

# McMinnville Sustainable Resources

McMinnville City Council  
Public Hearing and Meeting

April 26, 2022

# Sustainable Resources Actions

To meet Council goal to **generate new, sustainable resources** to support existing city services, address deferred maintenance and capital replacement needs and invest in improving targeted core city services, staff recommends approving the four resolutions before you

1. All municipal electric users be charged same payment in lieu of tax rate of 6%, removing 3% rate for two industrial customers
2. Establish a water franchise fee at 6%
3. Establish an electric franchise fee at 6%
4. Increase the wastewater franchise fee from 5% to 6%

# Why did Council act in November 2021 to direct staff to generate new sustainable resources?

- Sustainable resources are needed to maintain our “core services” of police, fire, library, parks and recreation, short- and long-term planning efforts, municipal court, among others
- MacTown 2032 includes new work that the community aspires to – new resources are needed to advance on those goals as well
- Deferred maintenance and capital equipment replacement investments have been limited, often removed from the annual workplan to balance the budget
- Commitment to build reserves of two months of operating expense over next four fiscal years

# The updated staff proposal based on guidance from 4/12/2022 meeting for new, sustainable resources

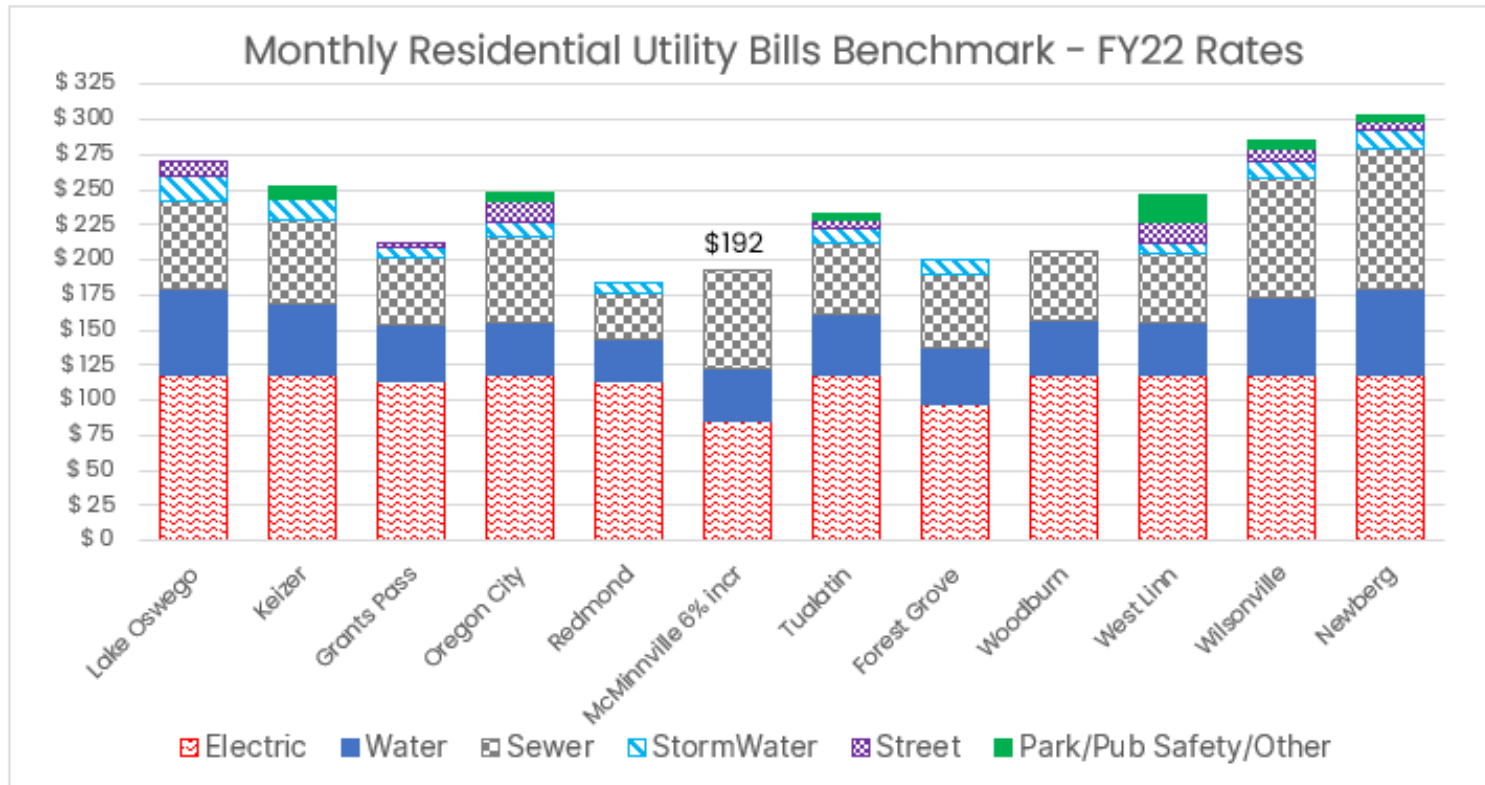
<b>Estimates for additional resources</b>		<b>New Option</b>	<b>Residential %</b>	<b>Commercial-Industrial %</b>
Payment in Lieu of Tax (PILOT)	481,000	all pay 6%	34%	66%
Electric Franchise Fee	2,543,000	6% franchise fee	34%	66%
Water Franchise Fee*	272,000	6% franchise net revenue	58%	42%
Wastewater Franchise Fee	105,000	6% franchise fee	77%	23%
<b>Total Additional Revenue</b>	<b>3,401,000</b>		<b>37%</b>	<b>63%</b>

\*Net amount noted, assumes \$200k annual water costs plus franchise percentage

# Comparing Franchise Fees, PILOT and Privilege tax

- Cities can impose charges for use of public rights-of-way (ROW)
  - Franchise fees are fees collected by the City for utilities' use of the ROW
  - McMinnville already charges franchise fees to private enterprises (Recology, NW Natural, telecoms) and public utilities (wastewater)
- Payment in Lieu of Tax (PILOT) is not a franchise fee
  - PILOTs compensate a local government for lost property tax revenue because the electric utility is owned by the City and, therefore, does not pay property tax like private electric utilities do (PGE, others)
- Privilege Tax is not a franchise fee
  - ORS 221.655 expressly treats privilege taxes as separate from franchise fees

# McMinnville Utility Cost Benchmarking



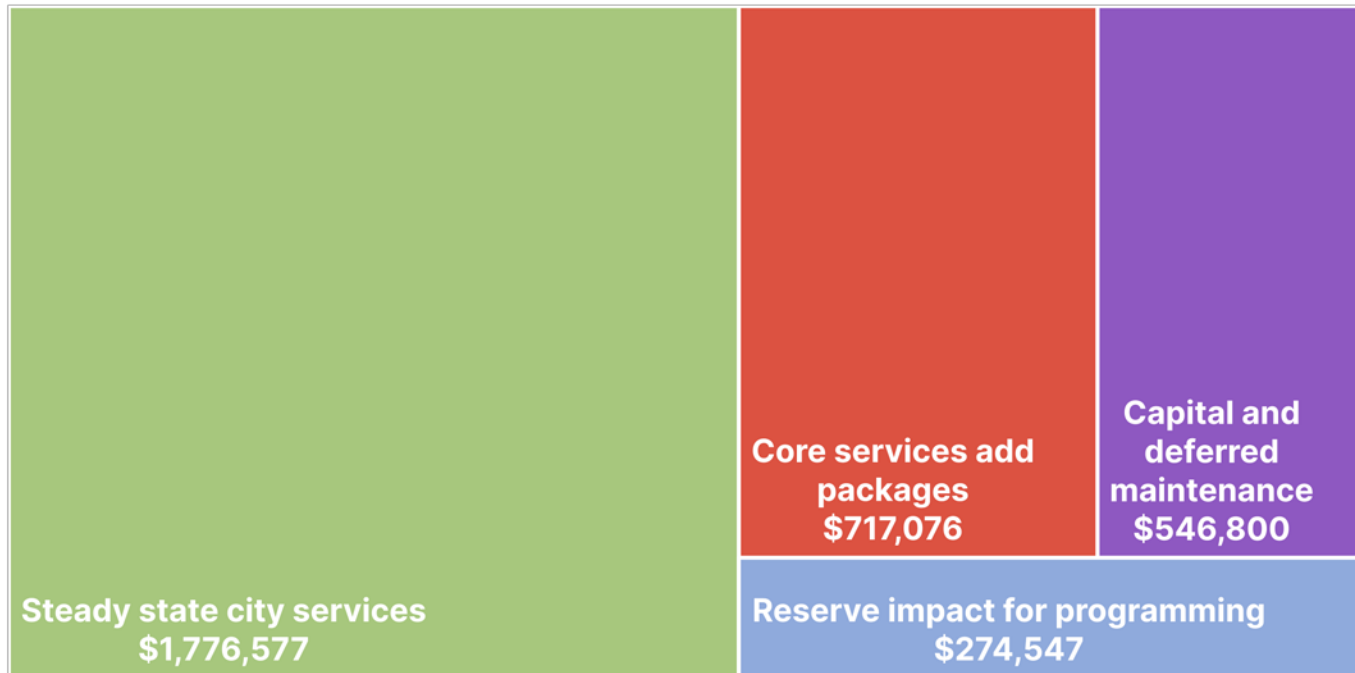
Based on 10 Ccfs water, 7.8 ccf sewer and 1100 kWh per month of FY21 rates

Residential customers remain 11<sup>th</sup> of 12 lowest utility bills (5 larger in population and 6 smaller) with proposal for 6% franchise fees on water, electric and sewer - \$7.59 increase

Presented 9/22/2021, updated 4/12/2022 proposal, updated 4/26/2022 proposal

# Sustainable Resources

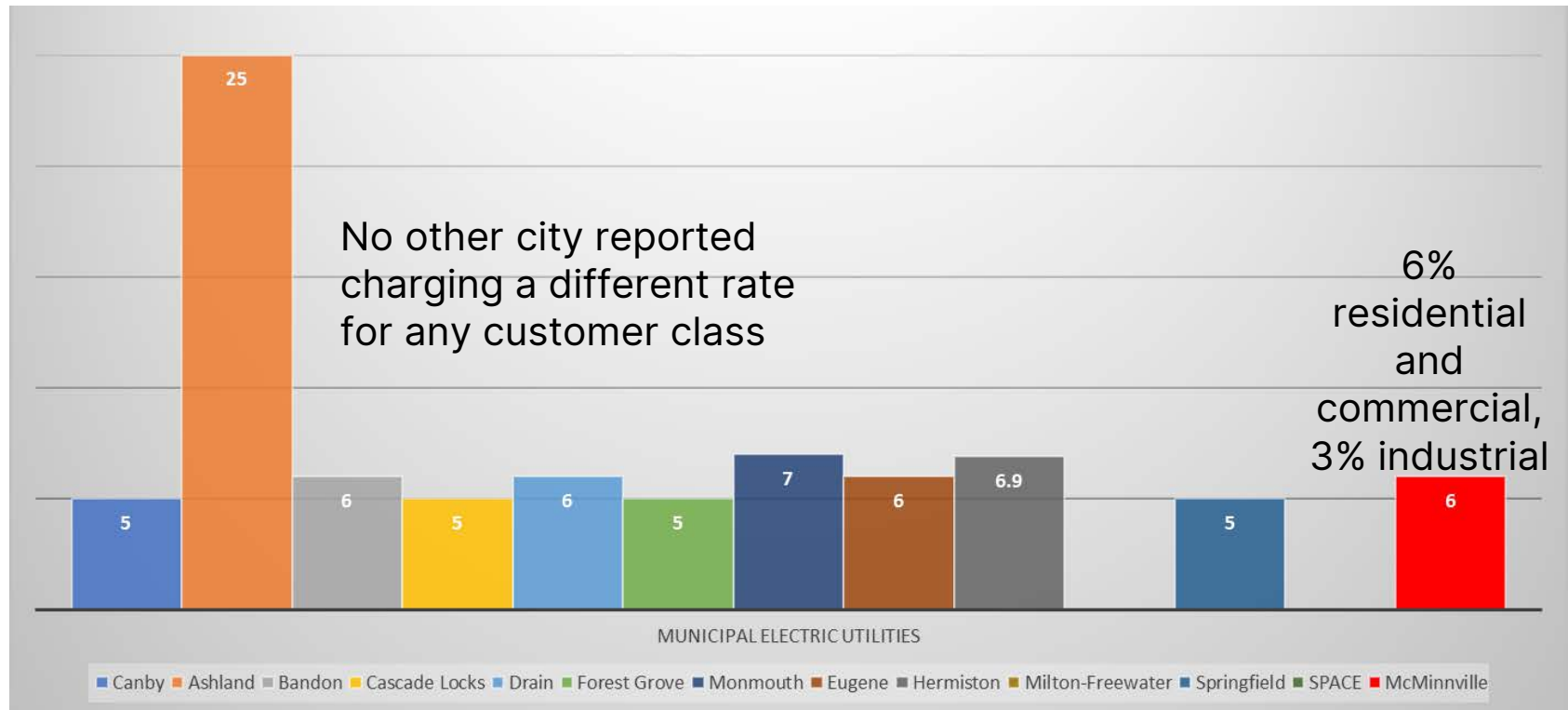
FY2022–23 Proposed budget includes \$3.315 million\*



\* Decision on allocation of additional \$86,000 from updated proposal will be made at Budget Committee meetings in mid-May

# Are Payments in Lieu of Tax (PILOT) charges above statutory 3% minimum unusual?

## 12 Municipal Owned Electric Utilities in Oregon



Presented 3/22/2022 and 4/12/2022



# Are water franchise fee charges unusual?

## Water franchise status for comparably sized cities

Lake Oswego	Keizer	Grants Pass	Oregon City	Redmond	McMinnville
No	5%	5%	6%	5%	No

Tualatin	Forest Grove	Woodburn	West Linn	Wilsonville	Newberg
No	5%	Yes	No	4%	No

Shown in order of 5 larger in population and 6 smaller

Presented 4/12/2022

# Are electric franchise fee charges unusual?

## Electric franchise status for comparably sized cities

Lake Oswego	Keizer	Grants Pass	Oregon City	Redmond	McMinnville
5%	5%	5%	5%	7%*	No

Tualatin	Forest Grove	Woodburn	West Linn	Wilsonville	Newberg
3.50%	No	5%	5.00%	5%	Yes

\* 10-15% of Redmond is served by an electric cooperative with a current contract at 5%

\*\* 3.5% Franchise + 1.5% privilege tax

Shown in order of 5 larger in population and 6 smaller

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Staff recommends  
approving the four  
resolutions before Council