

McMinnville Sustainable Resources

McMinnville City Council Meeting

April 12, 2022

Sustainable Resources Discussion

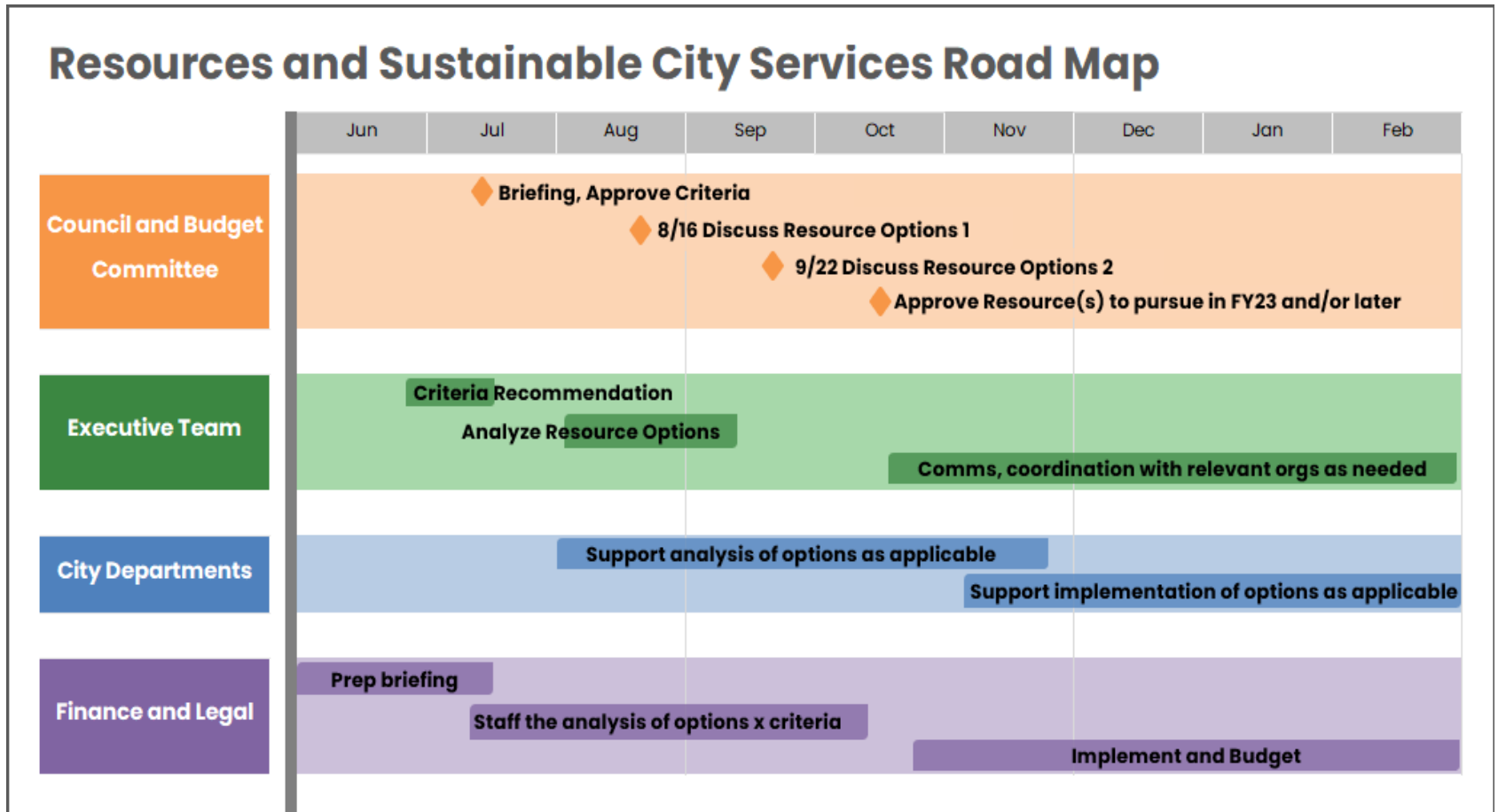
Proposed actions

To meet Council goal to generate new, sustainable resources, three actions are before you

1. Increase payment in Lieu of Tax to 10% from 6% and remove subsidy for industrial customers
2. Establish a Water franchise fee at 10%
3. Increase the Wastewater franchise fee from 5% to 10%

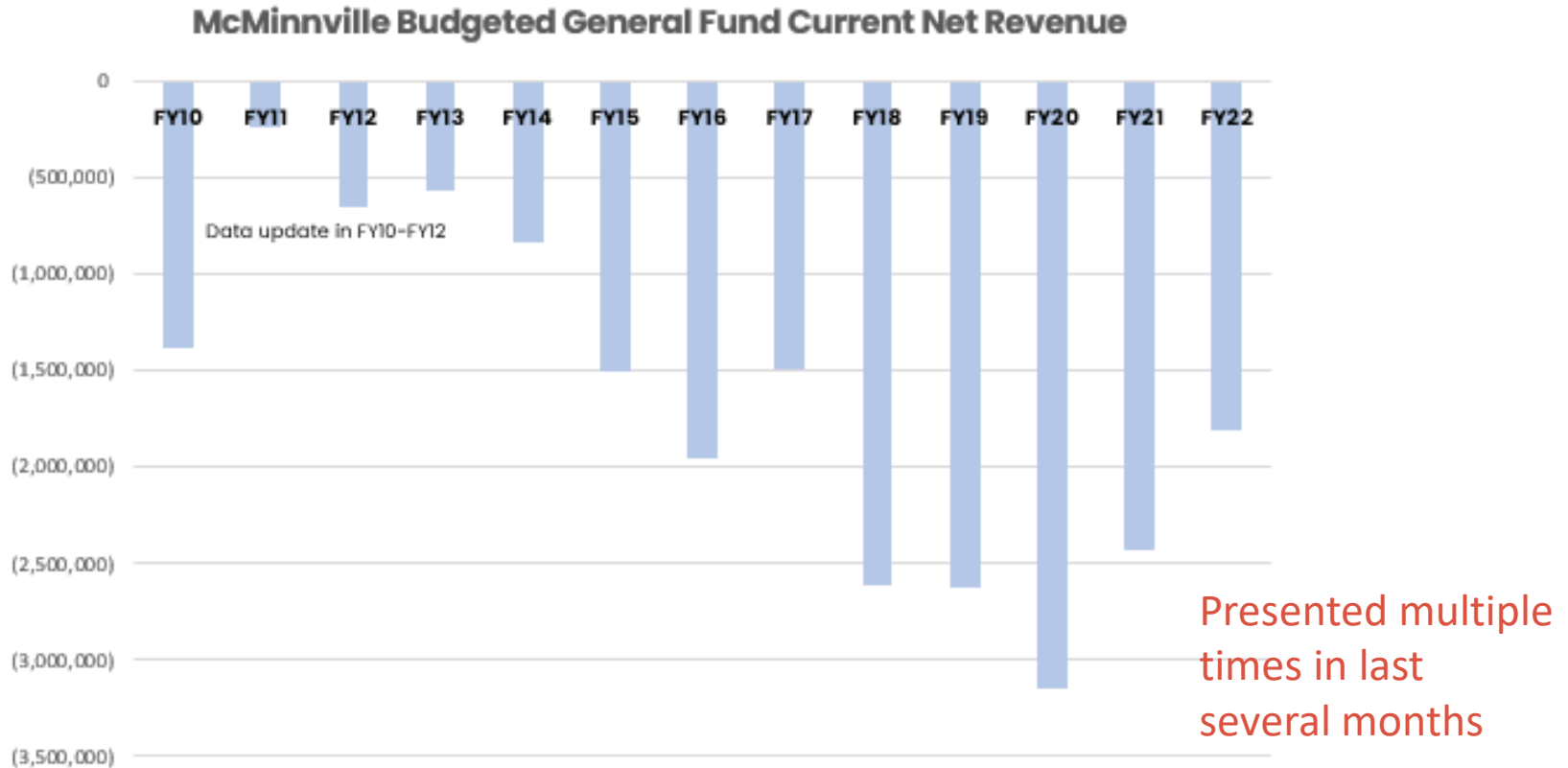
Guidance on wastewater rates if increase wastewater franchise

Sustainable Resources Process



Presented multiple times in last several months

History of Leaning on Reserves



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

Why are we on this journey?

- New sustainable resources are needed to maintain our core services of police, fire, library, parks and recreation, short- and long-term planning efforts, municipal court, among others
- MacTown 2032 includes new work that the community aspires to – new resources are needed to advance on those goals as well
- Deferred maintenance and capital equipment replacement investments have been limited, often removed from the annual workplan to balance the budget
- Commitment to build reserves of two months of operating expense over next four fiscal years

Sustainable Resource Options

Presented 3/22/2022

	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

Feedback from 3/22/2022

At the previous Council meeting, the preferred instrument for creating a new sustainable resource for the City's core services – the City Services Charge – was tabled

Council asked staff to bring back a new mix of resource options that were also discussed in March (the previous slide)

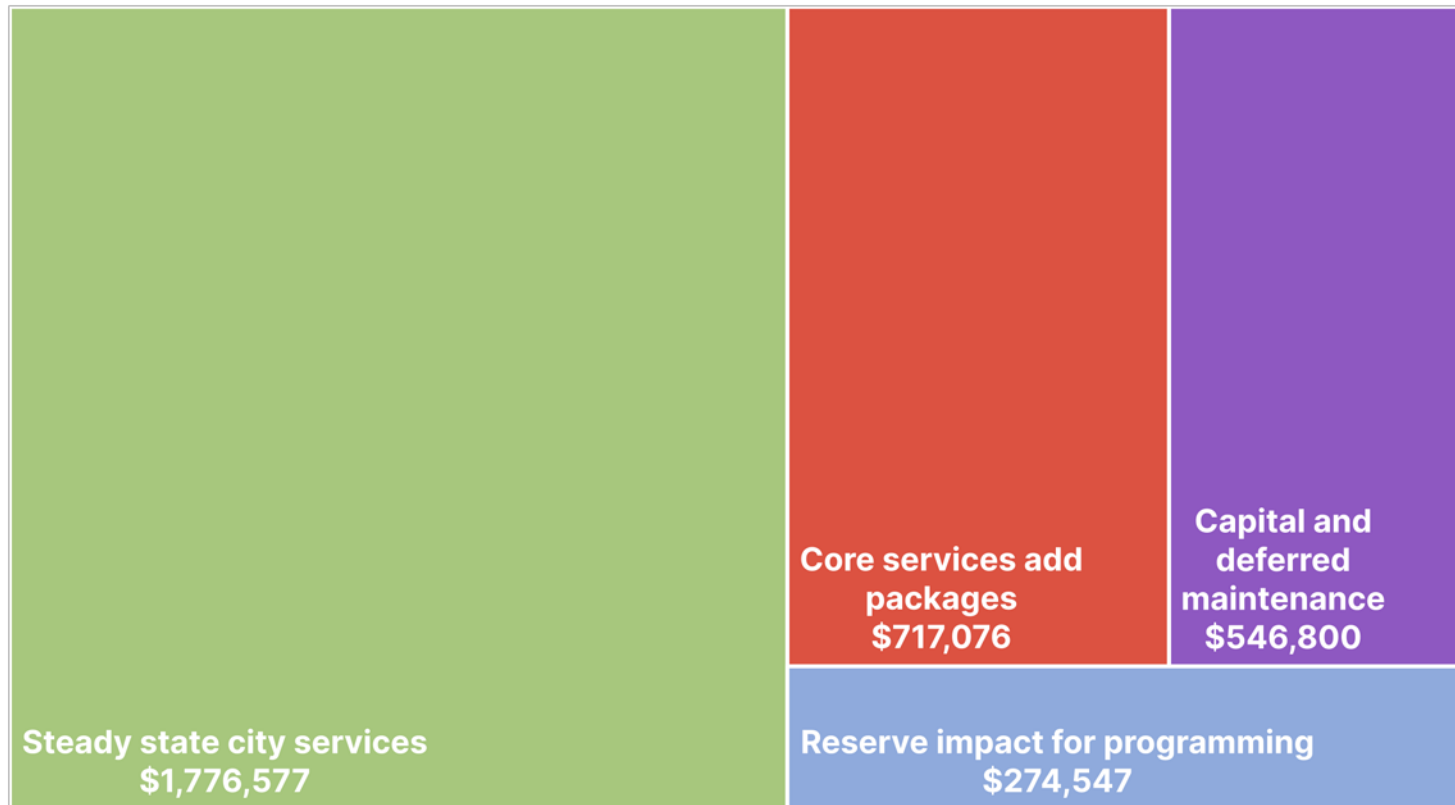
Staff proposal raises \$3.315 million in new, sustainable resources

Estimates for additional resources - Option 2			Resid %	Biz-Industrial %
Payment in Lieu of Tax (PILOT)	2,175,000	all pay 10%	34%	66%
Water Franchise Fee*	605,000	10% franchise net revenue	58%	42%
Wastewater Franchise Fee	535,000	10% franchise fee	77%	23%
Total Additional Revenue	3,315,000		45%	55%

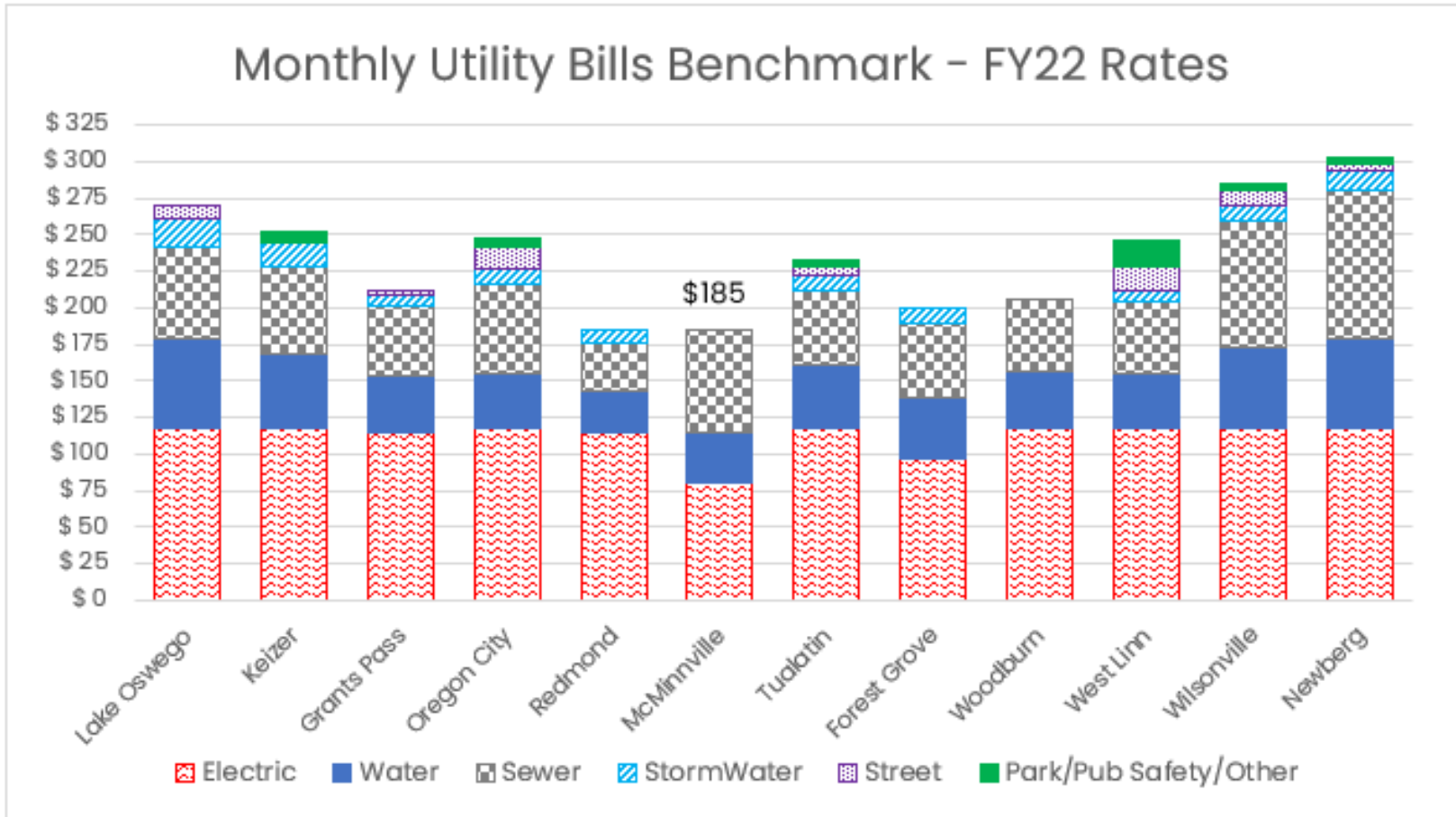
*Net amount noted, assumes \$200k annual water costs

Sustainable Resources

How the \$3.315 million is budgeted in FY2022-23



McMinnville Utility Benchmarking

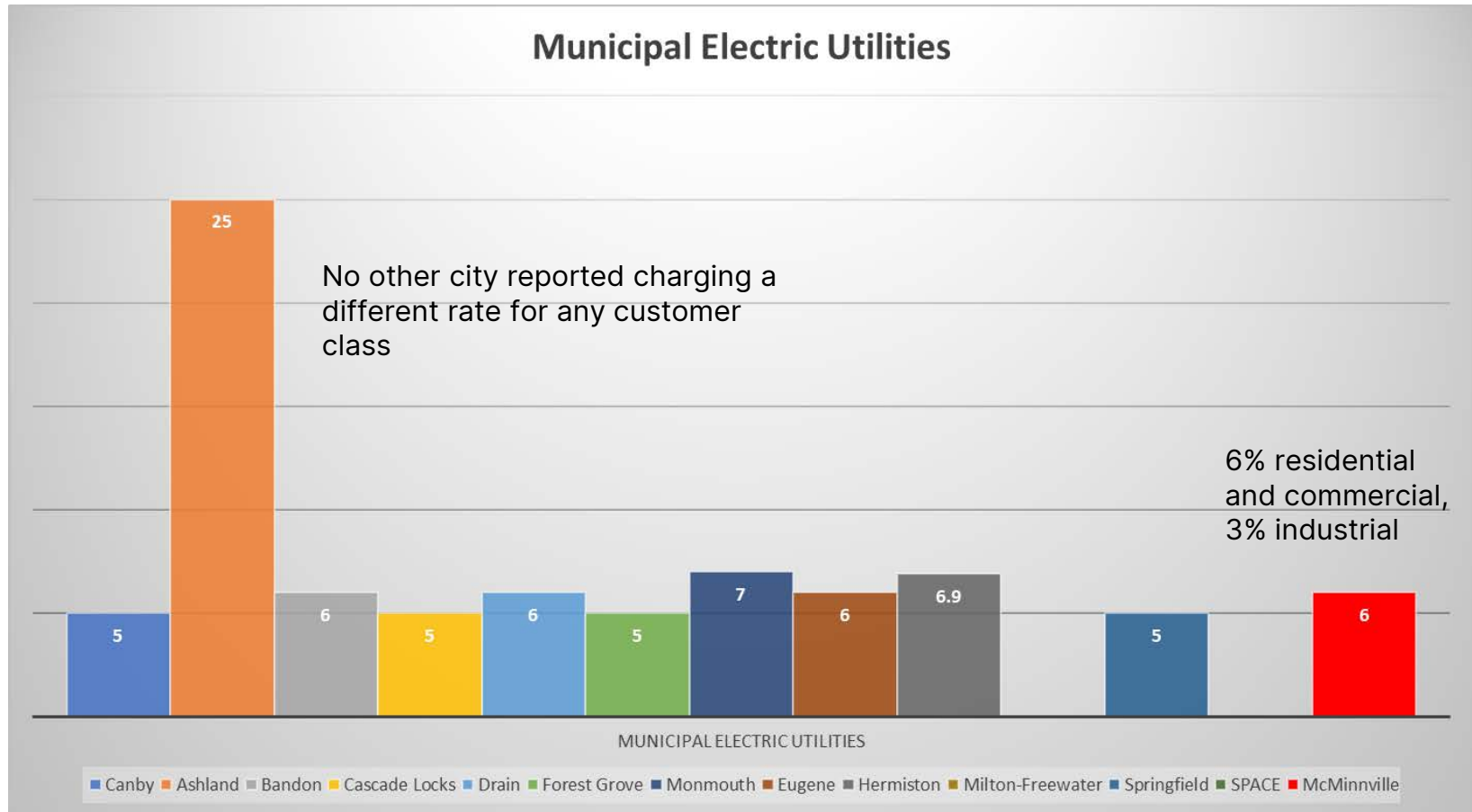


Based on 10 Ccfs water, 7.8 ccf sewer and 1100 kWh per month of FY21 rates

Presented 9/22/2021

Are Payments in Lieu of Tax (PILOT) charges unusual?

Presented 3/22/2022



Are Water franchise fee charges unusual?

Communities (5 larger in population and 6 smaller) water franchise status

Lake					
Oswego	Keizer	Grants Pass	Oregon City	Redmond	McMinnville
No	5%	5%	6%	5%	No
Forest					
Tualatin	Grove	Woodburn	West Linn	Wilsonville	Newberg
No	Yes?	Yes	No	4%	No

Revisiting City Service Charge

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
<i>Estimated Total Revenue (\$M)</i>			<i>\$2.0</i>	<i>\$2.0</i>	<i>\$3.5</i>	<i>\$3.5</i>

Preferred structure from 3/22/2022 meeting was Option 3

Are city services charges unusual?

City	Parks	Public Safety Fees	General Operations Fee	Residential Total ¹
West Linn	\$19.26			\$19.26
Gresham ²			\$15.00	\$15.00
Medford	\$5.35	\$9.42		\$14.77
Corvallis ³	\$0.50	\$13.04		\$13.54
Cornelius			\$9.75	\$9.75
Albany			\$9.00	\$9.00
Salem ⁴			\$8.34	\$8.34
Keizer ⁵	\$4.00	\$4.00		\$8.00
Oregon City		\$6.50		\$6.50
Tigard	\$6.16			\$6.16
New berg ⁶		\$5.26		\$5.26
Sandy		\$4.50		\$4.50
Average				\$10.01
Median				\$8.67

Presented 2/16/2022

¹Excludes utility fees for water, wastewater, and stormwater and streets

²Single multi-services fee for police, fire, parks

³Public Safety fee includes two separate fees for police and fire

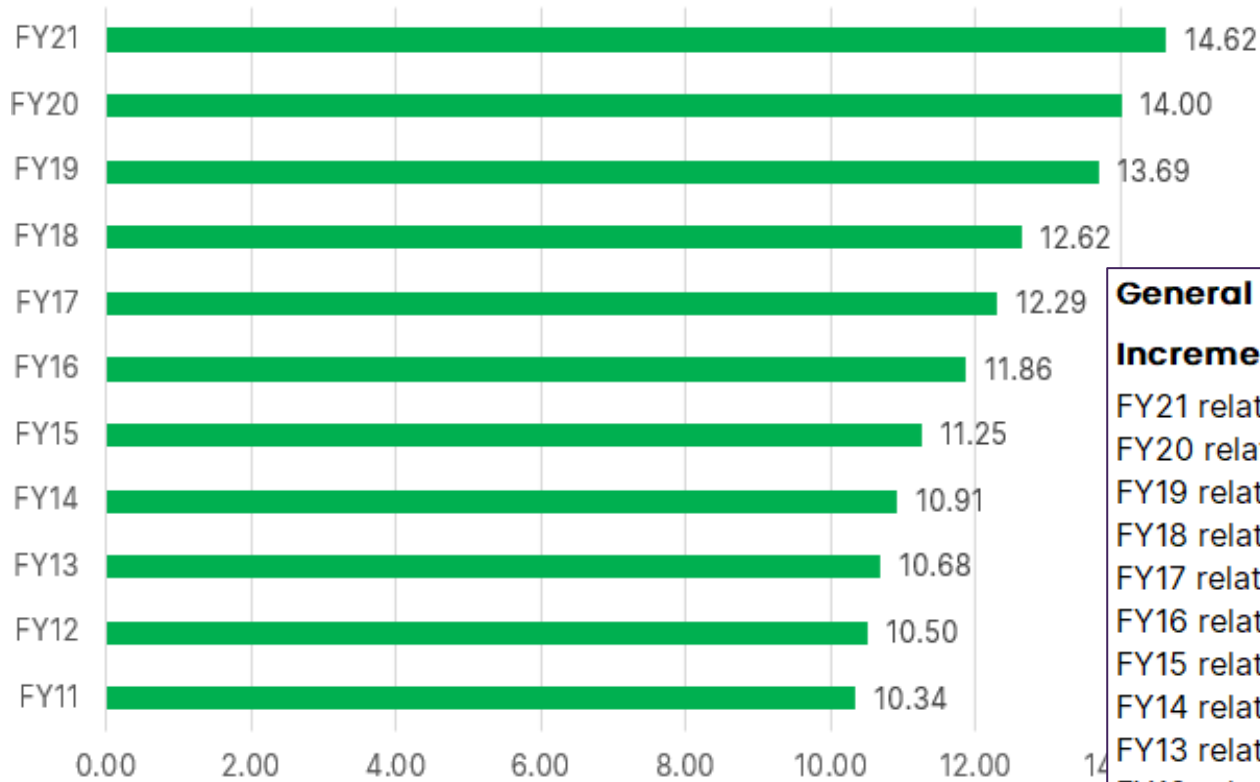
⁴Single multi-services fee for public safety, parks and libraries.

⁵Sr. And Low Income = \$2.24

⁶Public safety fees include two different public safety fees for staff positions

Property tax trends

General Fund Property Taxes - \$ Millions



General Fund Property Tax:		
Incremental Change		
FY21 relative prior year	456,072	3.26%
FY20 relative prior year	306,900	2.24%
FY19 relative prior year	1,073,561	8.50%
FY18 relative prior year	334,259	2.72%
FY17 relative prior year	429,663	3.62%
FY16 relative prior year	608,322	5.41%
FY15 relative prior year	335,375	3.07%
FY14 relative prior year	230,547	2.16%
FY13 relative prior year	181,409	1.73%
FY12 relative prior year	163,321	1.58%

FY19 is Comcast settlement year (9 years in dispute)

Guidance on Wastewater

What approach does Council prefer:

- Maintain a 0% wastewater rate increase for FY2022-23 and consider lower fund balance/higher rate increases in future years as part of FY2023-24 fiscal planning
- Increase wastewater rates by the same amount of the franchise fee rate increase, thus keeping long range financial projections on same trajectory
- Phase in wastewater rate increase by half on 7/1/2022 and the other half on either 1/1/2023 or 7/1/2023