

McMinnville Sustainable Resources and the City Services Charge

McMinnville City Council Meeting
Including McMinnville Budget Committee

March 22, 2022

Sustainable Resources and City Services Charge

Presentation

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McMinnville staff

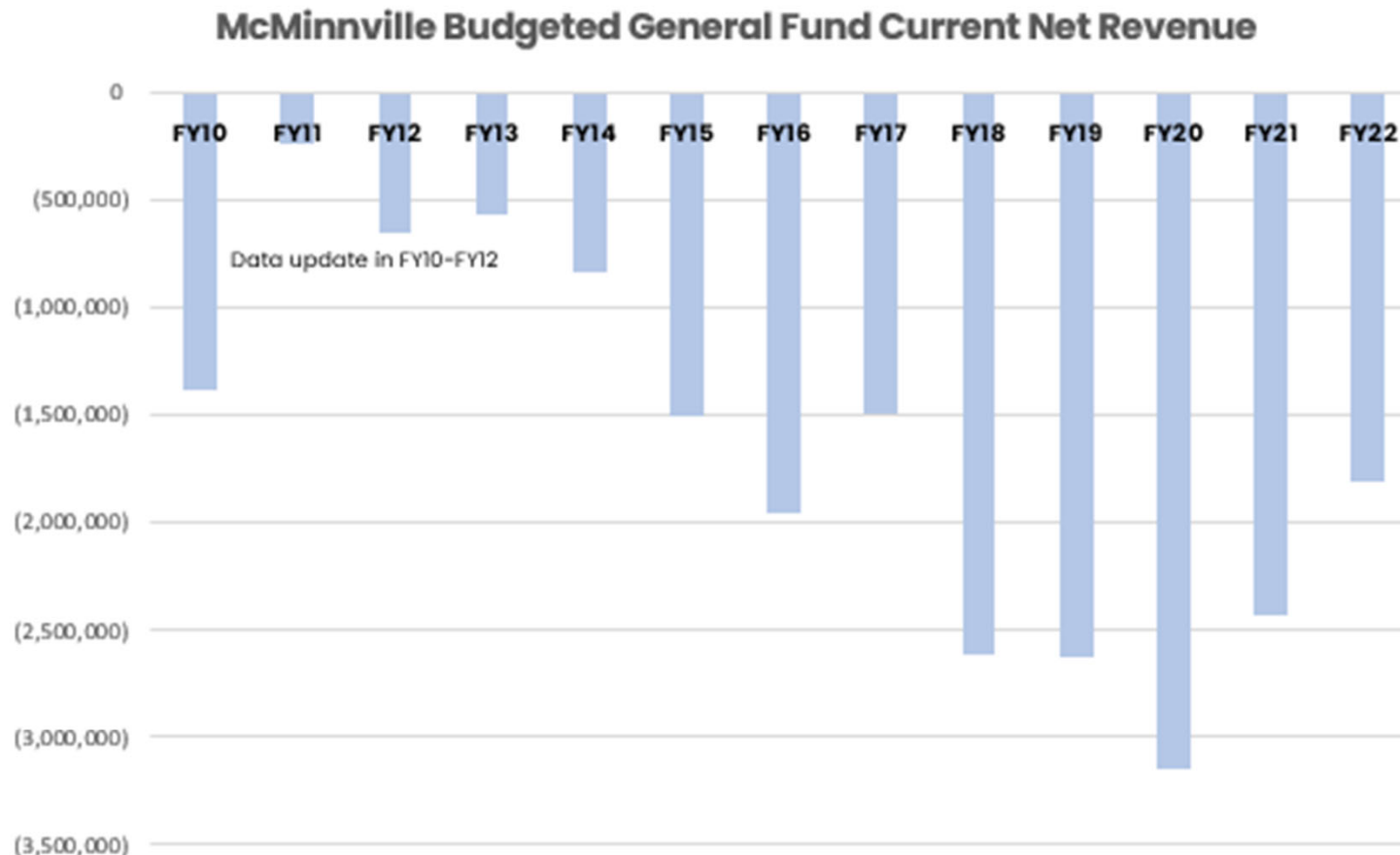
Policy guidance conclusions

1. Annual Resource Total Target
 - Amount to raise
 - Mix of resource options
2. City Services Charge Elements
 - Charging structure
 - Exemptions, discount program

Annual Resource Target

[City Staff]

Budget Development



A persistent budget gap of approximately \$2 million exists in the general fund, which has a negative impact on the city's ability to sustain current service levels

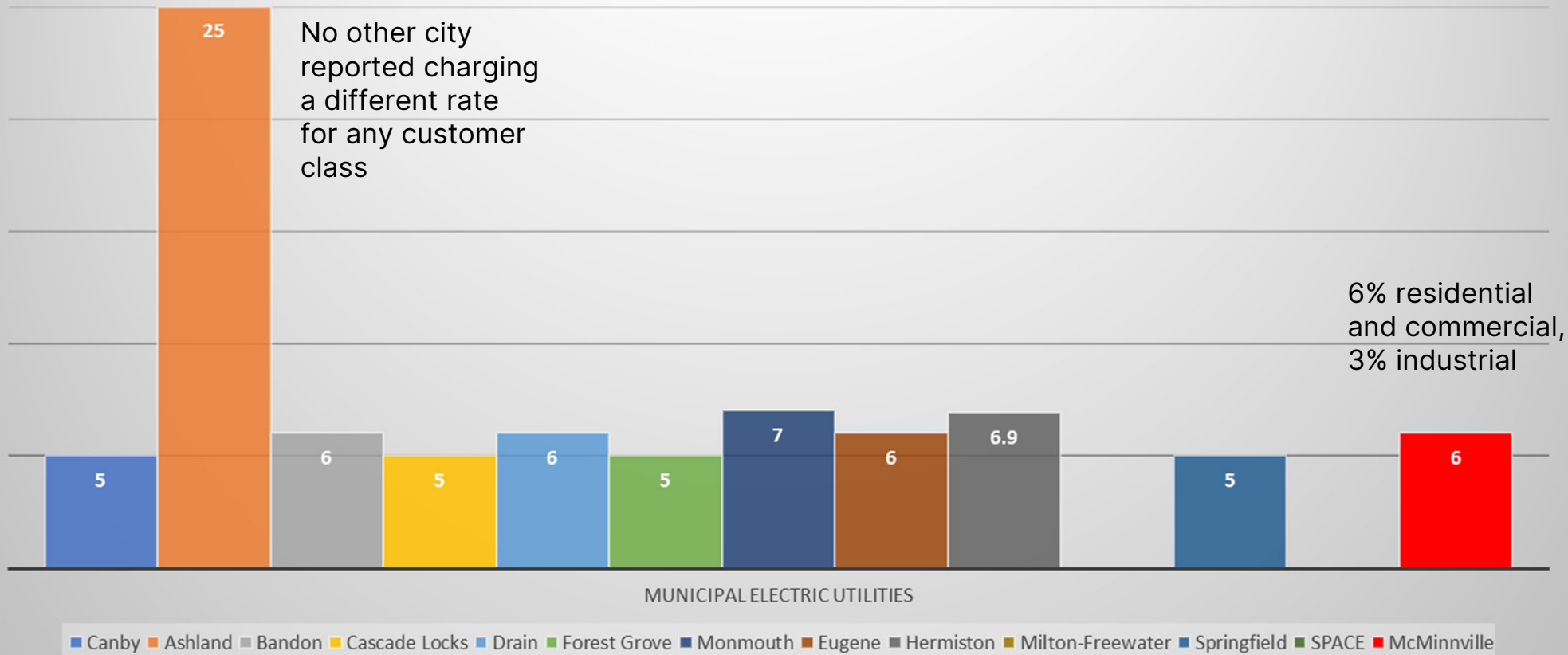


Sustainable Resource Options

	Low	High	Low	High	Resid %	Biz-Industrial %
City Services Charge	2,000,000	3,500,000	Res \$9.41 to 11.25 Biz \$11.25 to 662.90	Res \$16.46 to 19.69 Biz \$19.69 to 1160.08	Option 3: 82% Option 4: 69%	Option 3: 18% Option 4: 31%
Payment in Lieu of Tax (PILOT)	500,000	2,175,000	all pay 6%	all pay 10%	34%	66%
Water Franchise Fee*	190,000	585,000	5% franchise net revenue	10% franchise net revenue	58%	42%
Wastewater Franchise Fee	105,000	535,000	6% franchise fee	10% franchise fee	77%	23%
Total	2,795,000	6,795,000				

*Net amount noted, assumes \$200k annual water costs

Municipal Electric Utilities



Additional \$2 million

\$2 million represents approximate persistent annual budget funding gap for current city services in general fund.

Making progress on building up the reserve, addressing deferred maintenance for existing assets or improving below base core services would not be achievable without service reductions in other service areas.

Options for raising \$2 million

- institute City Services Charge at the \$2 million level
- increase PILOT rate collected on all accounts to 10%
- Increase PILOT rate to 7% or 8% and a combination of wastewater franchise fee increase and add water franchise fee

Additional \$3 million

\$3 million addresses persistent annual budget funding gap for current city services in general fund, would allow progress on building back the reserve and to either address selected deferred maintenance or modest core services investments. Difficult annual choices would be required, trading off investing in core services or programming the community aspires to from MacTown 2032 against deferred maintenance needs.

Options for raising \$3 million

- institute City Services Charge at the \$3 million level
- institute City Services Charge at the \$2.1 million level and increase PILOT rate on all accounts to 7%
- a mix of City Services Charge, increased PILOT rate and action on either wastewater or water franchise fee
- Increase PILOT to 10%, wastewater franchise fee to 9% and add water franchise fee at 8%

Additional \$4 million

\$4 million addresses budget gap, building back reserve, making inroads in deferred maintenance and investing in targeted core services and/or MacTown 2032 programming. It would not stretch to fully addressing facility needs (which requires an average annual investment of over \$3 million). Again, trade offs regarding raising core service levels, desired new programming and maintaining existing assets are required.

Options for raising \$4 million

- institute City Services Charge at \$2.25 million level and increase PILOT to 9% on all accounts
- a mix of City Services Charge, increased PILOT rate and action on either wastewater or water franchise fee

Additional \$5 million

\$5 million addresses budget gap, building back reserve, investing in a number of core services and MacTown 2032 programming while also addressing some facility deferred maintenance. Trade-offs across these competing priorities and worthy core services enhancements and special projects would still be required.

Options for raising \$5 million

- institute City Services Charge at \$2.8 million level and increase PILOT to 10% on all accounts
- institute City Services Charge at \$3.25 million level and increase PILOT to 9% on all accounts
- a mix of City Services Charge, increased PILOT rate and action on either wastewater or water franchise fee

Additional \$6 million

\$6 million addresses budget gap, building back reserve, investing in a broader range of below base and base level core services and MacTown 2032 programming while also addressing some facility deferred maintenance. As noted in the 1/11/22 Core Services presentation to Council, moving the top 25 base and below base core services up one service level would cost an estimated \$3.18 million.

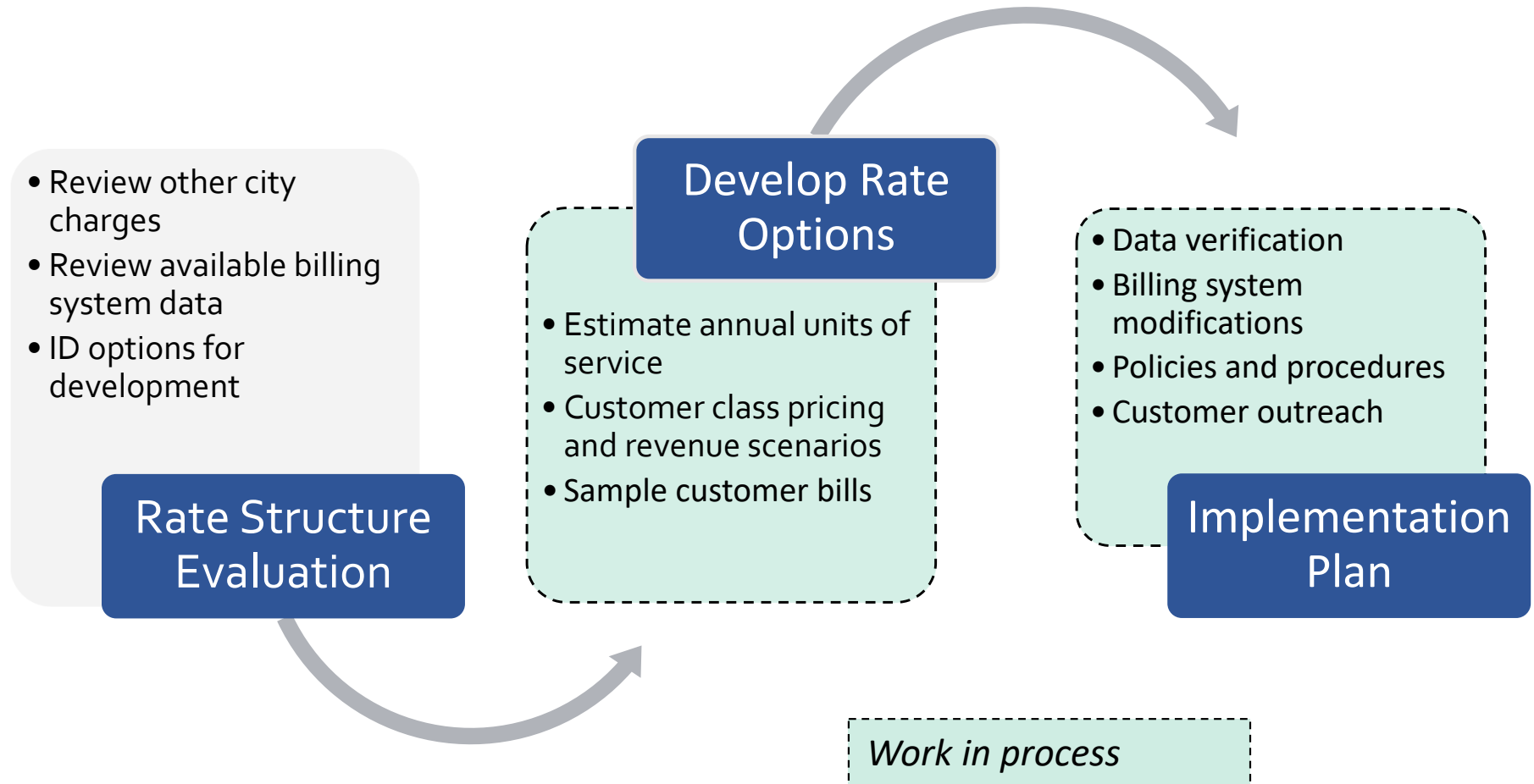
Options for raising \$6 million

- institute City Services Charge at \$3.5 million level, increase PILOT to 10% on all accounts and action on either wastewater or water franchise fee
- institute City Services Charge at \$3.5 million level and increase PILOT to 9.5% on all accounts, a 7% wastewater and 6% water franchise fee

City Services Charge Elements

[Deborah Galardi]

City Services Charge: High Level Work Plan

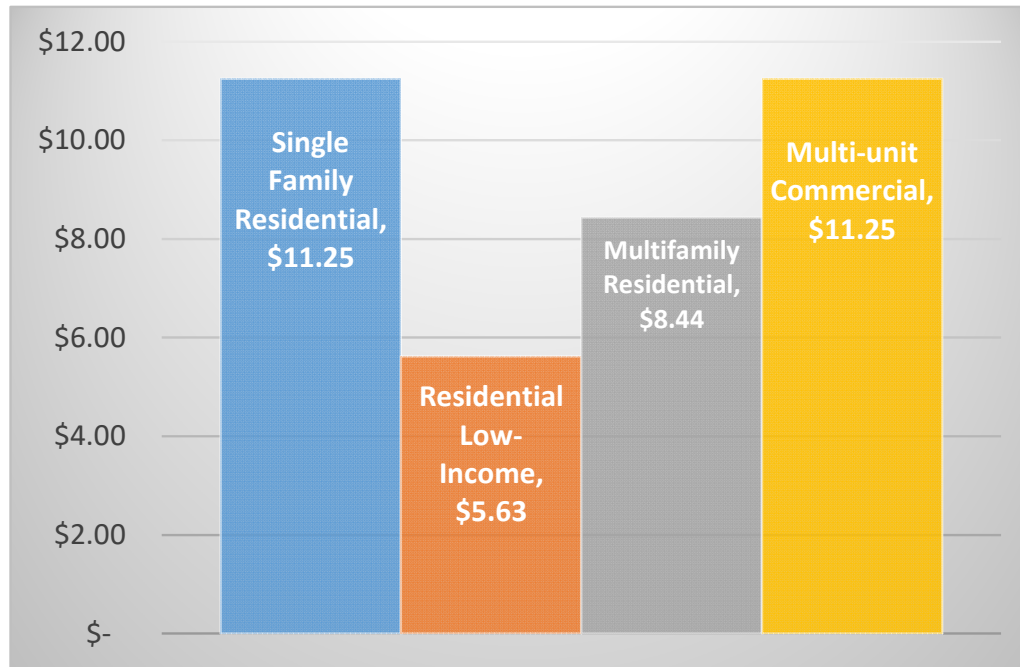


Preliminary City Services Charge Structure Options

Option	Charge Basis by Class		Pricing by Class
	(Residential & Multi-unit Commercial)	Nonresidential (Single Unit)	
1	Number of Units	Per Account	Varies
2	Meter size**	Meter Size	Uniform
3	Number of Units	Meter Size	Varies by type of unit for single family & multifamily; Nonresidential small meter \$ = single family \$/unit
4	Number of Units	Meter Size	Varies by type of unit for all classes; Nonresidential rates set to recover 31% of costs

Options for further consideration

REVISED* Option 3 (\$2 M): Residential & Multi-Unit \$/Unit; Commercial by Meter Size



Commercial/Industrial	\$/Meter
5/8" - 3/4" Meter	\$ 11.25
1" Meter	18.75
1.5" Meter	37.50
2" Meter	60.00
3" Meter	120.00
4" Meter	187.50
6" Meter	375.00

**Rates have been updated to reflect ¾" meter equivalency factors and continued billing data analysis*

REVISED* Option 4 (\$2 M): Residential & Multi-Unit \$/Unit; Commercial by Meter Size (31% of Total)



Commercial/Industrial	\$/Meter
5/8" - 3/4" Meter	\$ 19.89
1" Meter	33.15
1.5" Meter	66.29
2" Meter	106.06
3" Meter	212.13
4" Meter	331.45
6" Meter	662.90

Nonresidential revenue = 31% (based on employees as a percent of population + employees)

**Rates have been updated to reflect ¾" meter equivalency factors and continued billing data analysis*

Comparison of Options

Criteria	Option 3 \$2 M	Option 4 \$2 M	Option 3 \$3.5 M	Option 4 \$3.5 M
Single Family Bill	\$11.25	\$9.41	\$19.69	\$16.46
Small Commercial Bill	\$11.25	\$19.89	\$19.69	\$34.80
Large Commercial Bill	\$375.00	\$662.90	\$656.25	\$1,160.08
Preliminary Revenue Allocation (%)				
Residential	67%	56%	67%	56%
Multifamily	15%	13%	15%	13%
Commercial/Ind.	18%	31%	18%	31%

Sample Bill Comparison

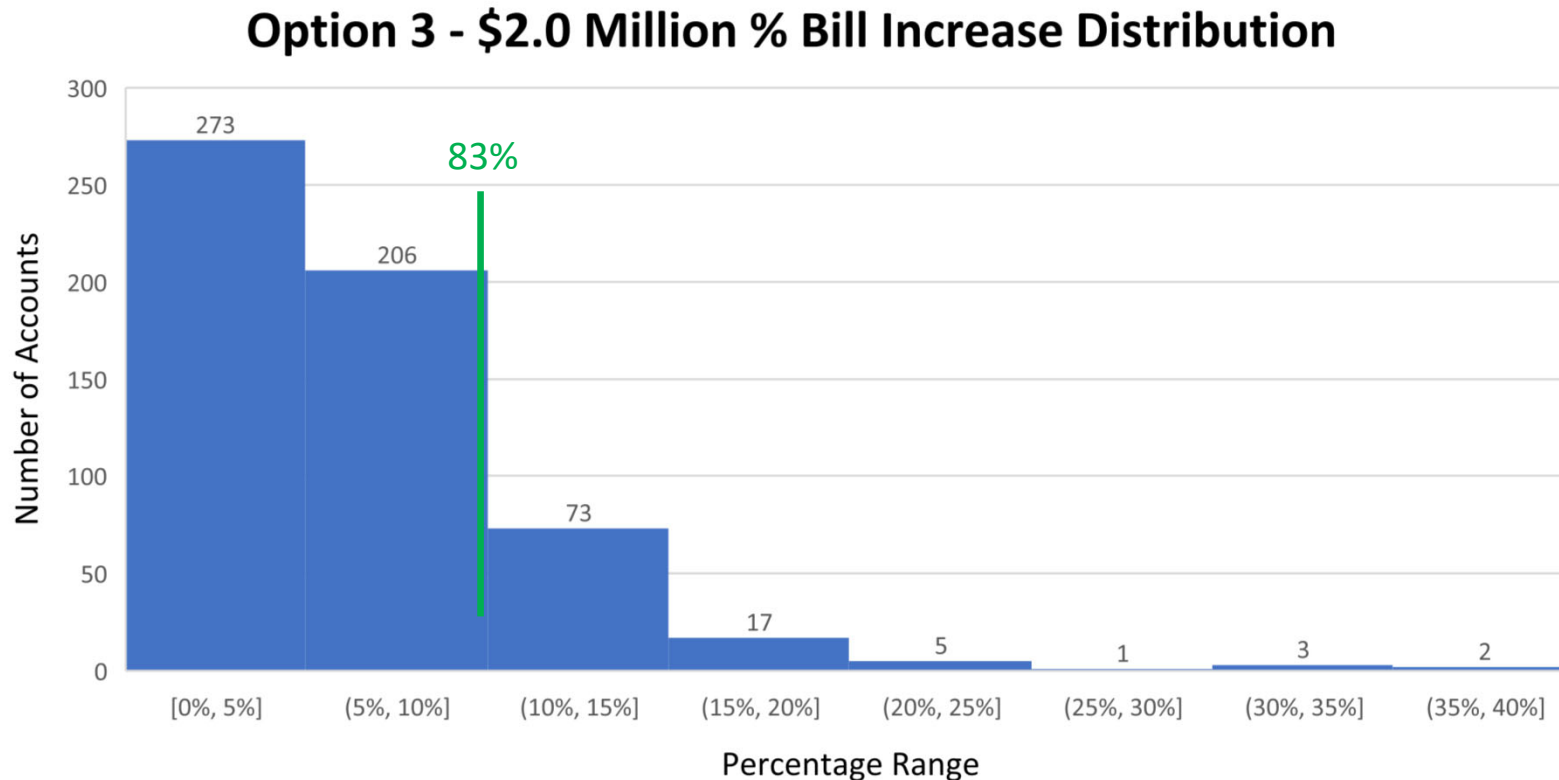
Customer Class	Units	Meter Size (")	Option 3 (\$2M)	Option 4 (\$2M)	Option 3 (\$3.5 M)	Option 4 (\$3.5 M)
Residential (All Customers)	1	3/4	\$ 11.25	\$ 9.41	\$ 19.69	\$ 16.46
Residential Low Income	1	3/4	5.63	4.70	9.84	8.23
Multi Family						
Small complex	4	1	33.75	28.22	59.06	49.39
Large complex	88	4	742.50	620.90	1,299.38	1,086.57
Commercial/Industrial						
Small	1	3/4	11.25	19.89	19.69	34.80
Medium	1	2	60.00	106.06	105.00	185.61
Large	1	6	375.00	662.90	656.25	1,160.08
Commercial - Multi-Unit						
Small	2	3/4	22.50	39.77	39.38	69.60
Medium	9	2	101.25	178.98	177.19	313.22
Estimated Total Revenue (\$M)			\$2.0	\$2.0	\$3.5	\$3.5

Sample Bill Increases – Average Bills* (Electric/Water/Sewer Combined)

				\$2.0 Million			\$3.5 Million	
		Average Bill (E/W/S)		Option 3	Option 4		Option 3	Option 4
Single Family Averag		\$183.43		6.1%	5.1%		10.7%	9.0%
General Service								
5/8" - 3/4"		\$192.95		5.8%	10.3%		10.2%	18.0%
1"		\$746.74		2.5%	4.4%		4.4%	7.8%
1 1/2"		\$863.00		4.3%	7.7%		7.6%	13.4%
2"		\$2,005.97		3.0%	5.3%		5.2%	9.3%
3"		\$4,844.35		2.5%	4.4%		4.3%	7.7%
4"		\$12,414.50		1.5%	2.7%		2.6%	4.7%
6"		\$4,837.13		7.8%	13.7%		13.6%	24.0%

**Based on sample of about 600 General Service (Commercial/Industrial) customers where information on electrical bills was available. 6" meter based on only 1 customer and may not reflect total bill.*

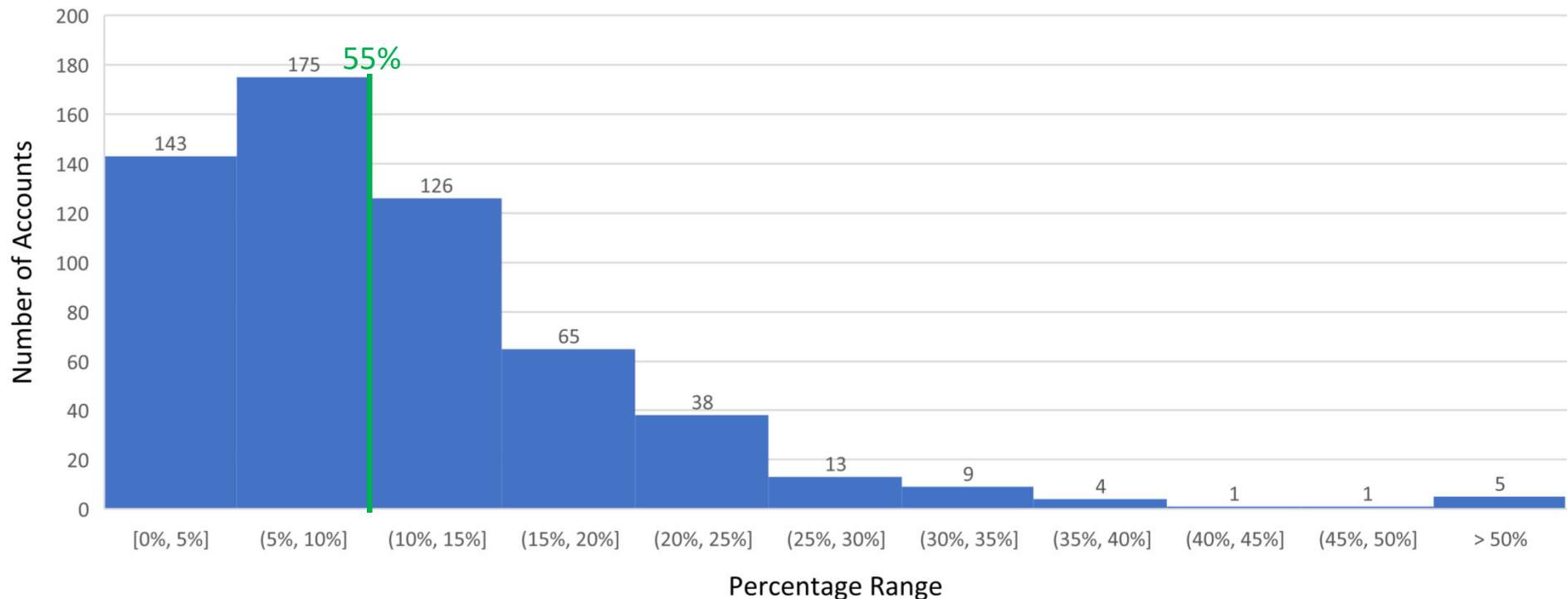
Sample Range of Bill Increases (General Service Customers)



**Based on sample of about 600 General Service (Commercial/Industrial) customers where information on electrical bills was available.*

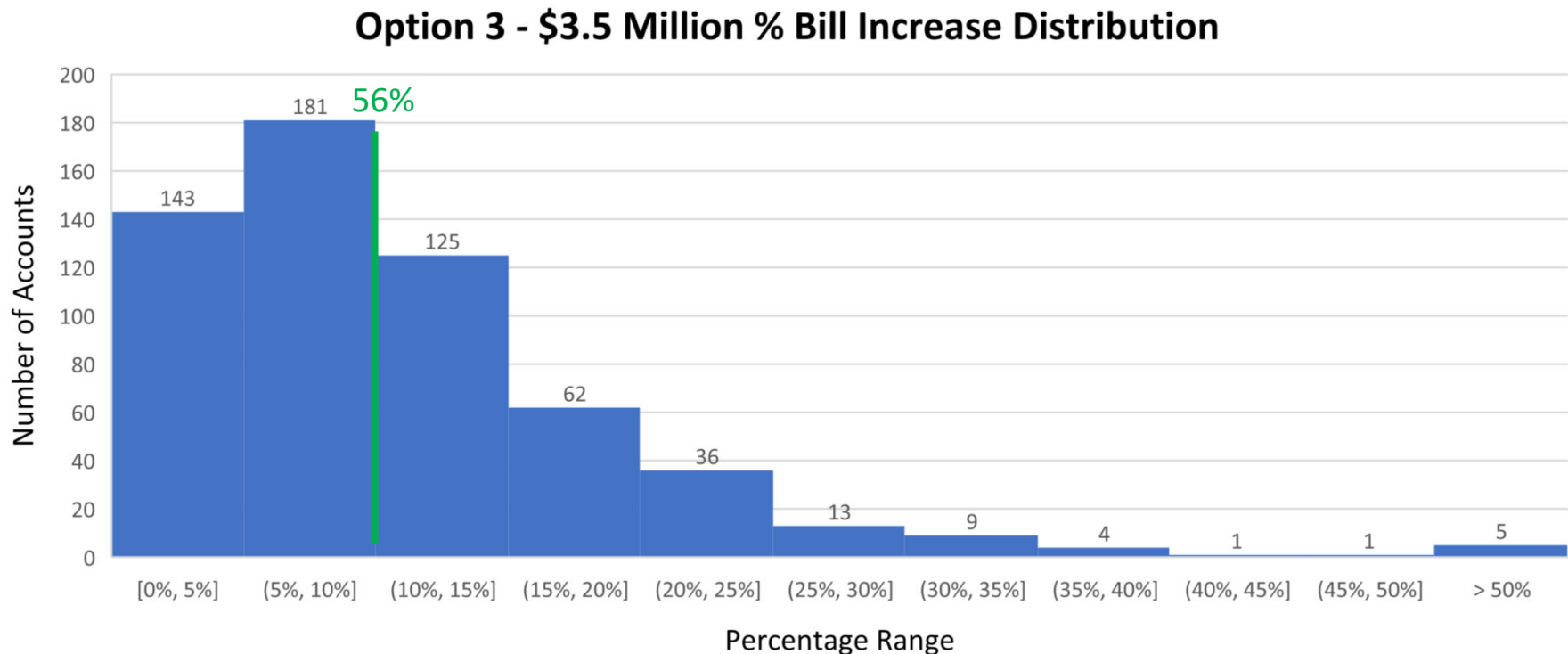
Sample Range of Bill Increases (General Service Customers)

Option 4 - \$2.0 Million % Bill Increase Distribution



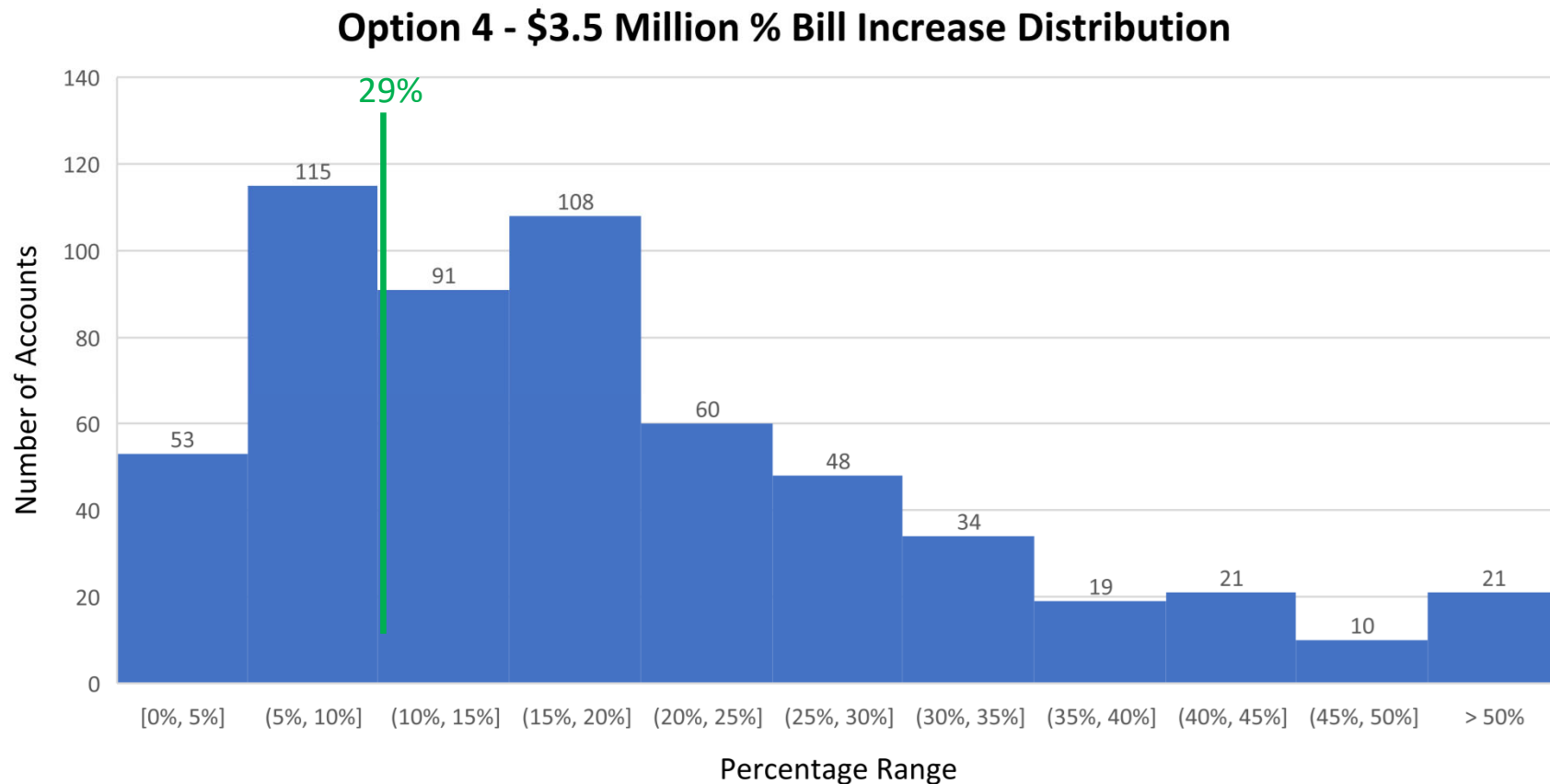
**Based on sample of about 600 General Service (Commercial/Industrial) customers where information on electrical bills was available.*

Sample Range of Bill Increases (General Service Customers)



**Based on sample of about 600 General Service (Commercial/Industrial) customers where information on electrical bills was available.*

Sample Range of Bill Increases (General Service Customers)



**Based on sample of about 600 General Service (Commercial/Industrial) customers where information on electrical bills was available.*

Exemptions, Discounts

- **Any exemptions of interest?**
 - Exemptions can reduce resources available for programming and increase complexity and cost of implementation and administration
 - Exclude secondary meters (irrigation, fire, etc.)
 - Exclude the City? City currently pays electric but not water or sewer
- **Low-income program**
 - Small flat fee - \$2, \$5, other?
 - Complete waiver?

Implementation Next Steps

- Continue to work with McMinnville Water and Light to refine which data categories will properly assess the intended City Service Charge rates
- Validate that residential and general service class customers will not receive duplicate city service charges or that some residents or enterprises will be missed and not contribute to funding the city services they enjoy and rely on
- Verify customer class assumptions if selected structure includes variable charges by class
 - Residential vs. nonresidential
 - Multi-unit residential vs. nonresidential (dwelling units vs. multi-tenant commercial)

Council Next Steps

Ordinance will be crafted to reflect the rate structure and other pertinent details for the service charge

Resolution(s) to update the City's payment in lieu of tax (PILOT) or existing wastewater franchise fee or addition of a water franchise fee

FY2022-23 Proposed Budget will include the anticipated revenue and direct costs associated with the City Service Charge