utility fees as any other customer within the City limits.

6. The City will cut off water to the pool in the event of a catastrophic event i.e., water treatment facility mechanical failure, catastrophic weather event, or a natural disaster. In the event of a catastrophic event at the pool (i.e., equipment failure, weather or natural disaster), the District will be allotted a temporary allowance of 200,000 gallons per month. These exceptions will remain in effect until the status of the effected facility returns to normal operating conditions.

7. The original and superseding leases both recognized that the District will be responsible for all costs, without any further financial assistance from the City except as provided in the original and superseding agreements, for operation of the "Pool" and the upkeep, maintenance, and improvements to the pool and building, including structural, heating, electrical, pool equipment, and components. The provisions of this IGA section 5 amend and supersede any conflicting lease provisions. The original and superseding leases recognize that any improvements during the term of the original and superseding leases made by the District to the "Pool" facility shall revert to the City at any the termination of the superseding lease; that portion of the lease remains in full force and effect.

8. The parking lots directly in front of both the City Library and the "Pool" and a larger parking lot along NW A Street will be jointly shared and used by persons using the City Library and the "Pool," and there shall be an agreement reached by the parties as to the shared costs in the future striping of spaces in the parking lots and other minor maintenance costs, not including re-asphalting the parking lots.

9. The original and superseding leases provides that the District will keep the "Pool" facility fully insured against loss or damage by fire, theft, vandalism, and such other hazards as the City may from time to time require, upon such reasonable terms and in such company or companies as the City may approve. In addition, the District will carry in force a General Liability policy insuring against claims and court actions of any users of the District's facilities. The City shall be named as an additional insured on all such

policies, and each policy shall contain an endorsement providing for 30 days written notice to the City before cancellation by the carrier. The District will immediately deliver to the City a copy of all such policies, or certificates thereof, evidencing the required coverage and, from time to time at the City's request, shall furnish evidence of the policy remaining in force. In the event of damage or loss covered by the District's insurance, the District shall have the option of repairing, restoring or replacing the damaged or lost facility or equipment; provided that, if the District is in default under the superseding lease at the time that the proceeds are received, the City may require that all proceeds be applied first to what is owed under the lease to the City. The insurance requirements of the lease remain in full force and effect.

10. The original and superseding leases provide an indemnification provision that provides that the District shall defend and indemnify and hold harmless the City and its officers, employees and agents from claims arising from injury to any person or damage to property caused by the negligence or other wrongful act or omission of the District, its officers, employees or agents; or failure or refusal of the District to perform or fulfill its responsibilities under the lease or any law, through no fault of the City. Further, that the obligations or rights under this section may not be delegated or assigned without the express consent of the City. The indemnification requirements of the lease remain in full force and effect.

11. Under the terms of the original IGA and original lease the City transferred to the District a reserve fund for building maintenance for the "Pool" in the approximate sum of $135,000 to keep the "Pool" operational and for use by the District in the future for purposes such as grant matches to third-party organizations; provided, however, the use by the District of these reserve funds continues under the superseding lease and this Supplemental IGA as being in exchange for the District's agreement to remove all existing structures on the leased property at the District's sole cost and otherwise return the property in a condition acceptable to the City on termination. This provision of the lease remains in full force and effect.

12. The original and superseding leases both require that the District will comply with all applicable federal and state statutes, rules and regulations applying to its use of the property; provide that the District not delegate the responsibility for providing services

hereunder to any other individual or agency except as agreed upon by the City; and provide to the City periodic reports at the frequency and with the information agreed upon by the parties. This provision of the lease remains in full force and effect.

13. The parties agree that their governing boards will hold a meeting at least once a year on or near the anniversary of the transition date on which the District took over the "Pool" under its original lease with the City to discuss any issues that have arisen in the preceding year and to collaboratively work to resolve any such issues.

14. This agreement may be amended by the parties on approval of any such amendment by their respective governing bodies.

Signatures:

City of Toledo, a Municipal Corporation

_____ Dated: April 16, 2021
By: Mayor, Rod Cross

Attested by: Dated: April 16, 2021
_____
City Manager

Greater Toledo Pool Recreation District

_____ Dated: 4/13, 2021
By: Roy Kinion, District Board Chairperson

_____ Dated: _____, 2021
By:

TOLEDO CITY COUNCIL
WORK SESSION
February 23, 2022
6:00 p.m.

1. CALL TO ORDER

Mayor Rod Cross called the meeting to order at 6:00 p.m. electronically via Zoom in Toledo, Oregon.

Present	Absent	
X		Mayor Rod Cross
X		Council President Betty Kamikawa
	X	Councilor Jackie Kauffman
X		Councilor Rob Duprau
X		Councilor Todd Michels
X		Councilor Wade Carey
X		Councilor Tracy Mix

Staff present: City Manager (CM) Judy Richter, City Recorder (CR) Lisa Figueroa, Police Chief (PC) Michael Pace, Public Works Director (PWD) Bill Zuspan, Fire Chief (FC) Larry Robeson, Library Director, Deborah Trusty, Assistant Library Director Harrison Baker, City Attorney (CA) Mike Adams

2. JOINT MEETING WITH THE WITH THE CONFEDERATED TRIBES OF SILETZ INDIANS

Confederated Tribes of Siletz Indians Tribal Council members present: Tribal Chairman (TC) Delores Pigsley, Vice Chairman (VC) Alfred 'Bud' Lane III, Treasurer Robert Kentta, Secretary Sharon Edenfield, Members Angela Ramirez, Loraine Butler, Bonnie Petersen, Selene Rilatos, Frank Aspria

There were introductions and then both Councils discussed the possibility of partnerships between both communities. TC Pigsley said the Tribe is focused on infrastructure as is the state and Mayor Cross noted it would be good to improve infrastructure at the Stedco property, which would improve access to its entrances; thus enticing it to developers. They deliberated about the use of the railway to the site and TC Pigsley indicated it is a shovel ready site. The Council informed the Tribal Council about their interest in the SREUS project as an alternative to wastewater treatment and the opportunity to develop a much larger facility on the Stedco site because of its proximity to the river and the railway.

Mayor Cross spoke on the importance of preserving culture within the communities and commented on the need to expand the existing events for both communities to bring them together. The Tribal Council remarked on the state's intention to increase education about Native American tribes in Oregon. Several Tribal Council members elaborated on how technology has improved the ability to teach about the traditions and dialect of the Siletz Tribe.

There was discussion about services available to homeless people in Toledo as well as Newport. The Tribal Council reported the Casino is open on limited hours and has struggled with having to remain open during the coronavirus (COVID-19) pandemic. Both Councils agreed to host meetings at least twice a year and considered having another one in the fall.

DRAFT

3. PRESENTATIONS

2020-2021 Audit Presentation

Hanford and Associates Owner Teresa Hanford addressed the Council. She presented the 2020-2021 audit to the City Council and said the opinion within the audit report stated everything that was audited was presented fairly without any issues. She compared the totals between 2020 and 2021. She indicated the City is stable but the net position increased in governmental activities such as the General Fund and the Street Fund while business activities decreased by approximately $400,000. She said that could happen because of depreciation on capital assets or estimates for pension liabilities. She reviewed the financial statements and noted the General Fund has $1.7 million unassigned, which means it could be used as needed by the City. She auditors are required to annually review certain items specifically and she said she did not find any significant issues. She said they reviewed the City's internal controls and commented CM Richter continues to enhance those controls each year. She said the City of Toledo does not prepare their own financial statements, which is considered a significant finding; however it is fairly common amongst smaller cities that do not have enough staff to prepare them themselves.

4. VISITORS/PUBLIC COMMENT

There were no comments.

5. CONSENT AGENDA

Minutes from the Special Meeting held January 22, 2022

Councilor Mix noted the she was present for the meeting but the minutes do not show her present.

Motion – It moved and seconded (Mix/Michels) to approve the consent agenda as amended and the motion carried unanimously.

6. DISCUSSION ITEMS

Capital Improvement Plan review

CM Richter said this is a first look at the Capital Expenditure Details that staff will present as part of the budget. She said staff will continue to refine the list and estimates for the new fiscal year. She said staff is present to answer any questions by the Council. Staff answered clarification questions in regards to estimates for vehicles.

Discussion regarding housing and economic development in regards to City Council Goals & objectives action plan

CM Richter indicated it was mentioned during the special meeting review of the Council's objectives but she was not sure where the Council wanted to go with the discussion. Mayor Cross reported on several projects underway in Toledo such as Olalla Meadows and the Blackberry affordable and veteran housing projects.

The Council discussed the possibility of re-establishing Toledo as a customer service oriented community and Mayor Cross appointed Councilor Duprau as the lead to contact local [volunteer] organizations to provide free training to local businesses.

7. DECISIONS

Approval to spend $60,000 for new Fire Command Vehicle

FC Robeson presented the council report. He said the vehicle replacement was included in the budget and referenced the council packet, which included the quote for the vehicle. He said there is currently a 16 week wait for the vehicle.

DRAFT

Motion – It was moved and seconded (Kamikawa/Michels) to approve $60,000 for purchase of new Fire Command Vehicle.

Councilor Carey asked for clarification in regards to whether the truck would cost a little more than $60,000. CM Richter implied if it approximate, then staff has the authority to spend a little more if necessary.

After further discussion, Councilor Kamikawa amended the motion to approve approximately $60,000 for the purchase of a fire vehicle with any color lights FC Robeson wants. Councilor Michels seconded the motion and it carried unanimously.

Resolution No. 1481, to receive the financial audit for Fiscal Year 2020-2021
CM Richter presented the council report and noted the resolution is a formality to assure the State that the City Council has seen the audit report. She noted she will have CP Kamikawa sign the resolution after the meeting so it could be forwarded to the Secretary of State as soon as possible.

Motion – It was moved and seconded (Kamikawa/Michels) to adopt Resolution No. 1481, A Resolution of the Toledo City Council to receive the Financial Audit for Fiscal Year 2020-2021 as presented by Hanford & Associates and the motion carried unanimously.

Resolution No. 1482, approving the transfer of funds for Fiscal Year 2021-2022
CM Richter summarized the council report and noted the line item for the City Planner/Attorney salary was depleted to zero during the budget process. She suggested they use the money from the Human Resources position, which has not been filled to avoid over spending the appropriated monies.

Motion – It was moved and seconded (Carey/Michels) to approve Resolution No.1482 Approving the transfer of funds between budget lines for the Fiscal year 2021-2022 and the motion carried unanimously.

Approve an expenditure of $147,500 for Water Treatment Plant asphalt improvements
PWD Zuspan presented the council report and said there is water building up under the blacktop at the Water Treatment Plant, which tears it apart. He said the project was included in the budget for this year and is ready to begin.

Motion – It was moved and seconded (Kamikawa/Carey) to approve an expenditure of $147,500 to replace asphalt surrounding the Water Treatment Plant and the motion carried unanimously.

Decision, City staff bonus
CM Richter presented the staff report and commended the employees for their work throughout the pandemic. She said she wanted to recognize their work with a monetary bonus and noted it would be a 5% of their annual bonus. She included the bonus would go to employees who worked with the City for more than two years, but any new employee would receive a bonus upon two years of service. CM Richter stated the increases the employees' cost of living this year were 2.5% but the percentage was much higher than that. The Council noted the cost of living increase was actually 7%.

DRAFT

Motion – It was moved and seconded (Kamikawa/Carey) to approve 5% bonus for city employees to recognize their dedication and hard work during the COVID-19 pandemic and pay them over a six month period and the motion carried four to two with Councilors Duprau and Mix opposed.

8. REPORTS AND COMMENTS

CP Kamikawa reported the state reinstated most of the locations they were going to eliminate from the E-waste collection program and noted Dahl will continue to collect E-waste.

PWD Zuspan said the Siletz pump station has been out of operation since mid-November due to a power surge. He said the parts finally arrived and it will be worked on this week and should be back in operation within the week. He said there is a new kiosk in front of City Hall.

LD Trusty said the Library now has COVID-19 test kits and can hand them out. She said the Library will cancel some of the magazine subscriptions to cut down on costs and also because they are not read as often any more. She said staff attended a District training on February 18 and it was very beneficial for staff. She said the Library will host a two day program with the Crow's Nest Gallery. She said children will be able to come see the movie 'The Box Trolls' and then create their own box troll at Crow's Nest Gallery the next day. She commented on trying to develop more programming for adults. She noted the Library does not foresee any capital improvement projects for the next fiscal year.

PC Pace said the vehicle he has been waiting for has been delivered to the vendor for outfitting. He updated the Council on the onboarding of the new recruitments.

FC Robeson updated the Council on recent activities. He reported they will have a response training with the Pool District, which has not been done since the City managed the pool. He talked about fire training scenarios the department had recently.

CA Adams updated the Council on the status of the hotel closure, the Wright Creek Water District as well as some other administrative projects he was working on.

CM Richter said she attended the CIS Virtual Conference and noted CIS has a new program/platform that will be available to all their clients for free. She said she completed and submitted the grant application for a seismic upgrade to the Public Safety Building and noted the City has asked for $2 million dollars.

9. ADJOURNMENT

The work session adjourned at 8:10 p.m.

Approve: Attest:

_____ _____

Mayor Rod Cross City Recorder Lisa Figueroa

DRAFT

TOLEDO CITY COUNCIL
REGULAR MEETING
March 16, 2022
6:00 p.m.

1. CALL TO ORDER

Mayor Rod Cross called the meeting to order at 6:00 p.m. electronically via Zoom in Toledo, Oregon.

Present	Absent	
X		Mayor Rod Cross
X		Council President Betty Kamikawa
X		Councilor Jackie Kauffman
X		Councilor Rob Duprau
	X	Councilor Todd Michels
X		Councilor Wade Carey
X		Councilor Tracy Mix

Staff present: City Manager (CM) Judy Richter, City Recorder (CR) Lisa Figueroa, Police Chief (PC) Michael Pace, Public Works Director (PWD) Bill Zuspan, Library Director (LD) Deborah Trusty, City Attorney (CA) Mike Adams

2. PRESENTATIONS

Samaritan Treatment & Recovery Services for Lincoln County

Dr. Ogden and Ms. Marinelli presented information about a new proposed Samaritan Treatment and rehabilitation facility, which would serve Lincoln County. Ms. Ogden said the center would provide residential treatment and intensive outpatient programs, including group and individual therapy, medication-assisted treatment and peer-delivered services. She said there is a successful model in Lebanon that could be utilized in Lincoln County. She said a site was located in Newport and after completing their due diligence, they found it would work but they need an additional 6,000 square feet to add clinical and office space. She said they are approaching all potential partners to assist with the cost of the additional square footage, which could be approximately $5 to $6 million. She indicated there are grant and other opportunities and said they would be grateful for whatever the City could provide.

3. VISITORS/PUBLIC COMMENT

There were no comments.

4. CONSENT AGENDA

Minutes from the meeting held February 2, 2022

Motion – It was moved and seconded (Kamikawa/Mix) to approve the Consent Agenda as presented and the motion carried unanimously.

DRAFT

5. DISCUSSION

Yaquina Hotel

Mayor Cross indicated this item has been removed from the Agenda.

Discussion regarding proceeds from cell tower lease, sale of Toledo Industrial property and American Rescue Plan Act funds

CM Richter presented the discussion and indicated CR Figueroa sent out a sheet for each of the Council members to fill out. She reviewed the sheet and then the Council discussed using the five year plans presented by staff in a previous meeting as a way to allocate the proposed funds. The Council deliberated about additional items that could be added to consider for the next fiscal year and directed staff to resend the sheet to Council members for another review and requested the discussion be brought back to the Council.

Following discussion, LD Trusty commented on the need for a part time staff person at the Library.

6. DECISION ITEMS

Approve an expenditure of $155,000 for Millcreek replacement line, Phase II

PWD Zuspan presented the council report. He said the prices keep inflating on a daily basis and referenced the bid included in the packet. He noted in 19 days the quote increased $7,000 and indicated staff does not want to wait too long on purchasing the materials.

Motion – It was moved and seconded (Carey/Kauffman) to approve an expenditure of $155,000 for the Millcreek replacement line, Phase II and the motion carried unanimously.

Resolution No. 1483, A resolution assessing the costs of an abatement and creating a lien against the property located at 160 N. Main St. Toledo, OR 97391

CA Adams summarized the council report and said the total amount of the liens would be $39,416.96, which would be against the property located at 160 N. Main Street, Toledo, Oregon. CA Adams answered clarification questions in regards to the abatement costs and the motion.

Motion – It was moved and seconded (Carey/Kamikawa) to adopt Resolution No. 1483, a resolution of the Toledo City Council making an assessment of the costs for an abatement, which total $39,416.96 and create a lien against the property at 160 N. Main St. Toledo, OR 97391 and the motion carried unanimously.

Resolution No. 1484, a resolution approving the transfer of funds between budget lines for fiscal year 2021-2022

CM Richter presented the council report and indicated the City is responsible for paying CA Adams contributions to the Public Employees Retirement System (PERS). She indicated there were no liabilities for the City to make the payments while he was on active duty and indicated now that he has been reappointed the City must retroactively pay for the past PERS contributions. She said a resolution has been prepared and included in the packet for the Council to approve.

Motion – It was moved and seconded (Mix/Kauffman) to approve Resolution No. 1484, A Resolution of the Toledo City Council approving the transfer of funds between budget lines for fiscal year 2021-2022 in the amount of $57,000 and the motion carried unanimously.

DRAFT

Resolution No. 1485, A resolution accepting the Dedication and Conveyance of the waterline used by the Wright Creek Road Water Improvement District, terminating the water supply contract and repealing Resolution No. 1124

MA Adams provided background information about the dissolution of the Wright Creek Road Water Improvement District (District) and said the City is willing to provide water service to the customers of that district. He said a Dedication and Conveyance agreement which transferred the waterline once leased to the District has been executed to the City. He said Agreements have been sent to former customers of the District for them to agree to purchase water and consent to possible annexation in the future.

Motion – It was moved and seconded (Mix/Kauffman) to approve Resolution No. 1485, resolution of the Toledo City Council accepting the Dedication and Conveyance of the waterline used by the Wright Creek Road Water Improvement District, terminating the water supply contract and repealing Resolution No. 1124 and the motion carried unanimously.

Resolution No. 1486, A resolution determining the amount of forfeitures imposed for violations of Toledo Municipal Code related to the dangerous building located at 160 N. Main St. Toledo, OR 97391

There was discussion about whether the resolution needs to be adopted and CA Adams indicated if the Council does not pass the resolution, then staff requests a motion for direction to file a citation and complaint to the Municipal Court under Toledo Municipal Code Section 1.20.

Motion – It was moved and seconded (Carey/Mix) to bring this issue and citation and complaint before the Toledo Municipal Court under Section 1.20 of the Toledo Municipal Code and the motion carried unanimously.

7. REPORTS AND COMMENTS

LD Trusty thanked her staff for their support and said the Children's Librarian is preparing for upcoming events including Arbor Day. Council asked her how much she thinks she would need to budget for a part time staff person and LD Trusty responded approximately $30,000.

PWD Zuspan updated on the Department's activities. He reported about pressure issues that recently occurred, which causes problems in different areas of the city including Business 20. He commended the Public Works crew because they have been called out for those emergencies and sometimes have to work through the night and implied they have accepted the challenges without complaints.

CA Adams provided updates to the Council about projects he was working on, which included some easement agreements.

CM Richter said she continued to work on the grant application for a person from the RARE program. She said there will be applications for the Budget Committee presented to the Council in an upcoming meeting. She indicated Budget Committee meetings will begin on April 19 with a training only.

DRAFT

Councilor Duprau said he attended the Greater Toledo Pool & Recreation Board District meeting and said they discussed an issue in regards to the bathrooms. He said they would like to rebuild the pool and want to meet with the Council. He said they planned an Easter Egg Hunt on April 9. He said he attended the Port of Toledo Commissioners meeting and said they are working with the College to establish a welding program for college students. He noted they were able to secure a contract with the National Oceanic and Atmosphere Administration to work on their smaller boats. He said he attended the Planning Commission meeting where they reviewed an annexation and re-zone request.

CP Kamikawa said she attended a drinking water protected land meeting and an environmental meeting with the Senators' offices but did not have much to report.

Mayor Cross reported the Economic Development Alliance of Lincoln County was awarded $1 million to identify the blue economy along the Central Oregon Coast. He said Oregon State conducted a survey within the hospitality industry and found the main reason employees will not go back to work is because of rude customers.

8. ADJOURNMENT

The meeting adjourned at 7:50 p.m.

Approve: Attest:

_____ _____

Mayor Rod Cross City Recorder Lisa Figueroa

DRAFT

TOLEDO CITY COUNCIL
WORK SESSION
March 23, 2022
6:00 p.m.

1. CALL TO ORDER

Mayor Rod Cross called the electronically to order at 6:00 p.m. electronically via Zoom in Toledo, Oregon.

Present	Absent	
X		Mayor Rod Cross
X		Council President Betty Kamikawa
X		Councilor Jackie Kauffman
X		Councilor Rob Duprau
X		Councilor Todd Michels
X		Councilor Wade Carey
X		Councilor Tracy Mix

Staff present: City Manager (CM) Judy Richter, City Recorder (CR) Lisa Figueroa, Police Chief (PC) Michael Pace, Public Works Director (PWD) Bill Zuspan, City Attorney (CA) Mike Adams

2. PRESENTATIONS

Economic Development Alliance of Lincoln County

Executive Director Paul Schuytema addressed the Council. He provided information about the Economic Development Alliance of Lincoln County (EDALC), which is a 501 (c)(6) non-profit economic development organization that assists cities to attract, support and grow businesses in Lincoln County. He said in Lincoln County their priorities are retention and expansion development of existing businesses and then focus on entrepreneurial support of potential new businesses. He said they also want to support the blue economy, which are industries that are related to the ocean such as fishing and maritime. He listed several local and regional collaboration programs such as serving on ART Toledo group, the regional Broadband Action Team, Mid-Coast Water Planning Partnership and the Lincoln County Small Business Development Center Advisory Committee. Mayor Cross recalled there was $10,000 budgeted for Economic Development. He commented the Council could appropriate it to EDALC and asked Mr. Schuytema to set up a meeting with him and CM Richter.

3. VISITORS/PUBLIC COMMENT

There were no comments.

4. CONSENT AGENDA

There were no items for consideration.

5. DISCUSSION ITEMS

City Infrastructure Facilities Plan

PWD Zuspan referred to the Facilities Plan included in the packet and provided a PowerPoint presentation to the Council. The Water System Master Plan was adopted in 2010, with an updated in 2017. He said the Water Master Plan was adopted in 2010 with an update in 2017 along with a Water Management and Conservation Plan.

DRAFT

PWD Zuspan said the plan established projects to initiate, continue or expand. He said the projects were listed as

- annual water audit
- system-wide metering
- meter testing and maintenance
- water rate structure
- leak detection and repair
- public education

He proceeded to the Wastewater facilities plan and indicated a comprehensive study of the City's entire wastewater system was completed in the 2014 Wastewater Facilities Plan. He said an inflow and infiltration study was completed in 2011 which identified improvement and repairs needed to the system. He informed the Council that Toledo's storm system and storm sewer combination system. He said the City attempted to separate the two systems but occasionally staff finds remnants of that combination system.

PWD Zuspan said the City does not have Parks Master Plan but listed projects that were identified in a 2010 Systems Development Charges Methodology report. He indicated all the plans are available on the City website.

6. DECISION ITEMS

Adopt City Council goals and objectives for Fiscal Year 2022-2023

CR Figueroa summarized the council report and indicated there were no changes to the goals for the upcoming fiscal year when the Council reviewed them.

Motion – It was moved and seconded (Kauffman/Mix) to adopt the City Council goals and objectives for Fiscal Year 2022-2023 and the motion carried unanimously.

Discussion and decision regarding proceeds from cell tower lease, sale of Toledo Industrial property and American Rescue Plan Act funds

CR Figueroa presented the council report and reviewed the sheet. The Council deliberated the information on the sheet and requested to see an average of what each Councilor selected within each of the funds. After further discussion, the Council determined they would review the sheet one more time requested this be brought back for Council consideration.

CM Richter asked the Council for a motion in regards to the $10,000 for Economic Development and to direct staff to submit a payment to EDALC.

Motion – It was moved and seconded (Kamikawa/Michels) to direct the City Manager to allocate the $10,000 in Economic Development from Fiscal Year 2021-2022 budget for the Economic Development Alliance of Lincoln County and the motion carried unanimously.

Direction to begin process to acquire tax foreclosed properties from Lincoln County

CA Adams presented the council report and said it is a continuation of previous presentation by PWD Zuspan. He said even if the City is interested in the properties, the County still has to offer them to the City. He reviewed the properties listed in the council packet. He said staff requests a motion for direction to start the process to acquire the additional properties. CA Adams commented that some of the properties may have deed restrictions associated with them and answered clarification questions in regards to the possibility of selling the properties after obtaining them. The Council debated whether the properties would benefit the community. It was inquired whether

the gas tanks were removed from the property located along Business 20 and none of the Council members recall them being removed.

Councilor Kauffman left the meeting at 7:20 p.m.

Motion – It was moved and seconded (Mix/Michels) to direct staff to start the process to attempt to acquire five additional properties, from Lincoln County, after its acquisition through the tax foreclosure process, as follows: (1) Wedge shaped connection between Wagon and Burgess (11-10-08-CA-01902-00); (2) Triangle in between NW 3rd, Beech and NE Hwy 20 (11-10-17-BA-01200-00); (3) Wedge shaped property off of NW Bond Dr. (11-10-07-DD-05199-00; (4) Trapezoid/transferable as a slope easement (11-10-17-BB-09100-00); and (5) Wedge shaped property/access or slope easement between Arcadia and Skyline (11-10-08-BB-01000-00) and the motion carried six to one with Councilor Kauffman abstained.

Councilor Kauffman returned to the meeting the 7:25 p.m.

7. REPORTS AND COMMENTS

CP Kamikawa reported she attended a League of Oregon Cities meeting last week where she learned there is a grant available through the Department of Energy. The Council inquired when the grant was due and CP Kamikawa responded it is due in May. The Council requested she bring a copy of the grant to the next meeting. She said there is another one with a deadline of April 1 and asked if the Council would approve her attempting that grant and there was a consensus of the Council that concurred.

Mayor Cross reported on a recent Council of Governments meeting and said the Board is considering having one location to house all of the services for citizens. He said they are also planning to expand their economic development services to cities.

PWD Zuspan said Kelly Foley is interested in some development of Sturdevant Rd and staff is working with Civil West to find feasible gravity fed sewer options. He said Mr. Foley has some alternate options and staff will meet with him at the end of the month.

PC Pace said the Department finally has a Dodge Durango but it will be the last one because they will not be made anymore. He said there will be two new employees starting in April, one police officer and one dispatcher.

CM Richter noted Chief Robeson has had difficulty finding a new vehicle and advised the Council it may be included in the 2022-2023 budget. She said the Council is scheduled to meet with the Greater Toledo Pool & Recreation District in the near future and updated them about a grant for improvements to Arcadia Park.

8. ADJOURNMENT

The work session adjourned at 7:55 p.m.

Approve:	Attest:
_____	_____
Mayor Rod Cross	City Recorder Lisa Figueroa

DRAFT

CITY OF TOLEDO
REQUEST FOR COUNCIL ACTION

	Meeting Date:	Agenda Topic:
	April 20, 2022	Discussion of Water and Sewer rates effective May 21, 2022
Council Goal:	**Agenda Type:**	
Adopt equitable water and sewer rates that provide sufficient revenue to complete needed infrastructure projects.	Discussion and Information	
Prepared by:	**Reviewed by:**	**Approved by:**
City Manager J. Richter	City Manager Judy Richter	City Manager Judy Richter

Recommendation:
Staff has no recommendation at this time.

Background:
The water and sewer rates adjust each year on May 21. In anticipation, staff has provided the current water/sewer rates for your review.
As a reminder, the agreement with Seal Rock water district allows for their rate to be adjusted by the same percentage as other City of Toledo water customers. The expectation is that they will soon have their water treatment plant up and running and will not continue buying water from us.
Civil West completed the Water and Sewer Rate study about one year ago. It is provided in the packet for the April 20 meeting.

Fiscal Impact:	Fiscal Year:	GL Number:
N/A	**2022-2023**	**N/A**

Attachment:
1. Current rates Water
2. Current rates Sewer
3. Billing amounts per Usage
4. Water and Sewer Rate Study

EXHIBIT "A"

Water Rates Effective May 21, 2021

For all of water users, the charge for water is the sum of Facilities, Service and Water Use Charges listed below:

WATER RATES-INSIDE CITY LIMITS

Water Use Charge (per 1000 gallons)	$4.94

Facilities and Service Charge by Meter Size

Meter Size	Multiplier	Facilities Charge	Service Charge	Total Facilites and Service Charge by Meter Size
5/8"	1.0	$25.26	$5.71	$30.97
3/4"	1.5	$37.88	$5.71	$43.59
1"	2.6	$65.67	$5.71	$71.38
1.25"	4.1	$103.55	$5.71	$109.26
1.5"	5.9	$149.01	$5.71	$154.72
2"	10.5	$265.19	$5.71	$270.90
3"	23.6	$596.05	$5.71	$601.76
4"	41.9	$1058.24	$5.71	$1063.95
6"	94.3	$2381.67	$5.71	$2387.38
8"	167.5	$4230.44	$5.71	$4236.15
10"	261.0	$6591.90	$5.71	$6597.61
12"	377.0	$9521.64	$5.71	$9527.35

WATER RATES-OUTSIDE CITY LIMITS

Water Use Charge (per 1000 gallons)	$9.88

Facilities and Service Charge by Meter Size

Meter Size	Multiplier	Facilities Charge	Service Charge	Total Facilities and Service Charge by Meter Size
5/8"	1.0	$50.52	$11.42	$61.94
3/4"	1.5	$75.76	$11.42	$87.19
1"	2.6	$131.34	$11.42	$142.75
1.25"	4.1	$207.10	$11.42	$218.52
1.5"	5.9	$298.02	$11.42	$309.44
2"	10.5	$530.38	$11.42	$541.80
3"	23.6	$1192.10	$11.42	$1203.52
4"	41.9	$2116.48	$11.42	$2127.90
6"	94.3	$4763.34	$11.42	$4774.76
8"	167.5	$8460.88	$11.42	$8472.30
10"	261.0	$13183.80	$11.42	$13195.22
12"	377.0	$19043.28	$11.42	$19054.70

ADMINSTRATIVE ACCOUNT FEES

Service Reconnect Fee	$50
Water Account Deposit	$135
Meter Reinstallation Fee	$50
Late Payment Notice Fee	$10
Service Charge	$15
Meter Test Fee	$35

EXHIBIT "A"

Sewer Rates Effective May 21, 2021

	Base charge*	**Flat rate per thousand****
Inside City Limits	$17.96	$17.13
Outside City Limits	$35.92	$34.26

*Base charge includes the first thousand gallons of treated City water used to calculate average.
** Flat rate per thousand based on average water usage January-April for non-industrial users.

Sewer Inspection Fee	$150

City of Toledo
Billing Amounts per Usage - May 2021

# in house	Gallons	Water	Sewer	St Light	Rd Maint	Ttl Bill
0	0	$ 30.97	$ 17.96	$ 2.50	$ 3.00	$ 54.43
1-2	1000	$ 35.91	$ 17.96	$ 2.50	$ 3.00	$ 59.37
1-2	2000	$ 40.85	$ 35.09	$ 2.50	$ 3.00	$ 81.44
1-2-3	3000	$ 45.79	$ 52.22	$ 2.50	$ 3.00	$ 103.51
2-3	4000	$ 50.73	$ 69.35	$ 2.50	$ 3.00	$ 125.58
2-3-4	5000	$ 55.67	$ 86.48	$ 2.50	$ 3.00	$ 147.65
3-4	6000	$ 60.61	$ 103.61	$ 2.50	$ 3.00	$ 169.72
3-4-5	7000	$ 65.55	$ 120.74	$ 2.50	$ 3.00	$ 191.79
4-5	8000	$ 70.49	$ 137.87	$ 2.50	$ 3.00	$ 213.86
4-5-6	9000	$ 75.43	$ 155.00	$ 2.50	$ 3.00	$ 235.93
5-6	10000	$ 80.37	$ 172.13	$ 2.50	$ 3.00	$ 258.00

Rates

Water flat	$	30.97
water /1000	$	4.94
sewer flat	$	17.96
sewer/1000	$	17.13
street light	$	2.50
road maint	$	3.00

City of Toledo

LINCOLN COUNTY, OREGON

WATER and SEWER RATE STUDIES

July 24, 2020

REGISTERED PROFESSIONAL ENGINEER
66913PE
OREGON
MAY 15, 2001
KEVEN T. SHREEVE
RENEWS: 06/30/20

Civil West
Engineering Services, Inc.

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1. Executive Summary

Section 1

1.1 Background

The City of Toledo authorized Civil West Engineering Services, Inc. to prepare the rate study for the City's water and sewer systems. The purpose of this study is to form a foundation for potential changes to the City's water and sewer rate structure in support of financial stability and for major infrastructure development. This study will also discuss the impact of losing a major water consumer, the Seal Rock Water District (SRWD), when they no longer purchase water from the City in the next couple of years.

Pricing of services should accurately reflect the true costs of providing high-quality water and sewer services to consumers to operate and maintain infrastructure and plan for upcoming repairs, rehabilitation, and replacement of that infrastructure. Rates must be sufficient enough to *maintain* and *sustain* reliable, safe, and efficient water and sewer service, now and into the future.

In general, it has been found the current rates for water and sewer services do not provide adequate capital to maintain a healthy and consistent balance in the water and sewer funds. Currently neither fund is in a deficit, but neither is sufficient for funding recommended needed improvements.

- The Water System fund balance currently has an upward account trend. However, in the past five years, some years finished "in the black," while others were "in the red." It is noted the expenses for all the years considered in this Study exceeded the revenue generated from the residents of the City of Toledo only (Figure 2.1). The water fund, due to the loss of SRWD, will be impacted.

- The Sewer System fund balance currently has an upward account trend. However, in the past three years expenditures have exceeded the revenues. The sewer system is in particularly in need of a rate adjustment.

This Study includes review of the 2014-2018 City Audits and the current 2019-20 budget. This Rate Study uses four City funds in this analysis:

1. Water Fund
2. Water Reserve Fund
3. Sewer Fund
4. Sewer Reserve Fund

Other funds, like the Water Construction Fund (fund used minimally) and System Development Fund (which deals with System Development Charges) were not included in this evaluation because of the nature and use of the Fund.

1.2 Current Water Rate Structure

The City of Toledo implemented the current water rate structure in May of 2019. For a typical residential water customer (5/8" meter) the base charge is $29.47/month (facility charge of $24.04 plus service charge of $5.43) for no water allotment. The first thousand gallons and every thousand gallons thereafter is charged at $4.61/month. For the past few years, the City has been increasing rates annually at 2%. Figure 2.2 shows the fund essentially breaking even. Table 2.3 presents the water rate schedule and is placed here for convenience to the reader.

Table 2.3 Current Water Rate Structure Effective May 21, 2019

City of Toledo		**Facilities Charge**	**Service Charge**	**Usage Charge per 1,000 gallons**
		$24.04	$5.43	$4.61
Flat Rates by Meter Size				
Meter Size	**Multiplier**	**Facilities Charge**	**plus Service Charge**	**Outside City**
5/8	1.0	$24.04	$29.47	$58.95
3/4	1.5	$36.06	$41.49	$82.99
1	2.6	$62.50	$67.94	$135.87
1.25	4.1	$98.56	$104.00	$207.99
1.5	5.9	$141.84	$147.27	$294.54
2	10.5	$252.42	$257.85	$515.70
3	23.6	$567.34	$572.78	$1,145.55
4	41.9	$1,007.27	$1,012.71	$2,025.41
6	94.3	$2,266.96	$2,272.40	$4,544.79
8	167.5	$4,026.69	$4,032.12	$8,064.24
10	261.0	$6,274.42	$6,279.85	$12,559.70
12	377.0	$9,063.05	$9,068.48	$18,136.96

Seal Rock Water District	$3.67 per 1,000 gallons

The average residential connection (5/8" meter) water consumption is near 4,000 gallons per month (Water Master Plan Update 2017). Based on 4,000 gallons per month, a typical average residential monthly water bill in Toledo is:

Current Base Rate (Facilities+Service Charges) = $29.47 per month per EDU (no water included)
Current Usage Charge (Consumption Rate) = $4.61 per 1,000 gallons of water consumed
Current Average Water Charge = $47.91 based on 4,000 gallons of use per month

Note the following aspects of the above rate structure:

1. A fixed base rate ("Facilities Charge + Service Charge") is used but varies for the size of meter.
2. A flat rate usage charge is consistent to every user regardless of the meter size. Customers pay the same amount per 1,000-gallons regardless of quantity of water used.

3. There are many customers who live outside the City limits – "Outside City" users base rate is doubled but the same flat rate is applied. "Outside City" users do not include Seal Rock Water District (SRWD).
4. SRWD has their own rate and is charged a straight flat usage charge per 1,000 gallons.

The City has a Capital Improvement Plan (Water Master Plan Update 2017) with the first two phases already completed. The remaining recommended projects are:

- Phase 3 – refurbishment of two water storage tanks.
- Phase 4 – replacement of the Mill Creek Pump Station and transmission piping. The 2017 Plan Update indicates a cost share with Seal Rock Water District for the Mill Creek improvements. However, with this customer soon leaving, the burden of finishing the CIP projects will fall entirely upon the City of Toledo.
- The total estimated capital project cost is nearly $15,000,000.

Contrary to the 2017 Water Master Plan, the City has since determined the best long-term approach is total replacement of the Ammon Road Storage Tank and to maintain refurbishment of the Graham Street Storage Tank. Tank replacement is expected to be nearly $1,200,000. The total capital project, taking into account replacement of one tank, becomes $16,000,000.

1.3 Current Sewer Rate Structure

The City of Toledo implemented the current sewer structure in May of 2019. For a typical residential sewer customer, the base charge is $17.10/month for the first 1,000 gallons of water. The second thousand gallons and every thousand gallons thereafter is charged a flat rate of $15.99/month. For the past few years, the City has been increasing rates annually at 2%. Sewer flows are based on metered water consumption from January to April. The sewer rate schedule is presented in Table 2.4, shown for convenience to the reader.

Table 2.4 Current Sewer Rate Structure Effective May 21, 2019

Base rate includes first thousand gallons. Rate per thousand based on average usage January - April	
Base rate	**Flat Rate per thousand**
$17.10	$15.99

The past year the City, recognizing the need for additional sewer revenue, redirected $5/month from the street lighting fund to the sewer fund. Based on 4,000 gallons per month of water consumption, a typical average residential monthly sewer bill in Toledo is:

Current Base Rate =	$17.10 per month per EDU (1,000 gallons incl.)
Street Lighting Fund =	$ 5.00 per month
Current Usage Charge (Consumption Rate) =	$15.99 per 1,000 gallons of water consumed after the first
Current Average Sewer Charge =	***$70.07 based on 4,000 gallons of use per month***

Having such a low base rate with a relatively high consumption rate can make for an inconsistent revenue stream, which would be reduced considerably if people started to use less water.

Regardless of water used, the cost of sewage treatment does not reduce significantly if people use less water.

The City has a Capital Improvement Plan (Wastewater Facilities Plan 2014) with improvement projects listed. The City has completed, or currently completing, a few of the projects. Taking into account inflation and subtracting the completed projects from the CIP, there is over $8,000,000 worth of priority improvements to make.

1.4 Philosophy

The City is a business that must generate revenue. How that is done varies from City to City and from user to user. Fairness and equity is a goal, but what is fair to one may be perceived as not fair to another. The rate study analysis contained herein considers the financial requirements of the City for operation and maintenance of the systems. It also considers the financial requirements that will occur when the City undertakes the planned CIP projects. The following criteria were considered in this study:

1. Rates fair and equitable to all customers
2. Account for current times and future projections (CIPs, changes and needs, loss of Seal Rock WD)
3. Revenue reflective of usage
4. Goal: Pay-As-You-Go for smaller capital projects

The new rates and projected revenues provide the City with the necessary revenue required to support operations and improvement plans as well as provide the requisite debt service coverage for the lending institutions.

1.5 Proposed Rate Increase

1.5.1. Water Rate

Based upon discussions with City elected officials and staff, analysis of the City's financial situation, and experience in other communities, the following new water rate structure is recommended to the City:

New water base rate .....$60.30 per EDU per month
New consumption rate .....$5.00 per 1,000 gallons
Proposed average new rate .....$80.30 per month / EDU based on 4,000 gal/month

The rate increase can be incremental over several years as discussed later.

The City may choose to set aside money to fund a hardship water rate program. The details about who will qualify for this program and how it will be administered will be determined outside of this rate study.

It is also recommended the City adopt an annual rate increase philosophy to counteract the effects of inflation. It was determined a minimum annual rate increase of 3% per EDU should be

part of the City's water rate program. The increase is recommended to be applied directly to both the base rate and the consumption rate.

By setting and maintaining an adequate water rate, the City will not have to defer maintenance and work to catch up on deficiencies in the future when improvements will cost more.

1.5.2. Sewer Rate

Sewer and water rates can be treated differently. Because collection and treatment costs of sewer, to a point, don't fluctuate greatly based on flow (e.g. treatment doesn't get much cheaper if people us less water), it is recommended there be a single base rate with no consumption component. Based upon discussions with staff, analysis of the City's financial situation, and experience in other communities, the following new sewer rate structure is recommended to the City:

Proposed sewer base rate .....$103.44 per EDU per month

The rate increase can be incremental over several years as discussed later.

1.6 Conclusions

Based on our analysis of the financial records and other information and taking into account conservative considerations and assumptions as set forth in this report, we conclude and are of the opinion that:

1. The City's current rate structures are not adequate to support a healthy and stable water and sewer system operation in Toledo nor is it capable of supporting planned CIP upgrades as set forth in the City's Water Master Plan and Wastewater Facility Plan Capital Improvement Plans. Therefore, rate increases are recommended to be implemented.

2. Based on the analysis herein, the City should increase water rates by around $30 per month per EDU and sewer rates by $33 per month per EDU. This will allow the City to continue to make improvements outlined in the CIPs, put the City on a firm financial footing moving forward, and provide a conservative level of lien coverage to satisfy the funding institutions. Any changes to the forecast or conditions of assumptions outlined in this analysis could change these conclusions.

3. An annual rate increase of 3% should be implemented to help the water and sewer fund keep up with potential inflationary impacts.

4. By implementing the proposed rate increases, the City's water and sewer systems should be healthy, solvent, and capable of meeting all of their debts and obligations in a responsible way.

2. Introduction to Rate Study

Section 2

The City of Toledo is located approximately 10 miles due east of Newport and 45 miles west of Corvallis on Highway 20, in Lincoln County. The City owns and operates a water and sewer system comprised of the following components:

Water Infrastructure:

- Two raw water intakes
- Miles of raw water piping
- Water Treatment Facility
- Two treated water storage tanks
- Miles of treated water distribution piping
- Booster pump stations, and other related facilities.

Sewer Infrastructure:

- Miles of gravity collection piping
- Manholes
- Wastewater Treatment Facility
- Lift Stations
- Miles of pressure force main

Summaries of the financial history of the water and sewer funds from 2014-2019 and current budget are presented below in Tables 2.1 and 2.2 respectively and accompanying graphs.

2.1 Historical and Existing Water System

2.1.1. Water Revenue

Revenues for the water fund are obtained from a variety of sources. These include customer payments, connection fees, service charges, and other minor income sources. Most revenues to the water fund are derived from local customers in Toledo and from revenue received from the Seal Rock Water District (note: SRWD will soon be leaving as a customer). The City also serves as the wholesale supplier of finished water the Wright Creek Road Water Improvement District.

As indicated in Table 2.1, the amount of revenue received from all users has ranged from $1.64M to over $1.75M. Revenue projections for 2019-2020 assumed revenues from Toledo will essentially remain the same.

Table 2.1 also indicates revenues received from the SRWD, which have averaged around $390k historically. The budget forecast for 2019-2020 suggests nearly $347k in revenues to be received from SRWD.

2.1.2. Water Obligations / Expenditure

Obligations for the City's water fund include personnel, materials, and services for the water plant as well as for the distribution system. Other obligations for the account include operational costs, engineering and professional services support, repairs and maintenance, and many other categories of expenditures.

As indicated in Table 2.1, total expenditures for the Water Funds have historically ranged from $1.39M to as high as $1.90M. In year 18-19 the City started paying personnel directly from the water fund (rather than making transfers to other funds to pay for the personnel). In year 16-17

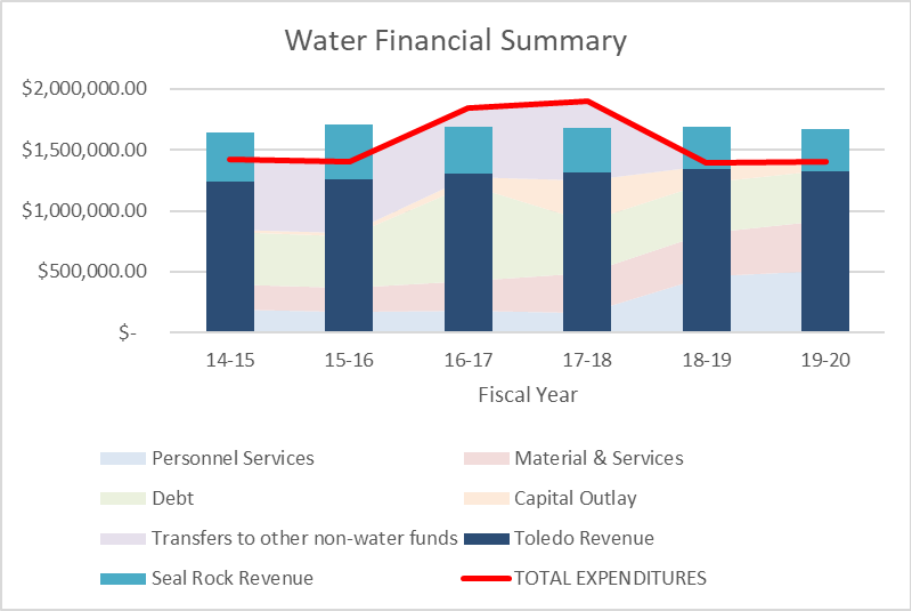
the City refinanced their debt and additional money was spent. Expenditures for 2020 are projected to essentially be the same as in prior years.

Table 2.1 Water System Revenues and Obligations

Description	Fiscal Year					Budget
	14-15	15-16	16-17	17-18	18-19	19-20
Toledo Revenue (General Fund)	$ 1,235,463.10	$ 1,256,886.24	$ 1,301,594.90	$ 1,313,110.60	$ 1,346,514.11	$1,323,485.00
Toledo Revenue (Reserve)	$ 3,769.69	$ 48,490.76	$ 12,711.77	$ 38,927.77	$ 645.41	
Seal Rock Revenue	$ 404,195.87	$ 446,284.55	$ 384,428.30	$ 370,913.90	$ 342,026.40	$ 346,985.00
TOTAL REVENUE	$ 1,643,428.66	$ 1,751,661.55	$ 1,698,734.97	$ 1,722,952.27	$ 1,689,185.92	$1,670,470.00
Transfers to other non-water funds	$ 574,730.17	$ 582,989.98	$ 562,976.84	$ 651,047.98	$ 18,760.00	$22,500.00
Personnel Services	$ 192,393.83	$ 170,511.94	$ 181,617.29	$ 162,830.91	$ 464,857.52	$509,684.00
Material & Services	$ 208,232.02	$ 196,053.44	$ 243,797.74	$ 331,147.29	$ 350,375.49	$409,622.00
Debt	$ 422,432.50	$ 422,932.50	$ 786,508.89	$ 414,191.13	$ 417,555.00	$417,562.00
Capital Outlay	$ 23,492.47	$ 28,254.74	$ 66,760.69	$ 344,701.26	$ 140,906.61	$45,575.00
TOTAL EXPENDITURES	$ 1,421,280.99	$ 1,400,742.60	$ 1,841,661.45	$ 1,903,918.57	$ 1,392,454.62	$1,404,943.00
SURPLUS / (SHORTFALL)	**$ 222,147.67**	**$ 350,918.95**	**$(142,926.48)**	**$(180,966.30)**	**$ 296,731.30**	**$ 265,527.00**
Beginning Balance						
Water Fund	$ 747,337.66	$ 740,007.97	$ 849,398.90	$ 429,307.57	$ 304,189.66	$ 404,190.00
Water Reserve Fund	$ 639,841.58	$ 869,318.94	$ 1,110,846.96	$ 1,388,011.81	$ 1,332,163.42	$ 2,001,880.42
TOTAL CASH IN HAND	$ 1,387,179.24	$ 1,609,326.91	$ 1,960,245.86	$ 1,817,319.38	$ 1,636,353.08	$ 2,406,070.42

Figure 2.1 illustrates the historical revenues (illustrated as revenue from Toledo and Seal Rock WD) and expenditures from the City of Toledo Water Fund for the past 5-years plus this budget year.

Figure 2.1 Water System Revenues vs. Expenditures



2.1.3. Water Fund Surplus / Shortfall

The history of shortfall and surplus for the water fund for the past several years is summarized below in Figure 2.2. As illustrated, the City has experienced a pattern of "up years" and "down years;" however, the 6-year trend is level, meaning there has essentially been sufficient revenue

to offset expenditures. While up and down years are not uncommon, the City should develop a revenue stream to avoid annual shortfalls that reduce the City's capacity to respond to emergencies and properly maintain and improve their water system.

Figure 2.2 Water Surplus and Shortfall History

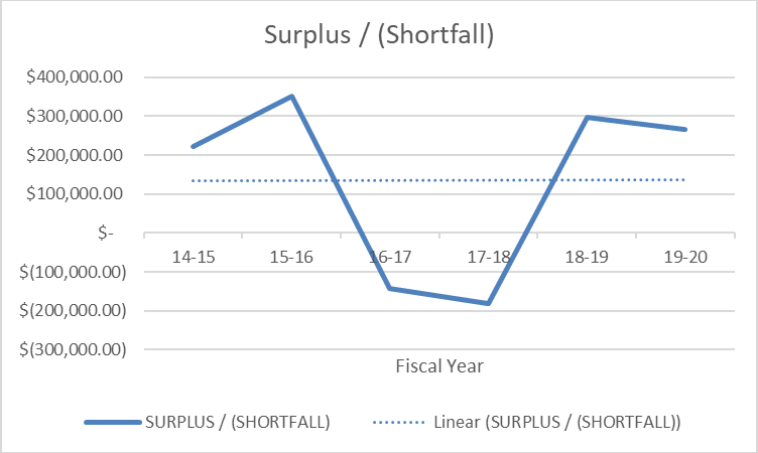
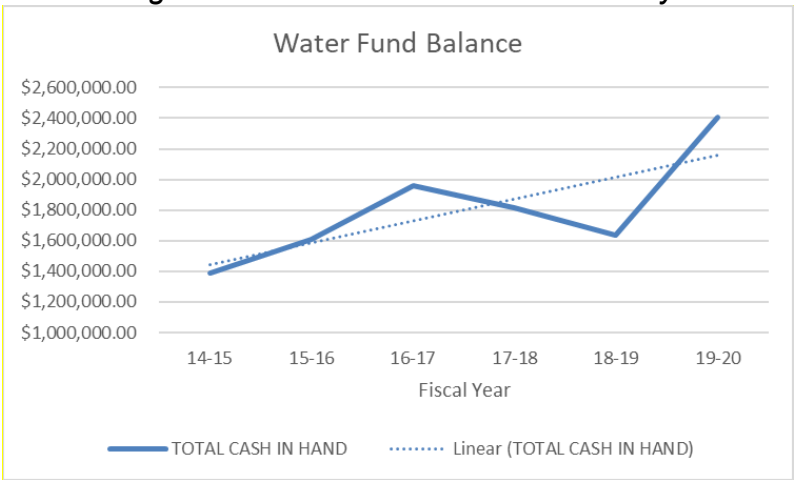


Figure 2.3 illustrates the recent history of the water fund balance (cash-in-hand) in Toledo. The 6-year trend shows the fund increasing.

Figure 2.3 Water Fund Balance History



2.2 Historical and Existing Sewer System

2.2.1. Sewer Revenue

Revenues for the sewer fund are obtained from a variety of sources. These include customer payments, connection fees, service charges, and other minor income sources.

As indicated in Table 2.2, the amount of sewer revenue received from Toledo patrons has ranged from around $985k to nearly $1.09M. Revenue projections for 2019-2020 assumed revenues from Toledo will essentially remain the same.

2.2.2. Sewer Obligations / Expenditures

Obligations for the City's sewer fund include personnel, materials, and services for the wastewater treatment plant as well as for the collection system. Other obligations for the account include operational costs, engineering and professional services support, repairs and maintenance, and many other categories of expenditures.

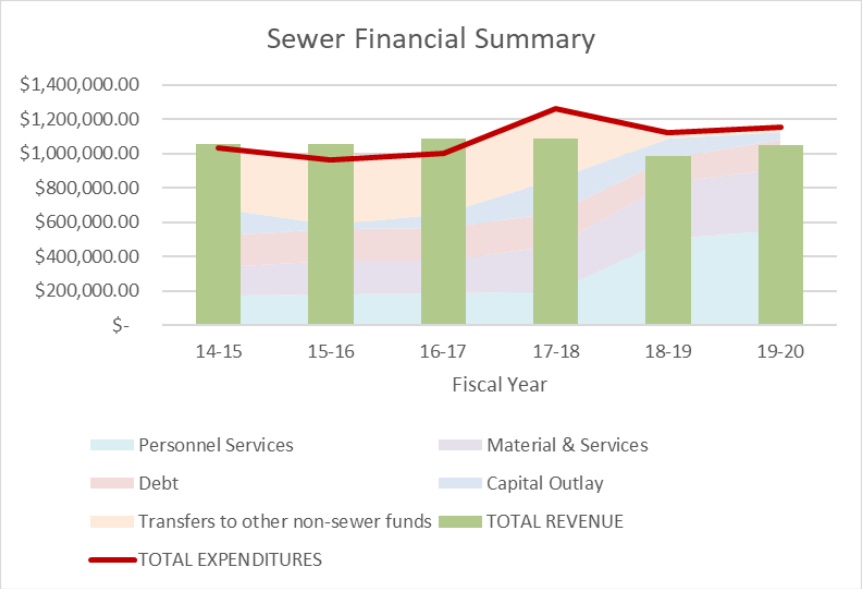
As indicated in Table 2.2, total expenditures for the Sewer Funds have historically ranged from $960k to as high as $1.26M. Revenue projections for 2020 have assumed that revenues from Toledo will essentially remain the same.

Table 2.2 Sewer System Revenues and Obligations

Description	Fiscal Year					Budget
	14-15	15-16	16-17	17-18	18-19	19-20
Toledo Revenue (General Fund)	$ 1,046,051.67	$ 1,054,477.82	$ 1,085,645.60	$ 1,079,601.35	$ 984,019.55	$1,161,590.00
Toledo Revenue (Reserve)	$ 7,809.44	$ 1,222.73	$ 3,253.75	$ 4,323.52	$ 1,769.02	
TOTAL REVENUE	$ 1,053,861.11	$ 1,055,700.55	$ 1,088,899.35	$ 1,083,924.87	$ 985,788.57	$1,161,590.00
Transfers to other non-sewer funds	$ 351,509.04	$ 375,406.72	$ 350,659.25	$ 408,622.73	$ 33,760.00	$25,000.00
Personnel Services	$ 170,204.54	$ 181,035.52	$ 185,604.49	$ 200,405.61	$ 500,431.18	$553,579.00
Material & Services	$ 164,034.34	$ 191,591.44	$ 192,109.40	$ 264,844.80	$ 323,010.37	$362,575.00
Debt	$ 188,952.00	$ 188,952.00	$ 188,977.29	$ 190,021.97	$ 148,245.00	$164,438.00
Capital Outlay	$ 159,708.98	$ 23,671.54	$ 83,823.12	$ 194,847.90	$ 118,470.10	$45,998.00
TOTAL EXPENDITURES	$ 1,034,408.90	$ 960,657.22	$ 1,001,173.55	$ 1,258,743.01	$ 1,123,916.65	**$1,151,590.00**
SURPLUS / (SHORTFALL)	**$ 19,452.21**	**$ 95,043.33**	**$ 87,725.80**	**$ (174,818.14)**	**$ (138,128.08)**	**$ 10,000.00**
Beginning Balance						
Sewer Fund	$ 111,848.98	$ 226,879.35	$ 199,162.49	$ 224,330.95	$ 134,540.98	$ 110,490.00
Sewer Reserve Fund	$ 315,258.32	$ 219,680.16	$ 342,440.35	$ 404,997.69	$ 319,969.52	$ 319,969.52
TOTAL CASH IN HAND	$ 427,107.30	$ 446,559.51	$ 541,602.84	$ 629,328.64	$ 454,510.50	$ 430,459.52

Figure 2.4 illustrates the historical revenues and expenditures for the City of Toledo Sewer Fund for the past 5-years. In year 18-19 the City started paying personnel directly from the sewer fund (rather than making transfers to other funds). Expenses have exceeded revenue the past three years.

Figure 2.4 Sewer System Revenues vs. Expenditures



2.2.3. Sewer Fund Surplus / Shortfall

The history of shortfall and surplus for the sewer fund for the past several years is summarized below in Figure 2.5. The 6-year trend shows the sewer revenue not keeping up with expenditures. This graph (trend) alone warrants consideration to a sewer rate increase.

Figure 2.5 Sewer Surplus and Shortfall History

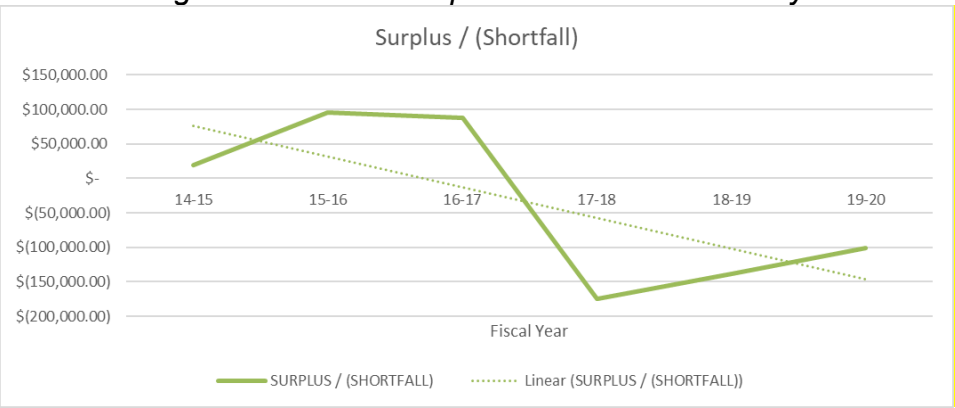
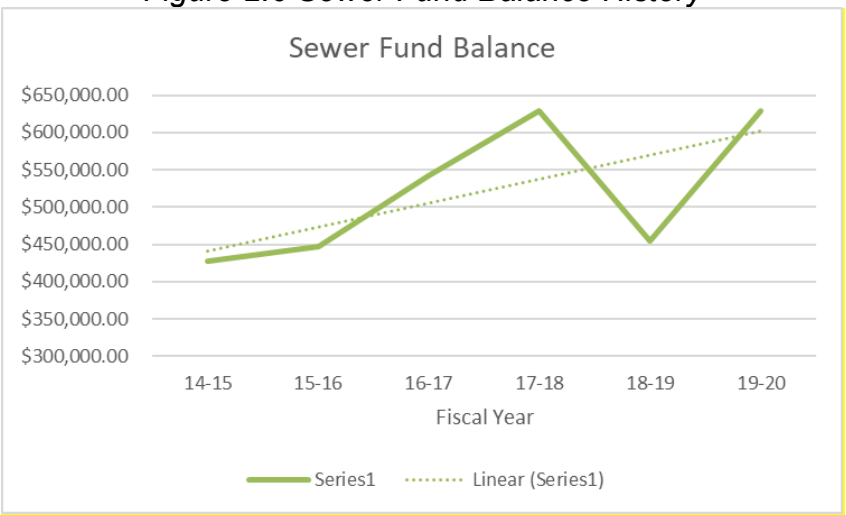


Figure 2.6 illustrates the recent history of the sewer fund balance. While the fund has a positive balance history, it's up and down performance should be leveled out with a more consistent revenue/expense ratio. The fund balance is very small, even at its highest point. The 6-year trend shows the fund increasing.

Figure 2.6 Sewer Fund Balance History



2.3 Rate Structures

2.3.1 Current Water Rate Structure (Fiscal Year 2019-2020)

The existing rate structure in the City of Toledo includes a base rate and a volumetric consumption rate. For larger customers, or commercial and industrial customers utilizing larger

meters, a unit multiplier is applied against the base rate to account for increased demand placed on the system by large users or the potential of such demand.

Table 2.3 summarizes the basic components of the existing water rate structure in Toledo. The facilities charge and the service charge make up the total base rate for the overall water rate structure. Currently, the base rate for a typical 5/8" meter residential connection is $29.47. Users are also charged a flat consumption rate of $4.61/1000 gallons of water used.

The standard meter size in Toledo is the 5/8" meter. The existing rate structure is built upon a system where the 5/8" meter is the common denominator resulting in a "multiplier" of 1.0 against the base rate. For larger meters, a multiplier is applied against the base rate to compensate for the actual or potential demand of the larger user (using a larger meter) on the overall water system.

The average water use, per the City's Water Master Plan Update, February 2017, is approximately 4,000 gallons/month. Based on the rates below, the average water charge is calculated as follows:

Base Rate =	$29.47/month
Consumption Rate = 4,000/1,000 gallons x $4.61 =	$18.44/month
Total Average Residential Charge =	$47.91/month

Table 2.3 Current Water Rate Structure Effective May 21, 2019

		Facilities Charge	Service Charge	Usage Charge	
		$24.04	$5.43	$4.61	
Meter Size	**Multiplier**	**(A) Facilities Charge**	**(B) Facilities Charge + Service Charge (inside City)**	**(C) Facilities Charge + Service Charge (outside City)**	**Usage Charge (all users) $/1000 gal**
5/8"	1.0	$24.04	$29.47	$58.95	$4.61
3/4"	1.5	$36.06	$41.49	$82.99	$4.61
1"	2.6	$62.50	$67.93	$135.87	$4.61
1-1/4"	4.1	$98.56	$103.99	$207.99	$4.61
1-1/2"	5.9	$141.84	$147.27	$294.54	$4.61
2"	10.5	$252.42	$257.85	$515.70	$4.61
3"	23.6	$567.34	$572.77	$1,145.55	$4.61
4"	41.9	$1,007.28	$1,012.71	$2,025.41	$4.61
6"	94.3	$2,266.97	$2,272.40	$4,544.79	$4.61
8"	167.5	$4,026.70	$4,032.13	$8,064.24	$4.61
10"	261.0	$6,274.44	$6,279.87	$12,559.70	$4.61
12"	377.0	$9,063.08	$9,068.51	$18,136.96	$4.61

(A) = base facilities charge x multiplier (B) = A + Service Charge (C)= B x 2

Seal Rock Water District	$3.67 per 1,000 gallons (effective January 1, 2020)

The City also provides water to two wholesale water districts and several dozen water customers who are located outside of the City Limits but not within one of the wholesale districts. A

special rate is applied to these customers that doubles the base rate but charges the same consumption rate as all other customers.

2.3.2 Current Sewer Rate Structure (Fiscal Year 2019-2020)

The City currently uses metered "winter average" water consumption when calculating sewer fees. The fee rate is based on water usage during the winter (January to April). There is no differentiation as to the size of the meter or whether the customer is residential, commercial, or industrial. The Sewer Base Rate of $17.10 includes the first thousand gallons and every thousand gallons thereafter is charged at $15.99. For the past few years, the City has been increasing their rates annually at 2%. Table 2.4 summarizes the existing sewer rate structure in Toledo.

Table 2.4 Current Sewer Rate Structure Effective May 21, 2019

Base Rate includes first thousand gallons. Rate per thousand based on average usage January - April	
Base Rate	**Rate per thousand**
$17.10	$15.99
$5/month/User from Street Lighting Fund transferred to Sewer	

The average water use, per the City's Water Master Plan Update, February 2017, is approximately 4,000 gallons/month. Based on the rates below, the average sewer charge is calculated as follows:

Base Rate (includes first 1,000 gallons) =	$17.10/month
Street Lighting Transfer =	$ 5.00/month
Consumption Rate = 3,000/1,000 gallons x $15.99 =	$47.97/month
Total Average Residential Charge =	$70.07/month

2.4 Needed Revenue Adjustment

2.4.1. Basic Rate Increase

Based on the above summary, it is apparent both systems are in need of a general rate adjustment. The water system needs to anticipate and account for the loss of the Seal Rock Water District. The sewer system has been struggling for a few years with expenses exceeding revenues.

2.4.2. Capital Improvement Plans (CIP)

Both systems have identified needed capital improvements. At this time, financing of these improvements has not been accounted for. Rate adjustments are necessary to pay the debt that will be incurred to pay for these improvements. The following Section 3 will summarize the identified CIP projects, the financial costs, and financing/funding scenarios. The project and financing costs will be summarized as the impact to an equivalent dwelling unit (EDU), Tables 3.5 and 3.6.

2.4.3. Annual System Replacements

The City does not have an active and aggressive system replacement program. The City is encouraged to include in their maintenance budget a revenue stream earmarked for various identified system component replacements. An aggressive and consistent replacement program will significantly reduce the need for capital projects and thereby, in the long run, save the citizens of Toledo money.

3. Capital Improvement Plan (CIP) Projects

Section 3

3.1 CIP Water System

Recently, the City completed a comprehensive Water Master Plan (WMP) Update (Civil West, February 2017) that evaluated all the existing City water facilities, identified deficiencies, and developed projects to address those deficiencies over a 20-year planning horizon. The recommended projects were organized into priority groups listed in the order they should be undertaken. Together, this group of projects became the City's Capital Improvement Plan for the water system.

A detailed description of each project, project cost estimates, and other information can be found in the City of Toledo Water Master Plan Update. The following projects (two phases) have not been completed and are recommended:

- Refurbishment of both the Ammon Road and Graham Street water storage tanks. Both tanks need interior refurbishment, with the larger Ammon Road tank needing both interior and exterior work. *However, due to the continuing severity of the condition of the Ammon Road tank, City staff has recently determined to seek to replace this tank as soon as possible. Tank replacement is expected to be nearly $1,200,000.* The cost of replacement has been taken into account in this rate analysis.

- Replacement of the Mill Creek Pump Station and Transmission Piping. This project is high in cost but must be addressed to avoid potential disruption of service should a catastrophic line break occur. In the past year there has been some talk about changing the treatment type to membranes which would allow water to be used from the Siletz year-round. This change may be cheaper than replacing the entire Mill Creek Transmission Piping. A study and cost analysis are necessary to further consider the best alternative. For purposes here, the original pipeline replacement costs will be used.

Table 3.1 Water CIP Projects (WMP Update 2017)

Water CIP - Phase 3			Potential Cost Share Distribution	
Item	*Description*	*Opinion of Probable Project Cost*	*Toledo Share*	*Seal Rock Share*
S2	Ammon Rd. Storage Tank Refurbishment	$318,000	$318,000	$0
S3	Graham St. Storage Tank Refurbishment	$176,000	$176,000	$0
		$494,000	**$494,000**	**$0**
Water CIP - Phase 4			**Potential Cost Share Distribution**	
Item	*Description*	*Opinion of Probable Project Cost*	*Toledo Share*	*Seal Rock Share*
WS3	Mill Creek Pump Station and Transmission Piping	$11,300,000	$5,650,000	$5,650,000
		$11,300,000	**$5,650,000**	**$5,650,000**

The table above summarizes the total estimated project costs associated with each remaining project on the CIP and the estimated share of each project between the City of Toledo and the Seal Rock Water District.

The City cannot undertake all projects simultaneously and not all projects are as critical as the next. Therefore, an effort was made to organize the projects into priority categories. It should be understood that all projects on the CIP are important and none should be considered as optional. However, if the City wishes to undertake projects in a systematic and orderly manner, a phasing plan was recommended in the Toledo Water Master Plan Update.

Accounting for 7-years of inflation, and increasing the cost due to replacement of the water tanks, it is estimated the total remaining Water CIP cost is approximately $17.0M as shown in Table 3.2 (not taking into account any other identified improvements since the completion of the WMP).

Table 3.2 Water CIP Present Cost Projection

City of Toledo - Water 2017 CIP Prioirty Cost Adjustment	
Description	**Item Cost**
Phase 3:	
Ammon Rd. Storage Tank - Replace	$ 1,200,000.00
Graham St. Storage Tank - Refurbish	$ 176,000.00
Phase 4:	
Mill Creek Pump Station and Piping	$ 11,300,000.00
Total Identified CIP Costs (2017)	*$ 12,676,000.00*
Inflation Interest Rate (7-years)	2.5%
Future Value (2024) rounded	*$ 15,100,000.00*
Project Interim Financing	$ 900,000.00
Opinion of Probable Cost Total (rounded)	**$16,000,000.00**

Depending on when projects are undertaken and how fast they are completed, the project costs will increase over time. As such, rates will need to be reviewed to confirm that the City has the revenue required to fund the projects over time.

3.2 CIP Sewer System

The City completed a comprehensive Wastewater Facilities Plan (WWFP) in March 2014 that evaluated all the existing City wastewater facilities, identified deficiencies, and developed projects to address those deficiencies over a 20-year planning horizon. The recommended projects were organized into priority groups and became the City's Capital Improvement Plan for the sewer system. The following is only a summary of the projects that have not been completed since the WWFP was written. It is recommended the City consider an update to the WWFP (plans should be updated at least every five years).

- Wastewater Treatment Facility Improvements: Headworks, Effluent Booster Pumps, Outfall, Sludge Handling and Storage.

- Gravity Collection System Improvements: There were many improvement projects identified and prioritized in the Inflow and Infiltration (I&I) investigation study (May 2011). Projects involve completing necessary improvements to the City's gravity

wastewater collection system. Many improvements have been made, or currently underway.

- Lift Station Improvements: Butler Bridge Station Improvements; Ammon Road Lift Station Improvements; "A" Street Lift Station Improvements and the "A" Street Lift Station Force Main; High School Lift Station Improvements; Lincoln Way Lift Station Improvements.

The projects vary in their criticality. A summary of the recommended projects costs (Year 2014 costs) are provided in the table below.

Table 3.3 Wastewater CIP Project Cost Summary

Recommended Improvements and Alternatives:			
Priority 1 Projects:			
Facility	**Alternative, Recommendation**	**Description**	**Total Cost**
Wastewater Treatment Plant	Headworks	New Flow Equalization Weir	$25,000
	Outfall Pipe	Replace Portion of Outfall	$207,230
	Effluent Booster Pumps	Install Effluent Booster pumps	$246,935
	Sludge Alternative A	Sludge Storage Tank	$514,829
Ammon Road Lift Station	Alternative B	New Wet Well	$1,303,543
Butler Bridge Lift Station	Alternative B	New Wet Well	$1,404,767
Butler Bridge Force Main	Recommendation	Replace Portion of Force Main	$262,049
Collection System (Piping and Manholes)	I & I - Priority 1	Pipe Replacement, Lining, Bursting or Patching; Manhole Rehabilitation	$380,935
		Total Priority 1 Projects:	$4,345,288
Priority 2 Projects:			
Facility	**Alternative, Recommendation**	**Description**	**Total Cost**
"A" Street Lift Station	Alternative A	Dry Pit Upgrade	$671,248
"A" Street Lift Station Force Main	Recommendation	Replace Force Main	$172,175
Collection System (Piping and Manholes)	I & I - Priority 2	Pipe Replacement, Lining, Bursting or Patching; Manhole Rehabilitation	$565,400
		Total Priority 2 Projects:	$1,408,823
Priority 3 Projects:			
Facility	**Alternative, Recommendation**	**Description**	**Total Cost**
High School Lift Station	Alternative B	Upgrades and Life Extension Improvements	$233,651
Hospital Lift Station	Alternative B	Upgrades and Life Extension Improvements	$148,928
Collection System (Piping and Manholes)	I & I - Priority 3 & 4	Pipe Replacement, Lining, Bursting or Patching; Manhole Rehabilitation	$490,340
		Total Priority 3 Projects:	$872,919
		Total Overall Plan Cost:	**$6,627,030**

Accounting for 10-years of inflation and realizing a few of the projects listed above (e.g. Butler Bridge Force Main and other I/I projects) have been completed, it is estimated the total remaining Sewer CIP cost is approximately $8.17M as shown in Table 3.4 (not taking into account any other identified improvements since the completion of the WWFP).

Table 3.4 Sewer CIP Present Cost Projection

City of Toledo - Wastewater 2014 CIP Priority Cost Adjustment		
Priority	**Cost**	
Priority 1 Projects	$	4,345,288.00
Butler Bridge FM completed	$	(262,049.00)
I/I Improvements in progress	$	(380,935.00)
Priority 2 Projects	$	1,408,823.00
Priority 3 Projects	$	872,919.00
Total Identified CIP Costs (2014)	*$*	*5,984,046.00*
Inflation Interest Rate (10-years)		2.5%
Future Value (2024) rounded	*$*	*7,670,000.00*
Project Interim Financing	$	500,000.00
Opinion of Probable Cost Total (rounded)	**$**	**8,170,000.00**

It should be understood all projects on the CIP are important and none should be considered as optional. Depending on when projects are undertaken and how fast they are completed, the project costs will increase over time. As such, rates will need to be reviewed to confirm that the City has the revenue required to fund the projects over time.

3.3 Background Data for Funding

Infrastructure funding for municipalities is usually accomplished through public finance, loans, grants, bonds, principle forgiveness, or a combination thereof. Funding agencies usually use certain parameters to assess the type and level of funding assistance that a community can receive. These parameters include:

- Local and State Median Household Income (MHI)
- Existing Debt Services
- Water and Sewer Uses Rates
- Low/Moderate Income Level Percentage
- Financial Stability
- Project Need

3.4 CIP Project Funding and Financing Options

The City has a variety of options available for funding water and sewer improvement projects. This section will briefly discuss the funding alternatives that are available to the City for funding water and sewer system upgrades.

Unfortunately, there are likely no grants that will pay for 100% of the needed improvements, the City will need to incur debt to complete the CIP projects, and other major projects that may develop. Based on recent history, the City could anticipate 20%-30% grant contribution, the remaining balance to be financed over the amount of time deemed reasonable and practical. Based on CIP project costs presented in Sections 3.1 and 3.2 above, the following tables present probable financing scenarios for both the water and sewer systems for 20- to 40-year debt service. Financing interest rate of 3.50% was used. The bottom line shows the monthly increase

per EDU (equivalent dwelling unit) if all the recommended CIP projects were done. A 30-year financing strategy is typical among many municipalities.

Table 3.5 Water CIP Financing Scenarios

Financial Components	Financing Years				
	20	25	30	35	40
Capital Cost	$16,000,000	$16,000,000	$16,000,000	$16,000,000	$16,000,000
Net Capital Cost to City (assume 25% Grant Award)	***$12,000,000***	***$12,000,000***	***$12,000,000***	***$12,000,000***	***$12,000,000***
Total Payment per Year (3.50%)	$844,333	$728,088	$652,456	$599,980	$561,927
Total Monthly Cost	$70,361	$60,674	$54,371	$49,998	$46,827
Total Interest Cost over loan	$4,886,658	$2,202,211	$3,573,679	$4,999,306	$6,477,095
Total Cost of Funding (P+I)	$20,886,658	$18,202,211	$19,573,679	$20,999,306	$22,477,095
Monthly Share Per EDU	**$30.22**	**$26.06**	**$23.36**	**$21.48**	**$20.11**

Table 3.6 Sewer CIP Financing Scenarios

Financial Components	Financing Years				
	20	25	30	35	40
Capital Cost	$8,170,000	$8,170,000	$8,170,000	$8,170,000	$8,170,000
Net Capital Cost to City (assume 25% Grant Award)	***$6,127,500***	***$6,127,500***	***$6,127,500***	***$6,127,500***	***$6,127,500***
Total Payment per Year (3.50%)	$431,137	$371,780	$333,160	$306,365	$286,934
Total Monthly Cost	$35,928	$30,982	$27,763	$25,530	$23,911
Total Interest Cost over loan	$2,495,250	$3,167,004	$3,867,310	$4,595,271	$5,349,867
Total Cost of Funding (P+I)	$10,665,250	$11,337,004	$12,037,310	$12,765,271	$13,519,867
Monthly Share Per EDU	**$23.47**	**$20.24**	**$18.13**	**$16.68**	**$15.62**

Funding agencies generally require cities to include an additional 10 percent to the overall monthly loan payment to cover any incidental cost or any unanticipated decrease in water consumption. The City's ability to obtain funding will greatly affect the rate increase applied to all customers.

3.4.1. Bond Sales

The City may choose to sell bonds to raise the capital necessary to make the system improvements. Two types of bonds are generally used for this purpose:

General Obligation Bonds. General obligation or GO bonds are municipal bonds that are "backed" by the full faith and credit of the issuer. GO bonds are generally repaid through an increase in property taxes. For a community such as Toledo, the GO bonds can be an attractive option as the property tax payments are tax deductible, are not based on use, and are collected whether a customer occupies the home full or part time. GO bonds guarantee a stable and consistent stream of revenue. As they are considered a lower risk investment, the interest rates on GO bonds issued are generally lower than other alternatives. GO bonds require voter approval for issuance.

Revenue Bonds. Revenue bonds differ from GO bonds in that they are repaid through a municipality's revenue stream or by user rates. The full faith of the issuer is not behind revenue bonds; therefore, the interest rate on revenue bonds is generally higher than GO bonds. One advantage of revenue bonds is that they do not require voter approval.

Bonds sales, regardless of type, have several requirements and processes that must be met for the bond sale to move forward. These requirements vary but generally include:

- Project documentation to prove feasibility of the project and the funding plan.
- Assistance from a bond counsel agent
- Retain a year of payments, in reserve, to provide a level of confidence that the City will not default on their debt payments.
- The bond process includes issuance costs and, many times, interim financing that increases the overall cost of a project.
- Other requirements and steps to negotiate the process of obtaining funding.

3.4.2. Bank Loans

In some cases, regular lending institutions will provide funding for public infrastructure projects. However, banks typically do not provide long term infrastructure funding. Banks generally seek to limit their funding to 5-7-year interim financing for public infrastructure projects.

3.4.3. Business Oregon (e.g. Infrastructure Finance Authority)

Business Oregon (BO) administers resources aimed at community development activities primarily in the water and sewer infrastructure sectors. Funding programs include:

- Community Development Block grants (CDBG)
- Safe Drinking Water Revolving Loan Fund (SDWRLF)
- Special Public Works Funds
- Water/Wastewater Financing

The SDWRLF provides below market interest rates and forgivable loan awards. Financial offerings vary based on factors including the community's median household income (MHI), current water rates, and how rates would be impacted when the project is complete. The MHI is based on the 5-Year American Community Survey (ACS) figure for the city or other more appropriate census statistical unit (e.g., census tract and/or block group) that is representative of the water system's users.

The SDWRLF generally must be used to address a health or compliance issue and could potentially provide a loan up to $6 million per project. To receive a loan, the project must be ranked high enough on the Project Priority List in the Intended Use Plan developed by the State. A Letter of Interest (LOI) must be submitted before a project can be listed in the Intended Use Plan. The LOI Process is open all year long for submissions. Loan terms are typically 3-4% interest for 20 years; however, "Disadvantaged Communities" can potentially qualify for 1% loans for 30 years as well as partial principle forgiveness.

All recipients of SDWRLF awards need to complete an environmental review on every project in accordance with the State Environmental Review Process (SERP), pursuant to federal and state environmental laws. The Environmental Report typically required can cost $25,000 to $75,000 depending on the specific biological, cultural, waterway, and wetland issues that arise.

Loans and grant are available through the Special Public Works funds and Water/Wastewater Financing depending on need and financial reviews by Business Oregon.

Drawbacks of the SDWRLF program include:

- It is highly competitive.
- There is no guarantee the City will receive funding and grant awards are unlikely.
- There are extensive environmental and permitting requirements in the program that take time and money to obtain approval.
- The program is generally slow to materialize funding, with many variables affecting timing. Generally speaking, obtaining funding from the SDWRLF program is at least a two-year process.

3.4.4. Rural Development/Rural Utilities Services (RUS)

The United States Department of Agriculture (USDA) Rural Utilities Services (RUS) has a Water and Wastewater Programs Division which provides loans, guaranteed loans, and grants for water infrastructure projects for towns of less than 10,000 persons. Grants are only available when necessary to keep user costs at reasonable levels (very similar to BO threshold rates). Loans can be made with repayment periods up to 40 years. Interest rates vary but often are around 4% for design/construction loans. Environmental reporting is required similar to that for the SDWRLF but with slightly different criteria.

3.4.5. DEQ Clean Water State Revolving Fund (CWSRF)

The Clean Water State Revolving Fund (CWSRF) Loan Program administered by the Oregon Department of Environmental Quality (DEQ) provides low-cost loans for the planning, design, and construction of a variety of projects that address water pollution. The loans through the CWSRF program are available to Oregon's public agencies, including cities, counties, sanitary districts, soil and water conservation districts, irrigation districts and various special districts.

Congress established the CWSRF in 1987, to replace the Construction Grants program, which has provided direct grants to communities to complete sewer infrastructure projects. The CWSRF program provides several types of loans and varying interest rates. Loans may be available with terms of 5 years around 1.00% APR to 20 years around 2.50% APR.

There are six different types of loans available within the program. These include traditional planning design and construction loans. There are loans available for emergencies, urgent repairs and local community projects. Each of these types has different financial terms and is intended to provide communities with choices when financing water quality improvements. Interest rates of various loans are substantially discounted from the bond rate. For example, with a quarterly bond

rate of 5.0%, the CWSRF interest rates (depending on the type of loan) would range from 0.97% to 3.88%. Loan payback periods vary, ranging from 5 to 20 years. Loans do include an annual loan fee of 0.5% of the outstanding balance. Planning loans are exempt from this fee.

Eligible projects include:

- Wastewater system plans and studies
- Secondary or advanced wastewater treatment facilities
- Irrigation improvements
- Infiltration and inflow correction
- Major sewer replacement and rehabilitation
- Qualified storm water control
- Onsite wastewater system repairs
- Matching funds for some U.S. Department of Agriculture conservation programs
- Estuary management efforts
- Various nonprofit source projects (stream restorations, animal waste management, conservation easements)
- Qualified brownfields projects

All eligible proposed projects are ranked based upon their application information and entered on the program's Project Priority List. Points are assigned based on specific ranking criteria. Newly ranked projects are integrated into the priority list on a regular basis. The Project Priority List is incorporated within DEQ's annual Intended Use Plan which indicates the proposed use of the funds each year.

Projects are funded based on the availability of loan monies. If monies are insufficient to fund all the approved projects, funds are distributed to as many projects as possible based on the Project Priority List. Each time new monies become available, those monies are allocated to as many unfunded or partially funded projects as possible.

3.4.6. System Development Charges (SDC)

Portions of the project that are necessary or related to growth in the system or increases in capacity can be paid for through System Development Charge (SDC) contributions. The City has an active SDC program that collects SDC fees from new development or customers that require a significant increase or change in water consumption.

The drawback of utilizing SDC funds for payment of a major public infrastructure project is that the funding is not guaranteed to be in place. Because SDC collection requires development or growth in the system, it cannot be relied upon to provide funding for City projects.

For the purposes of this rate study, we are neglecting any potential funding that may, or may not be, available from SDC's. If additional funding becomes available through the collection of SDC's, and the selected project is SDC eligible, it can be utilized to accelerate loan payback or offset future rate increases where appropriate.

4. Proposed Water Rate Structure

Section 4

The primary purpose of a water rate is to generate revenue for the City to cover the costs to deliver reliable water service to residents and businesses. There are a number of options available for establishing rates. The structure presented in this section relies on common methods and industry standards for rate structures.

4.1 Rate Structure Options

4.1.1. Water Base Rate

The base rate (or fixed regular service charge) is a charge to "customers even if they use no water at all. Most of the water system's costs are fixed, so it makes sense that the base charge makes up most of a customer's bill" (Oregon Health Authority (OHA) Drinking Water Services: Developing a Rate Structure).

The base rate may or may not include a usage allowance. If the base rate includes a certain amount of use, it means a higher base rate must be charged resulting in less control over the size of utility bill for the customer. However, it also means a steadier cash flow for the City.

Base rates that do not include consumption allow individual customers the freedom to lower their effective monthly rates by reducing consumption. Rates of this type also encourage conservation, and typically make customers more aware of their monthly water use. The City of Toledo currently has a base rate with no base allowance of consumption.

Generally speaking, a base rate should be developed that will cover all, or nearly all, of the City's fixed obligations, administrative costs, and operating costs if little or no water is actually sold. The logic is that, regardless of water consumption, the City can meet their obligations and continue to operate the water system. An adequate base rate ensures a steady revenue stream regardless of whether people are using water or not. In practice, setting the base rate requires a balance of consideration of the users, both large and small, and actual water consumption.

In short, the base rate could account for the following *fixed expenses*:

- Personnel: Labor, Retirement, Training, Benefits
- Operation (daily/annual): Power, Supplies, Equipment
- Maintenance: Materials, Supplies, Equipment
- Loan Debt(s)
- Capital Improvements (short- and long-term)

4.1.2. Water Consumption (Commodity) Rate

The variable portion of a customer's bill that tracks water consumption is the commodity rate. It is simplest to set one price per gallon (flat rate) for any amount of water used. However, tiered rates, discussed below, can be used if deemed appropriate and practical.

A consumption rate is a charge that is applied to defined units of water consumption in a community. Usually based on blocks of 100 cubic feet or 1,000 gallons, a water supplier can charge an equitable amount of water per unit based on what it costs to produce and provide water services for that unit of water. Many consider the consumption rate the best approach for water sales as those who use a great deal of water will pay an appropriate amount based on the water they used. Also, customers can relate to consumption billing as it compares to familiar practices for fuel, electricity, phone bills, and other common billing practices.

Historically, the City of Toledo has relied upon a combination base rate plus consumption rate (per 1,000 gallons of water consumed) to charge their customers. Through the utilization of an appropriate consumption rate charge, individual customers can lower their monthly water expense by using less water. Consumption rates also prevent small users from subsidizing larger users.

Consumption rates can be flat or tiered:

- Single Block or Flat. Regardless of the volume of water used, the usage rate remains the same. This rate is often coupled with a minimum base charge for having service available. Toledo currently uses a flat consumption rate coupled with a base charge.

- Decrease Block or Tiered. The price of water declines as the amount used increases. Each succeeding consumption block is cheaper. This structure is based on the assumption that costs decline as consumption goes up. A step-down rate structure may be justified for users like industries and businesses who employ local residents and otherwise support a community and provide beneficial uses.

- Increase Block or Tiered. The price of water increases as the amount used increases. Each succeeding consumption block is more expensive. Structure based on the assumption that water rates should promote water conservation and require high water use customers to bear the burden of increased capacity requirements.

In short, and whatever the type of rate used, the consumption rate should account for:

- Contingency / Emergency
- Savings

4.2 Reasonable and Affordable Water Rates

Public funding agencies adjust their interest rates, grant assistance, and other funding categories depending on the level of need or support a community has. The funding available through the funding agencies is limited, and therefore, the programs are highly competitive. Criteria are established to help determine who is in greater need of support. The agencies also do not want to subsidize systems that are not charging enough for their water. Therefore, defining what a "reasonable" water rate is requires an evaluation of each community and their particular circumstances.

"Affordability calculations can provide a general idea of the water bill's impacts on a customer's monthly budget. And these calculations can help determine eligibility for grants or low-interest loans" (OHA, Developing a Rate Structure). Two water system affordability rate comparisons can be used:

1. **Rate Comparisons.** In order to compare the City's rates to the Oregon average, the unit cost of water is applied to a state average usage of 7,500 gallons of water per month. This is the Oregon standardized consumption rate which funding agencies typically use when awarding grants; this provides an "apples to apples" comparison. The current average water charge in the State of Oregon is around $55/month based on an average water consumption of 7,500 gallons per month. Table 4.1 below shows a Toledo resident would be charged $64.05/month for 7,500 gallons of usage at the City's current rate. This fee exceeds the current average statewide fee of $55.00.

Table 4.1 Reasonable Rates Based on Rate

Water Used (gal/month)	Base Charge	Consumption Charge	Total Monthly Charge
4,000	$29.47	$18.44	$47.91
7,500	$29.47	$34.58	$64.05
State of Oregon average (@ 7,500 gal.)			$55.00

2. **Median Household Income (MHI).** The most common method is to consider what portion of the typical Median Household Income (MHI) is dedicated to paying the average water rate in a community. Each agency is different with the criteria ranging from 1.25% to 1.75%. If the average water bill in a community exceeds the MHI criteria, it is generally considered to be excessive or burdensome to the residents of the community. Business Oregon calculates an Affordability Rate by multiplying the water system MHI by 1.25% and dividing by 12 months. The Affordability Rate is compared to the monthly residential water charge per equivalent dwelling unit (EDU). Those communities with both an MHI below the state average and projected rates in excess of the affordability rate *at project completion* are potentially eligible for lower interest rates and the greatest amount of forgivable loan award. Table 4.2 below provides a summary of a monthly rate based on the MHI in Toledo.

Table 4.2 Reasonable Rates Based on MHI

Water Used (gal/month)	2017 Average Mean Household Income (MHI)*	Average Water Cost Based on Current Rate Structure	1.25% MHI
4,000	$48,281.00	$47.91	$50.29

*2017 estimates from the US Census Bureau

Based upon the above analysis and realizing a rate increase is necessary as discussed within this report, the recommended rate increase will exceed the 1.25 % threshold. Toledo should qualify for the best financial assistance if they were to pursue project funding.

While passing the affordability test does not guarantee that a community would be eligible for grant assistance, it is one of the tools used by the funding agencies to determine what communities have the greatest needs.

4.3 Rate Methodology

When considering potential new rates for the City of Toledo, it was important to consider several key factors. These include:

1. How much revenue must be obtained by the new rate increase in order to meet the following expenses:
   a) Offset the loss of Seal Rock Water District?
   b) Replace equipment and materials?
   c) Repayment of loans for CIP projects?
2. How will the historic water use practices affect the revenue production of the City?
3. How will the historic water consumption practices of the community change in the face of a significant rate increase?
4. What combination of base and consumption rate will work the best for the most people in the community (knowing that no rate increase or proposed rate structure will be met with approval from everyone)?

The City will require a certain amount of revenue each month to accomplish the following:

1. Offset the loss of SRWD.
2. Pay for the operation and maintenance of the water system including personnel, materials, services, etc.
3. Pay existing debt
4. Pay new debt resulting from undertaking projects on the CIP.
5. Annual routine replacement of pipelines and equipment.
6. Cover increases in costs due to inflation.

4.4 Justification for New Water Rate

In order to determine new rates for the water system, a determination of necessary revenues was required. Three issues exist: (1) the lost revenue from Seal Rock Water District must be made up; (2) new revenues are necessary to keep the system financially stable and able to make identified capital improvements; and (3) annual system replacements and upgrades. The proforma (Section 4.5) analysis determined the amount of new revenues that are required to set the water fund on a firm foundation.

4.4.1. Seal Rock Water District (SWRD) Impact

The loss of the Seal Rock Water District's revenue (approximately $347,000/year) is the equivalent of increasing each current Toledo EDU's water rate approximately $12.50/month. In other words, to absorb the revenue loss, at a minimum, Toledo users would be paying another $12.50/month. The argument could be made that with the loss of SRWD less water is produced

and treated so therefore operation costs would decrease. This may be true, but the loss of revenue is significantly more noticeable than the operations saving. The City is losing net money by losing SRWD as a customer.

As noted earlier, the water system is generally fiscally sound. Although losing SRWD will be a significant impact, it is possible for the City to meet its day to day needs with little impact to the individual user. The proforma suggests the City needs to anticipate a minimum rate increase equivalent to 15% of the average SWRD revenue. A per Toledo EDU rate increase is calculated as follows:

- $52,050/year (15% of $347,000) = **$1.86/month per Toledo EDU**.

4.4.2. Recommended CIP Projects

As developed in Section 3.1, the total anticipated CIP is approximately $16,000,000. This amount of money would need to be borrowed with a means to pay back the debt. Table 3.5 showed financing scenarios based on an interest rate of 3.5%, 25% grant award, and 2,328 Toledo EDUs. As shown in the proforma, CIP revenue increase and spending are spread over three years. To accomplish all the CIP projects, as presented, the user rate increase for CIP work is:

- **$23.36/month per EDU**

4.4.3. Annual Replacement

Annual system replacements of pipes, pumps, etc. due to normal wear-and-tear should be proactively anticipated and planned for. Table 4.3 shows the water system components and an annual upkeep cost of the system. The life expectancy of components and equipment is the driving force behind determining a replacement revenue stream.

Table 4.3 Life Expectancies and Annual Replacement

Component	Life Expectancy Years	Units	Unit Cost	Value	Annual Depreciation / Replacement Value
Pipes	80	185,000	$ 70	$ 12,950,000	**$161,875**
Treatment Plant	40			$ 8,000,000	**$200,000**
equipment	20			$ 2,000,000	**$100,000**
Booster Station	40	3	$ 250,000	$ 750,000	**$18,750**
equipment, valves, PRV, etc.	20	3	$ 250,000	$ 750,000	**$37,500**
Tank	40	3,350,000	$ 1.25	$ 4,187,500	**$104,688**
Meters	12	1,486	$ 300	$ 445,800	**$37,150**
Service Laterals	12	1,486	$ 750	$ 1,114,500	**$92,875**
Intake on Siletz	40			$ 4,000,000	**$100,000**
Raw Water Pipeline from Siletz	80	30,000	$ 100	$ 3,000,000	**$37,500**
Mill Creek Dam	100			$ 4,600,000	**$46,000**
Raw water Pipeline from Mill Creek Dam	80			$ 10,000,000	**$125,000**
			TOTAL	**$ 51,797,800**	**$1,061,338**

On an average, per the above assumptions and calculations, the City should spend approximately $1,061,338/year for maintenance and upkeep of the water system. This would equate to

approximately a $38/month/EDU increase in the water rate, just for this category. This amount of money is significant. For purposes of this report, we recommend the City consider doing something rather than nothing. As such, we recommend the City budget a minimum of $200,000 earmarked for maintenance and replacement. A user rate increase is calculated as follows:

- $200,000/2,328 EDUs/12 months = **$7.16/month per EDU**

Table 4.4 summarizes the final end user rate based on the above discussion. It is not recommended the City immediately adjust the rate to this level. The proforma spreads the cost of CIP and system replacement over a few years. As such, rate increases can be incremental. Rather than a wide annual variation of rate adjustments, we recommend a systematic and incremental user rate increase to account for the above-described adjustments, approximately 7.2% each year for the next 6-years, as shown in Table 4.5 below.

Table 4.4 Potential New Average User Rate

Potential New Average User Rate			
Revenue Source		Net Annual Increase	EDU/Month
	Current Avg. Use Rate		$47.91
#1	SRWD Loss (2021)	$52,050.00	$1.86
#2	CIP (w 25% Grants) (2023-25)	$652,455.98	$23.36
#3	System Replacement (2022)	$200,000.00	$7.16
	Future New Rate	$904,505.98	**$80.29**

This proposed rate would place the City above the affordability threshold often used by funding agencies to determine grant needs for a community. The best funding options would be available to the City.

4.5 Water Proforma

A detailed proforma evaluation was completed for the water fund in Toledo for the next 20-year planning period. The goal of this proforma was to attempt to predict the performance and condition of the water fund while the City undertakes projects, repays debt, adjusts for inflation, and continues to provide water to their local and wholesale customers.

A number of conservative assumptions were made as part of this analysis. The purpose of the assumptions was to account for changing conditions and build in protection for the City resulting from the many unknown and uncertain variables that exist. Conservative assumptions that were built into the proforma include, but are not limited to, the following:

1. Inflation will increase steadily at a rate of 3% per year; therefore, rates are assumed to increase 3% each year to counteract the effects of inflation.
2. Population growth will be zero; therefore, there will be no income generated from new customers in the form of additional water sales or system development charges (SDCs).

With these assumptions in place, we will have considered an unlikely and, perhaps, worst case scenario for the City to ensure the finances of the City will be healthy under more likely

conditions. However, the financial health and the rate status of the water system should be regularly reviewed, and adjustments made as unknowns and assumptions become known and as conditions change.

Table 4.3 below summarizes the proforma analysis for the first 6 years of the planning cycle. A 20-year proforma can be found in the Appendix.

Table 4.5 Water System Proforma Summary (2019-2026)

7.2%	Incremental Rate Increase		$51.36	$55.06	$59.02	$63.27	$67.83	$72.71
	Average Monthly User Rate	$47.91	$50.84	$55.23	$55.04	$62.74	$70.48	$72.04
	Annual % Revenue Increase		6.1%	8.6%	-0.4%	14.0%	12.3%	2.2%
	Description	Budget	Budget	5-Year Fiscal Year Projections (3% Annual Revenue and Expenditure Increases)				
		19-20	20-21	21-22	22-23	23-24	24-25	25-26
	Annual Beginning Fund Balance	$0	$265,527	$603,597	$964,335	$1,186,748	$1,313,093	$1,343,751
Line	Decription							
Revenues								
1	Toledo Revenue Projections (w/ 3% annual increase)	$1,323,485.00	$1,363,189.55	$1,404,085.24	$1,446,207.79	$1,489,594.03	$1,534,281.85	$1,580,310.30
2	Rate Increase #1 (SRWD Replace) (w/ 3% annual increase)		$52,050.00	$53,611.50	$55,219.85	$56,876.44	$58,582.73	$60,340.22
3	Rate Increase #2 (CIP w/ 25% Grants)				*$217,485.33*	*$434,970.65*	*$652,455.98*	$652,455.98
4	Rate Increase #3 (System Replace) (w/ 3% annual increase)			$100,000.00	$200,000.00	$206,000.00	$212,180.00	$218,545.40
5	Seal Rock Revenue Projections	$346,985.00	$357,394.55	$368,116.39				
	Total Revenue	**$1,670,470.00**	**$1,772,634.10**	**$1,925,813.12**	**$1,918,912.97**	**$2,187,441.12**	**$2,457,500.56**	**$2,511,651.90**
Expenses and Debt								
6	Transfers to other non-water funds	$22,500	$23,175.00	$23,870.25	$24,586.36	$25,323.95	$26,083.67	$26,866.18
7	Personnel Services	$509,684	$524,974.52	$540,723.76	$556,945.47	$573,653.83	$590,863.45	$608,589.35
8	Material & Services	$409,622	$421,910.66	$434,567.98	$447,605.02	$461,033.17	$474,864.16	$489,110.09
9	Capital Outlay	$45,575	$46,942.25	$48,350.52	$49,801.03	$51,295.06	$52,833.92	$54,418.93
10	Rate Increase #3 (System Replace) (w/ 3% annual increase)			$100,000.00	$200,000.00	$206,000.00	$212,180.00	$218,545.40
	Sub-Total Typical Expenses	**$987,381.00**	**$1,017,002.43**	**$1,147,512.50**	**$1,278,937.88**	**$1,317,306.01**	**$1,356,825.19**	**$1,397,529.95**
11	Existing debt service	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00
12	Rate Increase #2 (CIP w/ 25% Grants)					*$326,227.99*	*$652,455.98*	$652,455.98
	Sub-Total Annual Debt Service	**$417,562.00**	**$417,562.00**	**$417,562.00**	**$417,562.00**	**$743,789.99**	**$1,070,017.98**	**$1,070,017.98**
	Total Expenditures	**$1,404,943**	**$1,434,564**	**$1,565,075**	**$1,696,500**	**$2,061,096**	**$2,426,843**	**$2,467,548**
	Water System Fund Yearly Savings	$265,527	$338,070	$360,739	$222,413	$126,345	$30,657	$44,104

The top three rows (orange highlight) shows the incremental rate increases over the next 6-years needed to bring the current rates to where the rates need to be, based on the projected income and projected expenses. An annual incremental rate of approximately 7.2% is required. After 6-years the rate increase will fall back to the inflation-offsetting rate of 3%.

Figure 4.1 below is a graphical summary of the proforma analysis of the water system for a few years of the planning period. As can be seen in the figure, the water system is projected to increase and keep in line with a 3% inflation rate. It is recommended the City review the financial status every five years and adjust the rate structure, as necessary, to account for changes that diverge from the assumptions in this analysis. This may necessitate further increases in the rate structure or, potentially, decreases in the rate structure if it is found that the conservative assumptions in this analysis prove to be too aggressive.

Figure 4.1 Water System Fund Proforma Analysis
Graphical Representation of Projected Fund Performance over Planning Period

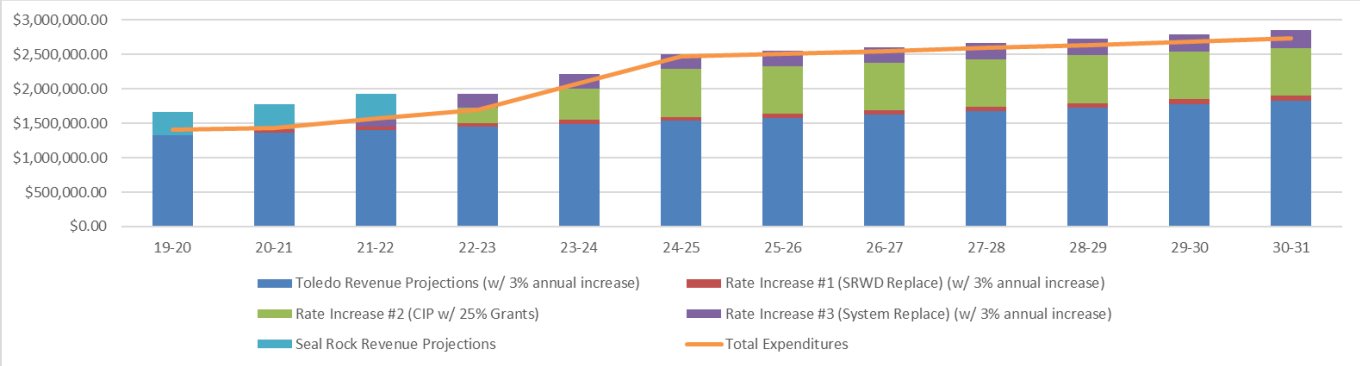


Figure 4.1 shows peaks indicating influxes of funding to pay for major capital improvement projects ("Rate Increase #2") during the planning period. It is anticipated funding will not be secured in lump sums, but rather more slowly over time as expenses are incurred.

4.6 New Rate Structure Options

Once the new average rate is determined, the City must select a new rate structure for the implementation and collection of the new rate. The new rate structure should include two components:

1. A base rate component
2. A consumption rate component

The combination of the two rate components, when considering typical water consumption patterns, should result in the new average water rate for the Toledo water system.

Table 4.7 illustrates a rate matrix for the City of Toledo. The matrix shows how the different combinations of base and consumption rates can be combined to meet the minimum average rate requirement needed to produce the required revenue stream. The grey-shaded area within the matrix indicates rate combinations (base and consumption) that meet or exceed the rate level that is required to meet the revenue requirements for the City. The combinations on the "edge" of the shaded area are the lowest-impact options that will satisfy the revenue requirements.

Any of the combinations below would qualify as a viable rate structure for the City of Toledo. The City should consider how much of an increase to place upon the base rate and the consumption rate when determining the final rate structure.

As discussed in Section 4.1, and from the matrix, the following are example rate structures.

100% Base Rate =	$80.29	+	$0.00 / 1,000-gallons (based on <u>no</u> consumption)
75% Base Rate =	$60.30	+	$5.00 / 1,000-gallons
50% Base Rate =	$40.30	+	$10.10 / 1,000-gallons
0% Base Rate =	$ 0.00	+	$20.07 / 1,000-gallons (based solely on consumption)

4.7 Recommended New Water Rate Structure

Recommending a new rate structure which is projected to provide the required revenues for the City's water fund, remaining CIP improvements, and to fund a system replacement fund, without high variations of revenue, is the overarching goal. While the decision ultimately rests with the City, we recommend a high base rate and accompanying consumption rate to match. We recommend the base rate be 75% of the needed revenue.

Table 4.6 summarizes the proposed rate structure for standard 5/8" residential meters and other sectors of the community including commercial, industrial, and customers located outside of the system (who are not part of the wholesale district customers).

Table 4.6 Rate Structure Table

		Base Facilities Charge	Usage Charge	
		$60.30	$5.00	
Meter Size	**Multiplier**	**(A) Facilities Charge**	**(B) Facilities Charge (outside City)**	**Usage Charge (all users) $/1000 gal**
5/8"	1.0	$60.30	$120.60	$5.00
3/4"	1.5	$90.45	$180.90	$5.00
1"	2.6	$156.78	$313.56	$5.00
1-1/4"	4.1	$247.23	$494.46	$5.00
1-1/2"	5.9	$355.77	$711.54	$5.00
2"	10.5	$633.15	$1,266.30	$5.00
3"	23.6	$1,423.08	$2,846.16	$5.00
4"	41.9	$2,526.57	$5,053.14	$5.00
6"	94.3	$5,686.29	$11,372.58	$5.00
8"	167.5	$10,100.25	$20,200.50	$5.00
10"	261.0	$15,738.30	$31,476.60	$5.00
12"	377.0	$22,733.10	$45,466.20	$5.00
	(A) = base facilities charge x multiplier		(B) = A x 2	

Table 4.7 Uniform Rate Matrix

Varying Base Rates ($ per month)	Varying Consumption Rates ($ per 1000 gal)														
	$4.61	$5.00	$5.30	$5.60	$5.90	$6.20	$6.50	$8.00	$8.30	$8.60	$8.90	$9.20	$9.50	$9.80	$10.10
$29.47	$47.91	$49.47	$50.67	$51.87	$53.07	$54.27	$55.47	$61.47	$62.67	$63.87	$65.07	$66.27	$67.47	$68.67	$69.87
$38.70	$57.1[illegible]	$58.70	$59.90	[illegible]	[illegible]	$63.50	$64.70	$70.70	$71.90	$73.10	$74.30	$75.50	$76.70	$77.90	$79.10
$39.50	$57.94	$59.50	$60.70	$61.90	$63.10	$64.30	$65.50	$71.50	$72.70	[illegible]	$75.10	$76.30	$77.50	$78.70	$79.90
$40.30	$58.74	$60.30	$61.50	$62.70	$63.90	$65.10	$66.30	$72.30	$73.50	$74.70	$75.90	$77.10	$78.30	$79.50	$80.70
$41.10	$59.54	$61.10	$62.30	$63.50	$64.70	$65.90	$67.10	$73.10	$74.30	$75.50	$76.70	$77.90	$79.10	$80.30	$81.50
$41.90	$60.34	$61.90	$63.10	$64.30	$65.50	$66.70	$67.90	$73.90	$75.10	$76.30	$77.50	$78.70	$79.90	$81.10	$82.30
$42.70	$61.14	$62.70	$63.90	$65.10	$66.30	$67.50	$68.70	$74.70	$75.90	$77.10	$78.30	$79.50	$80.70	$81.90	$83.10
$43.50	$61.94	$63.50	$64.70	$65.90	$67.10	$68.30	$69.50	$75.50	$76.70	$77.90	$79.10	$80.30	$81.50	$82.70	$83.90
$44.30	$62.74	$64.30	$65.50	$66.70	$67.90	$69.10	$70.30	$76.30	$77.50	$78.70	$79.90	$81.10	$82.30	$83.50	$84.70
$45.10	$63.54	$65.10	$66.30	$67.50	$68.70	$69.90	$71.10	$77.10	$78.30	$79.50	$80.70	$81.90	$83.10	$84.30	$85.50
$45.90	$64.34	$65.90	$67.10	$68.30	$69.50	$70.70	$71.90	$77.90	$79.10	$80.30	$81.50	$82.70	$83.90	$85.10	$86.30
$46.70	$65.14	$66.70	$67.90	$69.10	$70.30	$71.50	$72.70	$78.70	$79.90	$81.10	$82.30	$83.50	$84.70	$85.90	$87.10
$47.50	$65.94	$67.50	$68.70	$69.90	$71.10	$72.30	$73.50	$79.50	$80.70	$81.90	$83.10	$84.30	$85.50	$86.70	$87.90
$48.30	$66.74	$68.30	$69.50	$70.70	$71.90	$73.10	$74.30	$80.30	$81.50	$82.70	$83.90	$85.10	$86.30	$87.50	$88.70
$49.10	$67.54	$69.10	$70.30	$71.50	$72.70	$73.90	$75.10	$81.10	$82.30	$83.50	$84.70	$85.90	$87.10	$88.30	$89.50
$49.90	$68.34	$69.90	$71.10	$72.30	$73.50	$74.70	$75.90	$81.90	$83.10	$84.30	$85.50	$86.70	$87.90	$89.10	$90.30
$50.70	$69.14	$70.70	$71.90	$73.10	$74.30	$75.50	$76.70	$82.70	$83.90	$85.10	$86.30	$87.50	$88.70	$89.90	$91.10
$51.50	$69.94	$71.50	$72.70	$73.90	$75.10	$76.30	$77.50	$83.50	$84.70	$85.90	$87.10	$88.30	$89.50	$90.70	$91.90
$52.30	$70.74	$72.30	$73.50	$74.70	$75.90	$77.10	$78.30	$84.30	$85.50	$86.70	$87.90	$89.10	$90.30	$91.50	$92.70
$53.10	$71.54	$73.10	$74.30	$75.50	$76.70	$77.90	$79.10	$85.10	$86.30	$87.50	$88.70	$89.90	$91.10	$92.30	$93.50
$53.90	$72.34	$73.90	$75.10	$76.30	$77.50	$78.70	$79.90	$85.90	$87.10	$88.30	$89.50	$90.70	$91.90	$93.10	$94.30
$54.70	$73.14	$74.70	$75.90	$77.10	$78.30	$79.50	$80.70	$86.70	$87.90	$89.10	$90.30	$91.50	$92.70	$93.90	$95.10
$55.50	$73.94	$75.50	$76.70	$77.90	$79.10	$80.30	$81.50	$87.50	$88.70	$89.90	$91.10	$92.30	$93.50	$94.70	$95.90
$56.30	$74.74	$76.30	$77.50	$78.70	$79.90	$81.10	$82.30	$88.30	$89.50	$90.70	$91.90	$93.10	$94.30	$95.50	$96.70
$57.10	$75.54	$77.10	$78.30	$79.50	$80.70	$81.90	$83.10	$89.10	$90.30	$91.50	$92.70	$93.90	$95.10	$96.30	$97.50
$57.90	$76.34	$77.90	$79.10	$80.30	$81.50	$82.70	$83.90	$89.90	$91.10	$92.30	$93.50	$94.70	$95.90	$97.10	$98.30
$58.70	$77.14	$78.70	$79.90	$81.10	$82.30	$83.50	$84.70	$90.70	$91.90	$93.10	$94.30	$95.50	$96.70	$97.90	$99.10
$59.50	$77.94	$79.50	$80.70	$81.90	$83.10	$84.30	$85.50	$91.50	$92.70	$93.90	$95.10	$96.30	$97.50	$98.70	$99.90
$60.30	$78.74	$80.30	$81.50	$82.70	$83.90	$85.10	$86.30	$92.30	$93.50	$94.70	$95.90	$97.10	$98.30	$99.50	$100.70
$61.10	$79.54	$81.10	$82.30	$83.50	$84.70	$85.90	$87.10	$93.10	$94.30	$95.50	$96.70	$97.90	$99.10	$100.30	$101.50
$61.90	$80.34	$81.90	$83.10	$84.30	$85.50	$86.70	$87.90	$93.90	$95.10	$96.30	$97.50	$98.70	$99.90	$101.10	$102.30

5. Proposed Sewer Rate Structure

Section 5

5.1 Rate Structure Option

The primary purpose of a sewer rate is to generate revenue for the City. There are a number of options available for establishing rates. The structure presented in this section relies on common methods and industry standards for rate structures.

5.1.1. Sewer Base Rate

The base rate is the rate charged per connection. This rate may or may not include a base usage water allowance. If the base rate includes a certain amount of water use, it means a higher base rate and less control over the size of utility bill for the customer.

Base rates that do not include discharge allow individual customers the freedom to lower their effective monthly rates by reducing water consumption. The City of Toledo currently has a base rate with 1,000-gallons/month allowance for discharge (as measured with the water meters).

Generally speaking, a base rate should be developed that will cover all, or nearly all, of the City's obligations, administrative costs, and operating costs if little or no water is actually sold. Unlike a water system, a sewer system's operation and maintenance costs are fairly steady, regardless of the water flow. In fact, for most sewer systems, like Toledo's, the wastewater flow from residents is only part of the flow compared to Inflow and Infiltration (I/I) coming into the system. As such, regardless of the water used by each resident and discharged into the sewer system, the expenses of a sewer system are constant. Many consider a base rate with essentially unlimited discharge the best approach. Whether people conserve with their water use or not generally has little effect on the sewer system.

In short, the base rate could, at a minimum, account for the following fixed expenses:

- Personnel: Labor, Retirement, Training, Benefits
- Operation (daily/annual): Power, Supplies, Equipment
- Maintenance: Materials, Supplies, Equipment
- Loan Debt(s)
- Capital Improvements (short- and long-term)

5.1.2. Sewer Discharge (Water Consumption) Rate

Historically, the City of Toledo has relied upon water consumption to charge their customers for sewer per 1,000 gallons of water consumed (as metered). The first 1000 gallons is part of the base rate, but every 1,000 gallons thereafter is charge a usage charge. Through the utilization of a consumption rate charge, individual customers can lower their monthly sewer expense by consuming/discharging less water. Consumption rates are typically flat. In short, if consumption rates were used, the rates should account for:

- Contingency / Emergency
- Savings

5.2 Rate Methodology

When considering potential new rates for the City of Toledo, it was important to consider several key factors. These include:

1. How much revenue must be obtained by the new rate increase in order to meet the following expenses:
   a) Maintain status quo
   b) Replace equipment and materials
   c) Bonding requirements to pay back loans for CIP projects
2. How will the historic water discharge practices of the community change in the face of a significant rate increase?
3. What combination of base and consumption rate will work the best for the most people in the community (knowing that no rate increase or proposed rate structure will be met with approval from everyone)?

The City will require a certain amount of revenue each month to accomplish the following:

1. Catch up with spending demands and maintain status quo.
2. Pay for the operation and maintenance of the sewer system including personnel, materials, services, etc.
3. Pay existing debt and new debt resulting from undertaking projects on the CIP.
4. Annual routine replacement of pipelines and equipment.
5. Cover increases in costs due to inflation.

5.3 Justifications for New Sewer Rates

In order to determine new rates for the sewer system, a determination of necessary revenues was required. Three issues exist: (1) the sewer fund historically has not been keeping up with expenses; (2) new revenues are necessary to keep the system financially stable and able to make identified capital improvements; and (3) annual system replacements and upgrades. The proforma analysis (Section 5.4) determined the amount of new revenues that was required to set the sewer fund on a firm foundation.

5.3.1 Needed Adjustment

As shown earlier, the sewer fund revenue generally has not been keeping up with necessary expenses. The proforma suggests the City increase the general revenue stream. A per Toledo EDU rate increase is calculated as follows:

- $80,000/year = **$4.35/month per Toledo EDU**.

5.3.2 Recommended CIP Projects

As developed in Section 3.2, the total anticipated CIP need is approximately $8,170,000. This amount of money would need to be borrowed with a means to pay back the debt. Table 3.6 showed financing scenarios based on an interest rate of 3.5%, 25% grant award, and 1,531 Toledo EDUs. To accomplish all the CIP projects, as presented, the user rate increase for CIP work is:

- **$18.13/month per EDU**

5.3.3 Annual Replacement

Annual system replacements of pipes, pumps, etc. due to normal wear-and-tear should be proactively anticipated and planned for. Table 5.1 shows the sewer system components and an annual upkeep cost of the system. The life expectancy of components and equipment is the driving force behind determining a replacement revenue stream.

Table 5.1 Life Expectancies and Annual Replacement

Component	Life Expectancy Years	Units	Unit Cost	Value	Annual Depreciation / Replacement Value
Gravity Pipes	80	115,700	$ 120	$ 13,884,000	**$ 173,550**
Forcemains	80	6,000	$ 100	$ 600,000	**$ 7,500**
Manholes	80	655	$ 1,500	$ 982,500	**$ 12,281**
Service Laterals	40	1,531	$ 1,000	$ 1,531,000	**$ 38,275**
Lift Stations	40	5	$ 450,000	$ 2,250,000	**$ 56,250**
equipment, valves, PRV, etc.	20	5	$ 200,000	$ 1,000,000	**$ 50,000**
Treatment Plant	40			$ 8,000,000	**$ 200,000**
equipment	20			$ 2,000,000	**$ 100,000**
Effluent Discharge to Yaquina River	80	1,500	$ 130	$ 195,000	**$ 2,438**
			TOTAL	**$ 30,442,500**	**$ 640,294**

On an average, per the above assumptions and calculations, the City should spend over $640,000/year for maintenance and upkeep of the sewer system. This would equate to nearly a $35/month/EDU increase in the sewer rate, just for this work. This amount of money is significant. For purposes of this report, we recommend the City consider doing something rather than nothing. As such, we recommend the City budget a minimum of $200,000 earmarked for maintenance and replacement. For purposes of a gradual, steady incremental rate increase, this budget starts at 100,000 and grows over a couple of years. A user rate increase is calculated as follows:

- $200,000/1,531 EDUs/12 months = **$10.89/month per EDU**

Table 5.2 summarizes the end user rate based on the above discussion. It is not recommended the City immediately adjust the rate to this level. The proforma spreads the cost of CIP and system replacement over a few years. As such, rate increases can be incremental. Rather than a wide annual variation of rate adjustments, we recommend a systematic and incremental user rate increase to account for the above-described adjustments, approximately 11.2% each year for the next 5-years, as shown in Table 5.4.

Table 5.2 Potential New Average Sewer User Rate

Revenue Source		Net Annual Increase	EDU/Month
	Avg. Use Rate		$70.07
#1	Needed Adjustment	$80,000.00	$4.35
#2	CIP (w/ 25% Grants)	$333,160.33	$18.13
#3	System Replacement (2022)	$200,000.00	$10.89
	New Rate (today)	**$613,160.33**	**$103.44**

5.4 Sewer Proforma

A detailed proforma evaluation was completed for the sewer fund in Toledo for the next 20-year planning period. The goal of this proforma was to attempt to predict the performance and condition of the sewer fund while the City undertakes projects, repays debt, adjusts for inflation, and continues to provide water to their local and wholesale customers.

A number of conservative assumptions were made as part of this analysis. The purpose of the assumptions were to account for changing conditions and build in protection for the City resulting from the many unknown and uncertain variables that exist. Conservative assumptions that were built into the proforma include, but are not limited to, the following:

1. Inflation will increase steadily at a rate of 3% per year; therefore, rates will be increased 3% each year to counteract the effects of inflation.
2. Population growth will be zero; therefore, there will be no income generated from new customers in the form of additional water sales or system development charges (SDCs).

With these assumptions in place, we will have considered an unlikely and, perhaps, worst case condition for the City to ensure the finances of the City will be healthy under more likely conditions. However, the financial health and the rate status of the sewer system should be regularly reviewed, and adjustments made as unknowns and assumptions become known and as conditions change.

The City is currently working under a Mutual Agreement and Order (MAO) with the Department of Environmental Quality (DEQ). The MAO requires the City to make several improvements to improve their collection system and reduce Inflow/Infiltration (I/I). There is a current debt associated with some of this work; however, the City realizes more investment will be necessary to accomplish the identified work. As such, this study and proforma includes an additional future anticipated loan debt as shown in Table 5.3.

Table 5.3 Anticipated MAO I/I Loan

Financial Components	Financing Years
	20
Capital Cost	$1,000,000
Net Capital Cost to City (assume 0% Grant Award)	***$1,000,000***
Total Payment per Year (3.50%)	$70,361
Total Monthly Cost	$5,863

Table 5.4 below summarizes the proforma analysis for the first 6 years of the planning cycle. A 20-year proforma can be found in the Appendix.

Table 5.4 Water System Proforma Summary (2019-2026)

11.2%	Incremental Rate Increase		$77.92	$86.64	$96.35	$107.14	$119.14	
	Average Monthly User Rate	$70.07	$77.00	$85.34	$90.74	$106.25	$119.19	$122.16
	Annual % Revenue Increase		9.9%	10.8%	6.3%	17.1%	12.2%	2.5%
Description		Budget	Budget	5-Year Fiscal Year Projections (3% Annual Revenue and Expenditure Increases)				
		19-20	20-21	21-22	22-23	23-24	24-25	25-26
	Annual Beginning Fund Balance	$0.00	$10,000.00	$89,133.14	$106,056.41	$131,003.53	$164,215.19	$205,939.35
Line	Decription							
Revenues								
1	Toledo Revenue Projections (w/ 3% annual increase)	$1,161,590.00	$1,196,437.70	$1,232,330.83	$1,269,300.76	$1,307,379.78	$1,346,601.17	$1,386,999.21
2	Rate Increase #1 (Needed Adjustment) (w/ 3% increase)		$80,000.00	$82,400.00	$84,872.00	$87,418.16	$90,040.70	$92,741.93
3	Rate Increase #2 (CIP w/ 25% Grants)					$166,580.17	$333,160.33	$333,160.33
4	Rate Increase #3 (System Replace) (w/ 3% increase)			$100,000.00	$150,000.00	$200,000.00	$206,000.00	$212,180.00
	Total Revenue	$1,161,590.00	$1,276,437.70	$1,414,730.83	$1,504,172.76	$1,761,378.11	$1,975,802.21	$2,025,081.47
Expenses and Debt								
5	Transfers to other non-water funds	$25,000	$25,750.00	$26,522.50	$27,318.18	$28,137.72	$28,981.85	$29,851.31
6	Personnel Services	$553,579	$570,186.37	$587,291.96	$604,910.72	$623,058.04	$641,749.78	$661,002.28
7	Material & Services	$362,575	$373,452.25	$384,655.82	$396,195.49	$408,081.36	$420,323.80	$432,933.51
8	Capital Outlay	$45,998	$47,377.94	$48,799.28	$50,263.26	$51,771.15	$53,324.29	$54,924.02
9	Rate Increase #3 (System Replace) (w/ 3% increase)			$100,000.00	$150,000.00	$200,000.00	$206,000.00	$212,180.00
	Sub-Total Typical Expenses	$987,152.00	$1,016,766.56	$1,147,269.56	$1,228,687.64	$1,311,048.27	$1,350,379.72	$1,390,891.11
10	Existing debt service	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00
11	DEQ MAO Sewer Replacement debt (IFA)		$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00
12	DEQ Additional MAO-related loan			$70,000.00	$70,000.00	$70,000.00	$70,000.00	$70,000.00
13	Rate Increase #2 (CIP w/ 25% Grants)					$166,580.17	$333,160.33	$333,160.33
	Sub-Total Annual Debt Service	$164,438.00	$180,538.00	$250,538.00	$250,538.00	$417,118.17	$583,698.33	$583,698.33
	Total Expenditures	$1,151,590	$1,197,305	$1,397,808	$1,479,226	$1,728,166	$1,934,078	$1,974,589
	Sewer System Fund Yearly Savings	$10,000	$79,133	$16,923	$24,947	$33,212	$41,724	$50,492

The top three rows (orange highlight) shows the incremental rate increases over the next 5-years needed to bring the current rates to where the rates need to be, based on the projected income and projected expenses. An annual incremental rate of approximately 11.2% is required. After 5-years the rate increase will fall back to the inflation-offsetting rate of 3.0%.

Figure 5.1 below is a graphical summary of the proforma analysis of the sewer system for a few years of the planning period. As can be seen in the figure, the sewer system is projected to increase and keep in line with a 3% inflation rate. It is recommended the City review the financial status every five years and adjust the rate structure, as necessary, to account for changes that diverge from the assumptions in this analysis. This may necessitate further increases in the rate structure or, potentially, decreases in the rate structure if it is found that the conservative assumptions in this analysis prove to be too aggressive.

Figure 5.1 Sewer System Fund Proforma Analysis
Graphical Representation of Projected Fund Performance over Planning Period

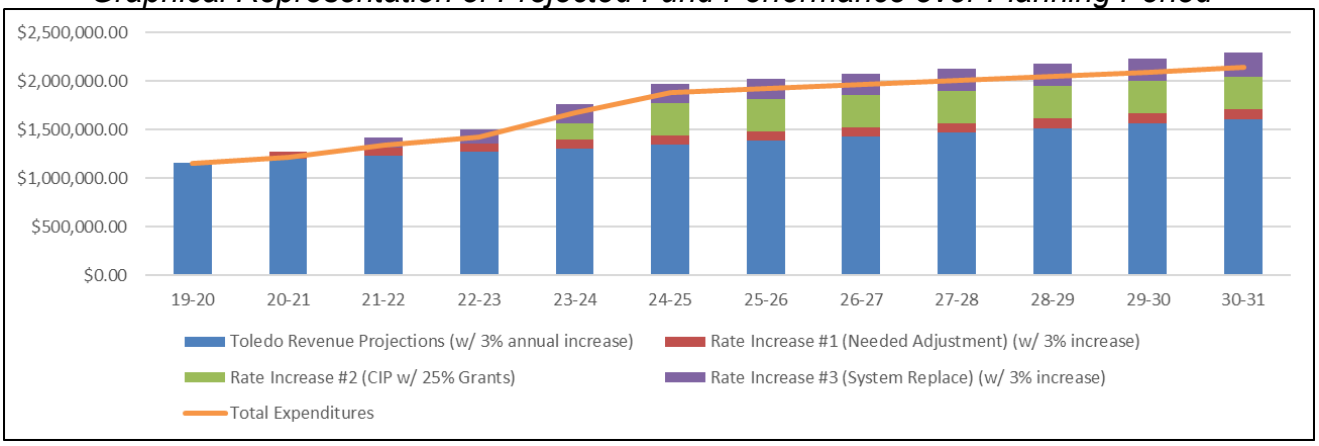


Figure 5.1 shows peaks indicating influxes of funding to pay for major capital improvement projects ("Rate Increase #2") during the planning period. It is anticipated funding will not be secured in lump sums, but rather more slowly over time as expenses are incurred.

5.5. New Rate Structure Options

Once the new average rate is determined, the City must select a new rate structure for the implementation and collection of the new rate. The new rate structure could include two components:

1. A base rate component
2. A consumption rate component (based on metered water consumption)

Table 5.5 illustrates a rate matrix for the City of Toledo. The matrix shows how the different combinations of base and consumption rates can be combined to meet the minimum average rate requirement needed to produce the required revenue stream. The grey-shaded area within the matrix indicates rate combinations (base and consumption) that meet or exceed the rate level that is required to meet the revenue requirements for the City. The combinations on the "edge" of the shaded area are the lowest-impact options that will satisfy the revenue requirements.

Any of the combinations below would qualify as a viable rate structure for the City of Toledo. The City should consider how much of an increase to place upon the base rate and the consumption rate when determining the final rate structure.

Table 5.5 Uniform Rate Matrix

Varying Base Rates ($ per month)	Varying Consumption Rates ($ per 1000 gal)																	
	$15.99	$8.00	$8.60	$9.20	$9.80	$10.40	$11.00	$11.60	$12.20	$12.80	$13.40	$14.00	$14.60	$15.20	$15.80	$16.40	$17.00	$17.60	$18.20
$22.10	$70.07	$46.10	$47.90	$49.70	$51.50	$53.30	$55.10	$56.90	$58.70	$60.50	$62.30	$64.10	$65.90	$67.70	$69.50	$71.30	$73.10	$74.90	$76.70
$49.00	$96.97	$73.00	$74.80	[illegible]	[illegible]	$80.20	$82.00	$83.80	$85.60	$87.40	$89.20	$91.00	$92.80	$94.60	$96.40	$98.20	$100.00	$101.80	$103.60
$50.00	$97.97	$74.00	$75.80	$77.60	$79.40	$81.20	$83.00	$84.80	[illegible]	[illegible]	$90.20	$92.00	$93.80	$95.60	$97.40	$99.20	$101.00	$102.80	$104.60
$51.00	$98.97	$75.00	$76.80	$78.60	$80.40	$82.20	$84.00	$85.80	$87.60	$89.40	$91.20	$93.00	$94.80	$96.60	[illegible]	[illegible]	$102.00	$103.80	$105.60
$52.00	$99.97	$76.00	$77.80	$79.60	$81.40	$83.20	$85.00	$86.80	$88.60	$90.40	$92.20	$94.00	$95.80	$97.60	$99.40	$101.20	$103.00	$104.80	$106.60
$53.00	$100.97	$77.00	$78.80	$80.60	$82.40	$84.20	$86.00	$87.80	$89.60	$91.40	$93.20	$95.00	$96.80	$98.60	$100.40	$102.20	$104.00	$105.80	$107.60
$54.00	$101.97	$78.00	$79.80	$81.60	$83.40	$85.20	$87.00	$88.80	$90.60	$92.40	$94.20	$96.00	$97.80	$99.60	$101.40	$103.20	$105.00	$106.80	$108.60
$55.00	$102.97	$79.00	$80.80	$82.60	$84.40	$86.20	$88.00	$89.80	$91.60	$93.40	$95.20	$97.00	$98.80	$100.60	$102.40	$104.20	$106.00	$107.80	$109.60
$56.00	$103.97	$80.00	$81.80	$83.60	$85.40	$87.20	$89.00	$90.80	$92.60	$94.40	$96.20	$98.00	$99.80	$101.60	$103.40	$105.20	$107.00	$108.80	$110.60
$57.00	$104.97	$81.00	$82.80	$84.60	$86.40	$88.20	$90.00	$91.80	$93.60	$95.40	$97.20	$99.00	$100.80	$102.60	$104.40	$106.20	$108.00	$109.80	$111.60
$58.00	$105.97	$82.00	$83.80	$85.60	$87.40	$89.20	$91.00	$92.80	$94.60	$96.40	$98.20	$100.00	$101.80	$103.60	$105.40	$107.20	$109.00	$110.80	$112.60
$59.00	$106.97	$83.00	$84.80	$86.60	$88.40	$90.20	$92.00	$93.80	$95.60	$97.40	$99.20	$101.00	$102.80	$104.60	$106.40	$108.20	$110.00	$111.80	$113.60
$60.00	$107.97	$84.00	$85.80	$87.60	$89.40	$91.20	$93.00	$94.80	$96.60	$98.40	$100.20	$102.00	$103.80	$105.60	$107.40	$109.20	$111.00	$112.80	$114.60
$61.00	$108.97	$85.00	$86.80	$88.60	$90.40	$92.20	$94.00	$95.80	$97.60	$99.40	$101.20	$103.00	$104.80	$106.60	$108.40	$110.20	$112.00	$113.80	$115.60
$62.00	$109.97	$86.00	$87.80	$89.60	$91.40	$93.20	$95.00	$96.80	$98.60	$100.40	$102.20	$104.00	$105.80	$107.60	$109.40	$111.20	$113.00	$114.80	$116.60
$63.00	$110.97	$87.00	$88.80	$90.60	$92.40	$94.20	$96.00	$97.80	$99.60	$101.40	$103.20	$105.00	$106.80	$108.60	$110.40	$112.20	$114.00	$115.80	$117.60
$64.00	$111.97	$88.00	$89.80	$91.60	$93.40	$95.20	$97.00	$98.80	$100.60	$102.40	$104.20	$106.00	$107.80	$109.60	$111.40	$113.20	$115.00	$116.80	$118.60
$65.00	$112.97	$89.00	$90.80	$92.60	$94.40	$96.20	$98.00	$99.80	$101.60	$103.40	$105.20	$107.00	$108.80	$110.60	$112.40	$114.20	$116.00	$117.80	$119.60
$66.00	$113.97	$90.00	$91.80	$93.60	$95.40	$97.20	$99.00	$100.80	$102.60	$104.40	$106.20	$108.00	$109.80	$111.60	$113.40	$115.20	$117.00	$118.80	$120.60
$67.00	$114.97	$91.00	$92.80	$94.60	$96.40	$98.20	$100.00	$101.80	$103.60	$105.40	$107.20	$109.00	$110.80	$112.60	$114.40	$116.20	$118.00	$119.80	$121.60
$68.00	$115.97	$92.00	$93.80	$95.60	$97.40	$99.20	$101.00	$102.80	$104.60	$106.40	$108.20	$110.00	$111.80	$113.60	$115.40	$117.20	$119.00	$120.80	$122.60
$69.00	$116.97	$93.00	$94.80	$96.60	$98.40	$100.20	$102.00	$103.80	$105.60	$107.40	$109.20	$111.00	$112.80	$114.60	$116.40	$118.20	$120.00	$121.80	$123.60
$70.00	$117.97	$94.00	$95.80	$97.60	$99.40	$101.20	$103.00	$104.80	$106.60	$108.40	$110.20	$112.00	$113.80	$115.60	$117.40	$119.20	$121.00	$122.80	$124.60
$71.00	$118.97	$95.00	$96.80	$98.60	$100.40	$102.20	$104.00	$105.80	$107.60	$109.40	$111.20	$113.00	$114.80	$116.60	$118.40	$120.20	$122.00	$123.80	$125.60
$72.00	$119.97	$96.00	$97.80	$99.60	$101.40	$103.20	$105.00	$106.80	$108.60	$110.40	$112.20	$114.00	$115.80	$117.60	$119.40	$121.20	$123.00	$124.80	$126.60
$73.00	$120.97	$97.00	$98.80	$100.60	$102.40	$104.20	$106.00	$107.80	$109.60	$111.40	$113.20	$115.00	$116.80	$118.60	$120.40	$122.20	$124.00	$125.80	$127.60
$74.00	$121.97	$98.00	$99.80	$101.60	$103.40	$105.20	$107.00	$108.80	$110.60	$112.40	$114.20	$116.00	$117.80	$119.60	$121.40	$123.20	$125.00	$126.80	$128.60
$75.00	$122.97	$99.00	$100.80	$102.60	$104.40	$106.20	$108.00	$109.80	$111.60	$113.40	$115.20	$117.00	$118.80	$120.60	$122.40	$124.20	$126.00	$127.80	$129.60
$76.00	$123.97	$100.00	$101.80	$103.60	$105.40	$107.20	$109.00	$110.80	$112.60	$114.40	$116.20	$118.00	$119.80	$121.60	$123.40	$125.20	$127.00	$128.80	$130.60
$77.00	$124.97	$101.00	$102.80	$104.60	$106.40	$108.20	$110.00	$111.80	$113.60	$115.40	$117.20	$119.00	$120.80	$122.60	$124.40	$126.20	$128.00	$129.80	$131.60
$78.00	$125.97	$102.00	$103.80	$105.60	$107.40	$109.20	$111.00	$112.80	$114.60	$116.40	$118.20	$120.00	$121.80	$123.60	$125.40	$127.20	$129.00	$130.80	$132.60
$79.00	$126.97	$103.00	$104.80	$106.60	$108.40	$110.20	$112.00	$113.80	$115.60	$117.40	$119.20	$121.00	$122.80	$124.60	$126.40	$128.20	$130.00	$131.80	$133.60
$80.00	$127.97	$104.00	$105.80	$107.60	$109.40	$111.20	$113.00	$114.80	$116.60	$118.40	$120.20	$122.00	$123.80	$125.60	$127.40	$129.20	$131.00	$132.80	$134.60

5.6 Recommended New Sewer Rates

As discussed in Section 5.1, and from the matrix, Table 5.6 shows some example rates.

Table 5.6 Rate Structure Recommendation

Options	Description	Base rate includes first thousand gallons*	
		Base rate	Rate per thousand
Recommended #1	100% Base Rate, based on no consumption	$103.44	$0.00
Recommended #2	75% Base Rate	$78.00	$8.60
#3	50% Base Rate	$51.00	$17.60
#4	0% Base Rate, based solely on consumption	$0.00	$25.86
*Rate per thousand based on average usage January - April			

While the decision ultimately rests with the City, we recommend consideration of only two new rate structures which is projected to provide the required revenues for the City's sewer fund, remaining CIP improvements, and to fund a system replacement fund, without high variations of revenue. The two options are:

1. Fixed Base Rate (100%). This structure takes the base rate and makes it fixed; all users pay the same rate across the board regardless of water used. As mentioned earlier, sewer flows can be greatly affected from external water discharge into the system (I/I), making the contribution of domestic sewage less impactful, regardless of the domestic discharges. This rate concept would also be simpler to manage, and no water meter readings would be required.

2. Base Rate @ 75% of needed revenue with 25% accompanying consumption rate to match. This concept follows the existing rate structure concept, seasonal water meter readings would be required. We recommend keeping the first 1,000-gallons as part of the base rate.

Section 6

6. Conclusion – Water and Sewer Rates

The primary purpose of a sewer rate is to generate revenue for the City. Simply stated, the City is in the "Water and Sewer Business," and like any other successful business, revenues must stay above expenditures and money must be reinvested into the business (e.g. new equipment and pipes) regularly and routinely. Both systems have old equipment that needs to be replaced and all equipment requires routine maintenance; pipes need to be replaced/repaired; treatment facilities to manage; and staff to hire. No matter the amount of water used, there is a fixed cost of doing business. How to distribute the cost to the users has been discussed for both systems previously.

Based on our analysis as discussed earlier, we conclude and are of the opinion that:

1. The City's current rate structures are not adequate to support a healthy and stable water and sewer system operation in Toledo nor are they capable of supporting planned CIP upgrades as set forth in the respective Master Plans and Capital Improvement Plans.

2. Therefore, a rate increase is recommended to be implemented at this time. This will allow the City to undertake needed CIP and maintenance work and put them on a firm financial footing moving forward. Any changes to the forecast or conditions of assumptions outlined in this analysis could change these conclusions.

By implementing the proposed rate increases, the City's water/sewer systems should be healthy, solvent, and capable of meeting all of their debts and obligations in a responsible way.

6.1 Annual Rate Increase

Inflation will continue to increase the cost of operating and maintaining the systems as time passes. The rate of inflation varies due to an abundance of variables that are nearly all beyond the ability of the City to control. Cities have to respond to inflation by either increasing their charges to their patrons or by reducing services or operating costs. As most public utility agencies are already operating with lean staff and resources, we are not recommending the City have a policy of addressing inflationary impacts through budget cuts.

As part of the proforma analysis completed in this rate study, an effort was made to determine the minimum annual rate increase that would be needed to keep the funds in the black and viable throughout the planning period. Because of the wide range of variables, this can only be an estimate at this time. However, the City should be aware of the need to combat inflation and maintain their rate structures so they do not "fall behind." The only real response to not keeping up with inflation is to defer or delay maintenance. Systems that fall into this trap eventually have to make major investments in their infrastructure to catch up.

The proforma evaluation suggests a minimum annual rate increase be 3% annually.

If the City adopts a policy of annual maintenance and inflation countering rate increases, they will be able to avoid the steep vertical increases that some communities face when they only raise rates once every ten years. They will also find that they will be in a better position to operate and maintain their system rather than defer maintenance to offset cost increases delivered by inflation.

6.2 Utility Bill Comparison

When considering changes to their utility rates, many communities wish to compare their rate structures to other communities in an effort to weigh the reasonableness of their own rates. It should be understood that water systems and communities vary in many ways including:

1. The complexity and size of the water system and the related infrastructure components
2. The level of effort that is required to obtain, treat, and deliver water to their customers
3. The operational history of the water system, debt history, health of the water fund, and other financial issues
4. The number of customers that can help shoulder the financial burdens of the system
5. The condition and legacy of the system components

When considering the vast differences that exist from one system to another, a simple rate comparison is not a fair or accurate way of comparing the reasonableness of one water rate over another. However, for comparison sake, we acquired researched information (Table 6.1) from another City summarizing a total combined utility bill, including water, sewer, power, streets, etc. As can be seen in, the proposed rate increase in Toledo will move Toledo from the middle of the rate spectrum to the upper end of the spectrum for the systems that were used in this comparison. This comparison is not comprehensive and is only included to provide perspective.

6.3 Final Thoughts and Considerations

Aside from rates, we bring up other issues City's face in "running their business" for additional discussion purposes and awareness. Some issues are presented in question form hoping to spur conversation within the City. We provide a simple recommendation within each topic, recognizing there could be extenuating circumstances and unique situations where our recommendation could be refuted and justified differently.

1. <u>The more paying customers, the less each pay.</u> The City apparently has part-time, seasonal users connected to their systems who put their service on "hold" while away and do not pay. Should part-time residents pay the full year, just to have service available when they return? Should all customers (active or not) pay at least a base rate to cover the fixed costs of the utility?

   If service is available and customers are hooked up, whether in use or not, at a minimum the base rate should be paid and collected each month from all users. Regardless of usage, a system exists that must be maintained, and should continually be ready and available for use when such part-time folks come back. These part-time residents should be expected to contribute to a system they have ready access to.

2. Service charge. For situations where services are being disconnected and reconnected, or other such customer management situations, an appropriate service charge should be calculated and implemented to cover the cost of the field and office employees for this personal service. It appears this charge should be evaluated and adjusted upward.

3. Late fees, bad debt collection. Should active users pay for the time staff spends on debt collecting from others? Should user rates increase across the board to offset those who don't pay? Keep in mind, when calculating the above recommended rates, it was assumed all user accounts would pay, not just "most" of the users.

   In general practice, debt should be collected, and late fees paid. Certainly, leniency and forgiveness (one-time grace) can be applied on a case-by-case basis, but each user should equally share the opportunity to have domestic water and sewer service.

Table 6.1 Total Utility Bill Comparison

2018-19 Average Monthly Utility Bills in Oregon Cities

Single-Family Residential Customers - Total Utility Bill

Population 2018 PSU	City / District	600 cu ft $ / mo	600 cu ft Rank	800 cu ft* $ / mo	800 cu ft* Rank
648,740	Portland	$167.15	1	$197.99	1
9,225	Sweet Home	$117.70	6	$152.98	2
38,215	Lake Oswego	$141.71	2	$151.79	3
16,920	Lebanon	$116.95	7	$140.07	4
9,370	Independence	$122.72	4	$133.40	5
860	Adair Village	$124.37	3	$131.33	6
52,785	Tigard	$114.88	8	$130.02	7
11,935	Cornelius	$118.29	5	$127.73	8
19,505	Sherwood	$111.07	10	$123.62	9
4,715	Philomath	$102.90	12	$122.20	10
53,145	Albany	$110.14	11	$121.17	11
34,860	Oregon City	$111.47	9	$116.94	12
89,505	Bend	$98.39	13	$109.73	13
60,865	Springfield	$90.33	14	$105.33	14
24,760	Woodburn	$77.64	21	$98.85	15
97,000	Beaverton	$87.65	18	$98.05	16
101,920	Hillsboro	$88.73	15	$96.77	17
24,125	Forest Grove	$88.32	16	$95.02	18
165,265	Salem	$82.02	20	$94.12	19
110,505	Gresham	$85.20	19	$91.64	20
33,810	McMinnville	$76.19	24	$90.46	21
25,830	West Linn	$87.72	17	$90.44	22
169,695	Eugene / EWEB	$77.41	22	$87.00	23
59,280	Corvallis	$75.23	25	$84.93	24
9,890	Monmouth	$76.76	23	$82.00	25
38,505	Keizer	$66.40	26	$76.88	26
37,285	Grants Pass	$64.62	28	$73.70	27
24,820	Roseburg	$64.82	27	$68.66	28
	Average	$98.10		$110.46	

Utility bill calculation includes water, sewer, stormwater and transportation fees, if applicable

Rates are calculated on 3/4-inch meters for residential accounts only; all units calculated in cubic feet

*800 cubic feet is the comparison used by the League of Oregon Cities

600 cubic feet is approximately 4,500 gallons - Average for the City of Toledo

*Does not include revenues from property taxes or GO bonds.

SEWER PROFORMA

11.2%	Incremental Rate Increase		$77.92	$86.64	$96.35	$107.14	$119.14	
	Average Monthly User Rate	$70.07	$77.00	$85.34	$90.74	$106.25	$119.19	$122.16
	Annual % Revenue Increase		9.9%	10.8%	6.3%	17.1%	12.2%	2.5%
	Description	Budget	Budget	5-Year Fiscal Year Projections (3% Annual Revenue and Expenditure Increases)				
		19-20	20-21	21-22	22-23	23-24	24-25	25-26
	Annual Beginning Fund Balance	$0.00	$10,000.00	$89,133.14	$106,056.41	$131,003.53	$164,215.19	$205,939.35
Line	Decription							
Revenues								
1	Toledo Revenue Projections (w/ 3% annual increase)	$1,161,590.00	$1,196,437.70	$1,232,330.83	$1,269,300.76	$1,307,379.78	$1,346,601.17	$1,386,999.21
2	Rate Increase #1 (Needed Adjustment) (w/ 3% increase)		$80,000.00	$82,400.00	$84,872.00	$87,418.16	$90,040.70	$92,741.93
3	Rate Increase #2 (CIP w/ 25% Grants)					$166,580.17	$333,160.33	$333,160.33
4	Rate Increase #3 (System Replace) (w/ 3% increase)			$100,000.00	$150,000.00	$200,000.00	$206,000.00	$212,180.00
	Total Revenue	$1,161,590.00	$1,276,437.70	$1,414,730.83	$1,504,172.76	$1,761,378.11	$1,975,802.21	$2,025,081.47
Expenses and Debt								
5	Transfers to other non-water funds	$25,000	$25,750.00	$26,522.50	$27,318.18	$28,137.72	$28,981.85	$29,851.31
6	Personnel Services	$553,579	$570,186.37	$587,291.96	$604,910.72	$623,058.04	$641,749.78	$661,002.28
7	Material & Services	$362,575	$373,452.25	$384,655.82	$396,195.49	$408,081.36	$420,323.80	$432,933.51
8	Capital Outlay	$45,998	$47,377.94	$48,799.28	$50,263.26	$51,771.15	$53,324.29	$54,924.02
9	Rate Increase #3 (System Replace) (w/ 3% increase)			$100,000.00	$150,000.00	$200,000.00	$206,000.00	$212,180.00
	Sub-Total Typical Expenses	$987,152.00	$1,016,766.56	$1,147,269.56	$1,228,687.64	$1,311,048.27	$1,350,379.72	$1,390,891.11
10	Existing debt service	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00
11	DEQ MAO Sewer Replacement debt (IFA)		$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00
12	DEQ Additional MAO-related loan			$70,000.00	$70,000.00	$70,000.00	$70,000.00	$70,000.00
13	Rate Increase #2 (CIP w/ 25% Grants)					$166,580.17	$333,160.33	$333,160.33
	Sub-Total Annual Debt Service	$164,438.00	$180,538.00	$250,538.00	$250,538.00	$417,118.17	$583,698.33	$583,698.33
	Total Expenditures	$1,151,590	$1,197,305	$1,397,808	$1,479,226	$1,728,166	$1,934,078	$1,974,589
	Sewer System Fund Yearly Savings	$10,000	$79,133	$16,923	$24,947	$33,212	$41,724	$50,492

$125.22	$128.37	$131.62	$134.97	$138.41	$141.96	$145.62	$149.38	$153.26	$157.26	$161.37	$165.61	$169.98	$174.47	$179.10
2.5%	2.5%	2.5%	2.5%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%	2.7%
15-Year Fiscal Year Projections (3% Annual Revenue and Expenditure Increases)														
26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34	34-35	35-36	36-37	37-38	38-39	39-40	40-41
$256,431.37	$315,954.29	$439,779.04	$573,184.67	$716,458.61	$869,896.91	$1,033,804.50	$1,208,495.45	$1,394,293.27	$1,591,531.17	$1,800,552.35	$2,021,710.30	$2,255,369.13	$2,501,903.86	$2,761,700.78
$1,428,609.18	$1,471,467.46	$1,515,611.48	$1,561,079.83	$1,607,912.22	$1,656,149.59	$1,705,834.08	$1,757,009.10	$1,809,719.37	$1,864,010.95	$1,919,931.28	$1,977,529.22	$2,036,855.10	$2,097,960.75	$2,160,899.57
$95,524.18	$98,389.91	$101,341.61	$104,381.85	$107,513.31	$110,738.71	$114,060.87	$117,482.70	$121,007.18	$124,637.39	$128,376.52	$132,227.81	$136,194.64	$140,280.48	$144,488.90
$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33
$218,545.40	$225,101.76	$231,854.81	$238,810.46	$245,974.77	$253,354.02	$260,954.64	$268,783.28	$276,846.77	$285,152.18	$293,706.74	$302,517.94	$311,593.48	$320,941.29	$330,569.53
$2,075,839.10	**$2,128,119.46**	**$2,181,968.24**	**$2,237,432.48**	**$2,294,560.64**	**$2,353,402.65**	**$2,414,009.92**	**$2,476,435.41**	**$2,540,733.66**	**$2,606,960.86**	**$2,675,174.87**	**$2,745,435.31**	**$2,817,803.56**	**$2,892,342.86**	**$2,969,118.33**
$30,746.85	$31,669.25	$32,619.33	$33,597.91	$34,605.85	$35,644.02	$36,713.34	$37,814.74	$38,949.19	$40,117.66	$41,321.19	$42,560.83	$43,837.65	$45,152.78	$46,507.36
$680,832.34	$701,257.31	$722,295.03	$743,963.89	$766,282.80	$789,271.29	$812,949.42	$837,337.91	$862,458.04	$888,331.79	$914,981.74	$942,431.19	$970,704.13	$999,825.25	$1,029,820.01
$445,921.52	$459,299.16	$473,078.14	$487,270.48	$501,888.60	$516,945.25	$532,453.61	$548,427.22	$564,880.04	$581,826.44	$599,281.23	$617,259.67	$635,777.46	$654,850.78	$674,496.30
$56,571.74	$58,268.89	$60,016.96	$61,817.47	$63,671.99	$65,582.15	$67,549.61	$69,576.10	$71,663.39	$73,813.29	$76,027.69	$78,308.52	$80,657.77	$83,077.50	$85,569.83
$218,545.40	$225,101.76	$231,854.81	$238,810.46	$245,974.77	$253,354.02	$260,954.64	$268,783.28	$276,846.77	$285,152.18	$293,706.74	$302,517.94	$311,593.48	$320,941.29	$330,569.53
$1,432,617.85	**$1,475,596.38**	**$1,519,864.27**	**$1,565,460.20**	**$1,612,424.01**	**$1,660,796.73**	**$1,710,620.63**	**$1,761,939.25**	**$1,814,797.43**	**$1,869,241.35**	**$1,925,318.59**	**$1,983,078.15**	**$2,042,570.49**	**$2,103,847.61**	**$2,166,963.03**
$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00	$164,438.00
$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00	$16,100.00
$70,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00
$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33	$333,160.33
$583,698.33	**$528,698.33**	**$528,698.33**	**$528,698.33**	**$528,698.33**	**$528,698.33**	**$528,698.33**	**$528,698.33**	**$528,698.33**	**$528,698.33**	**$528,698.33**	**$528,698.33**	**$528,698.33**	**$528,698.33**	**$528,698.33**
$2,016,316	**$2,004,295**	**$2,048,563**	**$2,094,159**	**$2,141,122**	**$2,189,495**	**$2,239,319**	**$2,290,638**	**$2,343,496**	**$2,397,940**	**$2,454,017**	**$2,511,776**	**$2,571,269**	**$2,632,546**	**$2,695,661**
$59,523	$123,825	$133,406	$143,274	$153,438	$163,908	$174,691	$185,798	$197,238	$209,021	$221,158	$233,659	$246,535	$259,797	$273,457

WATER PERFORMA

7.2%	Incremental Rate Increase		$51.36	$55.06	$59.02	$63.27	$67.83	$72.71
	Average Monthly User Rate	$47.91	$50.84	$55.23	$55.04	$62.74	$70.48	$72.04
	Annual % Revenue Increase		6.1%	8.6%	-0.4%	14.0%	12.3%	2.2%
	Description	Budget	Budget	5-Year Fiscal Year Projections (3% Annual Revenue and Expenditure Increases)				
		19-20	20-21	21-22	22-23	23-24	24-25	25-26
	Annual Beginning Fund Balance	$0	$265,527	$603,597	$964,335	$1,186,748	$1,313,093	$1,343,751
Line	**Decription**							
Revenues								
1	Toledo Revenue Projections (w/ 3% annual increase)	$1,323,485.00	$1,363,189.55	$1,404,085.24	$1,446,207.79	$1,489,594.03	$1,534,281.85	$1,580,310.30
2	**Rate Increase #1 (SRWD Replace) (w/ 3% annual increase)**		$52,050.00	$53,611.50	$55,219.85	$56,876.44	$58,582.73	$60,340.22
3	**Rate Increase #2 (CIP w/ 25% Grants)**				*$217,485.33*	*$434,970.65*	*$652,455.98*	$652,455.98
4	**Rate Increase #3 (System Replace) (w/ 3% annual increase)**			$100,000.00	$200,000.00	$206,000.00	$212,180.00	$218,545.40
5	Seal Rock Revenue Projections	$346,985.00	$357,394.55	$368,116.39				
	Total Revenue	**$1,670,470.00**	**$1,772,634.10**	**$1,925,813.12**	**$1,918,912.97**	**$2,187,441.12**	**$2,457,500.56**	**$2,511,651.90**
Expenses and Debt								
6	Transfers to other non-water funds	$22,500	$23,175.00	$23,870.25	$24,586.36	$25,323.95	$26,083.67	$26,866.18
7	Personnel Services	$509,684	$524,974.52	$540,723.76	$556,945.47	$573,653.83	$590,863.45	$608,589.35
8	Material & Services	$409,622	$421,910.66	$434,567.98	$447,605.02	$461,033.17	$474,864.16	$489,110.09
9	Capital Outlay	$45,575	$46,942.25	$48,350.52	$49,801.03	$51,295.06	$52,833.92	$54,418.93
10	**Rate Increase #3 (System Replace) (w/ 3% annual increase)**			$100,000.00	$200,000.00	$206,000.00	$212,180.00	$218,545.40
	Sub-Total Typical Expenses	**$987,381.00**	**$1,017,002.43**	**$1,147,512.50**	**$1,278,937.88**	**$1,317,306.01**	**$1,356,825.19**	**$1,397,529.95**
11	Existing debt service	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00
12	**Rate Increase #2 (CIP w/ 25% Grants)**					*$326,227.99*	*$652,455.98*	$652,455.98
	Sub-Total Annual Debt Service	**$417,562.00**	**$417,562.00**	**$417,562.00**	**$417,562.00**	**$743,789.99**	**$1,070,017.98**	**$1,070,017.98**
	Total Expenditures	**$1,404,943**	**$1,434,564**	**$1,565,075**	**$1,696,500**	**$2,061,096**	**$2,426,843**	**$2,467,548**
	Water System Fund Yearly Savings	$265,527	$338,070	$360,739	$222,413	$126,345	$30,657	$44,104

$73.64	$75.28	$76.98	$78.73	$80.53	$82.38	$84.29	$86.26	$88.29	$90.37	$92.52	$94.74	$97.02	$99.37	$101.79
2.2%	2.2%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
15-Year Fiscal Year Projections (3% Annual Revenue and Expenditure Increases)														
26-27	**27-28**	**28-29**	**29-30**	**30-31**	**31-32**	**32-33**	**33-34**	**34-35**	**35-36**	**36-37**	**37-38**	**38-39**	**39-40**	**40-41**
$1,387,855	$1,445,809	$1,518,028	$1,604,941	$1,706,988	$1,824,624	$1,958,315	$2,108,544	$2,275,806	$2,460,614	$2,663,492	$2,884,984	$3,125,647	$3,386,057	$3,666,806
$1,627,719.61	$1,676,551.20	$1,726,847.74	$1,778,653.17	$1,832,012.76	$1,886,973.15	$1,943,582.34	$2,001,889.81	$2,061,946.51	$2,123,804.90	$2,187,519.05	$2,253,144.62	$2,320,738.96	$2,390,361.13	$2,462,071.96
$62,150.42	$64,014.93	$65,935.38	$67,913.44	$69,950.85	$72,049.37	$74,210.85	$76,437.18	$78,730.30	$81,092.20	$83,524.97	$86,030.72	$88,611.64	$91,269.99	$94,008.09
$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98
$225,101.76	$231,854.81	$238,810.46	$245,974.77	$253,354.02	$260,954.64	$268,783.28	$276,846.77	$285,152.18	$293,706.74	$302,517.94	$311,593.48	$320,941.29	$330,569.53	$340,486.61
$2,567,427.78	**$2,624,876.93**	**$2,684,049.56**	**$2,744,997.37**	**$2,807,773.61**	**$2,872,433.14**	**$2,939,032.45**	**$3,007,629.75**	**$3,078,284.96**	**$3,151,059.83**	**$3,226,017.94**	**$3,303,224.80**	**$3,382,747.87**	**$3,464,656.62**	**$3,549,022.64**
$27,672.16	$28,502.33	$29,357.40	$30,238.12	$31,145.26	$32,079.62	$33,042.01	$34,033.27	$35,054.27	$36,105.89	$37,189.07	$38,304.74	$39,453.89	$40,637.50	$41,856.63
$626,847.03	$645,652.44	$665,022.02	$684,972.68	$705,521.86	$726,687.51	$748,488.14	$770,942.78	$794,071.06	$817,893.20	$842,429.99	$867,702.89	$893,733.98	$920,546.00	$948,162.38
$503,783.39	$518,896.89	$534,463.80	$550,497.72	$567,012.65	$584,023.03	$601,543.72	$619,590.03	$638,177.73	$657,323.06	$677,042.75	$697,354.04	$718,274.66	$739,822.90	$762,017.58
$56,051.50	$57,733.05	$59,465.04	$61,248.99	$63,086.46	$64,979.05	$66,928.42	$68,936.28	$71,004.37	$73,134.50	$75,328.53	$77,588.39	$79,916.04	$82,313.52	$84,782.93
$225,101.76	$231,854.81	$238,810.46	$245,974.77	$253,354.02	$260,954.64	$268,783.28	$276,846.77	$285,152.18	$293,706.74	$302,517.94	$311,593.48	$320,941.29	$330,569.53	$340,486.61
$1,439,455.85	**$1,482,639.52**	**$1,527,118.71**	**$1,572,932.27**	**$1,620,120.24**	**$1,668,723.85**	**$1,718,785.56**	**$1,770,349.13**	**$1,823,459.60**	**$1,878,163.39**	**$1,934,508.29**	**$1,992,543.54**	**$2,052,319.85**	**$2,113,889.44**	**$2,177,306.13**
$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00	$417,562.00
$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98	$652,455.98
$1,070,017.98	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**	**$1,070,017.98**
$2,509,474	**$2,552,658**	**$2,597,137**	**$2,642,950**	**$2,690,138**	**$2,738,742**	**$2,788,804**	**$2,840,367**	**$2,893,478**	**$2,948,181**	**$3,004,526**	**$3,062,562**	**$3,122,338**	**$3,183,907**	**$3,247,324**
$57,954	$72,219	$86,913	$102,047	$117,635	$133,691	$150,229	$167,263	$184,807	$202,878	$221,492	$240,663	$260,410	$280,749	$301,699

CITY OF TOLEDO
REQUEST FOR COUNCIL ACTION

	Meeting Date:	Agenda Topic:
	April 20, 2022	Interview and consider appointment of individual to the Budget Committee
Council Goal:	**Agenda Type:**	
Not Applicable	Decision Items	
Prepared by:	**Reviewed by:**	**Approved by:**
City Recorder L. Figueroa	City Manager Judy Richter	City Manager Judy Richter

Recommendation:
Staff makes no recommendation but is providing a motion for reference:
Motion to appoint the individual to fill a vacancy on the Budget Committee.

Background:
The City has had an open recruitment to fill vacancies on the Budget Committee.

There is one vacancy at this time and an application was received [Attachment 1] and is presented to the Council for an interview and consideration to appoint the individual.

Fiscal Impact:	Fiscal Year:	GL Number:
Unknown	**2021-2022**	**N/A**

Attachment:
1. Frederick Dyson application
2. Budget Committee interview questions

City of Toledo
Committee Volunteer Application Form

Please indicate which Board or Committee you are applying for:

- [x] Budget Committee
- [ ] Library Board
- [ ] Planning Commission

Name: FREDERICK (RICKY) DYSON

Home Address: [redacted]

TOLEDO OR.

City State Zip

Mailing Address: (if different)

City State Zip

Home Phone: Cell Phone: [redacted]

E-mail address: [redacted]

Residency and Eligibility

Do you reside within the City limits? [x] Yes [ ] No Length of Time _____

Do you reside within the Urban Growth Boundary? [x] Yes [ ] No Length of Time _____

Are you a registered voter in Lincoln County? [x] Yes [ ] No

Are you a Toledo business owner or Manager? [ ] Yes [x] No

If yes, please indicate which business you own/manage:

Have you worked for or previously been a volunteer for the City of Toledo? [x] Yes [ ] No

If yes, what was your position and when? PLANNING COMMISSION

Comments of Interest

Please explain why you are interested in this position:

HELP TOLEDO GROW

Experience & Background

General Background
Please list any qualifications you feel would be of benefit in this position.
Managed several Companies Owned Companies
List previous experience and/or current employment.
Chemical Engineer RETIRED
Please list any current or previous community involvement.
PLANNING COMMITTEE

Certification and Signature

Please initial:

_____ I understand that I may be subject to a criminal background check pursuant to Toledo Municipal Code Chapter 2.44 and if selected to complete one, I will be required to provide personal information to conduct the criminal background check.

By signing below, I certify that the information on the application is true and accurate and that I meet the necessary eligibility and/or residency requirements in accordance with Oregon State Law and/or the Toledo Municipal Code to serve on a Committee for the City of Toledo.

_____ Signature

4/4/22. Date

CITY OF TOLEDO
Budget Committee Interview Questions

1. What do you feel is the role of a Budget Committee member?

2. Have you ever managed, administered, or been responsible for a budget? If so, what size was the budget and for what purpose?

3. What are the basic services any city should provide?

4. In your opinion, what is the most important service Toledo provides to the residents? Why? (e.g., fire, police, library, planning, etc.)

5. If you had a dollar to spend, how would you appropriate it for city services?

6. Any additional questions posed by Council.

CITY OF TOLEDO
REQUEST FOR COUNCIL ACTION

	Meeting Date:	Agenda Topic:
	April 20, 2022	Permit application – Consume Alcohol in public places for Cycle Oregon event
Council Goal:	**Agenda Type:**	
Not Applicable	Decision Items	
Prepared by:	**Reviewed by:**	**Approved by:**
City Recorder L. Figueroa	City Manager Judy Richter	City Manager Judy Richter

Recommendation:
Motion to approve the application request to consume alcohol in public places from the Old Gold.

Background:
Cycle Oregon is hosting an event on Memorial Field and the Port of Toledo waterfront area on May 20-22, 2022. In addition to the many activities they have planned there will be a beer garden hosted by The Old Gold. The Old Gold plans to be at the event the follow dates and times:

Friday 4:00 – 10:00 p.m.
Saturday 4:00 – 10:00 p.m.
Sunday 12:00 – 5:00 p.m.

Their application to consume alcohol in public places is attached and the owner, Chip Addabbo will be available to answer any questions by the Council.

Fiscal Impact:	Fiscal Year:	GL Number:
Unknown	**2021-2022**	**N/A**

Attachment:
1. Application

CITY OF TOLEDO
Consume Alcoholic Beverages in a Public Place
Permit Application

Event Information

Date(s) of Event: May 20 - 22 Time of Event: 4 pm May 20th - 5 pm May 22

Event Location: Waterfront Park, 127 NW A St, Toledo, OR 97391

Type of Alcohol to be consumed at the event: Beer Wine Cocktails

Applicant must provide the following information:

1. Identify the event area (e.g., entire premises, area within a park, provide a site map if necessary):

Waterfront Park | See attached site Map

2. List primary activities within the area (dinner, auction, beer garden, food fair):

dinner, music, event annoucements, beer garden

3. Will minors and alcohol be allowed in the same area together? ☒ Yes ☐ No

4. What is the expected attendance in the event area per day? 150

**If 50 or more people are expected, than you will be required to submit an Application for Outdoor Event Permit*

***Cycle Oregon holds the outdoor event permit. We are providing beer garden services for Cycle O.**

5. Describe your plan to prevent problems or violations.

4 OLCC licensed servers on staff, volunteer alcohol monitors,

6. Describe your plan to prevent minors from gaining access to alcoholic beverages.

ID everyone who looks younger than 40, Alcohol monitors throughout the venue

7. Describe your plan to manage alcohol consumption by adults.

OLCC licensed servers monitoring consumption, looking for typical over consumption behavior. Alcohol monitors through venue

Applicant/Organization Information

Organization Name: The Old Gold

Applicant/Contact Name: Chip Addabbo

Phone: 503 - 403 -8144 E-mail address: chip@threeonamatchbars.com

Mailing address: 2105 N Killingsworth St

Portland OR 97217

City State Zip Code

Name/Number of Alternate Contact: Whitney Delk 503 867 3321

CITY OF TOLEDO
Consume Alcoholic Beverages in a Public Place
Permit Application

Certification of Application

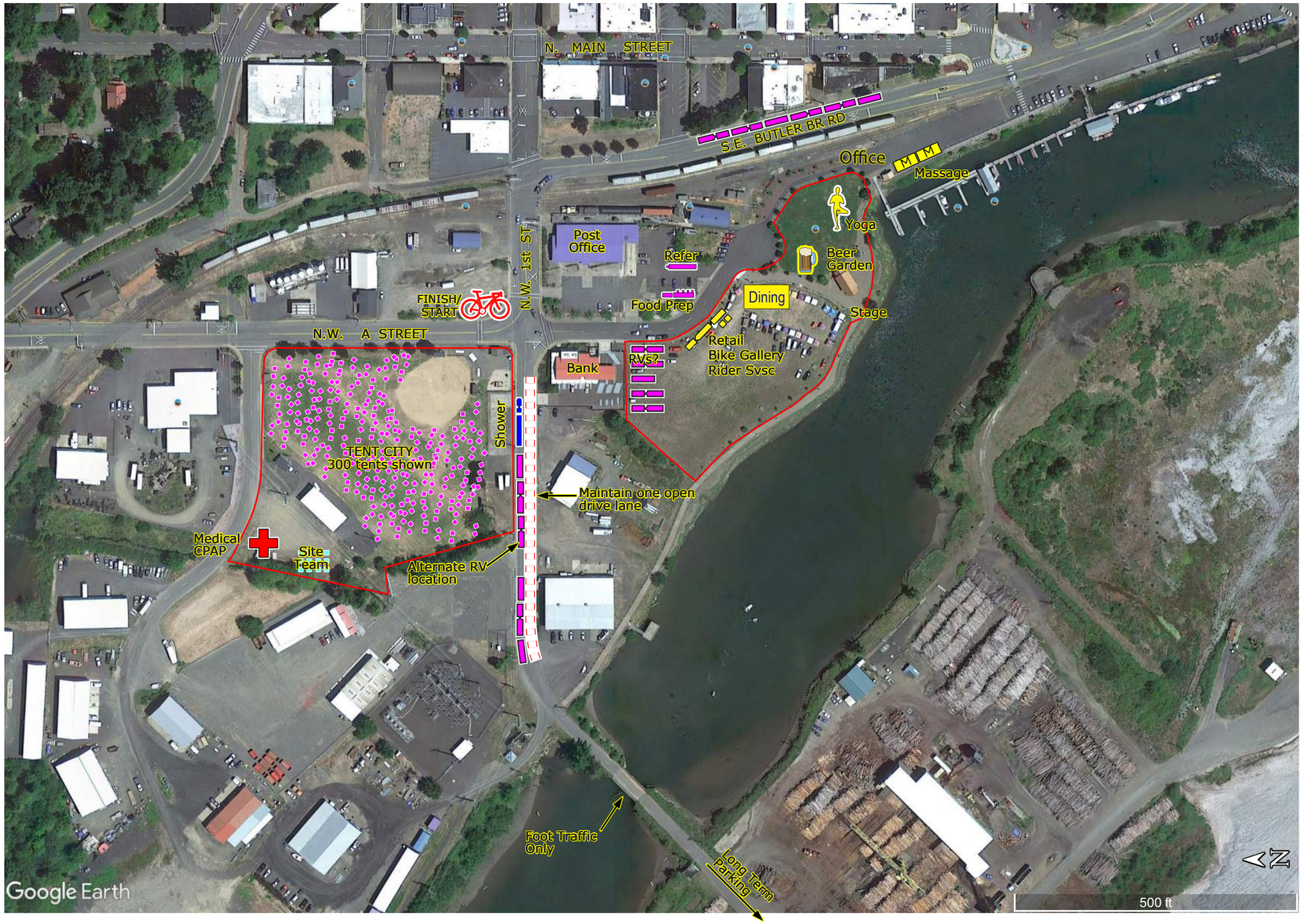
Please read carefully and check all boxes for the terms of the permit.

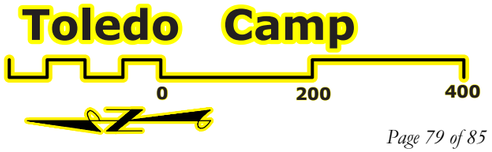
- ☐ I agree to comply with all Toledo City Ordinances and Oregon State laws pertaining to this event.
- ☐ I agree to comply with all requirements and additional conditions of approval placed on this permit.
- ☐ I agree that the applicant and/or the alternate contact person listed in this permit will attend the event and be made available for contact throughout the duration of the event.
- ☐ I further agree to defend, indemnify, and hold harmless the City of Toledo, its officers, agents, and employees from any and all liability, actions, claims, losses, damages, or other costs, including attorney fees, for injuries to persons and damage to property arising out of the activities pursuant to this permit.
- ☐ I understand the City reserves the right to suspend or revoke this permit at any time without cause.
- ☐ I understand this is a one-time permit and valid only for the specific event identified in this document.
- ☐ I certify that information contained in this application is true and correct. I understand that false information may be grounds for denial or revocation of this permit.
- ☐ Proof of Liability Insurance included
- ☐ Initials: *I understand that the application may be held for approval until I provide all necessary information*
- ☐ I certify all information submitted is complete and correct to the best of my knowledge. I understand a false answer may be reason to deny this application.

Signature _____ Date **4.11.22**

OFFICE USE ONLY:	
DATE RECEIVED: 4/11/2022	EVENT NUMBER: _____

Waterfront Park, 127 NW A St, Toledo, OR 97391





1. My Annual License is a:	✔ FULL ON-PREMISES ☐ LIMITED ON-PREMISES
2. Licensee Name (please print): Olive and Percy LLC	
3. Email: Chip@threeonamatchbars.com	
4. Trade Name of Business: The Old Gold	**5**. Fax (Optional)
6. Address of Annual Business: 2105 N Killingsworth St	**7.** City Portland
8. Contact Person: Chip Addabbo	**9.** Contact Phone: 503-403-8144
10. Event Name (if one): Cyle Oregon Gravel	
11. Date(s) of event (no more than **seven** days): May 20 - May 22 2022	
12. Start/End hours of alcohol service: 4 PM (am / pm) to 10 PM (am / pm)	
13. Address of Special Event (Street, City and Zip): Waterfront Park, 127 NW A St, Toledo, OR 97391	

14. Is the event, or any part of the event, outdoors?	✔ Yes ☐ No
14a. If yes, submit a drawing showing the licensed area and its boundaries.	
15. List the name(s) and service permit number(s) of alcohol manager(s) on-duty and in the licensed area: [redacted]	
16. What is the expected attendance *per day* in the area where alcohol will be sold or consumed? 150 If the expected attendance is 301 or more per day, the event must have at least $300,000 of liquor liability insurance coverage (ORS 471.168) and you must *also* answer questions 17 and 18. If your answer is 300 or fewer per day, please skip questions 17 and 18.	
17. Insurance Company: Western World Insurance Company	**18.** Policy #: [redacted]
19. GOVERNMENT RECOMMENDATION: You must obtain a recommendation from the local city **OR** county **before** submitting this application to the OLCC.	
19a. Name the **CITY** if the event address is within a city's limits: Toledo	
OR **19b.** Name the **COUNTY** if the event address is outside the city's limits:	

I affirm the following:

- Minors (people under the age of 21) and visibly intoxicated people will not be allowed to buy, possess, or consume alcohol.
- The only open containers of alcohol that may be taken off the licensed area are securely covered containers (growlers) of malt beverages, wine, or cider. I will not allow any other open container of alcohol to leave the licensed premises.
- Marijuana (such as use, consumption, ingestion, inhalation, samples, give-away, sale, etc.) is prohibited on the special event licensed premises.
- The event will meet the food service requirements of a Temporary Use of an Annual License.
- I affirm I am authorized to sign this application on behalf of the applicant.

20. Licensee Name (print): Chip Addabbo	
21. LICENSEE SIGNATURE:	**22.** Date: **4.11.22**

CITY OR COUNTY USE ONLY

The city/county named in #19 above recommends:

☐ Grant ☐ Acknowledge ☐ Deny (attach written explanation of deny recommendation)

(Optional) City/County Contact Person:

(Optional) Phone Number or Email:

City/County Signature: Date:

FORM TO OLCC: This license is valid only when signed by an OLCC representative. Submit this form to the OLCC office regulating the county in which your special event will happen.

OLCC USE ONLY Fee Paid: Date: Receipt #:

License is ☐ Approved ☐ Denied

OLCC Signature: Date:

CITY OF TOLEDO
REQUEST FOR COUNCIL ACTION

	Meeting Date:	Agenda Topic:
	April 20, 2022	Contract Award for water main and service line replacements and authorize the City Manager to sign the Task Order
Council Goal:	**Agenda Type:**	
Maintain and improve public infrastructure and facilities	Decision Items	
Prepared by:	**Reviewed by:**	**Approved by:**
Public Works Director B. Zuspan	City Manager Judy Richter	City Manager Judy Richter

Recommendation:

Motion to award a contract to Laskey-Clifton for up to $310,000 for water main and service line replacements and authorize the City Manager to sign the Task Order.

Background:

These two projects will upgrade the current A/C mainline on NE 3rd St. between Beech & Alder that includes 3-4 service lines.

The second half of the project begins at intersection of NE 6th & Alder, continues North to N.E. 9th St. It will include 1-2 service lines with one smaller main tie-over. This section is also A/C pipe that is at the end of its lifespan.

This will also put the City in a great position to replace the remaining line on Alder St. to 10th St. and east to reach an existing 8" line West to "A" St. to a 10" tie-in next summer & budget year.

This amount includes the engineering costs and estimated contractor costs, which are attached.

NOTE: This project has gone out to bid and a letter of intent to award has been written. However, the lowest bid was $304,162.25. Current market prices on oil based products and fuel have increased the cost.

Fiscal Impact:	Fiscal Year:	GL Number:
$310,000	**2021-2022**	**041-410-620520**

Attachment:

1. Task Order #8

TASK ORDER No. 8
City of Toledo
NE Alder St. & NE 3rd St. Water Line Replacement

SCOPE OF WORK: The development of construction plans and technical specifications, project bidding, and construction administration for a water line replacement project for the City of Toledo (City). The project consists of replacing existing 6-inch diameter AC water lines with 6-inch diameter PVC water lines on NE Alder Street and NE 3rd Street.

SCOPE OF SERVICES: The scope of engineering services for this task order includes design engineering, project bidding, and construction administration for the installation of approximately 1,050 linear feet of new 6-inch diameter water line.

The work tasks itemized below describe the major tasks for Task Order No. 8.

Phase 1 – Design Engineering

Construction documents, including construction plans and technical specifications, will be developed by The Dyer Partnership for the proposed water line improvements. The following items are major components required for completion of the construction documents:

- Project setup and management.
- Review of the project site.
- Prepare existing conditions base map/site plan.
- Design meetings and coordination with City Staff.
- Prepare design plans for City review and comment.
- Prepare technical specifications for City review and comment.
- Provide estimated costs for construction and an estimated timeline for construction.
- Prepare and submit final construction documents to City.

Phase 2 – Project Bidding

The Dyer Partnership will provide the following services as part of project bidding phase:

- Prepare bidding documents including bidding requirements and contract documents.
- Prepare advertisement for bids and send to City-approved publications (City to pay advertising expense).
- Develop electronic copies (pdf) of final bidding documents and distribute to QuestCDN for bidders and suppliers to purchase and download. Reproduce

bidding documents and distribute to Owner, Engineer and interested bidders.
- Review bidder's prequalification submittals.
- Respond to bidder questions and prepare addendums, if needed.
- Attend bid opening.
- Review bids and recommend contract award based on public contracting rules.
- Prepare construction contracts for City approval.
- Issue Notice of Intent to Award, Notice of Award and Notice to Proceed.

Phase 3 – Construction Administration

The Dyer Partnership will provide the following services as part of the construction administration phase:

- Conduct pre-construction conference.
- Administer construction contract. Prepare necessary pay requests and change orders. Coordinate with District staff on potential construction problems and recommend a cost-effective remedy in order to avoid construction delays.
- Provide water line field layout.
- Prepare monthly and final payments to the contractor and review with District.
- Periodic site inspections, with the City providing full time inspection.
- Conduct final inspection, punch list and back-check for corrective work.
- Provide Record Drawings from contractor's markups.

Proposed Fee

Services will be performed and billed on a time and materials basis. The fee for these services is a not to exceed a maximum of $39,400, including all professional services and reimbursable expenses.

The approximate breakdown of costs associated with each phase is provided in Attachment A and the total cost of services is provided below:

Task	Cost
Task 1 – Design Engineering	$19,800
Task 2 – Project Quote Solicitation	$5,100
Task 3 – Construction Observation and Administration	$14,500
Total Fee	**$39,400**

WORK PRODUCT: All required Construction Plans and Technical Specifications documents for the NE Alder St. and NE 3rd St. Water Line Replacement project.

CONTRACTOR'S CONSIDERATION: $39,400, not to exceed maximum.

PAYMENT METHOD: Monthly Billing

SERVICES NOT INCLUDED

- Route survey.
- Pre and Post construction surveys.
- Construction staking.
- Permits, if required.
- Advertisement for Bids (City to pay advertising fees).
- Full time construction observation.
- Certified payroll review.

CONSTRUCTION AND SITE

Design Professionals shall have no responsibility for construction means, methods, sequences, scheduling or job site safety, as all of the foregoing shall be the sole responsibility of Client and/or Contractor.

CLIENT: City of Toledo

_____
Judy Richter, City Manager

Date:_____

ENGINEER: The Dyer Partnership Engineers & Planners, Inc.

_____
Steve Major, President

Date:_____

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