6. Financial Management

The Terrebonne Sanitary District is a non-taxing utility supported by user rates, fees, system development charges, grants, loans, and other lawful revenues. The District's financial program must provide enough revenue to operate the sewer system, pay its obligations, maintain appropriate reserves, and keep service affordable and reliable over time.

This chapter establishes the general framework for rates, charges, budgeting, reserves, billing, collection, and Board financial oversight. It does not establish dollar amounts. Rates and fees will be adopted separately through budgets, studies, ordinances, resolutions, methodologies, and agreements.

The District's Financial Management Policy in Appendix C provides more detailed requirements for banking, cash management, internal controls, debt, investments, and financial reporting.

6.1 Rates & Charges

Table 6-1 summarizes the District's principal financial tools and what each one pays for.

Table 6-1. How the District's Financial Tools Work

Financial tool	What it pays for
Monthly user rates	Current operations, Redmond treatment, administration, debt service, and reserve contributions
Connection, inspection, and administrative fees	The District's direct cost of reviewing, inspecting, or establishing an individual connection
System development charges	Eligible public infrastructure capacity needed for new growth
Special assessments and extension agreements	The cost of a specific improvement allocated to the properties it benefits
Grants and loans	Specific capital projects, subject to grant, loan, and budget requirements

Each charge must have a defined purpose and lawful use. A fee for reviewing or physically establishing an individual connection is different from an SDC used to fund shared system capacity. A special assessment or extension agreement is another separate tool used to allocate the cost of a particular improvement. The purpose of the charge—not its name—determines which rules apply.

6.1.1 Rate Authority and Objectives

The District Board may establish sewer service charges by ordinance for construction, operation, and maintenance of the sewage collection and disposal system. Oregon law also authorizes municipalities, including sanitary districts, to establish just and equitable rates so that users pay a proportionate share of the costs of wastewater service.

The Board will establish rates that are sufficient to operate the system, pay Redmond treatment and interconnection costs, meet debt obligations, contribute to reserves, and allocate costs fairly among customers. Rates should also be understandable, reasonably predictable, and practical for a small District to administer.

The Board may adopt rates below a calculated full-cost level only after identifying how the resulting revenue gap will be funded and considering the effect on reserves, debt compliance, and future customers.

6.1.2 What Monthly Rates Pay For

Monthly user rates will fund five principal cost categories:

1. operation and maintenance of the District's public collection system;
2. treatment and interconnection charges paid to the City of Redmond;
3. District administration, billing, professional services, insurance, and regulatory compliance;
4. debt service and lender-required financial commitments; and
5. regular contributions to operating, emergency, and capital replacement reserves.

Figure 6-1 – *Components of the Monthly User Rate*

$$O\&M + treatment\ costs + admin + Debt\ service + reserves\ =\ Annual\ revenue\ requirement$$

$$Monthly\ Rate\ per\ EDU = \frac{Annual\ revenue\ requirement}{Projected\ Billable\ EDUs} * \left(\frac{1\ year}{12\ months}\right)$$

Owner-side STEP tanks, pumps, controls, electrical service, and private repairs are not included in the District's public-system rate unless the Board later establishes a separate owner-support program.

6.1.3 Startup Connection Ramp and Billable EDUs

During system startup, user rates will be based on projected annual billable EDU-months rather than total system capacity, total properties with sewer frontage, or the number of connections expected at year-end.

Before system startup, the District will prepare a monthly connection forecast based on the final serviceable-property inventory, EDU assignments, mandatory connection requirements, approved exemptions, accepted service applications, and anticipated connection dates. The forecast will include conservative, expected, and accelerated connection scenarios.

The District will use the connection forecast to establish rates, cash-flow needs, and startup reserve requirements and will compare actual connections and revenues with the forecast at least quarterly during the initial years of operation.

6.1.4 Customer Classes and Billing Units

The District expects to use equivalent dwelling units, or EDUs, as the basic billing unit. One typical single-family residence will generally equal one EDU. Commercial, multifamily, institutional, and other nonresidential users will be assigned one or more EDUs based on expected wastewater flow, strength, peak demand, and service characteristics.

The District will adopt a separate EDU assignment schedule and may revise an assignment when property use or wastewater demand materially changes. Customers that impose unusual monitoring, pretreatment, hydraulic, or treatment costs may be subject to additional charges established through the rate schedule or sewer use ordinance.

6.1.5 Annual Rate Review

The Board will review user rates each year as part of the budget process by comparing projected rate revenue with the full annual cost described in Section 6.1.2. If projected revenue is insufficient, the Board will adjust rates, phase in an increase, reduce planned expenditures, or identify another lawful source of revenue.

A comprehensive cost-of-service and rate study will be completed before system startup and when material changes occur in treatment costs, debt obligations, service responsibilities, customer base, or system expansion. Between comprehensive studies, the Board may use a documented inflationary or cost-based adjustment.

6.2 System Development Charges

6.2.1 Purpose and Legal Framework

An SDC is a one-time charge imposed when new development or increased property use creates additional demand for public sewer capacity. SDC revenue may be used only for eligible capital improvements and related SDC administration; it may not be used for routine operations or maintenance.

The District will establish its SDC through a separate methodology and ordinance or resolution prepared in accordance with ORS 223.297 through 223.316. This DMP establishes only the general framework.

6.2.2 Reimbursement and Improvement Fees

The District's SDC may include either or both of the components shown in Table 6-2.

Table 6-2. SDC Components

SDC component	Purpose and Intent
Reimbursement fee	New users contribute toward available capacity that has already been built
Improvement fee	New users contribute toward planned projects that add capacity for growth

The two components may be combined, but the same infrastructure capacity cannot be charged through both. Grant-funded and contributed facilities must be accounted for so future customers are not charged as though existing customers paid the entire project cost. Figure 6-2 shows the mathematical concepts for calculating Reimbursement and Improvement SDC fees.

Figure 6-2 – Basic SDC Formulas

$$\frac{Value\ of\ unused\ capacity\ in\ existing\ facilities}{Projected\ Future\ EDUs} = Reimbursement\ fee\ per\ EDU$$

$$\frac{Growth\ related\ share\ of\ planned\ capacity\ projects}{Projected\ Future\ EDUs} = Improvement\ fee\ per\ EDU$$

$$Reimbursement\ fee + Improvement\ Fee = Maximum\ SDC\ per\ EDU$$

The denominator used for each SDC component will represent the projected future EDUs that will use and benefit from the facilities included in that component. Systemwide facilities may use projected systemwide demand, while local collection facilities may use a phase-specific or benefit-area demand estimate. The adopted methodology will establish the maximum supportable charge. The Board may adopt a lower charge or phase in an increase, but should first identify which other revenues will fund the remaining growth-related costs.

6.2.3 Credits and Administration

A developer or property owner may receive an improvement-fee credit for constructing an eligible public improvement identified in the District's SDC project plan. The credit generally applies only to an offsite improvement or to the portion of an improvement that exceeds what is needed solely for the applicant's development.

Credit eligibility should be determined before construction, documented in writing, and limited to improvements designed, inspected, accepted, and dedicated to the District. Owner-side STEP equipment does not qualify as a public SDC credit.

The District will maintain separate accounting for reimbursement and improvement fee revenues, complete the required annual SDC accounting, and make its adopted methodology, rates, and project list publicly available. Detailed credit, indexing, notification, accounting, and appeal procedures will be established in the SDC methodology and implementing policy. Chapter 8 describes how these credits apply to mainline extensions constructed by developers, owner groups, and individual property owners.

6.3 Late Fees, Penalties, and Collection Enforcement

The District will adopt a billing and collection policy establishing due dates, late charges, notices, payment plans, dispute procedures, write-off authority, and lawful collection remedies.

The existing Financial Management Policy provides for payment within 30 days and interest of 1.5 percent per month on overdue balances. Before customer billing begins, the Board should determine whether that provision will apply to sewer accounts or be replaced by a utility-specific fee schedule.

A recommended collection sequence is shown below.

Table 6-3. Conceptual Delinquency and Collection Sequence

Stage	Typical District action
Bill issued	State charges, due date, payment methods, and contact information
Payment becomes delinquent	Apply adopted late fee or interest and send delinquency notice
Continued delinquency	Provide final notice, payment-plan information, and dispute opportunity
Unresolved account	Use authorized collection remedy, legal action, tax-roll certification, or another adopted process
Uncollectible balance	Document and approve write-off under established authority; preserve any lawful collection claim

Sewer-service isolation should not be used as a routine collection method unless legal counsel and the O&M provider confirm that it can be implemented without creating tank overflows or publichealth risks. The District may use other lawful remedies, including payment plans, collection action, or tax-roll certification where authorized.

Hardship assistance or payment deferrals, if offered, will be governed by separate eligibility and funding criteria.

6.4 Budgeting & Reserves

6.4.1 Annual Budget

The District will adopt an annual or biennial budget in accordance with Oregon Local Budget Law. The budget will identify operating revenues and expenses, debt service, capital projects, grants and loans, SDC activity, reserve contributions and withdrawals, and transfers between funds.

Restricted revenues—including grants, loans, SDCs, and capital-project funds—will be tracked separately and used only for authorized purposes. The Financial Management Policy should be updated to address the District's operating, capital, debt, SDC, and reserve funds rather than referring only to a general fund.

6.4.2 Reserve Framework

Because the District does not have a permanent tax rate, reserves are particularly important for maintaining service during revenue fluctuations, emergencies, and asset failures.

Table 6-4. Board-Designated Reserves

Reserve	Purpose
Operating reserve	Cover cash-flow timing and temporary revenue shortfalls
Emergency reserve	Respond to unplanned failures and contractor mobilization
Capital replacement reserve	Replace or rehabilitate District-owned assets
Debt-service reserve	Meet lender or financing requirements

SDC, grant, loan, and capital-project accounts are restricted funds rather than general reserves and must be tracked and used separately.

Reserve targets should be developed through the rate and asset-management process rather than selected arbitrarily. Chapter 4 provides the initial asset inventory, service-life, criticality, and replacement-planning framework that should inform the capital replacement reserve.

6.4.3 Forecasting and Debt

The District will maintain a multiyear financial forecast showing anticipated connections, rate revenue, O&M costs, Redmond charges, debt service, reserve contributions, capital projects, SDC revenue, and grant or loan funding.

Before accepting new debt or another major long-term obligation, the Board will evaluate affordability, debt coverage, reserve requirements, useful asset life, growth assumptions, and effects on future rates and borrowing capacity. Any more restrictive requirements in a financing agreement will control.

6.5 Billing & Collections

The District should establish a billing and collection system capable of producing accurate bills, receiving and recording payments, tracking delinquency, responding to customer questions, and reconciling billing records to the accounting system.

6.5.1 Billing Administration

The District will adopt a billing policy identifying the responsible account holder, billing frequency, payment methods, EDU assignments, billing start and end dates, treatment of vacant or disconnected properties, adjustments, refunds, and dispute procedures.

Monthly charges will begin upon connection unless the Board separately adopts an availability or readiness-to-serve charge. A property-owner account model is expected to be the simplest approach because the sewer connection and available collection remedies are tied to the property.

Billing may be administered directly, through a third-party provider, or through an agreement with another utility. Any such agreement will clearly assign responsibilities for customer service, payment processing, delinquency, reconciliation, records, security, and termination.

6.5.2 Billing Controls

Billing responsibilities will be separated where practical so that one person does not independently control account setup, adjustments, payment posting, and reconciliation. Where complete separation is impractical, an independent Board officer or other authorized reviewer will review billing changes, collections, delinquent accounts, and reconciliations.

Detailed banking, payment authorization, access, security, and accounting controls are contained in the Financial Management Policy in Appendix C.

6.5.3 Customer Assistance and Disputes

Customers will have a documented process to question a bill, correct an error, challenge an EDU assignment, report a change in use, request an available payment plan or hardship accommodation, and appeal an administrative decision. Undisputed charges remain payable while a dispute is reviewed.

6.6 Financial Reporting, Review, and Future Documents

The Board should receive regular financial information sufficient to understand the District's current condition and emerging risks without becoming involved in day-to-day bookkeeping. See Table 6-5.

Table 6-5. Minimum Financial Reporting Framework

Frequency	Recommended information
Monthly	Cash and investments by fund; budget-to-actual results; accounts receivable aging; accounts payable; significant contracts and expenditures
Quarterly	Reserve balances compared with targets; debt covenant status; connection and EDU trends; SDC revenue and project activity; updated cash-flow forecast
Annually	Adopted budget; rate-sufficiency review; multiyear financial forecast; SDC accounting; asset-replacement forecast; required audit, agreed-upon procedures, or financial statements

Oregon local governments must complete annual financial reporting to the Secretary of State. The required report depends on the type and annual expenditures of the municipality; under current reporting thresholds, not every small special district is required to undergo a full annual audit.

Future documents to be developed pursuant to this chapter include:

- rate and fee study with EDU schedule;
- SDC methodology, project list, and credit procedures;
- billing, collection, and hardship policy;
- reserve policy and multiyear financial forecast;
- Board financial dashboard and reporting calendar; and
- revised Financial Management Policy.