



Staff Report

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TO: Mayor and City Council
THROUGH: Steve Powers, City Manager
FROM: Peter Fernandez, PE, Public Works Director

SUBJECT:

Update on Issues from the Utility Rate Hearing

Ward(s): All Wards
Councilor(s): All Councilors
Neighborhood(s): All Neighborhoods

ISSUE:

Provide Council a status report on issues raised in testimony at the October 8, 2018, public hearing on proposed utility rates.

RECOMMENDATION:

Information only.

SUMMARY AND BACKGROUND:

During the October 8, 2018, public hearing on utility rates, eight people provided oral testimony and 13 provided written testimony. Some customers expressed concern about rate increases generally. Other customers identified more specific issues regarding utility programs or accounts that prompted additional review. These were:

- Expansion of low income assistance;
- Credit for evaporated water;
- Credit for single family accounts not connected to the stormwater system; and
- Treatment of private streets related to impervious area.

The following is a summary of information learned, actions taken to address the issues, and future opportunities.

FACTS AND FINDINGS:

1. Low Income Assistance Programs

East Lancaster Neighborhood Association (ELNA) provided testimony regarding the need to expand low income programs for utility customers.

There are currently two programs available to help utility customers in need of assistance to pay their bills. One is the Low Income Assistance Program (Emergency Assistance), which is funded through donations and matched with up to \$10,000 of utility rate revenue. Applicants apply through local service agencies and are granted up to \$150 during a 12-month rolling period that is credited to their utility account when they are unable to make a payment as the result of an urgent need. The second program is the Wastewater Rate Discount, which is available to senior or disabled heads of household at or below 30 percent of median income. Application is made through Public Works Customer Services and, once qualified, the customer receives an on-going monthly discount.

In 2016, the Water/Wastewater Task Force (W/WWTF) considered two proposals related to the Low Income Assistance Program. First was a proposal to change how the funds were allocated from being applied to a single bill, regardless of the amount, to a \$150 allowance over a rolling 12-month period. This change enhanced the equity of grants to customers. Second, this same program was originally funded only with donations; when funds ran out, customers were turned away. The W/WWTF endorsed using up to \$10,000 of rate revenue annually to match donations. Both of the W/WWTF proposals were approved by Council when the 2017/2018 rates were adopted. For the past two years a sufficient balance has been maintained to assist people throughout the year.

The W/WWTF also considered a third proposal to expand the base of qualified applicants for Wastewater Rate Discount program by increasing the income threshold and/or eliminating the senior/disabled head of household requirement. Due to administrative concerns about maintaining data related to income, the proposal was tied to qualification for federal housing assistance. This program was estimated to result in up to \$750,000 of unrealized revenue annually, which would have required an additional two percent rate increase for other customers to offset the lost revenue. This proposal was not ultimately recommended to City Council for consideration.

No proposals to change either the Low Income Assistance Program or Wastewater Rate Discount were considered by W/WWTF during the FY 2018 rate setting process. Staff is considering alternatives to increase assistance to customers in need that can be implemented without requiring a corresponding increase in rates due to loss of revenue.

2. Credit for Evaporated Water

A representative from Henningsen Cold Storage testified that their firm is being charged for wastewater based on water usage, even though a significant portion of the water delivered to their business evaporates and is not discharged into the sanitary sewer. Staff and Henningsen Cold Storage have been working together for some time to identify the proper method to bill an adjusted wastewater volume without relying on a manual process each month. The current configuration of public and private meter installations at these two specific sites will allow for a wastewater winter average to be set based on metered wastewater discharge readings. Most customers receive a winter average base value using four water meter readings. In this case, the wastewater is metered from the condenser and will be used to set the wastewater base value. The wastewater base will be adjusted annually and billed for twelve months until the next update. Henningsen Cold Storage has two commercial customer accounts that are impacted and have received wastewater base calculations effective March 2018, the most recent update of wastewater base values system wide.

3. Stormwater Credit for Single Family Accounts

As the Stormwater program has matured there are some policies that warrant reexamination. One such policy regards credits that can be applied to the impervious surface component of the stormwater fee. The Stormwater Rate Credit Program is authorized in *Salem Revised Code* Chapter 73 and implemented through Administrative Rule 109-800. Currently, credits are only available to accounts other than single family residential.

Testimony provided at the hearing suggested consideration be given to allowing a credit on the impervious area fee for residential properties on large parcels that are not directly connected to the stormwater system. Staff is working on amendments to the existing administrative rule that will provide a 55 percent credit on the impervious area fee for a single family residential account if the property:

- Is zoned Residential Agriculture;
- Is at least one acre in size;
- Has less than ten percent total impervious coverage (e.g., rooftop, driveway, walkway, outbuildings);
- Has at least ten percent total tree canopy; and
- Is not directly connected to the stormwater system.

Based on this criteria, staff estimates approximately 125 residential properties may qualify for this

credit. Once the administrative rule has been updated, potential applicants will be notified of the qualification criteria and application process.

4. Private Streets

In the Stormwater Utility methodology, there is an “impervious surface fee” that is set based on the amount of impervious surface attributed to a customer’s property. There is also a “base fee” that is charged for each account and is the same for all customers regardless of the total amount of impervious surface area of the property. The base fee covers the cost for customer service, billing, laboratory work, street sweeping, insurance, contingency, and other services that are independent of the impervious surface of a customer’s property. A portion of the base fee also accounts for the impervious surface area for all public streets and public parking areas. When determining the stormwater fee for each customer, the following three protocols have been established.

- (a) If a customer has an individually metered property that is located on a public street, that customer is not charged for the impervious surface area of the public street associated with the property because that customer’s share of the street’s impervious surface is covered in the stormwater base fee. The customer’s total stormwater fee will include the impervious surface fee for their property plus the base fee per account.
- (b) If a customer has an individually metered property that is located on a private street, the customer’s stormwater fee will include the impervious surface fee for their property plus the base fee per account. The customer is not charged for the impervious surface area of the private street associated with the property because the private street is a relatively small fraction of the total citywide public street area and customer’s share of the street’s impervious surface is considered covered in the stormwater base fee.
- (c) If there is a set of property owners on a private street who are served by a master meter, the total impervious area of the private street is included in the stormwater fee of the master meter. Otherwise, no matter how many properties were involved, only one base fee would be paid. As an example, the total stormwater fee for a group of properties located in a mobile home park with private streets and served by a master meter consists of a single base fee plus an impervious surface fee, where the impervious surface fee is calculated using the total amount of impervious surface of the travel lanes on the private street. This is also how multifamily residential properties are billed.

At the rate hearing, testimony was provided from the treasurer of a small planned unit development with private streets where a portion of the streets were included in the impervious area fee. Staff researched the issue and found that the inclusion of the private streets in this development as part

of the measured impervious area was not consistent with the treatment of private streets in other situations where abutting properties are classified as single family utility customers. As a result, an adjustment is being made to the impervious area for this account, and a credit will be issued back to January 2018 when the account was activated.

Alicia Blalock, Manager
Public Works Administration Division

Attachments:
None