# Legislation Details (With Text)

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|---|---|---|---|
| **File #:** | 19-474 **Version:** 1 | | |
| **Type:** | Ordinance First Reading | **Status:** | Second Reading |
| | | **In control:** | City Council |
| **On agenda:** | 10/28/2019 | **Final action:** | |
| **Title:** | First reading of Ordinance Bill 12-19, creating a City Operations Fee to fund City services<br><br>Ward(s): All Wards<br>Councilor(s): All Councilors<br>Neighborhood(s): All Neighborhoods<br>Result Area(s): Good Governance; Natural Environment Stewardship; Safe Community; Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community. | | |
| **Sponsors:** | | | |
| **Indexes:** | | | |
| **Code sections:** | | | |
| **Attachments:** | 1. Ordinance Bill No. 12-19, 2. Exhibit A to Ordinance Bill No. 12-19, 3. Utility Rate Relief Program Status Report, 4. Public Comments received by 3:30 p.m.,10-23-19, 5. Public Comments recieved by 3:30 p.m., 10-28-19 | | |

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|
| 10/28/2019 | 1 | City Council | introduced on first reading | Pass |

**TO:** Mayor and City Council

**FROM:** Steve Powers, City Manager

## SUBJECT:

First reading of Ordinance Bill 12-19, creating a City Operations Fee to fund City services

Ward(s): All Wards
Councilor(s): All Councilors
Neighborhood(s): All Neighborhoods
Result Area(s): Good Governance; Natural Environment Stewardship; Safe Community; Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community.

## ISSUE:

Shall City Council conduct first reading of Ordinance Bill No. 12-19, creating a City Operations Fee to fund City services?

## RECOMMENDATION:

Conduct first reading of Ordinance Bill No. 12-19, creating a City Operations Fee to fund City services.

## SUMMARY:

Ordinance bill 12-19 creates a City Operations Fee to fund City services. The ordinance bill creates a fee structure based on utility account customer classification and is set at a monthly rate. The rate would be adjusted annually based on a consumer price index. The rates proposed under the ordinance bill:

1. Residential: $8.00 per account per month;
2. Multifamily: $6.40 per unit per month;
3. Commercial, Industrial, Institutional, and Public: $38.56 per account per month.

Residential account holders who qualify for the City's Utility Rate Relief program will be exempt from the fee. If passed by City Council, the fee would go into effect on January 1, 2020, and is estimated to generate $7.1 million annually.

## FACTS AND FINDINGS:

There is a structural imbalance in the City's General Fund. Current revenues are insufficient to fund current services. The gap between revenues and expenditures widens each year, with expenditures increasing at a higher rate than current revenues. As Salem's population grows, greater demand for City services continues to strain existing programs.

The City has used its working capital, or General Fund reserves, to close the gap between current revenues and the cost of current services. Working capital is not an ongoing funding source for recurring expenditures. An operating fee is a recurring revenue that would help maintain services.

### Fee Structure

The fee structure for the operating fee is based on utility account customer classification and is set at a monthly rate.

1. Residential: $8.00 per account per month;
2. Multifamily: $6.40 per unit per month;
3. Commercial, Industrial, Institutional, and Public: $38.56 per account per month.

### Estimated Revenue

The total estimated revenue for the first 12 months is approximately $7.1 million. If enacted, the operating fee would be effective January 2020. The revenue would be for the General Fund and is equivalent to 42 police officers, **or** five fire stations, **or** all park maintenance.

| Customer Class | Total Accounts / Units | Rate Ratio to Residential | Monthly Rate | Annual Rate | Total Revenue |
|---|---|---|---|---|---|
| Residential | 40,012 | 1.00 | $ 8.00 | $ 96.00 | $ 3,841,152 |
| Multi-family | 23,971 | 0.80 | 6.40 | 76.80 | 1,840,973 |
| Commercial | 2,839 | 4.82 | 38.56 | 462.72 | 1,313,662 |
| Public | 116 | 4.82 | 38.56 | 462.72 | 53,676 |
| Industrial | 18 | 4.82 | 38.56 | 462.72 | 8,329 |
| Institutional | 8 | 4.82 | 38.56 | 462.72 | 3,702 |
| **Total** | **66,964** | | | | **$ 7,061,493** |

## Annual Adjustments

Under the proposed ordinance the operating fee rates would be adjusted annually for inflation.

## Utility Rate Relief Program

Salem offers a utility rate relief program in the form of a monthly discount on City of Salem single-family residential utility bills for qualified elderly or disabled customers meeting program requirements. The proposed ordinance exempts qualified residential customers who are approved for the utility rate relief program from the operating fee. More information about the program is included in attachment 3.

## Administration

The operating fee would be collected through the City's utility billing system and be administered internally. Administration is estimated to cost $100,000 annually.

The operating fee would be effective January 1, 2020 and first billed in February 2020 with collections beginning March 2020.

## BACKGROUND:

During the fall of 2018 the Sustainable Services Revenue Task Force considered 13 revenue options available to cities. The Task Force recommended three options to City Council. City Council held a work session with the Task Force on April 15, 2019 to review and discuss the recommendation. The recommendation included two General Fund revenue sources and a Transportation Services Fund revenue source. The two options for the General Fund are an operating Fee and an employee paid payroll tax. The City Council held an additional work session on June 17, 2019 to discuss the recommendation in more depth. On July 8, 2019, the City Council directed staff to prepare an operating fee ordinance for Council consideration. On August 12, 2019, City Council modified the payroll tax proposal to refer it to Salem voters and dedicate the revenues to public safety. On September 23, 2019 City Council advanced the operating fee ordinance unchanged to first reading.

Attachments:

1. Ordinance Bill No. 12-19



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2. Exhibit A to Ordinance Bill No. 12-19
3. Utility Rate Relief Program Status Report



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