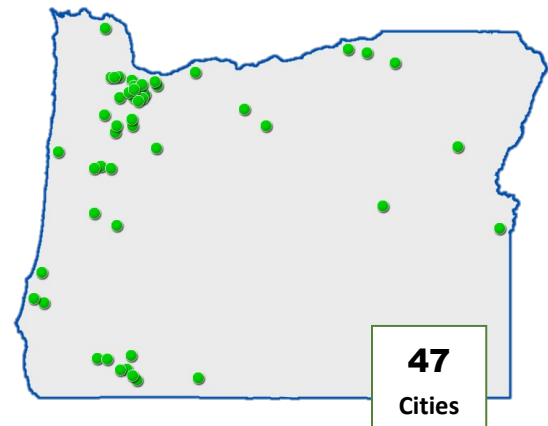


## Revenue Source: City Operations Fee

In 2019 after recommendation by the Sustainable Services Revenue Task Force and adoption by City Council, a monthly City Operations Fee was added as a separate line item on customer's utility bills to support essential City services. The fee filled a portion of the structural gap between ongoing revenue and expenses for programs and services in the General Fund. The structure of the operations fee is based on utility account type or customer class (i.e. residential, commercial, industrial). This revenue source is not subject to Measure 5 property tax limitations because it is not a tax on individual property values but is based on the presence of an improved structure and an active utility account.

Evaluation Criteria	Recommendation
Fund / Service Area	General Fund
Approval Body	City Council
Calculation Method	Utility Customer Classifications



There are approximately 47 different cities in Oregon that have an operations fee on their customer's utility bills. Many of these cities (approximately 29) have two or more to fund different needs. Based on population size, 18 of the 30 largest cities in the state are utilizing this revenue source to provide their core services.

City Examples	Monthly Fee Residential as of 1/1/22	Purpose of the Fee(s)
Salem	\$ 11.14	City Operations, Streetlight
Corvallis	\$ 13.04	Police, Fire
Gresham	\$ 15.00	Police, Parks, Fire
Hillsboro	\$ 22.22	Transportation, Parks
Keizer	\$ 9.00	Public Safety, Parks
Lake Oswego	\$ 10.65	Street Maintenance
Medford	\$ 20.11	Parks, Public Safety, Streets, Streetlights
Tigard	\$ 14.38	Street Maintenance, Parks
West Linn	\$ 34.51	Parks, Street Maintenance

The City of Salem has two fees on utility bills: one to support general city services and the other to support operations and installation of streetlights. The operations fee was enacted by Council in 2019 to narrow the gap between ongoing revenue and expenses in the General Fund. Through June 2022, the General Fund has received \$18.2M and has maintained

core City services. The current City Operations Fee is scheduled to increase on January 1, 2023, to a residential rate of \$8.93 per month. The streetlight fee was implemented by Council approval in 2015 in order to pay for streetlight electricity costs and to convert to LED streetlights. Residential customers pay the lowest rate of \$2.80 per month. With both fees, commercial and industrial users pay more each month, but these customer classifications do not generate a significant portion of the overall revenue. Simply because of the composition of account types, the fees charged to residential customers have the most substantial impact.

With the current structure of the operations fee, ratios for each customer class determine the rate. Single-family residential customers will pay \$8.93 per month. Multi-family customers pay a per unit rate of 80% of the residential rate. Commercial, public, industrial, and institutional customer pay 4.82 times the residential rate, which is the same ratio used to calculate the streetlight fee.

<b>Customer Class</b>	<b>Monthly Operations Fee as of 1/1/23</b>	<b>Fee Ratio</b>
Residential	\$ 8.93	1.00
Multi Family (per unit)	\$ 7.14	0.80
Industrial, Commercial, Institutional, Public	\$ 43.04	4.82

During fiscal year 2023, the City is estimated to collect just over \$7.9M with the current operations fee rates and structure. The below chart depicts the approximate additional revenue that could be generated for a range of rates.

<b>Fee Structure to Generate Additional Revenue</b>		
<b>Total Utility Customers (all accounts types)</b>	<b>Fee (not including current fee)</b>	<b>Estimated Additional Annual Revenue (in millions)</b>
69,455	\$ 1.00	\$ 0.91
69,455	\$ 3.00	\$ 2.73
69,455	\$ 5.00	\$ 4.55
69,455	\$ 7.00	\$ 6.37
69,455	\$ 9.00	\$ 8.19