



MEMORANDUM

TO: Mayor and City Council

CC: NWC PUD Board

FROM: Nolan K. Young, City Manager

DATE: March 26, 2010

ISSUE: Street Maintenance Financing

At the March 29th Council Meeting the City Council will be discussing options for the financing of the needed maintenance of the City street system. One of the options that will be discussed is an increase of the electric franchise fee charged to Northern Wasco County PUD (PUD). The PUD has issued a press release expressing their concerns. It is also their intent to be at the meeting to elaborate on those concerns. We appreciate their efforts to let their position be known as they are the elected officials for this public utility. We also acknowledge that their primary mission is to provide low cost energy to the community and in doing so have an impact on both the quality life and economic development of the community.

The City Council is also an elected body under a representative form of government. They have a much bigger responsibility not only to maintain and provide the services that the City specifically provides, but also to provide leadership and direction in the bigger picture of quality of life for the community, which includes all aspects of the community. This includes education, all utilities, and other public services provided in the community. Under the representative form of government, the elected officials need to make difficult decisions, after they have weighed all the options. Sometimes these decisions have a less than desired impact in one area in order to have a needed positive impact on another. In considering whether or not to raise the franchise fees the City Council decided this to be an option considering because the City franchise fees to several public utilities were higher than the PUD's. With the other utilities fees for natural gas (4.25%), telephone (7%), cable TV (5%), solid waste (3%, expires 2013) and the 3% fee charged to water, sewer and electric it was decided to work toward more equity in those areas by raising the fees in measured amounts. Raising the fees in measured amounts would lower the impact on residents. The proposed PUD franchise fee increase is also being considered for the City's water and sewer franchise fees.

State and federal law restricts the way that cities can raise funds to finance its various services. One of the methods made available is franchise fees charged to utilities using the public right of way. Franchise fees are a cost of utilities doing business and use of the public right of way. There are other opportunities we have identified that we can pursue. One option we did not previously identify and could pursue, though we feel is not in the best interest of the community is property tax levy or general obligation bonds. It is our feeling that with the current tax burden of the community and the fact that there are other public entities whose financing of activities is restricted to property taxes, we need to avoid this source, leaving it available for services provided by the school district, college, Fire, Parks and Recreation districts and the County.

This specific discussion should not distract us from the primary purpose of Monday's meeting that is to develop a plan to handle the street maintenance issues of the community. We are currently falling behind on those issues and unless we can come up with ways to finance a more aggressive maintenance system it will and has most likely already, impacted the quality of life and will effect economic development of our community.