

# Issue Paper # 7

**Date:** September 20, 2007

**To:** City of Hillsboro Ad-Hoc Transportation Finance Committee

**cc:** Tom Arnold, Mary Gruss, Don Odermott

**From:** DJ Heffernan

**Re:** Transportation Utility Fee (TUF) Implementation

This issue paper reviews steps that need to be taken to implement the Transportation Utility Fee (TUF). The purpose is primarily informational, but there is a decision that needs to be made regarding how non-residential customers should be invoiced the first year the utility is in place.

- **City Charter:** A legal review is needed to make sure the City has authority under its home rule charter to impose the TUF. It is conceivable that without such authority, a charter amendment may be needed to move ahead concurrently with the fee.
- **Public Hearings:** Legislative hearings are required to enact an ordinance that sets forth how the fee would be calculated and collected, appeal procedures, penalties for failing to remit the fee, identifying the fund where revenues and expenditures are accounted, and other program procedures. Enacting the TUF is not a land use action so no hearings are required by the City Planning Commission. There is a placeholder for the fee in the existing city budget so a budget amendment hearing is not required.
- **Billing Procedures – Residential Customers:** The City will need to revise its utility billing system software to invoice customers. There is room in the existing utility bill under the city Water Utility to invoice the amount related to the TUF. This may cause some confusion with customers until the city updates its financial management information and computer system. The update is beginning trials and will be up and running during the next fiscal year, but for a fairly significant length of time, roughly six to eight billing cycles, the fee will be collected under the existing billing system.
- **Billing Procedures – Non-residential Customers:** Collecting the TUF from non-residential customers presents a technical challenge because the existing system does not have flexibility to invoice customers using six separate rate structures, which are what the six non-residential bins represent. Alternatively, the city could phase in the non-residential portion of the utility by creating two customer classes initially and expanding to six when the new system is up and running. This could be accomplished by setting the first year's commercial rates at the two lowest rate tiers, NR-1 and NR-2. Once the new Financial Management Information System (FMIS) is up, the full rate structure would be

initiated. There may be legal issues that prevent the city from taking this phased approach because some utility customers would be treated differently than others. Legal advice is needed on this question.

**Discussion Summary:**

**Decision Summary:**