



# REQUEST FOR COUNCIL ACTION

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**Title:** Storm Water Utility Fee Review

**Preferred Agenda:** May 11, 2021

**Submitted By:** Brandon Neish, Finance Director

**Reviewed By:** Ray Towry, City Manager

**Type of Action:** Resolution   X   Motion      Roll Call      Other     

**Relevant Code/Policy:** SHMC § 13.09.050(D) – Adoption and Amendment of Rules  
Resolution No. 15 for 2008

**Towards Council Goal:** Goal 1.1(b): Develop specific steps for implementation of the adopted master plans  
Goal 1.2(b): Increase community awareness of infrastructure needs

**Attachments:** Resolution No. 13 for 2021  
Storm Water Enterprise Budget

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## **Purpose of this RCA:**

To review the proposed 2021-2022 budget for the Storm Water Fund and determine appropriate rates charged to users for use of City storm water utility.

## **Background/Context:**

ORS 294.388(1) states that “each municipal corporation shall prepare estimates of expenditures and other requirements for the ensuing year or budget period. The estimates must be reconciled so that the total amount of expenditures and other requirements in each fund equals the total amount of resources in the fund for the same period.” Projected expenses for the 2021-2022 fiscal year in the Storm Water Fund total \$244k with resources estimated at nearly \$65k with no change to current rates. Pursuant to Oregon State Statutes, the City must choose to revise its current rate schedule to generate additional revenue or reduce proposed expenses to match current revenue projections. Staff has prepared a recommendation for Council regarding the Storm Water fee.

The Storm Water drainage utility, implemented by Ordinance 1196 in 2006 was established “for the purpose of providing funds for the management, maintenance, extension and construction of public stormwater drainage facilities within the city.” At the time of implementation, an analysis concluded that an appropriate rate for the Storm Water drainage utility would be \$4 per EDU per month. After public input and Council review, the utility fee was set at \$1 per EDU per month. The rate has not been revised since its implementation. In its five-year Capital Improvement Plan, Public Works identified two projects totaling \$590k to increase capacity in the Storm Water system and develop a master plan in accordance with Council goal #1. For

the 2022 fiscal year, staff would like to complete the master plan (\$100k) which will inform the future needs for the storm water system before getting too far ahead in planning for projects. Additionally, staff is requesting funds to install catch basins and install associated piping at 12<sup>th</sup> Avenue between Elm Street and Larch Street budgeted at \$25k. Additional funds generated by this proposed rate increase would be set aside in the Storm Water Capital Fund to prepare to implement recommendations of the master plan once completed.

### **The Challenge/Problem:**

How does Sweet Home approach utility rates in a way that addresses operational needs in alignment with Council goals while ensuring that users are not priced out of the system?

### **Stakeholders:**

- City of Sweet Home residents and businesses – Residents and businesses benefit from the Storm Water drainage system which mitigates flooding in streets, residences and businesses. Without the storm water system, water would run along surfaces with no impedance potentially resulting in damages and other flooding concerns. The storm water system collects the rainwater and water from other sources and routes it to the South Santiam through storm drains and pipes. The fee supporting the operations and maintenance of this system is the Storm Water fee currently imposed on utility bills as \$1.00/EDU.
- City of Sweet Home City Council – Council members are the voice of the citizens we serve. Each member of this group is interested in providing the best service possible for the best possible price. They must balance leadership with representation.
- Sweet Home Public Works staff – Public Works staff ensures utilities are maintained in a manner which benefits all in the city. Appropriate rates provide necessary resources used to maintain a level of service expected by utility users.
- Sweet Home Community & Economic Development – Regular review of expenditures within utility funds and, subsequently, utility rates ensure that Sweet Home is comparable to other cities of similar size which can attract new rate payers to the system. New citizens or businesses affect the community in a positive manner and affects livability within the city.

### **Issues and Financial Impacts:**

1. Increasing utility rates – Citizens have many utility bills to pay including the City's utilities. Increases to utility rates can have a negative impact on citizens even though the city must operate with enough resources to back necessary expenditures. An additional \$2 per EDU per month in the Storm Water rate is being proposed by staff to stabilize the Storm Water fund and provide capital funding for future projects. It is up to the elected officials to determine what is best for the citizenry of Sweet Home.
2. Oregon Revised Statutes – As previously explained, the ORS requires that the City maintain a zero or positive fund balance at the end of a given fiscal year. This requires the City and the Council to act accordingly. The decision then becomes one of raising rates or reducing expenses. When managing a fund in which nearly 71% of its resources come from the user fees generated, options are limited in decision-making.
3. Division resources – When Public Works is left with diminishing resources, tough decisions must be made regarding service offering to customers. Stability in these fees provides the Storm Water division the ability to plan and attempt to mitigate other factors that contribute to the increasing expenses such as fixing leaking pipes.

### **Elements of a Stable Solution:**

Reviewing the rates annually and making revisions at the time rather than shelving rate adjustments for another year ensures overall stability of the Storm Water fund and ensures rate payers are not saddled with significant increases at one time.

**Options:**

1. Do Nothing – Rates would remain the same at \$1.00 per EDU. This results in a projected budgeted deficit of \$103,391 which would require making expenditure reductions to comply with ORS 294.388(1). Reducing budgeted expenditures would impact services delivered to customers.
2. Move to approve Resolution No. 13 for 2021. – The Storm Water Utility Fee would increase from the current \$1.00 per EDU to \$3.00 per EDU.
3. Recommend an alternate rate – The City Council may determine, after reviewing the attached documentation, that it is appropriate to charge a different rate. Staff would return with a revised resolution at the next Council meeting.

**Recommendation:**

Staff recommends option 2, move to approve Resolution No. 13 for 2021. This option allows the City to move forward with the development of a Storm Water Master Plan and other capital projects slated for future fiscal years and begins to establish a necessary reserve for capital down the line.