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191537

Ordinance

Replace Sewer User Charges Code to streamline and align with rate study recommendations (replace Code Chapter 17.36)

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. The Bureau of Environmental Services (BES) is authorized to collect charges related to use and connection to the public sewer and drainage system.
2. BES conducted a rate study, or cost-of-service analysis, to align rates more closely with the cost of providing service.
3. The rate study recommendations outline a series of adjustments to rates, fees, system development charges, and the Clean River Rewards program.
4. Many of the existing BES provisions in City Code Chapter 17.36 need to be rewritten to implement rate study recommendations.
5. Additional areas of language in City Code Chapter 17.36 require updating to align with existing practices, improve language clarity, and remove redundancy between the Code and associated administrative rules.

NOW, THEREFORE, the Council directs:

- A. The Director of BES is authorized to implement the rate study's recommendations and to present rates for FY 2024-25 in alignment with those recommendations and the changes proposed in this ordinance.
- B. City Code Chapter 17.36 is replaced as shown in Exhibit A effective July 1, 2024.
- C. The Director of BES is authorized to make corresponding changes to administrative rules and to bring other affected Code chapters to Council to reflect those changes prior to implementation on July 1, 2024.

Introduced by

[Commissioner Mingus Mapps](#)

Bureau

[Environmental Services](#)

Contact

Anthony Martin

✉ anthony.martin@portlandoregon.gov

Requested Agenda Type

Regular


Date and Time Information


Requested Council Date
December 6, 2023


Changes City Code

- D. The Director of BES to evaluate the need to complete a rate study more regularly. The next to occur in the next five to seven years.

Documents and Exhibits

 [Exhibit A \(https://www.portland.gov/sites/default/files/council-documents/2023/exhibit-a-full_chapter_17-36_clean-no-overwater-billable_11-20-23.pdf\)](https://www.portland.gov/sites/default/files/council-documents/2023/exhibit-a-full_chapter_17-36_clean-no-overwater-billable_11-20-23.pdf) 162.48 KB

 [PCC Chapter 17.36 summary of changes](https://www.portland.gov/sites/default/files/council-documents/2023/chapter_17-36_summaryofchanges_11-20_23.docx) 38.56 KB
(https://www.portland.gov/sites/default/files/council-documents/2023/chapter_17-36_summaryofchanges_11-20_23.docx)

 [Rate Study Implementation Recommendations](https://www.portland.gov/sites/default/files/council-documents/2023/rate-study-recommendations-memo-final.pdf) 464.22 KB
(https://www.portland.gov/sites/default/files/council-documents/2023/rate-study-recommendations-memo-final.pdf)

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council
December 6, 2023

Auditor of the City of Portland
Simone Rede

Impact Statement

Purpose of Proposed Legislation and Background Information

In 2019, BES underwent a consultant-led comprehensive review of sanitary sewer and stormwater rates, the Clean River Rewards stormwater discounts, system development charges, and other fees. This process is known as a 'rate study'. The desired outcomes of the rate study are below:

- Recovers costs in proportion to the demands various customer classes place on the sanitary sewer and stormwater system;
- Considers the financial impacts on all Portlanders;
- Reflects Environmental Services' values;
- Is administratively feasible to implement;
- Removes barriers to accessing services and incentive programs; and
- Serves as the basis for larger conversations around affordability, equity, and long-term revenue needs.

It is important to note that several items were not considered in the rate study: low-income assistance or other affordability programs, changes in our mission, increases or decreases in revenue, or changes in the capital improvement program.

This legislation only enables BES to implement the rate study recommended changes. As this is a revenue-neutral study, this does not obligate the city to a certain rate increase or amount of revenue.

The changes promote Portland's core values of:

- **Fiscal Responsibility** – This action distributes costs to customers in proportion with their demand on the system.
- **Transparency and Communication** – This action was completed with robust public input processes and easily available technical information for the public to better understand how rates are charged.
- **Equity** – This action reduces the rate burden on smaller houses, less-dense multi-dwelling structures, and small businesses that have a smaller amount of stormwater billable area.

For more information, please refer to the Rate Study Implementation Recommendations memo.

Financial and Budgetary Impacts

The code changes allow BES to charge customers in alignment with their demand on the system. There is a net neutral impact on the budget. For system development charges and other fees, there may be minor budget impacts dependent on the type and amount of development that occurs.

The changes proposed do not necessitate additional staffing or resources.

One IGA, with the drainage districts (combined MCDD, PEN 1, and PEN 2), will be adjusted to match how BES will charge customers within those districts.

Community Impacts and Community Involvement

This legislation changes how BES charges rates, fees, and system development charges.

Staff collected feedback from a wide range of community stakeholders about proposed updates to the Bureau's rate methodology. Staff conducted in-depth technical discussions, community presentations, and one-on-one office hours sessions with impacted community members. In addition, staff conducted outreach to special customer classes that are projected to see the largest impacts from the proposed changes. These discussions provided an opportunity for community members and ratepayers to learn how BES sets rates and provide feedback on a range of important questions to help BES update its rate methodology.

Outreach focused on three areas:

- **Technical discussion sessions** were held that allowed for in-depth conversations with stakeholders that had specific interests or expertise in BES rates. In addition, BES Staff presented on proposed changes to System Development Charges (SDCs) and other connection charges to the Development Review Advisory Committee (DRAC).

- BES staff conducted a series of Community Presentations to educate community members about how BES rate setting works and to provide a forum for people who are not necessarily technical experts to engage with the proposed changes and offer their recommendations and insights.
- The community presentation effort was supplemented by “office hours” sessions where community members and customers could schedule time to discuss their individual questions and recommendations.
- Outreach to highly impacted ratepayers was conducted for customers inside the drainage districts, as well as customers with overwater structures. It is anticipated that these customers will see the largest impacts from the proposed changes so BES staff held focused outreach events for these two groups to ensure that staff received their feedback and insights.

In general, participants in the public outreach process expressed general (if reserved) support for the proposed changes or did not directly oppose them.

- Responses were generally favorable towards the proposed changes to the Single Dwelling Unit rate methodology.
- Responses to changes in the rate methodology for commercial properties were less clear due to the complexity of changes to the rate structure and varied impacts by property. In general, participants did not express opposition to the potential changes. However, it wouldn't be accurate to state that there was overall support either.
- Participants who were interested in Systems Development Charges (SDCs) were generally supportive of the proposed changes.
- Customers with overwater structures – particularly customers living in floating homes and yacht clubs – are unhappy about the staff recommendations. Many of these ratepayers expressed strong opposition to the changes and do not feel that docks, boathouses, or floating homes should be charged. BES staff engaged directly with this group repeatedly throughout the engagement process.

In response to the engagement effort, BES updated rate study recommendations as follows:

- Pursue pathways for easier access to CRR discounts for overwater structures.
- Update compliance methods for CRR program so that properties can resolve minor issues without being excluded from the discount.
- Phase in changes over time.
- Sunset line and branch charges and nonconforming conversion charges.

The changes proposed impact all community members. In general, the recommended changes produce the following impacts on customers.

Rate Impacts

- Cost recovery shifts:
 - From wastewater to stormwater.
 - From residential to commercial customers.

- In stormwater, from single family and commercial customers to multifamily customers.
- Customers who will generally see lower bills include customers with high extra strength usage (restaurants, breweries, certain industrial developments), higher sewer flow, and single family customers in Tier 1.
- Customers who will generally see higher bills include commercial customers with higher impervious area, dense multifamily customers, customers within the drainage district, and single family customers in Tier 3 and Tier 4.

Clean River Rewards Impacts

- Increase participation in the program.
- Increase connection between CRR and stormwater regulations.

SDC/Fee Impacts

- Reduce SDC for smaller housing and multifamily housing units.
- Increase SDC for large commercial/industrial developments with high impervious area.
- Increase SDC for large single family housing.
- Increase SDC for customers with high-strength sewer flow.

For more information on public outreach, please refer to the Rate Study Engagement Summary memo.

100% Renewable Goal

This action is not applicable to the City's goal of meeting 100 percent of community-wide energy needs with renewable energy by 2050.

Budget Office Financial Impact Analysis

These changes allow BES to charge customers more in alignment with the demand they put on the system. The new rate structure increases charges for stormwater and decrease sanitary to acknowledge increased stormwater costs and services. They are proposing an important technical methodology change by changing the basis of the stormwater bill from "impervious area to stormwater billable area." These changes will result in "extra strength customers," small single-family homes, and customers with high sewer flow seeing lower bills while customers with large billable stormwater areas, dense multifamily structures, and large single-family homes will generally see higher bills. Other changes include minor cost allocation adjustments, including SDCs, which should be reduced for smaller housing and multifamily housing units while generally increasing for large developments with high impervious areas, large single-family housing, and customers with high-strength sewer flow. Overall, the bureau projects this will be a net neutral impact on their budget and will be phased in over the next three years starting July 1, 2024, so customers can adjust to changes made to the model through the code changes.

Agenda Items

983 Regular Agenda in [November 29, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/11/29)
(<https://www.portland.gov/council/agenda/2023/11/29>)

Passed to second reading

Passed to second reading December 6, 2023 at 9:30 a.m.

1008 Regular Agenda in [December 6, 2023 Council Agenda](https://www.portland.gov/council/agenda/2023/12/6)
(<https://www.portland.gov/council/agenda/2023/12/6>)

Passed

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Absent

Commissioner Rene Gonzalez Yea

Commissioner Dan Ryan Yea

Mayor Ted Wheeler Absent