Kent Taylor Civic Hall
200 NE Second Street
McMinnville, OR 97128

City Council, McMinnville Budget Committee, and McMinnville Water & Light Commission Joint Work Session Meeting

Wednesday, February 16, 2022

6:00 p.m. – Joint Work Session Meeting

Welcome! ***Civic Hall will be closed to the public****. Until improvements of COVID cases in Yamhill County improve* ***meetings will be held via Zoom and live broadcast ONLY.***

You can live broadcast the City Council Meeting on cable channels Xfinity 11 and 331, Ziply Fiber 29 or webstream here:
www.mcm11.org/live

Joint Work Session Meeting
You may join online via Zoom Meeting:
https://mcminnvilleoregon.zoom.us/j/82342532729?pwd=eXQvQWc0eHdTUWtsVjF3c256M1JWZz09
Zoom ID: 823 4253 2729
Zoom Password: 532847

Or you can call in and listen via zoom: 1-253- 215- 8782
ID: 823 4253 2729

6:00 PM – JOINT MEETING MCMINNVILLE CITY COUNCIL, MCMINNVILLE CITY BUDGET COMMITTEE, AND MCMINNVILLE WATER & LIGHT COMMISSION WORK SESSION – VIA ZOOM AND LIVE BROADCAST ONLY

1. CALL TO ORDER JOINT WORK SESSION

2. SUSTAINABLE RESOURCES: CITY SERVICES CHARGE DISCUSSION

3. ADJOURNMENT OF JOINT WORK SESSION MEETING

Meeting Accessibility Services and Americans with Disabilities Act (ADA) Notice: Kent Taylor Civic Hall is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made a least 48 hours before the meeting to the City Recorder (503) 435-5702 or Claudia.Cisneros@mcminnvilleoregon.gov.

City of McMinnville

STAFF REPORT

DATE: February 16, 2022

TO: Jeff Towery, City Manager

FROM: Jennifer Cuellar, Finance Director

SUBJECT: Work Session: City Services Charge

Strategic Priority and Goal:

CITY GOVERNMENT CAPACITY

Strengthen the City's ability to prioritize & deliver municipal services with discipline and focus.

Report in Brief:

At the Council's 6/22/2021 meeting, the governing body adopted its 2021 Annual Goals; included among them is the following goal under City Government Capacity:

Right-Size Services: Address insufficient resources by finding new sustainable funding sources: Looking for ways to bring additional revenue into the City's general fund

- *Create strategic plan for $2-3 million of new revenue streams*

This work session focuses on the City Services Charge, the latest in a series of discussions by the Council and Budget Committee to evaluate and make choices on sustainable resource options for McMinnville. This work session also includes McMinnville Water and Light's Commission in joint session.

These new sustainable resources are being brought online so the City of McMinnville continues to provide vital services and community leadership. The general fund provides McMinnville residents and businesses:

- dependable first responder coverage from police, fire and emergency medical teams along with investments in emergency preparedness
- engaging programming at the library and from parks and recreation that nurture the health and spirit of the community
- thoughtful short- and long-range planning to support the growth of McMinnville and create conditions that serve residents and local businesses now and into the future
- access to justice in municipal court and equitable treatment with code enforcement
- responsiveness to larger challenges such as addressing historic inequities faced by many members of our community, affordable housing and climate change

Work Session Objectives:

The work session will include a presentation from Deborah Galardi, our rate study consultant, and staff, an opportunity for questions and answers and discussion by the elected and appointed officials present.

Staff is seeking policy guidance on the following questions:

- Preferred charge structure
- Pricing and revenue targets
- Other related funding sources
- Billing policies such as exemptions, discount program

We will also be collecting a list of any additional data or information needed to make choices on the above policy questions.

Discussion:

The city is required by law to adopt and operate within a balanced budget. The new sustainable resources will be used to maintain existing staffing, programs, and services in our fire, library, parks and recreation, police, and administration – which are all funded by our General Fund. The City Services Charge will fund these "core services" – what we do and how we do it.

MacTown 2032 includes new work that the community aspires to. New resources are also needed to allow the city to make meaningfully advance those goals as well.

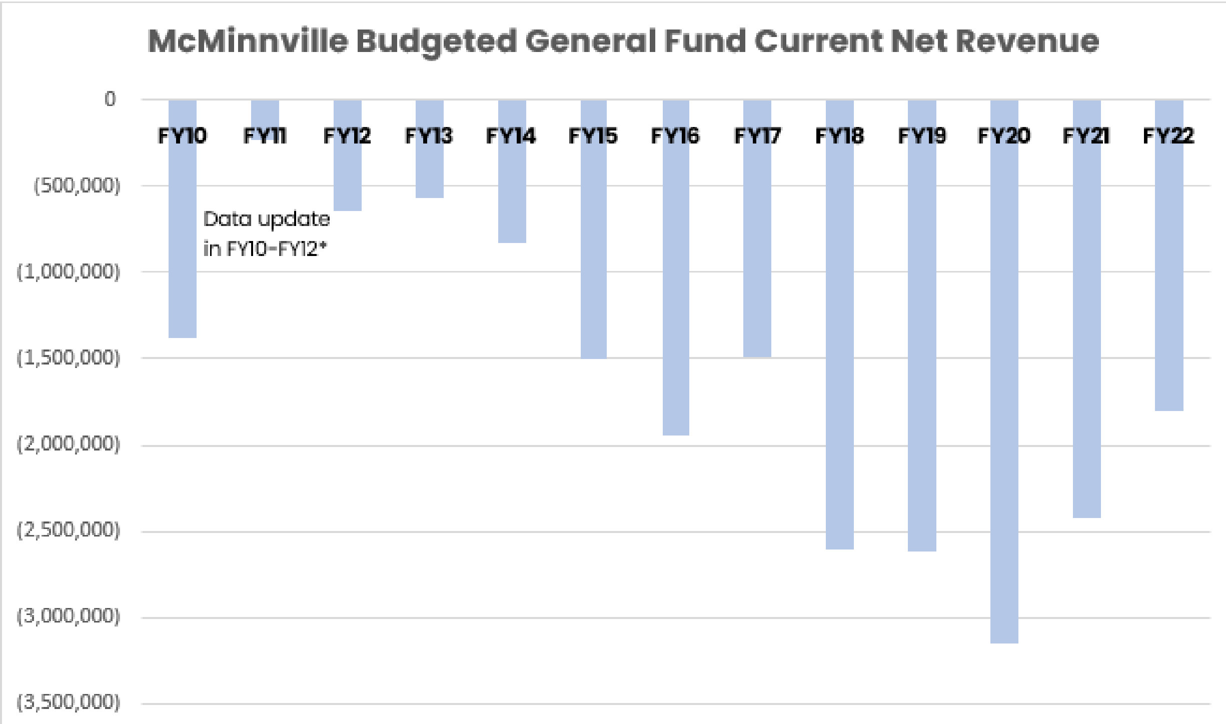
Background

The cost of current City of McMinnville services provided in the general fund exceeds the amount of annual revenues it collects. This gap is addressed each year in the budget process by a combination of utilizing reserves, reductions in service levels, postponing capital investments and deferring maintenance on city assets.

McMinnville Council and staff have been working together for a number of years to address this sustainability imbalance with the implementation of a wastewater franchise fee starting in FY19-20 and the work devoted to exploring the feasibility of creating a fire district with the potential of improving fire and ambulance service delivery across the community while also freeing up property tax revenue for other vital uses within the city. Attention has been given to establishing cost recovery programs for services provided that accrue a specific benefit to a user.

Despite these efforts, McMinnville faces a persistent general fund budget gap of approximately $2 million between revenues received each year and the cost of city services.

This situation is rooted in property tax ballot measures from the early 1990s when voters chose to cap property tax rate increases. Without other revenue sources (like a sales tax), jurisdictions in all 36 Oregon counties have been faced with the challenge of addressing budget shortfalls. The budget problem is a result of funding City services with property taxes that increase a little while living in a world where expenses increase by a lot.



* This chart was first shown at the 7/13/2021 sustainable resources work session. Upon review, an error was found in data presented for FY2009-10, FY2010-11 and FY2011-12 that is corrected in this version

McMinnville's services rely on people, and we often face the budget reality of health insurance and pension costs that increase faster than inflation. Cost of living adjustments also affect labor costs and general costs of doing business with the purchase of materials, supplies, contracted services, etc.

Many Cities have addressed this funding gap through a combination of levies (charged based on assessed value and paid with property tax bills) or operating fees (charges based on a set methodology and paid with utility bills).

Process to date regarding sustainable resource options

After the Council adopted the 2021 annual goal on sustainable resources, staff began pulling together information on lawful options available to cities for generating and sharing reports from other cities that have grappled with this question before us.

To strengthen the community engagement component of looking at this key question, the Council chose to bring the full Budget Committee into the conversation.

From the original list of three dozen possibilities, the Budget Committee asked staff to look more in depth at 17 resource options. Each option was evaluated by the following criteria:

1. **Council policy goals.** Supports or is an obstacle to other policy goals.
2. **Revenue raising capability.** Amount of funds likely to be generated, including assessment of service demand impacts associated with revenue

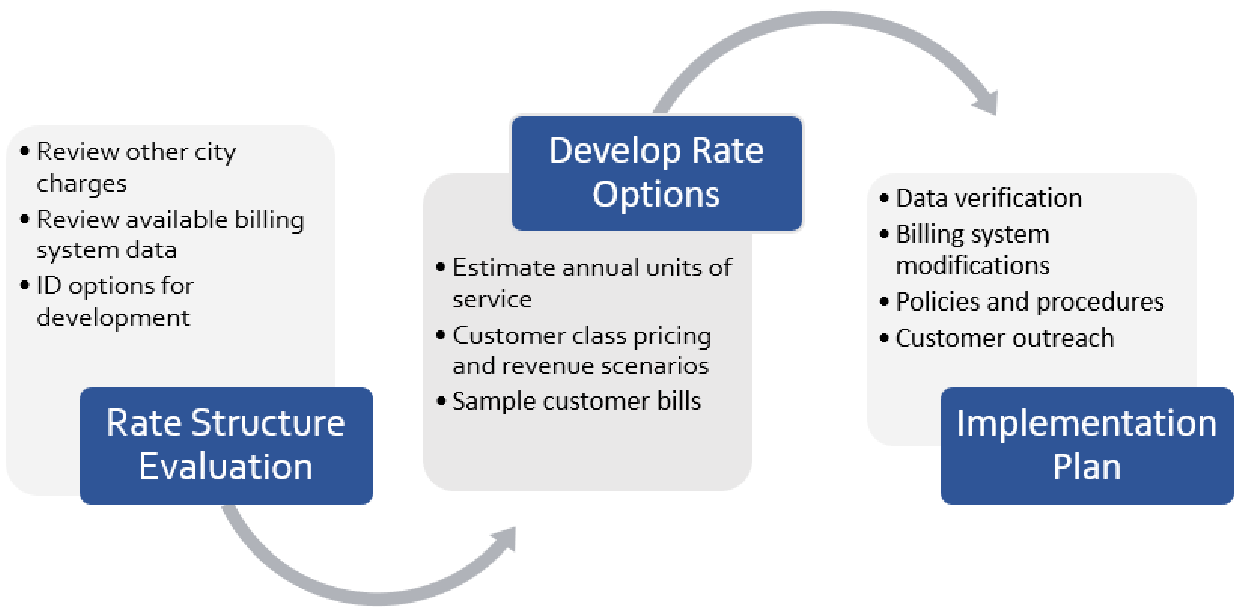
stream.

3. **Revenue stability.** The reliability of resource levels under different conditions.
4. **Household equity.** Directly or indirectly serves to reduce or exacerbate structural, historic inequities in how the city funds its services.
5. **Healthy Business Climate.** Impact on local businesses.
6. **Environmental impact.** Are sustainable practices incentivized.
7. **Administrative effort.** How expensive to implement and manage.

The Budget Committee recommended the city follow up on initiating a service fee, among other actions, to support general city services at its October 20, 2021, meeting.

Resolution 2021-55 regarding sustainable funding sources was adopted by the City Council on November 9, 2021. The City Services Charge paid via utility billing is included in resolution. Other strategies are also noted including review of franchise agreements.

The work plan for developing the City Services Charge is described in the following graphic:

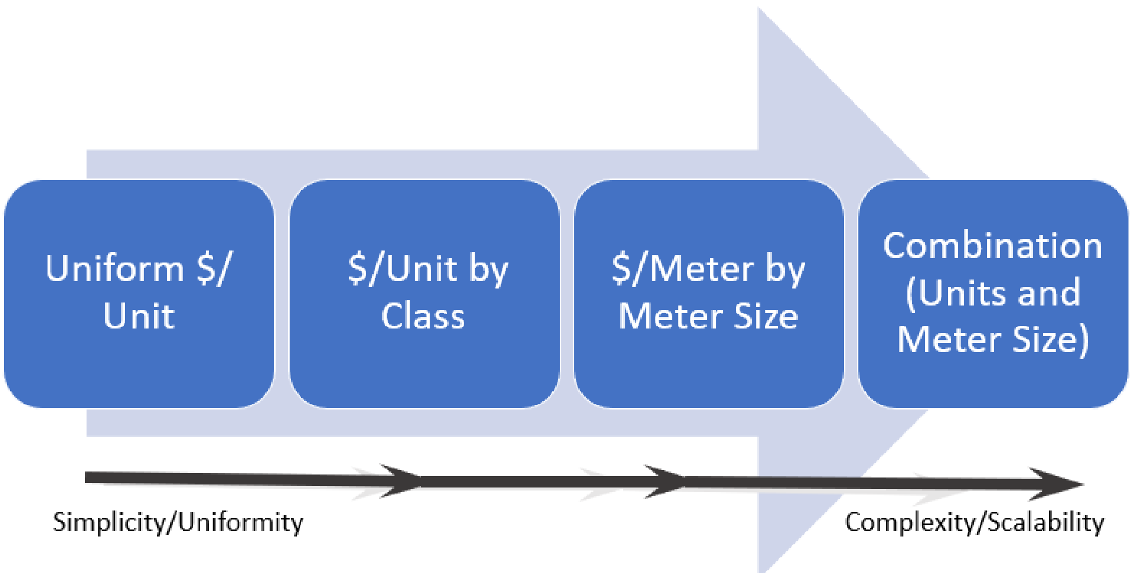


These encapsulate three of the four policy areas staff are seeking guidance on. The fourth is regarding related funding options that have come up in the sustainable resource discussions over the summer and fall of 2021: franchises and McMinnville's current payment in lieu of tax (PILOT) structure.

Policy Decision 1: Charge Structure

Guidance sought by staff on the charge structure includes the basis for the charge (accounts, units, meters, etc.) and establishing a uniform rate versus class-specific pricing. Choices on rate structures will have a significant impact on the balance of community participation – residential and commercial organizations - in supporting city services.

Rate structure types under consideration:



Rate structure types in practice:

Structure Type	Example City(ies)
Uniform $/Unit	Gresham, Medford
$/Unit by Class	Keizer, Salem, Sandy
$/Meter by Size	Corvallis, Newberg
Combination ($/Unit and Meter Size)	Albany

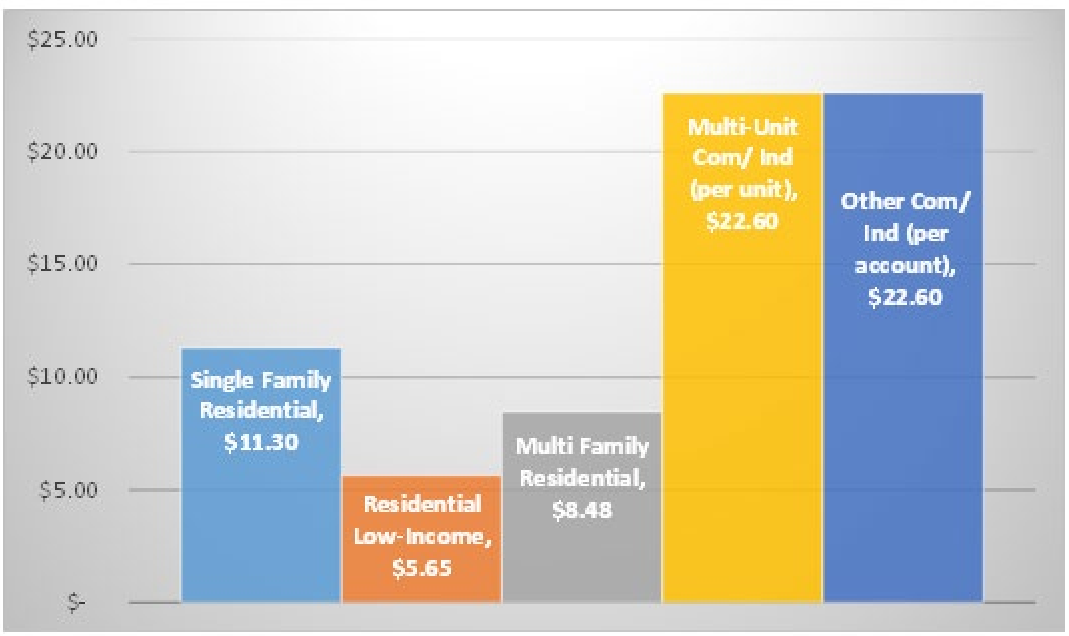
Preliminary City Services Charge Structure Options:

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
4	Number of Units	Meter Size	Varies by type of unit for all classes

All four options that follow:

- include low-income residential discount
- are based on $2 million projected revenue for illustration
- project revenue estimates based on preliminary data available

<u>Option 1: Charges per Unit or Account</u> *<u>($/unit varies by class)</u>*



Multifamily $/unit = 75% single family reflecting lower average dwelling unit occupancy.

Nonresidential pricing a policy decision (2 X single family for illustration.

<u>Option 2: Charges by Meter Size</u> ***<u>(Uniform charges by class)</u>***

Meter Size	Meters	Meter Factor	Option 2 $/Month
Residential & Gen Svc 3/4"	10,651	1.0	$11.40
1"	237	2.5	$28.50
1 1/2"	158	5	$57.00
2"	182	8	$91.20
3"	30	16	$182.40
4"	23	25	$285.00
6"	7	50	$570.00

All single-family residential charged based on ¾" meter.

Meter factors reflect hydraulic capacity factors.

<u>Option 3: Residential & Multi-Unit Commercial $/Unit; Nonresidential by Meter Size</u>
<u>(Different $/unit by dwelling type)</u>

Commercial/Industrial	$/Meter
3/4" Meter	$ 10.60
1" Meter	$ 26.50
1.5" Meter	$ 37.10
2" Meter	$ 53.00
3" Meter	$ 84.80
4" Meter	$ 169.60
6" Meter	$ 265.00
8" Meter	$ 912.00
10" Meter	$ 2,394.00

<u>Option 4: Residential & Multi-Unit Commercial $/Unit; Nonresidential by Meter Size</u>
<u>(Different $/unit for all classes)</u>

Commercial/Industrial	$/Meter
3/4" Meter	$ 14.27
1" Meter	$ 35.68
1.5" Meter	$ 71.36
2" Meter	$ 114.18
3" Meter	$ 228.36
4" Meter	$ 356.81
6" Meter	$ 713.63

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

Policy Decision 2: Pricing and Revenue Targets

Guidance is sought on the level of annual revenue to be raised through the City Service Charge, any pricing by class details and overall proportions of funds raised by class.

The first two graphics show data based on the above four options that will raise $2 million in gross revenue. The third shows a summary that extrapolates the $2 million base case to $4 million and $6 million. The final table shows examples of similar charges that are already in place in other cities.

Sample Bill Comparison:

Customer Class	Units	Meter Size (")	Option 1: Rate per Unit & Class	Option 2: Meter Size	Option 3: Units/Meter Size	Option 4: Units/Meter Size
Residential (All Customers)	1	3/4	$ 11.30	$ 11.40	$ 10.60	$ 9.45
Residential Low Income	1	3/4	$ 5.65	$ 5.70	$ 5.30	$ 4.73
Multi Family						
Small complex	4	1	$ 33.90	$ 28.50	$ 31.80	$ 28.36
Large complex	88	4	$ 745.80	$ 285.00	$ 699.60	$ 623.88
Commercial/Industrial						
Small	1	3/4	$ 22.60	$ 11.40	$ 10.60	$ 14.27
Medium	1	2	$ 22.60	$ 91.20	$ 84.80	$ 114.18
Large	1	6	$ 22.60	$ 570.00	$ 530.00	$ 713.63
Commercial - Multi-Unit						
Small	2	3/4	$ 45.20	$ 11.40	$ 21.20	$ 28.55
Medium	9	2	$ 203.40	$ 91.20	$ 95.40	$ 128.45
Large	20	2	$ 452.00	$ 91.20	$ 212.00	$ 285.45
Estimated Total Revenue ($M)			*$2.0*	*$2.0*	*$2.0*	*$2.0*

Comparison of Options:

Criteria	Option 1 $/Unit (Class)	Option 2 $/Meter (Size)	Option 3 $/Unit and Meter Size	Option 4 $/Unit & Meter Size
Single Family Bill	$11.30	$11.40	$10.60	$9.45
Large Nonresidential Bill	$22.60	$570.00	$530.00	$713.63
Preliminary Revenue Allocation (%)				
Residential	67%	68%	63%	57%
Multifamily	15%	7%	14%	12%
Commercial/Ind.	18%	25%	23%	31%
Scalability	Low	Med	High	High
Administrative Complexity	Med	Low	Med	Med

The Comparison of Options graphic gives an indication of the balance of funding generated from residential and commercial payers of the City Services Charge in the rate structures presented based on the data available at this time.

Guidance from the Budget Committee on the balance between residential and other recipients of city services (businesses, non-profits, public entities that operate within the city) will help in creating a charge structure that is equitable on this metric.

Comparison of Charges and Revenues beyond $2 million base case:

Option	Class	$2 M	$4 M	$6 M
Option 1	Single Family Residential	$11.30	$22.60	$33.90
	Large Nonresidential	$22.60	$45.20	$67.80
Option 2	Single Family Residential	$11.40	$22.80	$34.20
	Large Nonresidential	$570.00	$1,140.00	$1,710.00
Option 3	Single Family Residential	$10.60	$21.12	$31.68
	Large Nonresidential	$530.00	$1,056.00	$1,584.00
Option 4	Single Family Residential	$9.45	$18.91	$28.36
	Large Nonresidential	$713.63	$1,427.26	$2,140.88

Example Other City Charges:

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**

[1]Excludes utility fees for water, wastewater, and stormwater and streets
[2]Single multi-services fee for police, fire, parks
[3]Public Safety fee includes two separate fees for police and fire
[4]Single multi-services fee for public safety, parks and libraries.
[5]Sr. And Low Income = $2.24
[6]Public safety fees include two different public safety fees for staff postitions

Data Verification Steps

Further work with the data is required to refine the financial projections associated with the charge structure and the impacts of pricing by class to achieve the desired revenue target.

- Confirm billing data includes all accounts that should be billed and excludes other accounts:
  - Include water only accounts (primary service)
  - Exclude secondary meters (irrigation, fire, etc)
  - Exclude? city currently pays electric but not water or sewer
  - Validate against property tax data or other sources to identify accounts to be added
- 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)

Costs of City Services Charge

Revenue projections discussed above are estimates for gross revenue and are not reduced by the carrying cost of managing the new program. Further study of these costs is needed and will depend on implementation planning still underway.

- Identify one-time costs to establish program
  - Invoice redesign and programming ($10,000 to $15,000 estimate)
  - Education campaign ($8,000 initial estimate)
  - Cost of McMinnville Water and Light staff (have requested initial invoice for time spent to date)
  - Consultant support ($30,000 estimate)
- Identify carrying costs of program
  - Customer service support
  - Accounting, reporting and compliance

Policy Decision 3: Other Funding Sources

During discussions on sustainable resources, the suggestion to review the payment in lieu of tax (PILOT) on electric services was made. In addition, review of franchise agreements was called out in Resolution 2021-55 regarding sustainable actions to take. Staff felt it made sense to include information and initial thinking on these two related revenue funding sources as a part of the discussion on the City Services Charge.

PILOT – Payment in Lieu of Tax

Electric services are categorized in a way that allows city staff to analyze the current PILOT percentage applied for each.

	Total FY21	PILOT %	PILOT Rev	
cat 1 - Gen Srv Ph3	9,702,753	6%	582,165	27.43%
cat 2 - Gen Service	2,430,190	6%	145,811	6.87%
cat 3 - Lrg Industrial	16,555,945	3%	496,678	23.40%
cat 4 -Residential	14,958,586	6%	897,515	42.29%
	43,647,475		**2,122,170**	

While the City's revenue received during FY2020-21 was slightly under $2 million (further research into timing and base charges subject to PILOT will be conducted), the amount of PILOT generated by customer class are reasonable figures.

If City adjusts rate structure so that all payers contribute a **uniform 6%** level, revenues will increase approximately **$500,000** per year. The balance of residential electrical users to commercial, industrial and institutional users will shift from 42%/58% to 34%/66%.

If City adjusts rate structure so that all payers contribute at a **new 7%** level, revenues will increase approximately **$930,000** per year. The balance of residential electrical users to commercial, industrial and institutional users would remain 34%/66% in this scenario.

Guidance is sought as to whether staff should include a change in the current rate structure that gives a 100% discount to one rate class and bring forward options for such a change to be implemented as part of the FY2022-23 budget development process that is just getting underway.

Franchise fees

Currently, the City of McMinnville does not pay water utility bills. To offset that revenue impact on McMinnville Water and Light, the City does not currently require a franchise and associated franchise fee from McMinnville Water and Light.

A component of the implementation work that staff is undertaking includes assuring that the City is paying full freight on the cost of implementing the City Services Charge and updating a variety of billing procedures.

Discussion of making a move towards full cost recovery for McMinnville Water and Light on water and related franchise work has also been flagged as an important topic to address for the future.

Policy Decision 4: Policies related to Implementation

A number of policies and procedures will need to be established that will impact the City of McMinnville and its component unit operation at McMinnville Water and Light. Guidance on City Service Charge exemptions and our approach to low-income discounts are of special interest of staff to receive from the Council and Budget Committee. Staff proposes that the detailed business practices and the resulting policies and procedures in that area be developed based on best practices and in collaboration with McMinnville Water and Light staff.

High level policy questions

Exemptions:

- Outside city
- Secondary service (fire or irrigation)
- Undeveloped or unoccupied properties (with conditions)

Low Income Discount:

- Applies to total utility service bill
- Specific to City Services Charge

City Services Charge Updating:

- Update interval
- Annual Inflation adjustment
- Sunset clause

Other policy questions

Delinquencies:

- Public safety may be given preference over other services in cases of partial payment
- Generally, no lien on property or water disconnect for nonpayment of public safety or parks fees

Appeals Process

Implementation Plan

Work with McMinnville Water and Light staff

- Have charge in place for the July 2022 billing cycle
  Latest information from MWL staff indicates they now believe a 6- to 9-month implementation timeline is required to incorporate the new charge into the utility

billing software
- Collaborate on data available to refine revenue projections and assure all beneficiaries of city services are included as payers of the charge

Business process needs include:

- Cost recovery methodology
- Payment application across three utilities and new fee
- Bill dispute procedures and authorities
- Accounting, revenue recognition, funds transfers

Communications plan includes:

- Education campaign through billing inserts and informational sessions with local groups
- Website update
- Social Media Video campaign (councilors and staff)
- FAQs and customer service representative support

City Council Next Steps

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

Resolution to address updates in the City's payment in lieu of tax (PILOT) for electric utility customers

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

An additional work session will likely be needed to provide any additional information requested that will allow staff guidance to be provided on the various policy choices before you. We would look to schedule that in March 2022.

Fiscal Impact:

These discussions will have an impact on the City's financial sustainability and ability to maintain services in the FY23 budget cycle and beyond.

Attachments:

1. Resolution 2021-55 regarding sustainable funding actions

RESOLUTION NO. 2021 - 55

A Resolution of the Common Council of the City of McMinnville preliminarily adopting certain sustainable funding sources.

RECITALS:

Whereas, in 2021, the McMinnville City Council established an objective to "address insufficient resources by finding new sustainable funding sources;" and

Whereas, the Budget Committee of the City of McMinnville held several work sessions to discuss options for new, sustainable resources; and

Whereas, the resources were evaluated based on seven (7) criteria, which evaluation was included in the September 22, 2021 staff report; and

Whereas, based on that evaluation, staff recommended that a service fee paid via utility billing be established; and

Whereas, staff also recommended that the City continue working toward establishing a new fire district, creating a business license program, and utilizing a program of interfund borrowing for capital investments; and

Whereas, staff further recommended that the City continue exploring a construction excise tax; and

Whereas, staff indicated an intent to continue iterative advancements regarding systems development charges, franchise fees, and cost recovery; and

Whereas, the Budget Committee reviewed the staff recommendations and supporting materials provided throughout the Budget Committee's discussions on new, sustainable resources and its recommendation regarding the adoption of certain sustainable funding sources at its meeting on October 20, 2021; and

Whereas, the Council has reviewed the Budget Committee's recommendation; and

Whereas, the Council understands that further discussions and approvals must occur to determine the scope and implementation of any new, sustainable resources.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF McMINNVILLE, OREGON, as follows:

1. The Council hereby preliminarily adopts a new service fee to support the general fund with a formal review after X years, subject to needed future approval by the Council regarding the scope and implementation of the service fee.
2. The Council preliminarily adopts a business license program, also subject to needed future approval by the Council regarding the scope and implementation of the business license program.
3. The Council instructs staff to continue the effort of creating a new fire district and utilizing interfund borrowing for capital investments.
4. This resolution shall take effect immediately upon passage and shall continue in full force and effect until revoked or replaced.

Adopted by the Common Council of the City of McMinnville at a regular meeting held the 9th day of November, 2021 by the following votes:

Ayes: Drabkin, Garvin, Geary, Menke, Peralta

Nays: Chenoweth

Approved this 9th day of November 2021.

Scott A. Hill

MAYOR

Approved as to form:

City Attorney

Attest:

Claudia Cisneros

City Recorder

McMinnville City Services Charge

Joint meeting

McMinnville City Council

McMinnville Budget Committee

McMinnville Water and Light Commission

February 16, 2022

City Services Charge Meeting

Presentation

Deborah Galardi, Galardi Rothstein Group
McMinnville staff

Discussion and Q & A

Policy guidance conclusions

1. Charge structure
2. Customer class pricing and overall charge revenue target for FY2022-23 budget
3. Other funding sources
4. Exemptions, discount program

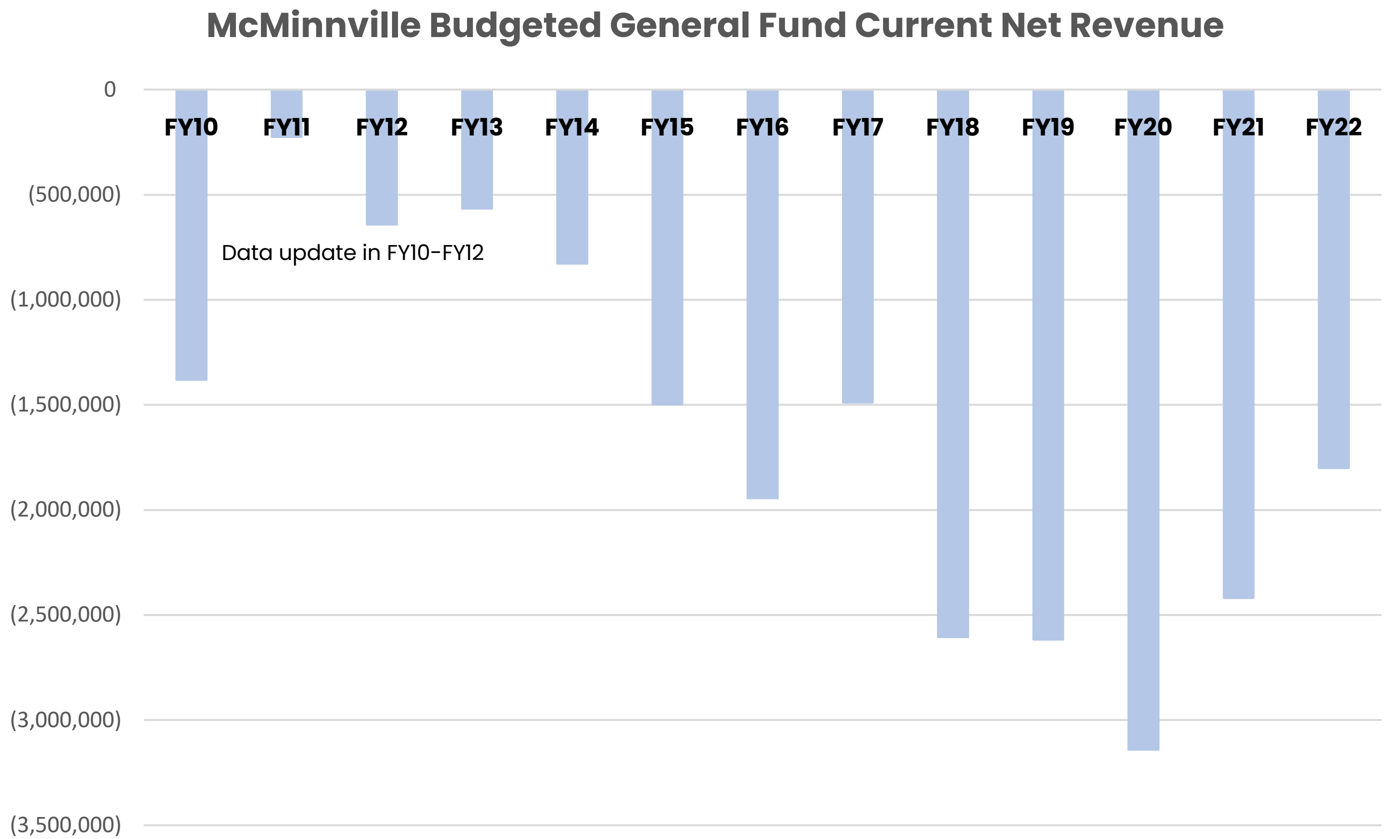
Background

[City Staff]

Purpose of City Service Charge

- The city is required by law to adopt and operate within a balanced budget
- The new resource will be used to maintain existing staffing, programs, and services in our fire, library, parks and recreation, police, and administration – which are all funded by our General Fund
- The City Services Charge will fund the city’s “core services” – basically *what* we do and *how* we do it
- MacTown 2032 includes new work that the community aspires to – new resources will allow the city to advance on those goals as well

How did we get here?



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 Resources Process

City Council adopted 2021 Annual Goals on June 22, 2021, which included among them:

> Right-Size Services: Address insufficient resources by finding new sustainable funding sources; look for ways to bring additional revenue into the City's general fund

Staff researched 17 resource options identified by Budget Committee as worthy of more study from an original list of 36 different municipal revenue options

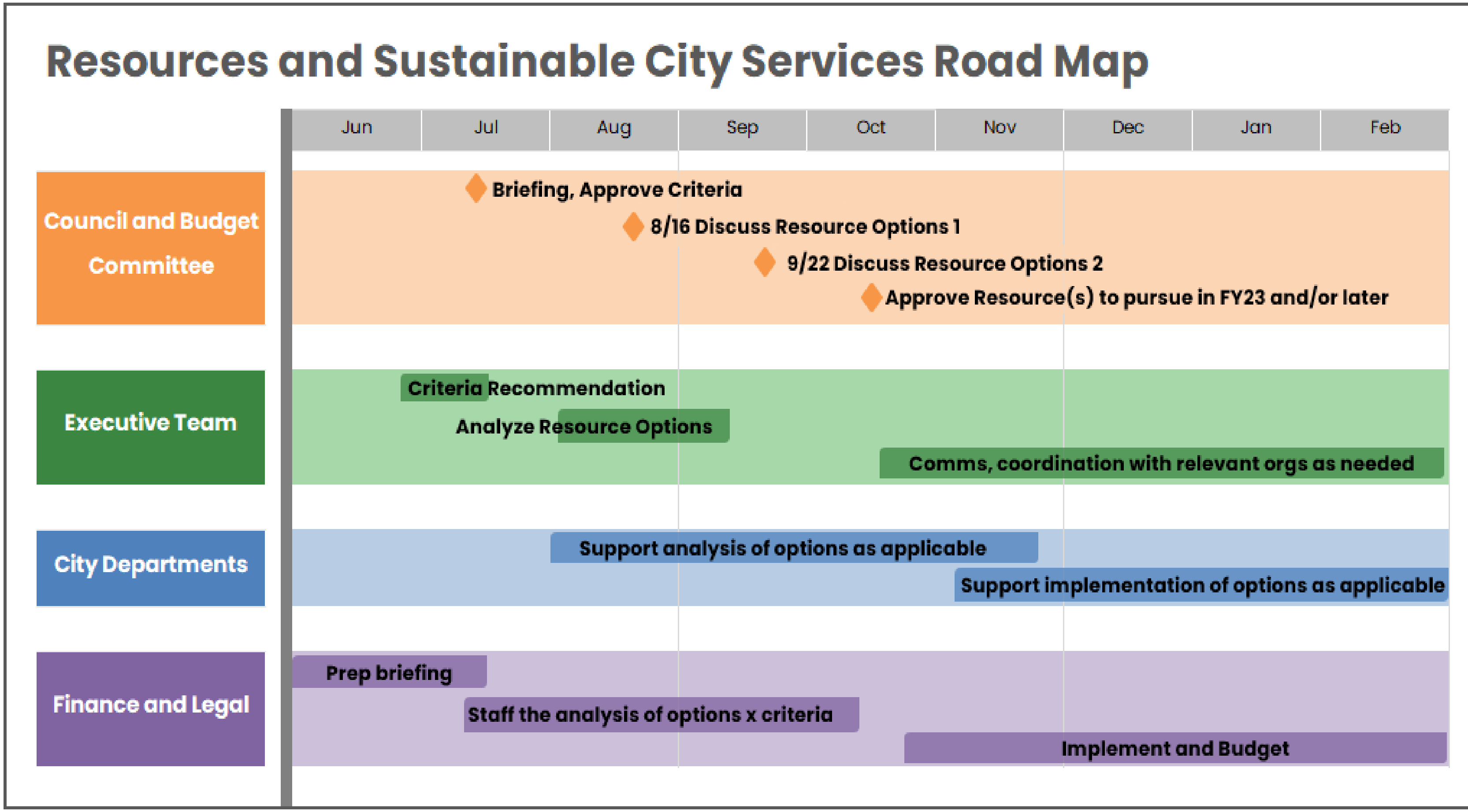
Sustainable Resources Process

Budget Committee recommended the city follow up on initiating a service fee, among other actions, to support general city services at its October 20, 2021, meeting

Resolution 2021-55 regarding sustainable funding sources

- Passed on November 9, 2021
- The City Services Charge paid via utility billing is included in resolution
- Other strategies are also noted including review of franchise agreements

Sustainable Resources Process



City Services Charge

[Deborah Galardi]

Council policy decisions

Charge Structure

- Basis for charge (accounts, units, meters)
- Uniform rate vs. class-specific pricing

Pricing & Revenue Targets

- Annual net revenue overall
- Pricing by class (revenue allocation)

Other Funding Sources

- Payment in Lieu of Tax on electric service
- Franchise fees

Billing Policies

- Exemptions
- Low-income discounts

City Services Charge: High Level Work Plan

Rate Structure Evaluation

- Review other city charges
- Review available billing system data
- ID options for development

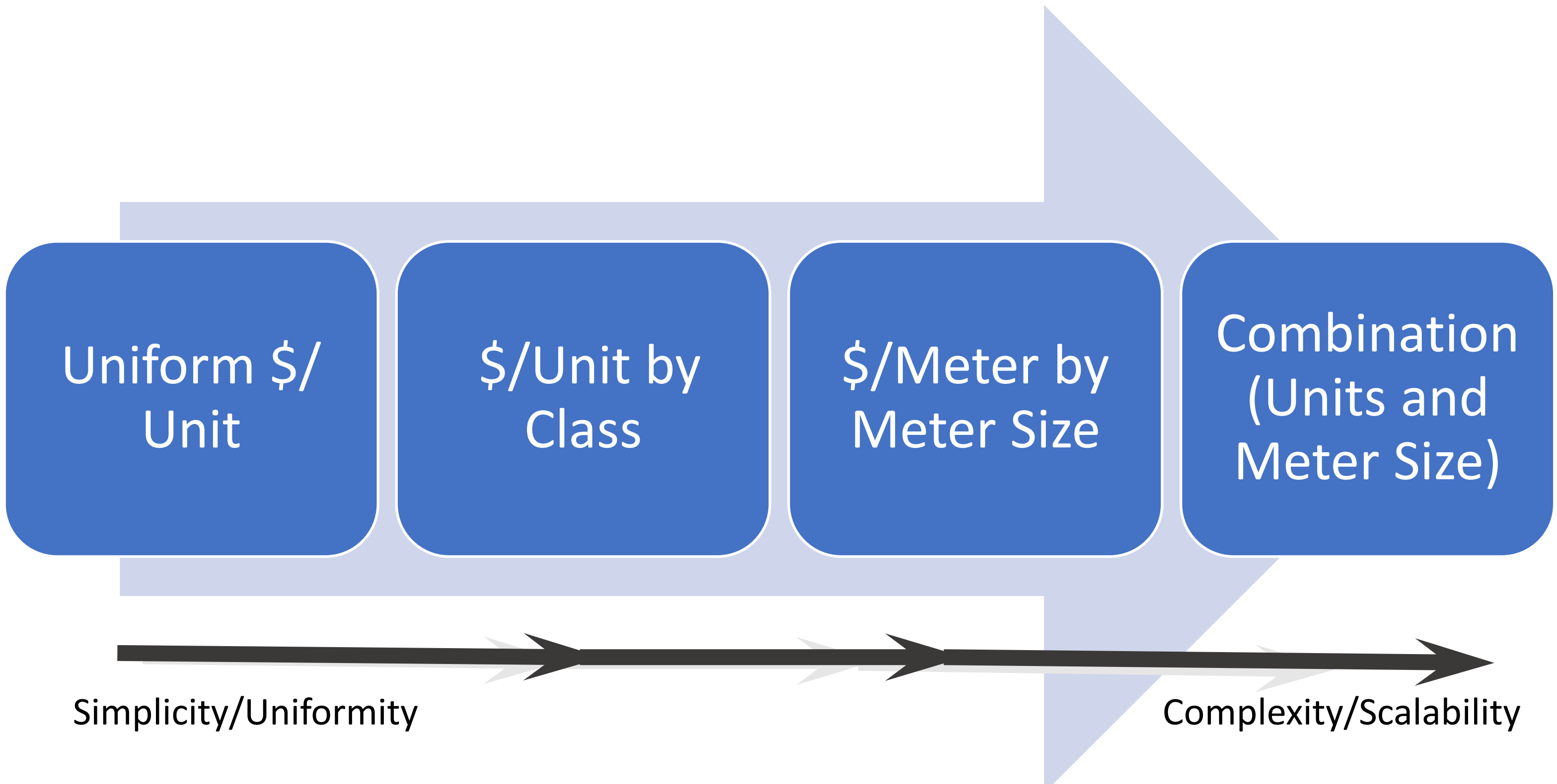
Develop Rate Options

- Estimate annual units of service
- Customer class pricing and revenue scenarios
- Sample customer bills

Implementation Plan

- Data verification
- Billing system modifications
- Policies and procedures
- Customer outreach

Rate Structure Types



Rate Structures in Practice

Structure Type	Example City(ies)
Uniform $/Unit	Gresham, Medford
$/Unit by Class	Keizer, Salem, Sandy
$/Meter by Size	Corvallis, Newberg
Combination ($/Unit and Meter Size)	Albany

Preliminary City Services Charge Structure Options*

Option	Charge Basis by Class		Pricing by Class
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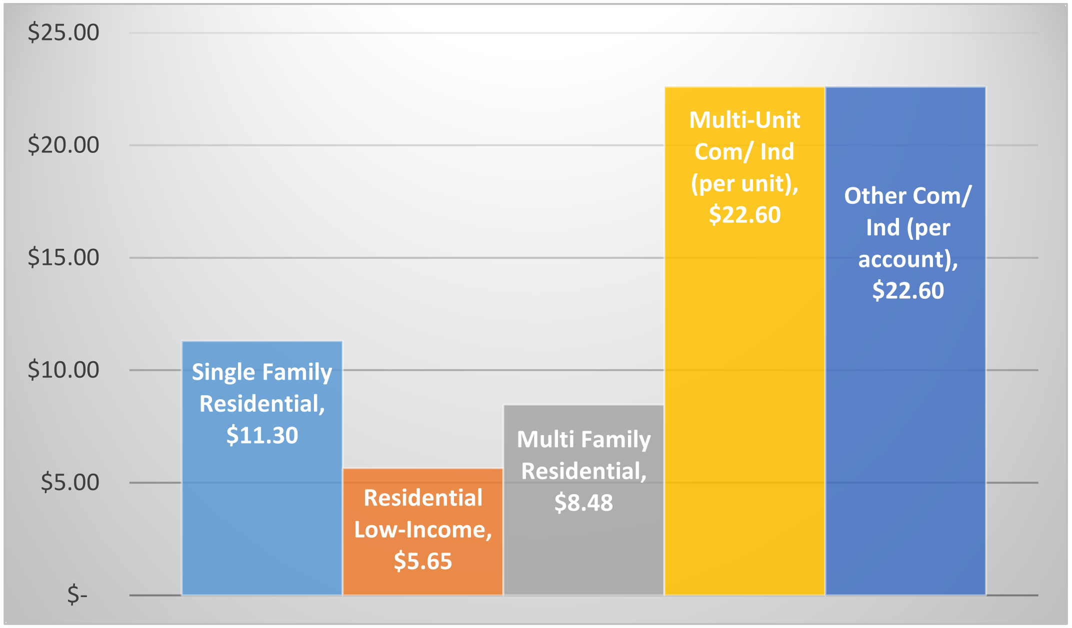
1	Number of Units	Per Account	Varies
2	Meter size	Meter Size	Uniform
3	Number of Units	Meter Size	Varies by type of unit for single family & multifamily
4	Number of Units	Meter Size	Varies by type of unit for all classes

*All options:
1) include low-income residential discount
2) Based on $2 M projected revenue <u>for illustration only</u>
3) *Revenue estimates are preliminary pending further data verification*

City of McMinnville

Option 1: Charges per Unit or Account *($/unit varies by class)*

- Multifamily $/unit = 75% single family reflecting lower average dwelling unit occupancy.
- Nonresidential pricing a policy decision (2 X single family for illustration.



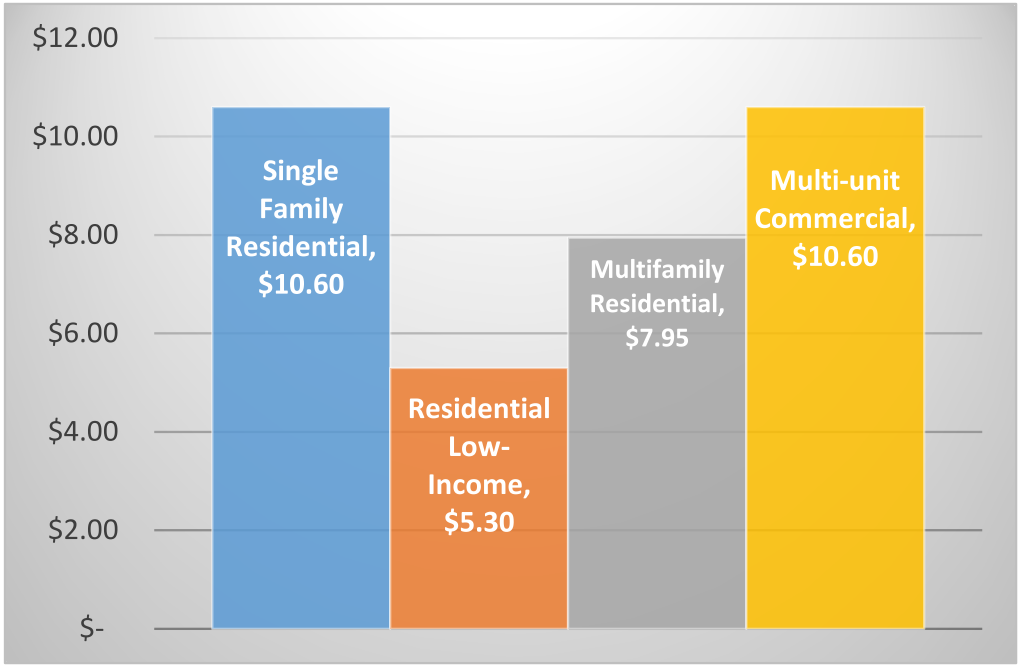
City of McMinnville

Option 2: Charges by Meter Size *(Uniform charges by class)*

- All single-family residential charged based on ¾" meter.
- Meter factors reflect hydraulic capacity factors.

Meter Size	Meters	Meter Factor	Option 2 $/Month
Residential & Gen Svc 3/4"	10,651	1.0	$11.40
1"	237	2.5	$28.50
1 1/2"	158	5	$57.00
2"	182	8	$91.20
3"	30	16	$182.40
4"	23	25	$285.00
6"	7	50	$570.00

Option 3: Residential & Multi-Unit Commercial $/Unit; Nonresidential by Meter Size *(Different $/unit by dwelling type)*



Commercial/Industrial	$/Meter
3/4" Meter	$ 10.60
1" Meter	$ 26.50
1.5" Meter	$ 37.10
2" Meter	$ 53.00
3" Meter	$ 84.80
4" Meter	$ 169.60
6" Meter	$ 265.00
8" Meter	$ 912.00
10" Meter	$ 2,394.00

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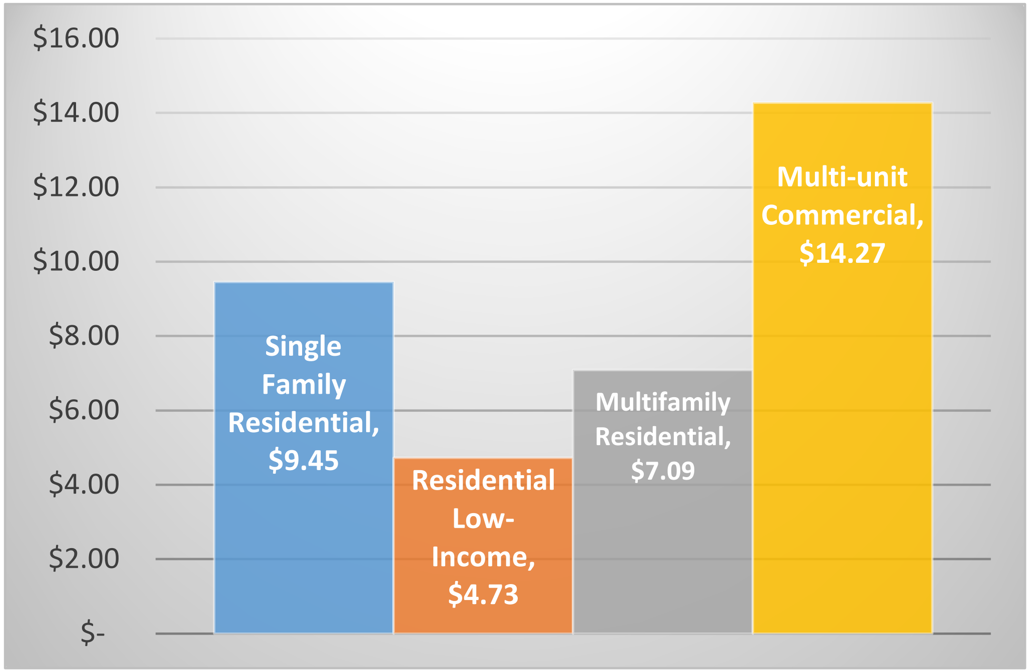
Option 4: Residential & Multi-Unit Commercial $/Unit; Nonresidential by Meter Size *(Different $/unit for all classes)*



Commercial/Industrial	$/Meter
3/4" Meter	$ 14.27
1" Meter	$ 35.68
1.5" Meter	$ 71.36
2" Meter	$ 114.18
3" Meter	$ 228.36
4" Meter	$ 356.81
6" Meter	$ 713.63

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

City of McMinnville

Sample Bill Comparison

Customer Class	Units	Meter Size (")	Option 1: Rate per Unit & Class	Option 2: Meter Size	Option 3: Units/Meter Size	Option 4: Units/Meter Size
Residential (All Customers)	1	3/4	$ 11.30	$ 11.40	$ 10.60	$ 9.45
Residential Low Income	1	3/4	$ 5.65	$ 5.70	$ 5.30	$ 4.73
Multi Family						
Small complex	4	1	$ 33.90	$ 28.50	$ 31.80	$ 28.36
Large complex	88	4	$ 745.80	$ 285.00	$ 699.60	$ 623.88
Commercial/Industrial						
Small	1	3/4	$ 22.60	$ 11.40	$ 10.60	$ 14.27
Medium	1	2	$ 22.60	$ 91.20	$ 84.80	$ 114.18
Large	1	6	$ 22.60	$ 570.00	$ 530.00	$ 713.63
Commercial - Multi-Unit						
Small	2	3/4	$ 45.20	$ 11.40	$ 21.20	$ 28.55
Medium	9	2	$ 203.40	$ 91.20	$ 95.40	$ 128.45
Large	20	2	$ 452.00	$ 91.20	$ 212.00	$ 285.45
Estimated Total Revenue ($M)			*$2.0*	*$2.0*	*$2.0*	*$2.0*

Comparison of Options

Criteria	Option 1 $/Unit (Class)	Option 2 $/Meter (Size)	Option 3 $/Unit and Meter Size	Option 4 $/Unit & Meter Size
Single Family Bill	$11.30	$11.40	$10.60	$9.45
Large Nonresidential Bill	$22.60	$570.00	$530.00	$713.63
Preliminary Revenue Allocation (%)				
Residential	67%	68%	63%	57%
Multifamily	15%	7%	14%	12%
Commercial/Ind.	18%	25%	23%	31%
Scalability	Low	Med	High	High
Administrative Complexity	Med	Low	Med	Med

City of McMinnville

Comparison of Charges and Revenues

Option	Class	$2 M	$4 M	$6 M
Option 1	Single Family Residential	$11.30	$22.60	$33.90
	Large Nonresidential	$22.60	$45.20	$67.80
Option 2	Single Family Residential	$11.40	$22.80	$34.20
	Large Nonresidential	$570.00	$1,140.00	$1,710.00
Option 3	Single Family Residential	$10.60	$21.12	$31.68
	Large Nonresidential	$530.00	$1,056.00	$1,584.00
Option 4	Single Family Residential	$9.45	$18.91	$28.36
	Large Nonresidential	$713.63	$1,427.26	$2,140.88

Example Other City Charges

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**

[1]Excludes utility fees for water, wastewater, and stormwater and streets
[2]Single multi-services fee for police, fire, parks
[3]Public Safety fee includes two separate fees for police and fire
[4]Single multi-services fee for public safety, parks and libraries.
[5]Sr. And Low Income = $2.24
[6]Public safety fees include two different public safety fees for staff postitions

Billing Data Verification

- **Confirm billing data includes all accounts that should be billed and excludes other accounts:**
  - Include water only accounts (primary service)
  - Exclude secondary meters (irrigation, fire, etc)
  - Exclude the City? City currently pays electric but not water or sewer
  - Validate against property tax data or other sources to identify accounts to be added
- **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)

Costs of City Services Charge

- **Identify one-time costs to establish program**
  - Invoice redesign and programming ($10,000 to $15,000 estimate)
  - Education campaign ($8,000 initial estimate)
  - Cost of McMinnville Water and Light staff (have requested initial invoice for time spent to date)
  - Consultant support ($30,000 estimate)
- **Identify carrying costs of program**
  - Customer service support
  - Accounting, reporting and compliance

City of McMinnville

Other Funding Sources

[City staff]

Other Funding Sources

PILOT – Payment in Lieu of Tax

	Total FY21	PILOT %	PILOT Rev	
cat 1 - Gen Srv Ph3	9,702,753	6%	582,165	27.43%
cat 2 - Gen Service	2,430,190	6%	145,811	6.87%
cat 3 - Lrg Industrial	16,555,945	3%	496,678	23.40%
cat 4 -Residential	14,958,586	6%	897,515	42.29%
	43,647,475		**2,122,170**	

* City actual revenue received in FY2020-21 was $1.97 million

City of McMinnville

Other Funding Sources

PILOT – Payment in Lieu of Tax

If City adjusts rate structure so that all payers contribute a **uniform 6%** level, revenues will increase approximately **$500,000** per year.

The balance of residential electrical users to commercial, industrial and institutional users will shift from 42%/58% to 34%/66%.

If City adjusts rate structure so that all payers contribute at a **new 7%** level, revenues will increase approximately **$930,000** per year.

The balance of residential electrical users to commercial, industrial and institutional users would remain 34%/66% in this scenario.

Other Funding Sources

Franchise fees

Currently, the City does not pay water utility bills. To offset that revenue impact on McMinnville Water and Light, the City does not impose a franchise fee on water customers.

A component of the implementation work that staff is undertaking includes assuring that the City is paying full freight on the cost of implementing the City Services Charge and updating a variety of billing procedures.

Discussion of making a move towards full cost recovery for McMinnville Water and Light on water and related franchise work has also been flagged as an important topic to address for the future.

City of McMinnville

Implementation

[Deborah Galardi and City staff]

Billing Policy and Procedure Examples

Exemptions

- Outside city
- Secondary service (fire or irrigation)
- Undeveloped or unoccupied properties (with conditions)

Low Income Discount

- Applies to total utility service bill
- Specific to City Services Charge

Updating

- Update interval
- Annual Inflation adjustment
- Sunset clause

Other Policies and Procedures

Delinquencies

- Public safety may be given preference over other services in cases of partial payment
- Generally, no lien on property or water disconnect for nonpayment of public safety or parks fees

Other

- Appeals processes

Implementation Plan

Work with McMinnville Water and Light staff

- Have charge in place for the July 2022 billing cycle (though latest information from MWL staff indicates they now believe a 6-9 month implementation timeline is required)
- Collaborate on data available to refine revenue projections and assure all beneficiaries of city services are included as payers of the charge

Business process needs include:

- Cost recovery methodology
- Payment application across three utilities and new fee
- Bill dispute procedures and authorities
- Accounting, revenue recognition, funds transfers

Implementation Plan

Communications plan includes:

- Education campaign through billing inserts and informational sessions with local groups
- Website update
- Social Media Video campaign (councilors and staff)
- FAQs and customer service representative support

Council Next Steps

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

Resolution to address updates in the City's payment in lieu of tax (PILOT) for electric utility customers

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

Guidance on policy decisions

Charge Structure
- Basis for charge (accounts, units, meters)
- Uniform rate vs. class-specific pricing

Pricing & Revenue Targets
- Annual net revenue overall
- Pricing by class (revenue allocation)

Other Funding Sources
- Payment in Lieu of Tax on electric service
- Franchise fees

Billing Policies
- Exemptions
- Low-income discounts