ORDINANCE NO. 478

AN ORDINANCE AMENDING SECTION 54.04 OF THE NORTH PLAINS MUNICIPAL CODE REGARDING THE RATE STRUCTURE OF THE TRANSPORTATION UTILITY FEE

WHEREAS, Section 54.04 of the North Plains Municipal Code ("NPMC") imposes the Transportation Utility Fee ("TUF"); and

WHEREAS, NPMC Section 54.04(A) provides that the base rate for the TUF shall be set by separate resolution of the City Council; and

WHEREAS, notwithstanding said language in NPMC Section 54.04(A), NPMC Section 54.04 elsewhere provides a methodology for determining base rates, instead of deferring to a separate rate resolution adopted by the City Council as provided in NPMC Section 54.04(A); and

WHEREAS, the City Council desires to adopt language clarifying the process by which TUF rates are established; and

WHEREAS, the Council also desires to establish TUF rates in the manner contemplated NPMC Section 54.04(A).

NOW, THEREFORE, THE CITY OF NORTH PLAINS ORDAINS AS FOLLOWS:

Section 1. **North Plains Municipal Code Section 54.04 is deleted in its entirety and replaced with the following:**

> All in-city customers of the city's water utility will be responsible for paying a transportation utility fee (TUF) for developed property under their ownership and/or control. The base rate for said TUF will be set by separate resolution. The rate for each parcel of developed property is to be based on the level of service provided and the relative usage of the city's transportation system for said property, calculated and expressed in equivalent residential units (ERUs) per the most current edition of the ITE Trip Generation Manual.

Section 2. The remaining sections of NPMC Chapter 54 remain unchanged.

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Section 3. The City Council will adopt a new methodology for calculating TUF rates by resolution, after this amendment to NPMC Section 54.04 becomes effective.

ADOPTED by the North Plains City Council this 2nd day of May, 2022.

CITY OF NORTH PLAINS, OREGON

By: ______________________________

Teri Lenahan, Mayor

ATTEST:

By: Lori Lesmeister

Lori Lesmeister, City Recorder

FCS GROUP
Solutions-Oriented Consulting

| Memorandum

To: Bill Reid, North Plains Finance Director **Date:** April 14, 2022
From: Todd Chase and Tim Wood, FCS GROUP
CC: Andy Varner, North Plains City Manager
RE Transportation Utility Fee Analysis

INTRODUCTION

The City of North Plains (City) is considering updating its transportation utility fee (TUF) which has been in place for several years. **TUF revenues are an increasing important source of funding for the City's street pavement management, street overlays, streetlights, sidewalks, transportation bond debt payments and bond coverage.** TUF funds also have less restricted uses than SDC and TDT revenues which are limited to capacity only.

FCS GROUP has been engaged to provide the City with an independent review and recommendations regarding local policies governing the TUF. As part of this review, FCS GROUP evaluated the City's transportation maintenance needs, revenue requirements and TUF fee rate options.

POLICY ANALYSIS

North Plains TUF policy background is summarized below.

On July 21, 2003, the City enacted *Ordinance No. 310*, which established the TUF to provide additional resources to the Street, Transportation & Storm Drain Fund. Chapter 2.20 specifies the mechanics of calculating the fee. Provisions of *Ordinance No. 310* included:

- **Customer classes**. Residential properties are assigned to one of five classes: single-family, multi-family, mobile home park (per occupied space), retirement community (per unit), and age restricted housing (per unit). Non-residential properties were organized into five categories: educational (assessed per student), mixed use, commercial/industrial level one (those with 24 employees or fewer), commercial/industrial level two (those with 25 employees or more), and non-residential properties involving motor vehicles.
- **Cost allocation**. The TUF is assessed based on trip generation with rates for residential and educational uses established in 2.20.040(2) and rates for mixed use and employment uses left to more site-specific assessments involving the Institute of Transportation Engineers (ITE) trip generation manual.
- **Billing**. Bills are delivered along with other utility charges from the city.
- **Revenue requirement**. The revenue requirement and billing rate for the TUF are set as a part of the annual budget process adopted by the City Council.
- **Reviews for continuation**. The TUF established by Ordinance 310 included a section which stipulated that the TUF be reviewed and reauthorized by City Council periodically (every three years).

Between 2003 and 2011, the city reauthorized the TUF every three years. The last iteration, *Ordinance No. 394*, was adopted on July 11, 2011.

On September 6, 2011, the City enacted *Ordinance No. 397*, which repealed *Ordinance No. 394*, ended the periodic review of the TUF and established a new, more general assessment methodology.

- **Customer classes**. Customer classes noted above were abolished in favor of a separate assessment for each customer based on average vehicle trips per day on each account according to the ITE manual.
- **Revenue requirement**. Ordinance 397 specified that the TUF rate per trip would be determined by City Council by passage of a separate ordinance.
- **Reviews for continuation**. City Council removed the periodic reauthorization requirement.

We recommend that the city amend (or repeal) Ordinance 397 with the objective of: streamlining the TUF administrative process; updating the TUF methodology; and structuring new rates. The present methodology of assessing individual accounts based on their trip generation rates allows for too much inconsistency in how the TUF is assessed to customers and creates undue administrative burden for city staff. The current methodology yields a separate rate for each customer which can result in infinite variations. **We recommend the city simplify the rate design process by establishing five general customer account types: industrial, institutional, mixed use, retail/office, and residential.**

Past TUF methodologies for North Plains have relied on employment counts for non-residential uses. Employment as a metric to determine trip generation is unreliable given that employment varies throughout the life of a business. We recommend this approach as a means to reduce the time and expense of determining the TUF while maintaining fee equity. **We recommend a TUF rate design based on trip generation where the fee for a non-residential account is based on the building square footage** (instead of employee counts) using the current edition of *ITE Trip Generation Manual*.

Finally, we recommend that individual bills be calculated and expressed in equivalent residential units (ERU) based on average daily vehicle trip generation assumptions per the ITE Trip Generation Manual. This approach would help streamline calculation and billing processes and remove large discrepancies amount customers.

For example, in a utility such as stormwater, customers are charged based on their ERUs, where one ERU equates to the impervious surface area an average single-family residence. Likewise, with a trip generation rate design, customers would also be charged based on their ERUs. In this case, one ERU equates to 9.44 average daily vehicle trips, which is the trip generation of the average single-family residence (according to the ITE Handbook, 10th Generation). In a trip generation rate design, residential dwelling units would be charged at a standard rate (e.g., 1.0 ERU for a single-family unit and 0.65 ERU for each multi-family unit), and non-residential customers would be charged based on their individual trip generation for their customer classification (industrial, institutional, mixed use, retail/office).

TECHNICAL ANALYSIS

In this section, we determine the annual TUF revenue requirement and then provide two rate calculation options for raising that revenue.

Customer Accounts

Using customer account data provided by City staff, FCS GROUP estimates that as of 2020 there were 1,390 TUF customer accounts within North Plains. Using ITE trip generation assumptions, these customers represent 2,960 ERUs that are served by the City's transportation utility fund. The distribution of ERUs by customer classification are shown below in **Exhibit 1**.

Exhibit 1: Customers by Class

Customer Class	Count of Customers	Number of ERUs	Share
Industrial	27	515	17.4%
Institutional	10	200	6.7%
Mixed Use	27	288	9.7%
Retail/Office	18	678	22.9%
Residential	1,279	1,279	43.2%
Total	**1,361**	**2,960**	**100.0%**

The estimated number of ERUs shown above was derived based on the current adopted North Plains Fee Schedule which assumes a monthly TUF rate factor of 1.33 per PM peak hour vehicle trip. This results in one ERU per single family customer. For non-residential customers, the same assumptions were made to estimate ERUs. For example, if a current non-res customer account is charged $14 per month, that equates to 10.5 ERUs ($14 / 1.33 = 10.5).

For analysis purposes, North Plains is forecasted to add both residential and non-residential customers (and related ERUs) in the future. Residential accounts are projected to increase by 6.9% per year (reflective of population growth rates forecast for the City) and nonresidential accounts are projected to increase by 3.7% for (reflective of employment growth forecasts for the City).

Required Revenue

City staff provided budget and expenditure data for FY 2018 to FY 2023, which constitutes the basis for the TUF revenue requirement. **Exhibit 2** below reflects the current budget for the FY 2021-2023 (biennium). Note, while the FY 2021-2023 data are shown as a biennial (2 year) figure, it is apparent that the annual average revenue requirement for "Licenses, Permits, and Fees" is budgeted to increase from $73,321 (FY 2020-21) to $148,410 (annual average of FY 2021-23).

Exhibit 2: North Plains Transportation Budget (FYs 2018-2023)

	2018-19 Historic	2019-20 Historic	2020-2021 Year End Esimate	2021-23 Bienium	Trend
Resources:					
Beginning fund balance	$391,751	$291,842	$466,444	$907,567	
Revenues:					
Licenses, Permits, Fees	$33,714	$35,845	$73,321	$296,820	
Intergovernmental	$279,308	$280,328	$638,573	$608,100	
Other Revenues	$59,353	$41,536	$152,337	$8,710	
Transfers	$10,000	$10,000	$10,000	$20,000	
Total revenues	$382,375	367,709	874,231	933,630	
Total resources	$ 774,126	$ 659,551	$ 1,340,675	$ 1,841,197	
Requirements:					
Personnel Services	$105,706	$105,020	$122,597	$198,034	
Materials and Services	$55,986	$65,379	$77,672	$260,870	
Capital Outlay	$92,183	$21,708	$178,474	$176,000	
Transfers	$228,409	$1,000	$54,365	$258,508	
Contingency	$ -	$ -	$ -	$ 30,000	
Total requirements	$ 482,284	$ 193,107	$ 433,108	$ 923,412	

Source: City of North Plains Adopted Biennial Budget 2021-2023

Option A: Rate Design Based on Budgeted Revenue Requirement

The "Licenses, Permits, Fees" category of revenue shown above is expected to absorb the impact of increased street spending in future years in North Plains. As such, the TUF is the most reliable avenue to ensure that new revenue is realized.

The City's current TUF rate averages $1.33 per month per ERU. In order to raise the required revenue, the city can make across-the-board adjustments to the current rate schedule. Exhibit 3 below shows the current rate schedule for the utility fee. FCS estimates that the current TUF charge ($1.33 per ERU) will generate approximately $47,234 per year.

Exhibit 3: Existing TUF Rate Revenue Calculation

Customer Class	Number of ERUs	Monthly Rate Per ERU	Monthly Revenue	Annual Revenue
Industrial	515	$1.33	$685	$8,225
Institutional	200	$1.33	$265	$3,186
Mixed Use	288	$1.33	$383	$4,596
Retail/Office	678	$1.33	$901	$10,814
Residential	1,279	$1.33	$1,701	$20,413
Total	**2,960**	**$1.33**	**$3,936**	**$47,234**

To generate the revenue needed to meet the requirement of $296,820 over the 2021-2023 biennium ($148,410 annually), the current rates would need to be raised by approximately 300% percent in year 1 to $4.18 per ERU (**Exhibit 4**).

Exhibit 4: Option A Rate Revenue Calculation

Customer Class	Number of ERUs	Monthly Rate Per ERU	Monthly Revenue	Annual Revenue
Industrial	515	$4.18	$2,154	$25,849
Institutional	200	$4.18	$834	$10,012
Mixed Use	288	$4.18	$1,204	$14,446
Retail/Office	678	$4.18	$2,832	$33,987
Residential	1,279	$4.18	$5,346	$64,155
Total	**2,960**	**$4.18**	**$12,371**	**$148,449**

In addition, to the immediate 300% rate increase, rates should be adjusted annual to account for inflation. This analysis assumes an increase of between 1.2% and 1.5% annually in future years to meet increasing costs of roadway maintenance. As shown in **Exhibit 5** below, rates in this scenario would increase to $4.77 by FY 2031.

Exhibit 5: Rate Increases with Option A

	Monthly rate per ERU
Fiscal Year 2021-22	$4.18
Fiscal Year 2022-23	$4.24
Fiscal Year 2023-24	$4.30
Fiscal Year 2024-25	$4.36
Fiscal Year 2025-26	$4.42
Fiscal Year 2026-27	$4.48
Fiscal Year 2027-28	$4.54
Fiscal Year 2028-29	$4.60
Fiscal Year 2029-30	$4.66
Fiscal Year 2030-31	$4.72
Fiscal Year 2031-32	$4.77

Option B: Rate Design Based on $5 Rate

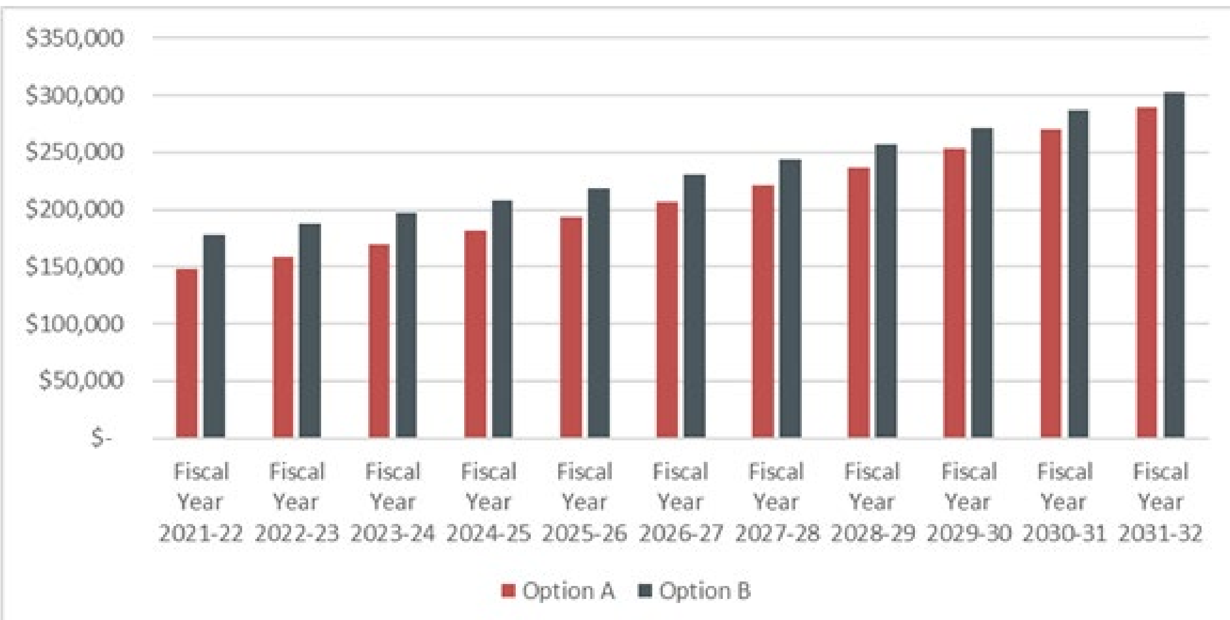
According to City staff, transportation expenditures will likely continue to increase as residential and commercial growth result in increased roadway usage. This in conjunction with steadily increasing maintenance costs will likely require more revenue than budgeted in FY 2021-23. Option B tests the level of revenue that could be raised based on a flat rate of $5 per ERU. As shown in **Exhibit 6** below, a $5 rate would generate approximately $177,571 in year one (FY 2021/22).

Exhibit 6: Option B Rate Revenue Calculation

Customer Class	Number of ERUs	Monthly Rate Per ERU	Monthly Revenue	Annual Revenue
Industrial	515	$5.00	$2,577	$30,920
Institutional	200	$5.00	$998	$11,976
Mixed Use	288	$5.00	$1,440	$17,280
Retail/Office	678	$5.00	$3,388	$40,654
Residential	1,279	$5.00	$6,395	$76,740
Total	**2,960**	**$5.00**	**$14,798**	**$177,571**

As customer growth occurs, the $5 flat TUF rate (Option B with no inflation adjustments) is expected to generate approximately $29,000 per year more than Option A. With Option B, the TUF revenues are projected to increase to over $300,000 by FY 2031-2032 (see **Exhibit 7**).

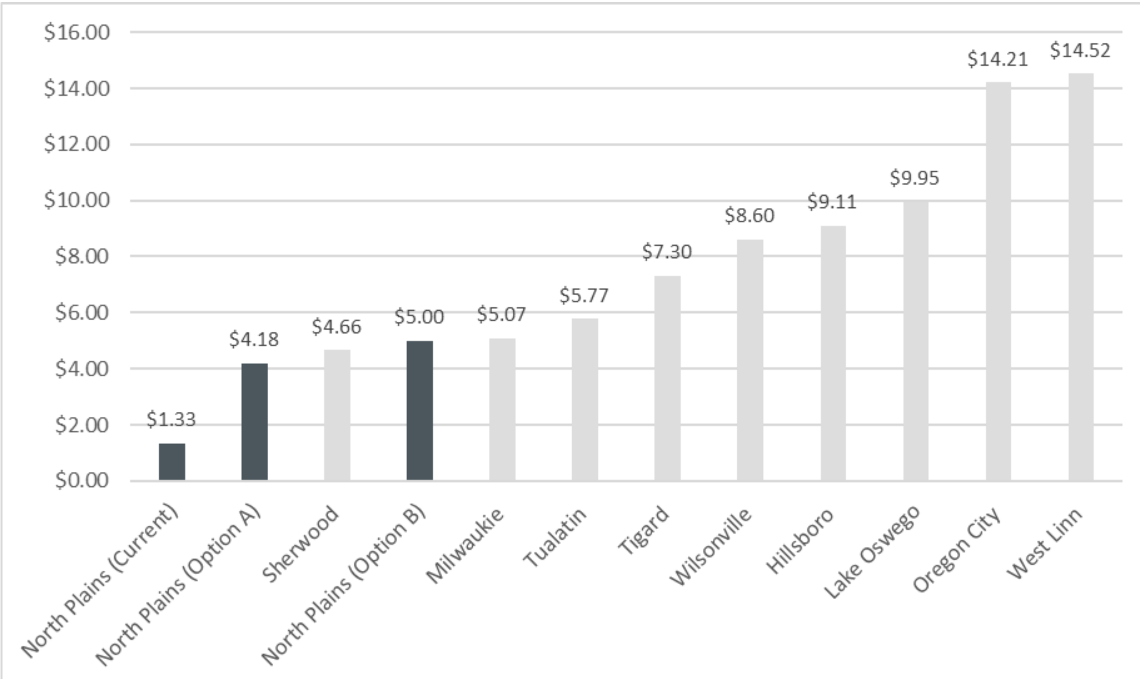
Exhibit 7: TUF Rate Revenue Forecast, Option A and B



TUF RATE COMPARISON

FCS GROUP evaluated TUF rates within the greater Portland region. As shown in **Exhibit 8** below, the current rate in North Plains is the lowest among cities that have a TUF. And even with Option A or B, North Plains would still have one of the lowest TUF rates in the region.

Exhibit 8: Monthly TUF Rate Comparison



RECOMMENDATIONS

It is recommended that the City adopt an ordinance that amends and/or supplants the prior North Plains Municipal Code Section 54.04 to clarify the process by which TUF rates are established, which should be done by resolution.

Additionally, to maintain and enhance current levels of service, it is recommended that the City adopt a new TUF rate methodology (by resolution) with specific provisions that include but are not limited to:

- Establishing a new monthly TUF charge that is equivalent to $5.00 per equivalent residential unit (ERU).
- Indexing the TUF charge annually to keep up with inflation, using the same index used for the North Plains Transportation System Development Charge, which relies upon the Washington County Transportation Development Tax formula for indexing transportation costs.
- Simplifying the TUF administration and billing procedures in a manner that groups current and future TUF customers into up to 12 customer "bins" based on relative average daily vehicle trip generation rates, with 1 ERU equal to 10 ADT. Each bin would be assigned an average ERU amount for all customers within that bin.