

DATE:	April 30, 2025
TO:	Sherilyn Lombos (City Manager) and Don Hudson (Assistant City Manager/Finance Director), City of Tualatin
FROM:	Becky Steckler, AICP, and James Kim, ECONorthwest
SUBJECT:	Climate Funding Analysis for the City of Tualatin: Addendum

Introduction

The City of Tualatin approved a Climate Action Plan (CAP) in early 2024, and the City Council adopted in October 2024 a two-year work plan with actions that ensure the community moves closer to achieving its climate action goals. Two of those actions are (1) dedicating employee resources to manage and communicate implementation of the CAP and (2) evaluating potential funding sources to support CAP actions.

The City of Tualatin asked ECONorthwest to research potential fiscal tools for funding the City of Tualatin's implementation of the CAP. To that end, ECONorthwest delivered on February 13, 2025, a memorandum titled *Climate Funding Analysis for the City of Tualatin*. As documented in this memorandum, ECONorthwest identified two potential revenue sources to fund climate-related work in the short-term. These resources can help fund staffing costs needed to kickstart the management and communication of the CAP actions.

- ◆ 0.5% increase in right-of-way fees for electricity, telecommunication, and waste management services
- ◆ 5% increase in building permit fees

ECONorthwest also evaluated other options such as higher rates for the right-of-way fees, a gas tax, and an increase to Transportation Development Tax. ECONorthwest also looked at many other funding ideas including a utility fee round-up program, which would automatically enroll

the City's utility customers into a voluntary program that rounds up utility bills to the nearest dollar.

After presentation of the research and findings to the City Council February 24, 2025, the City staff requested a follow-up analysis based on some of the feedback from the City Council. This memorandum provides a summary of the follow-up analysis. It does not recommend specific actions. Rather, it presents the findings of financial analyses.



Right-of-Way Fees

How do the City of Tualatin's rates compare?

The City of Tualatin's right-of-way fees (sometimes called franchise fees) are between 3 percent and 5 percent, depending on the utility service type. These rates are much lower than in Milwaukie, where the rates are between 5 percent and 8 percent, or in Gresham, where the rates are between 5 percent and 10 percent.

Figure 1. Right-of-Way Fees in Tualatin and Nearby Cities

SERVICE TYPE	TUALATIN	MILWAUKIE	GRESHAM
Electric	3.5%	8.0%	10.0%
Natural Gas	5.0%	8.0%	10.0%
Telecommunication	5.0%	7.0% (communications)	7.0% (ORS 221.515)
		5.0% (cable systems)	5.0% (all other)
Solid Waste	3.0%	5.0%	10.0%

Source: City of Tualatin, City of Milwaukie, City of Gresham

How much revenue could the City raise by increasing the right-of-way fee rates?

The original memorandum estimated the revenue potential of changes to the City's right-of-way fee rates for 0.5 percentage points increase and 1.5 percentage points increase. The 0.5 percentage points increase did not consider natural gas, whereas the 1.5 percentage points increase included natural gas. It is possible the City of Tualatin may choose different rates of increases across utility service types. To assist with that decision-making process, ECONorthwest created the following estimates in Figure 2.



Figure 2. Estimated Revenue Potential of Increases to City of Tualatin's Right-of-Way Fee Rates

SERVICE TYPE	CURRENT RATE	FY 2024 REVENUE	+0.5%	+1.0%	+1.5%
Electric	3.5%	\$1,653,000	\$249,000	\$498,000	\$747,000
Natural Gas	5.0%	\$721,000	\$75,000	\$151,000	\$226,000
Telecommunication	5.0%	\$257,000	\$27,000	\$53,000	\$80,000
Solid Waste	3.0%	\$300,000	\$51,000	\$103,000	\$154,000

Source: EConorthwest

Note: Revenue increase estimates are based on expected revenues in Fiscal Year (FY) 2025.



Building Permit Fees

Updated estimate of Building Permit Fees

The City of Tualatin Community Development Department estimated that increasing the building permit fees on new development and major improvements by 5 percent would raise approximately \$66,000 per year. This is a revision to EConorthwest's estimate of \$60,000 from February 12, 2025, based on more updated and detailed data available to the City.



Utility Fee Round-Up

How might a “Share the Pennies” program work in Tualatin?

While the utility fee round-up program—Share the Pennies in Memphis, Tennessee—was interesting in several aspects, it was found to be impractical because the round-up feature would not be technically feasible within the existing operating system used for the City’s utility billing.

However, an alternative approach might be a small, fixed charge that is less than a dollar. New revenues from these “pennies” could be tracked and used for funding CAP actions. The analysis in Figure 3 shows 49 cents and 99 cents as examples.

Like the program in Memphis, this would be an opt-out program, meaning existing and new utility addresses would be automatically enrolled into the program with an option of removing oneself from the program. In Memphis, the share of customers who chose to opt out was about 13 percent.

Figure 3. Estimated Revenue Potential of a Tualatin Version of the Share the Pennies Program

SERVICE TYPE	49 CENTS	99 CENTS
87% Participation Rate (13% Opt-Out Rate)	\$64,000	\$130,000
50% Participation Rate (50% Opt-Out Rate)	\$37,000	\$75,000

Source: ECONorthwest

