



Molalla City Council – SPECIAL Meeting Agenda
Meeting located at: Molalla Adult Center
315 Kennel Ave, Molalla, OR 97038
December 21, 2016

WORK SESSION BEFORE MEETING 6:30PM

Business meeting will begin at 7:00PM. The Council has adopted Public Participation Rules. Public comment cards are available at the entry desk. Request to speak must be turned into to the Mayor prior to the start of the regular Council meeting.

Executive Session : NONE

******The December 14, 2016 meeting was not held due to weather and no quorum. Reset to December 21, 2016*******

1. **CALL TO ORDER – 1,769th Regular Meeting**
 - A. Call the meeting to order
 - B. Flag Salute and Roll Call

2. **COMMUNICATIONS AND PUBLIC COMMENT**
 - A. Minutes: November 9, 2016
 - B. Library Minutes – Information Only

3. **PUBLIC HEARING**
 - A. SDC Rate Increases and Presentation – Fisher

4. **CONTINUED BUSINESS**
 - A. Pacific Fibre Products Enterprise Zone Authorization Application and Extended Abatement Agreement – Huff/Pacific Fibre Representatives
 - B. Agreement to Receive Funds for the 3% Marijuana Tax – Huff

5. **NEW BUSINESS**
 - A. IGA – Clackamas County Behavioral Health Services – Chief Lucich
 - B. Planning Commission Application – Huff

6. **RESOLUTIONS**
 - A. 2016-19: RESOLUTION CANVASSING RESULTS OF THE GENERAL ELECTION FOR MAYOR AND COUNCIL POSITIONS HELD IN THE CITY OF MOLALLA, CLACKAMAS COUNTIES, OREGON ON NOVEMBER 8, 2016

 - C. 2016-20: A RESOLUTION ADOPTING POLICIES OF NO RETALIATION FOR REPORTING IMPROPER OR UNLAWFUL CONDUCT



D. 2016-21: A RESOLUTION OF THE CITY OF MOLALLA UPDATING AND REPEALING RESOLUTION 2016-14; THE EXISTING AND ADOPTING AN UPDATED SYSTEM DEVELOPMENT CHARGE RATES FOR THE WATER, SANITARY SEWER, STORMWATER, TRANSPORTATION AND PARK SYSTEM FOR EACH UTILITY

7. REPORTS AND ANNOUNCEMENTS

A. Staff and Council:

- Letter from the Chief - Huff
- No Council Meeting on December 28, 2016
- Mayor and Councilor elects to be sworn in January 11, 2016
- Happy Holidays from the Staff of the City of Molalla!

8. ADJOURNMENT

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117 N. Molalla Ave., Molalla, OR 97038
Wednesday November 9, 2016

ATTENDANCE: Mayor Rogge, Present; Councilor Thompson Present; Councilor Griswold, Present; Councilor Clark, Present; Councilor Childress, Present; Councilor Boreth, Present; Councilor Klein, Present.

STAFF IN ATTENDANCE: City Manager Dan Huff, Present; Gerald Fisher, Public Works Director, Present.

MINUTES

(Audio not working) A Councilor made the motion to approve the presented minutes of September 28, 2016 and October 26, 2016. A Councilor seconded. Motion carried (7-0), all ayes, by raise of hands.

COMMUNICATIONS, PRESENTATIONS, and PROCLAMATIONS

None

PUBLIC COMMENT

None

CONTINUED BUSINESS

- **PACIFIC FIBRE PRODUCTS ENTERPRISE ZONE AUTHORIZATION & APPLICATION & EXTENDED ABATEMENT AGREEMENT**

Tabled until the December 14, 2016 meeting.

NEW BUSINESS

- **AUTHORIZE PURCHASE EXCEEDING \$10,000.00 – PUBLIC WORKS**

This new vehicle purchases replaces a 2007 Dodge Ram that has had two (2) previous owners. This vehicle was originally owned by Weyerhauser, given to the Police Department, and then to the Public Works Department. The vehicle will cost more to repair and maintain than it is worth. In addition to replacing the Dodge, the public works department is in need of a vehicle that can tow the trailer loaded with heavy equipment (i.e.: the mini-hoe), the current vehicle that can tow is also the service truck with the tools. When hooked up to the trailer, the tools and equipment can be a considerable distance from the job/repair site.

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Three comparable quotes were received for review before purchase. Public Works and Administration recommends an approval by council to purchase and license the 2017 GMC Sierra 2500HD 4WD Crew Cab Work Truck not to exceed \$45,000.00.

Councilor Thompson made a motion to authorize the purchase of the vehicle not to exceed \$45,000.00. Councilor Clark seconded. Motion carried (7-0), all ayes.

- **BEAR CREEK BY-WAY**

The allotment previously granted by the Molalla City Council to complete the Bear Creek By-way project will not be sufficient and additional funding not to exceed \$15,000.00 is requested. CM Huff noted the \$30,000.00 previously approved is exceeded with the conduit, pole bases for lighting the pathway and the pavement quotes. Other components not included in those quotes will be needed to fully complete and the additional allotment is necessary. The pathway falls in a public right away requiring the City to meet all ADA requirement and vehicle bollards to stop motor vehicle traffic.

Councilor Clark inquired about the 100 year flood plain, with a discussion ensuing regarding the Portland State analysis regarding the Bear Creek water flow and the safety to the path and bridge. Councilor Klein inquired if the funds were available in the budget, answered yes in the Park SDC fund under the allocation of capital improvement. Councilor Childress asked if the Cohort 2 had contributed the funds they had remaining to assist in the cost, CM Huff responded with no. Mayor Rogge informed the City Council that the funds are still being withheld until the bridge plaque decision is made regarding who the responsible ordering party will be.

Councilor Thompson made a motion to authorize the additional \$15,000.00 to complete the Bear Creek By-way project. Councilor Childress seconded. Motion carried (7-0), all ayes.

Craig Loughridge, representative of Cohort 2 with the Bear Creek By-way, opened the discussion regarding the plaque for the by-way. The cohort has chosen to just note 2016 as the dedication date rather than a specific day and month to allow them opportunity to proceed with ordering. Councilor Klein asked Loughridge to describe the plaque and where it would go, it will be added to the City of Molalla sign that is similar to the signs that exist in the parks now. The cost will be approximately \$1,000.00 for the plaque and coating, this is similar to the dedication plaque currently at the Fox Park Pavillion and the size will be 22X20. Discussion over theft worthy materials not being used ensued.

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Mayor Rogge wants the cohort to order the plaque and then remit the remaining funds to the City. Councilor Thompson agrees but cautions to the cohort to review the decision with Councilor Klein who has experience in this area.

Loughridge requested a completion date from staff, Mayor Rogge said either way the bulk of the work was completed in 2016 so that is a correct date. Actual completion is weather and contractor dependent.

- **FOURTH WEDNESDAY COUNCIL MEETING IN NOVEMBER AND DECEMBER**
Council and staff discussion regarding the next meeting for November 23, 2016 be cancelled due to the Thanksgiving holiday. Councilor Thompson made a motion to only have meetings on the second Wednesday of November and December 2016. Councilor Clark seconded. Motion carried (7-0), all ayes. The meetings schedule for the fourth Wednesday of each month have been cancelled for November and December 2016.

RESOLUTIONS

- **2016-18 – RESOLUTION MAKING TRANSFERS WITHIN THE GENERAL FUND**
(Audio not working) CM Huff explained the resolution and subsequent transfers. These transfers are budgeted for and were fully vetted by the Budget Committee and City Council during the budget process. A Councilor made the motion to approve to approve the transfers for debt service. A Councilor seconded. Motion carried (7-0), all ayes, by raise of hands.

EXECUTIVE SESSION

The Molalla City Council will meet in executive session held pursuant to Oregon Public Record Law under ORS 192.660 (2)(E) Real Property Transactions and under ORS 192.660 (2)(F) to consider information and records that are exempt by law from public.

STAFF AND COUNCIL REPORTS

CM Huff wants to schedule a City Council goal setting session for late January or early January, Mayor Rogge selected beginning of February. The visioning project would be best combined with the goal setting and budget process to identify a purpose and direction for the future.

PWD Fisher gave a Molalla Avenue Improvement update. Project moving along well, the contractor has made some sub-contractor amendments and the product of work is excellent. Halloween was a great success with the portion of Molalla Avenue closed for trick or treaters.

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Councilor Klein reports that Clackamas County Tourism and Public Affair brought a group to Molalla to identify ways to improve tourism and activity. Potential funding for tourism and recreation. She also attended the Big Meadow HOA meeting and notified Council that the group may be approaching them for assistance in mitigating speeding vehicles.

Councilor Childress thanks Cohort 2 for their hard work on the Bear Creek project. Chamber of Commerce having a breakfast conference November 10, 2016. She reports the painting is completed at the PAL building and work toward creating a safe and clean environment is well underway. Potential maximum capacity is 26.

Councilor Griswold discussed Veteran's Day activities and the poppy sales for veterans. FFA having an auction at Molalla High on November 12, 2016.

Councilor Thompson reported on his C-4 meeting and the discussion involved small non-metro cities voice in certain funding. He report small cities do have a voice in the discussion.

Mayor Rogge congratulates Mayor-Elect Thompson. She shared her Veteran's day activities, the importance of the activities, and thanked any veterans present for their service.

Motion to adjourn made by Councilor Boreth. Councilor Childress seconded. Motion carried (7-0), all ayes at 8:07 pm.

Sadie Cramer, City Recorder

Mayor Debbie Rogge

Molalla Library Advisory Board

Meeting Date: 10-15-2016

Meeting brought to order by Kelly Andrews at 6:30 P.M.

Members Present: Mary Gilson; Angela Patton; Kelly Andrew; Paula Beck and Sandy Nelson (excused)

City Council Liaison: not present

Staff: Library Director, Diana Hadley

The minutes from the September meeting were approved as read.

- Director's Report: (See Diana if you didn't receive one.)
- Old Business: none
- New Business: none

The meeting was adjourned at 7:00 P.M. The next meeting will be held on November 17th:

Submitted by Mary Gilson, Secretary

NOVEMBER DIRECTOR'S REPORT:

- Food for Fines is going well this week. It ends Saturday.
- Several programs planned over the next month.



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To: League of Oregon Cities Members
From: Wendy Johnson, Intergovernmental Relations Associate
Date: November 4, 2016
RE: Marijuana Tax Collection Agreement FAQ

A copy of a model Marijuana Tax Collection Agreement provided by the Oregon Department of Revenue (DOR) is available on the League’s website under “[Marijuana Resources](#)” in the A-Z Index. This is an optional intergovernmental agreement (IGA) that cities may choose to enter into with the DOR if the city elects to have the DOR collect and enforce their local marijuana tax. The option of state administration of the local tax was sought by the League during the 2016 session for efficiency, and to address concerns related to public safety and banking. This Frequently Asked Questions (FAQ) memo is intended to further explain and highlight the following six key components of the IGA.

1. Timing of Payments from the State (paragraph 4)

Under the agreement, local governments will receive payment of local marijuana taxes from the DOR each quarter; however, the quarterly payment will not be for the quarter that just finished, but the quarter before that. The delayed payment will occur due to the time retailers have to pay the taxes and file their returns, and the time DOR needs to process the payments and returns. Specifically, retailers must file a return each quarter and make payments each month. The terms of the IGA provide that DOR will make payment within 60 days AFTER the quarterly return due date.

Example: The first quarter for 2017 runs from January 1 to March 31. The tax return for that first quarter is due to the DOR on May 1 (30 days after the quarter). The tax payments to the DOR are due February 28, March 31, and May 1 for the tax collected for the corresponding previous month. The DOR will send tax payments to the local government within 60 days after the return due date of May 1, and thus payment to local government is due by June 30. This is three months after the end of the first quarter, March 31.

The DOR is in discussions with the Oregon Department of Administrative Services (DAS), but Paragraph 4 (last sentence) would permit the DOR to have DAS send the actual quarterly local marijuana tax payments to local governments. This payment may or not be made along with the state shared revenue payments of the state marijuana tax. The DAS already has the infrastructure to do the payments and mailings, etc. since they handle several other state shared revenue payments (for example, liquor and cigarette). The state is working out details, but don't be surprised that you may be working with DAS and not the DOR on the actual local marijuana tax payments.

2. Cost to Local Governments for DOR to Collect and Enforce (paragraphs 5 and 6)

The legalization of recreational marijuana and the taxation of the product is still very new to the state and costs for tax administration have not been adequately calculated since the program is still evolving. Thus, for ease of administration, the IGA simply provides for 4 percent of local tax revenues to be withheld each month by the DOR to approximate the state's costs. Then, once a year, the DOR will figure out their actual costs and use the three fees described in paragraph 5(a) to (c) to calculate each local government's share of the costs. The DOR recognizes local governments would like more specificity on what the costs will be before signing an agreement, but details simply are not available yet. The draft IGA has been improved a great deal over recent months. Specifically, paragraph 5(g) was recently added to make it clear that the DOR will only recover costs to administer the local marijuana tax. In addition, more details and limits on the administrative service fee and the business fee were added to the IGA. Cities may consider adjusting their ordinances to help offset the DOR fees. For example, license fees for retailers could be adjusted. See the League's Model Ordinances, Appendix E, available under "Marijuana Resources" in the League's online A-Z index.

3. Interest and penalties for late payment (paragraphs 1(d) and 2)

The DOR will collect interest and penalties for local governments on local marijuana taxes, following the same method and using the same rates as they do for the state marijuana tax. Beginning in 2017, the interest rate will be 5 percent (annual) or 0.4167 percent (monthly). In addition, there are 5, 20, and 100 percent penalties that escalate over time for failing to file or failing to pay. Local governments may need to revise their local ordinances, notices, etc. if the interest and penalties conflict with the state provisions. The IGA specifically provides that the DOR will not collect additional penalties or fees that a city may assess. (See paragraph 1(d)). See also page 2 of the Oregon Quarterly Marijuana Tax Return that discusses late filing and penalties, available here: https://www.oregon.gov/DOR/forms/FormsPubs/marijuana-tax-return_610-001_2016.pdf

4. Start Date of Agreement (paragraph 16)

Approximately 100 cities have local marijuana taxes on the November 8 ballot. Election results will not generally be certified until December 8, and both the DOR and taxpayers need some lead time to start this new tax collection. With this in mind, the IGA provides that for those local governments that sign the agreement by the deadline, collection and enforcement by

the DOR would begin January 1, 2017. Local governments need to sign and submit the agreement by January 15, 2017 for the DOR to collect for the first quarter of 2017. (See paragraph 16, last sentence). Signing in November or December 2016 is encouraged in order to assist the DOR in preparation. The DOR is permitting signing the agreement after the first quarter starts (until January 15) because payment for January taxes is not due until February 28. Cities that sign after the January 15 deadline would have start dates of the next applicable quarter. Cities may need to amend their ordinance if the ordinance included information about where, how, and when the tax must be remitted that conflicts with the IGA.

5. Confidentiality (paragraph 15)

Marijuana tax information is largely confidential. ORS 314.835 provides that “particulars” in reports and returns of local taxes collected pursuant to ORS 305.620 (the provision permitting the DOR collection through an intergovernmental agreement) are confidential. “Particulars” are defined in statute. The IGA references this statute and provides limited employee access and use in paragraph 15. The League’s model ordinance also contains a confidentiality provision. See the League’s Model Ordinances, Appendix E, available under “Marijuana Resources” in the League’s online A-Z index. Cities will need to follow the confidentiality protocols carefully. Note also that the DOR has alerted the League that published financials and proposed budgets may need to have local marijuana tax revenues combined with other revenues if a city has such few retailers such that individual retailer information would be inadvertently disclosed. Questions should be directed to the DOR.

6. City’s Responsibilities (paragraphs 10-12)

Cities that enter into the model IGA would have the following key responsibilities:

1. Shall provide the DOR with a **list of the local taxpayers** (licensed marijuana retailers) in their jurisdiction within 60 days of signing the agreement, and then update the list each quarter. (Note: the DOR will receive taxpayer information from OLCC on marijuana retailers too, but the list from the cities will help with boundary issues and provide a double-check.)
2. Shall provide the DOR with a **list of zip codes** in their taxing jurisdiction within 60 days of signing the agreement. (This will particularly help with boundary issues, e.g. incorporated or unincorporated locations, and provide a double-check as well.)
3. Shall **review reports and reconciliations each quarter** and promptly notify the DOR of any perceived errors or omissions.
4. Shall **maintain its records** under Oregon public records laws and provide records upon request. (This would include business registration records primarily.)
5. Shall **provide a copy of the ordinance** that imposes the local marijuana tax to the DOR along with the signed agreement. Cities also must provide the DOR with updates on ordinance changes.

This document is not a substitute for legal advice. City councils considering using the Oregon Department of Revenue to collect local marijuana taxes should not rely solely on this memo or League sample ordinances. Any city council considering any form of regulation or taxing of marijuana should consult with its city attorney regarding the advantages, disadvantages, risks and limitations of any given approach.

Legal counsel can also assist a city in preparing an ordinance that is consistent with state law, local procedures, existing ordinances and a city's charter, and advise on what process is needed to adopt the ordinance.

The memo is intended to be a starting point, not an ending point, for any jurisdiction considering entering into an agreement with the Oregon Department of Revenue.

MARIJUANA TAX COLLECTION AGREEMENT

This Marijuana Tax Collection Agreement (“Agreement”) is entered into between the State of Oregon, acting by and through its Department of Revenue (the “Department”) and the City of Molalla of Clackamas County, (“City/County”), under the authority of ORS 305.620.

In consideration of the conditions and promises hereinafter contained, it is mutually agreed by the parties that the Department shall supervise and administer, according to the terms and conditions set forth in this Agreement, the Local Tax on sales of marijuana items by Marijuana Retailers authorized under ORS 475B.345 and approved by the voters of the City of Molalla of Clackamas County.

(1) Definitions. As used in this Agreement the following terms have the meanings ascribed to them:

(a) “Confidential Information” means the information on Local Tax returns administered pursuant to ORS 305.620, any information in the reports required under Sections 8 and 9 of this Agreement from which information about a particular Local Taxpayer is discernable from the report due to a small number of Local Taxpayers in the City of Molalla of Clackamas County or similar factors, and any other information exchanged between the Department and the City of Molalla of Clackamas County related to this Agreement, that is confidential under ORS 314.835.

(b) “Fees” means collectively the Administrative Services Fee, the Business Fee and the Core Systems Replacement Fee described in Section 5 of this Agreement.

(c) “Local Government” means a city or county that has entered into a form of this agreement with the Department under the authority of ORS 305.620 for the Department to collect Local Taxes authorized under ORS 475B.345.

(d) “Local Tax” or “Local Taxes” means the Marijuana Tax imposed by the City of Molalla of Clackamas County together with any additional interest or penalties provided for by statute or the Department’s rules; it does not include any additional penalties or fees that the City of Molalla of Clackamas County may assess against its Local Taxpayers.

(e) “Local Taxpayer” means a licensed Marijuana Retailer located in the taxing jurisdiction of the City of Molalla of Clackamas County

(f) “Marijuana Retailer” has the meaning given in ORS 475B.015.

(g) “Marijuana Tax” means the tax imposed on sales of marijuana items by Marijuana Retailers pursuant to ORS 475B.345.

(h) “Marijuana Taxpayer” means a licensed Marijuana Retailer that is subject to the Marijuana Tax imposed by a Local Government.

(i) “Ordinance” means the ordinance adopted by the governing body of the City of Molalla of Clackamas County and approved by the voters of the City of Molalla of Clackamas County on November 8, 2016 a copy of which is attached hereto as Exhibit A and by this reference incorporated herein.

(2) **General Administration.** The Department shall be responsible for all aspects of Local Tax administration, including, but not limited to, adopting administrative rules; auditing returns; assessing deficiencies and collecting the Local Tax and penalties and interest under applicable statutes, including but not limited to ORS 305.265, ORS 305.220, and ORS 314.400; making refunds; holding conferences with Local Taxpayers; handling appeals to the Oregon Tax Court; issuing warrants for the collection of unpaid taxes; determining the minimum amount of Local Tax economically collectible; and taking any other action necessary to administer and collect the Local Taxes. The Department has adopted rules addressing the requirements for paying taxes with currency and other matters related to the taxation of marijuana under ORS chapter 475B. The City of Molalla of Clackamas County understands and agrees that such rules will be applied to Local Taxpayers.

(3) **Level of Service.** In performing its duties, the Department may in its sole discretion determine what action shall be taken to enforce provisions of the law and to collect the Local Tax. In exercising its discretion, the Department shall provide a level of services that are comparable to the level of services it provides in the administration of the State of Oregon marijuana tax laws and the collection of such taxes owed to the State of Oregon. If the Department deems it necessary to vary substantially from this standard, the Department shall first notify the City of Molalla of Clackamas County of the need and obtain the City of Molalla of Clackamas County consent. The Department shall provide all forms necessary for implementation of the Local Tax, including forms for Marijuana Tax returns, exemptions and refunds.

(4) **Transfer of Taxes to [City/County].** Beginning at the end of the first full quarter after execution of this Agreement, the Department shall remit to the City of Molalla of Clackamas County the amount of Local Taxes collected in the preceding quarter less amounts withheld to pay the Department’s Fees and other costs as described in this Agreement within 60 days of the return due date for the quarter. The Department shall notify the City of Molalla of Clackamas County if, because of inability to move funds electronically or otherwise through the banking system, a force majeure event described in Section 26 of this Agreement or other exigent circumstance, the Department is unable to transfer the Local Tax collected to the City of Molalla of Clackamas County as provided in this Section. In that event, the Department shall provide an estimate, if possible, of when it expects to be able to transfer the Local Taxes collected to the City of Molalla of Clackamas County. The Department may enter into an agreement with another state government agency to fulfill the requirements of this Section 4, provided that said government agency can comply with the requirements of this section.

(5) **Costs.** In order to recover its costs to collect and transfer the Local Tax as provided in this Agreement the Department shall be paid the following three fees:

(a) “Administrative Services Fee”: Pays for the establishment and maintenance of financial systems needed to administer and distribute Local Taxes. The fee shall be calculated annually as a percentage of the equivalent of 60 hours of work conducted for the Department of Revenue by the Department of Administrative Services, divided among the Local Governments in proportion to the number of Marijuana Taxpayers in each Local Government.

(b) “Business Fee”: Pays for the Local Tax administration activities set forth in this Agreement. The fee shall be calculated as a percentage of the Department’s Business Division annual expenses for the administration of all marijuana taxes, with the total fee increasing in direct proportion to the number of Local Taxpayers. The total amount per Local Taxpayer billed to the City of Molalla of Clackamas County under the Business Fee shall not exceed 0.05 percent of the Department’s Business Division expenses for the administration of all marijuana taxes;

(c) “Core Systems Replacement fee”: Charged only one time after execution of this Agreement and calculated as a flat fee per Local Taxpayer. The total Core Systems Replacement Fee shall not exceed two hundred dollars (\$200.00) per Local Taxpayer in the first full quarter following execution of this Agreement.

FOR EXAMPLE, in a hypothetical with the following assumptions:

250 Marijuana Taxpayers

50 Local Taxpayers in the City of Mainville

2 Local Taxpayers in the City of Middletown

Business Division’s Marijuana Expenses: \$500,000 per year

Hourly DAS rate: \$99/hour

The fees would be calculated as follows:

Administrative Services Fee = $(\$99/\text{hour} * 60 \text{ hours}) / 250 \text{ Marijuana Taxpayer} = \$23.76 \text{ per Local Taxpayer per year}$

Business Fee = $\$500,000 \text{ in marijuana expenses per year} * 0.05\% = \$250 \text{ per Local Taxpayer per year}$

Core Systems Replacement Fee = $\$200 \text{ per Local Taxpayer, one time}$

City of Mainville, year 1: $(\$23.76 \text{ Administrative Services Fee} + \$250 \text{ Business Fee} + \$200 \text{ Core Systems Replacement Fee}) * 50 \text{ Local Taxpayers} = \$23,688 \text{ in costs}$

City of Mainville, subsequent years: (\$23.76 Administrative Services Fee + \$250 Business Fee) * 50 Local Taxpayers = \$13,688 in costs

City of Middletown, year 1: (\$23.76 Administrative Services Fee + \$250 Business Fee + \$200 Core Systems Replacement Fee) * 2 Local Taxpayers = \$947.52 in costs

City of Middletown, subsequent years: (\$23.76 Administrative Services Fee + \$250 Business Fee) * 2 Local Taxpayers = \$547.52 in costs

(e) In addition to the Fees described above, the Department may withhold or invoice the City of Molalla of Clackamas County for the Department's costs to administer extraordinary services not described in this Agreement related to the Local Tax; such extraordinary costs may include, without limitation, requests for audits from the City of Molalla of Clackamas County that exceed the scope of the Department's normal audit procedures, requests for research or advice from the Department or the Oregon Department of Justice attorneys, or specially appointed counsel, regarding the Local Tax.

(f) If the Department determines that its costs cannot be covered by the maximum fees outlined in this Section 5, the Department will notify the City of Molalla of Clackamas County of the amount by which the Department has determined the Fees must increase. If the Department and the City of Molalla of Clackamas County do not agree upon a Fee increase and related amendment to this Agreement, then this Agreement may be terminated by either party in accordance with Section 16 of this Agreement.

(g) The Department shall not collect more in fees than its costs to administer the Local Tax, per ORS 305.620(5). It is using the above formula in the interests of producing its best estimate of costs.

(6) Withholding for Fees and Rebate. The Department shall withhold from the Local Taxes collected and each transfer to the City of Molalla of Clackamas County an amount equal to four percent (4%) of the Local Taxes collected. In the first quarter of each calendar year the Department will reconcile the amounts withheld in the previous year with the total fees assessed, and provide such reconciliation in the Department's annual report described in Section 10 of this Agreement. If the amount withheld in a calendar year exceeds the amount of the Department's Fees, the Department will rebate the balance of the Local Taxes withheld to the City of Molalla of Clackamas County by the end of the first quarter following the year of withholding. If the amount withheld does not cover the Department's Fees for the preceding year, the amount of the shortfall will be withheld from subsequent transfers of Local Taxes collected until the Department's Fees are fully paid, or in its discretion the Department may invoice the City of Molalla of Clackamas County for the unpaid amount of the Department's Fees.

(7) **Recovery of Overpayments.** If the amount of Local Taxes paid to the City of Molalla of Clackamas County under this Agreement, exceed the amount to which the City of Molalla of Clackamas County is entitled, the Department may, after notifying the City of Molalla of Clackamas County in writing, withhold from later payments due the City of Molalla of Clackamas County under this Agreement, such amounts, over such periods of time, as are necessary to recover the amount of the overpayment.

(8) **Department Quarterly Reports.** Beginning with the first full calendar quarter after the execution of this Agreement and continuing each calendar quarter thereafter, within sixty (60) days after the due date for quarterly Local Tax returns, the Department shall provide the City of Molalla of Clackamas County with a report indicating the amount of Local Taxes collected, any extraordinary costs assessed, the amount withheld under Section 6 of this Agreement and the cumulative amount of delinquent Local Taxes for each Marijuana Retailer in the City of Molalla of Clackamas County jurisdiction. The information in this report must be treated as potentially revealing Confidential Information, and shall be protected as described in Section 15. The City of Molalla of Clackamas County should make all efforts to prevent Confidential Information from being released. The Department and the City of Molalla of Clackamas County shall disclose any non-confidential information in a report when required to do so by law, including the Oregon Public Records Law, ORS 192.410 to 192.505.

(9) **Department Annual Reports.** In the first calendar quarter of each year, the Department shall make a written annual report of the preceding calendar year to the City of Molalla of Clackamas County showing the total amount of Local Taxes collected, refunds paid, the expenses of administering and collecting the Local Tax, and other pertinent information. The report shall show the total amount withheld by the Department under Section 6 of this Agreement, and shall show the Department's expenses by its Fee categories. In such report, the Department shall also make recommendations concerning changes in Local Tax Ordinances, procedures, policies, Local Tax administration and related matters, as the Department deems necessary and appropriate. The information in this report must be treated as potentially Confidential Information, and shall be protected as described in Section 15. The City of Molalla of Clackamas County should make all efforts to prevent Confidential Information from being released. The Department and the City of Molalla of Clackamas County shall disclose any non-confidential information in the report when required to do so by law, including the Oregon Public Records Law, ORS 192.410 to 192.505.

(10) **The City of Molalla of Clackamas County Reports.** Within sixty (60) days of the effective date of this Agreement, the City of Molalla of Clackamas County shall provide the Department with a list of Local Taxpayers in its jurisdiction and a list of zip code areas that are within its jurisdiction for purposes of imposing the Local Tax. The City of Molalla of Clackamas County shall provide an updated list of Local Taxpayers to the Department each calendar quarter thereafter. The City of Molalla of Clackamas County shall review all reports

and reconciliations provided by the Department and promptly notify the Department of any perceived errors or omission in such reports.

(11) Records Maintenance and Access. Each party shall maintain its records relevant to this Agreement, the Local Taxes and Local Taxpayers for the period of time specified and in the manner required under the document retention and archiving requirements applicable to it that are established under ORS 192.005 to 192.170. Upon written request, each party may examine the records of the other party at a time and location that is convenient and without extra cost to the holder to the records; provided, however, any requests for records made in connection with litigation or other efforts to collect the Local Tax shall be immediately provided in the time and manner requested.

(12) Ordinance and Notification of Changes. Contemporaneous with the execution of this Agreement, the City of Molalla of Clackamas County shall provide a copy of the Ordinance to Department for incorporation into this Agreement as Exhibit B. In order to insure consistency in administration of the Local Tax, each party shall notify the other of any change in the Ordinance and any state or local regulations or rulings interpreting the Local Tax or the Ordinance, any changes in rates or changes in the City of Molalla of Clackamas County boundary at least ninety (90) days prior to the effective change, unless it is not legally possible to provide ninety (90) days' notice or both parties mutually agree to effect such changes in less than ninety (90) days. Each party shall notify the other of any change in administration of the Local Tax under this Agreement. The parties shall cooperate in amending the Ordinance or in seeking amendments to ORS 475B.345 or ORS 305.620 which they deem necessary.

(13) Information. The parties will cooperate in the exchange of information and making public announcements to facilitate effective administration of the Local Tax and maintain consistency in public announcements and information. Policy announcements, announcement of changes in the Ordinance, and all correspondence relating to public relations will be handled by [City/County]. The Department shall promptly notify the City of Molalla of Clackamas County of any matter arising in the administration of the Marijuana Tax that would require any legislative change or affect [City/County's] policy, including any policy that relates to the amount of Local Tax collected. Nothing in this section shall prohibit the Department from conducting its own outreach activities to increase awareness and knowledge of local tax obligations.

(14) Limits and Conditions. To the extent limited by applicable provisions of Article XI of the Oregon Constitution or other governing law, and within the limits of the Oregon Tort Claims Act applicable respectively to the Department and [City/County], each party shall indemnify the other for damage to life or property arising from their respective duties and obligations under this Agreement, provided neither party shall be required to indemnify the other for any such liability arising out of a party's own negligent or wrongful acts.

(15) Confidentiality.

(a) Confidential Information may be disclosed only to the City of Molalla of Clackamas County as principal, by the Department as its agency, for purposes of carrying out the administration of the Local Tax imposed by [City/County]. Requests for Confidential Information shall be made by the City of Molalla of Clackamas County by giving not less than ten (10) days' notice to the Department, stating the information desired, the purposes of the request, and the use to be made of such information. If the compilation of information is not feasible, the Department shall so advise [City/County].

(b) ORS 314.840(3) requires that employees and representatives of the City of Molalla of Clackamas County who receive Confidential Information must be advised in writing of the provisions of ORS 314.835 and 314.991(3), relating to the penalties for unlawful disclosure. Prior to being given access to Confidential Information, all the City of Molalla of Clackamas County employees involved in the performance of this Agreement must review the DOR Secrecy Clause and sign the DOR Secrecy Laws Certificate (substantially in the form of Exhibit A, attached hereto and by this reference incorporated herein) certifying the employee understands the confidentiality laws and the penalties for violating them. Annually thereafter, (on or before a date specified by the Department), such the City of Molalla of Clackamas County employees must review and sign the latest versions of the Secrecy Clause and the Secrecy Laws Certificate. All signed Secrecy Laws Certificates must be immediately emailed to both the designated Department Authorized Representative (indicated below) and the Department's Disclosure Office (disclosure.office@oregon.gov). When the employee terminates, the City of Molalla of Clackamas County will forward the certificate to the Department's Disclosure Officer. A listing of every person authorized to request and receive Confidential Information identified in this Agreement will be sent to the following designated representative:

John Galvin, Marijuana Tax Program Manager, marijuanatax.DOR@oregon.gov

(c) Upon request and pursuant to the instructions of DOR, the City of Molalla of Clackamas County shall return or destroy all copies of Confidential Information provided by DOR to [City/County], and the City of Molalla of Clackamas County shall certify in writing the return or destruction of all such Confidential Information.

(d) The administrative rules implementing ORS 314.835 and ORS 314.840 as amended from time to time during the term of this Agreement, shall apply to this Agreement.

(16) Term. The term of this Agreement shall be from the date it is executed by all parties and until it is terminated by operation of law or by either party at its discretion upon at least ninety (90) days prior written notice. Prior to the termination date specified in written notice provided under this section or Section 17 below, the City of Molalla of Clackamas County and the Department will continue to perform their respective duties and obligations of under this Agreement. After the termination date, the Department will cease all collection and other

(22) **Representations.** Each party represents to the other that the making and performance of this Agreement: (a) have been duly authorized by its governing body or official, (b) does not and will not violate any provision of any applicable law, rule, regulation, or order of any court, regulatory commission, board or other administrative agency or any provision of any applicable local charter or other organizational document, and (c) do not and will not result in the breach of, or constitute a default or require any consent under any other agreement or instrument to which the party is bound.

(23) **Governing Law, Consent to Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon without regard to principles of conflicts of law. Any claim, action, suit or proceeding (collectively “Claim”) between the Department and the City of Molalla of Clackamas County regarding the enforcement or interpretation of this Agreement shall be brought and conducted solely and exclusively within the Circuit Court of Marion County for the State of Oregon. The parties understand and agree that any action brought to determine the amount of Local Tax owed by a Local Taxpayer, whether brought solely by the Department or in conjunction with the City of Molalla of Clackamas County shall be brought solely in the Oregon Tax Court.

(24) **No appropriation.** The obligation of each party to perform its duties under this Agreement is conditioned upon the party receiving funding, appropriations, limitation, allotment, or other expenditure authority sufficient to allow the party, in the exercise of its reasonable administrative discretion, to meet its obligations under this Agreement. Nothing in this Agreement may be construed as permitting any violation of Article XI, sections 7 or 10 of the Oregon Constitution or any other law limiting the activities, liabilities or monetary obligations of each party.

(25) **Survival.** All rights and obligations of the parties under this Agreement will cease upon termination of the Agreement, other than the rights and obligations arising under Sections 14, 16 and 17, and those rights and obligations that by their express terms survive termination of this Agreement; provided, however, that termination of this Agreement will not prejudice any rights or obligations accruing to a party prior to termination.

(26) **Force Majeure.** Neither party is responsible for any failure to perform or any delay in performance of an obligation under this Agreement caused by fire, civil unrest, labor unrest, natural causes, or war, which is beyond that party’s reasonable control. Each party shall, however, make all reasonable efforts to remove or eliminate such cause of failure to perform or delay in performance and shall, upon the cessation of the cause, diligently pursue performance of its obligation under this Agreement.

(27) **Counterparts.** This Agreement may be executed in counterparts, all of which when taken together shall constitute one agreement, notwithstanding that all parties are not

signatories to the same counterpart. Each copy of this Agreement so executed constitutes an original.

(28) Merger. This Agreement and any exhibits constitute the entire agreement between the parties on the subject matter hereof. There are no understandings, agreements or presentations, oral or written, not specified herein regarding this Agreement.

Each party represents that this Agreement, when fully executed and delivered will constitute a legal, valid and binding obligation of the party in accordance with its terms, and that the person signing below is the authorized representative of the party with full power and authority to bind his/her principal to this Agreement.

Oregon Department of Revenue	City/County:
Name/Title:	Name/Title: Dan Huff, City Manager
Signature:	Signature:
Date signed:	Date signed: 12/14/16

EXHIBIT A

DOR

SECRECY CLAUSE

And

SECRECY LAWS CERTIFICATE

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SECURITY CLAUSE

Taxpayer information is confidential and protected by Oregon law. Only authorized persons may have access to taxpayer information, or to secure buildings where taxpayer information is handled. Oregon law requires that you sign a Secrecy Certificate before being allowed access to this confidential information or secure areas. By signing the certificate, you certify that you understand the confidentiality laws and the penalties for violating them.

This applies to everyone with access to taxpayer information, including:

- Department of Revenue employees
- Employees of other government agencies
- Vendors and contractors
- Business partners

Penalties for unauthorized disclosure of state tax information

- **Income tax***—Class C felony; up to \$125,000 fine; up to five years imprisonment; dismissal from state employment; no public office for five years. [ORS 314.991(2)]
- **Inheritance tax**—Class C felony; up to \$125,000 fine; up to five years imprisonment; dismissal from state employment; no public office for five years. [ORS 118.990(3)]
- **Industrial property tax**—Up to \$10,000 fine; up to one year imprisonment. [ORS 308.990(5)]
- **Timber tax**—Up to \$5,000 fine; dismissal from state employment. (ORS 321.686)
- **Employment Department**—May result in dismissal from state employment, or other discipline. [ORS 657.665(6)]

* These provisions also apply to transient lodging tax (ORS 320.330), cigarette tax (ORS 323.403), tobacco products tax (ORS 323.595), emergency communications tax (ORS 403.230), oil and gas production tax (ORS 324.170), hazardous substances tax (ORS 453.410), and petroleum products tax (ORS 465.124).

Penalties for unauthorized disclosure of federal tax information

- **IRC Sect. 7213**—Felony; up to \$5,000 fine; imprisonment of up to five years; cost of prosecution, damages**.
- **IRC Sect. 7213A**—Up to \$1,000 fine; imprisonment of up to one year; cost of prosecution, damages**.

** Damages may include \$1,000 per act, actual damages, punitive damages, cost of legal action, attorney fees. See Section 7431.

Instructions

Please read the following laws. They explain the types of information that are confidential. If you have questions during your employment or performance of duties, ask your supervisor or a Disclosure officer before accessing or disclosing information.

After reading this information, fill out the last page and return it to the Department of Revenue. Keep the other pages for your records.

Oregon Income Tax Laws

ORS 314.835

(1) Except as otherwise specifically provided in rules adopted under ORS 305.193 or in other law, it shall be unlawful for the Department of Revenue or any officer or employee of the department to divulge or make known in any manner the amount of income, expense, deduction, exclusion or credit or any particulars set forth or disclosed in any report or return required in the administration of ORS 310.630 to 310.706, required in the administration of any local tax pursuant to ORS 305.620, or required under a law imposing a tax upon or measured by net income. It shall be unlawful for any person or entity to whom information is disclosed or given by the department pursuant to ORS 314.840 (2) or any other provision of state law to divulge or use such information for any purpose other than that specified in the provisions of law authorizing the use or disclosure. No subpoena or judicial order shall be issued compelling the department or any of its officers or employees, or any person who has acquired information pursuant to ORS 314.840 (2) or any other provision of state law to divulge or make known the amount of income, expense, deduction, exclusion or credit or any particulars set forth or disclosed in any report or return except where the taxpayer's liability for income tax is to be adjudicated by the court from which such process issues.

(2) As used in this section:

(a) "Officer," "employee" or "person" includes an authorized representative of the officer, employee or person, or any former officer, employee or person, or an authorized representative of such former officer, employee or person.

(b) "Particulars" includes, but is not limited to, a taxpayer's name, address, telephone number, Social Security number, employer identification number or other taxpayer identification number and the amount of refund claimed by or granted to a taxpayer.

ORS 314.991

(2) Violation of ORS 314.835 is a Class C felony. If the offender is an officer or employee of the state the offender shall be dismissed from office and shall be incapable of holding any public office in this state for a period of five years thereafter.

Applicability to other tax programs

The above provisions of ORS 314, concerning the confidentiality of returns and penalties, also apply to:

• Transient lodging tax	ORS 320.330
• Cigarette tax	ORS 323.403
• Tobacco products tax	ORS 323.595
• Emergency communications tax	ORS 403.230
• Oil and gas production tax	ORS 324.170
• Hazardous substances tax	ORS 453.410
• Petroleum products tax	ORS 465.124

Oregon Inheritance Tax Laws

ORS 118.525

(1) It shall be unlawful for the Department of Revenue or any of its officers or employees to divulge or make known in any manner any particulars disclosed in any return or supporting data required under this chapter. Except for executors or beneficiaries and their authorized representatives, it shall be unlawful for any person or entity who has acquired information pursuant to subsections (3) and (4) of this section to divulge or make known such information for any purpose other than that specified in the provisions of law authorizing the use or disclosure. No subpoena or judicial order shall be issued compelling the department, or its officers or employees, or persons described in subsections (3) and (4) of this section, to divulge or make known any particulars disclosed in any such return or supporting data except where the liability for inheritance taxes is to be adjudicated by the Oregon Tax Court. Nothing in this section shall prohibit the publication of statistics so classified as to prevent the identification of particulars in any return or supporting data covered by this section.

(2) As used in this section:

(a) "Officer," "employee" or "person" includes an authorized representative of the officer, employee or person, or former officer, employee or person, or an authorized representative of such former officer, employee or person.

(b) "Particulars" includes, but is not limited to, a taxpayer's name, address, telephone number, Social Security number and the amount of refund claimed by or granted to a taxpayer.

ORS 118.990

(3) Violation of ORS 118.525 is a Class C felony. If the offender is an officer or employee of the state the offender shall be dismissed from office and shall be incapable of holding any public office in this state for a period of five years thereafter.

Oregon Property Tax Laws

ORS 308.290

(11)(a) All returns filed under the provisions of this section and ORS 308.525 and 308.810 are confidential records of the Department of Revenue or the county assessor's office in which the returns are filed or of the office to which the returns are forwarded under paragraph (b) of this subsection.

ORS 308.413

(1) Any information furnished to the county assessor or to the Department of Revenue under ORS 308.411 which is obtained upon the condition that it be kept confidential shall be confidential records of the office in which the information is kept, except as follows:

(a) All information furnished to the county assessor shall be available to the department and all information furnished to the department shall be available to the county assessor.

(b) All information furnished to the county assessor or department shall be available to any reviewing authority in any subsequent appeal.

(c) The department may publish statistics based on the information furnished if the statistics are so classified as to prevent the identification of the particular industrial plant.

(2) The Department of Revenue shall make rules governing the confidentiality of information under this section.

(3) Each officer or employee of the Department of Revenue or the office of the county assessor to whom disclosure or access of the information made confidential under subsection (1) of this section is given, prior to beginning employment or the performance of duties involving such disclosure, shall be advised in writing of the provisions of this section and ORS 308.990 (5) relating to penalties for the violation of this section, and shall as a condition of employment or performance of duties execute a certificate for the department or the assessor in a form prescribed by the department, stating in substance that the person has read this section and ORS 308.990 (5), that these sections have been explained to the person and that the person is aware of the penalties for violation of this section.

ORS 308.990

(5) Subject to ORS 153.022, any willful violation of ORS 308.413 or of any rules adopted under ORS 308.413 is punishable, upon conviction, by a fine not exceeding \$10,000, or by imprisonment in the county jail for not more than one year, or by both.

Forestland Tax Laws

ORS 321.682

(1) Except as otherwise specifically provided by law, it shall be unlawful for the Department of Revenue or any officer or employee of the department to divulge or make known in any manner the amount of the tax or any particulars set forth or disclosed in any report or return required to be filed under ORS 321.045 or 321.741 or any appraisal data collected to make determinations of specially assessed value of forestland pursuant to ORS 321.201 to 321.222. It shall be unlawful for any person or entity to whom information is disclosed or given by the department pursuant to ORS 321.684 (2) or any other provision of state law to divulge or use such information for any purpose other than that specified in the provisions of law authorizing the use or disclosure. No subpoena

150-800-033 (Rev. 2-11)

or judicial order shall be issued compelling the department or any of its officers or employees, or any person who has acquired information pursuant to ORS 321.684 (2) or any other provision of state law, to divulge or make known the amount of tax or any particulars set forth or disclosed in any report or return except where the taxpayer's liability for timber tax is to be adjudicated by the court from which such process issues.

(2) As used in this section, "officer," "employee" or "person" includes an authorized representative of the officer, employee or person, or any former officer, employee or person, or an authorized representative of such former officer, employee or person.

ORS 321.686

Violation of ORS 321.682 is subject to a fine not exceeding \$5,000 or, if committed by an officer or employee of the state, dismissal or removal from office or employment, or both fine and dismissal or removal from office or employment.

Oregon Employment Department Laws

ORS 657.665

(4)The Employment Department may: ... (i) Disclose information to the Department of Revenue for the purpose of performing its duties under ORS 293.250 or under the revenue and tax laws of this state. The information disclosed may include the names and addresses of employers and employees and payroll data of employers and employees. The information disclosed is confidential and may not be disclosed by the Department of Revenue in any manner that would identify an employing unit or employee except to the extent necessary to carry out the department's duties under ORS 293.250 or in auditing or reviewing any report or return required or permitted to be filed under the revenue and tax laws administered by the department. The Department of Revenue may not disclose any information received to any private collection agency or for any other purpose. If the information disclosed under this paragraph is not prepared for the use of the Employment Department, the costs of disclosing the information shall be paid by the Department of Revenue.

(6) Any person or any officer or employee of an entity to whom information is disclosed by the Employment Department under this section who divulges or uses the information for any purpose other than that specified in the provision of law or agreement authorizing the use or disclosure may be disqualified from performing any service under contract or disqualified from holding any appointment or employment with the state agency that engaged or employed that person, officer or employee. The Employment Department may immediately cancel or modify any information sharing agreement with an entity when a person or an officer or employee of that entity discloses confidential information, other than as specified in law or agreement.

3



SECURITY LAWS CERTIFICATE

Required by ORS 314.840(3), ORS 118.525(6),
ORS 308.413(3), ORS 321.684

I have read the laws prohibiting disclosure of confidential information for the tax programs below.
 The laws have been explained to me.
 I have been furnished with a copy of the laws.
 I understand Oregon's disclosure laws and the penalties for violating them.

Income tax	ORS 314.835; ORS 314.991(2)
Inheritance tax	ORS 118.525(1); ORS 118.990(3)
Industrial property tax	ORS 308.290(11); ORS 308.413; ORS 308.990(5)
Forestland tax	ORS 321.682; ORS 321.686
Employment Department tax	ORS 657.665(4)(i) and (6)
Transient lodging tax	ORS 320.330
Cigarette tax	ORS 323.403
Tobacco products tax	ORS 323.595
Emergency communications tax	ORS 403.230
Oil and gas production tax	ORS 324.170
Hazardous substances tax	ORS 453.410
Petroleum products tax	ORS 465.124
Federal tax laws	IRC Sections 7213, 7213A, 7431

VENDORS, CONTRACTORS, BUSINESS PARTNERS
--

PRINT your full name	Business telephone number
Print full name of business or organization for which you are acting in an official capacity	
Address of business or organization	SSN (Collection agency employees only)
What is the nature of your business?	Duration of contract or visit
Revenue contact	Area where you'll be working
Signature X	Date

REVENUE EMPLOYEES

PRINT your full name	Date
Signature X	

AGENCY USE

In Compliance
 Not in Compliance

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Canvass Results Report
 November 8, 2016 General Election
 Run Time: 1:39 PM
 Run Date: 11/25/2016

Clackamas County
 General Election
 11/8/2016
 Page 221

Official results
 Registered Voters
 217,760 of 269,156 = 80.90 %
 Precincts Reporting
 119 of 119 = 100.00 %

Measure 3-488, City of Molalla

Precinct	YES	NO	Cast Votes	Overvotes	Undervotes	Write-in	Election Day Voting Ballots Cast	Total Ballots Cast	Registered Voters	Turnout Percentage
111	2548	985	3534	1	106	0	3641	3641	4962	73.38 %
Totals	2548	986	3534	1	106	0	3641	3641	4962	73.38 %

TRUE COPY OF THE ORIGINAL
 ELECTION COUNTY FILE

Shirley Hall

RESOLUTION 2016-13

A RESOLUTION APPROVING REFERRAL TO THE ELECTORS OF THE CITY OF MOLALLA THE QUESTION OF IMPOSING A THREE PERCENT TAX ON THE SALE OF MARIJUANA ITEMS BY A MARIJUANA RETAILER WITHIN THE CITY.

WHEREAS, under ORS 475B.345, cities that allow medical marijuana processors, medical marijuana dispensaries, recreational marijuana producers, recreational marijuana processors, recreational marijuana wholesalers and recreational marijuana retailers may impose a tax of three percent on the sale of marijuana items by a marijuana retailer in the area subject to the jurisdiction of the city if such a tax is approved by the voters of the City; and

WHEREAS, the City of Molalla adopted Ordinance No. 2016-03 imposing a tax of three percent on the sale of marijuana items by a marijuana retailer in the city and, pursuant to ORS 475B.345, has referred the ordinance to the electorate at the statewide general election in November 2016; and

NOW, THEREFORE, THE CITY OF MOLALLA RESOLVES AS FOLLOWS:

Section 1. An election is hereby called in and for the City of Molalla, Clackamas County, Oregon, to submit to the legal voters of the City the following question:

Shall Molalla impose a three percent tax on the sale of marijuana items by a marijuana retailer?

Section 2. Tuesday, November 8, 2016 is hereby designated as the date for holding the election for voting on the measure.

Section 3. The election shall be conducted by the Clackamas County Elections Department.

Section 4. The precincts for said election shall be and do constitute all of the territory included within the corporate limits of the City of Molalla.

Section 5. The ballot title to appear on the ballots shall read as follows:

CAPTION: **Authorizing tax on recreational retail sales of marijuana items**

QUESTION: **Shall Molalla impose a three percent tax on the sale of marijuana items by a marijuana retailer?**

SUMMARY:

Under a state law, cities in Oregon may adopt ordinances imposing up to a three percent tax or fee on the sale of recreational marijuana items in the city by state-licensed marijuana retailers as long as the ordinance is referred to the voters for approval at the next statewide general election. This measure seeks the required voter approval for a three percent tax on recreational marijuana sold in the city by state-licensed marijuana retailers.

If this measure is approved, the City would be authorized to impose a three percent tax on recreational marijuana sales in Molalla.

Section 6. The City Recorder is hereby authorized to submit an impartial explanatory statement for the Marion County Voters' Pamphlet on behalf of the City to read something substantially similar to the following:

EXPLANATORY STATEMENT:

Approval of this measure would impose a three percent tax on the sale of marijuana items by a marijuana retailer within the city. There are no restrictions on how the city may use the revenues generated by this tax.

Under Measure 91, adopted by Oregon voters in November 2014, codified in ORS chapter 475B and amended by the Legislature in 2016, the Oregon Liquor Control Commission must license the retail sale of recreational marijuana. ORS 475B.345 provides that a city council may adopt an ordinance imposing up to a three percent tax on the sale of marijuana items (which include marijuana concentrates, extracts, edibles, and other products intended for human consumption and use) by retail licensees in the city, but the council must refer that ordinance to the voters at a statewide general election. The Molalla City Council has adopted an ordinance imposing a three percent tax on the sale of marijuana items by a retail licensee in the city, and, as a result, has referred this measure to the voters.

Section 7. The City Recorder shall take any and all steps necessary to place this measure on the ballot at the November 8, 2016 statewide general election including but not limited to publishing a copy of the ballot title in the next available edition of a newspaper of general distribution in the City as well as notice of the seven day challenge ballot title challenge period as required in ORS250.296.

Section 8. This resolution is effective upon its adoption by the City Council.

DULY ADOPTED AND EFFECTIVE the ____ day of _____, 2016, by a
vote of _____ ayes and _____ nays.

Mayor Debbie Rogge

ATTEST this ____ day of _____, 2016:

City Recorder, Sadie Cramer

INTERGOVERNMENTAL AGREEMENT
Agreement # 8052

BEHAVIORAL HEALTH SERVICES

**BETWEEN THE CITY OF MOLALLA, THROUGH ITS POLICE DEPARTMENT,
AND CLACKAMAS COUNTY, THROUGH ITS HEALTH, HOUSING AND HUMAN SERVICES
BEHAVIORAL HEALTH DIVISION**

- I. **Purpose.** This Agreement ("Agreement") provides the basis for a cooperative relationship between the City of Molalla, acting through its Police Department ("LE AGENCY") and Clackamas County, acting through its Health, Housing and Human Services, Behavioral Health Division ("BHD").

The purpose of this Agreement is to implement the parties' desire to partner in the delivery of behavioral health crisis assessment and diversion services to citizens experiencing mental health crises when involved with the LE AGENCY.

- II. **Provisions.** BHD and LE AGENCY agree to jointly oversee the LE AGENCY Behavioral Health Unit (BHU), comprised of Mental Health Specialists, Case Managers and Peer Specialist staff assigned through the BHD Crisis Services to work with the LE AGENCY Patrol Division and provide crisis assessment, diversion intervention, case management, support and referral services to citizens in need who are identified through the LE AGENCY as frequently accessing LE services due to mental illness.

BHD will be responsible for the compensation, professional standards and general conduct of the Mental Health Specialists, Case Management and Peer Specialist staff, who will remain employees of BHD under BHD's supervision and control. LE AGENCY will provide the training that LE AGENCY determines is necessary to enable BHD staff to safely work with LE AGENCY staff while in the field.

- III. **BHD/BHU Functions.** The primary functions of the BHD/BHU staff under this Agreement are to:
1. Engage with county residents with perceived mental health conditions and link them to appropriate resources, in order to divert them from incarceration, hospitalization, or unnecessary reliance on LE AGENCY resources; and
 2. Enhance LE AGENCY staff skills by providing formal and informal training and education through participation in Critical Incident Training ("CIT"), and in-person consultation.

- IV. **Roles.**
1. LE AGENCY staff will generate referrals for BHD/BHU follow-up. If either BHU or LE AGENCY perceives risk to the follow up, the LE AGENCY will provide an officer to accompany BHU staff on the follow-up visit.
 2. BHD/BHU staff will have assigned County vehicles in which they are authorized to transport county residents provided that the transport is voluntary and the individual is

in behavioral control.

3. BHD/BHU staff will not be expected to physically participate in what LE AGENCY determines to be an unsecured scene, however, they may be asked to be available telephonically or via radio to consult with LE AGENCY staff in live negotiation situations.
4. Occasionally BHD/BHU staff may be requested to assist with the assessment of a Peace Officer or Director's Designee Custody assessment in the field. The BHD/BHU staff cannot accept custody from LE AGENCY staff and cannot provide involuntary transportation.
5. On rare occasions the BHD/BHU staff may have the ability to accompany the allegedly mentally ill person and the LE AGENCY staff to the hospital to communicate the clinical information to the hospital staff, but will not be expected to provide this service with any frequency
6. BHD/BHU staff will not be expected to leave an intervention to attend to another intervention prior to completing their first assignment.
7. BHD/BHU current shifts are as follows: Staff 1: Monday through Friday, 8:30 a.m. - 5:00 p.m.; Staff 2: Sunday through Wednesday, 9:00 a.m. - 6:30 p.m.; Staff 3: Wednesday through Saturday, 10:00 a.m. - 7:30 p.m. As the team is expanded, the shift times will be mutually agreed to by BHD/BHU and the LE AGENCY.
8. Outside of BHD/BHU covered shifts, in the event of a mental health crisis, LE AGENCY will have access to 24/7 Crisis Support by calling 503-655-8585. Determination will be made with the 24/7 Crisis Support and on-call supervisor if mobile crisis response is needed. LE AGENCY will provide an officer to accompany BHU staff.

V. Communication.

1. BHU staff will attend LE AGENCY roll call shifts as scheduling permits.
2. LE AGENCY will appoint a liaison to help BHD/BHU staff navigate LE AGENCY, address the needs of their working conditions and successfully perform their duties while working with LE AGENCY.
3. The BHD/BHU staff will be responding to requests from multiple LE Agencies. In the event of conflicting time-sensitive requests, the LE Agencies will negotiate with each other the priority of requests and will communicate the decision to the BHD/BHU staff.
4. LE AGENCY, Clackamas County Sheriff's Office ("CCSO") and BHD supervisory staff will meet periodically to address concerns and systems issues. Additional meetings may be scheduled if needed as determined by LE AGENCY or BHD.

VI. Training. LE AGENCY will attempt to train all LE AGENCY's patrol officers through CCSO's semi-annual CIT program, which includes a three-year certification on Mental Health First Aid. LE AGENCY will participate with CCSO in the development of an Advanced CIT training for select regional LE AGENCY staff, with the goal of developing a regional CIT response team. The advanced CIT training will include, at a minimum, ASIST (Applied Suicide Intervention Skills Training) and Psychological First Aid.

VII. Compensation – Attachment A. In the first year of this Agreement, or as otherwise determined by mutual agreement, the LE AGENCY will provide a percentage reimbursement to the BHD using the following formula, as detailed on the attached Attachment A, as its contribution to the expansion of the Behavioral Health Unit, which includes an additional mental health clinician to be added to the three-person team.

The compensation detailed in Attachment A is calculated based upon each city's total population as a percentage of County population

By **December 1, 2017**, and by December 1st of each year thereafter, BHD will provide a statement to LE AGENCY showing LE AGENCY's percentage reimbursement for the following year of the Agreement (January 1 to December 31), using the above formula. LE AGENCY by **January 1, 2018**, and by January 1 of each year thereafter, shall either pay BHD the stated percentage reimbursement or may, at LE AGENCY's discretion, terminate LE AGENCY's Agreement effective immediately.

The current cost-sharing agreement is prorated with BHD subsidizing most of the current cost. It is the goal of the parties to collaborate on identifying a cost model that creates a sustainable program. Any change in the cost model will require the mutual agreement of the parties.

All LE Agencies currently operating in Clackamas County will be encouraged to participate as this allows for greater cost sharing across all participants.

VIII. Liaison Responsibility. The BHD Crisis Services Manager or designee will act as liaison to LE AGENCY. The LE AGENCY Patrol Captain or designee will act as liaison to BHD.

IX. Confidentiality. Unless otherwise permitted by law, parties agree that the LE AGENCY, its agents and employees shall maintain the confidentiality of any participant records or other participant identifying information, written or otherwise, with which they may come in contact, to the extent required by all applicable provisions of state and federal statutes, rules and regulations, and shall comply with the same in the event of requests for information by any person or federal, state or local agency. In addition, parties acknowledge the Health Insurance Portability and Accountability Act of 1996 (HIPAA), PL 104-191, 45 CFR Parts 160-164, and agree that the party, its agents and employees will comply with any applicable requirements of HIPAA and state law related to the confidentiality of participant records or other participant identifying information.

X. Amendments. This Agreement may be amended at any time with the concurrence of both parties. Amendments become a part of this Agreement only after the written amendment has been signed by the Clackamas County Health, Housing and Human Services Department Director and the Lake Oswego Chief of Police, or by their authorized designees.

XI. Term of Agreement. This Agreement is effective **January 1, 2017**, until terminated by mutual agreement of the parties, or as provided elsewhere in this Agreement.

XII. Termination. In addition to the termination provisions in Section IV and VIII above, this Agreement may be terminated or suspended by either party upon the material non-compliance by the other party with any of its obligations under this Agreement. Termination shall be effected by written notice from one party to the other, and shall be effective immediately upon notice, or at a later date specified in the notice. This Agreement may also

be terminated at the discretion of either party upon 30 days' written notice to the other party.

XIII. Indemnification. Within the liability limits stated in the Oregon Tort Claims Act, each party to this Agreement shall defend, indemnify and hold the other party harmless against all liability, loss, or expenses, and against all claims, actions or judgments based upon or arising out of damage or injury (including death) to persons or property to the extent caused by or resulting from any act, error or omission by the indemnifying party or its agents and employees in connection with the performance of this Agreement.

**CITY OF MOLALLA, an Oregon
municipal corporation**

**CLACKAMAS COUNTY BEHAVIORAL
HEALTH**

Rod Lucich, Police Chief

Mary Rumbaugh, Director

DATE: _____, 2016

DATE: _____, 2016

**CLACKAMAS BOARD OF COUNTY
COMMISSIONERS, HEALTH, HOUSING &
HUMAN SERVICES DEPARTMENT**

Richard Swift, Director

DATE: _____, 2016

ATTACHMENT A COMPENSATION

Prorated Costs for each City for Additional Behavioral Health Resources					
County Population‡	397,385	Total Non-contract City Population*	167,285	Total CCSO*	230,100
				Case Manager Cost Less CCDA Less CCBHU Contribution 10K Contribution 50K Total City Contribution <b style="color: red;">\$73,000	
Incorporated City/Town		All Cities % of Total Population	Population % of non contract cities	Cost for each city based on Total Pop	
Canby	16,010	4.03%	9.57%	\$2,941.05	
Damascus*	10,625	2.67%	0.00%	\$1,951.82	
Estacada	3085	0.78%	1.84%	\$566.72	
Gladstone	11,505	2.90%	6.88%	\$2,113.48	
Happy Valley*	17,510	4.41%	0.00%	\$3,216.60	
Lake Oswego	37,300	9.39%	22.30%	\$6,852.05	
Milwaukie	20,505	5.16%	12.26%	\$3,766.79	
Molalla	8,940	2.25%	5.34%	\$1,642.29	
Oregon City	33,940	8.54%	20.29%	\$6,234.81	
Sandy	10,395	2.62%	6.21%	\$1,909.57	
West Linn	25,605	6.44%	15.31%	\$4,703.66	
Wilsonville*	22,870	5.76%	0.00%	\$4,201.24	
Unincorporated	179,095				

‡Certified Estimate
July 1, 2015

*Contract City	Total non-contract	167,285
	Total CCSO	230,100

‡Prepared by Population Research Center College of
Urban and Public Affairs For Portland State
University, 12/15/2015



City of Molalla
Application for Appointment to Citizen Committee

Date: 12/7/16

Board/Committee of Interest: Planning Committee

Name: Jim Chapin
Address: Meadowlawn Place
State/Province: Molalla, OR 97038
Zip/Postal Code:
Home Phone:
Work Phone:
*E-Mail:
Years of Residence Inside City: 5 1/2 years

Current or Previous Community Affiliations or Activities:

Recently I've helped with Cub Scout pack 161, tree lighting ceremony with chamber of commerce. I am currently in the training process as a volunteer firefighter for Molalla Fire Department.

Why would you like to serve on this committee and give any other background you might have in this area.

I work (Molalla Sanitary) and live in this city. I care deeply about the growth of this city. I would love to be a part of the planning and development process.

If applying for re-appointment to this Commission/Board/Committee/Task Force, please indicate what has been the key accomplishment of the group during your service.

I have not served yet with any of the groups listed above.

If you could make any improvement to the Commission/Board/Committee/Task Force, what would it be?

I look forward to learning about different ways I could help improve this city, by participating in the planning committee.

*Signature: Jim Chapin

117 Molalla Ave/PO Box 248 Molalla Oregon 97038
Ph: 503.829.6855 Fax: 503.829.3676 www.cityofmolalla.com

RESOLUTION 2016-19

RESOLUTION CANVASSING RESULTS OF THE GENERAL ELECTION FOR MAYOR AND COUNCIL POSITIONS HELD IN THE CITY OF MOLALLA, CLACKAMAS COUNTIES, OREGON ON NOVEMBER 8, 2016

WHEREAS a General Election was held on November 8, 2016 in the City of Molalla, Washington and Clackamas Counties, Oregon wherein voters of the City balloted for the election of Mayor and three Councilors; and

WHEREAS there is on file in the Office of the City Recorder, certified election results filed by the County Clerks of Clackamas Counties and it is necessary that the Council canvass the results of said election; and

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MOLALLA, OREGON, that:

Section 1. The Council hereby finds that the following summary constitutes a true and accurate statement of the election results:

<u>MAYOR</u>	Jimmy Thompson	2305
<u>COUNCILOR 1:</u>	Cindy Dragowsky	1841
<u>COUNCILOR 2:</u>	DeLise Palunbo	1821
<u>COUNCILOR 3:</u>	Keith Swigart	1852

Adopted by the City Council this 14th Day of December, 2016.

Section 2. This resolution is effective upon adoption.

CITY OF MOLALLA, OREGON

ATTEST:

BY _____
Mayor

BY _____
City Recorder

Canvass Results Report

November 8, 2016 General Election

Run Time 1:33 PM

Run Date 11/23/2016

Clackamas County

General Election

11/8/2016

Page 111

Official Results

Registered Voters 217760 of 269158 = 80.90%

Precincts Reporting 119 of 119 = 100.00%

City of Molalla, Mayor - Vote for One

Precinct	111	Totals	Jimmy Thompson	Cast Votes	Overvotes	Undervotes	Write-in	Election Day Voting Ballots Cast	Total Ballots Cast	Registered Voters	Turnout Percentage
	2305	2305	2305	2305	2	1099	235	3641	3641	4962	73.38 %
	2305	2305	2305	2305	2	1099	235	3641	3641	4962	73.38 %

RETURNED COPY OF THE ORIGINAL TO ERIK HALL COUNTY CLERK

Shirley Hall

Election Results Report

November 8, 2016 General Election

Run Time: 1:33 PM

Run Date: 11/25/2016

Clackamas County

General Election

11/8/2016

Page 112

Official Results

Registered Voters

217750 of 269156 = 80.90 %

Precincts Reporting

119 of 119 = 100.00 %

City of Molalla, City Council - Vote for Three

Precinct	Cindy Dragowsky	Keith Swigart	Delise Palumbo	Cast Votes	Overvotes	Undervotes	Write-in	Election Day Voting Ballots Cast	Total Ballots Cast	Registered Voters	Turnout Percentage
111	1841	1852	1821	5514	0	5105	304	3641	3641	4962	73.38 %
Totals	1841	1852	1821	5514	0	5105	304	3641	3641	4962	73.38 %

FOR YOUR COPY OF THE ORIGINAL
ELECTION RESULTS, CONTACT CLERK



RESOLUTION NO. 2016-20

A RESOLUTION ADOPTING POLICIES OF NO RETALIATION FOR REPORTING IMPROPER OR UNLAWFUL CONDUCT

WHEREAS, the 2016 Legislature of the State of Oregon Amended Oregon Revised Statutes 659A.200, 659A.203, and 659A.885 providing further protections for Public Employees from retaliation due to a good faith reporting of improper or unlawful conduct; and

WHEREAS, the new law requires employers to produce a policy that “delineates the rights and remedies found in the law” that will be added to the City of Molalla’s personnel policy; and

WHEREAS, the City Council intends to comply with State Statute; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL AS FOLLOWS:

Section 1. Reporting. An employee, or volunteer member of a City Board, Commission, Committee, or Task Force of the City of Molalla may report reasonable concerns about the City’s compliance with any laws, regulation or policy using one of the methods identified in this policy:

A. Immediate Supervisor: An employee of the City may report the potentially improper or unlawful conduct to his or her immediate supervisor. If the employee is not comfortable speaking with their immediate supervisor, or they are not satisfied with their supervisor’s response, they are encouraged to speak with the following, in order:

1. The employee’s Department Director.
2. The City Human Resources Director.
3. The City Attorney.
4. The City Manager.

Supervisors and managers are required to inform the City Manager about reports of improper or unlawful conduct they receive from employees immediately.

B. Open Door: Nothing in Section 1(A.) will preclude an employee from availing themselves of the City Manager’s Open Door policy. However, the employee should first talk to their immediate supervisor.

C. Improper or Unlawful Conduct: The City will not retaliate against any employee or volunteer who discloses information that the employee or volunteer reasonably believes is evidence of:

1. A violation of any federal, Oregon, or local law, rules or regulations by the City.
2. Mismanagement, gross waste of funds, abuse of authority, or substantial and specific danger to public health resulting from actions of the City.
3. A substantial and specific danger to the public health and safety resulting from actions of the City; or the fact that a recipient of government services is subject to a felony or misdemeanor arrest warrant.

RESOLUTION NO. 2016-20

A RESOLUTION ADOPTING POLICIES OF NO RETALIATION FOR REPORTING IMPROPER OR UNLAWFUL CONDUCT

Section 2. Prohibited Acts of The City. The City is prohibited from engaging in disciplinary actions in response to an employee who reasonably believes there is an improper or unlawful conduct which the employee has reported or is attempting to report. The City is further prohibited from removing any volunteer member of a City Board, Commission, Committee, or Task Force of the City who reasonably believes there is improper or unlawful conduct and reports, or attempts to report such conduct. The City may not prohibit an employee or volunteer who reasonably believes there is improper or unlawful conduct from reporting such conduct.

Section 3. Employee and Volunteer Protections. In accordance with State law, the City will not prohibit an employee or volunteer of a City Board, Commission, Committee, or Task Force from discussing the activities of a public body or a person authorized to act on behalf of a public body with a member of the Legislative Assembly, legislative committee staff acting under the direction of a member of the Legislative Assembly, any member of the elected governing body of the City, County, or other service district.

- A. Employee and Volunteer Remedies:** If the City were to prohibit, discipline, or threaten to discipline an employee, or volunteer for engaging in an activity described above, the employee or volunteer has the following remedies:
1. An employee may file a complaint with the Oregon Bureau of Labor and Industries or bring civil action in court to secure all remedies provided for under Oregon law.
 2. A volunteer may file a complaint with the City Attorney or District Attorney, or bring civil action in court to secure all remedies provided for under Oregon law.

Section 4. Confidentiality. Reports of unlawful or improper conduct will be kept confidential to the extent allowed by law and consistent with the need to conduct an impartial and efficient investigation.

Section 5. Effective Date. This Resolution shall be effective upon adoption by the City Council and approval of the Mayor.

APPROVED BY THIS 14th DAY OF DECEMBER, 2017,

ATTEST:

Debbie Rogge, Mayor

Sadie Cramer, City Recorder

RESOLUTION 2016-21

A RESOLUTION OF THE CITY OF MOLALLA UPDATING AND REPEALING RESOLUTION 2016-14; THE EXISTING AND ADOPTING AN UPDATED SYSTEM DEVELOPMENT CHARGE RATES FOR THE WATER, SANITARY SEWER, STORMWATER, TRANSPORTATION AND PARK SYSTEM FOR EACH UTILITY

WHEREAS, Chapter 223 of the Oregon Revised Statutes authorizes the City of Molalla to establish System Development Charge methodologies and rates for utilization of eligible public utilities; and

WHEREAS, Chapter 13.14 of the Molalla Municipal Code provides for the establishment and revision of System Development Charges by resolution; and

WHEREAS, the City of Molalla commissioned Project Delivery Group, LLC. consulting engineers to review the existing System Development Charge (SDC) Methodology & Capital Improvement Plan Update (July 2016 Resolution 2016-14) which established revised methodologies, rates and Capital Improvement Plans for each of the five infrastructure systems; and

WHEREAS, the Project Delivery Group, LLC. consulting engineers have revised 4 of the 5 rate calculations for the Sewer, Water, Storm and Street SDC rates attached as Exhibit "A" and incorporated herein by reference; with the exception of the Parks SDC remaining the same at \$7368.00 at this time; and

WHEREAS, the changes made to the System Development Charges which would require public notice and public notice was provided; and

WHEREAS, a public discussion was held by the City Council in a public meeting on December 14, 2016; and

NOW, THEREFORE, IT IS HEREBY RESOVLED by the City Council of the City of Molalla as follows:

1. The revised rates established in the System Development Charge Rates (SDC) attached hereto as Exhibit "A" are hereby adopted.
2. The inflationary index shall be applied by Staff yearly based on the Engineering News Record (ENR) cost escalation factor Construction Cost Index (CCI) in accordance with the SDC methodology.

DULY ADOPTED AND EFFECTIVE this 14 day of December, 2016.

Mayor Debbie Rogge

ATTEST this 14 day of December, 2016:

City Recorder, Sadie Cramer

Presented by:



September

2016

Water, Wastewater, Stormwater,
and Transportation System
Development Charge Update

Final
Report

Prepared for:



Donovan Enterprises, Inc.
9600 SW Oak Street, Suite 335
Tigard, Oregon 97223-6596
☎ 503.517.0671
www.donovan-enterprises.com

City of Molalla
2016 Water, Wastewater, Stormwater, and Transportation
SDC Methodology Update

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Introduction/History of the Project

The City of Molalla conducts periodic updates to its Comprehensive Plan and its various Public Facility Plans to provide orderly and sustainable growth of municipal infrastructure. A key component to funding these public facilities is the system development charge (SDC) program. SDCs are one-time charges for new development—designed to recover the costs of infrastructure capacity needed to serve new development. This section describes the policy context and project scope upon which the body of this report is based. It concludes with a numeric overview of the calculations presented in subsequent sections of this report for water, wastewater, stormwater, and transportation SDCs.

The city's current schedule of SDCs were last reviewed in January of 2014. In March of 2016, the City hired Donovan Enterprises, Inc. to review and update the water, wastewater, stormwater, and transportation SDC methodologies. With this review and update, the City has stated a number of objectives:

- Review the basis for charges to ensure a consistent methodology;
- Address specific policy, administrative, and technical issues which had arisen from application of the existing SDCs;
- Determine the most appropriate and defensible fees, ensuring that development is paying its way;
- Consider possible revisions to the structure or basis of the charges which might improve equity or proportionality to demand;
- Provide clear, orderly documentation of the assumptions, methodology, and results, so that City staff could, by reference, respond to questions or concerns from the public.

This report provides the documentation of that effort, and was done in close coordination with City staff and available facilities planning documents. The SDC updates comply with Molalla Municipal Code chapter 13.14.

Table 1 gives a component breakdown for the current and proposed residential equivalent SDCs for water, wastewater, stormwater, and transportation.

Table 1 - Component Breakdown of the Proposed Residential Equivalent SDCs

Line Item Description	Service Unit	Proposed	Current	Difference
<i>Water:</i>				
	per 3/4" water meter			
Reimbursement fee		\$ 619	\$ 2,400	\$ (1,781)
Improvement fee		3,124	1,150	1,974
Administration fee @ 2%		75	70	5
Total		\$ 3,818	\$ 3,620	\$ 198
<i>Wastewater:</i>				
	per 3/4" water meter			
Reimbursement fee		\$ 198	\$ 3,428	\$ (3,230)
Improvement fee		4,502	1,082	3,420
Administration fee @ 2%		94	90	4
Total		\$ 4,794	\$ 4,600	\$ 194
<i>Stormwater:</i>				
	per Equivalent Service Unit			
Reimbursement fee		\$ 41	\$ 21	\$ 20
Improvement fee		833	724	109
Administration fee @ 2%		17	15	2
Total		\$ 891	\$ 760	\$ 131
<i>Transportation:</i>				
	per PM peak hour trip			
Reimbursement fee		\$ 769	\$ 114	\$ 655
Improvement fee		3,153	3,192	(39)
Administration fee @ 2%		78	67	11
Total		\$ 4,000	\$ 3,373	\$ 627

Analytical Process for the Methodology Updates

The essential ingredient in the development of an SDC methodology is valid sources of data. For this project, the consultant team has relied on a number of data sources. The primary sources have been the newly formulated and adopted capital improvement plans for water, wastewater, stormwater, and transportation. We have supplemented these data sources with City utility billing records, certified census data, and other documents that we deemed helpful, accurate, and relevant to this study. Table 2 contains a bibliography of the key documents/sources that we relied upon to facilitate our analysis and hence the resulting SDCs.

Table 2 - Data Sources for the Calculation of SDCs

Service	Master Plan Document and/or Corroborating Source Documentation
Water	<ul style="list-style-type: none"> • City of Molalla water system twenty year capital improvement plan, August, 2016; City of Molalla Public Works Department • City of Molalla Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 • City of Molalla Water System Fixed Asset Schedule; June 30, 2015; City Records • City of Molalla Water System Construction Work in Progress Balances Work Papers; June 30, 2015; City Records • City of Molalla Utility Billing records for fiscal 2014-15 • Water meters in service per City Staff; effective June, 2016
Wastewater	<ul style="list-style-type: none"> • City of Molalla wastewater system twenty year capital improvement plan, August, 2016; City of Molalla Public Works Department • City of Molalla Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 • 2016 Discharge Monitoring Reports; City of Molalla • Molalla wastewater system fixed asset schedule; June 30, 2015; City records • City of Molalla Utility Billing System – wastewater system active accounts and Equivalent Dwelling Units in service report; June, 2015 • Portland State University, College of Urban Affairs, Population Research Center; Certified census for Molalla, Oregon; June, 2015
Stormwater	<ul style="list-style-type: none"> • City of Molalla stormwater system twenty year capital improvement plan, August, 2016; City of Molalla Public Works Department • City of Molalla Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015 • City of Molalla Comprehensive Plan; land inventory by land use designations; August 6, 2014 • Molalla stormwater system fixed asset schedule; June 30, 2015; City records
Transportation	<ul style="list-style-type: none"> • City of Molalla transportation system twenty year capital improvement plan, August, 2016; City of Molalla Public Works Department • City of Molalla transportation system fixed asset schedule; June 30, 2015; City records • U.S. Bureau of the Census; American Community Survey: <ul style="list-style-type: none"> ✓ City of Molalla dwelling units; 2015 estimated ✓ City of Molalla number of employees; 2015 estimated • Trip Generation Manual; Institute of Transportation Engineers; 9th Edition • City of Molalla Residential Land Needs Report; Winterbrook Planning; July, 2009 • City of Molalla Urban Reserves Findings; Winterbrook Planning; February, 2010

The data sources shown in Table 2 were used to formulate the two (2) components of the SDCs. These components are the reimbursement and improvement fees. The City has been constructing the SDCs with these two components for over twenty years, and our analysis does not propose to change that methodology. A brief definition of the two components are:

- *The reimbursement fee* considers the cost of existing facilities, prior contributions by existing users of those facilities, the value of the unused/available capacity, and generally accepted ratemaking principles. The objective is future system users contribute no more than an equitable share to the cost of existing facilities. The reimbursement fee can be spent on capital costs or debt service related to the systems for which the SDC is applied.
- *The improvement fee* portion of the SDC is based on the cost of planned future facilities that expand the system's capacity to accommodate growth or increase its level of performance. In developing an analysis of the improvement portion of the fee, each project in the respective service's capital improvement plan is evaluated to exclude costs related to correcting existing system deficiencies or upgrading for historical lack of capacity. An example is a facility which improves system capacity to better serve current customers. The costs for this type of project must be eliminated from the improvement fee calculation. Only capacity increasing/level of performance costs provide the basis for the SDC calculation. The improvement SDC is calculated as a function of the estimated number of additional equivalent residential units to be served by the City's facilities over the planning period. Such a fee represents the greatest potential for future SDC changes. The improvement fee must also provide a credit for construction of a qualified public improvement.

SDC Legal Authorization and Background

SDCs are authorized by Oregon Revised Statute (ORS) 223.297-314. The statute is specific in its definition of system development charges, their application, and their accounting. In general, an SDC is a one-time fee imposed on new development or expansion of existing development, and assessed at the time of development approval or increased usage of the system. Overall, the statute is intended to promote equity between new and existing customers by recovering a proportionate share of the cost of existing and planned/future capital facilities that serve the developing property. Statute further provides the framework for the development and imposition of SDCs and establishes that SDC receipts may only be used for capital improvements and/or related debt service.

Finally, two cost basis adjustments are potentially applicable to both reimbursement and improvement fees: fund balance and compliance costs. In this study, the project team as paid attention to this detail to align future infrastructure costs to those responsible for paying those costs. The reasons for this attention is as follows:

- *Fund Balances* - To the extent that SDC revenue is currently available in fund balance, that revenue should be deducted from its corresponding cost basis. For example, if the city has wastewater improvement fees that it has collected but not spent, then those unspent improvement fees should be deducted from the wastewater system's improvement fee cost basis to prevent charging twice for the same capacity.
- *Compliance Costs* - ORS 223.307(5) authorizes the expenditure of SDCs on "the costs of complying with the provisions of ORS 223.297 to 223.314, including the costs of developing system development charge methodologies and providing an annual accounting of system development

charge expenditures.” To avoid spending monies for compliance that might otherwise have been spent on growth-related projects, this report includes an estimate of compliance costs in its SDCs.

Reimbursement Fee Methodology

The reimbursement fee represents a buy-in to the cost, or value, of infrastructure capacity within the existing system. Generally, if a system were adequately sized for future growth, the reimbursement fee might be the only charge imposed, since the new customer would be buying existing capacity. However, staged system expansion is needed, and an improvement fee is imposed to allocate those growth related costs. Even in those cases, the new customer also relies on capacity within the existing system, and a reimbursement component is warranted.

In order to determine an equitable reimbursement fee to be used in conjunction with an improvement fee, two points should be highlighted. First, the cost of the system to the City’s customers may be far less than the total plant-in-service value. This is due to the fact that elements of the existing system may have been contributed, whether from developers, governmental grants, and other sources. Therefore, the net investment by the customer/owners is less. Second, the value of the existing system to a new customer is less than the value to an existing customer, since the new customer must also pay, through an improvement fee, for expansion of some portions of the system.

The method used for determining the reimbursement fee accounts for both of these points. First, the charge is based on the net investment in the system, rather than the gross cost. Therefore, donated facilities, typically including local facilities, and grant-funded facilities, would be excluded from the cost basis. Also, the charge should be based on investments clearly made by the current users of the system, and not already supported by new customers. Tax supported activities fail this test since funding sources have historically been from general revenues, or from revenues which emanate, at least in part, from the properties now developing. Second, the cost basis is allocated between used and unused capacity, and, capacity available to serve growth. In the absence of a detailed asset by asset analysis, it is appropriate to allocate the cost of existing facilities between used and available capacity proportionally based on the forecasted population growth as converted to equivalent dwelling units over the planning period. This approach reflects the philosophy, consistent with the City’s Updated Master Plans, that facilities have been sized to meet the demands of the customer base within the established planning period.

Improvement Fee Methodology

There are three basic approaches used to develop improvement fee SDCs: “standards driven”, “improvements-driven”, and “combination/hybrid” approaches. The “standards-driven” approach is based on the application of Level of Service (LOS) standards for facilities. Facility needs are determined by applying the LOS standards to projected future demand, as applicable. SDC-eligible amounts are calculated based on the costs of facilities needed to serve growth. This approach works best where level of service standards have been adopted but no specific list of projects is available. The “improvements-driven” approach is based on a specific list of planned capacity increasing capital improvements. The portion of each project that is attributable to growth is determined, and the SDC-eligible costs are calculated by dividing the total costs of growth-required projects by the projected increase in projected future demand, as applicable. This approach works best where a detailed master plan or project list is available and the benefits of projects can be readily apportioned between growth and current users. Finally, the combination/hybrid-approach includes elements of both the “improvements driven” and “standards-driven” approaches. Level of Service standards may be used to create a list of planned capacity-increasing projects, and the growth required portions of projects are then used as the basis for

determining SDC eligible costs. This approach works best where levels of service have been identified and the benefits of individual projects are not easily apportioned between growth and current users.

In the past, the City has utilized the “improvements-driven” approach for the calculation of SDCs. This study continues to use this method, and has relied on the capital improvement plans that are incorporated in the master plans, and plan updates for the water, wastewater, stormwater, and transportation systems.

For this SDC methodology update, the improvement fee represents a proportionate share of the cost to expand the systems to accommodate growth. This charge is based on the newly adopted capital improvement plans established by the City for the four (4) municipal services. The costs that can be applied to the improvement fees are those that can reasonably be allocable to growth. Statute requires that the capital improvements used as a basis for the charge be part of an adopted capital improvement schedule, whether as part of a system plan or independently developed, and that the improvements included for SDC eligibility be capacity or level of service expanding. The improvement fee is intended to protect existing customers from the cost burden and impact of expanding a system that is already adequate for their own needs in the absence of growth.

The key step in determining the improvement fee is identifying capital improvement projects that expand the system and the share of those projects attributable to growth. Some projects may be entirely attributable to growth, such as a wastewater collection line that exclusively serves a newly developing area. Other projects, however, are of mixed purpose, in that they may expand capacity, but they also improve service or correct a deficiency for existing customers. An example might be a water distribution reservoir that both expands water storage capacity and corrects a chronic capacity issue for existing users. In this case, a rational allocation basis must be defined.

The improvement portion of the SDC is based on the proportional approach toward capacity and cost allocation in that only those facilities (or portions of facilities) that either expand the respective system’s capacity to accommodate growth or increase its respective level of performance have been included in the cost basis of the fee. As part of this SDC update, City Staff and their engineering consultants were asked to review the planned capital improvement lists in order to assess SDC eligibility. The criteria in Figure 1 were developed to guide the City’s evaluation:

Figure 1 - SDC Eligibility Criteria

<p style="text-align: center;">City of Molalla</p> <p style="text-align: center;">Steps Toward Evaluating</p> <p style="text-align: center;"><u>Capital Improvement Lists for SDC Eligibility</u></p> <p><u>ORS 223</u></p> <ol style="list-style-type: none">1. Capital improvements mean the facilities or assets used for :<ol style="list-style-type: none">a. Water supply, transmission, storage and distributionb. Wastewater collection, transmission, treatment, and disposalc. Stormwater, conveyance, detention, treatment, and disposald. Transportation – intersection improvements, street reconstruction and widening, roadway enhancement, and bike/ped expansion<p>This definition DOES NOT ALLOW costs for operation or routine maintenance of the improvements;</p>2. The SDC improvement base shall consider the cost of projected capital improvements needed to increase the capacity of the systems to which the fee is related;3. An increase in system capacity is established if a capital improvement increases the “level of performance or service” provided by existing facilities or provides new facilities.
<p style="text-align: center;"><u>Under the City’ approach, the following rules will be followed</u></p> <ol style="list-style-type: none">1. Repair costs are not to be included;2. Replacement costs will not be included unless the replacement includes an upsizing of system capacity and/or the level of performance of the facility is increased;3. New regulatory compliance facility requirements fall under the level of performance definition and should be proportionately included;4. Costs will not be included which bring deficient systems up to established design levels.

In developing the improvement fee, the project team in consultation with City staff evaluated each of its CIP projects to exclude costs related to correcting existing system deficiencies or upgrading for historical lack of capacity. Only capacity increasing/level of performance costs were used as the basis for the SDC calculation, as reflected in the capital improvement schedules developed by the City. The improvement fee is calculated as a function of the estimated number of projected additional Equivalent Residential Units for water, wastewater, and stormwater over the planning horizon. We measure demand for transportation facilities in PM peak-hour vehicle trips (PM PHVTs). One PM PHVT represents one person beginning or ending a vehicular trip at a certain property during the afternoon rush hour. Once the future costs to serve growth have been segregated (i.e., the numerator), they can be divided into the total number of new EDUs (and PM PHVT’s) that will use the capacity derived from those investments (i.e., the denominator).

Methodology for the Granting of Credits, Discounts, and Exemptions

SDC Credits Policy

ORS 223.304 requires that credit be allowed for the construction of a "qualified public improvement" which is required as a condition of development approval, is identified in the Capital Improvement Plan, and either is not located on or contiguous to property that is the subject of development approval, or is located on or contiguous to such property and is required to be built larger or with greater capacity than is necessary for the particular development project. The credit for a qualified public improvement may only be applied against an SDC for the same type of improvement, and may be granted only for the cost of that portion of an improvement which exceeds the minimum standard facility size or capacity needed to serve the particular project. For multi-phase projects, any excess credit may be applied against SDCs that accrue in subsequent phases of the original development project. In addition to these required credits, the City may, if it so chooses, provide a greater credit, establish a system providing for the transferability of credits, provide a credit for a capital improvement not identified in the Capital Improvement Plan, or provide a share of the cost of an improvement by other means.

The City has adopted a policy for granting SDC credits, and has codified this policy in the Molalla Municipal Code (MMC) §13.14.110. The adopted SDC credit policy consists of five (5) items as follows:

MMC §13.14.110

- A. A system development charge shall be imposed when a change of use of a parcel or structure occurs, but credit shall be given for the computed system development charge to the extent that prior structures existing and services were established on or after the effective date of the ordinance codified in this chapter. The credit so computed shall not exceed the calculated system development charge. No refund shall be made on account of such credit.
- B. A credit shall be given for the cost of a qualified public improvement associated with a development. For qualified public improvements which are located in whole or in part on or contiguous to property that is the subject of development approval, and are required to be built larger or with greater capacity than is necessary for the particular development to which the improvement fee is related, credit shall be granted only for the cost of that portion of such improvement that exceeds the minimum standard facility size or capacity needed to serve the particular development project or property. The applicant shall have the burden of demonstrating that a particular improvement qualifies for credit under this section. The credit provided for by this subsection shall be only for the improvement fee charged for the type of improvement being constructed and shall not exceed the improvement fee even if the cost of the capital improvement exceeds the applicable improvement fee.
- C. Credit shall not be transferable from one development to another except in compliance with standards adopted by the City Council.
- D. Credit shall not be transferable from one type of capital improvement to another.
- E. Credits shall be used not later than 10 years from the date the credit is given. (Ord. 1999-14 §1; Ord. 1991-6 §1)

SDC Discount Policy

The City, at its sole discretion may discount the SDC rates by choosing not to charge a reimbursement fee for excess capacity, or by reducing the portion of growth-required improvements to be funded with SDCs. A discount in the SDC rates may also be applied on a pro-rata basis to any identified deficiencies, which must to be funded from sources other than improvement fee SDCs. The portion of growth-required costs to be funded with SDCs must be identified in the CIP. Because discounts reduce SDC revenues, they increase the amounts that must come from other sources, such as user fees or general fund contributions, in order to acquire the facilities identified in the Updated Master Plan(s).

Partial and Full SDC Exemption

The City may exempt certain types of development, from the requirement to pay SDCs. Exemptions reduce SDC revenues and, therefore, increase the amounts that must come from other sources, such as user fees and property taxes. As in the case of SDC credits, the City has articulated a policy relative to partial and full SDC exemption. This SDC exemption policy is codified in MMC §13.14.100, and is as follows:

- A. Structures and uses established and existing on or before the effective date of the ordinance codified in this chapter are exempt from a system development charge, to the extent that such structures and uses are not altered, added to, replaced, or changed in use so as to increase demands on any capital improvement for which systems development charges are imposed.
- B. Additions to single-family dwellings that do not constitute the addition of a dwelling unit, as defined by the State Uniform Building Code, are exempt from all portions of the system development charge.
- C. An alteration, addition, replacement or change in use that does not increase the parcel's or structure's use of the capital improvement facility is exempt from all portions of the system development charge.
- D. A project financed by City revenues is exempt from all portions of the system development charge. (Ord. 1999-14 §1; Ord. 1991-6 §1)

Water SDCs

Water Capital Improvement Plan

The principal source document for the water capital improvement plan (CIP) was the 2016 twenty (20) year Water System Capital Improvement Plan. For this water SDC methodology update, the 2016 water CIP was reviewed for accuracy with City Staff and where appropriate amended. This amendment process consisted of two steps. The first step was to eliminate master plan projects that City Staff deemed unnecessary at the current time due to the very long lead times anticipated for their development. The second step in the CIP amendment process was to eliminate the cost of planned projects (or portions of projects) that have been funded and constructed since the adoption of the last water master plan in 1996. In this case, the planned future costs are deducted from the CIP. The actual costs spent on these projects were capitalized by the City, and now reside in the water system fixed asset inventory (i.e., balance sheet assets). These historical costs will be included in the reimbursement fee calculations.

The amended water system CIP now consists of future projects that remain a 20 year priority for the City, and only consists of projects yet to be completed. The resulting CIP that was used for this SDC methodology update is shown in summary form in Table 3.

Table 3 – Adopted 2016 Water System Capital Improvement Plan

1996 CIP Project Number	Project Source	Project Name	Project Description	Recommended Water Capital Improvement Plan				Master Plan Priority	Length	SDC Funding Eligible (Y/N)	SDC Share %	1996 Master Plan Cost Est.	2016 Est. Project Cost (67.54%)	SDC Eligible Cost
				Original Year	New Priority Year 2017-2021	New Priority Year 2022-2026	New Priority Year 2027-2036							
Water Supply & Treatment Projects														
15	WMP	New Well Source	600 gpm well, well house, piping, electrical, controls, emergency power, &	1996	2017-21			High	N/A	Y	100%	\$ 241,500	\$ 404,609	\$ 404,609
16	WMP	New Treatment Capacity Projects	Building expansion, package plant, site piping, emergency power, & control systems	1996	2017-21			High	N/A	Y	100%	\$ 979,800	\$ 1,641,557	\$ 1,641,557
Transmission Projects														
12	WMP	Transmission Main	New 16" transmission main from well field to new grid with valving and metering	1996	2017-21			High	3000	Y	100%	\$ 296,700	\$ 497,091	\$ 497,091
Distribution Projects														
C	WMP	Debra St (Frances north to 14")	Replace existing 6" waterline with 8"	1996	2017-21			High	N/A	Y	43.8%	\$ 19,320	\$ 32,369	\$ 14,178
1	WMP	E/W-1, North E/W grid main	Construct 14" waterline	2000-01	2017-21	2022-26		Annual	5200	Y	100%	\$ 430,560	\$ 721,360	\$ 721,360
2	WMP	E/W-2, Big Meadow E/W grid main	Construct 10" waterline	2000-01	2017-21	2022-26		Annual	5200	Y	100%	\$ 330,096	\$ 553,043	\$ 553,043
3	WMP	E/W-3, Bear Creek E/W grid main	Construct 10" waterline	2005-06				Annual	6050	Y	100%	\$ 384,054	\$ 643,444	\$ 643,444
4	WMP	N/S-2, School N/S grid main - north	Construct 12" waterline	2000-01	2017-21	2022-26		Annual	4400	Y	100%	\$ 315,744	\$ 528,997	\$ 528,997
5	WMP	N/S-2, School N/S grid main – south	Construct 10" waterline	2006			2027-36	High	900	Y	100%	\$ 57,132	\$ 95,719	\$ 95,719
11	WMP	Molalla Ave (Miller to N grid main)	Construct 14" waterline	2000-01	2017-21	2022-26		Medium	1600	Y	68.3%	\$ 132,480	\$ 221,957	\$ 151,504
12	WMP	Big Meadows Tie N grid main to Meadow Dr.	Construct 10" waterline	2000-01	2017-21	2022-26		Medium	1650	Y	100%	\$ 104,742	\$ 175,485	\$ 175,485
	CDBG	Lola Avenue	Replace existing 4" pipe with 8" from 3rd St to 5th St	2016	2016			High	700	Y	0%		\$ 136,500	\$ -
	WMP	Water service upgrade	System wide replacements	Annual	2017-21	2022-26	2027-36	Annual		Y	0%	\$ 414,000	\$ 693,616	\$ -
Storage Projects														
	WMP	New 2.0 MG concrete reservoir	Construct new reservoir near well field	2001				Medium		Y	100%	\$ 1,393,800	\$ 2,335,173	\$ 2,335,173
	WMP	Pump Station	Construct expandable pump station for well field reservoir	2001				Medium		Y	100%	\$ 345,000	\$ 578,013	\$ 578,013
	WMP	Annual Dist. System Replacements	Replace aging and undersized waterlines in distribution system	1996	2017-21	2022-26	2027-36	Annual		Y	43.8%	\$ 2,257,459	\$ 6,400,000	\$ 2,803,200
Subtotal												\$ 7,702,387	\$ 15,658,932	\$ 11,143,372

Table 3 – Adopted 2016 Water System Capital Improvement Plan (Continued)

Operation, Maintenance, and Replacement Projects															
1996 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New Priority Year 2017-2120	New Priority Year 2021-2025	New Priority Year 2026-2035	Master Plan Priority	Length	SDC Funding Eligible (Y/N)	SDC Share %	1996 Master Plan Cost Est.	2016 Est. Project Cost (67.54%)	SDC Eligible Cost	
N/A	Staff	Update Water Master Plan	Provide update to existing water master plan	2016	2017-21			High	N/A	N	100%		\$ 250,000	\$ 250,000	
N/A	Staff	River intake upgrade	Add ground wells at intake to improve and maintain treatment during high turbidity	2016	2017-21			High	520	N	0%		\$ 500,000	\$ -	
N/A	Staff	Vehicle replacement program	Replace vehicles at end of life	2016	2017-21	2022-26		Med	N/A	N	0%		\$ 70,000	\$ -	
N/A	Staff	Reservoir exterior wall improvements	Repairs to concrete reservoir exterior walls	2016	2017-21	2022-26	2027-36	Med	N/A	N	0%		\$ 90,000	\$ -	
N/A	Staff	Water Treatment Plant security improvements	Install security gate, lighting, and surveillance.	2106	2017-21	2022-26	2027-36	High	N/A	N	0%		\$ 150,000	\$ -	
N/A	Staff	Water Treatment Plant Energy Efficient Lighting	Upgrade plant lighting with internal and external low energy LED lighting	2016	2017-21			Med	N/A	N	0%		\$ 60,000	\$ -	
N/A	Staff	Filter #1 Media Replacement in 2026	Recommended replacement cycle on filter media is 10 years	2016			2027-36	Med	N/A	N	0%		\$ 110,000	\$ -	
N/A	Staff	Filter #3 & #4 Media Replacement in 2030	Recommended replacement cycle on filter media is 10 years / this filter is seasonal	2016	2017-21		2027-36	High	N/A	N	0%		\$ 130,000	\$ -	
N/A	Staff	Back up effluent pump and motor for Filter #1 and backup effluent pump	These items will be needed to meet our equipment redundancy requirements and	2016	2017-21		2027-36	High	N/A	N	0%		\$ 15,000	\$ -	
N/A	Staff	Rebuild existing backwash pumps and motor, surface wash pumps and motors.	for these item it will be necessary to rebuild/replace these pumps and motors on a 15 year cycle.	2016	2017-21		2027-36	Med	N/A	N	0%		\$ 10,000	\$ -	
N/A	Staff	Rebuild Raw Water 100HP Pumps	Instead of redundant pumps and motors for these item it will be necessary to	2016	2017-21		2027-36	Med	N/A	N	0%		\$ 10,000	\$ -	
N/A	Staff	Rebuild Raw Water 75HP Pump	Instead of redundant pumps and motors for these item it will be necessary to	2016	2017-21		2027-36	Med	N/A	N	0%		\$ 8,000	\$ -	
N/A	Staff	Control System & SCADA Upgrades - Design & Installation	Replace obsolete system controls hardware to maintain SCADA operations	2016	2017-21		2027-36	High	N/A	N	0%		\$ 100,000	\$ -	
N/A	Staff	Public Work Shops Building	Construct new shop for storage of equipment and crew office/lunch/shower	2016	2017-21			High	N/A	N	0%		\$ 175,000	\$ -	
N/A	Staff	Clean & Inspect Reservoirs	Clean and inspect with diver every 10 years alternating every 5 years	2016	2017-21	2022-26	2027-36	Recurring	N/A	N	0%		\$ 75,000		
N/A	Staff	Replace building roof on Filter #1 Plant Building	Construct new shop for storage of equipment and crew office/lunch/shower	2016			2027-36	Med	N/A	N	0%		\$ 60,000	\$ -	
													Subtotal	\$ 1,813,000	\$ 250,000
													Water CIP Totals	\$ 17,471,932	
													SDC Totals	65%	\$ 11,393,372
													Rate Totals	35%	\$ 6,078,560

Table 3 – Adopted 2016 Water System Capital Improvement Plan (Continued)

1996 CIP Project Number	Project Source	Project Name	Project Description	Completed Master Plan Projects				Master Plan Priority	Length	SDC Funding Eligible (Y/N)	SDC Share %	1996 Master Plan Cost Est.	2016 Est. Project Cost (67.54%)	SDC Eligible Cost
				Original Year	New Priority Year 2015-	New Priority Year 2020-	New Priority Year 2025-							
	WMP	Molalla River Intake Project	Pump station, wet well, intake structure, piping, site work, controls, telemetry, & inline mixer, 400,000 gal clear well, sodium hypochlorite disinfection, influent	1996				High	N/A		0%	\$ 648,600		\$ -
L & 17	WMP	Upgrade to Existing Treatment Plant	Extend 6" waterline from East end of Patrol St to Hwy 211	1996				High	N/A		76%	\$ 370,668		\$ 280,968
A	WMP	Patrol St (E dead end to 14" on Hwy)	Replace existing 2" and 4" waterline with 6"	2001				Medium	N/A		0%	\$ 33,810		\$ -
B	WMP	Cole St (4th to Main)	Replace existing 2" waterline with 6"	2001				Medium	N/A		0%	\$ 36,294		\$ -
D	WMP	Frances Christopher link W of Debra	Replace existing 2" waterline with 6"	2001				Medium	N/A		0%	\$ 9,660		\$ -
E	WMP	Hood St South of 5th	Replace existing 2" waterline with 6"	2001				Medium	N/A		0%	\$ 14,490		\$ -
F	WMP	Metzler Ave S of Section St	Replace existing 2" waterline with 6"	2001				Medium	400		0%	\$ 38,640		\$ -
G	WMP	8th St (Hart to Molalla)	Construct new 8" waterline from Hart to Molalla	2001				Medium	790		0%	\$ 38,640		\$ -
H	WMP	Toliver Rd (Del Mar to Molalla)	Replace existing 4" and 6" waterline with 12"	1996				High	1350		0%	\$ 132,756		\$ -
I	WMP	Main St (Hwy 213 to Shaver)	Replace existing 6" waterline with 12"	1996				High	680		0%	\$ 455,676		\$ -
6	WMP	Del Mar tie to N UGB	Construct 12" waterline	2000-01				Medium	2450		0%	\$ 175,812		\$ -
7	WMP	N/S-1, Western N/S grid main north	Construct 12" waterline	2000-01				High	4400		0%	\$ 315,744		\$ -
8	WMP	N/S-1, Western N/S grid main south	Construct 10" waterline	2006				High	950		0%	\$ 60,306		\$ -
9	WMP	Hwy 213 Main to S grid main	Construct 12" waterline	2006				Low	1500		0%	\$ 95,220		\$ -
10	WMP	Hwy 213 (Main to Toliver)	Construct 12" waterline	1996				High	2000		0%	\$ 143,520		\$ -
13	WMP	5th St (Mathias to Eckerd)	Construct 14" waterline	2000-01				Medium	1300		0%	\$ 107,640		\$ -
13	WMP	Transmission Main	New 16" transmission main from treatment plant to grid with valving and metering	1996				High	10000		0%	\$ 924,600		\$ -
	WMP	Paint existing reservoir	Repaint reservoir at treatment plant	1996				High	N/A		0%	\$ 13,800		\$ -
	WMP	New 2.0 MG concrete reservoir	Construct new reservoir near treatment plant	1996				High	N/A		100%	\$ 1,131,600		\$ 1,131,600
											Total	\$ 4,747,476		\$ 1,412,568
											Difference	\$ 3,334,908		

Water Customers Current and Future Demographics

Existing Water Demand and Population Growth

Current Molalla water demands are based on historical customer billing records, and actual water meters in service as of June 30, 2016. Projected demands are estimated based on an approximate population growth rate of 3.06 percent within the City’s existing urban growth boundary. This annual population growth factor is based on the observed population growth in the City from 1998 through 2015.

Estimated Demand per Equivalent ¾” Water Meter

The City serves single-family residential customers and a significant number of multifamily housing developments and commercial customers. Single-family residential water services generally have a consistent daily pattern of water use whereas water demands for multifamily residences, commercial and industrial users may vary significantly from service to service depending on the number of multifamily units per service or the type of commercial enterprise. When projecting future water demands based on population change, the water needs of nonresidential and multi-family residential customers are represented by comparing the water use volume at these services to the average single-family residential water service. A method to estimate this relationship is to calculate “equivalent dwelling units (EDUs)”. In the case of Molalla, the standard residential unit of demand is the rated capacity (in gallons per minute) of the ¾” water meter. As of June 30, 2016, the City had 2,838 active water meters in service, 2,483 of which were ¾” meters serving single family residential customers. In other words, roughly 87% of all active water services were assigned to the single family residential customer class. The process for calculating equivalent ¾” meters is shown below in Table 4.

Table 4 – Estimated ¾” Equivalent Meters in Service as of June 30, 2016

Meter Size	Total Meters In Service	AWWA Rated Flow (GPM)*	Flow Factor Equivalence	¾” Meter Equivalents
0.75"x 0.75" - Displacement Multi-jet	2,483	30	1.00	2,483
1.00 inch - Displacement Multi-jet	86	50	1.67	143
1.50 inch - Displacement Class I Turbine	199	100	3.33	663
2.00 inch - Displacement or Class I & II Turbine	39	160	5.33	208
3.00 inch - Displacement	28	300	10.00	280
4.00 inch - Displacement or Compound	3	500	16.67	50
6.00 inch - Displacement or Compound	-	1,000	33.33	-
8.00 inch - Compound	-	1,600	53.33	-
Total	2,838			3,828

* - AWWA Manual of Practice M3; Safety Practices for Water Utilities; Table 2-2 Total Quantities

Projected Demands

The planning horizon for the master plan is approximately 20 years, through the year 2036. That is the forecast horizon that is used for the water SDC methodology update. In the 1996 master plan, an

estimated number of EDUs per acre for each land use type was established based on (then) current water demands by customer class and total developed land area by land use type. Land use type is analogous to customer class, which is to say the land use or zoning of a particular property reflects the type of water service, such as residential or commercial, provided to that property. The estimated number of potential EDUs per acre was applied to developable land within the existing water service area to estimate water demand.

For this SDC methodology update, the project team did not use the old master plan strategy to forecast future water demand base on land use. With the benefit of actual meters in service, and a population growth forecast that is predicated on existing growth trends for the City a forecast of future equivalent ¾” meters was developed. Based upon these decision rules, the forecast of equivalent meters in use for this water SDC methodology update are shown below in Table 5

Table 5 – Forecast of Equivalent ¾” Meters for the 2016 Water SDC Methodology Update Study

Fiscal Year	Forecasted Growth Rate	Meter Equivalents		
		Beginning of Year ¹	Additions	End of Year
2016	3.06%			3,828
2017	3.06%	3,828	117	3,945
2018	3.06%	3,945	121	4,066
2019	3.06%	4,066	124	4,190
2020	3.06%	4,190	128	4,318
2021	3.06%	4,318	132	4,450
2022	3.06%	4,450	136	4,586
2023	3.06%	4,586	140	4,727
2024	3.06%	4,727	145	4,871
2025	3.06%	4,871	149	5,020
2026	3.06%	5,020	154	5,174
2027	3.06%	5,174	158	5,332
2028	3.06%	5,332	163	5,496
2029	3.06%	5,496	168	5,664
2030	3.06%	5,664	173	5,837
2031	3.06%	5,837	179	6,016
2032	3.06%	6,016	184	6,200
2033	3.06%	6,200	190	6,389
2034	3.06%	6,389	196	6,585
2035	3.06%	6,585	202	6,787
2036	3.06%	6,787	208	6,994
			3,167	

¹ Source - Molalla utility billing records

Reimbursement Fee Calculations

As discussed earlier in this report, the reimbursement fee represents a buy-in to the cost, or value, of infrastructure capacity within the existing system. In theory, this should be a simple calculation. Simply go to the Utility’s balance sheet, find the book value of assets in service, and divide that cost by the

number of forecasted new connections to the water system. That is a simple calculation, and it is wrong. In order to determine an equitable reimbursement we have to account for some key issues of rate equity;

- First, the cost of the system to the City’s existing customers may be far less than the total plant-in-service value. This is due to the fact that elements of the existing system may have been contributed, whether from developers, governmental grants, and other sources.
- Second, the value of the existing system to a new customer is less than the value to an existing customer, since the new customer must also pay, through an improvement fee, for expansion of some portions of the system.
- Third, the accounting treatment of asset costs generally has no relationship to the capacity of an asset to serve growth. In the absence of a detailed asset by asset analysis detailed in the balance sheet (or fixed asset schedule), a method has to be used to allocate cost to existing and future users of the asset. Generally, it is industry practice to allocate the cost of existing facilities between used and available capacity proportionally based on the forecasted population growth as converted to equivalent dwelling units (i.e., equivalent ¾” meters) over the planning period.
- Fourth, the Oregon SDC statute has strict limitations on what type of assets can be included in the basis of the reimbursement fee. ORS 223.299 specifically states that a “capital improvement” does not include costs of the operation or routine maintenance of capital improvements. This means the assets on the balance sheet such as certain vehicles and equipment used for heavy repair and maintenance of infrastructure cannot be included in the basis of the reimbursement fee.

For this water SDC methodology update, the following discrete calculation steps were followed to arrive at the recommended water reimbursement fee.

- Step 1: Calculate the original cost of water fixed assets in service. From this starting point, eliminate any assets that do not conform to the ORS 223.299 definition of a capital improvement. This results in the **adjusted original cost of water fixed assets**.
- Step 2: Subtract from the adjusted original cost of water fixed assets in service the accumulated depreciation of those fixed assets. This arrives at the **modified book value of water fixed assets in service**.
- Step 3: Subtract from the modified book value of water assets in service any grant funding or contributed capital. This arrives at the **modified book value of water fixed assets in service net of grants and contributed capital**.
- Step 4: Subtract from the modified book value of water fixed assets in service net of grants and contributed capital any principal outstanding on long term debt used to finance those assets. This arrives a **gross water reimbursement fee basis**.
- Step 5: Subtract from the gross water reimbursement fee basis the fund balance held in the Water Reimbursement SDC fund (if available). This arrives at the **net water reimbursement fee basis**.
- Step 6: Divide the net water reimbursement fee basis by the sum of existing and future EDUs to arrive at the **unit net reimbursement fee**.

The actual data that was used to calculate the total water reimbursement fee is shown below in Table 6.

Table 6 - Calculation of the Water Reimbursement Fee

Utility Plant-in-Service (original cost): ¹	
Land, Easements & Right of Way	\$ 227,825
Land improvements	16,238
Construction	2,136,046
Infrastructure	5,368,537
Machinery and equipment	1,428,898
Licensed Vehicles	29,000
Construction Work-in-Progress	-
Total Utility Plant-in-Service	<u>9,206,545</u>
Accumulated depreciation ¹	
Land	-
Land improvements	16,238
Buildings	1,177,572
Infrastructure	1,782,301
Machinery and equipment	898,075
Vehicles	29,000
Construction Work-in-Progress	-
Total accumulated depreciation	<u>3,903,186</u>
Book value of water utility plant-in-service @ June 30, 2015	5,303,359
Eliminating entries:	
Principal outstanding on bonds, notes, and loans payable	
2010 Water Refunding Bonds	975,000
Developer Contributions	-
Grants, net of amortization	-
	<u>975,000</u>
Net basis in utility plant-in-service available to serve future customers	\$ 4,328,359
Estimated existing and future 3/4" Meter Equivalentents (MEs)	6,994
Calculated reimbursement fee - \$ per 3/4"ME	<u><u>\$ 619</u></u>

¹ Source: Molalla Accounting Summary Report - Capitalized Assets as of June 30, 2015

Improvement Fee Calculations

The calculation of the water improvement fee is more streamlined than the process used to calculate the water reimbursement fee. This study continues to use the improvements-driven method, and has relied on the 2016 water system capital improvement plan. Under this methodology, only three steps are required to arrive at the improvement fee. These steps are:

- Step 1: Accumulate the future cost of planned improvements needed to serve growth. This arrives at **the gross improvement fee basis**.
- Step 2: Subtract from the gross improvement fee basis the fund balance held in the Water Improvement SDC Fund. This arrives at **the net water improvement fee basis**.
- Step 3: Divide the net water improvement fee basis by the forecasted number of growth equivalent ¾" meters over the planning period. This arrives at **the total water improvement fee**.

The actual data that was used to calculate the total water improvement fee is shown below in Table 7.

Table 7 - Calculation of the Water Improvement Fee

Project Description	Estimated Cost of Improvement in 2016 Dollars	Project Costs Cost Attributed to Existing Demands	Costs Attributed to Future Demands	Total Costs
Water Supply & Treatment:				
New Well Source	\$404,609	\$0	\$404,609	\$404,609
New Treatment Capacity Projects	1,641,557	-	1,641,557	1,641,557
Transmission:				
Transmission Main	497,091	-	497,091	497,091
Distribution:				
Debra St (Frances north to 14")	32,369	18,191	14,178	32,369
E/W-1, North E/W grid main	721,360	-	721,360	721,360
E/W-2, Big Meadow E/W grid main	553,043	-	553,043	553,043
E/W-3, Bear Creek E/W grid main	643,444	-	643,444	643,444
N/S-2, School N/S grid main - north	528,997	-	528,997	528,997
N/S-2, School N/S grid main – south	95,719	-	95,719	95,719
Molalla Ave (Miller to N grid main)	221,957	70,453	151,504	221,957
Big Meadows Tie N grid main to Meadow Dr.	175,485	-	175,485	175,485
Lola Avenue	136,500	136,500	-	136,500
Water service upgrade	693,616	693,616	-	693,616
Storage:				
New 2.0 MG concrete reservoir	2,335,173	-	2,335,173	2,335,173
Pump Station	578,013	-	578,013	578,013
Annual Dist. System Replacements	6,400,000	3,596,800	2,803,200	6,400,000
Studies & Plans:				
Update Water Master Plan	250,000	-	250,000	250,000
Totals	\$15,908,932	\$4,515,560	\$11,393,372	\$15,908,932

Total Improvement Fee Eligible Costs for Future System Improvements.....	\$11,393,372
less: Water SDC Fund balance as of June 30, 2015	<u>1,501,547</u>
Adjusted Improvement Fee Eligible Costs for Future System Improvements	\$9,891,825
Total Growth in 3/4" Meter Equivalents (20 year forecast).....	3,167
Calculated Water Improvement Fee SDC per Meter Equivalent.....	<u>\$3,124</u>

Water SDC Model Summary

The 2016 water SDC methodology update was done in accordance with Molalla Municipal Code Chapter 13.14, and with the benefit of adopted plan updates for water services. We recommend the City update the SDC charge and methodology to reflect the current capital improvement program. Our analysis indicates the City can charge a maximum of \$3,818 for the standard ¾" residential water meter. A comparison of the proposed and current water SDCs for the average single family residential customer is shown below in Table 8.

Table 8 - Proposed and Current Water SDCs for a ¾" Meter

Line Item Description	City-Wide
Proposed SDC components:	
Reimbursement fee	\$ 619
Improvement fee	3,124
Administration fee at 2%	75
Total proposed water SDC	\$ 3,818
Current SDC components:	
Reimbursement fee	\$ 2,400
Improvement fee	1,150
Administration fee at 2%	70
Total current water SDC	\$ 3,620

For water meters larger than ¾", the project team has developed a schedule of SDCs based on the general design criteria for meters that are installed in the Molalla water service area. This criteria is from the standard approach of using American Water Works Association design criteria for displacement and compound water meters.

The resulting schedule of water SDCs for the array of potential meter sizes is shown below in Table 9.

Table 9 - Proposed Schedule of Water SDCs by Potential Water Meter Size

Meter Size	AWWA Rated Flow (GPM)*	Flow Factor Equivalence	Proposed Schedule of Water SDCs			
			Reimbursement	Improvement	Administration	Total
0.75"x 0.75" - Displacement Multi-jet	30	1.00	\$ 619	\$ 3,124	\$ 75	\$ 3,818
1.00 inch - Displacement Multi-jet	50	1.67	1,031	5,206	125	6,363
1.50 inch - Displacement Class I Turbine	100	3.33	2,063	10,413	250	12,725
2.00 inch - Displacement or Class I & II Turbine	160	5.33	3,301	16,661	399	20,360
3.00 inch - Displacement	300	10.00	6,189	31,239	749	38,176
4.00 inch - Displacement or Compound	500	16.67	10,314	52,065	1,248	63,627
6.00 inch - Displacement or Compound	1000	33.33	20,628	104,129	2,495	127,253
8.00 inch - Compound	1600	53.33	33,005	166,607	3,992	203,605

* - AWWA Manual of Practice M3; Safety Practices for Water Utilities; Table 2-2 Total Quantities Registered per Month by Meters Operating at Varying Percentages of Maximum Capacity

Wastewater SDCs

Wastewater Capital Improvement Plan

As in the case of the water SDCs, the principal sources of data for the wastewater system CIP are the 2016 capital improvement plans for wastewater treatment, pumping stations, and collection systems. City Staff have periodically updated these plans for current development conditions. With the assistance of City Staff, the project team has summarized the 2016 wastewater system CIPs for this SDC methodology update. The 2016 wastewater system CIP is shown in Table 10.

Table 10 - 2016 Wastewater System CIP

Recommended Wastewater Capital Improvement Plan														
2000 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New	New	New	Master Plan Priority	Length	SDC Funding Eligible (Y/N)	SDC Share %	2000 Master Plan Cost Est.	2016 Est. Project Cost (49.44%)	SDC Eligible Cost
					Priority 2017-21	Priority 2022-26	Priority 2027-31							
Collection System Projects														
C1	WWMP	Treatment Plant Trunk Upgrade	Upsize 18" trunk from WWTP to confluence of Toliver/Bear Creek trunks with 30" pipe. Replace 15" trunk from confluence to Hwy 213 with 24" pipe.	2002	2017-21			High	1826	Y	63%	\$ 600,000	\$ 896,640	\$ 564,199
C2	WWMP	Toliver Road Trunk Upgrade	Upsize trunk from Toliver to Molalla/Heintz with 24" pipe. Complete after project C1	2003	2017-21			High	7872	Y	66%	\$ 2,200,000	\$ 3,287,680	\$ 2,168,496
C3	WWMP	Molalla/Hwy 211 Improvements	Install 12" pipe from manhole at Molalla/Hwy 211 to the north along Molalla. Abandon piping from manhole to the west. Complete after project C2	2003	2017-21			High	342	Y	56%	\$ 50,000	\$ 74,720	\$ 41,544
C4	WWMP	Bear Creek Trunk Upgrade	Upsize trunk from WWTP to Hwy 211 with 21" pipe. Complete after project C1	2004	2017-21			High	2944	Y	49%	\$ 450,000	\$ 672,480	\$ 329,515
C5	WWMP	Industrial South Trunk Extension	Install 12" pipe from upper end of Bear Creek trunk. Complete just prior to area development	2005	2017-21			High	6200	Y	100%	\$ 860,000	\$ 1,285,184	\$ 1,285,184
C6	WWMP	Hwy 213 South Trunk Extension	Install 12" pipe from Bear Creek trunk at Hwy 213. Complete just prior to area development	2005	2017-21			High	1800	Y	82%	\$ 310,000	\$ 463,264	\$ 379,389
	CDBG	Lola Avenue	Replace existing 8" pipe from 3rd St to 5th St	2016	2016			High	700	Y	0%		\$ 104,000	\$ -
Wastewater Treatment Plant Projects														
T10	WWMP	Phase 1 Advance Treatment Upgrades	Double existing capacity	2002	2017-21			High	N/A	Y	100%	\$ 2,140,000	\$ 3,198,016	\$ 3,198,016
T12	WWMP	Phase 1 Effluent Storage Facilities	Construct storage lagoon for half of volume required in 20YR plan	2004	2017-21			High	N/A	Y	100%	\$ 3,030,000	\$ 4,528,032	\$ 4,528,032
T13	WWMP	Phase 1 Secondary Treatment Upgrades	Construct two aeration basins within Lagoon #1 with aeration equipment and piping	2005	2017-21			High	N/A	Y	100%	\$ 1,490,000	\$ 2,226,656	\$ 2,226,656
T14	WWMP	Phase 1 Solids Management Upgrades	Construct diking in Lagoon #1 for project #18	2005	2017-21			High	N/A	Y	100%	\$ 350,000	\$ 523,040	\$ 523,040
T15	WWMP	Phase 1 Effluent Disinfection Upgrades	Construct a chlorine scrubber and upgrades to the dechlorination facility	2005	2017-21			High	N/A	Y	100%	\$ 380,000	\$ 567,872	\$ 567,872
T16	WWMP	Phase 1 Miscellaneous Upgrades	Renovate existing office and laboratory	2005	2017-21			High	N/A	Y		\$ 50,000	\$ 74,720	\$ -
T17	WWMP	Phase 2 Effluent Storage and Irrigation Facilities	Construct second half of storage lagoon completed in project T12	2010		2022-26		Medium	N/A	Y	100%	\$ 2,630,000	\$ 3,930,272	\$ 3,930,272
T18	WWMP	Phase 2 Treatment Upgrades	Construct facilities for the secondary clarification, return activated sludge (RAS) and waste activated sludge (WAS) pumping, additional aeration in the aeration basins, liner and piping in facultative sludge lagoon cell.	2010		2022-26		Medium	N/A	Y	100%	\$ 3,280,000	\$ 4,901,632	\$ 4,901,632
T19	WWMP	Biosolids Management Plan	Develop a biosolids management plan based on the Phase 2 improvements plan for DEQ approval and complete concurrent with project T18	2010		2022-26		Medium	N/A	Y	100%	\$ 20,000	\$ 29,888	\$ 29,888
Annual Operation Costs														
O1	WWMP	Collection System I/I Reduction Program	Annual work at \$40,000 per year with 3% inflation estimated a total I/I reduction of 45% of flows (15% PDAF, Factor of 3)	Yearly	2017-21	2022-26		Annual	N/A	Y	45%	\$ 1,074,815	\$ 1,606,204	\$ 722,792
O2	WWMP	Wastewater Treatment Plant O&M	Estimated annual cost of operation and maintenance at WWTP	Yearly	2017-21	2022-26		Annual	N/A	N	0%	\$ 630,000	\$ 941,472	\$ -
Subtotal												\$ 19,544,815	\$ 29,311,772	\$ 25,396,526

Table 10- 2016 Wastewater System CIP (Continued)

Operation, Maintenance, and Replacement Projects														
2000 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New	New	New	Master Plan	Length	SDC Funding Eligible (Y/N)	SDC Share %	2000 Master Plan Cost Est.	2016 Est. Project Cost (49.44%)	SDC Eligible Cost
					Priority	Priority	Priority							
N/A	Staff	Update Wastewater Master Plan	Provide update to existing wastewater master plan	2016	2017						100%		\$ 250,000	\$ 250,000
N/A	Staff	Rebuild Headworks Barscreen	Replace all bearings, sprockets, barscreen brush, chain links - Aged out	2016							0%		\$ 26,000	\$ -
N/A	Staff	Install Aerobic Digester	Install Aerobic Digester to dispose of DAF & Backwash Solids To Improve Lagoon	2016							0%		\$ 200,000	
N/A	Staff	Install FKC Screw Press	Install Screw Press To Remove Solids from Aerobic Digester	2016							0%		\$ 100,000	\$ -
N/A	Staff	Replace Disinfection System	Remove Existing Calcium Hypochlorite Unit and Replace With Sodium Hypochlorite	2106							0%		\$ 25,000	\$ -
N/A	Staff	Spare Parts Inventory	Begin Spare Parts Inventory - Pumps, Motors, VFD's, Valves, Samplers, etc	2016							0%		\$ 100,000	\$ -
N/A	Staff	Aeration Basin	Clean and Re-line Aeration Basin	2016							0%		\$ 75,000	\$ -
N/A	Staff	Aeration Basin Diffusion System	Replace existing aerators with diffusers to reduce electrical costs, better O2 transfer	2016							0%		\$ 3,000	\$ -
N/A	Staff	Install 2nd Headworks Barscreen	Have Backup Barscreen for Repairs, High Influent Flows in Winter	2016							0%		\$ 100,000	\$ -
Subtotal												\$ 879,000	\$ 250,000	
Wastewater CIP Totals												\$ 30,190,772		
SDC Totals												85%	\$ 25,646,526	
Rate Totals												15%	\$ 4,544,246	

Completed or Deleted Projects														
2000 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New	New	New	Master Plan	Length	SDC Funding Eligible (Y/N)	SDC Share %	2000 Master Plan Cost Est.	2016 Est. Project Cost (49.44%)	SDC Eligible Cost
					Priority	Priority	Priority							
T1	WWMP	Effluent/Irrigation Pump Station	Construct pump station for effluent to irrigation site in summer and Molalla River	2000				High	N/A			\$ 1,410,000		
T2	WWMP	Effluent/Irrigation Force Main	Construct force main from project T1 to Feyrer Park Road	2000				High	N/A			\$ 1,900,000		
T3	WWMP	Effluent Reuse Plan	Develop an irrigation reuse plan for DEQ approval	2000				High	N/A			\$ 20,000		
T4	WWMP	Effluent Discharge Permit to Molalla River	Prepare water quality analysis for discharge impacts to river for DEQ	2000				High	N/A			\$ 80,000		
T5	WWMP	Add Dechlorination Facilities	Install chemical feed for liquid sodium bisulfate and chlorine residual analyzer for	2000				High	N/A			\$ 20,000		
T6	WWMP	Add inlet aeration in Lagoon #1	Install three 10HP aspirating aerators, conduits, conductors, and motor starters	2001	2017-21			High	N/A			\$ 60,000		
T7	WWMP	Improve Piping out of Lagoon #2	Modify outlet structure to allow for discharge from varying depths in pond	2001	2017-21			High	N/A			\$ 60,000		
T8	WWMP	Phase 1 Preliminary Treatment Upgrades	Install fine screening, washing, compaction and flow measurement to	2001	2017-21			High	N/A			\$ 630,000		
T9	WWMP	Phase 1 Transfer Pumping Upgrades	Install transfer pump station with vertical turbine solids handling pumps and	2001	2017-21			High	N/A			\$ 1,380,000		
T11	WWMP	Effluent/Irrigation Force Main Extension and Outfall	Extend force main from project T2 through Coleman Ranch to outfall at Molalla River.	2003				High				\$ 1,270,000		

Wastewater Customers Current and Future Demographics

Existing Wastewater Demand and Population Growth

Current Molalla wastewater demands documented in the 2000 wastewater treatment system master plan are based on Average Annual Dry Weather Flows (AADWF) to the headworks of the wastewater treatment plant. These flows are expressed in million gallons per day (MGD) figures. For the purpose of this wastewater SDC methodology update, the project team had to translate these MGD figures into standard billing units used for charging out SDCs. In this case, those standard billing figures are expressed in EDUs. In the wastewater industry, an EDU is typically defined as the amount of wastewater a single family residential customer contributes to the wastewater system during an average month in the winter, where winter is defined as November through April. Fortunately, the City’s utility billing system tracks the winter average water consumption for the single family residential customer class. When a new single family residential customer connects to the wastewater system, that customer is assigned the “system average winter monthly water consumption” for the basis of the sewer usage charge. Once that customer established his/her own winter water usage history, that actual average number overwrites the system average. For the winter period November, 2015 through April, 2016, the average single family residential customer contributes 5.15 hundred cubic feet (CCF) of water to the wastewater system in the average winter month. This hundred cubic feet figure translates to 127 gallons per day.

Forecasted EDUs

With this historical consumption data in hand, the project team was able to calculate the number of EDUs relative to the AADWF data from the wastewater treatment plant monitoring data that gets reported to the Oregon Department of Environmental Quality on a monthly basis. The EDU calculation methodology is shown in Table 11.

Table 11 - Forecast of Current and Future Wastewater EDUs

	2016	2036	Growth	CAGR ¹
Average Dry Weather Flow (ADWF) MGD	0.8641	1.5790	0.7149	3.06%
Observed Molalla EDU (November 2015 - April, 2016)				
Ccf per month - Single Family Residential	5.15	5.15		
Gallons per month - SFR	3,853	3,853		
Gallons per day - SFR	127	127		
Estimated EDUs based on ADWF and observed Molalla SFR winter ave. metered water consumption	6,822	12,466	5,644	3.06%

¹ CAGR - Compounded Annual Growth Rate

Reimbursement Fee Calculations

The wastewater reimbursement fee methodology mirrors that used for the water reimbursement fee. The methodological steps in its construction are restated here.

- Step 1: Calculate the original cost of wastewater fixed assets in service. From this starting point, eliminate any assets that do not conform to the ORS 223.299 definition of a capital improvement. This results in the **adjusted original cost of wastewater fixed assets**.
- Step 2: Subtract from the adjusted original cost of wastewater fixed assets in service the accumulated depreciation of those fixed assets. This arrives at the **modified book value of wastewater fixed assets in service**.
- Step 3: Subtract from the modified book value of wastewater assets in service any grant funding or contributed capital. This arrives at the **modified book value of wastewater fixed assets in service net of grants and contributed capital**.
- Step 4: Subtract from the modified book value of wastewater fixed assets in service net of grants and contributed capital any principal outstanding on long term debt used to finance those assets. This arrives a **gross wastewater reimbursement fee basis**.
- Step 5: Subtract from the gross wastewater reimbursement fee basis the fund balance held in the Wastewater Reimbursement SDC fund (if available). This arrives at the **net wastewater reimbursement fee basis**.
- Step 6: Divide the net wastewater reimbursement fee basis by the sum of existing and future EDUs to arrive at the **unit net reimbursement fee**.

The actual data that was used to calculate the total wastewater reimbursement fee is shown below in Table 12.

Table 12 - Calculation of the Wastewater Reimbursement Fee

Utility Plant-in-Service (original cost): ¹	
Land, Easements & Right of Way	\$ 494,445
Land improvements	130,117
Construction	1,350,300
Infrastructure	9,117,644
Machinery and equipment	414,184
Licensed Vehicles	96,691
Construction Work-in-Progress	-
Total Utility Plant-in-Service	<u>11,603,381</u>
Accumulated depreciation ¹	
Land	-
Land improvements	126,362
Buildings	599,564
Infrastructure	3,493,128
Machinery and equipment	332,048
Vehicles	85,530
Construction Work-in-Progress	-
Total accumulated depreciation	<u>4,636,631</u>
Book value of water utility plant-in-service @ June 30, 2015	6,966,750
Eliminating entries:	
Principal outstanding on bonds, notes, and loans payable	
2010 Sewer Refunding Bonds	2,565,000
2005 Clean Water State Revolving Loan	1,935,111
Developer Contributions	-
Grants, net of amortization	-
	<u>4,500,111</u>
Net basis in utility plant-in-service available to serve future customers	\$ 2,466,639
Estimated existing and future wastewater treatment EDUs	12,466
Calculated reimbursement fee - \$ per treatment EDU	<u>\$ 198</u>

¹ Source: Molalla Accounting Summary Report - Capitalized Assets as of June 30, 2015

Improvement Fee Calculations

The calculation of the wastewater improvement fee also follows the logic that was used to calculate the water improvement fee. As in the case of water, this study continues to use the improvements-driven method, and has relied on the capital improvement plans, and plan updates for the wastewater treatment, pump stations, and collection systems. Under this methodology, only three steps are required to arrive at the improvement fee. These steps are:

- Step 1: Accumulate the future cost of planned improvements needed to serve growth. This arrives at **the gross improvement fee basis**.
- Step 2: Subtract from the gross improvement fee basis the fund balance held in the Wastewater Improvement SDC Fund. This arrives at **the net wastewater improvement fee basis**.
- Step 3: Divide the net wastewater improvement fee basis by the forecasted number of growth EDUs over the planning period. This arrives at **the total wastewater improvement fee**.

The actual data that was used to calculate the total wastewater improvement fee is shown below in Table 13.

Table 13 - Calculation of the Wastewater Improvement Fee

Project Description	Estimated Cost of Improvement in 2016 Dollars	Project Costs Cost Attributed to Existing Demands	Costs Attributed to Future Demands	Total Costs
Collection System Improvements:				
Treatment Plant Trunk Upgrade	\$896,640	\$332,441	\$564,199	\$896,640
Toliver Road Trunk Upgrade	\$3,287,680	1,119,184	\$2,168,496	3,287,680
Molalla/Hwy 211 Improvements	\$74,720	33,176	\$41,544	74,720
Bear Creek Trunk Upgrade	\$672,480	342,965	\$329,515	672,480
Industrial South Trunk Extension	\$1,285,184	-	\$1,285,184	1,285,184
Hwy 213 South Trunk Extension	\$463,264	83,875	\$379,389	463,264
Lola Avenue	\$104,000	104,000	\$0	104,000
Wastewater Treatment Plant Projects:				
Phase 1 Advance Treatment Upgrades	3,198,016	-	3,198,016	3,198,016
Phase 1 Effluent Storage Facilities	4,528,032	-	4,528,032	4,528,032
Phase 1 Secondary Treatment Upgrades	2,226,656	-	2,226,656	2,226,656
Phase 1 Solids Management Upgrades	523,040	-	523,040	523,040
Phase 1 Effluent Disinfection Upgrades	567,872	-	567,872	567,872
Phase 1 Miscellaneous Upgrades	74,720	74,720	-	74,720
Phase 2 Effluent Storage and Irrigation Facilities	3,930,272	-	3,930,272	3,930,272
Phase 2 Treatment Upgrades	4,901,632	-	4,901,632	4,901,632
Biosolids Management Plan	29,888	-	29,888	29,888
Studies, Plans, and I&I Abatement:				
Collection System I/I Reduction Program	1,606,204	883,412	722,792	1,606,204
Wastewater Treatment Plant O&M	941,472	941,472	-	941,472
Update Wastewater Master Plan	250,000	-	250,000	250,000
Totals	\$29,561,772	\$3,915,246	\$25,646,526	\$29,561,772

Total Improvement Fee Eligible Costs for Future System Improvements.....	\$25,646,526
less: Wastewater SDC Fund balance as of June 30, 2015	238,034
Adjusted Improvement Fee Eligible Costs for Future System Improvements	\$25,408,492
Total Growth in 3/4" Meter Equivalents (20 year forecast).....	5,644
Calculated Water Improvement Fee SDC per Meter Equivalent.....	<u>\$4,502</u>

Wastewater SDC Model Summary

The 2016 wastewater SDC methodology update was done in accordance with Molalla Municipal Code Chapter 13.14, and with the benefit of adopted capital improvement plans and plan updates for wastewater services. We recommend the City update the SDC charge and methodology to reflect the current capital improvement program. Our analysis indicates the City can charge a maximum of \$4,794 for the standard ¾" residential water meter. A comparison of the proposed and current wastewater SDCs for the average single family residential customer is shown below in Table 14.

Table 14 - Proposed and Current Wastewater SDCs for a ¾" Meter

Line Item Description	City-Wide
Proposed SDC components:	
Reimbursement fee	\$ 198
Improvement fee	4,502
Administration fee at 2%	<u>94</u>
Total proposed wastewater SDC	\$ 4,794
Current SDC components:	
Reimbursement fee	\$ 3,428
Improvement fee	1,082
Administration fee at 2%	<u>90</u>
Total current wastewater SDC	\$ 4,600

For water meters larger than ¾", the schedule of wastewater SDC uses the same flow factors that were developed for the water SDCs (i.e., AWWA standards for displacement and compound meters). The complete proposed schedule of wastewater SDCs by potential meter size are shown in Table 15.

Table 15 - Proposed Schedule of Wastewater SDCs by Potential Water Meter Size

Meter Size	AWWA Rated Flow (GPM)*	Flow Factor Equivalence	Proposed Schedule of Wastewater SDCs			
			Reimbursement	Improvement	Administration	Total
0.75"x 0.75" - Displacement Multi-jet	30	1.00	\$ 198	\$ 4,502	\$ 94	\$ 4,794
1.00 inch - Displacement Multi-jet	50	1.67	330	7,503	157	7,990
1.50 inch - Displacement Class I Turbine	100	3.33	660	15,006	313	15,979
2.00 inch - Displacement or Class I & II Turbine	160	5.33	1,055	24,010	501	25,567
3.00 inch - Displacement	300	10.00	1,979	45,019	940	47,937
4.00 inch - Displacement or Compound	500	16.67	3,298	75,031	1,567	79,895
6.00 inch - Displacement or Compound	1000	33.33	6,596	150,062	3,133	159,791
8.00 inch - Compound	1600	53.33	10,553	240,099	5,013	255,665

* - AWWA Manual of Practice M3; Safety Practices for Water Utilities; Table 2-2 Total Quantities Registered per Month by Meters Operating at Varying Percentages of Maximum Capacity

Stormwater SDCs

Stormwater Capital Improvement Plan

As in the case of the water and wastewater SDCs, the principal sources of data for the stormwater system CIP are the 2016 capital improvement plans for stormwater collection, detention, treatment, and disposal systems. City Staff have periodically updated these plans for current development conditions. With the assistance of City Staff, the project team has summarized the 2016 stormwater system CIPs for this SDC methodology update. The 2016 stormwater system CIP is shown in Table 16.

Table 16 - 2016 Stormwater System CIP

Recommended Stormwater Capital Improvement Plan														
2003 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New	New	New	Master Plan Priority	Length	SDC Funding Eligible (Y/N)	SDC Share %	2003 Master Plan Cost Est.	2016 Est. Project Cost (40.10%)	SDC Eligible Cost
					Priority	Priority	Priority							
Collection System Projects														
	SWMP	2nd St/Railway Alignment Storm System (Option 1)	Install new storm system along 2nd St to relieve flows in Grange Ave, Center Ave, Molalla Ave, and Kennel Ave.	2004	2017-21			High	5500	Y	100%	\$ 1,230,075	\$ 1,723,335	\$ 1,723,335
	SWMP	Detention Pond at Mathias Ave/Creamery Creek	Install detention pond to store flows upstream of Mathias Ave.	2005	2017-21			High	N/A	Y	100%	\$ 96,480	\$ 135,168	\$ 135,168
	SWMP	May St Drainage Improvements	Install drainage improvements from E 6th St to Swiegle Ave	2006	2017-21			High	500	Y	100%	\$ 29,235	\$ 40,958	\$ 40,958
	SWMP	Heintz Street Collector Replacement Project	Intercept Creamery Creek at Indian Oak Ct and divert creek along Heintz Street to Kennel Ave. Install 24" pipe on Fenten From Heintz To Shirley	2008	2017-21			Medium	2440	Y	16%	\$ 1,199,385	\$ 1,680,338	\$ 275,465
	SWMP	Shirley Street Drainage Improvements	Install drainage improvements from Molalla Ave to Cole Ave. Project to follow Heintz Street project	2009		2022-26		Medium	2300	Y	100%	\$ 90,783	\$ 127,187	\$ 127,187
	SWMP	Miller Street Drainage Improvements	Install drainage improvements from Molalla Ave	2010		2022-26		Medium	730	Y	100%	\$ 45,480	\$ 63,717	\$ 63,717
	SWMP	Sunrise Acres Drainage Improvements Ph. 1	Install drainage improvements on Stowers Ln from 4th to E Main	2011		2022-26		Medium	890	Y	100%	\$ 62,277	\$ 87,250	\$ 87,250
	SWMP	Hart Ave Drainage Improvements	Install drainage improvements on Hart Ave from Section to W Main	2010		2022-26		Medium	1750	Y	100%	\$ 149,371	\$ 209,269	\$ 209,269
	SWMP	Heintz Street Outfall	Replace existing pipe with 48" on Kennel from Heintz to Toliver and Toliver to Creamery Creek	2009		2022-26		Medium	1050	Y	75%	\$ 570,240	\$ 798,906	\$ 599,180
	SWMP	Dixon Avenue Drainage Improvements	Install 24" pipe on Dixon Ave from Main to Hoyt	TBD				TBD	710	Y	100%	\$ 89,410	\$ 125,263	\$ 125,263
	SWMP	Video Inspect Creamery Creek Pipe	Video inspection and condition assessment of approximately 4000 LF of circular and arch pipe	2003	2017-21			High	4000	N	0%	\$ 10,000	\$ 14,010	\$ -
	SWMP	Riparian Corridor Protection	Install shade trees and water quality vegetation along surface water facilities	TBD				TBD	N/A	Y	50%	\$ 250,000	\$ 350,250	\$ 175,125
	UR	Molalla Avenue	Replace existing pipe with 30" on Molalla Ave from E. 3rd St to Heintz	2016	2016			High	2100	Y	0%		\$ 234,000	\$ -
	CDBG	Lola Avenue	Install new storm system and replace existing pipe with 12" from 3rd St to 5th St	2016	2016			High	700	Y	50%		\$ 105,300	\$ 52,650
	SWMP	Pipe Replacement and Upsizing	Replace and upsize storm pipes throughout system	Yearly	2017-21	2022-26	2027-31	High	25642	Y	61%	\$ 4,849,379	\$ 6,793,980	\$ 4,171,504

Table 16- 2016 Stormwater System CIP (Continued)

Recommended Stormwater Capital Improvement Plan														
2003 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New	New	New	Master Plan	Length	SDC Funding Eligible (Y/N)	SDC Share %	2003 Master Plan Cost Est.	2016 Est. Project Cost (40.10%)	SDC Eligible Cost
					Priority 21	Priority 2026	Priority 2031							
Culvert Replacement Projects														
	SWMP	Bear Creek at Molalla Ave Culvert Replacement	Replace culvert crossing with fish passage culvert to pass 100-Yr Event (432 CFS)	2010		2022-26		Medium	60	Y	53%	\$ 150,000	\$ 210,150	\$ 111,399
	SWMP	Bear Creek at Hwy 213 Culvert Replacement	Replace culvert crossing with fish passage culvert to pass 100-Yr Event (552 CFS)	2012		2022-26		Medium	70	Y	35%	\$ 250,000	\$ 350,250	\$ 123,095
	SWMP	Bear Creek at Mathias Ave Culvert Replacement	Replace culvert crossing with fish passage culvert to pass 100-Yr Event (324 CFS)	2016			2027-31	Low	60	Y	68%	\$ 150,000	\$ 210,150	\$ 142,694
	SWMP	Bear Creek at Ona Way Culvert Replacement	Replace culvert crossing with fish passage culvert to pass 100-Yr Event (504 CFS)	2018			2027-31	Low	60	Y	37%	\$ 150,000	\$ 210,150	\$ 77,972
Plans & Policy														
	SWMP	Update Stormwater Master Plan	Update modeling and create new capital improvement plan	2013		2022-26		Medium	N/A	Y	100%	\$ 75,000	\$ 105,075	\$ 105,075
	SWMP	Drainage Design Standards	Develop standards and periodic review and update yearly	2003	2017-21			Annual	N/A	Y	100%	\$ 25,000	\$ 35,025	\$ 35,025
	SWMP	NPDES Policy & Program Update	Implement Phase 2 NPDES permit requirements with yearly review and updates	TBD				Low	N/A	Y	100%	\$ 75,000	\$ 105,075	\$ 105,075
Subtotal												\$ 9,547,115	\$ 13,714,808	\$ 8,486,408
61.9%														

Operation, Maintenance, and Replacement Projects														
2003 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New	New	New	Master Plan	Length	SDC Funding Eligible (Y/N)	SDC Share %	2003 Master Plan Cost Est.	2016 Est. Project Cost (40.10%)	SDC Eligible Cost
					Priority 21	Priority 2026	Priority 2031							
N/A	Staff	Update Stormwater Master Plan	Provide update to existing stormwater master plan	2016							100%		\$ 250,000	\$ 250,000
Subtotal												\$ 250,000	\$ 250,000	
Stormwater CIP Totals												\$ 13,964,808	\$ 8,736,408	
SDC Totals												63%	\$ 8,736,408	
Rate Totals												37%	\$ 5,228,400	

Completed or Deleted Projects														
2003 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New	New	New	Master Plan	Length	SDC Funding Eligible (Y/N)	SDC Share %	2003 Master Plan Cost Est.	2016 Est. Project Cost (40.10%)	SDC Eligible Cost
					Priority 21	Priority 2026	Priority 2031							
	SWMP	Kennel Ave Drainage Improvements		2007				High				\$ 43,324		
	SWMP	Industrial Way Stormwater Improvements		TBD				TBD				\$ 51,074		
	SWMP	Sunrise Acres Drainage Improvements Ph. 2	Install drainage improvements on Stowers Ln from 4th to 5th	2012				Medium				\$ 16,804		
	SWMP	Sunrise Acres Drainage Improvements Ph. 3	Install drainage improvements on Stowers Ln from 5th to 7th	2013				Medium				\$ 41,740		

Stormwater Customers Current and Future Demographics

Existing Stormwater Demand and Population Growth

Molalla's stormwater utility service charge and SDC are based on estimated impervious surface area. The average amount of impervious area on a single family residential developed lot within the City is set at 2,640 square feet (per the 2003 stormwater master plan). This equates to one "equivalent service unit" or ESU. Both rates and SDCs are calculated as a function of ESUs meaning that each property's fee is calculated as follows:

$$\text{Estimated Impervious Surface} \div 2,640 \text{ square feet} = \text{Number of ESUs}$$

The number of ESUs is then multiplied by the unit rate to determine the service charge or SDC amount. The number of ESUs currently connected to the City's system is 2,690 as established through the City's Stormwater Utility billing records. In order to determine the future capacity requirements of the City's stormwater system, each basin plan and facility plan forecasts the amount of additional impervious surface through the planning period. This forecast is based on future land use conditions and the corresponding runoff coefficients assigned to these various land uses. The future growth in ESUs within each of the City's existing basins and planning areas is based on these specific land use and impervious surface projections.

Forecasted EDUs

With current stormwater demand estimated at 2,690 ESUs, the project team was able to calculate the number of ESUs at buildout using the City's Comprehensive Plan land use inventories. These inventories are predicted on the currently approved urban growth boundary (UGB) of the City. As discussed above, the forecast is based on the future land use conditions and the corresponding runoff coefficients assigned to the Comprehensive Plan land use designations. The key assumptions concerning runoff coefficients for this analysis are:

- *Residential lands* – Based on the 2009 Residential Lands Needs Survey performed by Winterbrook Planning (May, 2009), the planning standard used to calculate future residential land needs for the City is seven (7) dwelling units per acre. For the calculation of build out impervious surface contributions from residential lands, the project team has also used this planning standard.
- *Commercial lands* – In consultation with the City's engineering staff, the project team has applied a uniform runoff coefficient of .90 (i.e., 90%) to all commercial lands within the UGB. This average value was used based on analysis of general commercial land uses over a range of soils. The data sources for this analysis included the National Resource Conservation Service's Hydrologic manual, Oregon Department of Transportation Department's design standards for stormwater facilities, and the CalTrans Storm Water Quality Handbook SWPPP/WPCP Preparation Manual.
- *Industrial lands* – Also in consultation with City engineering staff, a uniform runoff value of .85 (i.e., 85%) was applied to all industrial lands in the UGB. The same data sources used to arrive at the commercial runoff coefficient was used for the derivation of the industrial value.

The buildout ESU forecast methodology is shown in Table 17.

Table 17 - Forecast of Current and Future Stormwater ESUs

Comprehensive Plan Land Use Designations	Comp. Plan Acreage		Dwelling Units per Net Acre	Impervious Surface			ESUs	
	Gross	Net		Coverage	Acres	Square Feet		
Residential:								
R-1	Single Family Residential							
R-2	Two Family Residential							
R-3	Multi-Family Residential							
RRFF5	Rural Residential Farm Forest 5 Acre							
	Subtotal residential	722	577	7.00	2640 sq. ft.	245	10,671,091	4,042
Commercial:								
C-1	General Commercial							
C-2	Central Commercial							
	Subtotal commercial	203	203		90%	183	7,958,412	3,015
Industrial:								
M-1	Light Industrial							
M-2	Heavy Industrial							
RI	Rural Industrial							
	Subtotal industrial	419	419		85%	356	15,513,894	5,876
Public Lands:								
PSP	Public and Semi Public							
Farm Forest:								
EFU	Exclusive Farm Use							
Totals		1,344	1,199			784	34,143,397	12,933

Analysis of Equivalent Service Units (ESUs):

Estimated ESUs as of July 1, 2015 (per City records)	2,690
Estimated ESUs from growth	10,243
Estimated ESUs at buildout (assuming 1 ESU = 2,640 sq. ft. of impervious surface)	12,933

Reimbursement Fee Calculations

The stormwater reimbursement fee methodology mirrors that used for the water and wastewater reimbursement fee. The methodological steps in its construction are restated here.

- Step 1: Calculate the original cost of stormwater fixed assets in service. From this starting point, eliminate any assets that do not conform to the ORS 223.299 definition of a capital improvement. This results in the **adjusted original cost of stormwater fixed assets**.
- Step 2: Subtract from the adjusted original cost of stormwater fixed assets in service the accumulated depreciation of those fixed assets. This arrives at the **modified book value of stormwater fixed assets in service**.
- Step 3: Subtract from the modified book value of stormwater assets in service any grant funding or contributed capital. This arrives at the **modified book value of stormwater fixed assets in service net of grants and contributed capital**.
- Step 4: Subtract from the modified book value of stormwater fixed assets in service net of grants and contributed capital any principal outstanding on long term debt used to finance those assets. This arrives a **gross stormwater reimbursement fee basis**.
- Step 5: Subtract from the gross stormwater reimbursement fee basis the fund balance held in the Stormwater Reimbursement SDC fund (if available). This arrives at the **net stormwater reimbursement fee basis**.
- Step 6: Divide the net stormwater reimbursement fee basis by the sum of existing and future ESUs to arrive at the **unit net reimbursement fee**.

The actual data that was used to calculate the total stormwater reimbursement fee is shown below in Table 18.

Table 18 - Calculation of the Stormwater Reimbursement Fee

Utility Plant-in-Service (original cost): ¹		
Land, Easements & Right of Way	\$	5,241
Land improvements		12,847
Construction		164,859
Infrastructure		533,366
Machinery and equipment		38,468
Licensed Vehicles		-
Construction Work-in-Progress		-
Total Utility Plant-in-Service		<u>754,781</u>
Accumulated depreciation ¹		
Land		-
Land improvements		6,664
Buildings		66,784
Infrastructure		133,554
Machinery and equipment		18,227
Vehicles		-
Construction Work-in-Progress		-
Total accumulated depreciation		<u>225,230</u>
Book value of water utility plant-in-service @ June 30, 2015		529,551
Eliminating entries:		
Principal outstanding on bonds, notes, and loans payable		-
Developer Contributions		-
Grants, net of amortization		-
		<u>-</u>
Net basis in utility plant-in-service available to serve future customers	\$	529,551
Estimated existing and future stormwater ESUs		12,933
Calculated reimbursement fee - \$ per ESU		\$41
Calculate reimbursement fee - \$/square foot of impervious surface		\$0.0155

¹ Source: Molalla Accounting Summary Report - Capitalized Assets as of June 30, 2015

Improvement Fee Calculations

The calculation of the stormwater improvement fee also follows the logic that was used to calculate the water improvement fee. As in the case of water, this study continues to use the improvements-driven method, and has relied on the capital improvement plans, and plan updates for the stormwater systems. Under this methodology, only three steps are required to arrive at the improvement fee. These steps are:

- Step 1: Accumulate the future cost of planned improvements needed to serve growth. This arrives at **the gross improvement fee basis**.
- Step 2: Subtract from the gross improvement fee basis the fund balance held in the Stormwater Improvement SDC Fund. This arrives at **the net stormwater improvement fee basis**.
- Step 3: Divide the net stormwater improvement fee basis by the forecasted number of growth EDUs over the planning period. This arrives at **the total stormwater improvement fee**.

The actual data that was used to calculate the total stormwater improvement fee is shown below in Table 19.

Table 19 - Calculation of the Stormwater Improvement Fee

Project Description	Estimated Cost of Improvement in 2016 Dollars	Project Costs Cost Attributed to Existing Demands	Costs Attributed to Future Demands	Total Costs
<i>Collection System Projects:</i>				
2nd St/Railway Alignment Storm System (Option 1)	\$1,723,335	\$0	\$1,723,335	\$1,723,335
Detention Pond at Mathias Ave/Creamery Creek	135,168	-	135,168	135,168
May St Drainage Improvements	40,958	-	40,958	40,958
Heintz Street Collector Replacement Project	1,680,338	1,404,873	275,465	1,680,338
Shirley Street Drainage Improvements	127,187	-	127,187	127,187
Miller Street Drainage Improvements	63,717	-	63,717	63,717
Sunrise Acres Drainage Improvements Ph. 1	87,250	-	87,250	87,250
Hart Ave Drainage Improvements	209,269	-	209,269	209,269
Heintz Street Outfall	798,906	199,727	599,180	798,906
Dixon Avenue Drainage Improvements	125,263	-	125,263	125,263
Video Inspect Creamery Creek Pipe	14,010	14,010	-	14,010
Riparian Corridor Protection	350,250	175,125	175,125	350,250
Molalla Avenue	234,000	234,000	-	234,000
Lola Avenue	105,300	52,650	52,650	105,300
Pipe Replacement and Upsizing	6,793,980	2,622,476	4,171,504	6,793,980
<i>Culvert Upsizing and Replacement Projects:</i>				
Bear Creek at Molalla Ave Culvert Replacement	210,150	98,751	111,399	210,150
Bear Creek at Hwy 213 Culvert Replacement	350,250	227,155	123,095	350,250
Bear Creek at Mathias Ave Culvert Replacement	210,150	67,456	142,694	210,150
Bear Creek at Ona Way Culvert Replacement	210,150	132,178	77,972	210,150
<i>Plans, Studies, & Policies:</i>				
Update Stormwater Master Plan	105,075	-	105,075	105,075
Drainage Design Standards	35,025	-	35,025	35,025
NPDES Policy & Program Update	105,075	-	105,075	105,075
Update Stormwater Master Plan	250,000	-	250,000	250,000
Totals	\$13,964,808	\$5,228,400	\$8,736,408	\$13,964,808
Total Improvement Fee Eligible Costs for Future System Improvements.....			\$8,736,408	
less: Stormwater SDC Fund balance as of June 30, 2015			203,934	
Adjusted Improvement Fee Eligible Costs for Future System Improvements			\$8,532,474	
Total growth ESUs			10,243	
Calculated stormwater Improvement Fee SDC per ESU.....			\$833	
Calculated stormwater Improvement Fee SDC per square foot of Impervious surface.....			\$0.3155	

¹ Allocations from City staff

Stormwater SDC Model Summary

The 2016 stormwater SDC methodology update was done in accordance with Molalla Municipal Code Chapter 13.14, and with the benefit of adopted capital improvement plans and plan updates for stormwater services. We recommend the City update the SDC charge and methodology to reflect the current capital improvement program. Our analysis indicates the City can charge a maximum of \$891 per ESU. A comparison of the proposed and current stormwater SDCs for the average single family residential customer is shown below in Table 20.

Table 20 - Proposed and Current Stormwater SDCs for a 3/4" Meter

Line Item Description	Per ESU	Per Sq. Foot
Proposed SDC components:		
Reimbursement fee	\$ 41	\$ 0.0155
Improvement fee	833	0.3155
Administration fee at 2%	<u>17</u>	<u>0.0066</u>
Total proposed stormwater SDC	\$ 891	\$ 0.3377
Current SDC components:		
Reimbursement fee	\$ 21	\$ 0.0080
Improvement fee	724	0.2740
Administration fee at 2%	<u>15</u>	<u>0.0056</u>
Total current stormwater SDC	\$ 760	\$ 0.2876

Transportation SDCs

Transportation Capital Improvement Plan

The principal sources of data for the transportation system CIP are the 2016 capital improvement plans for transportation. The primary categories of transportation system improvements are:

- Intersection improvement projects
- Street reconstruction projects
- Roadway widening projects

City Staff have periodically updated these plans for current development conditions. With the assistance of City Staff, the project team has summarized the 2016 transportation system CIPs for this SDC methodology update. The 2016 transportation system CIP is shown in Table 21.

Table 21 - 2016 Transportation System CIP

Recommended Transportation Capital Improvement Plan														
2001 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New Priority Year 2017-21	New Priority Year 2022-26	New Priority Year 2027-31	Master Plan Priority	Length	SDC Funding Eligible (Y/N)	SDC Share %	2001 Master Plan Cost Est.	2016 Est. Project Cost (50.19%)	SDC Eligible Cost
Intersection Improvement Projects														
	TSP	Highway 211/Highway 213	Construct signal, left-turn lanes on all approaches, and NB and WB right-turn lanes.	2017-21	2017-21			High	N/A	Y	100%	\$ 450,000	\$ 675,855	\$ 675,855
	TSP	Toliver Road/Highway 213	Construct signal and left-turn lanes on Hwy 213.	2017-21	2017-21			High	N/A	Y	100%	\$ 330,000	\$ 495,627	\$ 495,627
	TSP	Meadow Drive/Highway 213	Construct signal.	2017-21	2017-21			High	N/A	Y	100%	\$ 150,000	\$ 225,285	\$ 225,285
	TSP	Mathias Road/Freyrer Park Road	Realign intersection so that Freyrer Park Road intersects Mathias Road as a "T" intersection to the north of 6th Street.	2017-21	2017-21			High	N/A	Y	100%	\$ 100,000	\$ 150,190	\$ 150,190
	TSP	Main Street/Grange Street	Construct a raised median with pedestrian refuge in the center of Main Street to serve the existing crosswalk and to block left turns into and out of Grange and Berkeley Streets. Additionally, removal of on-street parking on Main Street between Swiegle and Lola Avenues.	2017-21	2017-21			High	N/A	Y	100%	\$ 20,000	\$ 30,038	\$ 30,038
	TSP	Molalla Avenue/Main Street	Construct signal, left-turn lanes on all approaches as needed.	2022-26		2022-26		Medium	N/A	Y	100%	\$ 160,000	\$ 240,304	\$ 240,304
	TSP	Molalla Avenue/Toliver Road	Construct signal.	2022-26		2022-26		Medium	N/A	Y	100%	\$ 150,000	\$ 225,285	\$ 225,285
	TSP	Leroy Avenue/Main Street	Construct signal.	2027-31			2027-31	Low	N/A	Y	100%	\$ 200,000	\$ 300,380	\$ 300,380
	TSP	Molalla Avenue/Shirley Street	Construct signal.	2027-31			2027-31	Low	N/A	Y	100%	\$ 150,000	\$ 225,285	\$ 225,285
	TSP	Mathias Road/Main Street	Construct a conventional "T" intersection aligned to direct traffic onto the Mathias Street portion of the downtown bypass, or a roundabout that would slow traffic entering the City and could serve as a gateway feature.	2027-31			2027-31	Low	N/A	Y	100%	\$ 400,000	\$ 600,760	\$ 600,760
	TSP	Molalla Forest Road/Main Street	Construct a conventional "T" intersection aligned to direct traffic onto the downtown bypass, or a roundabout that would slow traffic entering the City and could serve as a gateway feature. Move intersection to the west of Bear Creek to avoid a larger culvert.	2027-31			2027-31	Low	N/A	Y	100%	\$ 150,000	\$ 225,285	\$ 225,285
	TSP	Vick Road/Highway 213	Construct SB left-turn lane	2027-31			2027-31	Low	N/A	Y	100%	\$ 90,000	\$ 135,171	\$ 135,171
	TSP	Vaughn Road/Highway 211	Construct NB left-turn lane and sight-distance improvements.	2017-21	2017-21			High	N/A	N	100%	\$ 100,000	\$ 150,190	\$ 150,190
	TSP	Sawtell Road/Molalla Avenue/Wilhoit	Realign intersection so that Sawtell Road and Molalla Avenue intersects Wilhoit Road as a "T" intersection.	2027-31			2027-31	Low	N/A	Y	100%	\$ 100,000	\$ 150,190	\$ 150,190
	TSP	Sawtell Road/Eves Road	Realign intersection so that Sawtell Road intersects Eves Road as a "T" intersection.	2027-31			2027-31	Low	N/A	Y	100%	\$ 100,000	\$ 150,190	\$ 150,190
Street Reconstruction Projects														
	TSP	May Avenue	Construct street reconstruction between 5th and 6th Streets.	2017-21	2017-21			High	360	Y	44%	\$ 75,000	\$ 112,643	\$ 50,063
	TSP	Section Avenue	Construct street reconstruction between Molalla and Hart Avenues.	2017-21	2017-21			High	700	Y	56%	\$ 100,000	\$ 150,190	\$ 83,439
	TSP	Heintz Street	Construct street reconstruction between Cole Avenue and Grange Street.	2017-21	2017-21			High	1400	Y	0%	\$ 210,000	\$ 315,399	\$ -
	TSP	South Cole	Construct street reconstruction of the dead-end portion south of Main Street.	2017-21	2017-21			High	1150	Y	44%	\$ 140,000	\$ 210,266	\$ 93,452
	TSP	Shirley	Construct street reconstruction between Molalla and Cole Avenues.	2017-21	2017-21			High	2350	Y	0%	\$ 370,000	\$ 555,703	\$ -
	CDBG	Lola Avenue	Reconstruct roadway to full width with curb and gutter and sidewalks	2016	2016			High	700	Y	50%		\$ 347,100	\$ 173,550

Table 21- 2016 Transportation System CIP (Continued)

Recommended Transportation Capital Improvement Plan														
2001 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New Priority Year 2017-21	New Priority Year 2022-26	New Priority Year 2027-31	Master Plan Priority	Length	SDC Funding Eligible (Y/N)	SDC Share %	2001 Master Plan Cost Est.	2016 Est. Project Cost (50.19%)	SDC Eligible Cost
Roadway Widening Projects														
	TSP	Ped and Bicycle Improvements	Review the signing provided at mid-block pedestrian crosswalks throughout the City for compliance with the Manual on Uniform Traffic Control Devices. Construct sidewalks on major streets, off street pedestrian and bicycle pathways, striping bicycle lanes, and curb extensions at intersections. Specific projects should be determined as part of the City's annual capital improvement program planning process. Estimated at \$25K per year.	2017-21	2017-21			High	N/A	Y	100%	\$ 125,000	\$ 187,738	\$ 187,738
	TSP	Ped and Bicycle Improvements	Construct sidewalks on major streets, off street pedestrian and bicycle pathways, striping bicycle lanes, and curb extensions at intersections. Specific projects should be determined as part of the City's annual capital improvement program planning process. Estimated at \$25K per year.	2022-26		2022-26		Medium	N/A	Y	100%	\$ 125,000	\$ 187,738	\$ 187,738
	TSP	Toliver Road	Improve roadway to major collector street standards, including a three-lane cross section, bicycle lanes, and sidewalks from Molalla Avenue to the WWTP. The hump in the road where it intersects Molalla Forest Road should also be removed as part of this project	2022-26		2022-26		Medium	9300	Y	61%	\$ 2,000,000	\$ 3,003,800	\$ 1,821,977
	TSP	Ped and Bicycle Improvements	Construct sidewalks on major streets, off street pedestrian and bicycle pathways, striping bicycle lanes, and curb extensions at intersections. Specific projects should be determined as part of the City's annual capital improvement program planning process. Estimated at \$25K per year.	2027-31			2027-31	Low	N/A	Y	100%	\$ 250,000	\$ 375,475	\$ 375,475
	TSP	Downtown Bypass (Highway 211)	Widen roadway between its future intersection with Main Street and Highway 213 to provide a three-lane cross-section, bicycle lanes, and sidewalks.	2027-31			2027-31	Low	2100	Y	67%	\$ 185,000	\$ 277,852	\$ 186,753
	TSP	Downtown Bypass (Molalla Forest Road)	Widen roadway between Main Street and Mathias Road to provide one travel lane in each direction, landscaped median, bicycle lanes, and sidewalks. Access to be limited to public street connections and property with no other public street access, in order to preserve its function as a bypass into the future.	2027-31			2027-31	Low	10700	Y	67%	\$ 4,300,000	\$ 6,458,170	\$ 4,340,737
	TSP	Downtown Bypass (Mathias Road)	Widen roadway to three lanes, with bicycle lanes and sidewalks, between Main Street and Molalla Forest Road.	2027-31			2027-31	Low	4600	Y	67%	\$ 1,300,000	\$ 1,952,470	\$ 1,312,316
	TSP	Highway 213	Construct bicycle lanes and remove ditches along Highway 213 within the Molalla urban growth boundary.	2017-21	2017-21			High	6000	Y	61%	\$ 500,000	\$ 750,950	\$ 455,494
	TSP	Molalla Avenue	Widen roadway to a three-lane cross-section between Robbins Street and the north UGB with bike lanes and sidewalks to provide an important bicycle and pedestrian link to downtown	2027-31			2027-31	Low	2800	Y	61%	\$ 1,693,548	\$ 2,543,540	\$ 1,542,803
Subtotal												\$ 14,023,548	\$ 21,409,067	\$ 14,791,569
69.1%														

Table 21- 2016 Transportation System CIP (Continued)

Operation, Maintenance, and Replacement Projects														
2001 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New Priority Year 2017-21	New Priority Year 2022-2026	New Priority Year 2027-2031	Master Plan Priority	Length	SDC Funding Eligible (Y/N)	SDC Share %	2001 Master Plan Cost Est.	2016 Est. Project Cost (50.19%)	SDC Eligible Cost
N/A	Staff	Update Transportation System Master Plan	Provide update to existing transportation system master plan	2016	2017-21			High	N/A		100%		\$ 250,000	\$ 250,000
Subtotal													\$ 250,000	\$ 250,000
Transportation CIP Totals													\$ 21,659,067	
SDC Totals													69%	\$ 15,041,569
Rate Totals													31%	\$ 6,617,498

Completed or Deleted Projects														
2001 CIP Project Number	Project Source	Project Name	Project Description	Original Year	New Priority Year 2017-21	New Priority Year 2022-2026	New Priority Year 2027-2031	Master Plan Priority	Length	SDC Funding Eligible (Y/N)	SDC Share %	2001 Master Plan Cost Est.	2016 Est. Project Cost (50.19%)	SDC Eligible Cost
	TSP	5th Street	Construct extension of 5th Street between Eckerd Avenue and Cole Avenue to provide a continuous east-west					High	1000			\$ 470,000		

Transportation System Current and Future Demand

Existing Transportation Demand

Demand for transportation facilities is measured in PM peak-hour vehicle trips (PM PHVTs). One PM PHVT represents one person beginning or ending a vehicular trip at a certain property during the afternoon rush hour. Based on data from both the U. S. Census Bureau and the Molalla Transportation System Plan Update (2001), we estimate that the transportation system is currently serving 5,774 PM PHVTs. The statistical process that was used to arrive at the current demand value is shown in Table 22.

Table 22 - Existing Transportation System Demand

	Dwelling Units	Employees	ITE Code ³	PM peak hour vehicle trips per unit	Total PM peak hour vehicle trips
<i>Number of dwelling units:</i> ¹					
Detached single family	2,190		210	1.00	2,190
Attached single family	77		230	0.52	40
Duplex	105		210	1.00	105
Three or Fourplex	102		210	1.00	102
Multifamily:					-
5 to 9 units	106		220	0.62	66
10 to 19 units	68		220	0.62	42
20 to 49 units	98		220	0.62	61
50 or more units	65		220	0.62	40
Mobil home	265		240	0.59	156
Boat, RV, van, ect.	-			n/a	
<i>Number of employees:</i> ²					
Manufacturing		204	140	0.73	149
Wholesale trade		81	110	0.97	79
Retail trade		335	826	2.71	908
Transportation and warehousing		18	130	0.85	15
Information technology		48	160	0.09	4
Finance and insurance		61	750	1.48	90
Real estate, rental, and leasing		23	750	1.48	34
Professional, scientific, and technical services		27	760	1.07	29
Health care and social assistance		231	720	3.57	825
Arts, entertainment, and recreation		20	495	2.74	55
Accommodation and food service		179	932	3.92	701
Other services (except public administration)		56	710	1.49	83
Totals	3,076	1,283			5,774

¹ Source: U.S. Bureau of the Census; American Community Survey; Table B25024 2010-2014 ACS 5-year estimate

² Source: U.S. Bureau of the Census; American Community Survey; Table EC1200A1 All Sectors: Geographic Area Series: Economy-Wide Statistics: 2012

³ Trip Generation Manual; Institute of Transportation Engineers; 9th Edition

Forecasted EDUs

We are estimating the City's transportation system will serve 10,443 PM PHVTs in 2030. These estimates imply growth of 4,669 PM PHVTs over the planning period, as shown in Table 23. The 2030 end date is less than the implied 2036 discussed in the previous sections of this report because the source studies we used for the PM PHVT forecast truncate at 2030. The principal sources for the forecast are:

- City of Molalla Residential Land Needs Report; Winterbrook Planning; July, 2009
- City of Molalla Urban Reserve Findings 2010; Winterbrook Planning; February 26, 2010; Table 1, 2, and 3

The growth forecast in PM PHVTs is shown in Table 23.

Table 23 - Forecast of Future Transportation PM PHVTs

	Gross Acres	Net Acres	Future Development Land Uses ³	Total Demand Units		PM peak hour vehicle trips per unit	PM peak hour vehicle trips Total
<i>Residential Lands Needs 2010-2030:</i> ¹							
Housing Needs (@ 7 du per acre)	188	150	Mid-rise apartment (223)	351	Dwelling Units	0.39	137
			Residential condominium/townhouse (230)	351	Dwelling Units	0.52	182
			Single-family detached housing (210)	351	Dwelling Units	1.00	351
Schools	38	30	Elementary school (520) - 30 students per acre	456	Students	0.28	128
			Middle school (522) - 30 students per acre	456	Students	0.30	137
Parks	69	55	City park (411)	55	Acres	1.89	104
Religious/churches	9	7	Church (560)	156,816	Square Feet	0.55	86
Other	2	2	Blended rate (neighborhood commercial)	17,424	Square Feet	3.70	64.47
<i>Employment Lands Needs 2010-2030:</i> ²							
Commercial	174	148	Blended rate (commercial office lands 700-799)	1,611,720	Square Feet	1.77	2,853
Industrial	156	133	General light industrial (110) - 50%	66.5	Acres	7.26	483
			General heavy industrial (120) - 50%	66.5	Acres	2.16	144
							4,669

¹ Source: City of Molalla Residential Land Needs Report; Winterbrook Planning; July, 2009; City of Molalla Urban Reserve Findings 2010; Winterbrook Planning; February 26, 2010; Table 2

² Source: City of Molalla Urban Reserve Findings 2010; Winterbrook Planning; February 26, 2010; Table 3

³ Source: City of Molalla Residential Lands Needs Report; Winterbrook Planning; July, 2009; Table 1 and Table 8; City of Molalla Urban Reserve Findings 2010; Winterbrook Planning; February, 26, 2010; Table 3

Reimbursement Fee Calculations

The transportation reimbursement fee methodology mirrors that used for the water and wastewater reimbursement fee. The methodological steps in its construction are restated here.

- Step 1: Calculate the original cost of transportation fixed assets in service. From this starting point, eliminate any assets that do not conform to the ORS 223.299 definition of a capital improvement. This results in the **adjusted original cost of transportation fixed assets**.
- Step 2: Subtract from the adjusted original cost of transportation fixed assets in service the accumulated depreciation of those fixed assets. This arrives at the **modified book value of transportation fixed assets in service**.
- Step 3: Subtract from the modified book value of transportation assets in service any grant funding or contributed capital. This arrives at the **modified book value of transportation fixed assets in service net of grants and contributed capital**.
- Step 4: Subtract from the modified book value of transportation fixed assets in service net of grants and contributed capital any principal outstanding on long term debt used to finance those assets. This arrives a **gross transportation reimbursement fee basis**.
- Step 5: Subtract from the gross transportation reimbursement fee basis the fund balance held in the Transportation Reimbursement SDC fund (if available). This arrives at the **net transportation reimbursement fee basis**.
- Step 6: Divide the net transportation reimbursement fee basis by the sum of existing and future PM PHVTs to arrive at the **unit net reimbursement fee**.

The actual data that was used to calculate the total transportation reimbursement fee is shown below in Table 24.

Table 24 - Calculation of the Transportation Reimbursement Fee

Utility Plant-in-Service (original cost): ¹	
Land, Easements & Right of Way	\$ 68,228
Land improvements	-
Construction	-
Infrastructure	20,744,076
Machinery and equipment	226,447
Licensed Vehicles	442,236
Construction Work-in-Progress	-
Total Utility Plant-in-Service	21,480,987
Accumulated depreciation ¹	
Land, Easements & Right of Way	-
Land improvements	-
Construction	-
Infrastructure	12,851,843
Machinery and equipment	163,658
Vehicles	439,088
Construction Work-in-Progress	-
Total accumulated depreciation	13,454,589
Book value of water utility plant-in-service @ June 30, 2015	8,026,398
Eliminating entries:	
Principal outstanding on bonds, notes, and loans payable	-
Developer Contributions	-
Grants, net of amortization	-
	-
Net basis in utility plant-in-service available to serve future customers	\$ 8,026,398
Estimated existing and future pm peak hour vehicle trips	10,443
Transportation reimbursement fee per PM peak hour vehicle trip	\$769

¹ Source: Molalla Accounting Summary Report - Capitalized Assets as of June 30, 2015

Improvement Fee Calculations

The calculation of the transportation improvement fee also follows the logic that was used to calculate the water improvement fee. As in the case of water, this study continues to use the improvements-driven method, and has relied on the capital improvement plans, and plan updates for the transportation infrastructure. Under this methodology, only three steps are required to arrive at the improvement fee. These steps are:

- Step 1: Accumulate the future cost of planned improvements needed to serve growth. This arrives at **the gross improvement fee basis**.
- Step 2: Subtract from the gross improvement fee basis the fund balance held in the Transportation Improvement SDC Fund. This arrives at **the net transportation improvement fee basis**.
- Step 3: Divide the net transportation improvement fee basis by the forecasted number of growth PM PHVTs over the planning period. This arrives at **the total transportation improvement fee**.

The actual data that was used to calculate the total transportation improvement fee is shown below in Table 25.

Table 25 - Calculation of the Transportation Improvement Fee

Project Description	Estimated of of Improvements in 2016 Dollars	Project Cost Attributed to Existing Demands	Project Cost Attributable to Future Demands	Total Costs
<i>Intersection Improvements:</i>				
Highway 211/Highway 213	\$ 675,855	\$ -	\$ 675,855	\$ 675,855
Toliver Road/Highway 213	495,627	-	495,627	495,627
Meadow Drive/Highway 213	225,285	-	225,285	225,285
Mathias Road/Freyrer Park Road	150,190	-	150,190	150,190
Main Street/Grange Street	30,038	-	30,038	30,038
Molalla Avenue/Main Street	240,304	-	240,304	240,304
Molalla Avenue/Toliver Road	225,285	-	225,285	225,285
Leroy Avenue/Main Street	300,380	-	300,380	300,380
Molalla Avenue/Shirley Street	225,285	-	225,285	225,285
Mathias Road/Main Street	600,760	-	600,760	600,760
Molalla Forest Road/Main Street	225,285	-	225,285	225,285
Vick Road/Highway 213	135,171	-	135,171	135,171
Vaughn Road/Highway 211	150,190	-	150,190	150,190
Sawtell Road/Molalla Avenue/Wilhoit	150,190	-	150,190	150,190
Sawtell Road/Eves Road	150,190	-	150,190	150,190
<i>Street Reconstruction Projects:</i>				
May Avenue	112,643	62,579	50,063	112,643
Section Avenue	150,190	66,751	83,439	150,190
Heintz Street	315,399	315,399	-	315,399
South Cole	210,266	116,814	93,452	210,266
Shirley	555,703	555,703	-	555,703
Lola Avenue	347,100	173,550	173,550	347,100
<i>Roadway Widening Projects:</i>				
Ped and Bicycle Improvements	187,738	-	187,738	187,738
Ped and Bicycle Improvements	187,738	-	187,738	187,738
Toliver Road	3,003,800	1,181,823	1,821,977	3,003,800
Ped and Bicycle Improvements	375,475	-	375,475	375,475
Downtown Bypass (Highway 211)	277,852	91,099	186,753	277,852
Downtown Bypass (Molalla Forest Road)	6,458,170	2,117,433	4,340,737	6,458,170
Downtown Bypass (Mathias Road)	1,952,470	640,154	1,312,316	1,952,470
Highway 213	750,950	295,456	455,494	750,950
Molalla Avenue	2,543,540	1,000,737	1,542,803	2,543,540
<i>Plans, Studies, & Policies:</i>				
Update Transportation System Master Plan	250,000	-	250,000	250,000
Total	\$ 21,659,067	\$ 6,617,498	\$ 15,041,569	\$ 21,659,067

Total Improvement Fee Eligible Costs for Future System Improvements.....	\$ 15,041,569
less: Transportation SDC Fund balance as of June 30, 2015	<u>323,483</u>
Adjusted Improvement Fee Eligible Costs for Future System Improvements	\$ 14,718,086
Future PM peak hour vehicle trips created by growth	4,669
Transportation improvement fee per PM peak hour vehicle trip	<u>\$ 3,153</u>

Transportation SDC Model Summary

The 2016 transportation SDC methodology update was done in accordance with Molalla Municipal Code Chapter 13.14, and with the benefit of adopted capital improvement plans and plan updates for transportation services. We recommend the City update the SDC charge and methodology to reflect the current capital improvement program. Our analysis indicates the City can charge a maximum of \$4,000 per PM PHVT. Adding the reimbursement fee of \$769 to the improvement fee of \$3,153 results in a total SDC of \$3,922 per PM PHVT before the cost of administration. Adding 2% for administration, brings the total SDC to \$4,000 per PM PHVT.

To charge the appropriate SDC, the City must estimate how many PM PHVTs will be generated by the development in question. That number can then be multiplied by \$4,000 to determine the amount of SDC owed by new development projects.

The number of PM PHVTs that a property will generate is a function of the increase in scope and scale of activities that will occur on that property. By “scope of activities,” we mean land use. For example, a new single-family residence will generate trip-ends differently from a new retail store of the same size. By “scale of activities,” we mean some measure of quantity. For residential land uses, the number of dwelling units is an appropriate measure of scale. For many commercial and industrial land uses, building floor area is the best measure. For example, a 20,000-square-foot store is likely to generate twice the number of trip-ends as a 10,000-square-foot store of the same type. Table 26 presents proposed transportation SDCs per unit of scale for several land uses in the 9th edition of Trip Generation Manual, published by the Institute of Transportation Engineers (ITE):

Table 26 - Proposed Transportation SDCs by ITE Code

ITE Code	Land Use	Percent of			Diverted/Linked and pass-by Trip Adjustment	Primary Trip Ends	Total Unit	
		Total Trip Ends	Diverted/Linked Trips	Pass-by Trips			SDC	Basis for Calculating a Customer's SDC
110	General light industrial	0.97	0.00%	0.00%	-	0.97	3,880	1,000 square feet of gross floor area
130	Industrial park	0.85	0.00%	0.00%	-	0.85	3,400	1,000 square feet of gross floor area
140	Manufacturing	0.73	0.00%	0.00%	-	0.73	2,920	1,000 square feet of gross floor area
151	Mini-warehouse	0.26	0.00%	0.00%	-	0.26	1,040	1,000 square feet of gross floor area
160	Data center	0.09	0.00%	0.00%	-	0.09	360	1,000 square feet of gross floor area
210	Single family detached housing	1.00	0.00%	0.00%	-	1.00	4,000	Dwelling unit
220	Apartment	0.62	0.00%	0.00%	-	0.62	2,480	Dwelling unit
230	Residential condominium/townhouse	0.52	0.00%	0.00%	-	0.52	2,080	Dwelling unit
240	Mobile home park	0.59	0.00%	0.00%	-	0.59	2,360	Occupied dwelling unit
254	Assisted living	0.22	0.00%	0.00%	-	0.22	880	Bed
310	Hotel	0.60	0.00%	0.00%	-	0.60	2,400	Room
320	Motel	0.47	0.00%	0.00%	-	0.47	1,880	Room
417	Regional park	0.20	0.00%	0.00%	-	0.20	800	Acre
430	Golf course	0.30	0.00%	0.00%	-	0.30	1,200	Acre
444	Movie theater with matinee - Friday pm peak hour	45.91	0.00%	0.00%	-	45.91	183,642	Movie screen
492	Health/fitness club	3.53	0.00%	0.00%	-	3.53	14,120	1,000 square feet of gross floor area
495	Recreational community center	2.74	0.00%	0.00%	-	2.74	10,960	1,000 square feet of gross floor area
520	Elementary school	1.21	0.00%	0.00%	-	1.21	4,840	1,000 square feet of gross floor area
522	Middle school/junior high school	1.19	0.00%	0.00%	-	1.19	4,760	1,000 square feet of gross floor area
530	High school	0.97	0.00%	0.00%	-	0.97	3,880	1,000 square feet of gross floor area
540	Junior/community college	2.54	0.00%	0.00%	-	2.54	10,160	1,000 square feet of gross floor area
560	Church	0.55	0.00%	0.00%	-	0.55	2,200	1,000 square feet of gross floor area
565	Day care center	12.34	0.00%	0.00%	-	12.34	49,360	1,000 square feet of gross floor area
590	Library	7.30	0.00%	0.00%	-	7.30	29,200	1,000 square feet of gross floor area
610	Hospital	0.93	0.00%	0.00%	-	0.93	3,720	1,000 square feet of gross floor area
620	Nursing home	0.74	0.00%	0.00%	-	0.74	2,960	1,000 square feet of gross floor area
710	General office building	1.49	0.00%	0.00%	-	1.49	5,960	1,000 square feet of gross floor area
720	Medical-dental office building	3.57	0.00%	0.00%	-	3.57	14,280	1,000 square feet of gross floor area
750	Office park - pm peak hour	1.48	0.00%	0.00%	-	1.48	5,920	1,000 square feet of gross floor area
760	Research and development center - pm peak hour	1.07	0.00%	0.00%	-	1.07	4,280	1,000 square feet of gross floor area
770	Business park - pm peak hour	1.26	0.00%	0.00%	-	1.26	5,040	1,000 square feet of gross floor area
812	Building materials and lumber store	4.49	0.00%	0.00%	-	4.49	17,960	1,000 square feet of gross floor area
813	Free standing discount superstore	4.35	0.00%	28.00%	1.22	3.13	12,528	1,000 square feet of gross floor area
815	Free standing discount store	4.98	35.25%	17.00%	2.60	2.38	9,512	1,000 square feet of gross floor area
816	Hardware/paint store	4.84	29.50%	26.00%	2.69	2.15	8,615	1,000 square feet of gross floor area
817	Nursery (garden center)	6.94	0.00%	0.00%	-	6.94	27,760	1,000 square feet of gross floor area
820	Shopping center	3.71	15.86%	34.00%	1.85	1.86	7,441	1,000 square feet of gross leasable area
826	Specialty retail center	2.71	0.00%	0.00%	-	2.71	10,840	1,000 square feet of gross leasable area
841	Automobile sales	2.62	0.00%	0.00%	-	2.62	10,480	1,000 square feet of gross floor area
843	Automobile parts sales	5.98	13.00%	43.00%	3.35	2.63	10,525	1,000 square feet of gross floor area
848	Tire store	4.15	3.33%	28.00%	1.30	2.85	11,399	1,000 square feet of gross floor area
850	Supermarket	9.48	25.25%	36.00%	5.81	3.67	14,694	1,000 square feet of gross floor area
851	Convenience market (open 24 hours)	52.41	6.47%	61.00%	35.36	17.05	68,189	1,000 square feet of gross floor area
853	Convenience market with gasoline pumps	50.92	17.80%	66.00%	42.67	8.25	32,996	1,000 square feet of gross floor area
854	Discount supermarket	8.34	23.20%	23.00%	3.85	4.49	17,948	1,000 square feet of gross floor area
857	Discount club	4.18	0.00%	0.00%	-	4.18	16,720	1,000 square feet of gross floor area
862	Home improvement superstore	2.33	8.00%	48.00%	1.30	1.03	4,101	1,000 square feet of gross floor area
880	Pharmacy/drugstore without drive-through	8.40	4.67%	53.00%	4.84	3.56	14,224	1,000 square feet of gross floor area
881	Pharmacy/drugstore with drive-through	9.91	13.00%	49.00%	6.14	3.77	15,063	1,000 square feet of gross floor area
890	Furniture store	0.45	10.33%	53.00%	0.29	0.17	660	1,000 square feet of gross floor area
911	Walk-in bank	12.13	0.00%	0.00%	-	12.13	48,520	1,000 square feet of gross floor area
912	Drive-in bank	24.30	25.67%	47.00%	17.66	6.64	26,568	1,000 square feet of gross floor area
925	Drinking place	11.34	0.00%	0.00%	-	11.34	45,360	1,000 square feet of gross floor area
931	Quality restaurant	7.49	13.50%	44.00%	4.31	3.18	12,733	1,000 square feet of gross floor area
932	High-turnover (sit down) restaurant	9.85	17.25%	43.00%	5.93	3.92	15,662	1,000 square feet of gross floor area
933	Fast-food restaurant without drive-through	26.15	17.25%	43.00%	15.76	10.39	41,579	1,000 square feet of gross floor area
934	Fast-food restaurant with drive-through	32.65	9.06%	50.00%	19.28	13.37	53,474	1,000 square feet of gross floor area
936	Coffee/donut shop without drive-through	40.75	17.25%	43.00%	24.55	16.20	64,793	1,000 square feet of gross floor area
937	Coffee/donut shop with drive-through	42.80	9.06%	50.00%	25.28	17.52	70,097	1,000 square feet of gross floor area
938	Coffee/donut kiosk	75.00	9.06%	50.00%	44.29	30.71	122,834	1,000 square feet of gross floor area
944	Gasoline/service station	13.87	23.00%	42.00%	9.02	4.85	19,418	Vehicle fueling position
945	Gasoline/service station with convenience market	13.51	31.22%	56.00%	11.78	1.73	6,905	Vehicle fueling position
946	Gasoline/service station with car wash	13.86	27.11%	49.00%	10.55	3.31	13,244	Vehicle fueling position

Source: ITE, Trip Generation Manual, 9th edition

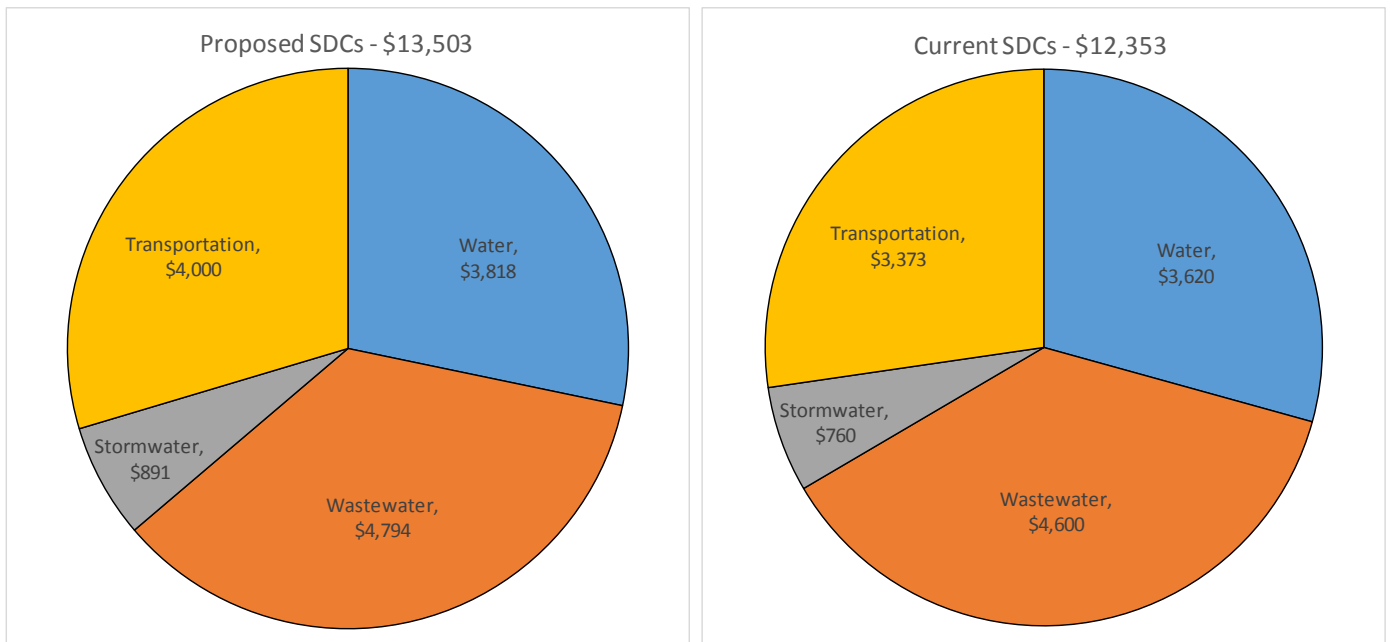
PM peak vehicle trips expressed in trip ends on a weekday, peak hour of adjacent street traffic, one hour, between 4:00 pm and 6:00 pm unless otherwise noted

Conclusions and Recommendations

The 2016 SDC methodology update was done in accordance with MMC Chapter 13.14, and with the benefit of adopted plans and plan updates for municipal services. Our analysis indicates the City can charge a maximum of \$3,818 for water, \$4,794 for wastewater, \$891 for stormwater, and \$4,000 for transportation. These figures are on a per equivalent single family residential unit basis. The sum of these maximum fees amounts to \$13,503 per unit; \$1,150 more than the sum of the current SDCs of \$12,353.

A graphic side by side comparison of the proposed and current schedule of SDCs is shown below in figure 2.

Figure 2 - Proposed and Current Schedule of SDCs



Finally, we recommend the City adopt a policy of reviewing its suite of SDCs every five years. Between the review dates, the city should apply a cost adjustment index to the SDC rates annually to reflect changes in costs for land and construction. This policy should be codified in the Molalla Municipal Code (MMC §13.14). We suggest the City consider the following language for that section of the MMC:

1. Notwithstanding any other provision, the dollar amounts of the SDC set forth in the SDC methodology report shall each year be adjusted to account for changes in the costs of acquiring and constructing facilities. The adjustment factor shall be based on:
 - a. The change in construction costs according to the Engineering News Record (ENR) Northwest (Seattle, Washington) Construction Cost Index (CCI).
 - b. The system development charges adjustment factor shall be used to adjust the system development charges, unless they are otherwise adjusted by the city based on a change in the costs of materials, labor, or real property; or adoption of an updated methodology.



November 28, 2016

Holiday Greetings and Insights from Chief Lucich

The 2016 holiday season is upon us and undoubtedly, the blessings of the season will be in a foot-race with the stresses of the season to see which one can gain control of our lives. To be sure, the hustle and bustle will be kicking into high gear and maintaining our composure may prove to be a challenge for us all. In an effort to try and avoid certain stresses, I would like to provide some information that might be helpful as we face the holidays. Most importantly, I want to lessen our chances of becoming a victim during this otherwise wonderful season.

In most cities across the country, there is generally an increase in crime during the holidays. People are out shopping and fighting the vehicular and pedestrian traffic to find the best deals possible before someone else does. This hectic schedule and pressure can lead to us being on overload and paying less attention to details.

So here are some little things you can do to protect yourself and your property in the days ahead:

- Close your garage doors when you're not outside. Especially before going to bed at night.
- Make sure the kids put their bikes away when they get home. Leaving them in the yard (happens all the time) is easy pickings for a person needing transportation or quick cash.
- If you want to lock your purse, valuables or gifts in your car, put them in there before you get to your destination. If you wait until you arrive at your destination to put your items in the trunk and go inside, you might fall victim to would-be thieves watching and waiting for this very situation.
- Similarly, don't leave presents in your car and visible, even at your home.
- If you need to use an ATM machine, make sure you shield yourself from the view of others while you make your transaction.

These are some simple tips that make good sense no matter where you go. However, there are some things you can do to help out in our community right now that can be very beneficial to law enforcement and to all citizens. I'm hoping that if I can give you some insight into some of the current challenges we face, we can work together to address the issues effectively.

First of all, there has been an influx of homeless into our community in recent months and unlike some of the individuals we have dealt with this past year regarding drinking in public issues, this new element of homeless persons is much more harmful to our community. The reason is, many have serious drug addictions, they don't work and they are willing to steal to feed their habit. For the most part, they are breaking into our businesses, our schools, our churches and our city properties. In many cases, the locations of the break-ins have not been equipped with an alarm system and the break-in isn't discovered until long after the actual crime occurred. Alarms are a very effective tool.

Molalla police officers have arrested many of these individuals multiple times, but unfortunately, they get out of jail all too soon and are back at it. If we want to be successful in an attempt to interrupt this criminal behavior, we need citizens, businesses and law enforcement to partner together to be effective. Here is one example of how this can be done.

Most of this homeless criminal element have smart phones, but they do not have cell coverage. However, if they can keep the phones charged up and can find wireless access, they can communicate with each other. While some are out committing break-ins or stealing from innocent victims, others are standing as lookouts to watch for the police or other witnesses. Knowing this, if we can interrupt this ability to communicate, we can make it much more difficult for this criminal element to be successful.

Have you ever been driving through town at night and noticed a group of people just standing outside a business or other facility with no noticeable purpose and wondered why? It might not be why, but Wi-Fi. If your home or business has a Wi-Fi service that is not password protected, you may be unwittingly contributing to this criminal element's ability to communicate. Additionally, you may be opening up your own network to some form of hacking that could compromise your computer at your home or business.

Here's another question. Do you have exterior electrical outlets that are unlocked on the outside of your buildings? If you do, you may be experiencing some theft of your utilities and not even know it. To be clear, much of this activity occurs in the downtown core area and less in the more residential developments. However, these are reasonable questions to consider for all of us, no matter where our business or home is located.

So here's how you can help:

- If you have a business or home network with a Wi-Fi router and it is not password protected, fix that right away and don't give out your password.
- If you are a business and share your password with your customers, or if it's public, turn your Wi-Fi off at night.
- If you have outside electrical outlets, turn them off or lock them when you're not using them.
- If you hear or see something suspicious, call the police and let us check it out. There are too many times when citizens hear or see things they think are unusual, but don't call the police, only to find out later it was some type of criminal activity.

These are just some simple steps that if we all work together, we can be more effective in curbing crime in our community. It's also important to understand that homeless issues and the potential negative impacts on a community are not unique to Molalla. These are issues facing many communities across the country and Molalla is still a safe and wonderful place to call home. Thank you for the opportunity to serve together and have a wonderful and blessed holiday season.

Chief Lucich