



Staff Report

File #: 19-369

Version: 1

Date: 8/12/2019

Item #: 7.1b.

TO: Mayor and City Council

FROM: Steve Powers, City Manager

SUBJECT:

Consideration of Ordinance Bill No. 12-19, establishing an operating 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 12-19 creating Salem Revised Code (SRC) chapter 40 establishing an operating fee and amending SRC chapter 70.250, hold a public hearing, and advance to second reading for enactment?

RECOMMENDATION:

Conduct first reading of Ordinance Bill 12-19 creating SRC chapter 40 establishing an operating fee and amending SRC chapter 70.250, hold a public hearing, and advance to second reading for enactment.

SUMMARY:

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 worsens with the increasing demand for services as Salem's population grows and as the City's expenses increase. Without new revenue, services provided by the City will have to be reduced.

The City has used working capital, or our savings account, to close the gap between recurring revenues and the cost of services. Working capital is a finite resource that will be depleted during FY 2023 at the current service level. Reduction of essential City services would be required no later than

FY 2022 without additional revenue to maintain compliance with Oregon budget law.

FACTS AND FINDINGS:

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 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 year of implementation is approximately \$7.1 million. If enacted, the operating fee would be effective January 2020.

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. Households are limited to receiving only one Utility Rate Relief discount. Customers must reapply for the program each year to continue receiving the monthly discount. The proposed ordinance provides a discount equal to the residential rate for qualified residential customers who are approved for the program.

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.

BACKGROUND:

During the fall of 2018 the Sustainable Services Revenue Task Force considered 13 revenue options, 12 of which could support services in the General Fund. The Task Force recommended three options to the City Council and held a joint work session on April 15, 2019 to deliver their recommendation. The recommendation included two General Fund revenue sources and a Transportation Services Fund revenue source. The two options for the General Fund included both a City Operating Fee and an employee paid payroll tax. The City Council held an additional work session on June 17, 2019 to explore the recommendation in more depth. On July 8, 2019, the City Council directed staff to prepare an operating fee ordinance for Council consideration.

Attachments:

1. Ordinance Bill No. 12-19
2. Exhibit A to Ordinance Bill No. 12-19