



Staff Report

File #: 21-430
Version: 1

Date: 10/11/2021
Item #: 7.1a.

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

SUBJECT:

Amending *Salem Revised Code* Chapter 21 (General Assessment Procedures) to modify the interest charged for infrastructure assessments.

Ward(s): All Wards
Councilor(s): All Councilors
Neighborhood(s): All Neighborhoods
Result Area(s): Safe, Reliable, and Efficient Infrastructure.

SUMMARY:

Amend *Salem Revised Code* (SRC) Chapter 21 (General Assessment Procedures) to reduce the interest rate accrued on assessments levied from 9.5% to zero percent for local infrastructure improvements when those improvements are needed to supply water to customers of a private water district when that district is dissolving and the City is succeeding the district.

ISSUE:

Shall the City Council conduct first reading of Ordinance Bill No. 11-21 to adopt a zero percent interest rate on assessments of certain infrastructure projects and schedule a second reading of the ordinance?

RECOMMENDATION:

Conduct first reading of Ordinance Bill No. 11-21 to adopt a zero percent interest rate on assessments of certain infrastructure projects and schedule a second reading of the ordinance.

FACTS AND FINDINGS:

Ordinance Bill No. 11-21 amends SRC Chapter 21 to reduce the interest rate accrued on assessments for certain local infrastructure improvements from 9.5% per annum to zero percent.

Several private water districts operate within the City's water service area that are not connected to the City's water system. When a private water district dissolved, which can be for various reasons (contamination, declining well production, etc.), the existing customers of the district must connect to the City's water system and become customers of the City.

SRC Chapter 21 requires the City charge interest at a rate of 9.5% per annum. In cases where assessments are levied to City residents to alleviate health and safety concerns from private drinking water systems, this high interest on the assessments can unduly add to the financial burden borne by the residents to convert to City-supplied drinking water.

BACKGROUND:

Salem Revised Code (SRC) Chapter 21 sets forth the procedures for the City to assess owners of property specially benefitted by local infrastructure improvements. Upon completion of the infrastructure project each benefitted property is assessed and a lien is recorded against the property. Per SRC Chapter 21, all assessments draw interest at the fixed rate of 9.5 percent per annum from a date 30 days after the lien is recorded in the City's lien docket.

Robert D. Chandler, PhD, PE
Assistant Public Works Director

Attachments:

1. Ordinance Bill No. 11-21
2. Exhibit A to Ordinance Bill 11-21, SRC 21 Amendments