



CITY SERVICES FEE DISCUSSION

City Council Work Session
August 28, 2024

OBJECTIVES

- Structural Deficit and causes
- What has been done to date
- Review the latest five-year budget projection.
- City Services Fee option (fee amount and timing)
- Messaging ideas should the City Council decide to proceed with a City Services Fee
- Review and discussion of example Ordinance and Resolution.
- Questions
- Next Steps/Timing

BACKGROUND

- As we have discussed on several occasions, the City is currently facing a structural deficit in the General Fund that requires our immediate attention.
- Based on the latest five-year projections, the General Fund will not balance by FY 26.
- During previous work sessions on March 20, 2024; April 24, 2024; April 29 & 30, 2024 (Budget Committee) we have discussed the structural deficit and potential alternative funding sources.
- Also discussed were the multiple reasons that have led up to the structural deficit, some of which include:
 - Measures 5 and 50 – Property tax collection does not provide adequate funding to operate all city services
 - Increased personnel costs
 - Inflation on goods, services, and capital maintenance projects
 - PERS Increases

BACKGROUND cont.

Lebanon Aquatic District (1¢)
Linn County 4H (< 1¢)



Linn County (20¢)

City of Lebanon (29¢)

- City Council
- Municipal Court
- Planning
- Police
- Bond payment for 2007 Justice Center & Library loans
- Library
- Building
- Economic Development
- Senior Center

Lebanon Fire (13¢)

- Fire District Ops
- Bond payment for new station 31

Education (36¢)

- Lebanon Community School District #9 (LCSD)
- LCSD Bond
- Linn-Benton Community College (LBCC)
- LBCC Bond (x2)
- Linn-Benton-Lincoln Education Service District

BACKGROUND cont.

- Currently the General Fund can be balanced by using year-end funds (dollars saved for various reasons - primarily vacancies in positions – from previous years' budgets).
- Based on current five-year projections (shown in upcoming slides) , this approach is not sustainable and will result in the need to substantially reduce (and, in some areas, eliminate) service or devise an alternative revenue stream.
- The general Fund Revenue shortfall directly impacts programs and services such as the Police, Library, Senior Center, Parks, and Courts. It also has indirect impacts to Administration, Finance, HR, and IT.
- During fiscal year 23/24, the City eliminated approximately 9.75 FTE (approx. 8FTE directly impact the General Fund) and reduced materials and services \$180,000.00 to begin closing the structural deficit gap. Although the cuts made to date help, a structural deficit remains due to the reasons we discussed earlier.

BACKGROUND cont.

- Staff is also looking at and will continue to look at ways to create efficiencies throughout the organization.
- During the April 24th Work Session, Staff presented several options for implementing a City Service fee and/or an Operations Levy.
- At the conclusion of the Work Session, the City Council requested that Staff develop and provide additional details for a City Services Fee that will close the structural deficit gap based on the most current five-year budget projection.
- The City Council did indicate that an Operation Levy should be considered in the future to open the jail, but the priority was to correct the structural deficit at this time.

FIVE-YEAR BUDGET PROJECTION

| | FY2021 Audited | FY2022 Audited | FY2023 Unaudited | FY2024 Estimated | FY2025 Budget | FY2026 Projected | FY2027 Projected | FY2028 Projected | FY2029 Projected |
|---------------------------------------|-------------------|-------------------|---------------------|---------------------|------------------|---------------------|---------------------|---------------------|---------------------|
| Beginning Balance | 4,041,140 | 4,879,593 | 4,957,698 | 4,845,846 | 4,638,918 | 3,265,406 | 2,466,652 | 1,426,860 | 479,016 |
| Revenue: | | | | | | | | | |
| Property taxes | 5,935,641 | 6,208,560 | 6,475,646 | 6,675,526 | 6,748,103 | 7,031,220 | 7,238,690 | 8,290,310 | 8,535,500 |
| Other taxes | 206,294 | 201,447 | 230,209 | 209,059 | 210,700 | 214,910 | 219,210 | 223,590 | 228,060 |
| Franchise fees | 2,381,699 | 2,554,314 | 2,747,887 | 2,703,820 | 3,034,748 | 3,105,270 | 3,177,870 | 3,252,610 | 3,329,500 |
| Licenses and permits | 65,165 | 61,335 | 57,776 | 34,707 | 40,720 | 40,900 | 41,080 | 41,270 | 41,460 |
| Fines, forfeitures, and penalties | 410,775 | 413,357 | 266,666 | 239,266 | 239,983 | 234,030 | 228,300 | 222,760 | 217,430 |
| Intergovernmental | 967,973 | 1,092,953 | 1,199,759 | 1,138,449 | 1,216,622 | 943,510 | 971,430 | 1,000,440 | 1,030,540 |
| Charges for Service | 16,977 | 97,437 | 69,251 | 64,018 | 771,120 | 1,322,870 | 1,325,800 | 1,328,790 | 1,331,850 |
| Interest | 37,972 | 36,530 | 171,485 | 195,059 | 155,000 | 151,130 | 147,350 | 143,670 | 140,080 |
| Miscellaneous | 110,316 | 41,615 | 145,824 | 111,864 | 113,850 | 113,850 | 113,850 | 113,850 | 113,850 |
| Subtotal Operating Revenue | 10,132,811 | 10,707,548 | 11,364,502 | 11,371,768 | 12,530,846 | 13,157,690 | 13,463,580 | 14,617,290 | 14,968,270 |
| Transfers In | 760,493 | - | - | 18,899 | - | - | - | - | - |
| Pass-Throughs | 147,070 | 490,651 | 150,586 | 185,000 | 310,000 | 310,000 | 310,000 | 310,000 | 310,000 |
| Subtotal Non-Operating Revenue | 907,563 | 490,651 | 150,586 | 203,899 | 310,000 | 310,000 | 310,000 | 310,000 | 310,000 |
| Total Revenue | 11,040,374 | 11,198,199 | 11,515,088 | 11,575,667 | 12,840,846 | 13,467,690 | 13,773,580 | 14,927,290 | 15,278,270 |
| Total Resources (Rev. + Fund Balance) | 15,081,514 | 16,077,792 | 16,472,785 | 16,421,514 | 17,479,764 | 16,733,096 | 16,240,232 | 16,354,150 | 15,757,286 |

FIVE-YEAR BUDGET PROJECTION cont.

| | FY 2021 Audited | FY 2022 Audited | FY 2023 Unaudited | FY 2024 Estimated | FY 2025 Budget | FY 2026 Projected | FY 2027 Projected | FY 2028 Projected | FY 2029 Projected |
|--|--------------------|--------------------|----------------------|----------------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| Operating Expenditures: | | | | | | | | | |
| Salaries | 4,219,785 | 4,113,590 | 4,368,413 | 4,676,797 | 5,099,532 | 5,336,150 | 5,583,747 | 5,842,833 | 6,113,940 |
| Soc. Security & Medicare | 327,902 | 314,831 | 324,022 | 354,609 | 378,782 | 408,215 | 427,157 | 446,977 | 467,716 |
| State Taxes | 38,570 | 63,188 | 89,478 | 76,027 | 99,233 | 103,837 | 108,655 | 113,697 | 118,973 |
| PERS | 1,012,519 | 1,066,044 | 1,041,260 | 1,267,095 | 1,375,136 | 1,756,443 | 1,837,942 | 2,442,493 | 2,555,825 |
| Health Insurance/HRA | 1,023,331 | 949,321 | 917,112 | 964,661 | 1,142,632 | 1,216,903 | 1,296,002 | 1,380,242 | 1,469,958 |
| Other Payroll Expenses | 180,518 | 65,486 | 59,785 | 58,591 | 80,139 | 83,857 | 87,748 | 91,820 | 96,080 |
| <i>Total Payroll Expenditures</i> | <i>6,802,625</i> | <i>6,572,460</i> | <i>6,800,071</i> | <i>7,397,780</i> | <i>8,175,454</i> | <i>8,905,405</i> | <i>9,341,251</i> | <i>10,318,062</i> | <i>10,822,492</i> |
| Materials & Services | 1,702,262 | 1,454,519 | 1,413,450 | 1,544,268 | 2,089,684 | 1,861,204 | 1,826,193 | 1,844,455 | 1,862,900 |
| Capital Projects | 129,470 | 60,292 | 164,216 | 144,000 | 168,500 | 72,000 | 72,000 | 72,000 | 72,000 |
| Non-Operating Expenditures: | | | | | | | | | |
| Debt Service - Principal | 79,578 | 117,286 | 90,919 | 91,715 | 546,248 | | | | |
| Debt Service - Interest | 43,613 | 42,160 | 35,606 | 31,180 | 33,389 | | | | |
| Interfund Transfers Out | 1,379,365 | 2,406,145 | 2,970,572 | 2,417,723 | 2,285,021 | 2,561,569 | 2,686,920 | 2,704,220 | 2,779,900 |
| Pass-Throughs | 65,008 | 467,232 | 152,106 | 155,930 | 363,000 | 363,000 | 363,000 | 363,000 | 363,000 |
| Appropriated Contingency | | | | | 553,062 | 503,266 | 524,008 | 573,397 | 599,172 |
| <i>Total Non-Operating Expenditures</i> | <i>1,567,564</i> | <i>3,032,822</i> | <i>3,249,202</i> | <i>2,696,548</i> | <i>3,780,720</i> | <i>3,427,835</i> | <i>3,573,928</i> | <i>3,640,617</i> | <i>3,742,072</i> |
| Total Expenditures | 10,201,921 | 11,120,094 | 11,626,939 | 11,782,596 | 14,214,358 | 14,266,444 | 14,813,372 | 15,875,134 | 16,499,464 |
| Total Revenue Less Expenditures | 838,453 | 78,105 | (111,852) | (206,928) | (1,373,512) | (798,754) | (1,039,792) | (947,844) | (1,221,194) |
| Ending Fund Balance | 4,879,593 | 4,957,698 | 4,845,846 | 4,638,918 | 3,265,406 | 2,466,652 | 1,426,860 | 479,016 | (742,178) |
| Less Working Capital | | | | | 1,773,718 | 1,842,564 | 1,910,705 | 2,079,868 | 2,168,757 |
| Ending Balance for Appropriations | | | | | 1,491,688 | 624,089 | (483,845) | (1,600,852) | (2,910,934) |

CITY SERVICE FEE PROPOSED METHODOLOGY

| Recommended Meter Equivalents | | |
|-------------------------------|--------------|------------------|
| Meter Size | Rate of Flow | Meter Equivalent |
| 5/8" x 3/4" | 10.0 GPM | 1.00 |
| Varies | | |
| 1" | 25.0 GPM | 2.50 |
| 1.5" | 50.0 GPM | 5.00 |
| 2" | 80.0 GPM | 8.00 |
| 3" | 160.0 GPM | 16.00 |
| 4" | 250.0 GPM | 25.00 |

Recommended Meter Equivalents per American Water Works Association

CITY SERVICE FEE RATE

Many cities throughout Oregon charge fees in addition to the traditional water, sewer, and storm drainage. These fees include City Services Fees, Public Safety Fees, Library Service Fees, Parks and Recreation Fees, and Street Fees.

| Classification | Basis | Rate |
|----------------------------------|-------------------|-------------|
| Single-Family Residential | Per Dwelling Unit | \$15.00 |
| Multi-Family Residential | Per Dwelling Unit | \$15.00 |
| Commercial / Industrial | ¾" water meter | \$15.00 |
| | 1" water meter | \$37.50 |
| | 1.5" water meter | \$75.00 |
| | 2" water meter | \$120.00 |
| | 3" water meter | \$240.00 |
| | 4" water meter | \$375.00 |

This rate will generate approximately \$1.6 Million per year

CITY SERVICE FEE cont.

Things to note:

- The fee amount needed to close the structural deficit within the five-year projection window is \$15.00/month for residential.
- Implementation Date to close the structural deficit gap would be on or before July 1, 2025.
- Determine reduced rate for low income.
- Large meters—The last work session discussed the high monthly charge for the larger meters. Does the Council want us to consider lowering the charge for these meters?
- Multi-family complexes will be charged by the door the same amount as single-family residents. For example, an Apartment complex with 30 units would be charged 30 x the Single-Family Rate.
- The fee would ensure a balanced budget, including the required reserves. Some years will likely have an end fund balance due to vacant positions or other savings. These funds could be used for one-time Capital Projects/Expenditures. If there is a balance, a recommendation to the budget committee would be made each year.

MESSAGING

Should the City Council direct Staff to prepare an ordinance to implement the fee, messaging to the public will be key. Staff has generated the following draft documents to help with the messaging process:

- One Page flier explaining why the fee is being implemented and what it will be used for.
- Frequently Asked Questions Page.
- A dedicated web page
- Social Media – all of the fliers and website link will be pushed out through social media.

There are additional ways to reach the public with the messaging, which include:

- Townhall Meetings in each of the Council Wards.
- Including a flier in Utility Bills.
- Other ways to reach the public?

EXAMPLE ORDINANCE AND RESOLUTION

The draft Ordinance and Resolution for implementing the City Services Fee is modeled after the City of Albany. Some of the key points for City Council to consider are:

- City Services Fee would be included on the water, sewer, and storm bills.
- Low-income discount for those who qualify.
- Annual inflation rate adjustment.
- Delinquent Accounts – Results in water shut off.
- Large Meter charge

The background is a dark, almost black, space filled with a faint, light-colored network of nodes and connecting lines. The nodes are small circles, and the lines are thin, creating a complex, interconnected web that resembles a molecular structure or a data network. The overall aesthetic is technical and scientific.

QUESTIONS / COMMENTS



COUNCIL DIRECTION