

City of Salem Public Works Department  
2024-2025  
Utility Rate Proposal  
Task Force Orientation

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Water/Wastewater Task Force  
June 20, 2024

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WELCOME!

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Introductions

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Setting the Stage

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Salem's Utility

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Strategic Financial Planning in Salem


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Upcoming Policy Issues

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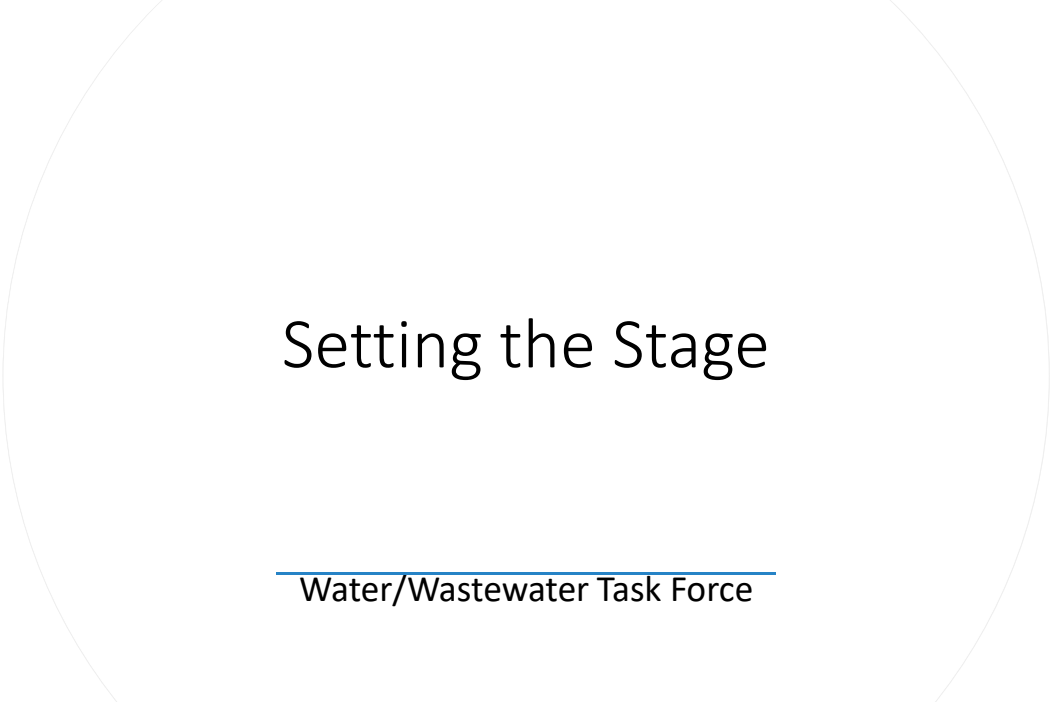
Meeting and Public Outreach Schedules

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Task	Trevor Phillips, Chair, City Councilor/Ward 3
Force	Linda Nishioka, City Councilor/Ward 2
Members	Deanna Gwyn City Councilor/Ward 4
	Micki Varney, City Councilor/Ward 8
	Kevin Cameron, Commissioner, Marion County
	Jason Daggett, Sub. E. Salem Water District
	Dan Kohler, Councilor, City of Keizer
	Scott McClure, Administrator, City of Turner
	Jordan Truitt, Salem Area Chamber of Commerce
	Curt Hyland, SEDCOR
	Ken Bierly, Community Member
	John Lattimer, Community Member
	Julie Hoy, City Councilor/Ward 6
	Tim Wood, Finance Director, City of Keizer

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# Setting the Stage


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Water/Wastewater Task Force

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## Our customers...

- Take utility services for granted
- Drinking water is manufactured, transported and stored to be available on demand.
- Wastewater disappears, and it is conveyed and treated before returning to the river.
- Customers want stormwater to be conveyed without issue and for creeks to be pristine.



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## Our utility...

-  Provides operations, maintenance, engineering, and support services required to manage a large, multi-faceted utility.
-  Has fixed operating, maintenance and debt service costs—regardless of consumption.
-  Has large and continuing capital needs required to address the age of the infrastructure and growth of the community.
-  Is impacted by cost inflation that is often higher than the Consumer Price Index (CPI).
-  Is a large enterprise that is run as a business and requires long-term financial stability.

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## The Water/Wastewater Task Force...

- Is comprised of Salem City Councilors; officials from Keizer, Turner, Suburban East Salem Water District and Marion County; and representatives from large utility customers, businesses, and the community at-large.
- Considers policy changes and makes recommendations to the Public Works Director, but its recommendation is also forwarded to the City Council.
- Meets biennially to review the utility financial plan, rate proposal and other policy matters related to the financial operation and welfare of the utility.

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## Why are we here?

- Council Policy C-14  
*A financial plan and rate proposal shall be prepared and presented to Council biennially in even numbered years. A comprehensive Cost of Service Analysis (COSA) update shall be prepared every four (4) years. The next one will be in FY 2026-27.*
- Rates and financial policies are reviewed by the Task Force prior to going to Council
- Council holds a public hearing to review and adopt the new utility rates in the fall
- After adoption, rate changes are implemented in the following two Januarys (2025 and 2026)
- Minimal changes to rates or utility financial policies are proposed between rate setting cycles

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# Salem's Utility

Water, Wastewater, Stormwater

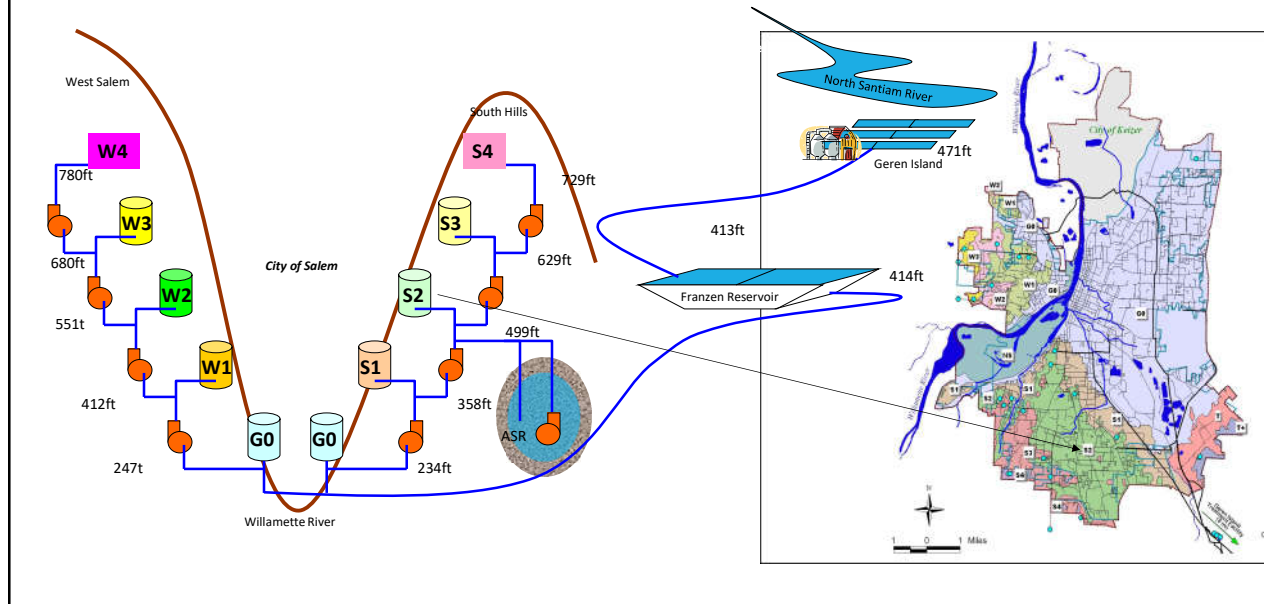
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## WATER SYSTEM OVERVIEW



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## Water System pressure zone schematic and map



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## Water System Infrastructure

- Average Water demand 36 MGD
  - Peak day 49 MGD
- Service population 215,084
  - Includes Salem, Turner and unincorporated areas of Marion and Polk Counties
- Gerens Island Water Treatment Plant (max production 120 MGD)
- Franzen Reservoir (95 MG)
- 786 miles of water mains
- 19 city-owned reservoirs
- 21 pump stations
- 4 aquifer storage and recovery wells



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# Water Service Areas

## Retail Customers

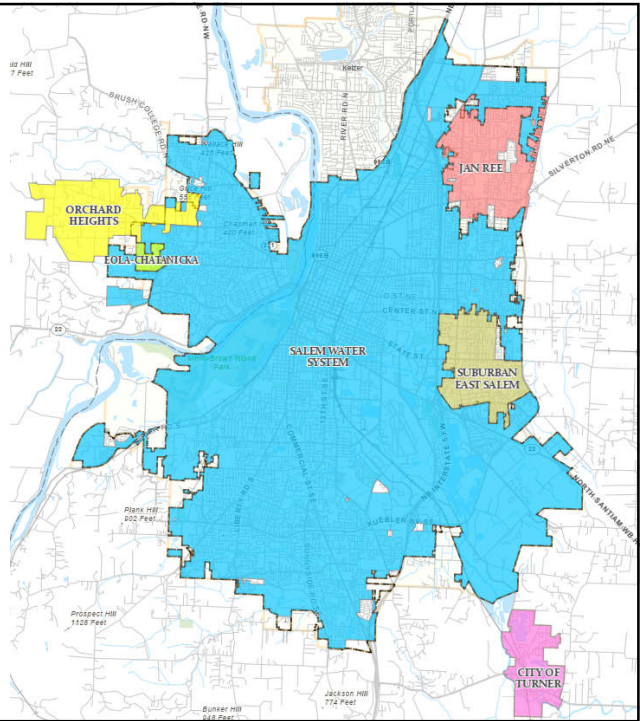
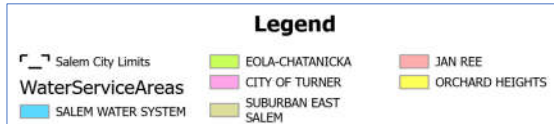
- City of Salem
- Eola-Chatnicka
- Jan Ree

## Wholesale Customers

- Orchard Heights Water District
- City of Turner
- Suburban East Salem Water District

## Emergency

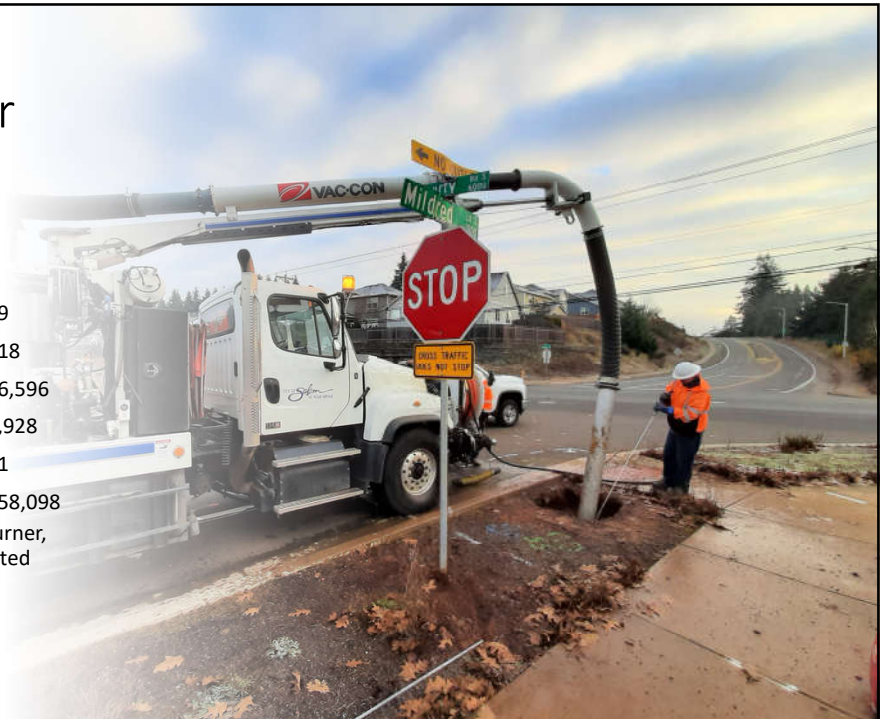
- City of Stayton
- City of Keizer



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# Sanitary Sewer Infrastructure

- Basins 69
- Miles of Pipeline 818
- Manholes 16,596
- Clean Outs 1,928
- Sewage Pump Stations 31
- Service Population 258,098
  - Includes Salem, Keizer, Turner, and areas of unincorporated Marion County



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## Willow Lake Water Pollution Control Facility

- Service area includes Salem, Keizer, Turner, and areas of unincorporated Marion County
- Trucked waste
  - Septage station
  - Other waste
- Capacity
  - 155 MGD Wet Weather Max
  - 35 MGD Design Dry Weather
  - 35.6 MGD Daily Average



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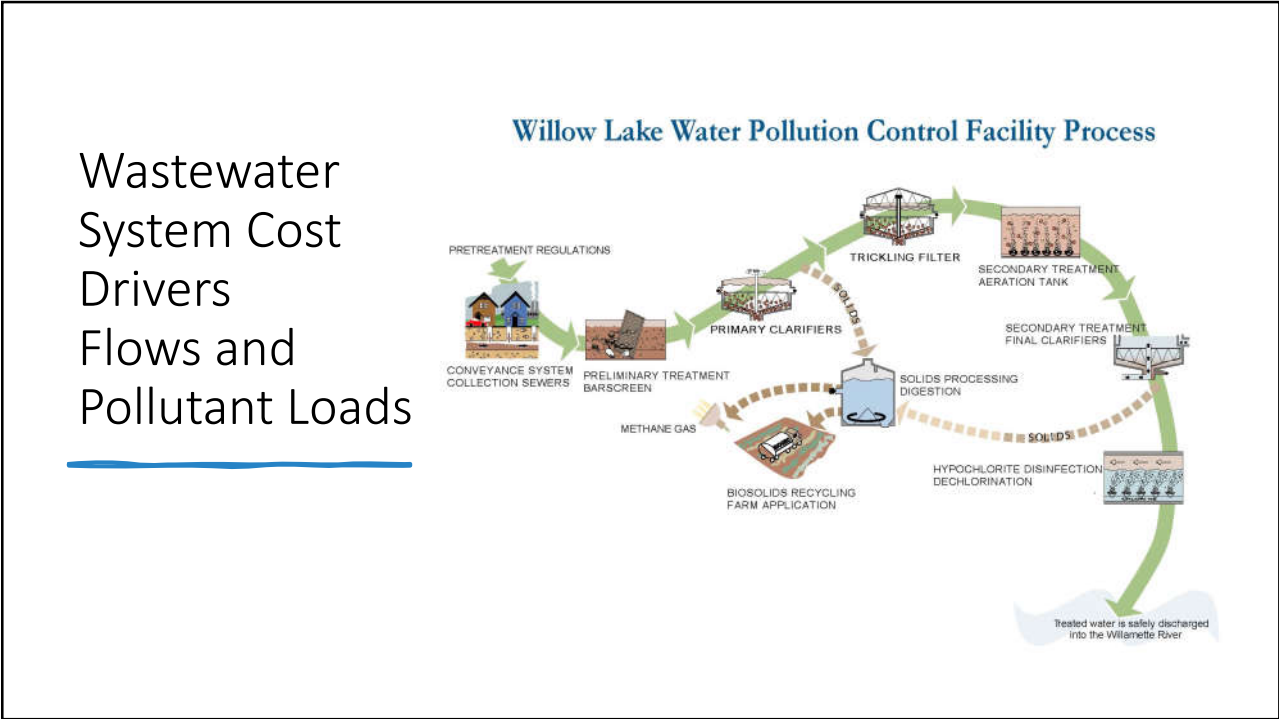
## River Road Wet Weather Treatment Facility



50 MGD wet weather treatment capacity

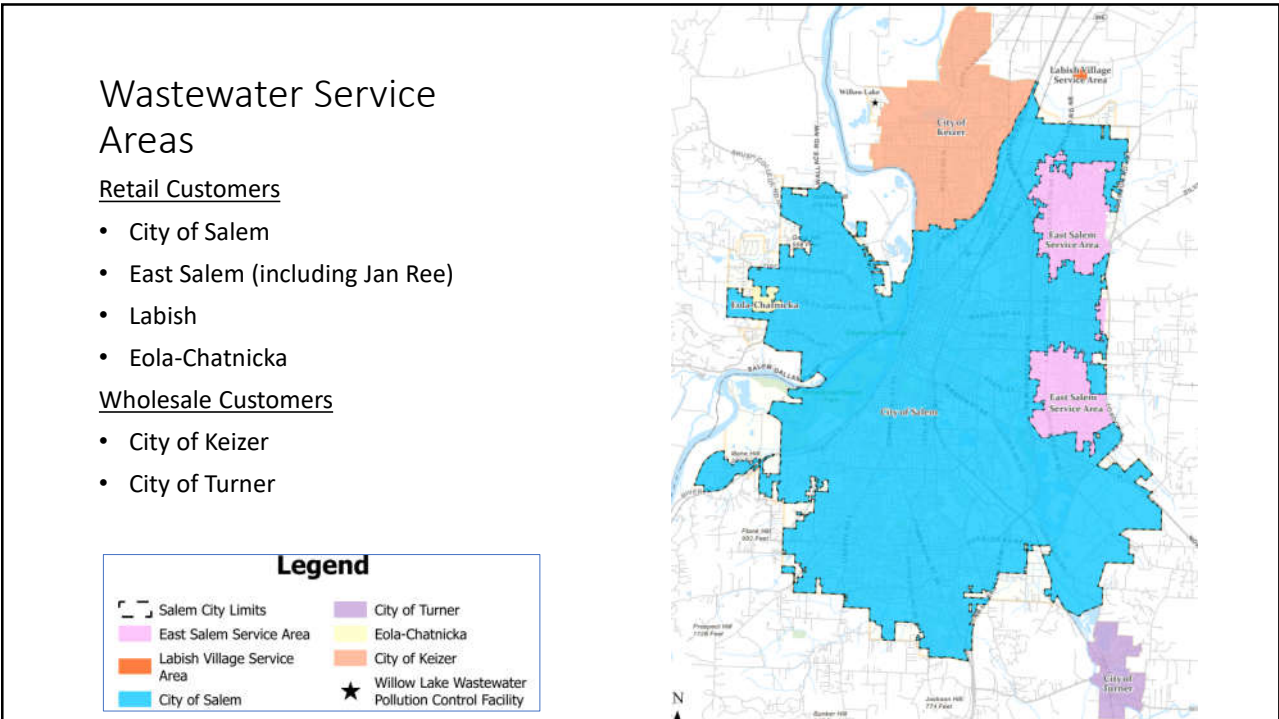
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Wastewater  
System Cost  
Drivers  
Flows and  
Pollutant Loads

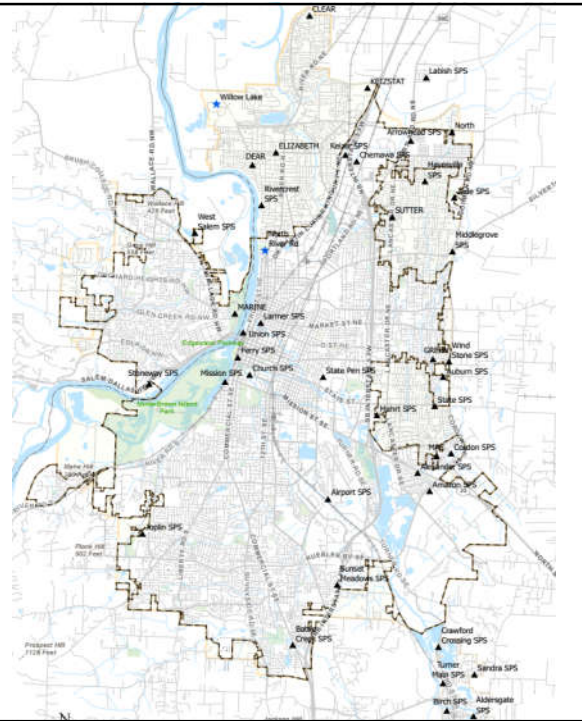
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## Sewer Pump Stations Treatment Plants

- 31 Lift (Pump) Stations
- River Road Wet Weather Treatment
- Willow Lake Water Pollution Control Facility



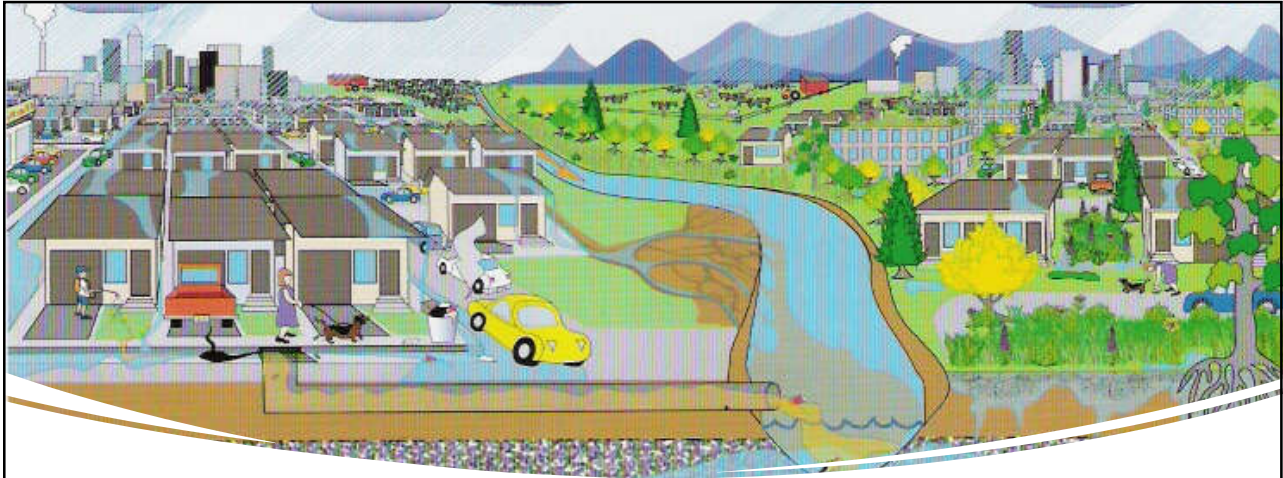
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## Stormwater Infrastructure

- 179,605 service population (Salem city limits only)
- 14 watershed basins
- 20 miles of streams
- 514 miles of stormwater drainage pipe
- 47 miles of roadside ditches
- 211 public detention basins
- 1,229 private detention basins
- 17,283 catch basins
- 2,783 cleanouts
- 9,792 manholes
- 702 culverts
- 3 fish ladders
- 1 fish screen



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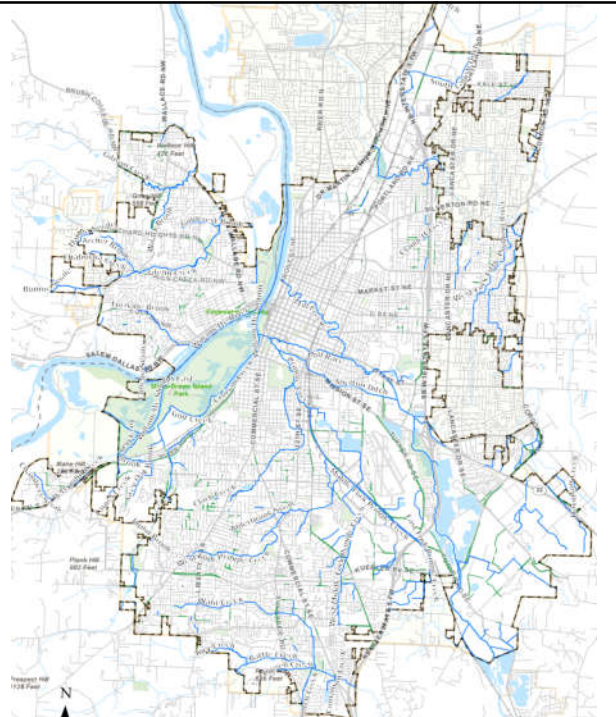
*Rain is natural, stormwater is not*

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## Salem Waterways

- Streams and Ditches
- Maintained by City Crews

	Salem City Limits
	Salem Creeks
	Salem Maintained Ditches



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## Additional services provided by the utility

- Administration
  - Financial Services
  - Warehouse
- Infrastructure Planning
  - Water, Wastewater, Stormwater Master Planning
  - Natural Resource Planning
- Customer Service
  - Meter Reading
  - Billing
  - Assistance Programs
  - Inquiries
- Dispatch
  - 24/7/365
- Environment Stewardship
  - Creeks and Streams
  - North Santiam Watershed
- Engineering
  - Project Delivery
  - Survey
  - Inspection
- Laboratory Services
  - Willow Lake
- Environmental Service
  - Industrial Pre-Treatment
  - Spill Response
- Public Outreach
  - Education



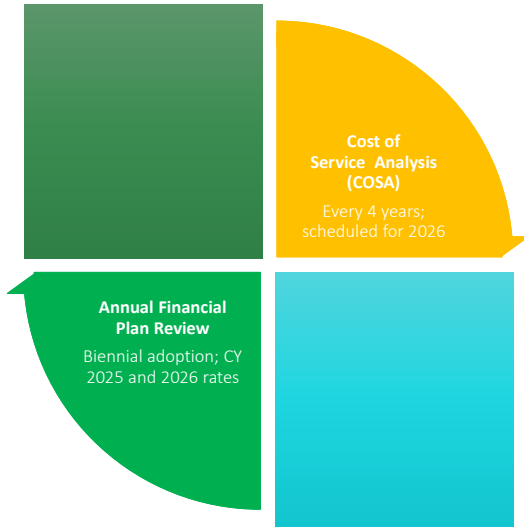
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# Strategic Financial Planning in Salem

Water/Wastewater Task Force

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# Financial Planning Elements

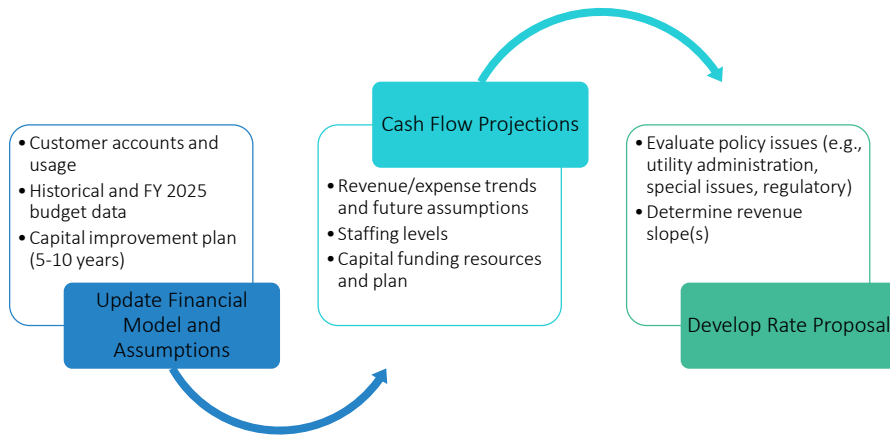


- The Utility implemented a strategic financial planning process in 2000.
- Provides a comprehensive review of utility rates and charges at regular intervals.
- Current focus is on updating the financial plan and preparing a 2-year rate proposal.

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# Biennial Development of Rate Proposal

Current process will establish rate recommendations for January 1, 2025, and January 1, 2026.



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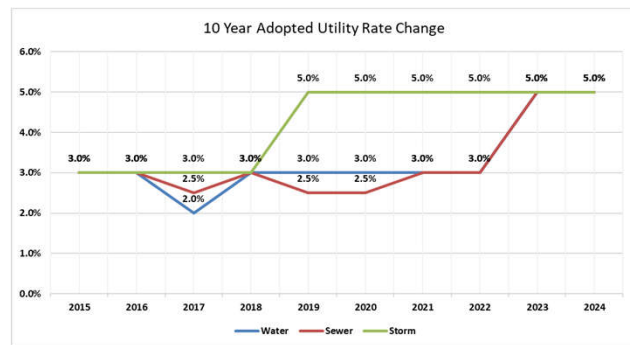
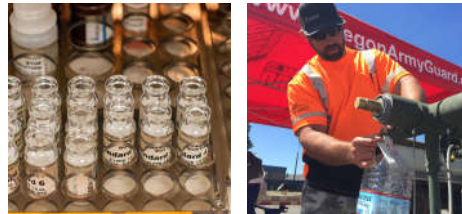
# Foundational Rate Objectives

Revenue Adequacy and Resiliency	Rate Stability	Equity	Defensible	Beneficial to Economy	Simplicity
<ul style="list-style-type: none"> <li>• Fund capital and operational needs</li> <li>• Maintain cash reserves for emergent conditions</li> <li>• Plan for declining consumption</li> </ul>	<ul style="list-style-type: none"> <li>• Smooth revenue slope – predictable for customers</li> <li>• Transition rate structure changes</li> </ul>	<ul style="list-style-type: none"> <li>• Based on cost of service</li> <li>• Class-based rates</li> <li>• Charge for each unit of water used</li> </ul>	<ul style="list-style-type: none"> <li>• Follow industry standard practices</li> <li>• Transparent assumptions</li> </ul>	<ul style="list-style-type: none"> <li>• Reflect community policy framework</li> <li>• Lower industrial rates reflective of service characteristics</li> </ul>	<ul style="list-style-type: none"> <li>• Reflects industry-standard levels of precision</li> <li>• Data easy to collect and monitor</li> </ul>

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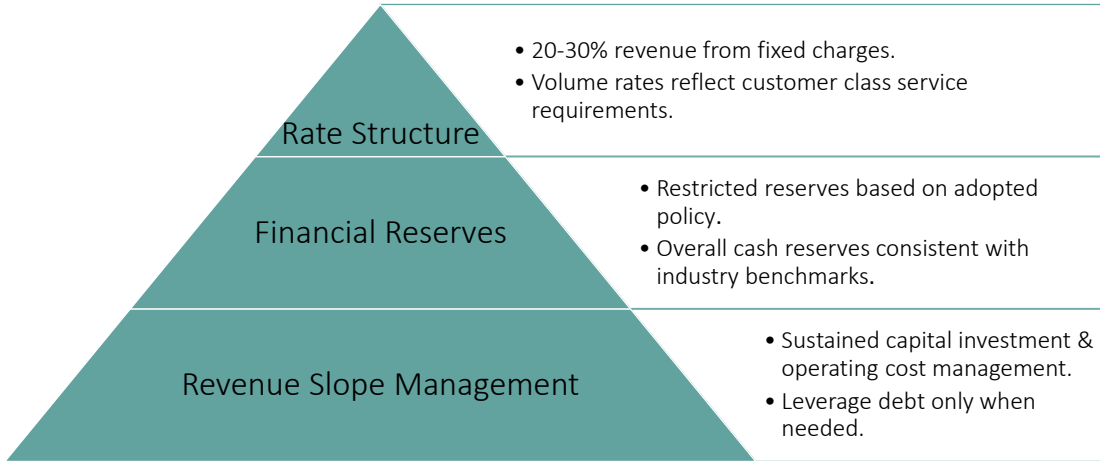
## The Utility's commitment to small and consistent annual rate increases supports resiliency

- Cyanotoxin response (2018)
  - Capital projects
    - Geren Island facilities and wells
    - ASR Facilities
  - Additional operating costs
- \$60 million revenue bond (2020)
- Covid-19 response (2020-2021)
  - Deferred revenue due to no shut-off and rate abatement program (\$1,250,000)
  - Increased support to assistance program (\$500,000)
- Operations Building - \$40 million (opened 2023)



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# Other key elements of financial resiliency



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## Rate Structure Components

- **Base (Fixed) Charges**
  - Invariant with volume of water used or wastewater discharged
  - Water charges vary by meter size
- **Volume Charges**
  - Vary by customer class (residential, commercial, irrigation, etc.) and wholesale or retail area
  - Assessed based on amount of water used (winter average for wastewater)
- **Stormwater Impervious Area Charges**
  - 3 Tiers for residential
  - Based on measured area for all others



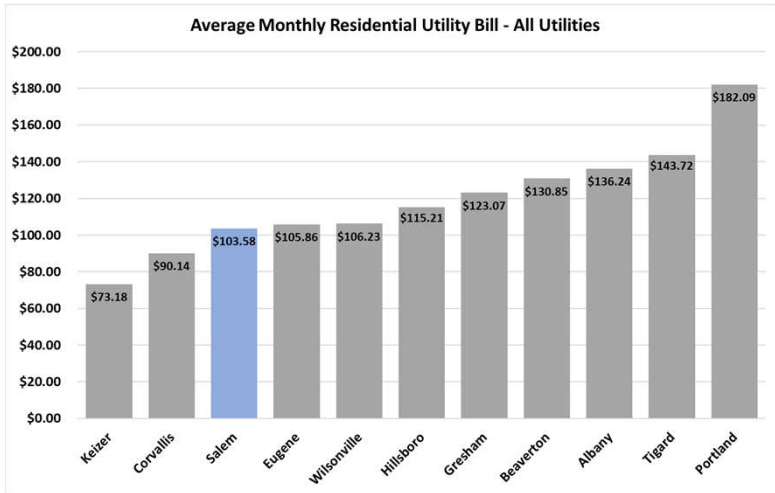
### Utility Bill Estimator

Account Class: Residential  
 Wastewater Volume: 5.5  
 Stormwater Area: 2,800  
 Water Meter Size: 5/8"  
 Consumption Units: 8

Bill Estimates	2024
<b>Water</b>	
Volume	\$24.16
Base Fee	\$12.90
<b>Wastewater</b>	
Volume	\$22.50
Base Fee	\$18.38
<b>Stormwater</b>	
Impervious Area	\$7.49
Base Fee	\$13.22
<b>Backflow</b>	
<b>Franchise Fee</b>	\$4.93
<b>Total</b>	<b>\$103.58</b>

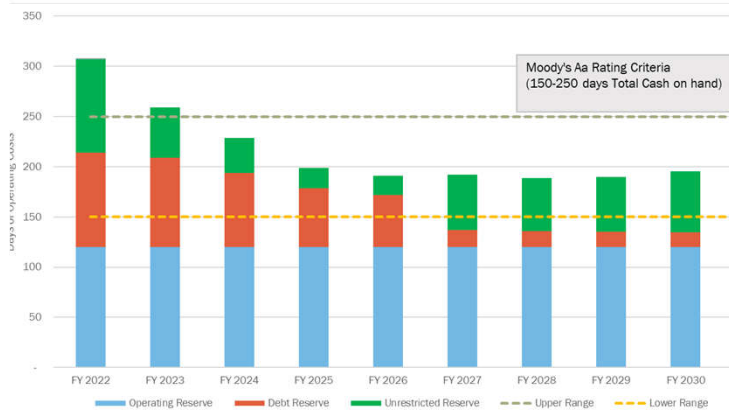
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Effective management of revenue slope is reflected in how Salem's rates compare to others.



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Benchmarking financial reserves played key role in 2022 Rate Proposal. Target = 190 "Days Cash on Hand"

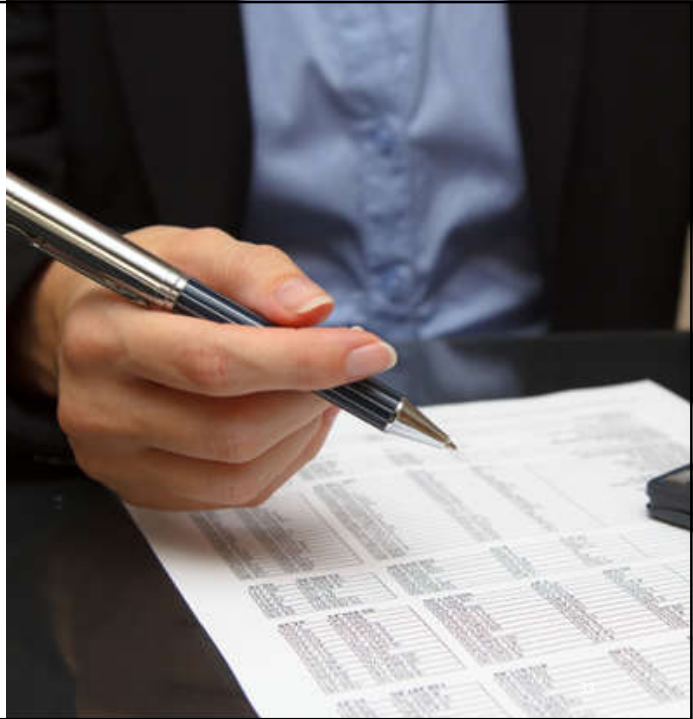


• Days of Cash on Hand is a measure of a utility's ability to fund its operating needs with available resources. (Cash Reserve Policy Guidelines, 2018 American Water Works Association)

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## Balancing risk in the forecast

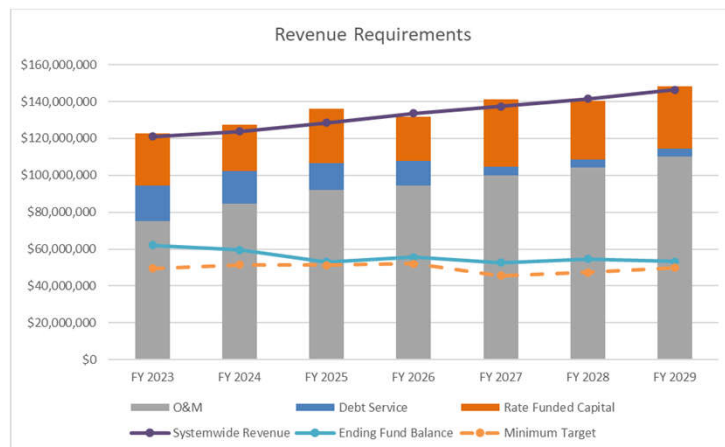
- Maintain adequate reserves
- Consider recent trends
  - Customer accounts
  - Water consumption and conservation
  - Budget vs. expenditure rate
- Adjust for extra-ordinary circumstances
  - COVID-19 pandemic
  - Current inflation
  - Severe weather events
- Reflect local circumstances
  - Labor contract provisions
  - Industrial closures/additions
  - One-time revenue/expenses



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## Next Steps: Financial Planning

- Project revenues and requirements
- Refine assumptions
- Evaluate revenue slope against financial performance targets (e.g. Days of Cash metric)



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# Upcoming Policy Issues

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**POLICY CONSIDERATIONS**

- Policy issues to be incorporated into the 2024 utility rate proposal:
  - Revenue Slope
  - Extension of Utility Assistance Program
  - Irrigation Rates and Creekside Request
  - Hauled and Septic Waste Rates
- Additional policy and information items:
  - Extension of Service Outside of UGB
  - PFAS Update
  - Future Capital Needs
  - Resiliency Update
  - New Billing System

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# Meeting and Public Outreach Schedules

Water/Wastewater Task Force

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## TASK FORCE SCHEDULE

- **Thursday, June 20, 2024**
  - Introduction and background
  - Review of Service Areas and Rate Structure
- **Thursday, July 11, 2024**
  - Extension of Utility Assistance Program
  - Irrigation Rates and Creekside Proposal
- **Friday, July 26, 2024**
  - Extension of Service Outside of UGB
  - Future Capital Needs
- **Thursday, August 8, 2024**
  - PFAS Update
  - Resiliency Update
  - Utility Revenue Slope Proposal
- **Thursday, August 29, 2024**
  - Discussion/Recommendation on Utility Revenue Slope and Rate Proposal
  - Hauled and Septic Waste Rates
- **Thursday, September 12, 2024** (if needed)

## OUTREACH, PUBLIC HEARING AND IMPLEMENTATION

### Public Outreach

- September 15 - 30, 2024
  - Rate proposal information published (website)
  - Post cards mailed to all utility customers

### Public Hearing

- November 12, 2024, public hearing before Salem City Council


### Effective Dates

- January 1, 2025 & January 1, 2026

### Customer Bills Reflect New Rates

- February 1, 2025 & February 1, 2026

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Thank you!

Questions?

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Next Meeting of the  
Water/Wastewater Task Force  
July 11, 2024