

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Public Hearing: An Ordinance Concerning Charges for Stormwater and Parks Service and Amending Sections 6.411, 6.416, 6.421, 6.426, 6.431, 6.436, 6.600, and 6.605 of the Eugene Code, 1971

Meeting Date: January 22, 2013
Department: Public Works
www.eugene-or.gov

Agenda Item Number: 1
Staff Contact: Fred McVey
Contact Telephone Number: 541-682-5216

ISSUE STATEMENT

This public hearing is to consider an amendment to the current stormwater fee structure to allow a transition of the costs of operating and maintaining City parks, open space and natural areas from the general fund to the stormwater fund.

BACKGROUND

At the November 14, 2012, council work session, the City Manager presented information as background for the start of a financial strategy discussion, including discussion of a potential new revenue source. He described the City's efforts over the past several years to close a persistent structural gap in the budget. Despite several years of hard work and decisions to live within our means, the lingering impacts of the recession have widened the gap between revenues and expenses.

At the November 26 council work session, the council received an updated General Fund Six-Year Financial Forecast that showed a projected budget gap of \$6 million. The main reason for the increased gap was the significantly lower property tax revenue to be received this fiscal year and each year into the future, due to the depressed economy.

At the December 10 work session, the City Manager presented a four-part FY14 Plan of Action to address the budget gap. The Plan is included as Attachment B. The four parts of the Plan are:

1. Economic Prosperity – Grow the Property Tax Base
2. Cost Control – Lower Costs and Find Efficiencies with Minimal Service Impacts
3. Transition Funding for Parks Costs to Stormwater Fee
4. New City Service Fee

The council voted 6-1 to move forward on the path identified by the City Manager for the financial strategy.

The transition of funding for parks costs from the General Fund to the stormwater fee is proposed by the City Manager as a part of the Plan of Action in order to reduce General Fund expense and thereby maintain services and avoid further cutbacks affecting quality of life for the community. The transition will also provide a more stable ongoing funding source for parks maintenance. The stormwater fee, which currently funds a portion of the parks budget, would be modified by the proposed ordinance so that it is a fee for all stormwater and parks service. Parks service includes the cost of operating and maintaining parks, open space and natural areas owned, operated and maintained by the City.

The proposed ordinance provides the policy framework enabling transition of funding for parks costs from the General Fund to the stormwater fee by changing the stormwater fee to a fee for stormwater and parks service. The specific amount of the stormwater and parks service fee would be set, as it currently is for the stormwater fee, through the administrative ratemaking process specified in the Eugene Code and based on costs included in the budget. The stormwater component of the fee would continue to fund stormwater-related services and be calculated in the same manner that it currently is calculated.

The new flat monthly charge would be added to the stormwater fee to fund the parks component. This new charge would be used only to fund maintenance and operation of parks, open space and natural areas and would initially be set at a rate that would move the general fund cost of parks to the stormwater fund, but will not exceed \$10 per month. This new component of the stormwater fee would be included in the limited income assistance program currently available for stormwater fee payers.

RELATED CITY POLICIES

Council Goal of Fair, Stable and Adequate Funding.

COUNCIL OPTIONS

No formal action is sought at this public hearing. The council action is scheduled for January 28, 2013. If councilors have any comments, questions or suggested changes to the ordinance, it would be helpful if those could be identified prior to council action on January 28.

CITY MANAGER'S RECOMMENDATION

This item is scheduled for public hearing only. No recommendation is being made at this time.

SUGGESTED MOTION

No motion is proposed for the public hearing.

ATTACHMENTS

- A. Draft Ordinance
- B. A Plan of Action to Address the Fiscal Challenge: Closing a \$6 Million Deficit

FOR MORE INFORMATION

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ORDINANCE NO. _____

AN ORDINANCE CONCERNING CHARGES FOR STORMWATER AND PARKS SERVICE AND AMENDING SECTIONS 6.411, 6.416, 6.421, 6.426, 6.431, 6.436, 6.600, AND 6.605 OF THE EUGENE CODE, 1971.

The City Council of the City of Eugene finds as follows:

A. City parks can provide benefits to the city's stormwater program in a number of ways. Depending on the location of parkland, those benefits can include flood control, water quality treatment, and streambank stabilization.

B. Because of the stormwater benefits that some parks provide, the stormwater program and stormwater monthly fee have funded some of the costs of operating and maintaining the parks that provide those stormwater benefits. The remainder of the costs of operating and maintaining city parks has been provided by the city's general fund.

C. The city has experienced the effects of the steep economic decline that began in 2008. As a result, the city has received less revenue to support community services. In order to balance general fund expenses with revenues, the city council has reduced general fund expenses over the past four years by \$24 million. Even with the \$24 million reduction, in order to achieve a balanced budget for the upcoming fiscal year, the city needs to reduce general fund expenses by approximately \$6 million.

D. The city manager has proposed a Plan of Action to address the general fund shortfall. The plan has four components: (i) grow the property tax base to create jobs and ensure long-term growth in the city's revenues; (ii) continue to look for ways to lower costs and find efficiencies with minimal impact to services provided to the community; (iii) implement a new city service fee; and (iv) transition funding for parks costs to the stormwater fee.

E. Parks and Open Space services have been affected by the budget balancing actions over the past few years, with a portion of that reduction occurring through cuts in the operation and maintenance budget of the parks program.

F. One mechanism for reducing some of the general fund expense is to transition the rest of the costs of the city's parks and open space services out of the general fund. The stormwater fee, which currently funds a portion of the parks budget, can be modified so that it is a fee for all stormwater and parks service. In addition to reducing general fund expense, this action would also stabilize parks funding.

G. The city code should be modified to change the stormwater fee to a fee for stormwater and parks service. The stormwater component of the fee should continue to

be calculated in the same manner that it currently is calculated. In addition, a flat monthly charge should be included to fund the parks component. This new charge would be used only to fund maintenance and operation of existing and future parks, open space and natural areas and would initially be set at a rate that would move the general fund cost of parks to the stormwater fund, but will not exceed \$10 per month.

NOW, THEREFORE,

THE CITY OF EUGENE DOES ORDAIN AS FOLLOWS:

Section 1. Section 6.411 of the Eugene Code, 1971, is amended to provide as follows:

6.411 Ratemaking.

(1) Ratemaking procedure.

- (a) Investigation of proposed charges. Before proposing to impose or amend a charge for wastewater service, stormwater **and parks** service, or for regional wastewater treatment service, the city manager shall conduct an investigation of the revenue needs of the city in conducting these operations. Based on that investigation, and using the criteria set out in subsection 6.411(2), the city manager shall develop proposed charges for these services.
- (b) Notice. Prior to the imposition of any charge for wastewater service, stormwater **and parks** service or regional wastewater treatment service, the city manager shall give notice of the proposed rate or charge by:
 - 1. Making copies of the notice of intended charges available to the news media, to any person who has requested such notice, to the mayor and city councilors, and to interested governmental agencies (including the United States Environmental Protection Agency, the Department of Environmental Quality, the Metropolitan Wastewater Management Commission, and the Eugene Water & Electric Board).
 - 2. Publishing notice of intended charges on two separate occasions in a newspaper of general circulation within the city.
 - 3. Posting the notice at two locations at city hall.
- (c) Contents of notice. The notice of intended charges shall state the current and proposed charge, the results of the city manager's investigation, and the time, place and manner in which interested persons may present their views on the intended action.

- (d) Public hearing and opportunity to comment. No earlier than ten days after the first publication of notice of the intended charges, the city manager or the manager's designee shall conduct a public hearing on the proposed charge. The city manager shall give interested persons reasonable opportunity to submit data or views in writing on the proposed charge.
 - (e) Decision. The city manager, on the basis of his or her investigation and the comments of interested persons, shall approve, modify, or disallow the proposed charge by order. The order shall contain written findings and conclusions based on the standards set forth in subsection 6.411(2). The city manager shall mail copies of the decision to all persons who have submitted written or oral comments on the charge or who have requested a copy of the decision. The city manager shall also promptly deliver copies of the decision to the mayor and city councilors. Unless reviewed by the council, the decision is final on the eleventh day after it is rendered.
 - (f) Review of decision. At the request of the city manager or a majority of the members of the council, made within ten days of the city manager's decision, the decision, or any part thereof, shall be reviewed by the council. The council may conduct a public hearing on the proposed charge or review the order solely on the basis of the administrative record before the city manager. After this review, the council shall approve, modify or disallow the proposed charge by order. The order shall contain written findings and conclusions based on the standards set forth in subsection 6.411(2), and shall be mailed to all interested persons. The order is final on the date rendered.
- (2) Standards. Unless the city manager determines in writing that one or more of the following factors is irrelevant or inapplicable, the amount or rate of any charge for wastewater service, stormwater **and parks** service, or regional wastewater treatment service shall be based on the following:
- (a) The amount charged for such service in the past;
 - (b) For regional wastewater treatment services the recommendation, if any, of the Metropolitan Wastewater Management Commission, or any successor agency;
 - (c) Applicable federal or state regulations or conditions imposed as part of a federal or state grant or financial assistance agreement;
 - (d) The amounts charged or proposed to be charged by the city of Springfield and other providers of stormwater or wastewater services for comparable services;
 - (e) The revenue needed to pay for the direct and indirect expected costs of constructing, operating, maintaining, and replacing local and regional sewerage facilities based on the adopted budgets of the city of Eugene and the Metropolitan Wastewater Management

- Commission or its successor, the debt obligations of the city or other entities for construction of the facilities, adopted capital improvement plans of the council, the expected need for financial reserves and contingencies, and other sources of revenue;
- (f) For an individual stormwater service customer that discharges stormwater that requires extraordinary expense to the city, special surcharge rates based on the type, concentration, quantity, quality and frequency of the discharge[-];
 - (g) **For the parks component of the stormwater and parks service charge, the cost of operating and maintaining parks, open space and natural areas owned, operated or maintained by the city;**
 - (gh) Other relevant adopted policies of the council;
 - (hi) The terms of any applicable intergovernmental agreement relating to wastewater or stormwater services or regional wastewater treatment service;
 - (ij) The obtaining of equity between different classes of customers so that one class of customers does not pay more than its proportionate share of the expenses of providing sewer service; and
 - (jk) In addition to the forgoing considerations, in determining the amounts or rates to be charged for stormwater and wastewater service, the city manager shall consider the value of the use and occupancy of the city's right-of-way by the city stormwater system and city wastewater system.
- (3) If the city manager determines that one or more of the factors listed in subsection (2) of this section is irrelevant or inapplicable, the manager shall notify the mayor and council of that determination.
- (4) Limitations. The following limitations apply to charges set by the city manager for wastewater service, stormwater **and parks** service and regional wastewater treatment service:
- (a) Charges shall be imposed on a monthly basis. Each customer shall be notified, in at least one annual billing for the service, of the rate or the amount of the charge and the allocation of revenue expected from application of the charge.
 - (b) The charges for regional wastewater treatment service shall distinguish between the following classes of customers: single dwelling units, duplexes, and general wastewater customer use based on loading strengths.
 - (c) The charges for local wastewater service may, but need not, distinguish between classes of customers.
 - (d) The monthly charge for wastewater service and regional wastewater treatment service shall be a fixed fee together with a fee based on volume of use of water (partial flow-based rate).
 - (e) When the wastewater service rate is based on volume, the volume shall be calculated by actual measurement of the wastewater discharged (the costs of measurement to be borne by the customer) or by an estimate based on the wastewater customer's average monthly water consumption during the

- previous December through April period, or, if no water consumption figures are available for at least three full months during this period, the consumption of other similar customers (for residential customers) or actual monthly water consumption (for non-residential customers).
- (f) The charges for ***the stormwater component of the stormwater and parks*** service shall distinguish between the following classes of customers: small residential, medium residential and general stormwater customer, based upon the actual number of equivalent service units for each developed property or an average number of equivalent service units for a specific class. Special surcharges for stormwater service customers who receive extraordinary service shall be in addition to the standard charges for the customer's classification.
 - (g) ***The charges for the parks component of the stormwater and parks service shall consist of flat monthly fees.***

Section 2. Subsection (3) of Section 6.416 of the Eugene Code, 1971, is

amended to provide as follows:

6.416 **Charges - Adjustments.**

- (3) Any stormwater service ***component of the stormwater and parks service*** charge shall be reduced or eliminated, and the appropriate credit given, if the customer shows to the city engineer's satisfaction one or more of the following:
 - (a) the amount of permanent reduction to the runoff from the property;
 - (b) the amount of stormwater being discharged directly from the property into the Willamette or McKenzie Rivers or other body of water that does not drain directly or indirectly use the city stormwater system;
 - (c) the calculation of the number of ESUs assigned to the customer's property was in error;
 - (d) When the stormwater service charge has been surcharged because of the quality of the stormwater being discharged, the amount of permanent improvement in the water quality for the property due to mitigation measures implemented on the property to treat the stormwater before it is discharged into the city stormwater system.

Section 3. Sections 6.421, 6.426, 6.431, 6.436, 6.600, and 6.605 of the Eugene Code, 1971, are amended to provide as follows:

6.421 **Charges - Collection and Payment.** The Eugene Water & Electric Board is directed to collect the charges provided for in sections 6.401 through 6.610. Charges levied pursuant to sections 6.401 through 6.610 shall be determined

by the city manager or his/her designee and certified to the Eugene Water & Electric Board and any other water utility obligated to collect such charges. Revenue collected by the Eugene Water & Electric Board shall be paid monthly to the city and shall be deposited in the appropriate fund for wastewater operations or for stormwater **or parks** operations for use in providing sewer service including debt service, **parks operations and maintenance**, and such other services as the council may direct, except that revenue collected based on the criteria contained in subsection [(2)(j)] **(2)(k)** of section 6.411 of this code shall be deposited in the appropriate fund for road operations to be used for the reconstruction, repair, maintenance, operation, and preservation of city-owned roads and streets within the city, roads and streets which the city is contractually or legally obligated to operate and maintain, or roads and streets for which the city has accepted responsibility under intergovernmental agreement. Revenue collected based on the criteria contained in subsection [(2)(j)] **(2)(k)** of section 6.411 of this code may not be used for capacity-enhancing street improvements.

6.426 **Charges - Delinquencies.** The water utility providing service to the sewer service customer shall enforce the collection of rates and charges for [sewer] services **covered by sections 6.401 through 6.610 of this code**, and may do so by withholding delivery of water, steam or electricity to the delinquent customer, or by any other means of collection provided by the laws of the state or permitted by the charter and ordinances of the city. [Sewer service c]Charges **for services covered by sections 6.401 through 6.610 of this code** shall be collected monthly and if not paid on or before 10 days from and after the date the same shall be payable, the charges shall be deemed to be delinquent. Any charge due which shall not be paid when due may be recovered in an action at law by the city.

6.431 **Charges - Penalty for Nonpayment.** In the event a customer becomes delinquent in the payment of [sewer service] charges **for services covered by sections 6.401 through 6.610 of this code**, there shall be added to the charges a penalty in the amount of 10 percent of the delinquency and the total amount due shall bear interest at the rate established in section 2.022 of this Code from the date of the delinquency.

6.436 **Charges - Cost of Collection.** The water utility collecting the [sewer service] charges **for services covered by sections 6.401 through 6.610 of this code**, may withhold from payments received a reasonable fee for its actual costs of billing, collecting and remitting sewer service revenue. The fee shall be based on actual costs and established annually by agreement between the city manager and the water utility.

6.600 **Charges for Stormwater and Parks Service.**
(1) Except as the charges may be reduced under subsection 6.416(3), the obligation to pay stormwater **and parks** service charges arise when a

person responsible uses stormwater services. It is presumed that stormwater services are used whenever there is an improved premises.

- (2) Unless another person responsible has agreed in writing to pay and a copy of that writing is filed with the city, the person(s) paying water utility charges shall pay the stormwater **and parks** service charges. If there is no water service to the property or if water service is discontinued, the stormwater **and parks** service charges shall be paid by the person(s) having the right to possess the property. The stormwater **and parks** service charges shall be set by the city manager using the procedures, criteria and limitations set out in section 6.411 of this code. The city manager shall review and determine the monthly charges for stormwater **and parks** service on at least an annual basis.

6.605 **Initiation and Adjustment of Billing**. Using stormwater service or receiving final approval of improvements authorized by a plumbing permit, whichever first occurs, will automatically initiate appropriate billing for stormwater **and parks** services as established by section 6.600 of this code. If development of a parcel does not require a plumbing permit, the creation or modification of any impervious surface from which stormwater may be discharged into city stormwater system shall initiate the obligation to pay the **charges for** stormwater **and parks** service[-charges].

Section 4. The City Recorder, at the request of, or with the consent of the City Attorney, is authorized to administratively correct any reference errors contained herein, or in other provisions of the Eugene Code, 1971, to the provisions added, amended or repealed herein.

Passed by the City Council this

____ day of _____, 2013

Approved by the Mayor this

____ day of _____, 2013

City Recorder

Mayor

City of Eugene
A Plan of Action to Address the Fiscal Challenge:
Closing a \$6 Million Deficit

Current Situation

The City of Eugene has continued to experience the distressing effects of the steep economic decline that began in 2008. The business and property impacts experienced by the community result in reduced revenues to support City services. Other difficult decisions have led to reduced revenues, such as deciding to let the Library Local Option Levy expire. Over the past four years, the revenue reductions have been addressed through spending and personnel reductions with a focus on maintaining services to the community.

Over the next several years, the City of Eugene is anticipating an additional \$6 million budget shortfall. This projection, generated from the recently updated General Fund forecast, doubled the \$3 million gap that was projected in May 2012. Property taxes make up 66% of the General Fund and changes can significantly impact the ability of the City to fund services in the current economic environment. Because of the depressed economy:

- The City received significantly less income from current year property taxes than anticipated.
- City officials expect lower growth rates in future property taxes.

Without action to fill the General Fund gap in FY14, the impact of lower than expected revenues (income) over the forecast period will compound and the gap will likely grow in future years, resulting in significant service reductions that will negatively impact the quality of life for Eugene's residents.

Like other communities, the City of Eugene has faced deficits over the last several years. Nonetheless, by exercising sound stewardship of public resources, the City has achieved balanced budgets, lived within its means, and not raised taxes. At the same time, we have continued to invest in community goals and minimized impacts to community services. Strides made to address these fiscal challenges have included:

- Cutting \$24 million from the General Fund budget (about 20%) over the past four years.
- Eliminating more than 100 full-time positions.
- Maintaining prudent reserves to address unexpected impacts due to shifts in income and/or expenses that could not be anticipated in advance.

Many parts of the City's organization were affected by these actions. Two examples of services to the public that were affected by the actions are parks maintenance and library services. Parks maintenance services have been reduced, such as mowing of grass in the parks and maintenance of the Owen Rose

Garden. Library services were first affected by reducing the budget for books and materials; last year, branch library hours were also reduced, among other staff efficiencies and changes.

The financial strategy chart below provides our five-part framework for maintaining community services and achieving financial sustainability. The fifth component, creating new revenues, has been added for the first time in several years and will interact with the other four components to stabilize the budget over the next several years. However, given the reductions made over the last four years, closing the \$6 million gap solely by cutting spending further will negatively impact community services presently being provided to Eugene residents. Therefore, new revenues are being considered as one component of the overall framework to maintain those important services at current levels.



FY14 Budget – Proposed Plan of Action

This plan is based upon community feedback received over the last three years via Eugene Counts, community surveys and Envision Eugene. It is also guided in part by recent surveys of Eugene voters conducted in July and November 2012. The key finding in these scientific surveys is that the community is open to paying a modest fee to avoid further cutbacks in City services. The most recent survey results indicate that a clear majority (59%) of Eugene voters are likely to support such a fee in the \$10 per month range.

We will continue the approach we’ve institutionalized over the past four budget years to control costs and invest in community goals, while living within our means and being good financial stewards. The proposed plan of action is designed to fill the General Fund gap of \$6 million, strengthen economic prosperity, maintain community services at their present levels, and provide future financial stability to ensure continuation of those efforts in the long run.

1. Economic Prosperity – Grow the Property Tax Base

Ultimately, our property tax base must grow to ensure that long-term revenues are available to maintain services at their present levels. Additional economic prosperity actions will be implemented, guided by the Regional Economic Prosperity Plan, Envision Eugene and Council goals with ongoing focus on supporting the local business community, employment and wage growth. These actions will also encourage new and expanded business investment in existing vacant and underutilized industrial and commercial lands. However, growing the property tax base alone will not close the \$6 million gap in the near term. Nearly a billion dollars of new property value would be needed to achieve \$6 million of additional revenue, which is more than twice the value of Eugene's top ten taxpayers combined.

2. Cost Control – Continue Footprint Reductions

The City has successfully reduced its General Fund expenses in recent years. Employees will again be asked to find additional efficiencies, including continued and expanded community partnerships. This will be done in a way that has minimal impact on direct services to the community being provided by or through the City.

3. Transitioning Funding for Parks Costs to Stormwater Fee

Transitioning funding for the General Fund parks maintenance budget into the stormwater fund will free up General Fund monies to maintain other community services that are central to the quality of life for all Eugene residents and prevent further erosion of these services. It will also provide a more stable ongoing funding source for parks maintenance.

4. New City Service Fee

Unfortunately, the above actions will not close the entire budget gap. As a result, the City will need additional revenues to maintain the current level of services and move the organization forward on priority goals. As noted above, the survey has indicated the community's willingness to pay a modest monthly service fee in order to maintain their present quality of life. Based upon that information, the proposed FY 14 Plan of Action recommends that the remaining gap be closed by asking Eugene voters to authorize such a modest fee of up to \$10 per month.

The depressed economy has impacted our community and we know many people are still struggling. We have worked hard to maintain services we know are important to the quality of life in Eugene. However, we have reached a point in which we can no longer maintain the services we provide today without a modest fee increase. We are putting forth a plan for consideration that could meet the desire to have a healthy, vibrant place to live, balanced with sensitivity to the financial impact that these proposals would have on Eugene residents. We are confident that the conversation with the City Council and the community will provide valuable direction on these difficult choices.