



Staff Report

For City Council Meeting - 8/2/2023

Subject - Ordinances/Resolutions - Resolution #990 A Resolution Adjusting Water Rates in the City of Gearhart

Synopsis: Gearhart built its own water treatment facility in 2011, but unforeseen factors caused higher construction and operation costs. The project was delayed for three years due to appeals, leading to increased expenses, changing building code requirements, and allowable arsenic levels resulting in a \$4 million shortfall made up by an additional bond. Additionally, the city discovered reduced water allocation in the summer, creating unexpected expenses, including the reliance on Warrenton water.

Over the past decade, the Water Reserve Account has grown steadily while expenses increased. Operational costs for the water system, including aging infrastructure, labor, fuel, utilities, service contracts, freight surcharges, and supplies, have risen without proportional revenue growth. Eliminating transfers to the Water Reserve Account provides a short-term solution but hinders future reserves.

Other factors contributing to declining operating funds include the pandemic's impact on costs, increased summer traffic, remote work, and a 22% population increase. The census doesn't account for the full-time residents increase in Gearhart during and after the pandemic.

At the July worksession, Council Instructed staff to write a resolution reflecting a 15% increase in basic and above-basic consumption rates for the August city council meeting. A current vs. proposed comparison rate sheet was shared at the Town Hall meeting on July 26th. The attached resolution cites the proposed rates as discussed.

Council Options:

- 1) Resolve to approve Resolution #990;
- 2) Make changes and motion to approve as amended;
- 3) Take other action.

Recommendation: Staff recommends Council motion to approve Resolution #990.

Recommended Motion

Move to approve Resolution #990 to increase the water rates and tapping fees in Gearhart by 15% for fiscal year 2023-2024.

Legal Analysis: This resolution only pertains to water rates and tapping fees. As it repeals all other water related ordinances, a new resolution addressing common water billings fees, processes, and liabilities is being drafted and will be brought to Council promptly.

Financial Analysis: As previously identified in the 2023 Water Rate Study. Other goals and processes surrounding water rates that staff and Council discussed for future implementation include:

- Begin transferring \$40,000 annually from the water fund to the water reserve account starting in the fiscal year 2024-2025 if revenue is available.
- Consider rate increases annually to cover rising costs and achieve a 90-day operating expense reserve in 3-5 years.
- Increase the water reserve account to fund future projects, including exploring grant and low-interest loan opportunities. Report yearly to the council on labor, materials, services, CPI, COLA, and other factors during the budget cycle in spring.
- Grow the working capital over the next 3-5 years to accomplish 90 days of operating expenses. This goal may be accomplished sooner, depending on revenues and future rate increases.
- Increase the water reserve account to fund future projects. This increase may include grants or low-interest loans as projects and grant opportunities are identified.
- Continue water conservation projects, including better leak detection, updated meter installations, and promoting resident water conservation efforts.

Respectfully Submitted,



Chad



RESOLUTION NO. 990

A RESOLUTION ADJUSTING WATER RATES IN THE CITY OF GEARHART AND REPEALING ALL PREVIOUS WATER ORDINANCES/RESOLUTIONS

WHEREAS, the City of Gearhart Water Department is an enterprise fund and revenues must pay expenses; and

WHEREAS, the City of Gearhart needs to update its water rates to keep up with increasing costs and capital improvements; and

WHEREAS, the City of Gearhart has not adjusted water rates as of January 1, 2014; and

WHEREAS, the Gearhart City Council is in support of a 15% water rate increase for the FY 23-2024 with a rate review period during the next budgetary cycle process.

NOW THEREFORE, THE CITY OF GEARHART RESOLVES AS FOLLOWS:

Section 1. Gearhart’s Water Rate Schedule shall be as follows:

Meter Size	Bi-Monthly Minimum Charge	Monthly Allowance in Gallons
5/8" x 3/4"	\$ 44.86	7,480
1"	\$ 85.10	14,960
1-1/2"	\$ 184.00	14,960
2"	\$ 299.00	14,960
3"	\$ 558.90	14,960
4"	\$ 639.40	14,960
6"	\$ 1,016.60	14,960

For water usage above the monthly allowance in gallons (the minimum):

\$7.41 per 748 gallons of metered water consumption over the minimum.

Allowances outside city limits for gallons remain the same as in City times 1 ½ (1.5).

Section 2. Tapping Fees shall be as follows:

The tapping fee shall be for a ¾ inch tap and ⅝ by ¾ inch meter with a service line up to 50 feet in length. Any service line over 50 feet in length shall be charged labor and materials plus 25 percent for the difference between 50 feet and the property line or meter location.

⅝" x ¾" meter \$1,322.50

1" or larger meter \$1,322.50 plus larger meter and materials costs

Section 3. City Ordinances No. 429, 852, and 874 are all repealed in their entirety. Any City Ordinance and/or Resolution or parts of Ordinances or Resolutions, in conflict herewith are also hereby

repealed.

Section 4. The Gearhart City Council concludes it is appropriate to update the water rates and further finds the schedule of proposed water rates herein specified and established are just, reasonable, and necessary.

Section 5. The water rates established by this resolution are separate from, and in addition to, any other applicable taxes, fees, assessments, or charges, including but not limited to water rates, which are required by the City or represent a condition of a land use or development approval.

Section 6. Effective Date. This resolution shall become effective immediately upon its passage by the Gearhart City Council.

APPROVED and PASSED by the City Council of Gearhart at their regular meeting on the 2nd day of August, 2023 by the vote of _____ ayes and _____ nays.

Mayor Kerry Smith

ATTEST:

Chad Sweet, City Administrator

GEARHART WATER RATE INCREASE COMPARISON SHEET 2023

All proposed In City rates shown reflect a 15% increase.

YOUR METER SIZE	CON RANGE 1 CON = 748 Gallons	MAXIMUM GALLONS BEFORE BILLED **OVERAGES	CURRENT IN CITY RATES	<u>PROPOSED IN CITY RATES</u>	CURRENT OUTSIDE CITY RATES (City rate x 1.5)	<u>PROPOSED OUTSIDE CITY RATES</u> (City rate x 1.5)
*5/8" - 3/4"	0-10	7,480	\$39.00	\$44.86	\$58.50	\$67.29
1"	0-20	14,960	\$74.00	\$85.10	\$111.00	\$127.65
1 1/2"	0-20	14,960	\$160.00	\$184.00	\$240.00	\$276.00
2"	0-20	14,960	\$260.00	\$299.00	\$390.00	\$448.50
3"	0-20	14,960	\$486.00	\$558.90	\$729.00	\$838.35
4"	0-20	14,960	\$556.00	\$639.40	\$834.00	\$959.10
6"	0-20	14,960	\$884.00	\$1,016.60	\$1,326.00	\$1,524.90

*current per DAY City rate is \$.65 [$.65 \times 60 = \39] / Outside City rate is \$.98 [$.975 \times 60 = \58.50]

***proposed per DAY City rate is \$.74 [$.7477 \times 60 = \44.86] / Outside City rate is \$1.12 [$1.1215 \times 60 = \67.29]**

OVERAGES (All Meter Sizes)

**current - each CON over is \$6.44 In City / \$9.66 Outside (City rate x 1.5)

****proposed - each CON over is \$7.41 In City / \$11.12 Outside (City rate x 1.5)**

TAPPING FEES (In City & Outside)

5/8" - 3/4" meters

current \$1,150.00

proposed \$1,322.50

1" & larger meters

current \$1,150.00 *plus larger meter & material costs

proposed \$1,322.50 *plus larger meter & material costs