



925 S. Main Street
Lebanon, Oregon 97355

TEL: 541.258.4212
brandon.neish@lebanonoregon.gov
www.lebanonoregon.gov

MEMORANDUM

Finance Department

To: Mayor Jackola and City Council

August 14, 2024

From: Brandon Neish, Finance Director

Subject: Proposed Amendment to Lebanon Municipal Code Chapter 3.04 & 13.25

I. INTRODUCTION

Lebanon Municipal Code Chapter 3.04 governs the water and wastewater systems within City-limits. Specifically, section 3.04.085 talks about in-lieu-of franchise fees for the two utilities while 3.04.315 created a Utility Rate Review Committee tasked with meeting annually to review fee proposals and receive an update on the state of the utility system and recommend, if any, fee revisions for the following year.

II. CURRENT REPORT

Since 2002, two of the City's three water-based utilities has contributed a portion of the fees paid into the system to "rent" space within the City's right-of-way for utility infrastructure. Installing electrical poles, digging up streets to install gas lines, etc. have an impact on the City's infrastructure. As such, the franchise fees attempt to make the city "whole" for the work done on public streets and sidewalks. For the City's three utility programs, lines must be installed around the city to distribute and collect water and sewage. These lines also have an impact on the City's public infrastructure. In 2002, the franchise rate for water and sewer was set at up to five percent (5%) of receipts. Today, many of the City's private franchise agreements run at or near seven percent (7%) of gross receipts. During budget development for the 2025 fiscal year, staff proposed an increase of this revenue into the general fund, up to seven percent. The Budget Committee reviewed the proposal as part of the budget and agreed the increase was needed. In June 2024, the City Council adopted the budget with the proposed rate increase.

Established in 1992, section 13.04.315 of the Lebanon Municipal Code created the Utility Rate Review Committee. According to tenured staff, this committee has not actually come to fruition in recent memory. However, that does not mean that the public does not have a chance to weigh in on proposed rates. Annually, the City Council holds a public work session, generally in April, where staff reviews the status of the current system and proposes, if any, rate revisions for the next fiscal year. These meetings are noticed and recorded for public consumption. Additionally, the community is able to attend the City Council meeting where rate revisions are to be adopted. Staff publicizes this meeting with a notification in the paper and holds a public hearing to receive any and all feedback. A Utility Rate Review Committee would follow the same process, thereby creating a redundant

process. Additionally, utility rates and the annual budget for the utilities is discussed as part of the budget development process annually, also through public meetings, providing another opportunity for the community to get involved related to utility rates. Staff has proposed amending this section of the Lebanon Municipal Code to have the City Council annually review the health and status of the utility funds with an ability for the public to provide input.

Lastly, in 2010, the City established by ordinance a storm drainage utility with the intent of creating a formal program to collect rain and surface water and pipe it to the Santiam River. Like the water and wastewater programs, the storm drainage utility requires opening city streets and putting pipe in the ground, impacting the right-of-way. The utility has been contributing to the in-lieu-of franchise fee like the other utilities for several years. Staff has proposed adding section 13.25.140 to formalize existing procedures and match the water and wastewater systems.

III. RECOMMENDATION

Move to adopt Ordinance No. 2024-07, Ordinance No. 3023 to amend Chapters 3.04 and 13.25 of the Lebanon Municipal Code by increasing the allowable in-lieu-of franchise fee to seven percent across all three utilities and removing the Utility Rate Review Committee.