Utility Rates, Fees, and SDCs

Council Finance Committee – April 7, 2025

Agenda

1. Water & BES: Utility Rates, Fees and Charges
2. PBOT: Rates & Fees
3. BES, Water, PBOT, Parks: SDCs
4. PP&D: Rates & Fees
5. BPS: Waste & Recycling Fees
6. Parks & Recreation

Breaks for questions at the end of each section

Rates, Fees and Charges

User Charges (ongoing)

- Water Rates
- Sewer/Stormwater Rates
- Solid Waste Rates
- Parking Meter Rates
- Right-of-Way User Fees
- Parks & Recreation Fees

Development/Permitting Fees (one-time)

- System Development Charges
- Plan Reviews, Inspections Fees
- Water Service/Mains Installation Charges
- BES Permits (discharge, industrial permits, etc.)
- Urban Forestry Permit Fees
- Non-Parks Use Permitting Fees
- Street Opening Permit Fees

Utility Rates, Fees, Charges Portland Water Bureau and Bureau of Environmental Services

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Business Services Manager
Bureau of Environmental Services

Cecelia Huynh
Finance & Support Services Group Director
Portland Water Bureau

Utilities

- Mission:
  - BES: Manage Portland's wastewater and stormwater infrastructure to project public health and the environment
  - Water: Serve excellent water every minute of every day.
  - 100-year business for today and future generations
- Enterprise Funds
  - Supported primarily by user rates, fees and charges
  - Minimal general fund
  - Funds are restricted by charter
- Highly regulated
  - Must comply with federal and state drinking water regulations
  - Manages environmental permits
- Infrastructure
  - Combined assets over $45 Billion
  - Assets over 100 years old
  - Most are buried assets

Funding Sources

- Rates, fees, and charges directly pay for the provisioning of Water, Stormwater, and Sewer services to our community, and pay for the debt of capital investments necessary to maintain those services for current and future generations.
- Required by City Code 21.40.010
  - Each year, City Council sets water rates for the coming fiscal year (the year starting in July and ending in June).
- Required by City Code 17.36.030
  - Charges, fees, and rates are established through the BES rate ordinance, adopted annually by the City Council.
- Required by City Financial Comprehensive Policy (FIN-2.06)
  - City services that benefit a specific user and whose quantity, quality, and/or number of units may be specified **should be paid for by fees and charges**.
- Revenues collected by Water and Sewer Funds have restricted use

Rate Development

- Rates are developed in alignment with industry standards and best practices
- Calculated annually
  - Budget is the foundation for rate calculation
  - Expenditures – Non-Rate Revenues = Rate Revenues
- Rates based on cost-of-service principles
  - Allocation of costs based on customer impact to the system

Utility Budget Guidance – 5% Reduced Rate of Increase

BES:

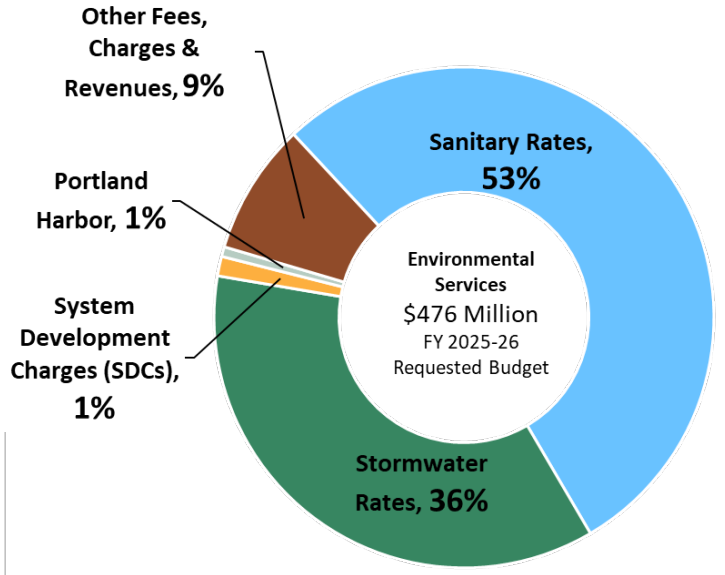
- 4.89% rate increase

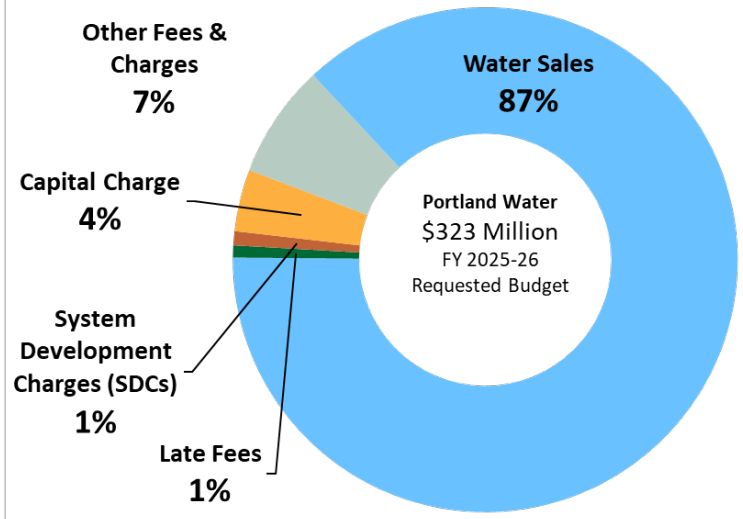
≈ 90% of revenues

Water:

- 7.7% rate increase

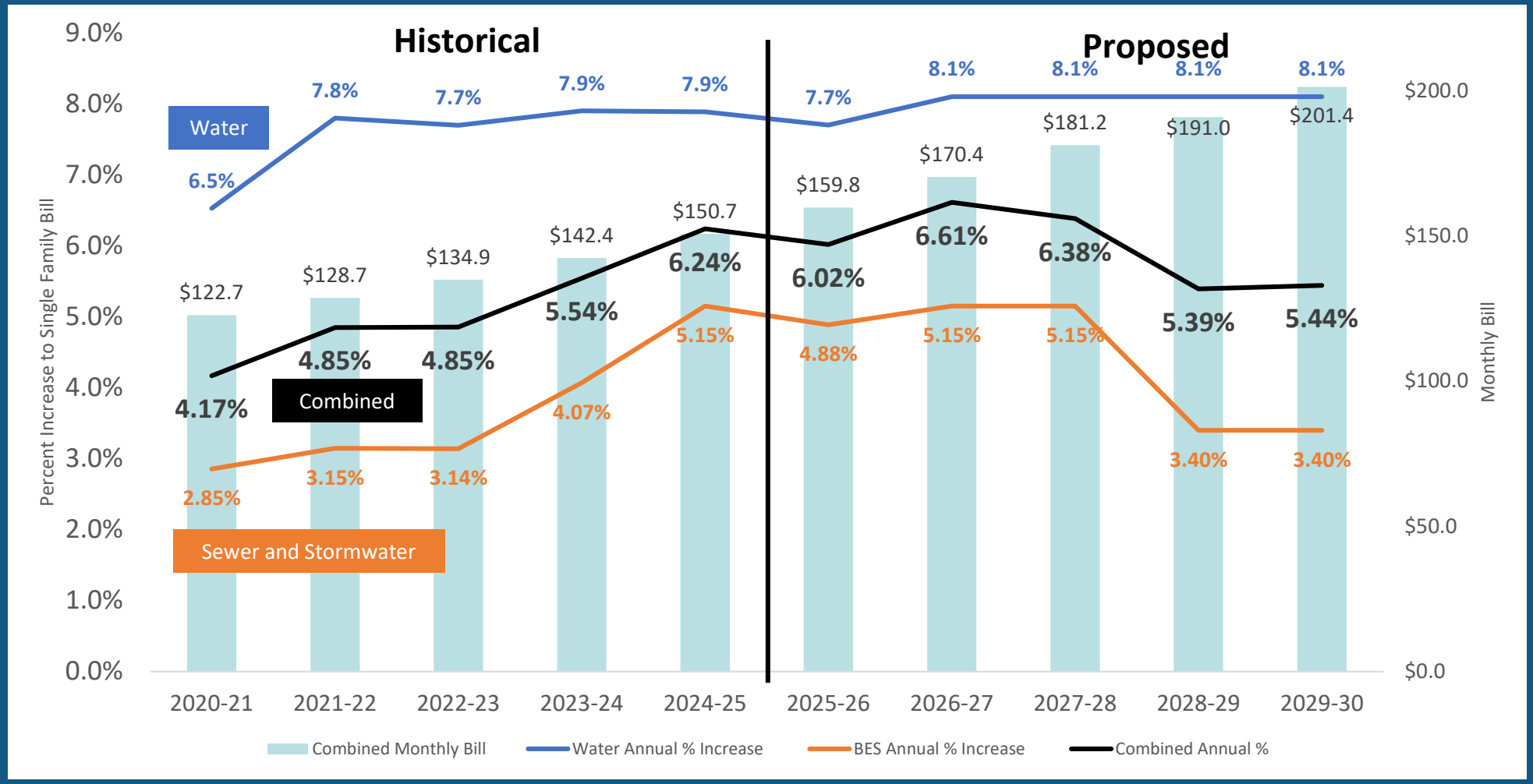
≈ 90% of revenues





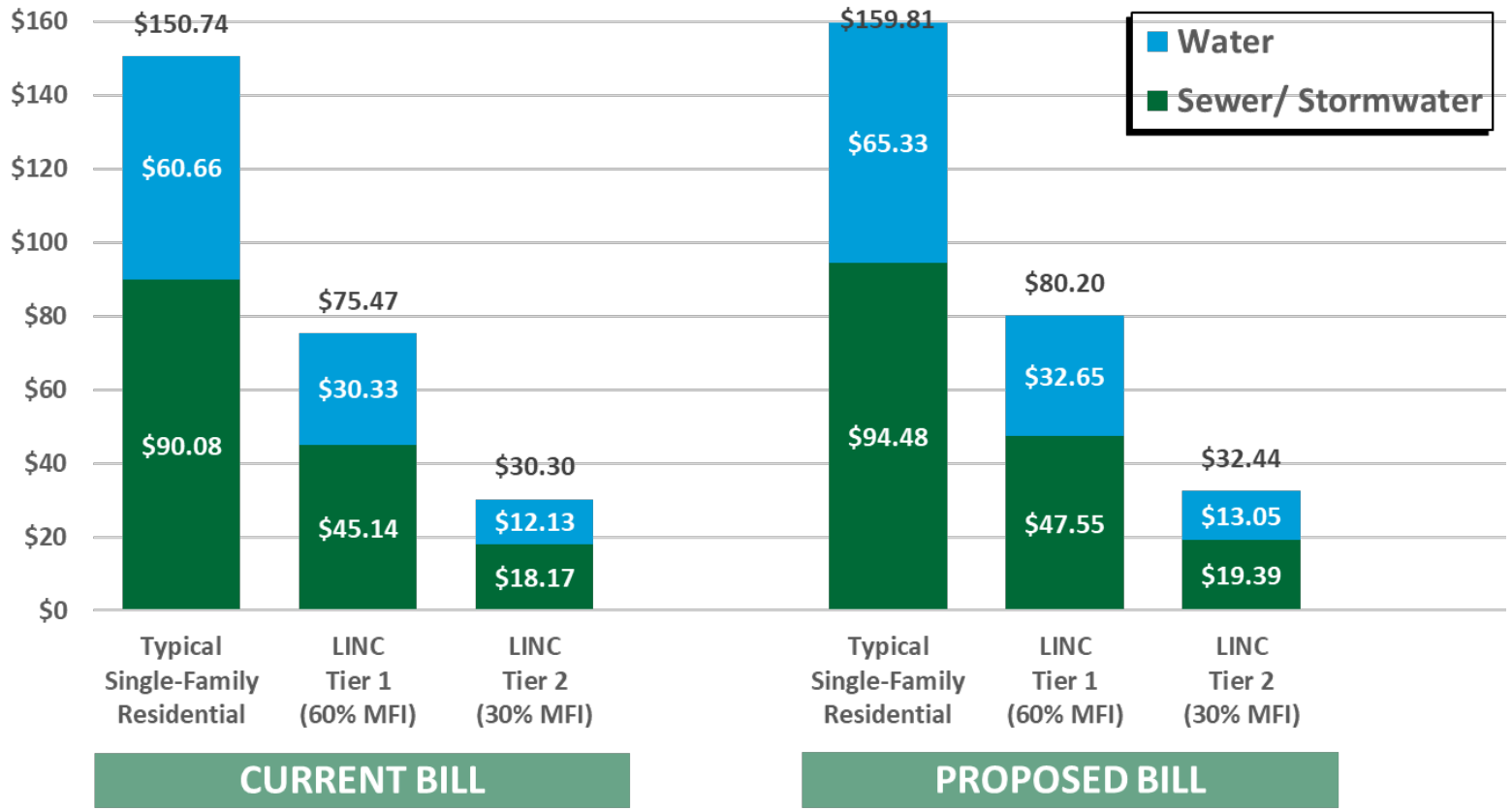
Water, sewer, stormwater: Combined rate projection

Annual rate of increases to typical single-family residential monthly bill



Typical Monthly Bill

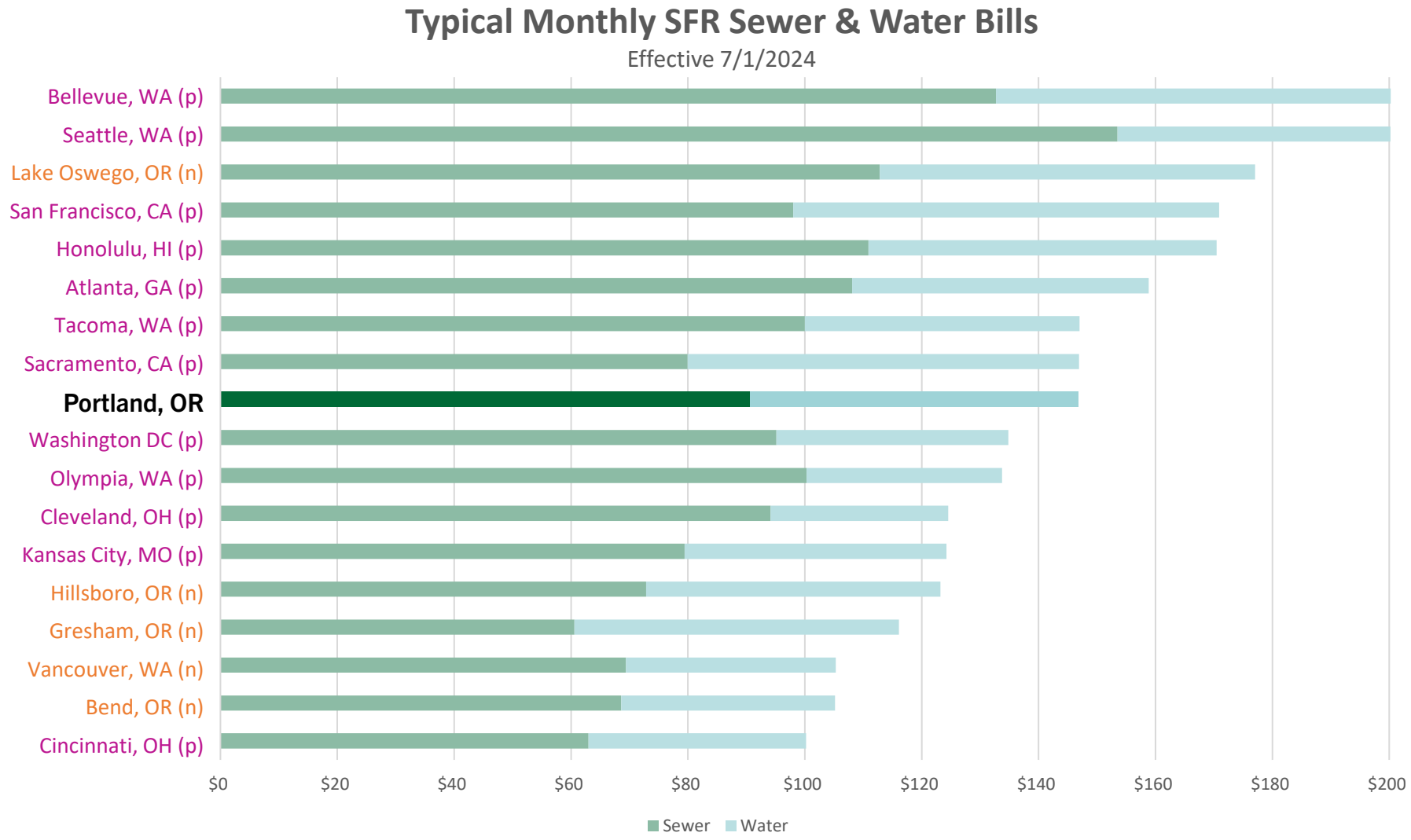
Single-Family Residential Water/Sewer/Stormwater



LINC = Low Income Discount
MFI = Median Family Income

Typical Single-Family Residential Monthly Water/Sewer/Stormwater Bill Increases by $9.07 (= 6.02%)

Comparison to peer or neighboring utilities

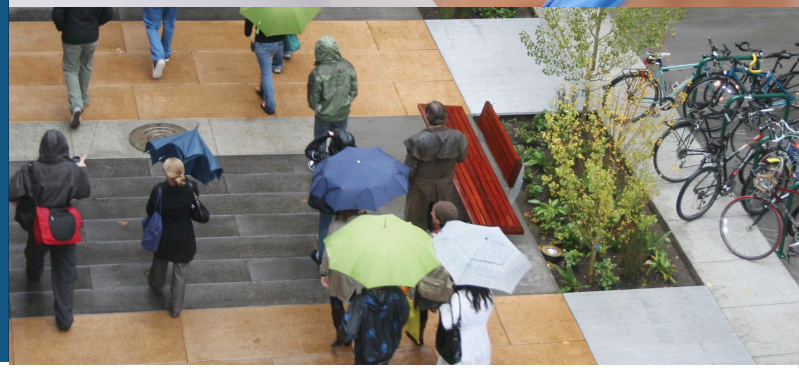


Peer – similar water and/or sewer-stormwater system to Portland

Neighbor – jurisdiction near Portland. No neighboring utilities operate similar systems to Portland.

Affordability

- Smart discounts utilizing machine learning algorithms to target percentage-based discounts
- Tier 1 & Tier 2 bill discounts for income-qualified single-family residential customers
- Regulated Affordable Multi-Family Assistance Program – known as RAMP
- Crisis assistance for income-qualified single-family residential customers
- Utility Safety Net Program
- Water Leak Repair Assistance for income-qualified single-family residential customers
- Payment plans
- Clean River Rewards



BES & Water - Development & Permitting Fees

- System Development Charges
- Plan Reviews, Inspections Fees
- Water Service/Mains Installation Charges
- BES Dewatering or Discharge Permits

- Propose 5% increase for FY 2025-26
- Calculated Fees are established based on Cost of Service (currently not at full cost recovery).

Impacts of Suppressing Increases

- Increasing System Risk – Suppressing rate reduces resources available for proactive system maintenance, increasing risk to system failure and increasing future repair costs.
- Reduced Service Levels – Most services are directly tied to regulatory permit compliance. Reducing service levels may increase risk of noncompliance: public health and safety risks, financial risk, legal risks.
- Customer Service Impacts – Reduced funding reduces effective customer service: billing inquiries, service start/stop, etc.
- Inequitable Financial Burden – those that have already bought into the system at full price, subsidize those that buy in at an artificially suppressed rate when SDCs are set at full rate of reimbursement.
- Avoidable Rate Increase Pressure – Suppressing needed increases to SDCs and fees forces customer rate revenue to subsidize, requiring water and sewer rates increases above forecasted levels.
- Increasing Capital Backlog – Fewer resources for critical capital investments: asset replacement and system expansion.
- Intergenerational Equity - Suppressing rate and fee increases today displaces the financial burdens onto future generation at high costs.
- Forecast Risk – Utility rate increases are modeled/forecasted over many decades, so increases are modest, predictable, and sufficient to meet the utilities' long-term resource needs. Suppressing requested increases introduces uncertain and increased likelihood of steep annual rate increases in the future.

Questions and Discussion

Portland Bureau of Transportation Rates & Fees Ordinance

Jeramy Patton
Deputy Director of Finance & Administration
Portland Bureau of Transportation

PBOT Fee Proposals

- PBOT's annual ordinance contains over 400 fees across 7 separate schedules
- Fees cover parking permits, temporary street and right-of-way use, street openings, Streetcar and Aerial Tram fares, towing, taxis and other ride share services, film/video permits and community events.
- 75% of the fees on the schedules are either held constant or increase by less than 5%.
- The remaining fees that increase by more than 5% include parking increases and those fees that aren't yet at full-cost recovery. These fees include:
    - Parking hourly rates for both on-street and garages
    - Some street opening permit fees (EV charging and stormwater facilities)
    - Sidewalk café and vending cart permits
    - Sunday Parkway fees for food and large business vendors
    - Tipping fees at Sunderland Recycling Yard (disposal of dirt and concrete)
    - Street signal timing verification fee
    - Site inspection for vertical infrastructure in the Right-of-Way

Parking Meter Rate Background

In 2018, PBOT began implementation of a Council-approved Parking Management Manual that translates policy into operational guidelines. These guidelines include using data to adjust parking rates, or what we refer to as Performance-Based Pricing.

An important element of performance-based pricing is setting a baseline meter rate and then adjusting parking rates in parking districts based on demand. Past surveys indicate that parking meter rates in Portland have not influenced Portlanders decision to park in meter districts. Based on those surveys, we have yet to hit our minimum baseline meter rate.

Parking is paid in 15-minute increments, requiring hourly rates to be evenly divisible by four. For consistency, and because meters cannot issue pennies for change, Portland aims to set all hourly rates in multiples of $0.20 per hour.

The adopted Parking Management Manual suggests the following:

1) Standard meter rates should be $1-$5 per hour
2) Event District rates should be $3-$10 per hour only during events

Parking Meter Rate Proposal

- Increases revenue by an expected $6 million per year
- A maximum annual adjustment of $0.60 (25%) in the downtown district is recommended to allow for a performance-based approach
- All other districts are proposed to be increased by 25% as well
- Parking district rates would be effective July 1, 2025
- Event parking rates would be effective January 1, 2026

District	FY 23-24 Rate	FY 24-25 Rate	FY 25-26 Proposal
Central Eastside	$1.40	$1.60	$2.00
Downtown	$2.20	$2.40	$3.00
Lloyd	$1.20	$1.40	$1.80
Marquam Hill	$1.80	$2.00	$2.60
Northwest	$1.80	$2.00	$2.60
Providence Park - Events	$5.00	$5.00	$7.00
Convention Center - Events	$3.00	$3.00	$5.00
Northwest - Events	$6.00	$6.00	$7.00

Questions and Discussion

3

System Development Charges
BES, Water, PBOT & Parks

System Development Charges 101

- State legislation – ORS 223.297 to 223.314
- One-time charges, paid at the time of development
- SDCs can be charged for water, wastewater, stormwater, transportation, and parks (Portland has all five)
- Two types of SDCs – reimbursement and improvement
- SDCs are for capital improvements only
  - Cannot be used for maintenance
  - Improvement fee cannot be used to correct existing deficiencies
- Calculation excludes non-ratepayer funded projects (grants, developer-funded, etc.)

Types of SDCs

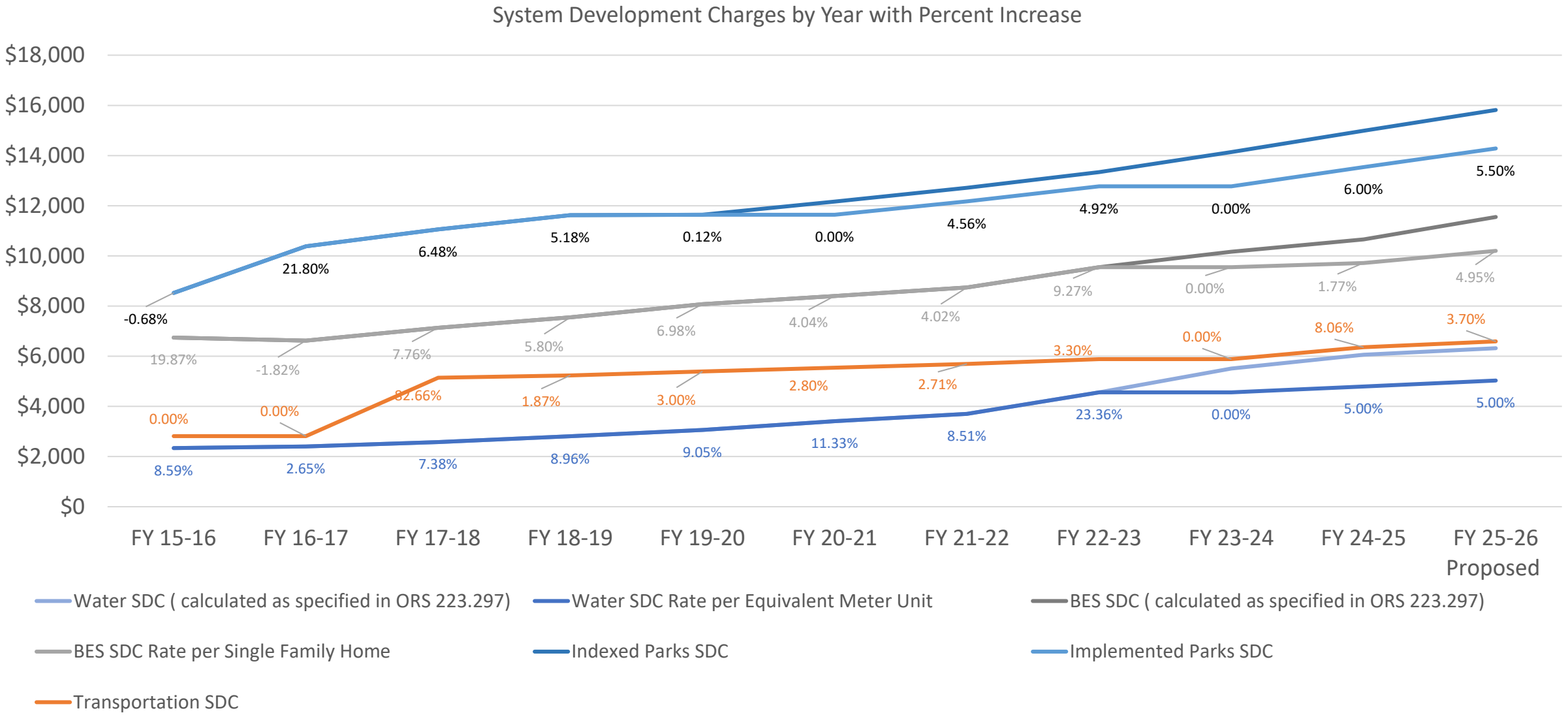
Reimbursement Based (backward looking)

- Water Bureau and Bureau of Environmental Services
- Calculated based on assets already built (or in progress) that have capacity to manage future development
- Can be used to fund any capital costs
- 1% of Water Revenues
- 2% of BES Revenues

Improvement Based (forward looking)

- Parks Bureau and Bureau of Transportation
- Calculated based on 10-year future project list
- PBOT discounts its project list by 50% during rate calculation
- Parks bases rate on 100% of project list
- Adjustments to rate are automatic per City Code but PBOT also includes the amounts in its fee ordinance for transparency
- Park SDCs indexed by Engineering News Record (ENR) Seattle Construction Cost Index
- PBOT SDCs indexed by ENR 20-City Construction Cost Index (Title 17 of City Code)

SDCs Historically & FY25-26 Increases



Waivers and Deferrals (Title 17.14)

Creates downward pressure on revenues due to subsidy

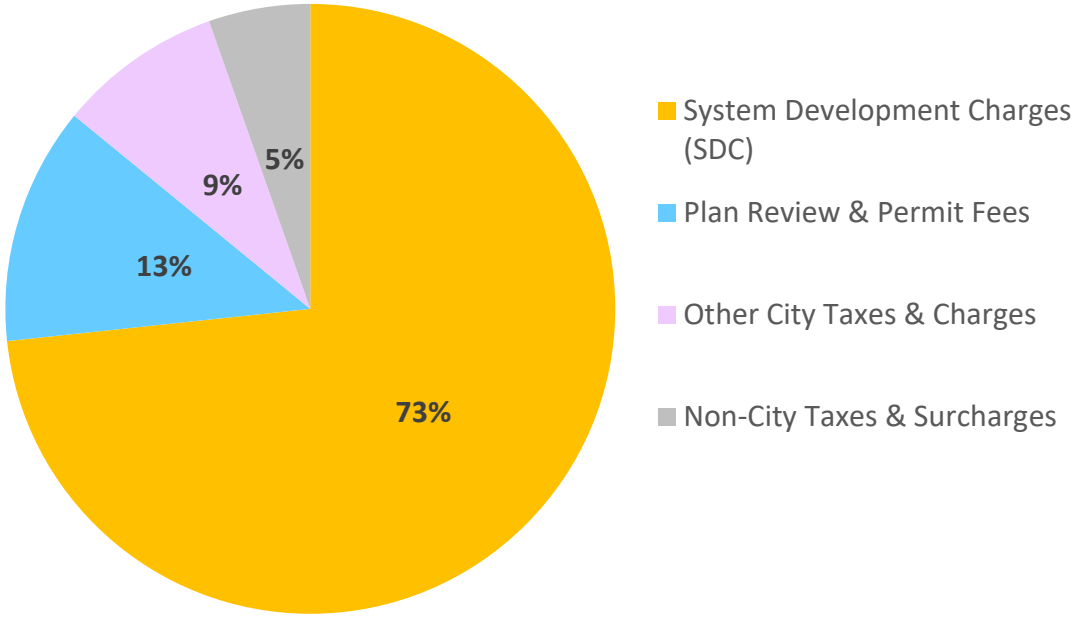
Includes:

- Deferred payments
  - Authorized for all developments until June 30, 2025
- Affordable Housing
- Accessory Dwelling Units
- Mass, outdoor, and short-term shelters
- Office-to-residential conversion projects
- Occupied Recreational Vehicles

SDCs and development fees

Example: New four-story, 50-unit apartment building, on-site bike parking, no vehicle parking, trash room in building

Valuation: $4,200,000

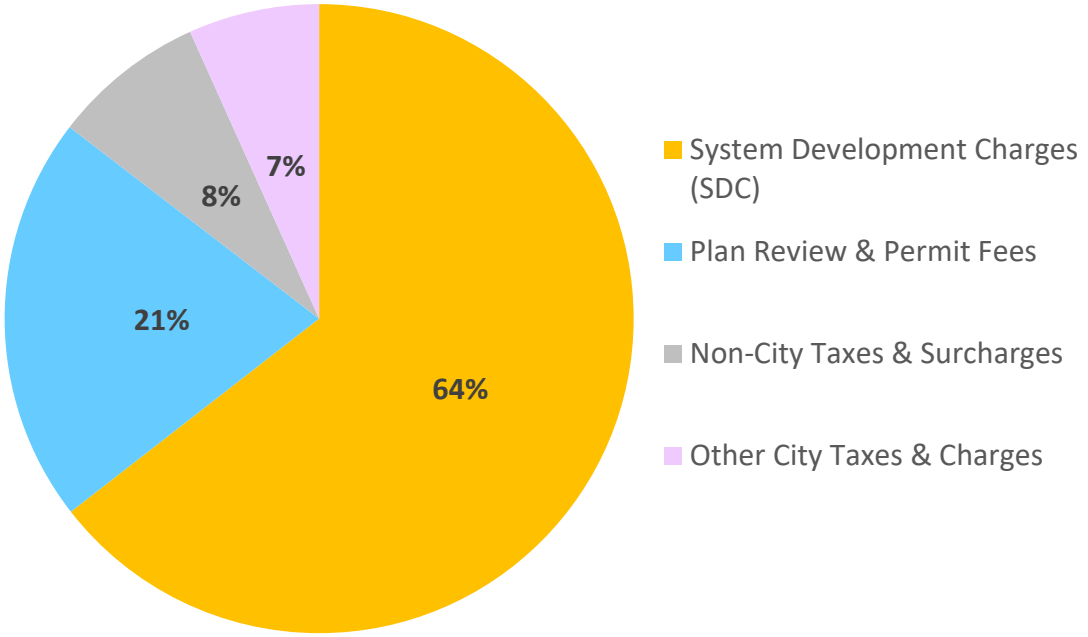


Category	Amount	Percentage
System Development Charges (SDC)	$ 886,328	73%
Plan Review & Permit Fees	$ 152,374	13%
Other City Taxes & Charges	$ 105,149	9%
Non-City Taxes & Surcharges	$ 65,108	5%
Total	**$ 1,208,959**	**100%**

SDCs and development fees

Example: New Single Family Residence 1 - 2,427 sq. ft. 2-story with 306 sq. ft. 1 Car Garage, Flat Lot, Complex

Valuation: $274,649



Category		Amount	Percentage
System Development Charges (SDC)	$	36,310	64%
Plan Review & Permit Fees	$	11,793	21%
Non-City Taxes & Surcharges	$	4,422	8%
Other City Taxes & Charges	$	3,789	7%
Total	**$**	**56,313**	**100%**

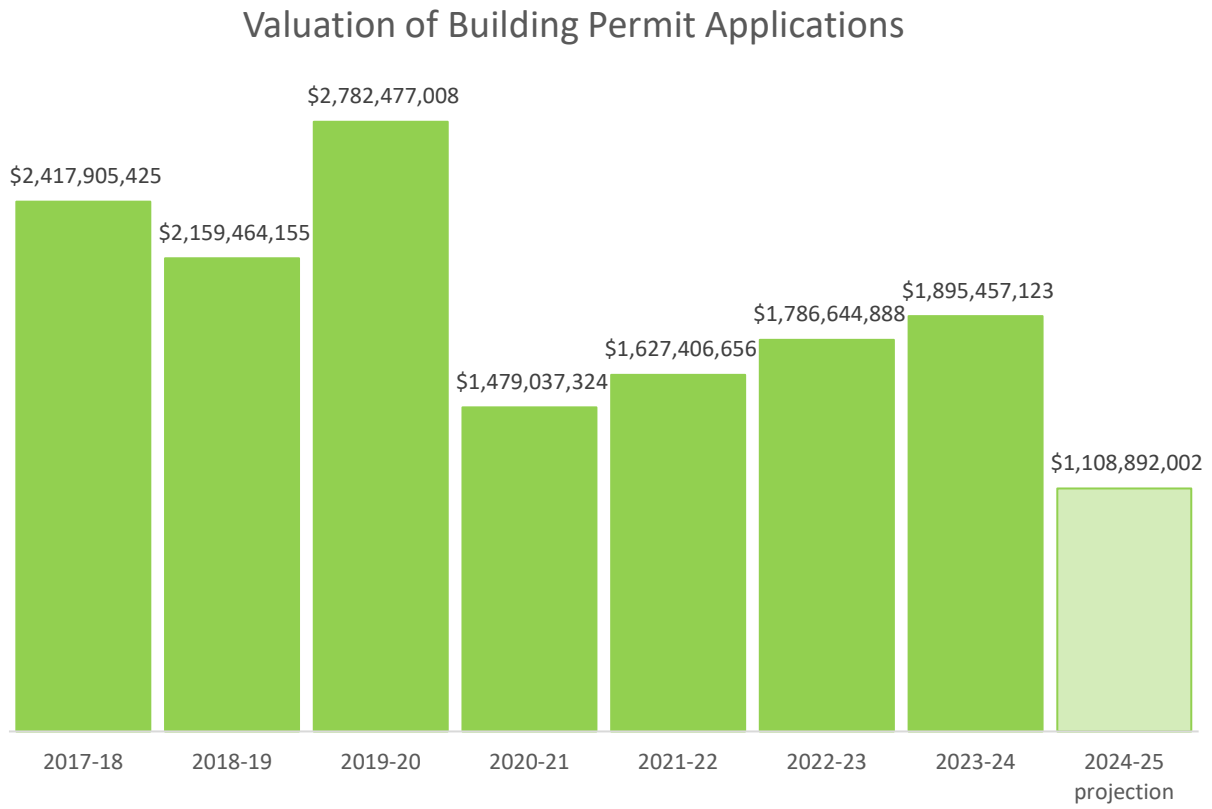
Questions and Discussion

Portland Permitting & Development Rates & Fees

David Kuhnhausen
Interim Director
Portland Permitting & Development

PP&D Funding and Connection to the Economy

- 98% of ongoing PP&D funding is from fee revenue/charges for service
- Fluctuations in the economy have a pronounced impact on PP&D revenue streams
- Macroeconomic trends, such as interest rate levels, impact demand for construction
- Lower development corresponds to lower fee revenue
- PP&D staffing levels are extremely low. Further declines in staffing will have large impacts of service levels



- Balance the need to maintain service levels with the maintenance of acceptable financial reserves

Portland's Development Outlook

- PP&D's Financial Advisory Committee convenes to provide input on the outlook for construction in Portland.
- Forecast projects an extended lull in construction permit activity due to:
  - High interest rates
  - Low investor confidence
  - Declining property values in the downtown core
  - Negative perception of Portland as a place to build
  - Extreme volatility in financial markets
- Even after fee increases, revenue is projected to be well below the cost of providing services.

Programs supported by PP&D fees and charges for services

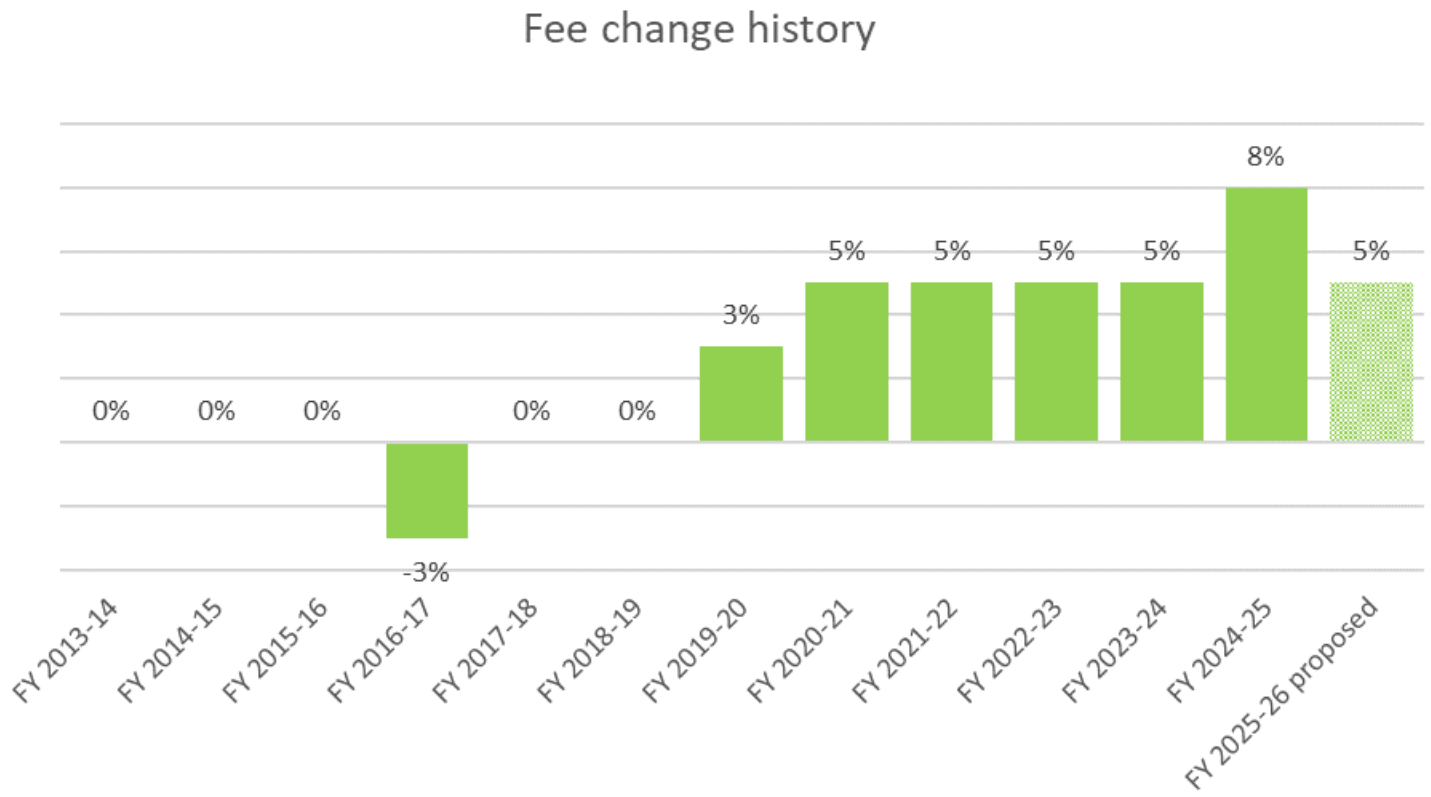
- **Fees pay for personnel to deliver services:**
  - Early assistance meetings
  - Land use zoning case reviews
  - Processing of permit applications
  - Permit plan reviews
  - Public Infrastructure development review
  - Building Inspections
  - Enforcement of property maintenance codes
  - Liquor and cannabis licensing
  - Responding to customer inquiries
- **These codes ensure the life safety and structural stability of buildings and livability in Portland.**
- **Customers include individual home/property owners, contractors, builders and developers, and other members of the public**

What contributes to the cost increases?

- **Costs increase annually, due to:**
  - Mandatory PERS contribution increases
  - Increases associated with labor agreements
  - Pay changes for staff (COLA, merit and step pay changes)
  - Health & Benefits inflation
  - Materials and services inflation
- **The increasingly complex regulatory environment is costly**
  - As regulations grow more complex, staff need to spend more time with each customer explaining layers of complicated regulations.
  - Staff also need to spend more time reviewing each permit, to verify compliance with a growing number of regulations.

History of PP&D fee changes

PP&D held fees constant for several years during the construction boom, while costs continued to increase



PP&D Fee Change Proposal

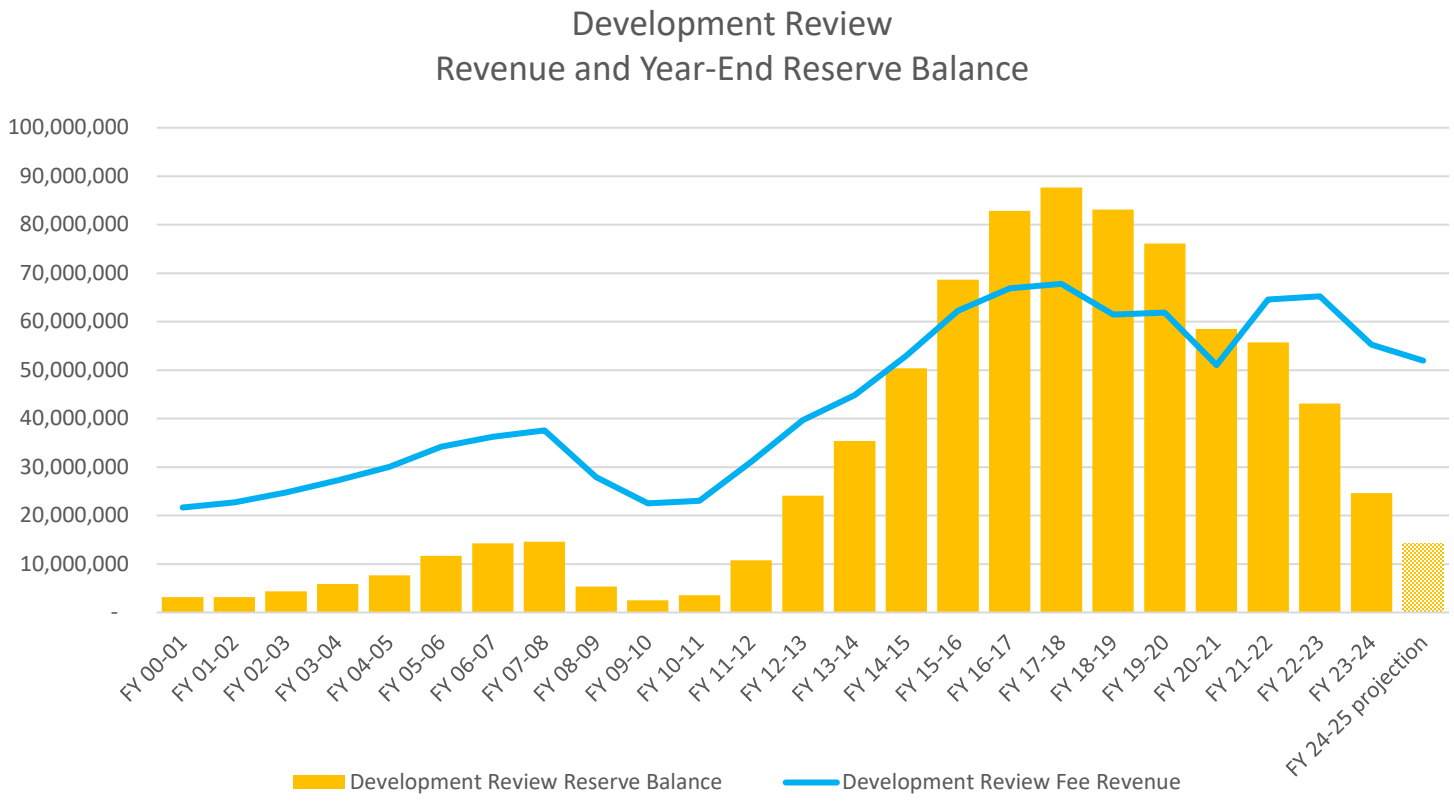
- Most PP&D fees proposed to increase by 5%.
- Incorporate Public Infrastructure Fees under PP&D schedules
- Minor increase in cost of obtaining a permit
  - Example: New Single Family Residence – valuation $274,769
  - Current PP&D Fees: $10,167
  - Proposed PP&D Fees: $10,688
  - Total increase due to PP&D fees: $521
- Low-income applicants have the ability to apply for fee waivers.
  - PP&D wants to keep the cost of obtaining a permit within reach of applicants, because it is important component in ensuring building safety.

Impacts of no fee increases

Portland Permitting & Development receives most of its revenue from permitting fees and has been relying on reserves in recent years due to declined development activity post-pandemic

Without intervention, PP&D reserves will be depleted, and the bureau will need to take extreme measures to reduce expenditures.

- Unable to continue operations
- Layoffs that will result in irreversibl negative impacts on the bureau an economic recovery in Portland are
- Extreme difficulty hiring and retaining employees when and if construction activity recovers
- Slows permitting turnaround timelines



Every 1% fee increase avoids the layoff of three staff.

Questions and Discussion

Bureau of Planning & Sustainability
Waste & Recycling Fees

Eric Engstrom
Director
BPS

Eben Polk
Solid Waste & Recycling Manager
BPS

Quintin Bauer
Waste Operations Manager
BPS

Residential Waste and Recycling Fees Background

We manage the residential collection system to:

- Deliver financially sustainable collection services
- Support recycling, waste reduction and good jobs
- Reduce environmental and climate footprint
- Maintain a reliable system

Under Portland's franchise system:

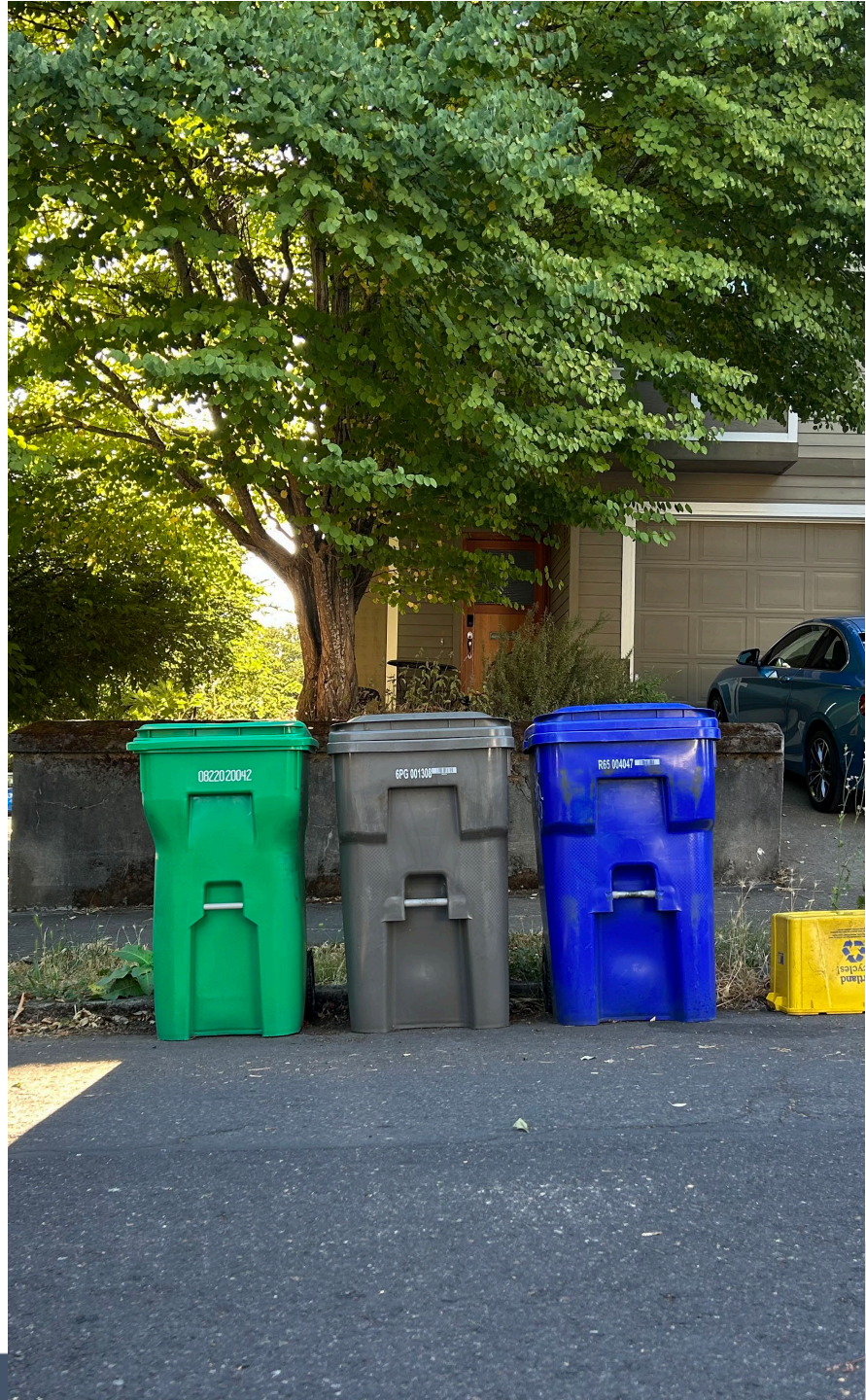
- City sets rates.
- City regulates garbage companies.
- Garbage companies serve designated areas in the city and compete indirectly on cost.

Residential Collection System

- 155,000 households served.
- 9 garbage & recycling companies.
- 90% of customers are satisfied with service.
- 16 tons of batteries recycled in first 6 months of new battery collection program

Download **garbage day reminder app:** portland.gov/GarbageDay

Request a recycling and compost guide: portland.gov/Recycling-Guide



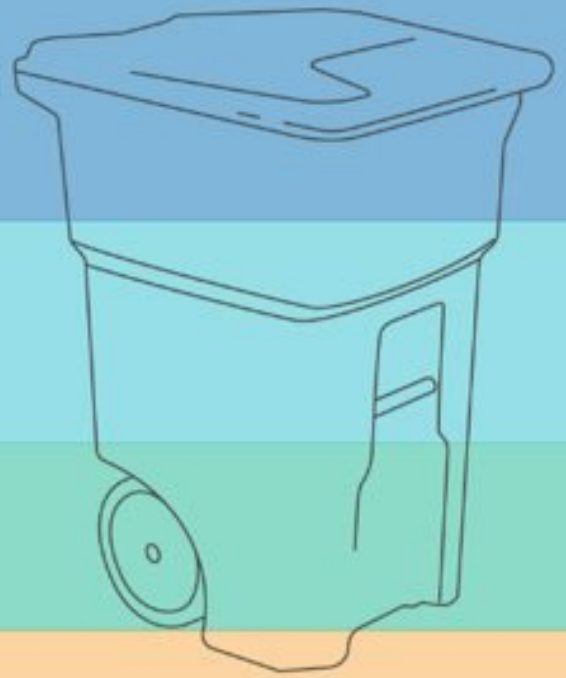
Annual residential rate review process

The City's Residential Solid Waste Franchise Agreement legally mandates an annual rate review and that rates must cover:

1. Overall cost of service
2. Target operating margin of 9.5%
3. Franchise fee of 8%

Jan.	March	Early April	Late April	May	30 day period	July 1	Jul-Aug
Haulers Initiate Reports	City receives Detailed Cost Reports Contracted Certified Public Accountant Vets Reports	Economist prepares rate model using reported costs	City vets Preliminary Rate findings	Presentations and City Council meetings and adoption *May 8th: Metro Council Adopts Disposal Fees		New rates effective	Customer notifications

What residential customer bills pay for?



39% - Collect
garbage, recycling & compost

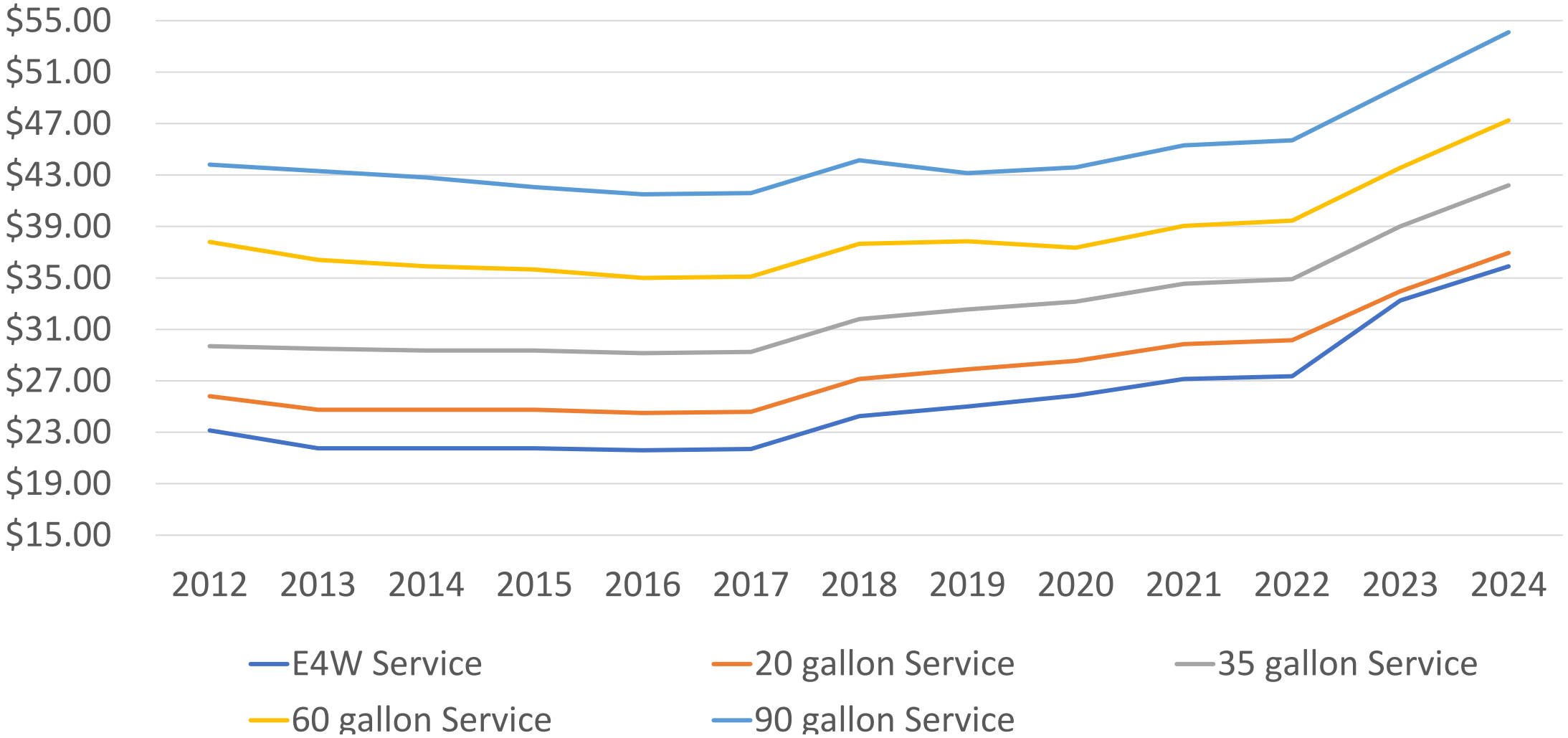
25% - Dispose / process
garbage, recycling & compost

19% - Garbage companies' admin
Customer service, insurance, maintenance

9.5% - Garbage co. operating margin (systemwide cap)

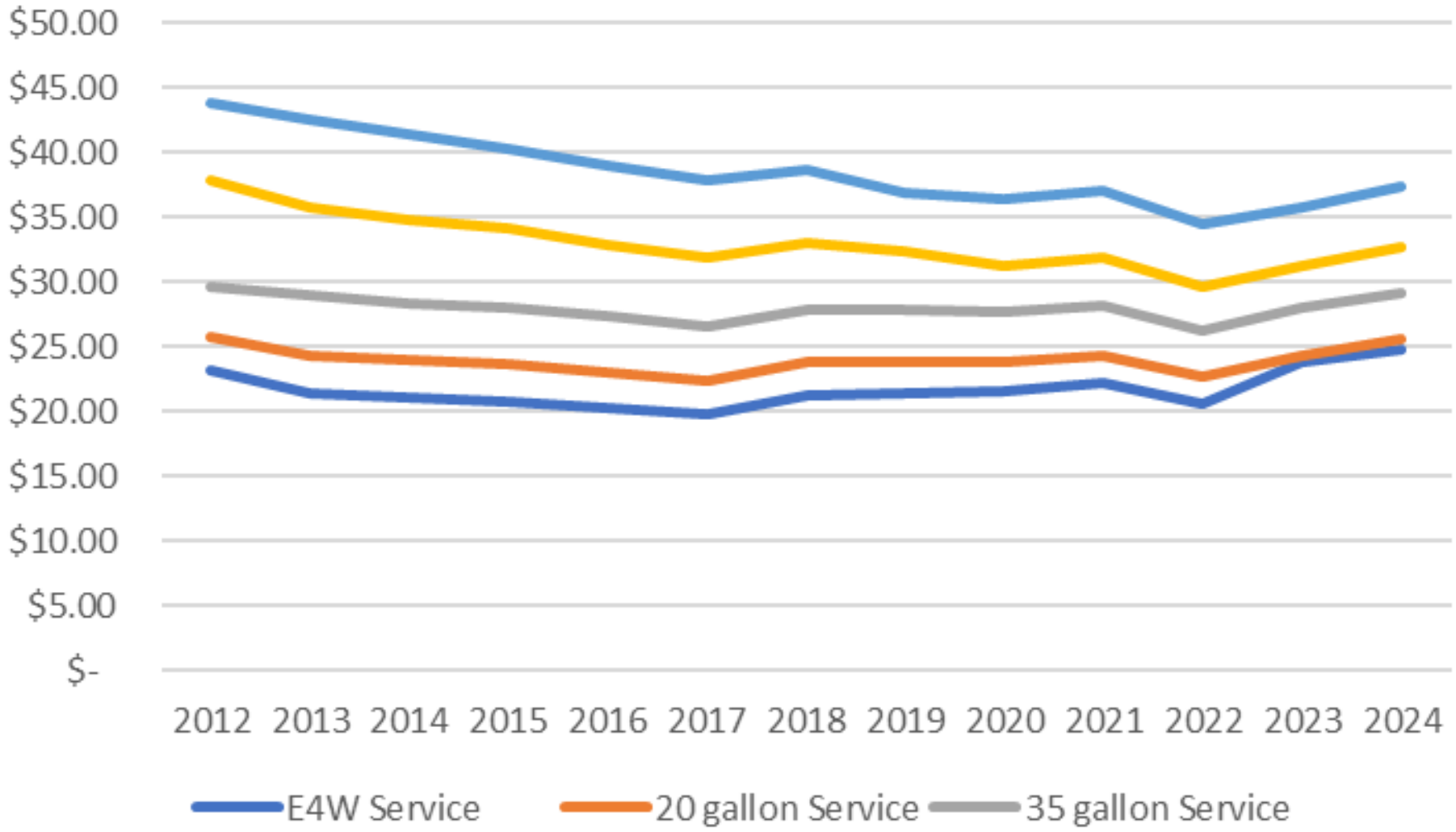
8% - City of Portland admin

Residential rates over time

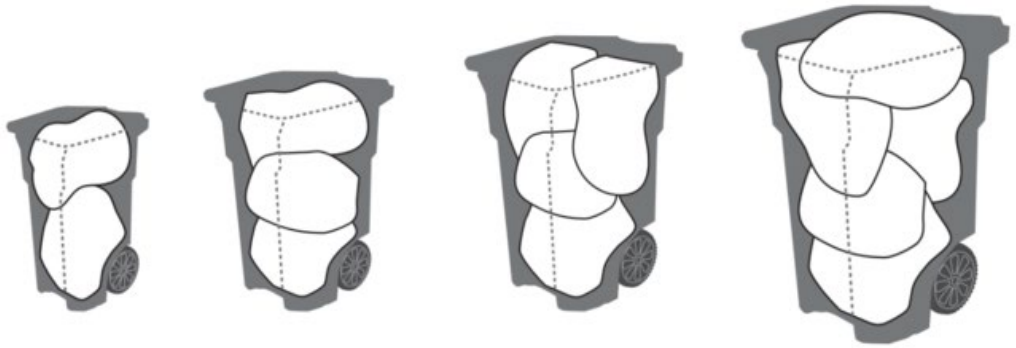


Residential rates adjusted for inflation

*Rates shown in 2012 dollars



Current monthly rates



Primary Garbage Service Levels	Rate FY24-25	% Households Served*
35-Gallon - Every 4 Weeks	$35.70	4%
20-Gallon	$36.70	5%
35-Gallon	$42.00	41%
60-Gallon	$47.00	34%
90-Gallon	$53.85	7%

Key factors for the 2025 review

Increasing costs

- Disposal fees (Metro disposal fee, regional system fee, and waste excise tax)
- Wages

Decreasing costs

- Glass Incentives
- Recycling Processing Costs
- Insurance

Bulky Waste Rate Sheet

Proposed ordinance includes a new addition to the rate sheet, a set rate for bulky waste collections.

Low-Income Assistance Program

Proposed ordinance provides City Administrator authority to implement a low-income assistance program for residential solid waste customers.

Commercial Tonnage Fee Increase

The commercial tonnage fee supports services and programs related to or driven by commercial sector including contributions to Portland's Impact Reduction Program ($1.1M in FY 24-25 and $2.1M proposed in FY 25-26) and expansion of the public trash program.

As reflected in our 5-year plan, BPS proposes a $1.00 increase to the Commercial Tonnage Fee, from $16.60 to $17.60 per ton.

This will increase revenue by an estimated $304,000.

Questions and Discussion

Portland Parks & Recreation Related Fees

Claudio Campuzano
Finance, Property & Technology Manager
Vibrant Communities Support Services

Portland Parks & Recreation Fees and Charges

- PP&R general operations are funded in part by external revenue - $17.1 million (10.3%) of the total General Fund expense budget of $166.7 million.
- Nearly all rates have some level of General Fund and/or Parks Levy subsidy per PRK-3.06:

  > "Given the community benefits of PP&R services and programs, the public interest is furthered in ensuring access for groups experiencing barriers to participation. In response to cost being a barrier to participation, the 2020 Parks Local Option Levy committed, in part, to removing financial barriers for low-income households and allowing an equity-focused delivery of community events and programs. Parks Levy resources allow PP&R to focus on delivering programs and services without needing high-cost recovery to provide services."

- Most increases proposed at with inflationary factor of 2.4%
- Recreation fees collected are impacted by Access Discount (i.e. "pay-what-you-can").

Portland Parks & Recreation Fees and Charges

General Fund

- Community Centers, Arts Centers, and Outdoor Pools: $9.87 million
- Parks Permitting (picnic shelters, weddings, sports fields, events, etc.): $3.11 million
- Leases and Other Real Estate Charges: $1.33 million
- Parking: $600K
- Non-Parks Use Permits: $500K
- Urban Forestry Non-Development permitting: $460K
- Community Gardens: $150K
- Environmental Education: $60K
- Other: $1.2 million

Other Funds:

- Golf: $16.8 million
- Portland International Raceway: $2.2 million
- Portland Parks Memorial Fund (including Washington Park Parking and Tree Planting and Preservation): $6.1 million

Parks Urban Forestry Fees – Overview of Changes

- Only fees in non-development situations such as Tree Removal and Replanting permits and street tree pruning permits.
- Nearly all non-development permit fees are recommended to be reduced to no charge in order to reduce hardship and reduce barriers to compliance
- Replanting waiver application fee reduced from $100 to $50
- Administrative Review, Violation Review and Appeal Application fee eliminated
- Ornamental Lighting application fee eliminated
- Fee-in-lieu of preservation and planting + 5%
- Programmatic Permit Application +10%

Questions and Discussion