

From: Councilor David Allen
To: Newport City Council and
Infrastructure Task Force
Re: Jan. 6, 2014 Council Meeting

The enclosed report is the result of a process undertaken by the task force over the past five months and 10 meetings, per the direction in the enclosed resolution that established the task force in June 2013.

Also enclosed is the 5-year plan to increase utility rates and fees the city implemented in 2012, but which the council and budget committee recognized in the last budget process “can create a financial hardship for residents and businesses,” as noted in the resolution.

As chair of the task force, I’d like to thank the task force members and city staff for the time and effort put into this process. Consensus was reached on all the bullet points in the report. The information used by the task force in developing the report can be accessed online at <http://www.thecityofnewport.net/citygov/comm/itf.asp>.

At the last task force meeting, it was noted the council and city staff would need to evaluate and determine any preference among the funding options listed in the report. Not only for the upcoming budget process with the budget committee, but also on an ongoing basis.

Enc: Task force report
Res. 3637
5-year plan

Report from the Newport Infrastructure Task Force – Jan. 6, 2014 Council Meeting

Newport Mission Statement

The City of Newport pledges to effectively manage essential community services for the well-being and public safety of residents and visitors. The City will encourage economic diversification, sustainable development, and livability (revised April 1, 2013).

General Assumptions

- City has a responsibility to fund the maintenance and improvements of its capital assets. Capital assets include city-owned infrastructure, facilities and other improvements that provide services to the public, usually with benefits to the community at-large as well as the direct user.

- Capital assets considered by the Task Force include:
 - Water Infrastructure
 - Wastewater Infrastructure
 - Stormwater Infrastructure
 - Streets
 - Rights-of-way (lighting, landscaping, incidental structures)
 - City facilities (buildings, parks, public parking lots, public piers, etc.)

The issue of rolling stock (fire engines, heavy equipment, police vehicles, etc.) was discussed, but is not factored into the Task Force recommendations.

- Assumed need for annual investments to upgrade capital assets moving forward:
 - Water – \$1.5 million (2013 dollars)
 - Wastewater – \$1.5 million (2013 dollars)
 - Stormwater – \$ Not available
 - Streets (including rights-of-way) – \$ Not available
 - City Facilities – \$ Not available

Where figures were not available, estimates will need to be prepared to inform upcoming budget discussions. The Task Force recommends that this take place no later than March 1, 2014. It is understood that such estimates will be subject to change as capital facility plans are prepared and updated.

Potential Near-Term (1-5yr) Recommendations:

- These potential recommendations were prepared with the understanding that funding capital project needs is necessary both in the near term and long term, with an eye toward minimizing financial hardship for residents and businesses and ensuring equitable contributions from both existing and future users.
- A number of options for funding capital project needs were discussed, including:
 - Consider continuing “pay as you go” approach that relies upon utility rate increases to pay for capital project needs. This includes continuing the 5-year plan to increase water and sewer rates that calls for water rate increases at 10% in FY15 and FY16, and an 8% increase in FY17, with 5% increases each year thereafter. Sewer rates would increase 15% in FY15, and 10% in FY16 and FY17, with 5% increases each year thereafter. Stormwater and Infrastructure fees would increase 5% each year.
 - Consider a budget strategy that leverages utility revenues to secure loans/revenue bonds for needed capital projects in lieu of the remaining years of the 5-year plan for rate increases. Future water and wastewater rate changes would be limited to inflationary adjustments and debt service requirements. Stormwater and Infrastructure fees would increase at least 5% each year.
 - Consider general obligation bonds as a potential financing option for discrete facilities that serve the broader community.
 - Continue to pursue grants to fund capital project needs, recognizing that these funding opportunities have administrative requirements that influence timelines and the scope of projects, and are not available for all types of work.
 - Evaluate whether or not a new tax is a viable funding option, if it can capture more tourism dollars to help pay for capital infrastructure needs. An example discussed is a food and beverage sales tax imposed by cities such as Ashland and Yachats.
 - Consider looking at annexation and urban renewal as opportunities to expand and grow the City’s tax base over time so that it is more capable of meeting its capital project needs with existing funding sources.

- Consider whether a policy option package should be prepared for Budget Committee and Council consideration that eliminates payment of the in lieu of franchise fees from the Water and Wastewater (Sewer) Funds into the General Fund, which started in FY03.
- Consider developing a comprehensive 10-year prospective debt schedule across all city departments to ensure viability of financing City's capital infrastructure needs.
- Consider reevaluating the City's reserve policy to ensure that it meets, but does not exceed, best management practices.
- Consider adjusting the City's utility rates to include a viable low-income assistance program.
- Consider adjusting the City's utility rates to ensure equitable cost sharing among all users.
- Consider developing incentives for water conservation.
- Pursue changes to the format of the City's utility bills to show more information about how the fees are used along with a glossary of terms.
- Consider developing level of service standards (e.g. extent to which streets are maintained, swept, etc.).
- Prioritizing services and associated funding should be considered as part of the Council goal setting process and should be informed by past decisions and also feedback from the public, staff and other stakeholders.
- Support efforts to complete the City's facility master plans where they haven't been developed so that the community has an accurate assessment of its near and long term capital infrastructure needs.
- Support efforts to map the location and assess the condition of the City's water, sewer, storm drainage and street infrastructure, so that the information can be used to inform service priorities.

Potential Long-Term (Ongoing) Recommendations:

- Support efforts to update the City's facility master plans so that the community has an accurate assessment of its near and long term capital infrastructure needs.
- Critically evaluate proposed projects in the City's facility master plans to ensure that they reflect what is realistically expected within the planning period as these plans serve as the foundation for future funding decisions.

- Comprehensively evaluate utilization of existing facilities to see if cost savings can be achieved through consolidating space usage, reduced utility expenses, etc.
- Support ongoing efforts to map the location and assess the condition of the City's water, sewer, storm drainage and street infrastructure, so that the information can be used to inform service priorities.
- Consider developing level of service standards (e.g. extent to which streets are maintained, swept, etc.).
- Explore opportunities to more equitably distribute costs and/or achieve organizational efficiencies for services that provide regional benefit (e.g. regional fire authority, regional airport authority, county street lighting district).
- Follow through with the policy and action items related to the provision of infrastructure contained in the Economic Opportunity Analysis that the City completed in 2012.
- Recognize that measures should be put in place to periodically check and verify that selected recommendations are achieving desired outcomes.

Appendices

The above recommendations were developed and informed by the following information, which can be accessed online at <http://www.thecityofnewport.net/citygov/comm/itf.asp>

12/19/2013	Mtg Handout-Water Rate and Cost Analysis
12/19/2013	Mtg Handout - Typical NW Residential Monthly Bill
12/19/2013	Option-2 Wastewater Fund Analysis
12/19/2013	Option-2 Water Fund Analysis
12/19/2013	Mtg Handout - OR Coast Water and Sewer Rate Comparison
12/19/2013	ITF-Draft Recommendations with attachments
12/5/2013	Mtg Material Gazewood email Regarding--S-P Rating
12/5/2013	Infrastructure Information Cities
11/21/2013	11-21-13 Mtg Material-Wastewater Option
11/21/2013	11-21-13 Mtg Material-Water Option
11/7/2013	ITF meeting discussion 11-07-13
10/31/2013	Discussion ITF 10-31-13
10/10/2013	Potential Funding Sources - Bullet List
10/10/2013	City Properties 2013
10/10/2013	Bond Rating and Debt Rpt-10-10-13
10/10/2013	Chase-Park PwrPt Oct-10-2013
9/19/2013	Mtg Material-Chase Park Monthly Rpt
9/19/2013	Mtg Material-List of Grants

9/19/2013 [Mtg Material-FY-14 5-year CIP APPROVED 6-17-13](#)
9/19/2013 [Mtg Material-Npt Strategic Funding Plan FYE2014-9.17.13](#)
9/19/2013 [Sched-A-Existing Revenues Sources- Bonded Indebtedness](#)
9/19/2013 [Sched-B-Existing Revenues Sources - Special Revenue](#)
9/19/2013 [Sched-C-Existing Revenues Sources - SDC Funds](#)
9/19/2013 [Sched-D-Existing Revenues Sources - Capital Projects Fund](#)
9/5/2013 [Mtg Materials City-Owned Properties Maps](#)
9/5/2013 [Mtg Material-2008 Water System Master Plan](#)
9/5/2013 [Mtg Material-Npt Ped-Bike Plan 7-2008](#)
9/5/2013 [Mtg Material-SB Strmwtr Master Plan 2004](#)
9/5/2013 [Mtg Material-TGM SB Peninsula Trans Refinement Plan](#)
9/5/2013 [Mtg Material-Wastewater Facilities Plan 1996](#)
9/5/2013 [Projects Under the TSP](#)
8/15/2013 [PowerPoint Presentation 8-15-13](#)

CITY OF NEWPORT
RESOLUTION NO. 3637

A RESOLUTION ESTABLISHING
AN INFRASTRUCTURE TASK FORCE

WHEREAS, the City Council and Budget Committee recognize the need for consistent and long-term public infrastructure investment; and

WHEREAS, the City Council and Budget Committee recognize that utility rates and fees can create a financial hardship for residents and businesses; and

WHEREAS, the City Council and Budget Committee desire to explore different and various funding options for public infrastructure investment; and

WHEREAS, the City Council, in consultation with the Budget Committee, has determined that a task force should be established to study this issue and forward recommendations to the City Council.

The City of Newport Resolves as follows:

Section 1. The City Council establishes an Infrastructure Task Force with the following members:

David Allen, City Councilor
Ralph Busby, City Councilor
Mark Saelens, City Councilor
Patricia Patrick-Joling, Budget Committee
Fred Springsteen, Budget Committee
Mark McConnell, former Mayor

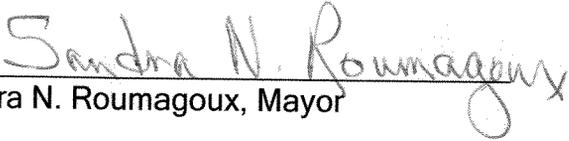
Section 2. The Task Force will consult with the Public Works Director, Finance Director, Community Development Director, and other city staff, as needed, in studying this issue.

Section 3. The Task Force will forward recommendations to the City Council for consideration and a potential plan of action.

Section 4. The Task Force will complete its task by the regular City Council meeting of January 6, 2014.

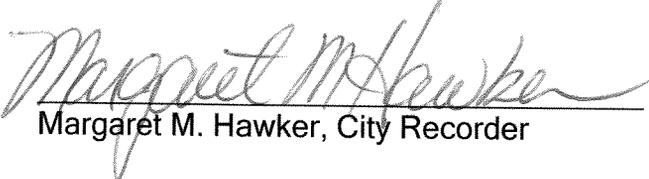
Section 5. This resolution is effective upon adoption.

Adopted by the Newport City Council on June 17, 2013.



Sandra N. Roumagoux, Mayor

ATTEST:



Margaret M. Hawker, City Recorder

5 Year Scenario

Period	Example Monthly Bills*				Total Projected Utility Billing	Annual Rate Revenue Increases			Cost per gallon Water	Cost per gallon Wastewater
	Infrastructure Fee	Water	Sewer	Storm Water Fee		Water	Wastewater	Stormwater and Infrastructure Fee		
Current	\$5.65	\$24.70	\$37.35	\$0.00	\$67.70				\$0.004	\$0.006
FY2013	\$5.93	\$28.41	\$44.82	\$6.80	\$85.96	15%	20%	5%	\$0.005	\$0.007
FY2014	\$6.23	\$32.67	\$51.54	\$7.14	\$97.58	15%	15%	5%	\$0.005	\$0.009
FY2015	\$6.54	\$35.93	\$59.27	\$7.50	\$109.24	10%	15%	5%	\$0.006	\$0.010
FY2016	\$6.87	\$39.53	\$65.20	\$7.87	\$119.47	10%	10%	5%	\$0.007	\$0.011
FY2017	\$7.21	\$42.69	\$71.72	\$8.27	\$129.89	8%	10%	5%	\$0.007	\$0.012
FY2018	\$7.57	\$44.82	\$75.31	\$8.68	\$136.38	5%	5%	5%	\$0.007	\$0.013
FY2019	\$7.95	\$47.06	\$79.07	\$9.11	\$143.20	5%	5%	5%	\$0.008	\$0.013
FY2020	\$8.35	\$49.42	\$83.03	\$9.57	\$150.36	5%	5%	5%	\$0.008	\$0.014
FY2021	\$8.77	\$51.89	\$87.18	\$10.05	\$157.88	5%	5%	5%	\$0.009	\$0.015
FY2022	\$9.20	\$54.48	\$91.54	\$10.55	\$165.77	5%	5%	5%	\$0.009	\$0.015

* Residential Monthly Bill Example: 3/4" meter at 5000 GAL