

**Rates** *from A1*

looked at the city's revenues and projected what each utility needs in order to meet demands, recommending a rate increase for sewer but not for water or stormwater.

The analysis included annual inflation costs, the operational forecast, annual growth rates and the city's adopted financial policies.

While FCS Group reported that customer growth alone would be sufficient to provide for rising operating expenses in both water and stormwater, capital plans and operating expenses for sewer caused the need for the rate increases.

The report recommended three years of 12 percent rate increases, highlighting a bit of urgency to do so as a finan-

cial shortfall is projected as early as 2022.

A major influencer on the need for a rate hike has been a capital improvement plan for one of the city's clarifiers.

On March 17, 2021, the 1970s-era clarifier at the wastewater treatment plant stopped operating properly, causing solids to build up and not transfer down the line for further processing.

Though the plant is currently able to operate with only the other 2009 clarifier to meet Department of Environmental Quality (DEQ) permit requirements, the failing clarifier must be repaired and operational by fall in order to meet the city's processing requirements as flows increase.

The cost of replacing or repairing the clarifier is estimated to be more than \$1 million.

FCS Group also performed a cost-of-service analysis at the Feb. 22 presentation.

In an "early picture" breakdown of rate revenue that the city is currently collecting from its sewer customer classes, FCS Group recommended a different ratio of recovery.

A pie chart indicated that the residential class pays for 69 percent of cost recovery while the commercial pays for 26 percent.

"If we go through this scientific process of allocating costs to functions

and then to customer classes, what the analysis tells us is that residential should not be paying 69 percent of the pie, but only 56 percent of the pie and commercial that is only paying 26 percent of the pie now should be paying 41 percent of the pie," said the presenter.

Councilors voiced awareness that the prospect of raising utility rates would not go over well in a community where high utility bills are a frequent source of consternation.

"It just seems like anything that's going to go before the citizens of Cottage Grove that is going to ask them for a [sewer] rate increase is pretty much a non-starter," said Councilor Jon Stinnett at the time.

Many in the discussion, however, seemed to agree that a rate increase for sewer made sense in light of the data.

City Manager Richard Meyers has credited FCS Group's planning with helping the city get its utilities into a financially manageable position over the years.

"Water and stormwater actually paying for projects out of the reserve and accomplishing things and moving those things off the list as we get them done — we were struggling for years before trying to get that done," Meyers said.

As the topic was a discussion item only, no decision was made at

the time and staff were asked to bring additional rate proposals back to council.

On Monday, President of FCS Group John Ghilarducci presented to city council an updated five-year financial plan, this time showing an alternative rate increase of eight percent for the 2021-22 and 2022-23 years and a five percent increase for 2023-24.

The alternative was proposed as minimum rate increases necessary to keep the treatment plant and collection system operational and complying with DEQ requirements.

Its reduced rate was achieved by adjusting the city's capital improvement plan to move other projects such as sewer repairs out past the five-year analysis.

In adopting this alternative, the city would have been taking on an additional \$300,000 in debt as well.

The base charge for wastewater rates would have increased from \$9.07 to \$9.80 and the volume charge from \$4.66 to \$5.03 per month. This would have increased the monthly utility bill by \$4.30.

During council deliberations on Monday, councilors considered the trade-off of future costs.

"You're talking about a \$2 savings over three or five years to the ratepayer, but the projects we're putting off are going to get more expensive down the road," said Councilor Mike Fleck. "And so that \$2 that we pay now is going to turn into five or six by the projects that we're putting off. And fiscally, this just doesn't make sense."

Ghilarducci acknowledged that this was an accurate understanding of a trade-off.

"We're talking about incurring a little bit more debt in order to get the rates down to that 8 percent," he said. "So, there will be interest costs associated with that."

Fleck continued to de-

scribe the current predicament as a result of the city not addressing necessary projects in years prior.

"Part of where we are is because we kept our rates low for years and did not do the projects that needed to be done, which is why we have the backlog of repairs to our system that we need," he said, adding that he'd rather "bite the bullet" and get the projects done now.

Mayor Jeff Gowing agreed that he did not want to place the burden on future residents and councilors.

"And I don't want who's on council in five years to say, 'Why did they pass this on to us?'" he said.

Councilor Chalice Savage questioned if different rate increases could apply, proposing that lower income brackets could qualify for lower rate increases.

Councilors Greg Ervin, Kenneth Roberts and Candace Solesbee voiced their preference for the initial 12 percent rate increase presented in February.

Stinnett asked that there be adequate outreach and explanation to the community regarding the utility systems and reasoning behind the rates.

Neither water nor stormwater rates will increase under the current plan.

Furthermore, a federal funding bill for water and wastewater improvements has been proposed and may be on the horizon, according to city staff.

If the bill is approved, \$40 million in low-interest loans and \$10 million in grants may be available for wastewater treatment plant improvements for qualifying jurisdictions.

The city's staff has stated it will follow and apply for funding to help reduce overall cost increases to the utility users.



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