

NEAHKAHNE WATER DISTRICT (NKNWD) BOARD OF COMMISSIONERS

INTRODUCTIONS

BOARD OF COMMISSIONERS

BOB JOSEPH – CHAIRMAN

BARB RIPPEY – SECRETARY

DAVE BOONE

LARRY KISER

TOM AYERS

NKNWD STAFF

CARRIE MOCK – MANAGER OF THE DISTRICT

SCOTT MORRILL – MANAGER OF OPERATIONS

TOPICS TO BE DISCUSSED

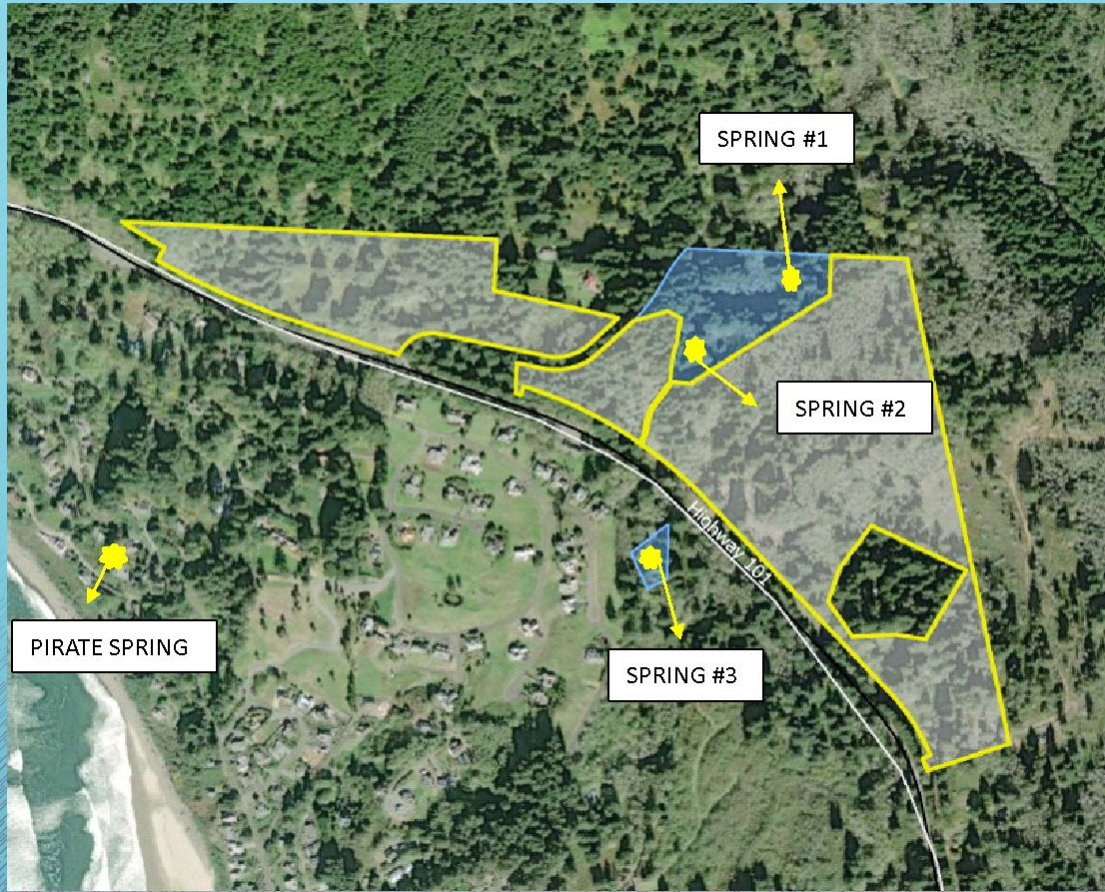
- **Water Shed Protection Project**

- “The ‘Summit at Manzanita’ Land Purchase

- **Water Rate Study**

- Dave Boone will explain the new water rates and why they are required

WATERSHED PROTECTION PROJECT - MAP



WATERSHED PROTECTION PROJECT

WHAT IS IT ALL ABOUT?

- On Oct 18,2016 Seventeen Enterprises from California purchased the property in question
 - \$2,200,000 for approx. 181 acres on the north side of 101
 - 72 acres zoned RR-2 (Rural Residential-2)
 - 110+/- zoned F (Forest) , after being logged, was donated to Lower Nehalem Community Trust (LNCT)
- On Feb 2017 & July 2018 The Board held Public Meetings where the Owners shared their plans to develop the property as a 30 lot subdivision requiring septic systems per the County.
 - **Major issue of everyone's concern was Water Contamination**

WATERSHED PROTECTION PROJECT

WHAT IS IT ALL ABOUT? - CONTINUED

- In the next 2 years the NKNWD made several attempts to negotiate the property but were unsuccessful
- An expert water hydrologist advised the District that a development of this size and location close to the springs could lead to contamination of the springs' water.
 - Any contamination of the springs would be very difficult and expensive to purify.
- This was a risk the District Board was not willing to take therefore the lawsuit to condemn the property was initiated.

WATERSHED PROTECTION PROJECT

WHAT IS IT ALL ABOUT? - CONTINUED

- **July 2020 the District Board officially gave notice that the property was to be condemned**
 - **Based on an independent expert appraiser the property, as is, was valued at \$961,000. To show our intent the NKNWD had to secure a loan for \$1,100,000 which was granted by ZION Bancorp**
 - **The offer was made for \$961,000. It was rejected by the Owner**
 - **Owner's appraiser claimed the property was worth \$4,950,000**
- **Two more years passed while in litigation before the Board made a final offer in Nov 2022 to purchase the property for \$1,750,000 which the Owner accepted**

WHY ARE WE HAVING TO PURCHASE THE PROPERTY?

- **Springs are our only source of water**
- Our springs are controlled by the ground water flowing into the watershed area. Any construction could affect the flow of water into the watershed
- Proposed plan for a 30-home development with septic systems which are required by Tillamook County zoning regulations for RR-2.
- Our springs are considered 'Pristine' water and the Board was not willing to sacrifice the chance of contamination
- Potential contamination from leaky septic systems, road construction and maintenance, pesticides and pharmaceuticals

WHY DO WE NEED A \$2,000,000 LOAN?

- Zion Bancorp has required NKNWD to guarantee that we have a 'Debt Service Reserve Fund' held in their bank for 1.25 times one year's debt obligation of all our loans. This will be required for the life of the loan
 - The cost of the property is \$1,750,000
 - For 2023 the Debt Service Reserve Fund will be \$165,383.50
 - The fees to acquire the loan were \$72,000
- NKNWD must also show that we have revenue to cover our monthly costs. Presently we are running with a deficit on the operational side
- Finally attorney fees are still in dispute. Per Oregon Condemnation Laws we are required to pay the Owner reasonable attorney fees)

WHAT HAPPENED TO THE \$1,100,000 LOAN?

- The \$1,100,000 has been in the NKNWD's account but has had to be dipped into for expenses incurred during the condemnation proceedings of the past 2 years.
- This has been and still is an ongoing expense
- The money that is left in the account we anticipate will be enough to pay the final Owner's attorney fees once the court has set the amount
- (This is the \$15/month SEF added in 2020)

WHAT IS IT GOING TO COST US?

- **NKNWD has obtained a Revenue Secured Loan for \$2,000,000 with Zion Bancorp**
 - **Loan is for 20 years @ 4.79% interest**
 - **P&I is approximately \$162,000 per year**
 - **No Prepayment penalty**
- **The new System Enhancement Fee (SEF) will be \$50/month per household (\$100/2 month billing cycle)**
- **The SEF for the \$1,100,000 loan previously obtained in 2020 was \$15/month (\$30/2 month billing cycle)**
- **The existing base rate and SEFs presently total \$120/2 month billing cycle**
- **Together the total base rate and SEFs will be \$220/2 month billing cycle**

OTHER POSSIBILITIES BEING INVESTIGATED

- The NKNWD is looking for Grant money to assist in the payment of the loan
- North Coast Land Conservancy (NCLC) has entered into a 'Memorandum of Understanding' in assisting us.
- Please let the Board know of any other possibilities that may be worth pursuing

WHAT DOES THIS BUY US?

THE GOOD NEWS!

- **By purchasing the property we are protecting our Watershed forever**
- **Eliminates the risk of NKNWD springs being contaminated by housing, roadwork, chemicals, and changes in the flow to the watershed**
- **Allows NKNWD to explore additional water resources on the property in the future**
- **Buys us all piece of mind that we can maintain our pristine water source**
- **Please hold your questions until Dave gives his presentation of the Water Rate Study**

TOPICS

- **Water Use**
- **Water Rate Study**
- **Proposed New Water Use Rates**
- **District Needs**

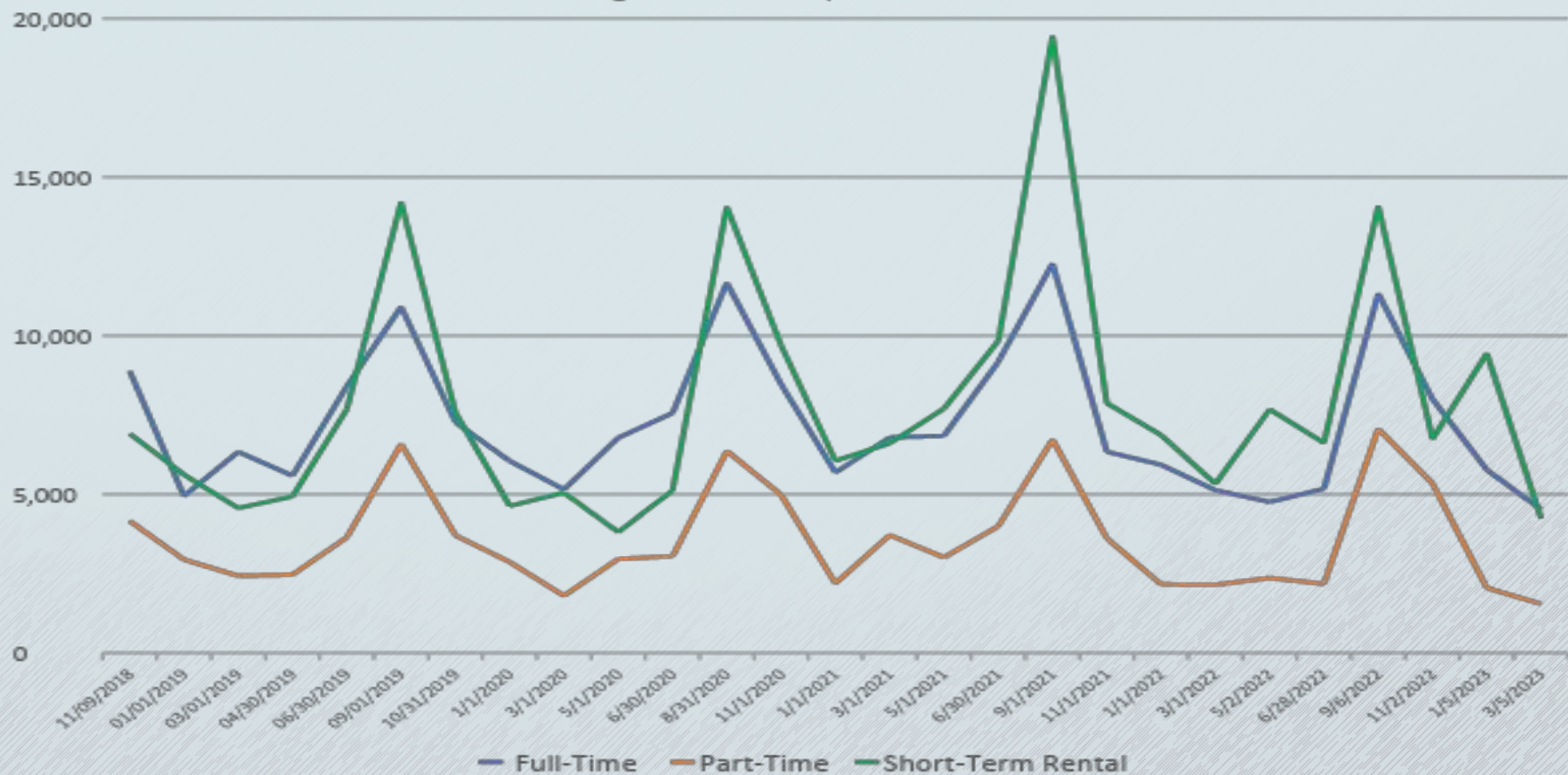
NEAHKAHNIE WATER DISTRICT OPERATION

- **Currently 394 hookups**
- **2 Full Time Employees**
- **Manual Water Meter Reading = Bills Every 2 Months**
- **Manual Water Treatment**

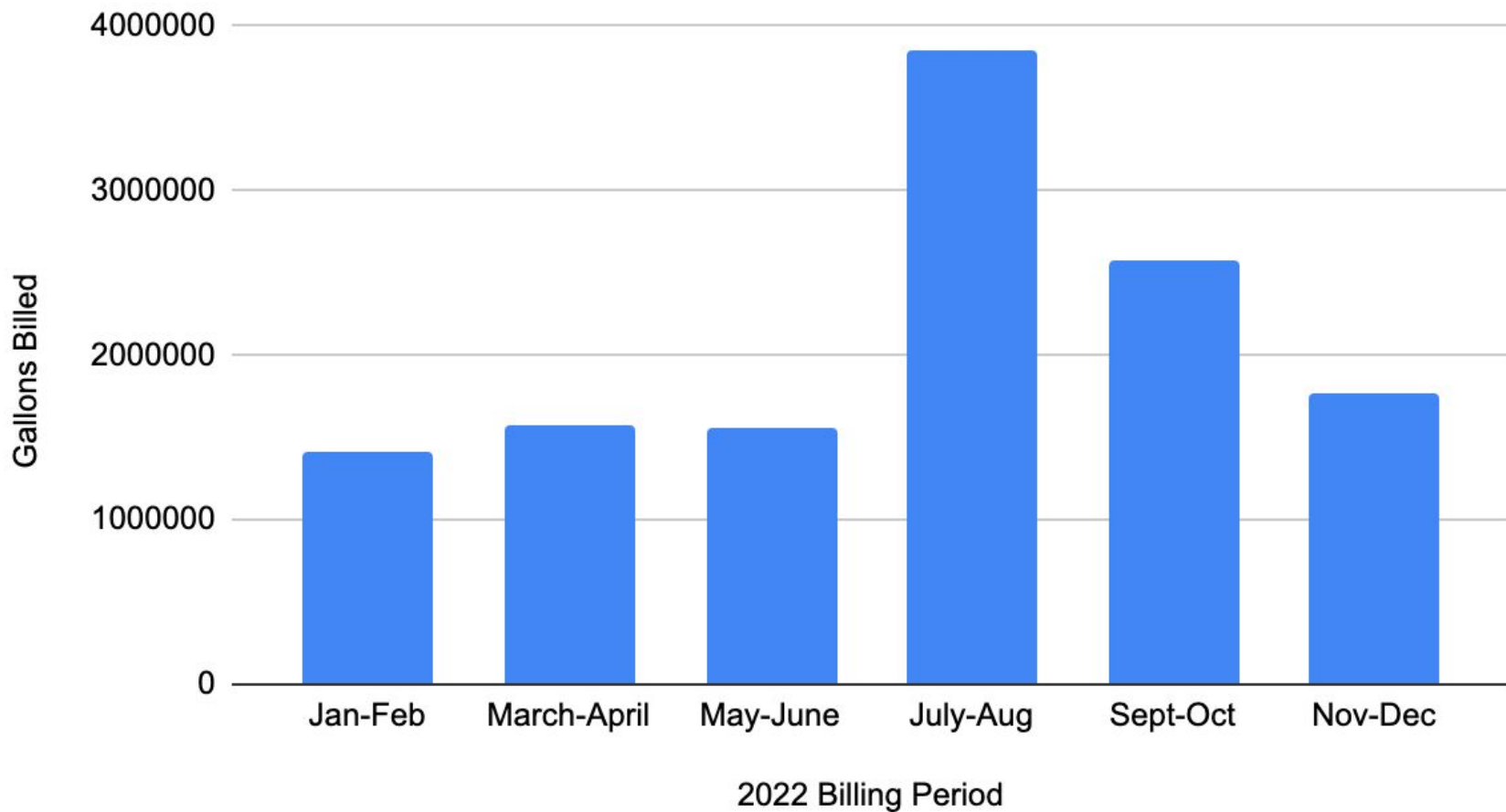
Customers

- **Approximately 100 Full Time Residences (FT)**
- **Approximately 203 Part Time Residences (PT)**
- **Currently 83 permitted STRs**
- **2 owner-occupied rentals (limited to two units)**

Average Water Use per Connection

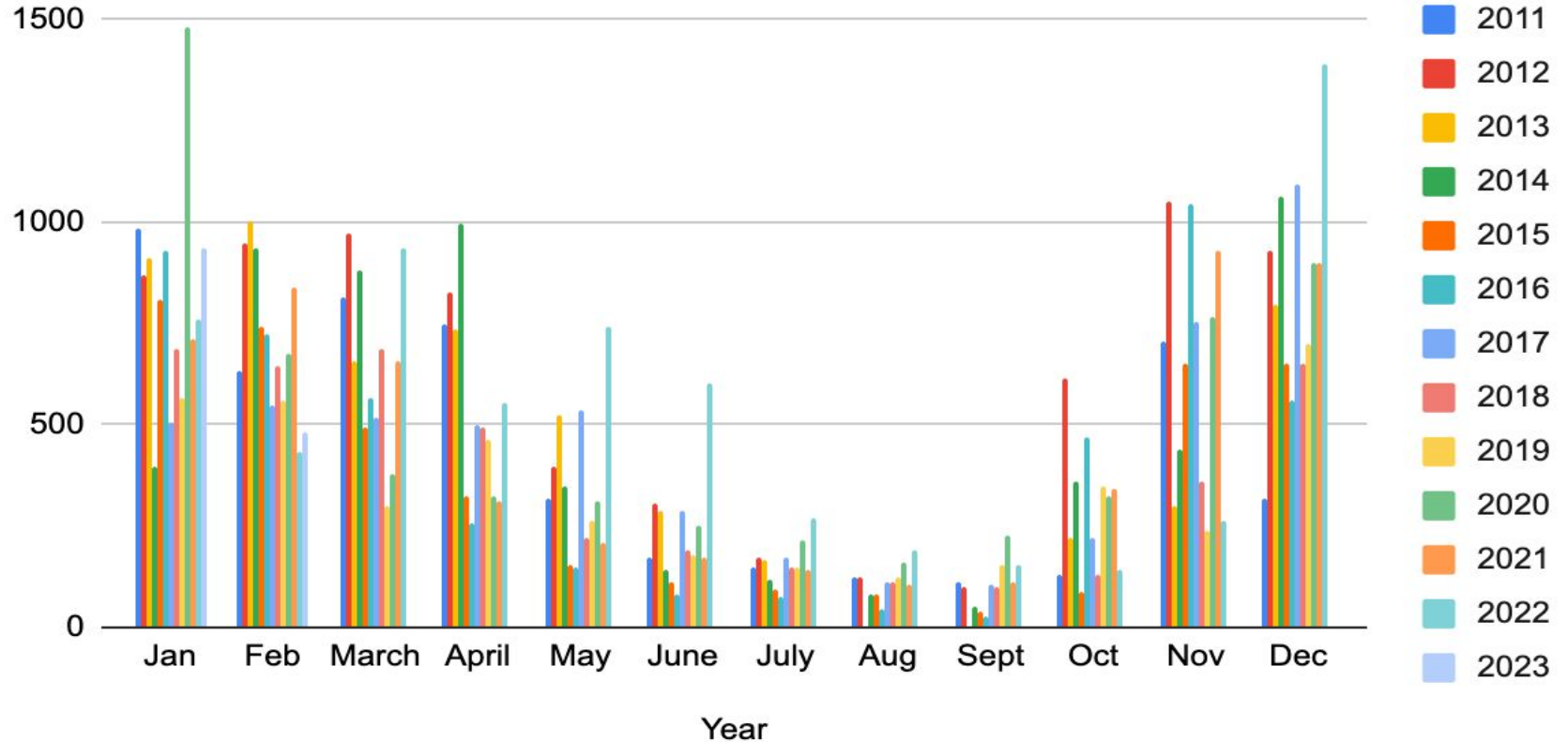


Gallons Billed vs. 2022 Billing Period



PRODUCTION OF SPRINGS IN GALLONS PER MINUTE

2011, 2012, 2013, 2014, 2015...



A FEW USE A LOT OF WATER

July/Aug 2022

25% users used 59%

Middle 50% used 37%

Bottom 25% used 4 %

2018-2021

25% users used 55%

Middle 50% used 40%

Bottom 25% used 5%

DISTRICT OPERATIONS & REVENUE 2021-2022

- Operating Revenue: \$ 303,778
- Operations & Maintenance Expense: (\$ 313,525)
- Net Operations: **(\$9,747)**

WATER RATE STUDY

- Rates Not Changed Since 2006 (CPI inflation 49%)
- All Costs Increasing
- Study Of Rates & Operation Costs By Oregon Assoc. Of Water Utilities
 - a) Intrinsic value associated with water service AND
 - b) Consumption of water during each billing cycleMakes a fair rate for all customers
- Proposed A New Rate Structure For Operational Shortfall
- Periodic Adjustments For Inflation

PROPOSED NEW WATER USE RATES

Current Rates: \$2.75/1000 First 20K Gallons

Then \$3.50/1000 Gallons Over 20K Gallons

Proposed New Rates: 4-Tiered Structure Based On Water Use Per Billing Period

- **Tier 1: 0-8000 Gallons @ \$ 4/1000 Gallons**
- **Tier 2: 8001-16000 Gallons @ \$ 6/1000 Gallons**
- **Tier 3: 16001-24000 Gallons @ \$10/1000 Gallons**
- **Tier 4: 24000+ Gallons @ \$15/1000 Gallons**

WHO WILL BE AFFECTED?

<u>July/Aug 2022</u>	<u>Total Users</u>	<u>Full Time</u>	<u>Part Time</u>	<u>STR</u>	<u>OOR</u>	<u>Other</u>
0-8000 Gal	224	43	150	24	7	
8001-16000 Gal	105	33	34	37	1	
16001-24000 Gal	32	13	6	12	1	
24000 Gal +	30	9	12	9		

Median Full Time Resident Used 9700 gallons

Median Use By Water Board Members: 11820 gallons

EXAMPLES OF NEW WATER USE RATES

<u>Water Use Each Billing Period</u>	<u>Old Rate</u>	<u>New Rate</u>	<u>Difference</u>
5000 Gallons	\$13.75	\$20.00	\$6.25
9700 Gallons (median Full Time)	\$27.00	\$42.00	\$15.00
18000 Gallons	\$50.00	\$100.00	\$50.00
40000 Gallons	\$125.00	\$400.00	\$275.00

BILLING PERIOD (2 MONTHS) CALCULATION

	New	Existing
● Base Rate \$25/Month x 2 =	\$ 50	\$50
● Existing SEF \$35/Month x 2 =	\$ 70	\$70
● New SEF \$50/Month x 2 =	<u>\$100</u>	
Non-usage total:	\$220	\$120
● Water Usage/Billing Period =	<u>??</u>	<u>??</u>
Total Water Bill:=	??	??

BOTTOM LINE

2-MONTH BILLING PERIOD (\$220 + USAGE)

<u>Water Use</u>	<u>Old Total</u>	<u>New Total</u>	<u>Difference</u>
5000 Gallons	\$134	\$240	\$106
9700 Gallons (median FT)	\$147	\$262	\$115
18000 Gallons	\$170	\$320	\$150
40000 Gallons	\$245	\$620	\$375

NEW RATE STRUCTURE FOR CONNECTION FEES

- **The Connection Fee only affects NEW construction**
- **Connection fee presently is \$500**
- **Typical cost for a New Connection Fee is approaching \$2000**
- **New connection fee**
 - **3/4" Meter Connection - \$1500 base rate + time and material beyond the base rate**
 - **1" Meter Connection - \$2000 base rate + time and material beyond the base rate**
- **System Development Fee will remain at \$6429**

HOW WE COMPARE TO OTHER DISTRICTS

Monthly Water Use **Cannon Beach*** **Neskowin**** **Arch Cape*** **NKN**
(new)

5000 Gallons	\$62	\$142	\$58	\$130
8000	\$117	\$155	\$66	\$142
15000	\$244	\$186	\$246	\$184
40000	\$699	\$406	\$3356	\$510

*includes waste treatment charges based on water used

**includes fire suppression charges

CAPITAL IMPROVEMENTS NEEDED

•Improvements Recommended by Pace Engineering (Est Update 5/25/2022)

•New Hillcrest Reservoir (Current Built 1997-Refurbished 2008)	\$ 814,000	
•New Reservoir Park Reservoir (Current Built 1989)	\$ 621,000	
•Pirate Spring Improvements	\$ 402,000	
•Source Protection (Spring 3)	\$ 65,000	
•New Hydrants (2)	\$ 23,500	
•Flowmeter and SCADA Upgrades	\$ 30,500	
•New Water Meters (permit remote reading & leak sensing)	\$ 152,000	
•Perfecting Water Permits	\$ 27,000	
Total	\$2,135,000	(~\$5000/hookup)

REMEMBER THE GOOD NEWS

- **We Have PRISTINE Drinking Water!**
- **We Have Protected It For The Future!**

The image features a light blue background with a fine, diagonal hatched pattern. In the corners, there are decorative elements consisting of thin blue lines that branch out and end in small circles, resembling a circuit board or a network diagram. The text "NOW FOR YOUR QUESTIONS" is centered in a bold, dark blue, serif font.

NOW FOR YOUR QUESTIONS