Kent Taylor Civic Hall
200 NE Second Street
McMinnville, OR 97128

Joint Work Session Meeting with the City Council and Budget Committee Agenda
Tuesday, July 13, 2021
5:30 p.m. – Joint Work Session

Welcome! The public is strongly encouraged to participate remotely but there is limited seating at Civic Hall for those who are not able to patriciate remotely. However, if you are not feeling well, please stay home and take care of yourself. With the mask mandate removed, we are recommending those who have not been fully vaccinated please wear a mask while in the building.

You can live broadcast the City Council Meeting on cable channels Xfinity 11 and 331, Ziply Fiber 29 or webstream here:
www.mcm11.org/live

You may join online via Zoom Meeting:
https://mcminnvilleoregon.zoom.us/j/81055082640?pwd=NjZ2anl3TzBNWUYyTkt2ZnAyV0pXZz09

Zoom ID: 810-5508-2640
Zoom Password: 224955

Or you can call in and listen via zoom: 1-253- 215- 8782
ID: 810-5508-2640

1. CALL TO ORDER JOINT WORK SESSION & ROLL CALL

2. AMERICAN RESCUE PLAN (ARPA) AND THE CITY'S ALLOCATION AS PART OF THE STATE AND LOCAL FISCAL RECOVERY FUNDS (SLFRF)ADJOURNMENT OF JOINT WORK SESSION

3. RESOURCES AND SUSTAINABLE CITY SERVICES

4. FISCAL YEAR (FY) 23 BUDGET CYCLE

5. ADJOURNMENT

Meeting Accessibility Services and Americans with Disabilities Act (ADA) Notice: Kent Taylor Civic Hall is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made a least 48 hours before the meeting to the City Recorder (503) 435-5702 or Claudia.Cisneros@mcminnvilleoregon.gov.

City of McMinnville

STAFF REPORT

DATE: July 13, 2021
TO: Jeff Towery, City Manager
FROM: Jennifer Cuellar, Finance Director
SUBJECT: Work Session: American Rescue Plan

Strategic Priority and Goal:

CITY GOVERNMENT CAPACITY
Strengthen the City's ability to prioritize and deliver municipal services with discipline and focus

COMMUNITY SAFETY & RESILIENCY
Proactively plan for and responsively maintain a safe and resilient community

ECONOMIC PROSPERITY
Provide economic opportunity for all residents through sustainable growth across a balanced array of traditional and innovative industry sectors

ENGAGEMENT & INCLUSION
Create a culture of acceptance and mutual respect that acknowledges differences and strives for equity

Report in Brief:

As discussed in the City of McMinnville Budget Committee meeting of 5.19.2021, a process of community engagement would begin this summer to look at the investments the City may want to consider supporting with its allocation of American Rescue Plan Act (ARPA) funds. This work session is the first of series of discussions by the Council and Budget Committee on this subject.

Session Objectives:

- Background on ARPA and the city's allocation as part of the State and Local Fiscal Recovery Funds (SLFRF) component of the $1.9 trillion initiative
- Review the road map for the ARPA discussions
- Get feedback on principles for evaluating investments

Discussion:

The American Rescue Plan (ARP) is a historic relief package offering our community the ability to turn the local economy around from the pandemic, make strategic investments that set us up for a prosperous future and carry out these initiatives with equity at the core of decision making regarding the utilization of these one-time resources.

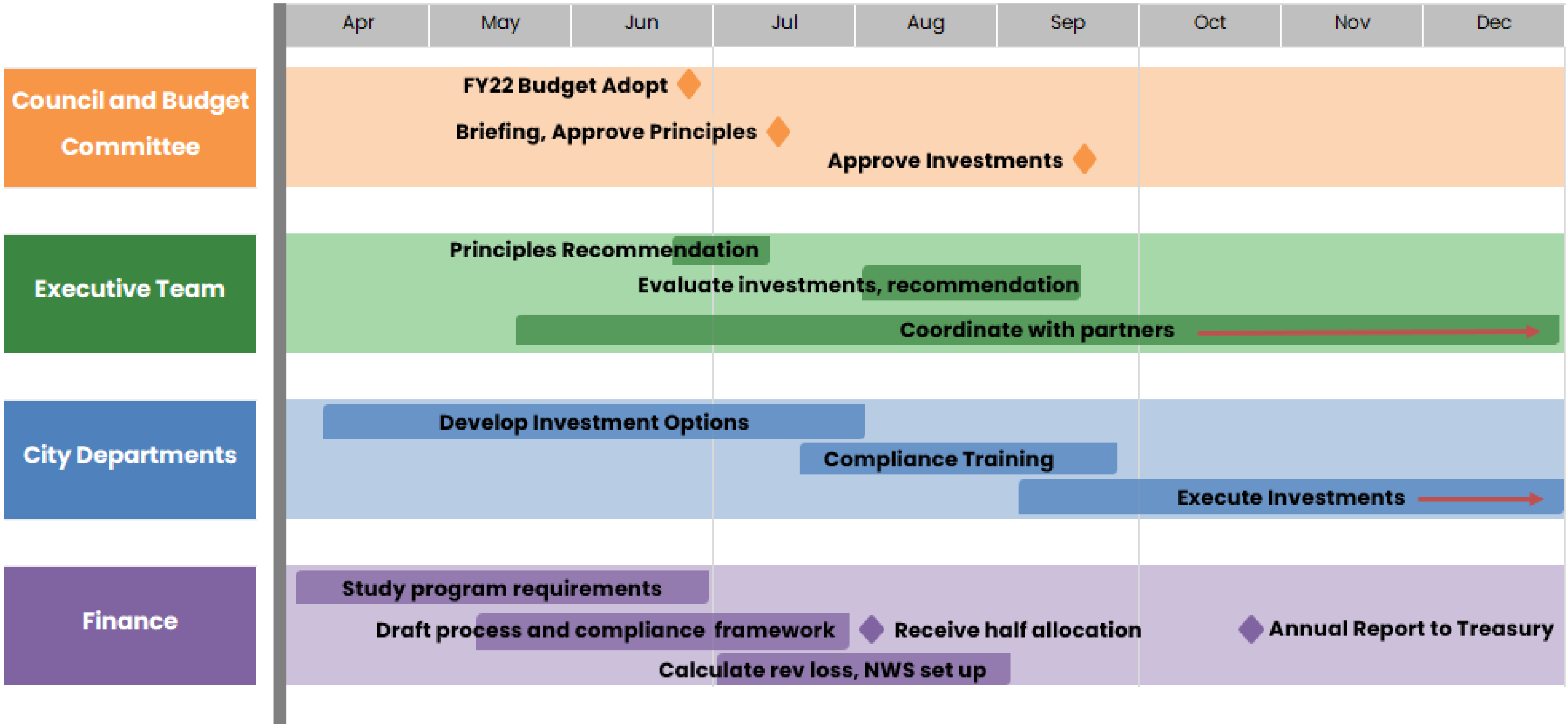
Fiscal Impact:

These discussions will have an impact on the City's financial sustainability and ability to maintain services in the FY23 budget cycle and beyond.

Attachments:

1. American Rescue Plan – State and Local Fiscal Recovery Funds Roadmap
2. Investment Proposed Principles Draft
3. State and Local Recovery Funds Investment Proposal Form

American Rescue Plan – State and Local Fiscal Recovery Funds



City of McMinnville

Investment Criteria for American Rescue Plan Funds

The American Rescue Plan (ARP) is a historic relief package offering our community the ability to turn the local economy around from the pandemic, make strategic investments that set us up for a prosperous future and carry out these initiatives with equity at the core of decision making regarding the utilization of these one-time resources. As responsible caretakers of these unique public resources, we will use the following principles when evaluating investment options.

Proposed Principles

Address the existing disparities that were exacerbated by the pandemic. Helping women, BIPOC[1] communities, and those who were disproportionately harmed by the pandemic and the natural disasters of 2020 should drive decision-making.

Make McMinnville more resilient. The pandemic and historic wildfires showed weaknesses in our infrastructure and society that we should work to shore up, leveraging our efforts to create a more environmentally sustainable community and city organization.

Invest in programs where the pandemic has shown us there is a better way. This last year has exposed deficiencies and challenges in many of our basic operations, facilities, city services, programs and ability to communicate effectively with our partners and constituents; addressing these deficits is entirely consistent with McMinnville's value of being courageous as we embrace the future and change that is good for our community.

[1] Black, Indigenous and people of color

Act where possible with local and regional partners to collectively maximize the impact of these dollars. Working together to make innovations in providing local safety net services and economic support to local business has been vital over the last year and should continue to be an operational strategy in our investment choices.

Seek investments that are aligned with MacTown 2032's Strategic Priorities and Council goals. Evaluate investment proposals that advance the locally-defined priorities of the community.

These are one-time funds. To the extent possible, investments made should not increase the city's carrying costs. Selective use of a portion of the federal money to bridge what is anticipated to be a near-term budget gap as we endeavor to create a more sustainable financial footprint to support critical city services may make sense.

Public accountability and participation will be key. These funds are game-changing in size and scope, and the public needs to see - and weigh in – on how these dollars will work for them.

The investment timeframe is generous. Investments may be staged over the next several years to maximize impact. The award period covers project obligations made by December 31, 2024 with a final expense date of obligated dollars by December 31, 2026.

State and Local Fiscal Recovery Funds Investment Request

Title: ____________________

Proposed Investment Narrative Information

Description:

Beneficiary/ies:

Eligibility:

- ______ Pub Health Emerg/Negative Economic Impact Response and Recovery
- ______ Water, Sewer, Broadband Infrastructure
- ______ Premium Pay essential workers
- ______ Offset lost revenues -> provide governmental services

Eligibility notes:

Investment principles:

- ______ Address disparities exacerbated by pandemic
- ______ Makes McMinnville more resilient
- ______ Pandemic has shown us a better way
- ______ Opportunities to work with partners and/or leverage other funding

City Values:

- ______ Stewardship
- ______ Equity
- ______ Courage/plan for change and the future
- ______ Accountability

Period(s):

- ____ FY21-22
- ____ FY22-23
- ____ FY23-24
- ____ FY24-25*
- ____ FY25-26*
- ____ FY26-27*

* Funds must be obligated by Dec 31, 2024 and expensed by Dec 31, 2026

Strategic Priorities:

- ______ City Government Capacity
- ______ Civic Leadership
- ______ Community Safety and Resiliency
- ______ Economic Prosperity
- ______ Engagement and Inclusion
- ______ Growth and Development Character
- ______ Housing Opportunities

Principles, Values or Strategic Priorities notes:

Describe relationship to any current or planned activities/projects:

City Department Lead: ____________________

State and Local Fiscal Recovery Funds Investment Request

Title: ____________________

Partners + potential sources of additional or alternative funding:

____

Potential subrecipient organizations:

____

Proposed Investment Financial Information

Project cost est:	Low	High	**Project management cost est:**	Low	High
Subrecipient contract			Consultant/contracted		
Materials and services			City staff costs		
Capital cost					
total direct	**0**	**0**	**Project management cost:**	**0**	**0**
City staff program costs					
				Low	**High**
Total program est	**0**	**0**	**Total project cost est:**	**0**	**0**

Notes on costs:

____

Will the investment generate program revenue? ____No ____Yes ____Possibly
Notes on program revenue:

____

Will investment require added carrying cost to City? ____No ____Yes ____Possibly
Notes on carrying costs:

____

STAFF REPORT

DATE: July 13, 2021
TO: Jeff Towery, City Manager
FROM: Jennifer Cuellar, Finance Director
SUBJECT: Work Session: Resources and Sustainable City Services

Strategic Priority and Goal:

CITY GOVERNMENT CAPACITY
Strengthen the City's ability to prioritize & deliver municipal services with discipline and focus.

Report in Brief:

At the Council's 6/22/2021 meeting, the governing body adopted its 2021 Annual Goals; included among them is the following goal under City Government Capacity:

> *Right-Size Services: Address insufficient resources by finding new sustainable funding sources: Looking for ways to bring additional revenue into the City's general fund*
>
> - *Create strategic plan for $2-3 million of new revenue streams*

This work session is the first of series of discussions by the Council and Budget Committee to make choices on resource options the City may choose to pursue.

Session Objectives:

- Review the road map for the Resources and Sustainable City Services discussions
- Get feedback on criteria for evaluating resource options
- Get feedback on resource options staff should research for subsequent sessions

Discussion:

The cost of current City of McMinnville services provided in the general fund exceeds the amount of annual revenues it collects. This gap is addressed each year in the budget process by a combination of utilizing reserves, reductions in service levels, postponing capital investments and deferring maintenance on city assets[1]. While the city did implement a wastewater franchise fee starting in FY19-20 and is exploring the feasibility of creating a fire

[1] Facility Condition Assessment by EMG Fall 2018

district which has the potential of improving fire and ambulance service delivery across the community while freeing up property tax revenue for other vital uses within the city, a persistent budget gap of approximately $2 million exists to provide current city services.

Fiscal Impact:

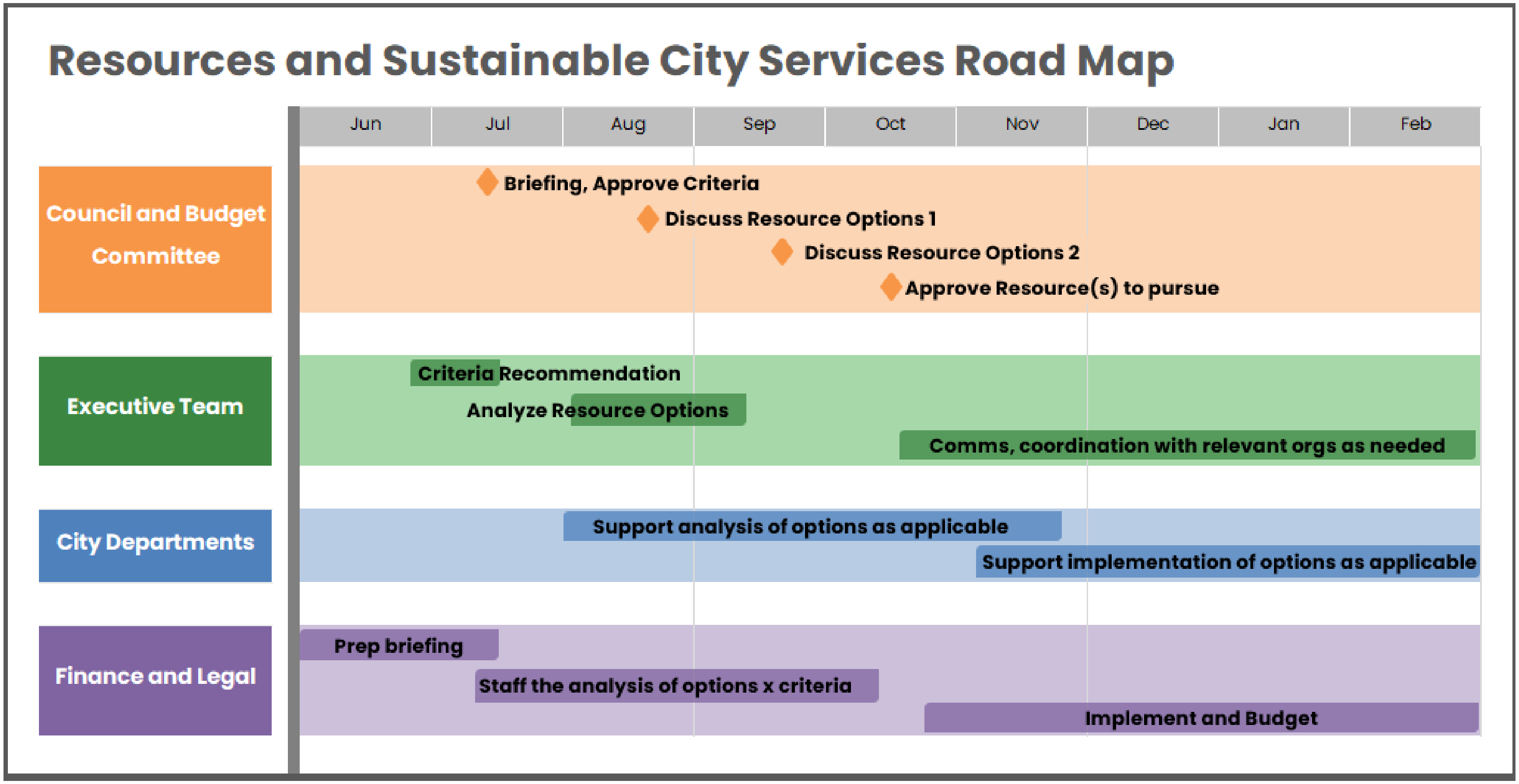
These discussions will have an impact on the City's financial sustainability and ability to maintain services in the FY23 budget cycle and beyond.

Attachments:

1. Resources and Sustainable City Services Roadmap
2. Resource Evaluation Criteria Draft
3. Inventory of Resource Options
4. Facilities Condition Assessment Summary June 2019
5. League of Oregon Cities (LOC) Chart of Discretionary City Revenue Sources

Documents previously provided to the budget committee:

6. Community Safety Revenue Team Report Feb 2019 City of Eugene
7. High Country News Has Eugene found a "superpower" for climate action 3.26.2021
8. LOC Resources (from their website)


Resources and Sustainable City Services Road Map
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Council and Budget Committee
Briefing, Approve Criteria
Discuss Resource Options 1
Discuss Resource Options 2
Approve Resource(s) to pursue
Executive Team
Criteria Recommendation
Analyze Resource Options
Comms, coordination with relevant orgs as needed
City Departments
Support analysis of options as applicable
Support implementation of options as applicable
Finance and Legal
Prep briefing
Staff the analysis of options x criteria
Implement and Budget

Resource Evaluation Criteria

The cost of current City of McMinnville services provided in the general fund exceeds the amount of annual revenues it collects. This gap is addressed each year in the budget process by a combination of utilizing reserves, reductions in service levels, postponing capital investments and deferring maintenance on city assets[1]. While the city did implement a wastewater franchise fee starting in FY19-20 and is exploring the feasibility of creating a fire district which has the potential of improving fire and ambulance service delivery across the community while freeing up property tax revenue for other vital uses within the city, a persistent budget gap of approximately $2 million exists to provide current city services.

Proposed Criteria

Council policy goals. Supports or is an obstacle to other policy goals.

Revenue raising capability. Amount of funds likely to be generated, including assessment of service demand impacts associated with revenue stream.

Revenue stability. The reliability of resource levels under different conditions.

Household equity. Directly or indirectly serves to reduce or exacerbate structural, historic inequities in how the city funds its services.

Healthy Business Climate. Impact on local businesses.

Environmental impact. Are sustainable practices incentivized.

Administrative effort. How expensive to implement and manage.

[1] Facility Condition Assessment by EMG Fall 2018

Inventory of Resource Options to Study and Consider

7/13/2021 Work Session

Revenue sources utilized by Oregon local governments

City Service Fee AKA Operations Fee AKA Service Fee (charges on a utility billing)

Utility Consumption Tax

Local motor vehicle fuel tax

Local Option Property Tax Levy

Motor Vehicle Rental Tax

Parking Meters

Red Light Cameras

Parking Tax

Payroll Tax

Admissions/Amusements Tax

Bicycle Registration Fee

Business License/Business Tax (if had these, would better be able to target business ARP funds and provide public safety/fire services)

Construction Excise Tax

Arts Tax

Clean Energy Surcharge

Improvement Districts (like existing MDA assessment)

Personal Income Tax (have existed in past but don't believe any are in place locally now)

Prepared Food/Beverage/Restaurant Tax

Solid Waste Collection Fee

Special Districts (Fire district discussion)

Hazardous substance user fee

Technology Service Fee

Long Service Fee

Strategic Investment Program (15-year property tax exemption on large, $25M min in rural areas, capital investments)

<u>Existing resources collected by McMinnville – could review current fee structures</u>

Transient Room Tax – currently exists @ 10%

User Fees & Service Charges

System Development Charges

OLCC Liquor License Fee

Franchise Fees

<u>Options not used by local governments in Oregon but potentially legal</u>

Commuter Tax

Corporate Activity Tax

- Oregon enacted on $1M + businesses effective 1/1/2020
- “Business Gross Receipts Tax” in Eugene Document

Corporate Income Tax

Heavy Vehicle Tax

Luxury Tax

Paper Bag Fee

Sales Tax

<u>Option in Eugene report now pre-empted</u>

E-cigarette tax: passed state law in 2019 including a local preemption. Cities also do not receive share of these revenues like we do of cigarette tax.

<u>Non-fee financing option</u>

Leverage Wastwater Fund’s rate strategy to fund future projects with cash. Because this results in the accumulation of large cash balances, these funds can earn higher interest for rate payers if lent internally to other funds for purposes of financing for equipment or other capital investments. Internal borrowing is permitted under state law for up to 10 years.

Facilities Condition Assessments (General Fund Supported)
prepared by EMG Corporation

Facility	Immediate	Short Term 3 year	Near Term 5 Year	Med Term 10 Year	Long Term 20 Year	TOTAL	Status
Civic/City Hall & Garage	43,600	157,700	487,000	367,300	1,304,300	2,359,900	Final
Chamber House	121,600	127,200	68,400	194,900	127,600	639,700	Final
CDC	5,700	337,300	18,300	385,600	693,000	1,439,900	Final
Fire Hall	140,700	610,100	158,100	1,103,900	1,182,700	3,195,500	Final
Fire Training	-	45,800	-	372,900	177,900	596,600	Final
Public Safety	11,800	55,100	837,900	1,185,300	2,964,500	5,054,600	Final
Library & Carnegie Bldg	45,900	116,300	630,900	383,600	428,400	1,605,100	Final
Comm Center	496,900	1,430,000	1,000,428	2,769,900	1,276,700	6,973,928	Final
Aquatic Center	491,600	668,400	444,900	519,300	1,756,800	3,881,000	Final
Senior Center	15,500	204,800	440,500	298,000	494,300	1,453,100	Final
Discovery Meadows	55,000	69,100	29,500	3,125,500	898,300	4,177,400	Draft
Tice Park	3,200	6,600	3,300	38,200	81,600	132,900	Final
Wortman Park	-	162,900	9,200	129,600	626,300	928,000	Final
City Park	3,900	7,300	-	24,100	46,400	81,700	Final
Chegwyn Farms Park	-	4,200	-	1,700	11,300	17,200	Final
Thompson Park	3,600	-	5,000	3,400	7,400	19,400	Final
Parking Structure	440,700	413,800	-	347,900	238,400	1,440,800	Final
	1,879,700	4,416,600	4,133,428	11,251,100	12,315,900	33,996,728	

G:\COUNCIL\City Council Meetings\FY 2018-2019\6.11.19\Copy of Facilities Assessment Summary

LEAGUE of Oregon CITIES

Discretionary City Revenue Sources

PROPERTY TAXES

- General Obligation Bond
- Local Option Levy
- Permanent Rate

INCOME TAXES

- Personal Income Tax*
- Payroll Tax*
- Corporate Income Tax/ Business License Tax
- Pay Ratio Surtax (CEO Tax)

SALES/EXCISE TAXES

- Admissions Tax (performances, entertainment, sporting events, etc.)
- Business Gross Receipts*
- General Sales Tax*
- Local Gas Tax
- Local Marijuana Tax
- Motor Vehicle Rental Tax
- Restaurant Tax (food and beverages)
- Retail Sales Tax (range or specific goods and services)
- Transient Lodging Tax
- Utility Consumption Tax
- Vaping/ E-Cigarette Tax*

FEES FOR SERVICES

- Building Fees
- Business License Fee
- Construction Excise Tax
- Franchise Fees/ Privilege Taxes (use of right of way)
- Land Use/ Planning Fees
- Local Improvement District (LID)
- Parking Benefit District/ Parking Fees
- Service Fees
- System Development Charges (SDC)
- Transportation Utility Fees (street fees)
- Utility Service Fees

PREEMPTED TAXES

- Alcohol
- Tobacco Products
- Real Estate Transfer/Broker License

April 2018

* no Oregon cities have imposed to date

Community Safety Revenue Team Report

February 2019

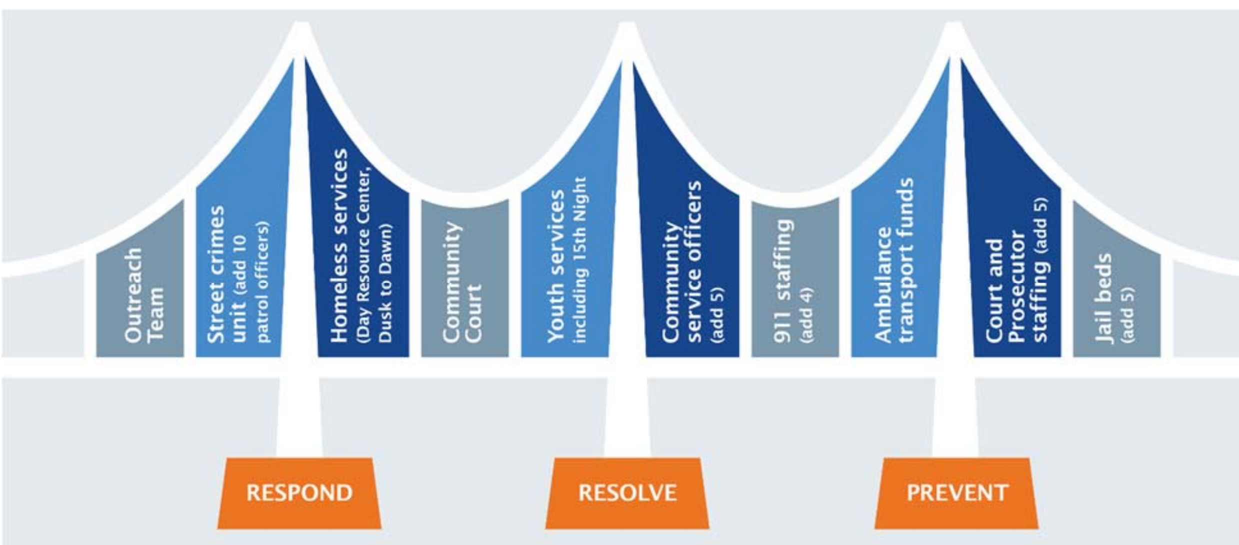
Community Safety Revenue Team Members
Councilor Pryor
Councilor Semple
Councilor Yeh
John Barofsky
Laura Illig
Eliza Kashinsky
Scott Nowicki
Bill Whalen

Community Safety Initiative

Approximately four years ago the City Manager initiated a Community Safety system assessment to identify and address critical service gaps in providing for a safety and well-being of the community. The system includes services focused on prevention, response and resolution. The initial focus was to identify and implement system efficiencies and find alternative paths to resolving community safety issues.

The City implemented changes to improve the case-flow process, improve municipal jail system usage to optimize limited capacity, and assure for timely resolution of cases. The City also began implementing pilot programs such as Community Court, the Community Outreach Response Team, and Basic Life Support services to connect people to social, shelter, medical, and treatment services. System changes proved beneficial, however the increasing demand for services has continued to outpace system resources resulting in a growing gap in providing critical services for the safety and well-being community.

Throughout 2018, the City Council met and worked with staff to gain a deeper understanding of the community safety system and issues, examine possible strategies, get feedback from the community, and ultimately implement measures to address critical safety gaps. In September, the City Council unanimously passed a motion to include $8.6 million in Supplemental Budget #1.



This one-time, 18-month bridge funding strategy supports prevention efforts and services for youth and people experiencing homelessness, as well as police and emergency response services. The funding includes expanding prevention programs that help move at-risk youth and chronic offenders toward stable lives and away from the jail and the courtroom, and adding police officers, 911 dispatchers and jail beds.

Council also gave direction to immediately begin work on long-term funding strategies to address critical community safety needs based on the identified strategies. A Community Safety Revenue Team was formed to develop a recommendation for the City Manager.

Community Safety Revenue Team Process

The Community Safety Revenue Team is comprised of the following members:

- Councilor Emily Semple (Ward 1)
- Councilor Jennifer Yeh (Ward 4)
- Councilor Chris Pryor (Ward 8)
- Scott Nowicki (Budget Committee Chair)
- Eliza Kashinsky (Budget Committee member)
- Bill Whalen (Police Commission Chair)
- John Barofsky (former Budget Committee Chair)
- Laura Illig (former Budget Committee Chair)

The scope of work for the Revenue Team included identifying, evaluating and developing revenue funding strategies to support the needs of the Community Safety system and to report back to the City Manager on a funding strategy by February 1, 2019. The Revenue Team was provided the following parameters for the new revenue source(s) it considered as part of its work:

- New revenue source(s) would need to provide significant new revenue of approximately $20 million on an ongoing basis.
- New revenue source(s) would need to be likely to be accepted by the community; and
- New revenues would need to be implemented by July 1, 2020 (i.e., be legal and practical to implement).

The Revenue Team met four times to conduct its deliberations on November 15, December 3, January 17, and February 1. At the first meeting, the Revenue Team received information on Community Safety funding strategies, property tax levies, compression, election sequencing, the Strategy Research Institute Survey (SRI) results, and the 2014 Revenue Team report (Attachment 1).

The SRI survey from July 2018 surveyed registered voters throughout the City assessing voter awareness of critical issues, identifying the most pressing spending priorities, and assessing voter support for a modest levy or fee to be used for the most pressing needs intended to address public safety challenges. The top three spending priorities noted in the survey were addressing the homelessness problem, increasing the number of sworn police officers, and enhancing police services.

Information on property tax compression and a local option levy was reviewed (Attachment 2) and the Revenue Team learned that approximately 64 cents remains under the Measure 5 limit of $10 per $1,000 of real market value before compression would begin on properties within the city (which would equate to a levy of no more than $10 million annually). The Revenue Team discussed the impact of increasing tax bills due to recently passed property tax initiatives or those that are expected to be on the ballot in the coming years. They noted that a levy would not fully fund the service level needed.

After this overview the Revenue Team requested identification of revenues that would generate yields of $15 million or more (Attachment 3).

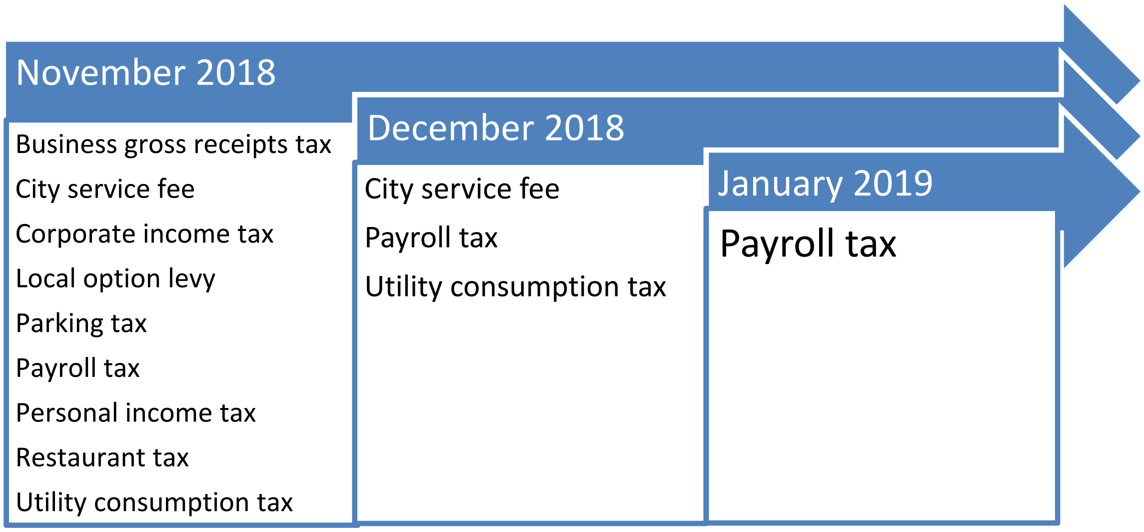
On December 3rd, The Revenue Team discussed the high yield revenue options by evaluating each option using the following set of criteria (Attachment 4):

- Revenue raising capability
- Administrative effort
- Revenue stability and reliability
- Triple Bottom Line (TBL) considerations
- Nexus with Community Safety
- Fairness and political feasibility

At the end of this discussion, the team chose three options to move forward for further discussion: Payroll Tax, Public Safety Fee, and Utility Consumption Tax.

On January 17, 2019 the Revenue Team reviewed updated information on the three options to further refine their recommendation. After discussing these options, the Team requested further analysis and information on the Payroll Tax be developed and brought back for consideration.

The fourth meeting was held on February 1, 2019 for the Revenue Team to receive additional information and discuss the impacts and considerations of a payroll tax and further refine their recommendation.



Community Safety Revenue Team Recommendation

The Community Safety Revenue Team recommends implementing a payroll tax to provide funding to support $22 million in community safety services on an annual basis with an option to be phased in over a six year timeframe.

A payroll tax is levied as a percent of gross payroll earned within the taxing jurisdiction. Entities can enact a payroll tax on employees and/or on employers and if enacted on both groups the tax would be treated as two separate payroll taxes. The Revenue Team recommends developing a "hybrid" approach of a tax on both employees and employers which could either be a flat percentage for both taxes or structured at different tiers for each tax to achieve the desired revenue yield.

The Revenue Team recognizes that this doesn't impact every segment of the population as this tax would not capture revenue from visitors, potentially city residents employed elsewhere (based upon structure), retirees and the unemployed, however, the Revenue Team generally thought that this approach was the clearest and most fair of the final options considered.

Considerations

<u>Growth & Sustainability</u>
In the long term, gross payroll appears to be a sustainable and growing revenue source that can generally weather economic cycles and keep pace with general and wage inflation impacts on

recommended service funding levels. Additionally, payroll taxes can be flexible over time (adjusted upwards or downwards) to address fluctuations if needed.

Administration

It would be most efficient and cost effective to enter into an agreement with the Department of Revenue (DOR), who already administers and collects payroll taxes for transit districts and the State of Oregon. If the City were unable to come to an agreement with the DOR, the Revenue Team recommends the City establish an internal mechanism for administration and collection of the recommended payroll tax, even though the cost of administration would be higher than DOR collecting on behalf of the City.

Social Equity

A payroll tax on employees is progressive in the sense that the amount owed increases as wages increase, however, low-income employees living paycheck-to-paycheck may be disproportionately impacted. The Revenue Team also recognizes that a payroll tax on employers also presents additional cost pressure, will decrease profit margins, and may be more burdensome for nonprofit organizations.

The Revenue Team recommends the payroll tax on employers and employees be structured very simply without exemptions or carve outs, while recognizing the impacts above. By creating a simple tax structure that applies to all employers/employees the City can legally tax, the new taxes will be easier to communicate to the community, easier to implement, and will be less costly to administer as the more complex the tax structure the more costly to administer/maintain.

Phased In Option

The Revenue Team recognizes that the City cannot implement the full scope of services in the first year and recommends including an option for the tax be structured to accommodate a phase in of services over a six year time period. This option would ensure that the tax is structured to collect amounts needed over time and demonstrates progress in service delivery as the service levels are increased.

Trust and Accountability

To ensure trust and accountability with the community, the Revenue Team recommends the following:

- Create a unique fund for payroll tax revenues and associated community safety expenditures;
- Clearly communicate the outcomes achieved with the services enacted with the new payroll tax; and
- Report to City Council annually and have a citizen review panel to review activity and outcomes achieved with the new payroll taxes on an annual basis.

Community Outreach

The Revenue Team recommends outreach to community members to inform people about the proposed tax structure and related impact as well as to provide more detail on the services that will be provided with the additional funding including homelessness services.

Implementation

The Revenue Team recognizes the importance of finding a stable, long-term source to address the critical need for community safety services in the community and recommends the City Council enact the payroll taxes by ordinance without placing the tax mechanism on the ballot for voter approval.

Other Considerations

Over the course of four meetings, the Revenue Team had much discussion on the pros and cons of various options and by consensus came to the recommendation of the payroll tax.

In addition to enacting a payroll tax, the Revenue Team also recommends the City Manager consider including the amount of the annual transfer from the Parking Fund for downtown safety as part of the community safety funding strategy to provide relief to the Parking Fund as those services align with the community safety initiative more closely than parking services.

The Revenue Team also recognized the impact of visitors on the community and their benefit from a strong community safety system and advises that in the future, the City should consider revenue mechanisms (consumption taxes) that would collect revenue from this sector.

Attachments

1. 2014 Revenue Team Report with Revenue Templates.
2. Tax and Compression Information
3. Revenue Options & Criteria – November 21, 2018 Memo
4. Revenue Evaluation Matrix – December 3, 2018
5. Draft Revenue Report – January 17, 2019
6. Draft Payroll Tax Report – February 1, 2019
7. Summary of Key Payroll Tax Tables

Revenue Team

Report to the City of Eugene Budget Committee

April 8, 2014

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Central Services
Finance Division

City of Eugene
100 West 10th Avenue, Suite 400
Eugene, Oregon 97401
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(541) 682-5802 FAX
www.eugene-or.gov

MEMORANDUM

Date: April 4, 2014

To: Eugene Budget Committee

From: Sue Cutsogeorge, Finance Director

Subject: Revenue Team Final Report

Attached is the final report of the Budget Committee Revenue Team. The Revenue Team is one part of a multi-faceted approach designed to address a long-term sustainable financial strategy for the City of Eugene. Other components of the approach include a series of meetings to gather input about the community's perspective on the budget, a Finance Investigative Team to review potential budget savings items in a fact finding effort, media outreach about the Budget Committee's activities to keep the community informed and engaged, a series of Budget Committee work sessions to develop FY15 budget balancing options and public hearings on potential budget strategies.

The Revenue Team's charge was to identify potential General Fund revenue strategies that might make sense for the Budget Committee and City Council to consider. The Team should focus on revenue strategies that would:

- Provide significant new revenue;
- Be likely to be accepted by the community; and
- Could be implemented by FY16 (i.e., be legal and practical to implement).

The Revenue Team analyzed a list of 24 potential revenue alternatives. They looked at factual information provided by City staff, and discussed the pros, cons and political feasibility of each of the options. The final report will provide an excellent revenue "toolbox" for the Budget Committee and City Council to use when you begin our conversations around how to achieve a sustainable budget.

The Revenue Team also acknowledged that some of the revenue alternatives in the report would not meet the criteria set out above, but might be worthy of City Council consideration for policy reasons other than General Fund revenue generation.

Membership:

John Barofsky	Chelsea Clinton	George Poling
Ken Beeson	Jill Featherstonhaugh	Greg Rikhoff
Jen Bell	Gerry Gaydos	Claire Syrett
Rob Bennett	Dave Hauser	Laurie Trieger
Bob Clarke	Andrea Ortiz	Marty Wilde

Admissions Tax	
Description	An admissions tax is a specific excise tax which would be applied to the price of admission for performances, entertainments, spectator events, festivals, sporting events and other activities for which admissions are charged. It may also be referred to as an entertainment tax. The tax can be applied to a narrow or broad range of venues and types of events. It can be applied to cost of admission as a flat fee or as a tax rate.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a tax on admissions by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative petition or by referendum petition. Types of organizations or specific activities subject to the tax would need to be decided when the tax is established. Exemptions from the tax vary by jurisdiction but typically include performances sponsored by elementary and secondary schools and admission charged to museums and botanical gardens. The tax could not be levied on admissions sold by a public university or other public agencies, but a contribution in lieu of tax could be collected only if an intergovernmental agreement is mutually agreed upon. Revenue would be unrestricted and available to the General Fund.
Precedence	Admission taxes are levied by many U.S. cities including Seattle, Tacoma, Alexandria, Roanoke, Richmond, Denver, Boulder, Cincinnati, Minneapolis, Santa Cruz, and others. Many counties and states also levy admission taxes. Rates and activities taxed vary widely. In Oregon there appears to be no admission taxes supporting general municipal or county services. There are admission taxes for very specific services however. In Eugene, the Cultural Services Division currently imposes a ticket Patron User Fee by City Ordinance, used to offset expenditures for operations and equipment repair and replacement at the Hult Center and the Cuthbert Amphitheater.
Revenue Yield & Stability	Revenue would depend on the types and number of events and venues to which the tax would apply. Tax revenues would fluctuate with general economic conditions. Changes in consumer spending may occur.
Administrative Effort	Implementation, administration and collection of the tax may require additional FTE, depending upon types and number of events and activities taxed and the structure of the tax.
Timeline	It could take from one to two years to fully implement.

Who Pays	The tax would be paid primarily by individual consumers whether they live within the city of not. Businesses that purchase admissions would also pay the tax. Admissions are typically purchased with a household's discretionary income. This makes an admission tax relatively progressive because low-income households would not normally purchase as many taxable admissions as higher-income households.
Fairness & Indirect Implications	This tax would be less regressive than other excise taxes because it taxes discretionary spending. Depending on the tax level, an admissions tax could encourage some consumers to reduce admission purchases, seek out free activities, or avoid the tax by patronizing events and venues outside city limits. A small fee would be unlikely to discourage economic activity. An admissions tax would likely have a negative impact on the Council Goal of encouraging accessible, thriving recreation and culture, where arts and outdoors are integral to our social and economic well-being and are available to all.
Sustainability Impact	A tax on the price of admissions could disproportionately impact low-income and large families. This could be mitigated by capping the tax at a certain number of admissions per purchase.
MTC Task Force Recommendation	Not included in Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – May be able to capture revenue from non-residents as well as residents. Can be scalable to capture many types of venues or fewer types, depending on administration preference. **Cons** – The tax may be costly and difficult to administer. University, school district and government events would be exempt, which could significantly reduce revenue generation. **Political Feasibility** – Tax could negatively impact economic activity related to event attendance. Public agencies would not be subject to a tax and may not be open to paying a fee in lieu of tax.

Bicycle Registration Fee	
Description	An annual or one-time fee levied on bicycle ownership in Eugene. This could instead be structured as a tax added to the purchase of a new bicycle in city limits.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a bicycle registration fee by ordinance without state enabling legislation. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	Eugene had a mandatory $2 bicycle registration fee in place from 1974 to 1977. The mandatory program was discontinued due to compliance issues. The city and county of Honolulu, Hawaii requires the registration of all bicycles with 20" or larger wheels. The charge is a one-time $15 fee, with an additional $5 charge when transferring ownership. After administrative costs, the bicycle registration program nets approximately $100,000 per year in a county with a population of approximately 976,000. Fees go towards bicycle infrastructure. Although it no longer exists, Colorado Springs had a mandatory registration program that taxed $4 at the point of sale and raised up to $150,000 per year with a population of approximately 430,000 people. Fees went towards bicycle infrastructure. In Oregon, proposed State legislation in the 2009 session would have required various transfer-of-license fees as well as a registration fee for every bicycle at $54 every other year. The bill stalled in committee. Similar legislation was introduced in the 2013 session, SB 769, which lowered the registration fee to a one-time $10. This bill also stalled in committee. All funds received in both instances were to be deposited into a bicycle transportation improvement fund for bicycle lanes, paths and related projects. Several Oregon communities have had voluntary bicycle registration programs with associated fees, including Grants Pass (now discontinued). Free voluntary programs have been offered subsequently, intended primarily to discourage bicycle theft and facilitate recovery and return of stolen bikes. Eugene's program currently has approximately 5,000 registrants. The University of Oregon reports that their free compulsory bike registration program has 109 registrants out of nearly 25,000 enrolled students from September 2013 through January 2014.

Revenue Yield & Stability	Applying the point-of-sale model from Colorado Springs to Eugene's (estimated population of 159,580 could yield approximately $56,000 before accounting for any administration costs. A blanket fee on existing and new bicycles (based on Honolulu's model) could net approximately $16,000 after administrative costs. The census estimate for Eugene bike commuters is 8.7% of the population, excluding trips for recreation and school (per Public Works Transportation), which would translate into about 10,000 bike commuters.
Administrative Effort	There are currently no specific estimates of the cost of administration, collection and enforcement associated with this revenue source. As there is currently no existing similar program at the City, administration costs may be significant compared to revenue generation potential. Start-up cost estimates would also need to include the cost of educating the public about the program and implementing a tracking system. The effort and effectiveness of enforcement needs to be evaluated further.
Timeline	This tax would take possibly 6-12 months to implement depending on the necessary level of administration.
Who Pays	This fee would primarily be paid by Eugene residents. If it were a tax on bike sales, some non-residents could pay if they purchased a bike in Eugene.
Fairness & Indirect Implications	This fee would directly impact citizens, and unless minimum income provisions were included in the structure, would negatively impact low income citizens that use bicycles as a cost-effective mode of transportation. The equity of this fee would largely depend on its structure. A point-of-sale fee on bicycle purchases over a predetermined price would ease burdens on recreational purchases for families or low-income citizens. In the case of a flat fee for all bicycles owned by citizens, provisions could be included to exempt low-income bicycle owners and/or bicycles with certain sized wheels. However, adding qualifications and exemptions to a fee collection program would significantly increase administration costs and would likely lower yield.
Sustainability Impact	This fee could discourage the purchase or use of bicycles, which are generally accepted as a preferable method of transportation for environmental reasons. This fee could increase costs to citizens who practice a method of commuting that is generally encouraged by the Council. People who use bicycles for transportation because they cannot afford other means of transportation would be negatively impacted.
MTC Task Force Recommendation	Not included in Meeting the Challenge report.

Budget Committee Revenue Team Comments	**Pros** – Registration could assist return of stolen bikes to owners. **Cons** – Compliance would likely be low and enforcement challenging and costly. Other agencies have discontinued their programs due to lack of popularity. Can be seen as contrary to the triple bottom line if it discourages bike use or impacts people with no other transportation alternatives. Revenue would not be significant. **Political Feasibility** – May be difficult to gain community acceptance. Children's bike could be exempted to improve acceptance.

General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014

Business Gross Receipts Tax	
Description	A gross receipts tax has a simple broad-based structure. It taxes all for-profit business sales transactions, with few or no exemptions or deductions. Business and occupations taxes are often a form of a gross receipts tax. Because the values of transactions are taxed, a gross receipts tax is often compared to retail sales taxes. However, while retail sales taxes apply only to final sales to consumers, gross receipts taxes tax wholesale transactions as well, including intermediate business-to-business purchases of supplies, raw materials and equipment. As a result of the tax's application to intermediate sales, a gross receipts tax create an extra layer of taxation at each stage of production that sales and other taxes do not—something economists call "tax pyramiding." A gross receipts tax's very broad base that distributes the impact of the tax, allowing a very low tax rate.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a gross receipts tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	A number of state have gross receipts taxes, including Washington, Delaware, Florida, Hawaii, Illinois Mississippi, Montana, New Mexico, Ohio, Pennsylvania, and West Virginia. Cities with a gross receipts tax include Los Angeles, San Francisco, Oakland CA, Bellevue WA, Alexandria VA, among others. The City of Eugene administered a Downtown Development District Tax with a gross sales and receipt component from 1973-1992 for the purpose of operating the City's downtown free parking program. Under this program, any person engaging in business in the Downtown Development District was required to pay the City a tax at rates of $2.80-$3.50 per $1,000 of the gross retail sales and receipts from business.
Revenue Yield & Stability	In 2001 a 0.1% tax on gross receipts was estimated to yield about $11 million. This analysis will need to be updated to determine potential revenue at this time.
Administrative Effort	Significant City effort would be necessary to implement, collect and administer a City gross receipts tax.
Timeline	Implementation would likely take one to two years.
Who Pays	A broad gross receipts tax would apply to for-profit business of all kinds. Although a gross receipts tax is not a retail sales tax, it would likely be passed on in the purchase price of goods and services. Both residents and non-residents purchasing goods and services within the City would pay.

Fairness & Indirect Implications	Lower income households spend a larger percentage of their disposable income for basic necessities than higher income households. As a result these households would experience more impact in any increase in goods and services resulting from a gross receipts tax. Since Eugene is a part of a larger metro area, consumers could shop outside the City to avoid the tax, although a very low rate of the tax would help minimize this effect. Similarly, business location decisions could be adversely impacted if there were substantial increases in the cost of doing business within the City. The "tax pyramiding" aspect of a gross receipts tax could cause a shift of some wholesale and manufacturing activity to areas outside the City. Again, a very low tax rate would help minimize this.
Sustainability Impact	Because the tax is levied on receipts and not the profit of a business, new and struggling businesses will be disproportionately impacted by a gross receipts tax as they attempt to make profits or minimize their losses. Lower income households will experience a larger negative impact if the tax results in higher costs associated with purchase of goods and services.
MTC Task Force Recommendation	Not reviewed in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – A low rate would generate a significant amount of revenue. **Cons** – No precedence in Oregon. Would be difficult and costly to enact and administer. Businesses with small margins will experience largest impact from the tax. May require many businesses to change their existing business models. **Political Feasibility** – If implemented with other taxes/fees that apply to business owners it could be onerous and costly for that segment of the population. Business community would likely aggressively oppose this tax.

Business License Fee	
Description	A business license fee is a fee for the privilege of conducting business within the city limits. It could be imposed on any person, partnership, corporation or similar entity doing business in Eugene. The fee calculation could take several different forms: a fixed amount per business, a flat percentage of income earned in the city, a fixed fee levied on business according to the number of employees. It is typically paid prior to engaging in business, paid on an annual basis, and does imply a regulatory relationship.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a business license fee by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	The City of Portland business license rate is 2.2% of net income after allowable deductions. The annual minimum fee is $100. Business licenses are required from the opening date of business. Multnomah County's business income tax rate is 1.45% of the net income after allowable deductions The annual minimum fee is $100 (started 2008). Business income taxes are due after each tax year end. Both have exemptions, most notably businesses that gross less than $50,000 annually. Springfield has a set of specific license fees as set out in their code. The city's Finance Director estimates that 75-80% of the estimated $105,000 - $120,000 generated per year revenue is devoted to personnel expenses to administer the program. A large portion of the remaining revenue covers software, supervision, and indirect program costs, leaving approximately 5-10% of collection as net revenue. Many other Oregon municipalities also collect business license fees, with amounts varying greatly by jurisdiction. Some jurisdictions, such as the City of Springfield, restrict business license fees to certain types of businesses, while others, e.g. Portland, Gresham and Beaverton collect this fee from all businesses operating within their city limits. A number of other Oregon municipalities, e.g. the City of Salem, do not impose a business license fee. Eugene currently requires the following businesses to apply and pay a fee for a license from the City: payday lenders, public passenger vehicles, and tobacco retail sales.

Revenue Yield & Stability	Based on Oregon Employment Department records, there were approximately 5,800 businesses registered in Eugene area zip codes as of 2001. According to the 2005 study by Chastain Economic Consulting, the number of private firms in Lane County has grown by an average 1.7% per year between 1990 and 2004; however, it is likely that this trend has reversed during the recent recession. A flat fee of $100 per year would generate approximately $580,000 in business license revenue, assuming 100% collection and no increase in the number of businesses since 2001. Using Springfield's model and basing assumptions on population, Eugene's gross revenue would be approximately $280,000 to $330,000. Net revenue would range from $14,000 to $33,000. The stability of this revenue source would fluctuate with the area's economic conditions.
Administrative Effort	The City currently has a small business license program for payday lenders, public passenger vehicles, and tobacco retail sales but it would need to be expanded if an overarching fee program were to be implemented. Cost estimates would also need to include the cost of implementing a tracking and enforcement system. Using Springfield's model, administration costs could be in the range of $250,000 to $300,000.
Timeline	The timeline for implementation of an overarching business license program would be a minimum of 8-12 months from Council approval of the program.
Who Pays	While this fee would be paid by businesses, some portion of it may be passed on to the customers.
Fairness & Indirect Implications	The fairness of this fee would largely depend on its structure. A flat fee per business would be a greater burden on smaller businesses. Some jurisdictions have a fee structure that attempts to alleviate this issue; for instance, the fee may be based on number of employees and/or whether it is a home-based business. This fee would not be related to business profitability. It would be a deductible business expense for federal and state tax purposes. Research shows that Oregon ties North Carolina for having the lowest state and local business tax in the U.S.
Sustainability Impact	The license fee would increase the cost of doing business within the City of Eugene and would make the city a slightly more expensive place to do business. Businesses and residents in the city benefit from a favorable business climate associated with adequate provision of general government services, such as police and fire protection, parks and libraries.
MTC Task Force Recommendation	The Business License Fee was dropped from consideration since the effort required to implement the fee would not result in a substantial revenue source (less than $2 million annually) and the administrative costs would likely be substantial. The revenue stream would be more appropriate for new City services.

Budget Committee Revenue Team Comments	**Pros** – Established precedent in many Oregon cities. Many new businesses expect the City to have an overarching program. **Cons** – Based on estimates it could be costly to administer. The purpose of most business license programs is to provide regulation and oversight of businesses, not to generate significant additional revenue. Current negative business sentiment towards City could be exacerbated. **Political Feasibility** – There was some difference of opinion as to whether there would be a high rate of acceptance of the fee by businesses new to Eugene. May be politically challenging if the business community rallies against a proposal.

<table>
<tr><th colspan="2">City Service Fee</th></tr>
<tr><td>Description</td><td>Service fees are typically set to recover part or all of the costs of a group of services broadly accessed by occupants of property in a city. These fees are billed to persons who occupy or have use of developed property. Unlike electricity, water, stormwater and sewer utility services, this fee would fund services that are not delivered directly to the property and are not directly measurable. The purpose of the fee is to provide stable funding to ensure the service remains available to the community.</td></tr>
<tr><td>Legal Authority & Restrictions</td><td>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a city service fee by ordinance. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.

In January, 2007, the Oregon Supreme Court, in Knapp v. City of Jacksonville, upheld Jacksonville's public service fee. This case clarified that city fees for utility services may be charged to a person with the right to occupy or use property, but they may not be based on property ownership or value.</td></tr>
<tr><td>Precedence</td><td>Measure 20-211 on the May 21, 2013 ballot asked Eugene voters if they would rather pay a capped, monthly City Service Fee to maintain funding for certain community services, or have those services reduced or eliminated. The fee was defeated at the ballot, with 67% voting no.

Several municipalities in Oregon charge city service fees for libraries, parks, street operations and maintenance, police and/or fire services.
Gresham implemented a temporary Police, Fire and Parks Fee on households and businesses and a one-time surcharge on large businesses to help maintain essential police positions and keep fire stations open. The fee was implemented without a vote and expires in June 2014. The City will ask voters to replace the fee with a local option property tax levy on the May 20, 2014 election ballot.
Jacksonville enacted a Fire Protection Act in 2003 to move fire services from volunteer to paid fire service. In 2011, the rate was set at $31/month on the occupant of each unit of developed property.
Medford charges $4.60 per single-family home per month for police and fire services. Medford also charges a parks maintenance fee of $2.95 per month per single-family home and business unit for maintenance and operation of city parks.
Newberg charges $3 per residential unit per month for public safety services and $1.50 per month fire fee.
Shady Cove charges a fee of $15 per month per residential or non-residential unit, dedicating the revenue to police services.</td></tr>
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Revenue Yield & Stability	Yield will vary with the fee level. City service fee revenue usually supplements other resources. Fees are set with consideration of the impact on the customer as well as the target revenue yield. Service fee revenues are stable because the fee is levied broadly across the community and the typical basis for the fee (occupancy and use of property) is fairly inelastic. The 2013 proposed City Service Fee would have been a flat fee, capped at a maximum of $10/month for residential and $30/month for non-residential property. The actual fee would be set by council and could be less than the cap. To produce the $5.3 million needed to fund the specified services, it was anticipated that the actual monthly fee would be less than the cap. Actual revenue yield would depend on how the fee was implemented in an ordinance that was never drafted because the measure failed at the polls.
Administrative Effort	Most cities collect service fees as part of the city's sewer, stormwater or water utility billing for a property unit. In many cities, this is practical because the cities operate and bill for their own utility services. In Eugene, this would require cooperation by EWEB. If the fee is levied on a per-unit basis and is included on existing EWEB utility bills annual costs of administration, billing, collection and enforcement could be relatively low. The City has talked with EWEB in the recent past about being the billing agent for the 2013 City Service Fee. City and EWEB staff would need to agree that the charges would be placed on the EWEB bill. Administrative costs could be much higher and the collection rate lower if the City had to develop and implement a billing process separate from EWEB. In addition, administrative costs would likely be higher if the basis of the fee requires development and maintenance of property-specific data on which to base the fee.
Timeline	Time would be needed to determine billing, collection and enforce processes. It would likely take a longer period of time, perhaps two years, to implement a new city service fee.
Who Pays	This would be determined through specific ordinance language, with a goal of broadly spreading the cost of community-wide public services to both residential and non-residential properties. For the 2013 proposed City Service Fee, the person who was responsible for paying the stormwater sewer service charges would be the responsible party for paying the City Service Fee. It was levied on developed property and there were different rates for residential vs. non-residential units. Council determined that 4J and Bethel would pay at the residential rate for any school owned by those districts. The measure included creation of a low-income assistance program that would be defined in the ordinance, which was never written as the measure failed at the polls.

Fairness & Indirect Implications	The successes of cities that have implemented monthly fees for public services demonstrates that such fees can be seen as fair and can be politically feasible. However, given the recent experience in Eugene, it is likely that substantial additional community discussion would be required before a consensus on fairness emerges and a politically feasible approach could be developed.
Sustainability Impact	Some would consider this tax as regressive in that the fee is the same regardless of property value/household income. Low income households would pay a greater percent of their income than businesses/households with higher income unless there was an exemption or low-income assistance program.
MTC Task Force Recommendation	After a Restaurant Tax, the Task Force recommended a City Service Fee of between $5 and $10 a month to pay for services that are not deemed to be essential services such as public safety.
Budget Committee Revenue Team Comments	**Pros** – Has the ability to raise a significant amount of revenue. Initial polling of the fee in 2013 was positive. May be well accepted if it is time limited and/or supporting specific new or existing services and programs. **Cons** – The 2013 ballot measure failed and it may be difficult to get the community to reconsider. Would require new messaging and an explanation as to how the gap was solved when the previous measure failed. **Political Feasibility** – There was some difference of opinion as to whether the community would accept a second attempt at a City Service Fee. May be politically necessary to allow more time before attempting another ballot measure.

Commuter Tax	
Description	A commuter tax is levied specifically on non-resident workers employed within a jurisdiction. It is intended to fund a share of the costs of general-funded services that broadly benefit the non-resident worker and their employment. The tax can be a schedule of flat fees per employee or rates applied to wages and salaries. It may also apply to self-employed people. The rate schedule may vary depending on the industry or business activity. Employers typically deduct the tax from their non-resident employee's wages and salaries and remit the revenue to the taxing jurisdiction. The tax is often but not always imposed in conjunction with a parallel occupational privilege tax on residents, in which case the non-resident tax might be at a lower rate than the resident rate to reflect the difference in benefit received from public services. Commuter tax revenue would be available to the General Fund.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a commuter tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, or by citizen initiative or a successful referendum petition.
Precedence	This tax has been implemented by cities or counties in Alabama, Michigan, Missouri, Ohio and Pennsylvania. In Oregon there are currently no commuter taxes.
Revenue Yield & Stability	Jurisdictions with commuter taxes in the form of flat fees generally charge from $25 up to $50 per worker per year. Among jurisdictions with the tax based on earnings, the tax rates range from 0.25% to over 2%. It is not certain that a commuter tax could be applied to all employees within the City, such as people working at federal and state agencies. Additional legal research will be needed on this issue. Exclusions will reduce estimated yield. Revenues vary with level of employment and wages. The commuter tax would be an ongoing revenue source, fluctuating from year to year to the extent that there are swings in the number of non-resident workers or their personal income earned within the City. In times of a general economic slowdown, revenue would drop, then rise again in a recovery. Long-term changes in the distribution of metropolitan area urban development, business location decisions and City annexation practices would affect the growth in revenue from a commuter tax.
Administrative Effort	Administration and enforcement mechanisms and costs will depend on the tax's structure and complexity. It is possible that one to three FTE would be required.
Timeline	The tax may take from one to two years to implement.

Who Pays	The tax would be paid by non-residents working within the City of Eugene.
Fairness & Indirect Implications	Non-residents working within the City are benefited directly and indirectly by General Fund services but contribute little revenue to help fund City services unless they also own taxable property. A commuter tax could help improve horizontal equity of a city's tax system because it would be paid by non-residents who benefit from the provision of the range of City General Fund services that directly and indirectly benefits them and supports their employment within the City. The tax can include self-employed non-residents doing business in the City as well as non-residents employed by others.
Sustainability Impact	A commuter tax would have a larger impact on low-income commuters who may not be able to afford to live in the Eugene metro area. The tax could encourage some commuters to move into the city limits, which could slightly decrease commuter tax revenue and possible reduce fuel consumption. The tax could make it more difficult for businesses to recruit employees.
MTC Task Force Recommendation	Not reviewed in Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – Would capture revenue from non-residents that benefit from City services. **Cons** – May disproportionately impact those in lower paying positions that cannot afford to live inside city limits. Revenue raised would be used to support city services however the City and its employees might not be required to pay the tax. May be difficult and costly to administer. **Political Feasibility** – Would face challenges because public agencies and their employees would not be required to pay the tax. May be confused with the LTD payroll tax.

Corporate Income Tax	
Description	A corporate income tax is different from a general income tax in that only for-profit corporations doing business or otherwise obtaining income from within the taxing jurisdiction are subject to the tax. Self-employed persons, sole proprietorships, partnerships and other non-corporate business entities are not taxed as corporations. Income from these businesses is taxed as personal income. S-corporations may or may not be subject to a corporate tax. Public agencies and governments are not subject to corporate taxes and non-profit corporations are exempted as well. It is usually implemented as a schedule of tax rates applied to corporate net taxable income earned within the taxing jurisdiction, or it may be in the form an excise tax based on the carrying of business within the jurisdiction. Corporate tax structures can be complex, differing widely in details of structure, implementation, and definition of income, rates, exemptions, credits and deductions allowed, and so forth.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a corporate income tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative, or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	The State of Oregon is among the 46 states taxing corporations based on either income or sales, whichever is greater. The State corporate tax rate on income is 6.6% of Oregon net income under $1 million, or $66,000 plus 7.6% on incomes over $1 million. Alternatively a minimum excise tax of $150 may be levied instead, based on sales of under $500,000 in sales. This excise tax rises to $100,000 for sales of $100 million or more. Across the nation there are examples of local corporate taxes. The cities of New York, Detroit, Columbus, and Lansing are among cities using this revenue source. In Oregon, no local jurisdiction has imposed a corporate tax.
Revenue Yield & Stability	Revenue yield could be significant, depending on structure and rate schedule of the tax. A 2003 staff analysis estimated that a 1% corporate income tax could yield about $2.7 million annually, while a 10% surcharge on State corporate income tax would yield $1.8 million. Further analysis will be necessary.

Administrative Effort	A City corporate tax could be administered and collected most efficiently as a surcharge on a corporation's existing State corporate tax liability. This would greatly simplify imposition of the local tax. Effort and costs to implement and administer a City corporate income tax would depend on whether the City could reach agreement with the State Department of Revenue to collect the tax as a surcharge on existing State corporate tax. If the City were to implement and collect the tax itself the administrative effort would be very high.
Timeline	Implementation would likely take several years.
Who Pays	Corporations conducting business or deriving income from within the City of Eugene would pay the tax.
Fairness & Indirect Implications	Although a corporate income tax is imposed on net income there is likely to be an indirect impact on the prices of goods and services because some or all of the cost of the tax would then be passed on in the wholesale or retail sale of goods and services, to be paid by the consumer.
Sustainability Impact	A corporate income tax could discourage new businesses from establishing residence in Eugene, and could also encourage existing businesses to move to a lower tax city. This would result in an overall loss in taxes for the City. An increase in the price of goods or services as a pass-through to consumers would negatively impact low-income residents.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – A low rate would generate a significant amount of revenue. Can be structured to be somewhat progressive. Could potentially piggyback on state tax for more streamlined administration. **Cons** – Would be difficult and costly to enact and administer. Would target certain type of businesses (c-corporations) and provide a disincentive to forming them. Businesses that are able may choose to move outside city limits to avoid the tax. **Political Feasibility** – If implemented with other taxes/fees that apply to business owners it could be onerous and costly for that segment of the population. Business community would likely aggressively oppose this tax.

E-Cigarette Tax	
Description	This would be a tax based on sales or use of e-cigarettes and other personal vaporizers and vaporizer liquids. A personal vaporizer is a pocket-sized, battery-powered device for turning liquid into vapor, utilizing an atomizer. It converts e-liquid into a vapor that is inhaled and is meant to act as a simulant and substitute for tobacco smoking. Vaporizers and supplies are available in vapor shops in Eugene and Springfield, and are also readily available for purchase online. The tax could be applied at point of sale, or could be applied to gross value of the taxed sales. Online sales could not be taxed by the City. Revenue would be available to the General Fund.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a tax on admissions by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative petition or by referendum petition. Revenue would be unrestricted and available to the General Fund. Currently, federal and Oregon law does not regulate sale or use of these devices. The Oregon Legislative Assembly has recently considered, but has not passed, legislation to limit access to personal vaporizers by minors and to regulate their use in public areas, similar to regulation of conventional tobacco use. Future legislation that regulates vaporizers might preempt the City's ability to tax vaporizer sales.
Precedence	A number of states and local governments have regulated sales of vaporizers to minors and several have restricted use of vaporizers in public spaces. As of December, 2013 only Minnesota has put in place a specific state tax policy for e-cigarettes, a decision reached in 2012. The products are subject to a 95% tax on the wholesale cost of the product. At least 30 other states are expected to consider vaporizer taxes of some kind this year.
Revenue Yield & Stability	Revenue yield would depend on the level of the tax and the vaporizer sales activity occurring within Eugene. Currently only two vapor shops are located in Eugene. Vaporizers and supplies may be available at other shops, and can readily be purchased online. Number and values of vaporizer sales within Eugene are not known at this time. If the City tax rate were high, consumers could avoid the tax by going to vaporizer shops in Springfield. The ready online availability of vaporizers and supplies will likely reduce the potential tax revenue. There is a possibility that the Oregon State Legislature may tax and regulate vaporizers, and could preempt local taxes on these items.

Administrative Effort	Implementation, collection and administration of the tax by the City would likely require one or two FTE, depending on the number of shops that sell vaporizers and supplies. Businesses selling taxed items would have the administrative responsibility to collect and remit the tax to the City.
Timeline	This tax could likely be implemented within one year.
Who Pays	Consumers of vaporizers would pay a tax applied at point of sale. If the tax were applied to gross value of taxed sales, the business would be liable for payment and would likely pass on some or all of the tax to the customer in prices.
Fairness & Indirect Implications	A tax on sales of vaporizers and supplies would be considered regressive because it would not be related to ability to pay. Vaporizers are promoted as a more healthful alternative to smoking because they do not produce ash and other harmful particulates. Increasing the cost of vaporizers may have the effect of discouraging use of vaporizers, indirectly contributing to continued smoking by consumers.
Sustainability Impact	Social inequity would not be increased. Economic activity could be marginally decreased. If vaporizers were discouraged as an alternative to smoking due to increased costs of the tax, public health may be negatively impacted.
MTC Task Force Recommendation	Not included in Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – May be a growing market that could be captured before the State preempts local taxes with their own legislation. Could potentially support positive public health outcomes. **Cons** – May not initially constitute a significant amount of revenue, and those revenues may be outpaced by the cost of administration. Taxing a commodity that is easily purchased in surrounding areas or online could reduce the potential revenue. **Political Feasibility** – City would need to act quickly before a local tax is preempted by the State.

Heavy Vehicle Tax	
Description	A heavy vehicle tax could be levied on vehicles over a certain weight and registered to an individual or business within the city. Since most heavy vehicles are used by business, the tax would be implemented as a business license tax, and payment of the tax would be a condition of doing business within Eugene. Studies have shown that although fuel consumption increases with size and weight, it does not increase proportionately with cost responsibility for damage done to roads by heavy vehicles. Above 26,000 lbs. the overall weight and axle loads become important factors in apportioning cost responsibility for damage to roads. For this reason the State of Oregon applies a weight-mile tax to heavy vehicles, while exempting these vehicles from the state motor vehicle fuel tax. The City of Eugene has imposed a local motor vehicle fuel tax since 2003. However heavy vehicles over 26,000 lbs. are exempt from the state fuel tax and are also eligible for an 80% refund for the local fuel tax. In addition there are vehicles below 26,000 lbs. that impose a heavier burden on city streets than passenger autos. The heavy vehicle business license tax rate would be proportional to the vehicle's weight & axle configuration. Mileage would probably not be a practical factor in determining the local tax. Heavy vehicles would be grouped into classes. Each class would have an assigned tax rate reflecting proportionate shares of estimated costs of the local transportation system they impose less the estimated local fuel tax revenue they contribute. The purpose of the heavy vehicle business license tax would be to impose a share of cost responsibility for local streets to heavy vehicles to recover revenue towards costs of damage such vehicles cause to the City's transportation system.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a heavy vehicle business license tax by ordinance without state enabling legislation. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would have to be dedicated to streets under Article IX of Oregon's Constitution. ***Revenue from a heavy vehicle tax would be subject to Article IX of the Oregon Constitution requiring that it be spent within the street right-of-ways. It may be possible to use the revenue for alternative mode activities within street right-of-ways, but it could not be used to plug the General Fund budget gap.***

Precedence	The City has imposed a local motor vehicle fuel tax within Eugene. However, vehicles of over 26,000 lbs. are eligible for an 80% refund on the local fuel tax, as well as exemption from the state fuel tax. The U.S. Department of Transportation imposes a heavy vehicle use tax (HVUT) on heavy vehicles operating on public highways at registered gross weights equal to or exceeding 55,000 pounds. Vehicles between 55,000 and 75,000 lbs. pay $100 plus $22 per 1,000 pounds over 55,000 lbs. Vehicles over 75,000 lbs. pay $550. An initial search has not identified any other municipalities with a heavy vehicle tax. State taxes based on weight or weight-mileage of heavy vehicles are common. The State of Oregon implements a weight-mile tax on heavy trucks, while exempting them from state fuel taxes.
Revenue Yield & Stability	Additional direction and information is needed to estimate revenue.
Administrative Effort	A heavy vehicle business license tax could impose a substantial administrative burden. The program would require reporting by the taxpayer, use of Department of Motor Vehicles, PUC and ODOT data for administration, audit and enforcement purposes. It may be difficult to identify and license parties located outside the city that regularly conduct business in Eugene. A field capability will probably be needed. The program could be fairly expensive to administer, depending on its complexity.
Timeline	This tax would take a longer period of time to implement, at least one or more years depending on the necessary level of administration.
Who Pays	Businesses with registered heavy vehicles would pay.
Fairness & Indirect Implications	Any party conducting business in Eugene would be subject to the license requirement and tax. Heavy vehicles are operated primarily by businesses. Only heavy vehicles over a certain weight would be subject to the tax.
Sustainability Impact	If the tax were set too high business could begin using multiple smaller vehicles as a part of their fleet, thus increase fuel usage and trips made to conduct business at the same level.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – Could be used to compensate for road damage inflicted by heavy vehicles. **Cons** – It may be possible to use the revenue for alternative mode activities within street right-of-ways, but it could not be used to plug the General Fund budget gap. **Political Feasibility** – Not discussed because this tax would not benefit the General Fund.

General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014

Local Option Property Tax Levy	
Description	A local option levy is a temporary property tax that is paid by all owners of taxable property within the City limits. The City could impose a local option levy for General Fund services for a maximum of five years or for capital projects for up to 10 years.
Legal Authority & Restrictions	New or additional property taxes must be approved by a majority of the people voting in a primary or general election.
Precedence	The City has had three local option levies for the libraries. The first in November 1998 was a four-year serial option levy to raise $8,760,000. The measure passed with 63.3% voting yes. In May 2002 another four-year local option levy was proposed and passed by 56% of the vote. This levy raised $19,600,000 over the four-year period. The last City of Eugene four-year local option levy for the library was placed on the November 2006 ballot. This measure passed with 52.1% of the vote and raised $10,750,000 over four years. In November 2008 4J proposed to renew a five-year local option levy to generate $75,000,000 over the course of the levy through FY15. This passed with 63.7% voting in the affirmative. In May 2013 Lane County proposed a local option tax levy to fund jail beds and youth offender services. Over the five year period this levy is expected to raise $79,459,479. The measure passed with 57% voting in the affirmative.
Revenue Yield & Stability	To fund $3 million of operating costs with a five-year local option levy, a tax rate of about $0.25 to $0.30/$1000 of AV would be needed, which would mean the typical homeowner would pay approximately $50 per year. Local option levies are subject to the $10/$1000 of real market value tax rate cap for all general governments under Measure 5 which amended the Oregon constitution. Local option levies are the first to be reduced in the event of tax rate compression. This means that if the combined total levies for the overlapping general governments exceed the Measure 5 cap, any local option levies would be proportionally reduced until the tax rate limit is satisfied.
Administrative Effort	Property taxes are administered by the County. The County prepares the tax bills, collects the funds, and remits the appropriate amount to the City on a regular basis. Enforcement is performed by the County in the foreclosure process.
Timeline	The deadline to place the measure on the ballot for the May 2014 election is February 10, and revenue could be collected starting in FY15. To be placed on the ballot for the November 2014 election the deadline is July 30, and revenue could be collected starting in FY16.

Who Pays	The tax is paid by all owners of taxable property within City limits. Property owners include business and residences. Businesses may choose to pass the tax on to their customers.
Fairness & Indirect Implications	The property tax is a proportional tax on the assessed value of real and personal property for both businesses and residences. It does not take into account the ability of the taxpayer to pay the tax. There are numerous exemptions from the property tax designed to promote a variety of policy goals, including some designed to lessen the impact on low-income owners and tenants. A local option levy is not necessarily a long-term solution as future funding would be contingent upon voters renewing the levy in future years to continue the revenue stream.
Sustainability Impact	An additional property tax levy could affect how affordable housing is in the community.
MTC Task Force Recommendation	Local option levy is not recommended because by statute the funding is limited to 5 years for operating purposes. The revenue from the levy is not ongoing and should not be used to pay for ongoing expenses.
Budget Committee Revenue Team Comments	**Pros** – Could generate significant revenue if approved by voters. Limited duration may make this option more palatable to voters. City could demonstrate progress on program/service before asking voters to renew the levy. Could be used as a bridge to establishing a special district. **Cons** – Would not provide ongoing, sustainable revenue source because of the possibility of defeat at each election. Could result in Measure 5 tax rate compression issues depending on the amount, with subsequent loss of some revenue. **Political Feasibility** – Generally considered feasible because of community familiarity with property taxes as a General Fund revenue source and the short duration would provide City with the opportunity to establish public trust. More politically feasible if it is a service or program that is well-supported by the public.

Luxury Tax	
Description	A luxury tax is a sales or excise tax that would be applied to the price of specific luxury goods or services. Luxury goods generally are products that are not considered essential and are purchased by very wealthy consumers. The tax has been typically applied to particular classes of luxury goods such as expensive vehicles, jewelry, airplanes, boats, etc.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a tax on admissions by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative petition or by referendum petition. Revenue would be unrestricted and available to the General Fund. A luxury tax levied on motor vehicles might fall within the Oregon Constitution's requirement that revenue from a tax levied on the "ownership" of a motor vehicle must be dedicated to roads. Additional legal research would be required. Real estate transfer taxes are prohibited at the local level in Oregon.
Precedence	In the United States there do not appear to be many local, state or federal luxury taxes. In 2011, Connecticut enacted a luxury tax in lieu of the sales tax on certain items: (1) motor vehicles exceeding \$50,000; (2) vessels exceeding \$100,000; (3) jewelry (real or imitation) exceeding \$5,000, and (4) clothing, footwear, handbags, luggage, wallets, umbrellas, or watches with a sales price exceeding \$1,000. The rate was initially 7% on all of these goods, but in 2013 the rate on luxury yachts was reduced to the same rate as the general sales tax (6.35%) due to the negative impact on the boating industry in the state. Some states have a real estate transfer tax rate that increases for higher value properties, such as New Jersey and New York. Other luxury taxes have been considered, but not enacted, such as consideration in Washington State recently. In November 1991, The United States Congress enacted a luxury tax that has since been repealed. This tax was levied on material goods such as watches, expensive furs, boats, yachts, private jet planes, jewelry and expensive cars. Congress enacted a 10 percent luxury surcharge tax on boats over \$100,000, cars over \$30,000, aircraft over \$250,000, and furs and jewelry over \$10,000. The federal government estimated that it would raise \$9 billion in revenues over the following five-year period. However, only two years after its imposition, in August 1993, the Congress decided to limit application of the tax. The revenues generated were disappointing and it also negatively impacted the incomes of the sellers of the luxury items. However the luxury automobiles tax was still active for the next 13 years until that was also repealed. Mexico levies a luxury tax on several items. Australia has levied the tax on luxury cars with a maximum tax rate of 33%. Hungary levied a luxury tax on yachts and cars whose value exceeded \$150,000.

Revenue Yield & Stability	Revenue would depend on the sales values of the goods to which the tax would apply. Tax revenues would fluctuate with general economic conditions. Depending on the tax rate, a luxury tax could encourage some wealthy consumers to easily avoid the tax by purchasing luxury goods outside city limits. Alternatively consumers could purchase lower cost untaxed goods rather than higher cost taxed goods.
Administrative Effort	Implementation, administration and collection of the tax may require additional FTE, depending upon the structure of the tax.
Timeline	It could take from one to two years to fully implement.
Who Pays	The tax would be paid by the relatively few purchasers of the taxed luxury goods. Since the taxed goods would be expensive the purchasers would likely be wealthy households and businesses. The luxury tax would be relatively progressive because low-income and middle-income households would not normally purchase luxury goods, while wealthy consumers would be subject to the tax.
Fairness & Indirect Implications	It is likely that only wealthy households and businesses would pay the tax. The tax would have a negative effect on economic activity insofar that sellers of luxury goods would be discouraged from conducting business within the city.
Sustainability Impact	Social inequity would not be increased. Economic activity could be marginally decreased. There would be no burden passed on to future generations.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** –Would be paid by individuals perceived to have the most disposable income. **Cons** – Administration would be difficult whether it was structured as point-of-sale tax or ongoing personal property tax. Point-of-sale may risk driving purchases of expensive items to other cities without such a tax. Difficult to generate revenue because tax can be easily avoided by people with the capacity to purchase luxury goods. Taxes on motor vehicles must be used for road-related purposes. **Political Feasibility** – This was attempted at a federal level and did not generate significant revenue and was repealed within a few years of implementation.

Motor Vehicle Rental Tax	
Description	A tax imposed on people renting a motor vehicle from a commercial establishment within the city of Eugene. The two most common methods of rate calculation are a percentage of gross rental fee or a flat per day fee. Rates vary significantly among jurisdictions with percentages ranging from 1%-17% and flat fees ranging from $2-$4 per day.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a motor vehicle rental tax by ordinance without state enabling legislation. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund. Further legal analysis is needed to assess the legality of taxing rental companies at the Eugene Airport but the City may need to annex the Airport to enact the tax at that location.
Precedence	The City has not previously enacted a motor vehicle rental tax. Lane County levies a car rental tax of 10% of the gross rental fee on all motor vehicles obtained from a commercial establishment in Lane County. The County's definition of a motor vehicle excludes vehicles designed and used primarily for the transportation of property (e.g. U-Haul moving vans) or vehicles rented for more than 30 days. Between FY04 and FY13 annual gross revenues ranged from approximately $1.1 million to $1.35 million. Revenues appeared to be significantly impacted by the recession in FY09-FY10. This funding has historically been dedicated to County Parks and the County General Fund. The City of Eugene Airport has imposed a Customer Facility Charge on car rental agencies operating at the Eugene Airport Location. The charge is $2/day per car rented. The revenue is dedicated to financing improvements to facilities at the airport and is not available for General Fund services. The Customer Facility Charge generated approximately $400,000 to $500,000 annually over the past three years. It is estimated that 38 states and over 80 local governments impose a vehicle rental tax. Uses are varied and include construction of stadiums/arenas, transportation, education, arts/tourism and general fund activities. Multnomah County currently impose a tax equal to 10% of the gross rental fee charged by the commercial company for the rental. Multnomah County directs all funds received to the County General Fund.

Revenue Yield & Stability	The yield would vary dependent on the rate charged. In FY2006 approximately $1.2 million in vehicle rental tax receipts were generated in Lane County. Two of the rental companies have facilities in Springfield and/or Cottage Grove and the split between Eugene and all others is unknown. Further information would be needed to accurately project revenues, including the legality of taxing businesses at the Eugene Airport. The revenue history for the past ten years shows this to be a stable revenue source, although this revenue could fluctuate somewhat with economic conditions, as people may travel less during a slowdown of the economy.
Administrative Effort	Lane County currently collects the county-wide car rental tax quarterly. The City could ask the county to collect the additional City share and remit the funds to the City quarterly. The County currently deducts an administration fee from revenues before distributing funds to County Parks and the County General Fund. A similar fee could be deducted from the City of Eugene's portion before distribution.
Timeline	Because a mechanism already exists for collection of this fee within Lane County, this fee might be relatively simple to implement, if an intergovernmental agreement can be reached with Lane County for collection.
Who Pays	People/businesses who rent motor vehicles from rental companies located in Eugene.
Fairness & Indirect Implications	This tax would primarily be borne by non-residents, however some local residents rent vehicles such as when their car breaks down and they rent a vehicle for the time period their car is in the shop.
Sustainability Impact	If the rate were increased high enough, there might be incentive for those renting vehicles (particularly those rentals not from the Airport or Amtrak station) to rent vehicles in Springfield. A high tax has the potential to dissuade some visitors from renting a vehicle and could perhaps encourage a higher use of alternative transportation methods.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – Could possibly be broadly structured to not only include passenger vehicle rentals but moving vans to capture a larger market. Lane County and the Airport already charge a fee on passenger vehicle rentals. The majority of tax revenue would come from non-residents visiting the city. **Cons** – Would likely not include revenue from vehicles rented at the Airport because it is outside city limits at this time. **Political Feasibility** – Due to the established precedents this tax is feasible.

Paper Bag Fee	
Description	A paper bag fee was established by City Council by ordinance in October 2012. This option would direct some or all of the vendor paper bag revenue pass-through to the City.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may direct the paper bag fee to the City by ordinance. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	In July 2013 the City of Boulder, CO implemented a $0.10 for every plastic or paper bag used at the checkout. $0.04 is kept by the retailer and the remainder is sent to the city for administrative costs associated with developing and implementing the fee, providing reusable bags to the community, community educational efforts about disposable bag impacts, and related programs. At the time of implementation it was estimated that the city used 33 million checkout bags per year. The ban does not apply to restaurants, bulk or produce bags, newspaper bags, or any other kind of food packaging bags. In 2008 Seattle enacted an ordinance for a plastic bag tax of $0.20 per bag. Stores with annual gross sales of under $1,000,000 could keep all of the fees they collected to cover their costs. Other stores could keep 25% of the fees they collected, and would send the remainder to the City to support garbage reduction and recycling programs. The stores would get a business-tax deduction for the fees they collected. The bag tax was subsequently referred to the August 2009 ballot where the measure was defeated with 53% voting against it. Beginning in January 2010, all Washington D.C. businesses selling food or alcohol are required to charge a minimum $0.05 for each disposable paper or plastic carryout bag. The businesses retains one cent (or two cents if it offers a rebate when customers bring their own bag), and the remaining three or four cents is submitted to the D.C. government and placed in The Anacostia River Clean Up and Protection Fund.
Revenue Yield & Stability	Original estimates showed that prior to implementation of the plastic bag ban, Eugene used an estimated 67 million single-use plastic carryout bags each year and paper bag use was unknown. Further analysis is required to determine total paper bag use in Eugene if this option is selected for consideration.
Administrative Effort	There is no estimate for the cost of administration (including tracking), collection and enforcement efforts associated with this potential revenue source.

Timeline	If this option is selected for further action, revenue analysis and program scoping would require 3 months. Upon adoption of an ordinance, a reasonable timeline for implementation of collection of a paper bag fee would be 12-18 months to provide adequate time for Eugene businesses to change current operations.
Who Pays	Retailers that currently collect the fee as a cost pass-through would share some, or all, of the fee with the City.
Fairness & Indirect Implications	Currently the fee applies to all businesses. It is possible to structure it to exempt small local businesses based on square footage or sales revenues.
Sustainability Impact	The fee for paper bags has previously been established in Eugene, and unless a decision was made to increase this fee, shoppers would not notice a change in program structure. Retailers would experience increased administration costs associated with tracking the purchases and remitting the required portion to the City. If the current fee is increased it could increase the number of reusable shopping bags and further decrease one-time use bags.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – Existing ordinance in place that would only require an amendment to enact the change. Would not be a new fee to citizens, just a redirection of funds. Could expand application to plastic bags. **Cons** – Will be an unknown administrative burden to retailers and City will need to establish administrative process for collection and enforcement. Should be a diminishing revenue source as more shoppers adopt reusable bags. Opening ordinance for amendment could jeopardize entire program. **Political Feasibility** – May be some consumer pushback depending on where funds are directed. A clear nexus between the fee and its use may encourage support, such as parks maintenance and to a possible lesser degree the sustainability program.

Parking Tax	
Description	A parking tax is usually structured as an excise tax associated with the rental or leasing of parking spaces. It could alternatively be structured as a type of business privilege or gross receipts tax levied on businesses that provide parking to employees, customers or participants, and on industrial or fleet parking.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council could establish the tax by ordinance. It could also be placed on the ballot by citizen initiative, or referred to the ballot by Council or by a successful citizen referendum petition. Revenue would be available for General Fund services.
Precedence	Parking taxes are currently in effect in at least 49 cities across the United States. The rates for parking taxes can vary considerably. As of 2014 parking taxes based on parking revenue ranged widely, from 6-40%. The City of San Francisco imposes a 25% tax on all commercial, off-street, non-residential parking. Miami has a 15% tax, Los Angeles' tax is $5.07 per $1,000 gross receipts and Pittsburg imposes a 40% tax. Chicago imposes a 20% tax for daily parking on weekends and 20% on weekday and long-term parking. In the state of Washington, the City of Bremerton imposes a 15% rate on commercial operators, while Bainbridge Island's rate of 30% applies to both private and public parking. The City of Seattle enacted a tax on commercial parking operators in 2006. The tax rate is 12.5%, added to the fee drivers pay to park in Seattle's commercial parking lots. Drivers pay the tax when they park but it is the responsibility of the business to charge and collect the tax. The business is liable for the tax whether or not it is collected. The City of Salem has had a Downtown Parking District since 1976 to provide funding for economic promotion and public parking within Salem's downtown core. The District is supported by tax assessments on all for-profit businesses of a proportionate share of the costs of the District, calculated on type of business, square footage and associated customer parking demand. Annual assessments currently range from $200 for small offices to $43,000 for the largest department store. The City of Eugene has used this revenue source in the past. In 1973 a measure was passed authorizing establishment of a Downtown Development District, including public parking and transportation and the power to tax in the district. This district is no longer in existence. From 1977 to 1986 voters approved several measures to levy a Downtown Free Parking District tax. The Eugene Budget Committee Citizen Subcommittee considered a parking tax as an option for funding transportation system needs in 2001, but decided not to pursue this option.

Revenue Yield & Stability	Parking taxes are usually a tax rate applied to the parking revenues generated by the owner or operator, or paid by the parking patron. Other less common approaches include a flat fee per space or transaction, or a tiered rate system based on parking location, type of parking and/or length of use. The tax could be based only on commercial parking or on all parking. This could include parking at office buildings, residences, on-street parking, and so on. Operation of the City of Eugene's parking system generates about $4.3 million in revenue per year. Adding a parking tax of 10% would generate $430,000, assuming there was no drop in parking demand as a result of the increased cost. There are no estimates available for the revenues generated by other commercial parking operators, such as Diamond Parking. In 2006 a parking needs assessment of only the Eugene downtown area was done. At that time the study identified about 15,250 spaces in the downtown area, of which approximately 5,000 were on and off-street publicly-owned spaces. The remaining approximately 10,000 are presumed to be free or paid commercial parking. If public parking was excluded and the owners/operators of these downtown commercial spaces were taxed $60 annually per space then the tax would produce about $600,000 revenue annually. As part of a 2007 study of transportation funding options, City staff estimated an approximate number of parking spaces citywide. Total parking spaces were estimated at 250,000, of which approximately 100,000 were nonresidential (estimate generated from impervious surface data) and 150,000 were residential (estimate generated from number of residential units). Beyond these approximate numbers no further information is currently available on citywide parking spaces.
Administrative Effort	Administration of this tax will require parking owners or operators to maintain reliable records of their parking revenues or their parking transaction activities, depending on the method of taxation. Under reporting of taxable activity is a difficulty faced by governments that have adopted a parking tax. The administration of a parking tax would fall on the various parties affected by the tax. For the City, operating costs would include the salaries of additional employees needed to collect, monitor, and enforce the tax. These costs would depend on the specifics of the tax structure and payment periods. Parking operators, building owners, and employers who charge their employees for parking, would bear costs for recordkeeping and remitting the tax. These costs could be passed onto customers.
Timeline	The tax could be implemented within 12-18 months.

Who Pays	A parking tax can be structured to be paid by the owners or operators of parking facilities, or by the direct users of the parking spaces. Taxes paid by owners or operators of parking facilities may be passed on to the direct users of the parking, depending on the economics of the parking market in the area. A parking tax would be paid by anyone who parks in the facilities that are subject to the tax. It is likely that non-residents would pay a significant share of the parking tax because about one-half of people employed in Eugene are commuters. If a parking tax were structured to capture revenue from all free and commercial spaces, then it would be paid by all businesses and residences. The City would probably not be able to levy this tax on parking provided by the federal or state government.
Fairness & Indirect Implications	The tax would increase the cost of parking in Eugene, which may have the effect of encouraging consumers to travel to neighboring cities that have lower parking costs. Studies in other cities have indicated that a 10% increase in parking costs could reduce parking demand by 2-4%, as a result of consumers using other forms of transportation, consolidating trips, or driving elsewhere for goods or services.
Sustainability Impact	A parking tax is considered regressive because it is not based on the income of a parking patron. Parking patrons that have no reasonable alternative to parking downtown for lower wage jobs or to access necessary shopping or services could bear a significant financial burden. If a parking tax were levied on all parking, including free parking associated with rental housing, lower income citizens would bear an additional significant financial burden. A parking tax could be seen as a way to encourage the use of alternate modes. For instance, the City of San Francisco's parking tax was implemented in the 1970's as part of an overall strategy to discourage the use of private automobiles. On the other hand, a parking tax could encourage suburban sprawl. If a parking tax is levied only on commercial spaces that generate parking revenue, the effect could be to encourage businesses to locate in outlying areas where parking is free.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.

Budget Committee Revenue Team Comments	**Pros** – Would provide a method for generating revenue from large events throughout Eugene. May generate some revenue from non-residents benefitting from City services. Could help to offset losses experienced by the City for providing parking. Could be structured in many different ways. Could apply to free or paid parking, public or private spaces, on-street or structured parking. May encourage development of sites downtown rather than keeping them for parking. **Cons** – May be unable to limit the tax to just downtown parking. Would likely not apply to universities, schools or other public agencies. Could be difficult to administer. A higher cost of parking could have a negative economic impact on some businesses, especially downtown. Some conflict of interest where code requires the provision of parking by businesses and then City taxes them on this requirement. **Political Feasibility** – Taxing residential parking would likely result in broad opposition. Business would likely oppose tax on non-residential parking.

Payroll Tax	
Description	Payroll taxes are levied when employers pay employees their wages and salaries earned within the taxing jurisdiction. The tax can be applied to self-employed people as well as those employed by others. The tax can take the form of a flat fee per employee or a tax rate applied to gross earnings paid by an employer within the taxing jurisdiction. It can be levied on the employer based on the employee's wages, or the employee as a deduction from an employee's wages. In the latter case this tax would not be the same as a local income tax, which would tax all income after adjustments under applicable income tax laws. The tax revenue would be available to the General Fund.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a payroll tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or through a successful referendum petition.
Precedence	Many countries levy national payroll taxes of various kinds. In the United States we are familiar with income, Social Security, Medicare and unemployment taxes. All U.S. states also collect a range of payroll taxes, as do a number of cities nationwide. While there are no payroll taxes to generally support city or county services in Oregon, there are payroll taxes being collected under state law for the specific purpose of funding local mass transit. The State of Oregon collects a transit tax on gross payroll within the Lane Transit District (LTD) in Eugene/Springfield area and the Tri-County Metropolitan Transit District (Tri-Met) in the Portland area to provide partial funding for those districts. Transit districts do not have the home rule authority and so may not impose these taxes unless specifically allowed by the state statute. In 2003, Oregon legislature provided LTD with the authority to increase the rate annually until it reaches 0.7% in 2014. On January 1, 2013, the rate increased to .0069 ($6.90 per $1,000) of the wages paid by an employer and the net earnings from self-employment for services performed within the Lane Transit District boundary. Certain wages, such as those paid by the federal government units and public school districts are exempt from the transit tax under the state law. A number of other employers, including cities and the county and non-profits, are exempted from the transit tax by an LTD ordinance. While the University of Oregon is exempt from the LTD tax, the State provides payments to LTD in lieu of the tax. State in-lieu payments would not be available to the City if it imposes a payroll tax however.

Revenue Yield & Stability	According to an analysis completed in 2001, a 1% payroll tax in Eugene would raise an estimated $29.6 million per year if applied to all gross payrolls. Legal review is needed to determine if there are payrolls that are likely to be exempt from a City payroll tax, including federal and state agencies and non-profits. Exclusions will reduce estimated yield. The most efficient way for the City to implement a payroll tax would be to use the same mechanism as the existing Lane Transit District payroll tax, imposed under state statutes and collected by the Oregon Department of Revenue. The current LTD tax rate is .0069 ($6.90 per $1,000) applied to districtwide subject gross payroll of about $4 billion. This will produce over $27 million in revenue for Lane Transit District in FY14. It is reasonable to assume that 40% to 60% of the subject payroll occurs within City of Eugene boundaries. Based on this rough estimate a City payroll tax at the rate of .001 ($1 per $1000) would gross between $1.6 million and $2.4 million annually. Further analysis will be needed to provide a more accurate revenue estimate. The amount of revenue collected is likely to mirror employment and wage trends and therefore correlate strongly with the current economic conditions in the area.
Administrative Effort	It may be possible to reach agreement with the State Department of Revenue to “piggyback” a local tax on the existing LTD payroll tax. If agreement can be reached collection would be done by the State Department of Revenue under agreement with the City. It is likely that the State would require compensation for administrative and collection costs. If the City of Eugene were to collect this tax on its own, the administrative and collection costs of doing so would be very high.
Timeline	Negotiations with the Department of Revenue could be time-consuming. Implementation would likely take two or more years, depending on the structure and means of administering and collecting the tax.
Who Pays	Depending on the structure of the tax, either employers or employees would be liable for the tax for wages or salaries paid within the City.
Fairness & Indirect Implications	In many or most instances a payroll tax paid by the employer would be passed on either to the employee through downward pressure on wages and salaries or to the consumer in the price of goods and services. If structured as a flat fee per employee the tax would be somewhat regressive. Structuring the tax as a rate applied to wages and salaries would provide a more progressive effect. More analysis would be needed to determine if the tax could be applied to public agencies and non-profit organizations. Employee-paid payroll tax is deductible by on state and federal income taxes.
Sustainability Impact	If the tax is passed from employer onto the employee this will be equivalent to a pay reduction in an economy that has seen stagnant or lower wages in the recession. Current living wage jobs could fall under that level as a result of a pass-through tax.
MTC Task Force Recommendation	The payroll tax was reviewed and was “not recommended” in the Meeting the Challenge report.

Budget Committee Revenue Team Comments	**Pros** – Ability to generate a significant amount of revenue when applying a small tax rate. Could be structured to apply to either the employer or the employee. Method for collection is already in place through LTD tax. **Cons** – Universities, schools and other public agencies and non-profits would likely be exempt. Employees making minimum wage may be impacted by even a small tax rate. **Political Feasibility** – The LTD payroll tax is generally considered unpopular but has established precedence for this type of tax in the area. Might be considered unfair because universities, schools, other public agencies and non-profits would likely be exempt.

Personal Income Tax	
Description	A tax on income of residents of Eugene.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a personal income tax on residents by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	In November 1985 there was an income tax measure on the Eugene ballot. It failed 89% to 11%. In the summer of 1994 the City Club of Eugene issued a report suggesting the City Council consider a personal income tax. A personal income tax on incomes above $100,000 to fund public safety services was considered and rejected by City Council in July of 1996. In 1997, the Council Committee on Finance reviewed multiple revenue sources that would stabilize the General Fund after the impact of Measure 50. The committee recommended that Council direct staff to develop an implementation plan for a business and personal income tax. Council took no action on the recommendation. In November of 1999, Lane County proposed an 8% income tax surcharge to support public safety needs. The measure failed, 74% no 26% yes; in Eugene it failed 68% no to 32% yes. In May of 2007, Lane County proposed a 1.1% income tax measure to support public safety needs. It failed 71.1% to 28.9% in Lane County. In January 2010 two statewide tax measures were passed by voters, one of which raised tax rates on income above $125,000 to fund education, health care, public safety and other services. In a May 2011 special election, Eugene's Measure 20-182 proposed a temporary City income tax for schools. 62% voted against the measure. In 2003 Multnomah County passed a three-year temporary personal income tax on County residents to fund public schools, healthcare, senior services and public safety. The tax raised about $128 million per year.

Revenue Yield & Stability	In 2011, Eugene's Temporary City Income Tax for Schools was structured with tiered rates applied to Oregon Taxable Income: incomes below $22,000 were not taxed; between $22,001 and $35,000 had a rate of 0.35%; between $35,001 and $50,000 had a rate of 0.47%; between $50,001 and $75,000 had a rate of 0.75%; and income above $75,000 had a rate of 1.2%. These rates were for joint incomes and single filer income levels were half of the joint levels. It was estimated that this would generate a net amount of $16.8 million per year, after subtracting tax avoidance and evasion, exemptions and administration. Tax revenues would fluctuate with changes in personal income and mirror economic conditions.
Administrative Effort	For the 2011 Temporary City Income Tax for Schools, Eugene staff entered into discussions with the City of Portland Revenue Bureau about possible collections of this tax. Portland collected the Multnomah County income tax, as well as Portland's Business License Tax and Art Tax. In addition to a contract for tax collection, additional City staff would be needed to manage the program. The cost to administer a local income tax would be substantial. Compliance would be affected by whether employers would be required to withhold taxes. For Eugene's 2011 tax, employers would not have been required to withhold.
Timeline	This tax would take a longer period of time to implement, approximately one year. The City would have to establish a collection mechanism, either in house or through contract with another entity like the Portland Revenue Bureau, to establish procedures around the distribution of the tax. There would also need to be a significant information campaign to educate Eugene residents about their responsibilities for paying the tax.
Who Pays	Eugene's proposed 2011 income tax for schools applied to all Eugene residents.
Fairness & Indirect Implications	A personal income tax may be viewed as unfair especially given the high unemployment rate in the region since the recession. Lane County was unable to pass a personal income tax in a more stable economic environment. The tax could be structured to provide exemptions for low-income households, however this would increase the rate needed to generate a particular dollar amount and increase the associated administration costs.
Sustainability Impact	Generally an income tax is designed to be progressive, but the structure of the tax can increase or decrease progressivity.
MTC Task Force Recommendation	The Task Force agreed that the Personal Income Tax was the best, most fair tax to pay for a broad range of General Fund services, but it is politically unfeasible at the current time. Measure 66 which raises the personal income taxes State-wide and was on the ballot in January 2010 was the reason for not considering the tax any further.

Budget Committee Revenue Team Comments	**Pros** – Could generate a significant amount of revenue. **Cons** – May negatively impact the City's economic prosperity initiatives. Would likely face significant, aggressive political opposition. Implementation may be difficult and costs of administration would likely be high. **Political Feasibility** – Generally determined to not be politically feasible, especially given the failure of the City's 2011 ballot measure to fund schools.

Red Light Cameras	
Description	A citation for violation of ORS 811.265 (Driver failure to obey traffic control device) may be issued on the basis of photographs from a camera taken without the presence of a police officer. This Photo Red Light option is presented as a means to generate revenue. It should be noted that EPD enforces traffic laws for public safety, not for the purpose of generating revenue.
Legal Authority & Restrictions	If a city chooses to operate a camera that complies ORS 810.434 (Photo red light), a citation for violation of ORS 811.265 (Driver failure to obey traffic control device) may be issued on the basis of photographs from a camera taken without the presence of a police officer if certain conditions are met. ORS 810.434 Photo red light requires: (1) Any city may, at its own cost, operate cameras designed to photograph drivers who violate ORS 811.265 (Driver failure to obey traffic control device) by failing to obey a traffic control device. (2) Cameras operated under this section may be mounted on street lights or put in other suitable places. (3) A city that chooses to operate a camera shall: (a) Provide a public information campaign to inform local drivers about the use of cameras before citations are actually issued; and (b) Once each biennium, conduct a process and outcome evaluation for the purposes of subsection (4) of this section that includes: (A) The effect of the use of cameras on traffic safety; (B) The degree of public acceptance of the use of cameras; and (C) The process of administration of the use of cameras. (4) By March 1 of each odd-numbered year, each city that operates a camera under this section shall present to the Legislative Assembly the process and outcome evaluation conducted by the city under subsection (3) of this section. [1999 c.851 §1; 1999 c.1051 §327; 2001 c.474 §1; subsection (5) of 2001 Edition enacted as 2001 c.474 §3; 2003 c.14 §491; 2003 c.339 §1; 2005 c.686 §1; 2007 c.640 §1; 2011 c.545 §65] Revenue generated from the Photo Red Light could be used for the General Fund, net of any one-time or ongoing operational expenses.

Precedence	Beaverton, Medford, Salem and Portland all utilize Photo Red Light Cameras as allowed by ORS 810.434. Based on information from other communities, there appear to be a few key elements related to the implementation of a photo red light program. **The primary purpose of the project is to increase the level of compliance with red light (stop) signals which may reduce the incidence of collisions directly related to red light violations.** This affects the location, and therefore the traffic volume, anticipated under the program. Prior to actual implementation of a camera system, staff would conduct traffic surveys at intersections where historically high levels of red-light running have occurred. Based on the long-term experience of other communities, collisions directly related to red light violations are reduced only in the intersections where the systems are installed. Eugene has more than 700 traffic crashes annually on our streets. Photo red light systems installed in four intersections may reduce traffic collisions by roughly ten to fifteen. However, it's important to note that collisions at signalized intersections may be caused by a variety of factors that a camera system will not affect, so there is no guarantee that a camera system will be an effective strategy to improve overall traffic safety. **A camera system may augment, but should not replace, any part of the City's current traffic enforcement efforts.** Camera systems may be an effective deterrent to red-light running but do not necessarily effect other driving habits/actions. For example, recent targeted enforcement efforts have shown that contact with an officer often produces several additional beneficial outcomes by improving community safety through DUII enforcement, impounding vehicles from drivers without insurance or who are driving with a suspended license, etc. Staff recommends that resources currently devoted to traffic enforcement or any other public safety activity should not be diverted to this effort. **Revenue generation should not be a goal of the system.** Other jurisdictions have experienced significant public criticism in part due to the perception of implementing red light cameras in order to generate funds.

Revenue Yield & Stability	In 2010, EPD contacted the cities of Beaverton, Medford, Salem and Portland regarding their Photo Red light Programs. Staff from Portland stated that the use of Photo Red Light was used to prevent and reduce accidents—not to generate revenue. According to Portland's biennial report submitted to the 2011 Legislature, the program's net revenue since its inception in 2002 is a net loss of \$47,000. In 2010 Beaverton's data shows that the program has a cumulative net loss of \$425,000 since 2001. Medford's 2010 data indicated that from FY08-09 they were averaging approximately \$30,000 in revenues although they were not charging program time for a coordinator, sergeant, and officer because this program is only a portion of their assignments. Salem's 2010 data indicated that after subtracting vendor costs, annual revenue is approximately \$225,000-\$250,000, however this does not include costs associated with the Traffic Sergeant or any non-volunteer hours required to review the citations before they are issued. The data from Beaverton, Medford and Salem does not appear to include any FTE costs from the Prosecutor's office who will generally experience increased caseloads and records requests associated with the alleged violations. When Photo Red Light was initially explored by Eugene in 2002 and 2004, estimates showed a negative impact to the General Fund. Similar programs in other cities have shown that drivers become aware of red light cameras and change their driving behavior which reduces revenue generated from this type of program and that these programs are put in place to promote public safety. It is unknown if this program would generate any net revenue or incur ongoing liability.
Administrative Effort	There are currently no specific estimates of the cost of administration, additional FTE, vendor contracts, and collection associated with this revenue source. Start-up cost estimates including the identification and survey of intersections would also need to be included. Additionally it is estimated that FTE may need to be added to both the City's Municipal Court and the Prosecutor's Office to process the additional citations that the program would create.
Timeline	If funding were available for the initial start-up costs, a pilot program would take about a year to implement.
Who Pays	The individual violating ORS 811.265: Driver failure to obey traffic control device. This could be both residents and non-residents of the city.
Fairness & Indirect Implications	The issuance of citations would directly affect only those violating traffic laws in intersections where the system is installed. Some states have forbidden photo red light systems when they were viewed as a means to unfairly generate revenue.
Sustainability Impact	A higher rate of compliance with red light signals may reduce collisions directly related to red light violations, possibly enhancing public safety. Opponents of photo red light programs frequently cite privacy concerns and scope creep (using the cameras for anything other than red light traffic infractions) as arguments against implementation.

MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – Could lead to positive changes in driving habits and compliance with traffic regulations. **Cons** – Revenue is not apparent and may be a net loss when accounting for all personnel required administering the program. **Political Feasibility** – Concerns about privacy could result in public resistance over implementation of such a program. May be feasible to promote not as a revenue option but as a benefit to public safety and traffic regulation adherence.

Restaurant Tax	
Description	Tax on sales of food and non-alcoholic beverages served by restaurants in Eugene. The tax is typically applied as a rate and paid by customers on their restaurant bill.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a restaurant tax by ordinance without state enabling legislation. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	Currently, there are two cities in Oregon that collect this tax. The City of Yachats collects a 5% tax that applies to most prepared foods and dispensed beverages, not including alcoholic beverages. Yachats City Council voted 4-1 in favor of the tax on November 6, 2006; collection of this tax started in July of 2007. Tax proceeds are dedicated to debt payments on the wastewater treatment plant. The ordinance that imposed the tax does not have a sunset clause, and contains a provision allowing the City Council to increase the tax rate in the future after a public hearing. The City of Ashland collects a 5% tax on all prepared food. One percent is used to purchase open spaces for parks and four percent is used to offset the costs associated with the building of the new wastewater treatment plant. The tax was to sunset in 2010. On November 3, 2009, Ashland voters voted to extend the 5% tax to 2030, 58.8% to 41.2% in favor. One of the factors in this vote was that the wastewater rates would have gone up by 55% had the tax not been renewed. In February 2011, Cottage Grove City Manager proposed for the ballot a 3% restaurant tax for continuing the operation of the aquatic center which previously had been funded by the owner, South Lane School District. This proposal was an alternative to creating a separate tax district to fund pool operations. The proposal was for a 3% tax on all prepared food and (non-alcoholic) beverages. The proposed tax did not apply to grocery items - only restaurant, deli or foods prepared for possible immediate consumption. Cottage Grove City Council voted 6-1 against placing the proposal on the May 2011 ballot. In March 1993, the City of Eugene proposed a 3% restaurant tax to be used as a general revenue source; the proposal failed at public vote with 60% opposed and 40% in favor. In major cities that have a "meals tax" it is in addition to sales tax – the combined taxes on meals range from 5% to almost 11%. The meals tax rates alone range up to 5.5% with the average being just over 2%.

Revenue Yield & Stability	Revenues would fluctuate with changes in personal income and the economic environment. The 2007 Economic Census reports $309,133,000 in restaurant sales in the City of Eugene. The Bureau of Labor Statistics reports that between 2007 and 2012 consumers spent approximately 0.4% more on food away from home. If levied at a 1% rate, this tax would raise approximately $3.1 million annually before administration costs. If levied at a 5% rate, this tax would raise approximately $15.5 million annually before administration costs.
Administrative Effort	If patterned after Ashland's process, businesses would remit the tax quarterly to the City. After the initial registration of all eligible businesses, staff time would be required to post payments, work with business owners and enforce the tax uniformly. Dedicated staff would be needed to perform this function. An effort will need to be made to clearly identify foods and beverages that are subject to this tax to make compliance easier for local businesses. A portion of the proceeds may be retained by the restaurants to help defray the costs associated with collections and remittance activities.
Timeline	This tax would take a longer period of time to implement, possibly one year or more. Lead time would be necessary to establish administrative and enforcement mechanisms.
Who Pays	Determining how much of this amount would be paid by out-of-town visitors vs. City residents would require additional research, as this data is not readily available.
Fairness & Indirect Implications	In the current economic environment, an additional tax on food and beverages may be seen as unfair by some segments of the local community, including businesses and those representing low-income populations. One way to possibly address this concern is to exempt fast food. Although it is possible that some consumers may choose to go outside of city limits to avoid the tax, a small tax is unlikely to significantly impact local restaurant revenues, similar to the implementation of the gas tax.
Sustainability Impact	In the political campaign of 1992-93, it was argued that this tax is regressive because low income households spend a high proportion of their income on "fast food". However, according to the Economic Research Service/USDA, "The wealthiest households tend to spend a greater share of their food budget on eating away from home than the least wealthy households: 47% versus 36% in 2008 – almost double the share of low-income households."
MTC Task Force Recommendation	The Task Force recommended a 5% Restaurant Tax.

Budget Committee Revenue Team Comments	**Pros** – Could generate a significant amount of revenue. Two Oregon cities have established this tax. Could be structured to provide exemptions and a small tax rate. A portion of revenues could be dedicated to assisting restaurants with implementation and administration costs. **Cons** – Targeting one specific industry may be seen as unfair. May result in some lost business for Eugene restaurants. Restaurant margins may be too slim to absorb administration costs. **Political Feasibility** – Would be aggressively opposed by the Oregon Restaurant & Lodging Association (ORLA) and has previously been rejected by voters. Tax is a “dining out” tax or “prepared foods” tax and should be represented as such.

Sales Tax	
Description	A retail sales tax is an excise tax levied on a range of goods and services at the point of final sale to an end-user or consumer. It can be imposed as a general sales tax applying to a broad range of goods and services. It can also be made quite narrow and selective in the range of goods and services subject to the tax. The tax can be structured to apply to leases and rentals as well as sales. It is usually levied only on sales of tangible personal property (goods). Services, real estate and financial instruments such as stocks and bonds are not tangible personal property and are usually exempt, although some jurisdictions do include specific categories of services as taxable services. Purchases of goods and services by households are generally retail sales and are taxable. Purchases by businesses are also taxable if consumed by the business, and goods consumed by business such as machinery and equipment (which wear out or are consumed slowly) and supplies that are used up in the production process but do not become part of the final product, are also retail sales. Wholesale sales are not taxable because those sales are not made to final consumers. Remote sales, such as purchases of goods over the internet, cannot be taxed unless the vendor has a physical location within the taxing jurisdiction. Typical exemptions from sales taxes include food for human consumption, prescription medicines, utilities, gasoline, animals and feed for animals, agricultural supplies, and items that become a component of goods manufactured for later retail sale. It is typically structured as a tax rate applied to the value of the sale. Different rates may be applied to specific categories of goods and services.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a retail sales tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council or by referendum petition. Revenue would be unrestricted and available to the General Fund. State law prevents local retail sales taxes on alcohol and tobacco products and real estate transactions. Local taxes on motor vehicle fuel, real estate transactions and transient lodging are restricted. Internet sales from remote vendors are not subject to a local sales tax under federal court decisions.

Precedence	Forty-five states impose general sales taxes that apply to the sale or lease of most goods and some services, and most states also levy selective sales taxes on the sale or lease of particular goods or services. Many cities and counties across the nation have local sales taxes. The definition of retail sales and what goods and services are taxable vary among the taxing jurisdictions. Nearly all jurisdictions provide numerous categories of goods and services that are exempt from sales tax, or taxed at reduced rates. The purchase of goods for further manufacture or for resale is uniformly exempt from sales tax. Most jurisdictions exempt food sold in grocery stores, prescription medications, and many agricultural supplies. Oregon has no general retail sales taxes, but a number of selective retail sales taxes are in place. The State and a number of cities and counties, including Eugene, charge a tax on transient lodging. Ashland and Yachats have city retail sales taxes on restaurant meals. In Oregon, state taxes on tobacco and alcohol as well as state and local taxes on motor vehicle fuel are collected at the wholesale or distributor level. While these are excise taxes they are not retail sales taxes.
Revenue Yield & Stability	Revenue would depend on the structure and rates of the tax, and the range of goods and services to which the tax would apply. Tax revenues would fluctuate with general economic conditions. Changes in consumer spending may occur due to tax-avoidance behavior. Local sales tax is sensitive to interjurisdictional competition. Previous studies estimate that a 1 percent rate differential in local sales tax leads to a 3 to 7 percent decrease in retail sales.
Administrative Effort	Because there is no existing infrastructure in Oregon to collect a general sales tax, the effort to implement, administer and collect a local general retail sales tax would certainly be high, requiring several FTE to implement, administer, collect and enforce.
Timeline	Implementation would likely take several years.
Who Pays	This will depend on the structure and coverage of the tax. A general retail sales tax could apply to a broad range of consumers, while a more selective retail sales tax could apply to a much smaller number of consumers.
Fairness & Indirect Implications	A broad, general retail sales tax is regressive because lower income households typically spend a much larger percentage of their available income on goods and services subject to the tax, while households with higher incomes spend a smaller percentage of their available income on taxed goods and services. Typical exemptions for food for human consumption, prescription medicines, utilities and similar essential goods and services mitigates, but does not eliminate, the regressivity of a general sales tax. Selective, targeted retail sales taxes can be much less regressive, in particular when applies to goods and services that are non-essential or luxury purchases.

Sustainability Impact	Lower income households will experience a larger negative impact if a sales tax is enacted. Businesses may experience a significant increase in costs associated with administration of a tax that is generally not applied in Oregon
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – Could generate significant revenue. **Cons** – Would require significant administrative effort and would take a significant period of time to implement. A broad sales tax is regressive. **Political Feasibility** – Oregon voters have a long history of rejecting sales tax proposals.

General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014

Solid Waste Collection Fee	
Description	A surcharge on solid waste haulers using a percentage increase across account types. ***If the purpose of this fee is to pay for the added damage that heavy garbage trucks place on Eugene's streets, then the revenue from the fee would go into the Road Fund and would not provide any relief for the General Fund shortfall.***
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a solid waste collection fee by ordinance without state enabling legislation. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	In 2007, a Council Subcommittee on transportation funding recommended charging road fees to heavy vehicles operating within the City. In 2008, the City Manager presented options to the City Council, including this surcharge. After several discussions and public hearings by both the City Council and the Budget Committee in 2009, the Eugene City Council voted not to adopt an ordinance which would have established a 5% surcharge on solid waste fee collection to generate an estimated $900,000 for the operations and maintenance of city streets.
Revenue Yield & Stability	Based upon customer information submitted by haulers in the 2013 rate review and using the current rate structure, the equivalent of a 2.5% rate increase across all account types would generate approximately $355,000 per year. For the average residential customer (a 32 gallon can collected once per week), the monthly increase would be $0.51 if this cost were passed through to the customer.
Administrative Effort	The City currently sets the solid waste rate structure used by haulers operating within City limits. The City sets rates to ensure the largest hauler achieves a target profit level of 11%. Any significant increases through a tax or fee would increase expenses and reduce hauler profit thereby requiring a rate increase. An alternative might be to have the haulers bill the same fee on their monthly statements as a "City fee" and remit the funds to the City. The haulers would have increased administrative costs associated with this added billing function and it is possible that rates might have to be raised to keep haulers at the target profit level. Both alternatives would require additional administrative oversight to ensure revenues received aligned with yearly customer counts and amounts collected.
Timeline	Because there is already a collection mechanism in place, this option would take less time to implement than some other new revenue types.

Who Pays	Haulers would be responsible for collecting and remitting the fee to the City; however, citizens would pay either in the form of a direct line item on their bill or through increased rates.
Fairness & Indirect Implications	As the fee would be assessed on Eugene customer accounts, only city of Eugene residents would be assessed the fee. Both commercial and residential customers would be assessed the same percentage increase. Any significant increase would essentially raise rates, and have a financial impact on all citizens regardless of income levels.
Sustainability Impact	If customers perceive rates to be too high, they might haul their own garbage or illegally dump garbage creating additional disposal costs and potential environmental hazards.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – The administrative mechanism for collection currently exists so this would be relatively easy and inexpensive to implement. **Cons** – Fee singles out one industry, and this industry is not the only one that stresses infrastructure. If this is a fee to compensate for damage to roads, revenue would not be usable for General Fund. **Political Feasibility** – At this time Lane County is also considering raising tipping fee which may lead to difficulty in implementing City's fee at the same time or shortly thereafter.

Special Districts	
Description	Special districts are governmental entities that provide a single service or a group of services within a delineated local service area. Oregon state law authorizes formation of many different special districts for particular purposes. Each special district has services, formation requirements, governance structure, revenue authority, and other powers and limitations described in the Oregon statutes, usually in a "principal Act" for each type of district. Some types of special districts may provide urban services that may also be provided by a city, such as fire protection or park services. However, a special district and a city may not provide the same services to the same territory.
Legal Authority & Restrictions	The formation process for most types of special districts is covered in ORS Chapter 198 – "Special Districts Generally". Some types have additional requirements for formation that are found in the district's principal Act. Applicable law also addresses annexation to an existing special district. Formation of or annexation to a special district requires voter approval. Each type of district's principal Act describes its governing structure, service areas, revenue authority and debt authority. Most kinds of districts are operated under a separate elected governing board. Many, but not all, special districts can levy property taxes with voter approval, and some may charge fees or assessments for services. Special districts are subject to Oregon Constitutional property tax limitations. A new special district could be established within a city, or city territory could be annexed to an existing special district, if the applicable urban land use plan permits it. The adopted Metropolitan Plan of the City of Eugene currently restricts the use of special districts within the city. The Metro Plan would first need to be amended if a special district were to be established. If permitted by the Metro Plan, special districts could be considered to provide fire, emergency medical, park & recreation, or library services now provided by the City of Eugene. In the case of formation of a new special district a vote would need to be held on the establishment of the district, election of a governing board and a separate vote would be needed to approve a permanent property tax rate to support the district's services. If annexation to an existing district were proposed a vote would be required on the annexation question, but the existing governing board and permanent rate of the district would automatically apply to the annexed territory if the voters approve the proposal. With either a new district or annexation to an existing district the City would need to terminate or transfer to the special district all current City services that would be provided by the district within the City's territory.

Precedence	Special districts have a long history and are found throughout Oregon. Most districts provide services in rural or unincorporated urban areas but, as long as there is no duplication of services, special districts may also provide services within city boundaries. Several dozen districts currently provide services in areas of Lane County. Within the Eugene-Springfield metropolitan area special districts currently provide fire protection, ambulance services, library, and park & recreation services.
Revenue Yield & Stability	Each special district is granted particular revenue and debt authority by its principal Act. Some types of districts can charge fees or collect assessments for services. Many types are authorized to establish a permanent property tax rate and levy local option property tax levies with voter approval. Property tax revenue yield depends on the tax rate and the taxable assessed value of property within the district. The following lists a number of districts within the Eugene-Springfield urban area, with their current tax rates per $1,000 of assessed value as of FY14. • **Willamalane Park & Recreation District**: 1.9720 permanent. • **River Road Park District**: 3.0559 permanent / 0.4700 local option. • **Santa Clara Rural Fire Protection District**: 1.0439 permanent / 0.6000 local option. • **River Road Water District**: 1.9694 permanent. • **Lane Rural Fire/Rescue**: 2.1174 permanent. • **Willakenzie Rural Fire Protection District**: 3.0669 permanent. • **Lane Library District**: 0.5900 permanent. Special districts are subject to property tax limitations under the Oregon Constitution, including compression of property tax revenue under certain conditions. Districts providing general governmental services, such as fire protection or park services share the general government property tax cap of $10 per $1,000 of real market value, along with cities and counties. When a special district is formed within a city or a city's territory is annexed to a special district, the city's existing permanent tax rate does not change.
Administrative Effort	A very high and sustained level of effort would be required to establish a new special district within the city of Eugene or to annex city territory to an existing special district.
Timeline	The formation process for a special district within city of Eugene would likely take at least two years. First the Metro Plan would need to be amended, which could take a year or more. The process of district formation or annexation could then take an additional year or more. The question would finally need to go to the ballot for voter approval.
Who Pays	After formation or annexation, owners of taxable property would be liable for district property taxes as well as city property taxes. A district may also be able to charge fees or assessments for services provided.

Fairness & Indirect Implications	A special district is established and levies property taxes only with the approval of its voters. If a district serves territory within a city there may be increased likihood of tax compression, which would reduce property tax revenue to both district and the city. The addition of a new governing board supporting specific services within the city could result in conflicting services priorities and less coordination of urban services overall.
Sustainability Impact	Establishment of a special district could provide urban services that are important for urban quality of life, that otherwise could not be funded by a city. The additional property taxes levied by a district would increase the overall tax load within the city, and could be a burden to households with limited income. Increased taxes could have a negative impact on economic investment within the city. There would not likely be an increased burden transferred onto future generations however.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – Popular services provided by the City (e.g. parks, recreation, library) may stand a higher chance of being accepted as a special district. Could possibly annex to an existing special district. **Cons** – Would take 3-5 years to implement due to the necessity of amending the current metro plan. Could result in Measure 5 tax rate compression issues depending on the amount, with subsequent loss of some revenue. Voter approval of district formation as well as ability to tax would be required. **Political Feasibility** – More politically feasible if it is a service or program that is well-supported by the public.

General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014

Transient Room Tax	
Description	A transient room tax (TRT) is levied as a rate applied to the cost of rentals of temporary lodging. The tax is collected from hospitality providers (hotels, motels, lodges, bed & breakfasts) and RV parks and campgrounds, including private, city, county, and state. Federal parks are exempt.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council could increase the fee by ordinance. It could also be increased by citizen initiative, referral to the ballot by Council or by a successful citizen referendum petition. State law requires that 100% of the revenue from the City's current 4.5% tax must continue to go to tourism promotion and tourism-related facilities; it cannot be diverted to other purposes.
Precedence	The City currently imposes a 4.5% tax under the authority of the City's Transient Room Tax Ordinance on all overnight stays in the City, including hotels and motels, campgrounds, retreat centers, RV parks, bed and breakfasts, and vacation rentals. The tax is collected by the lodging operator, who retains a collection fee of 5% of the amount collected and remits the balance to the city. City Code directs that all the revenue is placed in the Cultural Services Fund, which accounts for operation of the Hult Center, Community Events, Public Art and Cuthbert Amphitheater. Lane County also levies a transient room tax as does the State, making the current total tax rate within Eugene 10.5%.
Revenue Yield & Stability	The amount of taxes currently available for any given period, approximately $1.6 million annually, varies with the lodging occupancy rate. State law requires that 100% of the revenue from the current 4.5% tax must continue to go to tourism promotion and tourism-related facilities; it cannot be diverted to other purposes. While all revenue from the current TRT must continue to go to the Cultural Services Fund, state law permits an increase in the tax rate to generate additional revenue of which at least 70% shall be used for tourism promotion or tourism-related facilities, while a maximum of 30% may be used for city operations not directly related to tourism. An increase in the Transient Room Tax and assignment of increased revenues could be accomplished by ordinance; a vote would not be required. City Code would also need to be amended if part of the increased revenue were to be directed to city operations not directly related to tourism. An increase in the tax rate from 4.5% to 5.5% could net about $355,000 in revenue in a typical year. A maximum of 30% or about $105,000 would be available for city services unrelated to tourism promotion or tourism-related facilities. A minimum of 70% or about $250,000 would have to be used for tourism promotion or tourism-related facilities.
Administrative Effort	An increase in the tax rate would require little additional administrative effort or costs.

Timeline	An increase could be accomplished within a few months.
Who Pays	Since the room tax is primarily paid by visitors and not city residents, an increase may be more widely accepted by the community than would alternative tax proposals that primarily tax residents.
Fairness & Indirect Implications	An increase to the City rate would make the total tax within Eugene the highest of any city within Lane County. Lodging and other hospitality businesses have generally opposed increasing the tax or using the TRT revenue for other than tourism-related industries. Any increase in the tax rate would result in higher costs to persons renting lodging within the City. Depending on the size of any rate increase, this could make Eugene lodging less competitive and cause some visitors to obtain lodging outside the City. City revenue may not increase if our largest tourism related events and conventions go to more affordable cities. A possible negative economic effect may extend to our restaurants, retail stores, and small businesses throughout Eugene.
Sustainability Impact	An increase in room rates would disproportionately affect those without stable housing or in transition. The bulk of the tax would be paid by non-residents.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	**Pros** – Good method for capturing revenue from non-residents. Would increase funding to promote tourism and cultural services. Cost of administration would be small because the collection mechanisms already exist. **Cons** – Would only generate a small amount of revenue for the General Fund. An increase could make Eugene's the highest rate in the state. **Political Feasibility** – May be opposed by Travel Lane County and others representing the travel industry.

Utility Consumption Tax	
Description	A tax on consumers for use of utility services; levied on the amount consumed or established as a flat fee per account. Utility services include electricity, natural gas, water, stormwater and/or wastewater.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a utility consumption tax by ordinance without state enabling legislation. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	The City of Ashland imposes an Electric Utility User Tax. The tax is designed as a surcharge of 25% on monthly energy use. This tax generates revenue to fund general City services such as Police, Fire, Planning, Building and Senior Programs, offsetting property taxes. This tax generates approximately $2.8 million annually. Ashland has a municipally-owned electric utility. In March 1996, the City of Eugene proposed a 1% utility consumption tax to fund low income housing which failed at public vote; 61% no to 39% yes. That tax would have dedicated 10% of the proceeds for low-income energy assistance programs.
Revenue Yield & Stability	If the tax were structured as a surcharge on the use of electricity, natural gas, water, storm water and wastewater a rough estimate for potential yield (numbers from 2010 analysis) was about $2.2 million for every 1% surcharge. The monthly impact to the average residential user of electric, gas, water, storm water and wastewater services (numbers from 2010 analysis) was about $1.25 for every 1% surcharge. Impact to commercial users is not provided as commercial consumption varies greatly by business. Residential consumption accounts for approximately 60% of the electric retail revenue collected by EWEB. A portion of the tax revenue would be needed to offset administrative costs for utilities to collect and remit the tax. An annual allocation could be set to help mitigate the financial impacts of the tax on low-income households. Implementation of these items would reduce the yield estimates given.
Administrative Effort	Utility service providers (City, EWEB, NWNG) would be responsible for collection of the tax. An administrative fee for collecting and remitting the tax to the City could be negotiated with EWEB and NWNG. As an example, if an administrative fee of 5% of the tax were instituted, the foregone revenue would be approximately $110,000 at the 1% tax level.
Timeline	This tax would take a longer period of time to implement, possibly a year or more, due to the negotiations and coordination with the utility providers who would collect the tax.

Who Pays	All consumers of the subject utilities in the city would pay.
Fairness & Indirect Implications	This tax would have a greater impact on large businesses, low income residents or those who are out of work. The tax could be structured to provide relief for low-income households but this would increase the rate and the administrative costs associated with the collection.
Sustainability Impact	When the tax is established as a percent of consumption, large utility users are affected more than other users in the community. Developing a program to rebate some portion of the tax to large users could mitigate creating a barrier to economic development. The tax could lead to reduced consumption, a sustainable practice which is a high priority value for the City. An increase would be a greater financial burden to low-income households who have little to no discretionary income.
MTC Task Force Recommendation	As an alternative to the Restaurant Tax, a Utility Consumption Tax of 1.5% that would net $2 million annually after administrative costs and adjustments for low income and high volume users was recommended by the Task Force.
Budget Committee Revenue Team Comments	**Pros** – Cost of administration would be small because the collection mechanisms already exist. Could be matched with another small revenue as a package of options to implement. **Cons** – This would be a regressive tax. Public agencies would be exempt from paying. **Political Feasibility** – Utility fees are consistently rising and consumers are sensitive to price increases so this option may not receive the necessary votes to implement.

User Fees & Service Charges	
Description	A user fee or service charge is paid by those who use and benefit from a specific public good, service or facility, as a condition for receiving or using it. A fee or charge is usually based on a share of the cost of the good, service or facility that is used. The revenue generated is retained by the fund within which the good, service or facility is budgeted and is used to defray some or all of the costs. The terms user fee and service charge are frequently used interchangeably, but "user fee" generally refers to payment for specific, discrete and time-limited admissions, events or services, usually imposed at the time and location the good or service is delivered or the facility is used. In comparison, the term "service charge" often refers to payment for multiple uses of goods, services or facility usage accruing over a period of time. Service charges may occur under a contractual arrangement, while user fees typically do not.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The Council may impose user fees and charges for services or facility use, and has delegated responsibility to the City Manager to administer user fees and charges for service consistent with the Eugene City Code.
Precedence	Most cities impose a range of user fees and service charges. The City of Eugene currently imposes fees and charges for more than 120 specific General-funded goods and services, with budgeted revenue of about $9.7 million for the General Fund in FY14. It is possible to establish new charges for goods and services not currently charged for.

Revenue Yield & Stability	The City's user fees and service charges are adjusted periodically to recover increased costs of the good, service or facility. General Fund fees may provide all but more typically yield only part of the direct cost and overhead costs. Fees are usually set with consideration of the impact on the customer as well as the revenue yield. Some considerations that influence fee levels are a possible need to regulate demand for a good or service, a desire to subsidize a certain good or service, administrative concerns such as the cost of collection, the promotion of other goals. If fees are set too high, customer volume and eventually revenue may decline. If the fees are too low then not enough of the costs will be recovered to support the good or service. Fee revenues will vary with economic conditions, as the local economy fluctuates and households' disposable income increases or decreases. These concerns are usually taken into account when fees are set or contracts are negotiated. Revenue from new fees or increase of existing fees would be small compared to the General Fund budget gap. Many of the user fees and charges are routinely increased for inflationary cost increases so there would not be any additional gap-filling potential for those items. A number of fees and charges, such as fire and police charges, are billed out at cost, so they cannot be increased beyond the cost of providing the services. In the FY15 discussions with the Budget Committee, recreation user fees and charges, which total about $2.8 million, are already slated for increases as part of the FY15 budget strategy.
Administrative Effort	Administrative effort for new or increased fees would be moderate. If a fee increase is considered then an analysis of costs, customer demand for the service, economic conditions and other considerations may be necessary. Development of new charges for service may require more substantial administrative effort. Once set or adjusted, charges are relatively simple to impose and collect at the time and place of delivery of the good or service.
Timeline	Charges for service are set administratively by the City Manager. Adjustment of existing charges may be done within a few weeks, while establishing new charges may take several months or longer.
Who Pays	User fees are only paid by users; nonusers do not have to pay the fee. On the other hand, increasing or expanding fees may exclude some lower-income households from accessing some goods or services. Equity can be a concern if charges are set so high that some people cannot afford to pay, even though they desire the service. City policy towards maintaining affordable charge levels may come into play to address equity concerns. Fees or charges for service can be avoided if the services they fund are optional to the customer. If fees are set too high, then fee revenue may suffer and the good or service may require greater subsidization from taxpayers as a whole.
Fairness & Indirect Implications	Perception of fairness will vary depending on the good or service involved and the level of the charge. Existing City charges are generally seen by Council and community as a fair way to generate revenue for the particular service provided.

Sustainability Impact	An increase in fees could have a larger negative impact on low income households or families that participate in City activities, making the events cost-prohibitive for those that the events may generally target. Raising user fees and charges could have a negative impact on the Council Goal of encouraging accessible, thriving recreation and culture, where arts and outdoors are integral to our social and economic well-being and are available to all.
MTC Task Force Recommendation	The Task Force recommended reviewing existing fees for services regularly and making predictable, periodic adjustments to reflect the increased cost of the good or service.
Budget Committee Revenue Team Comments.	**Pros** – Cost of administration would be small because collection mechanisms already exist. **Cons** – May not be a source of significant revenue because staff has consistently analyzed and implemented fee and charge increases where viable. **Political Feasibility** – When a clear nexus appears between the revenue source and program it may be seen as more palatable to implement increases. Recreation user fee increases are a part of the City Manager's proposed FY15 Budget Strategies accepted by the Budget Committee.

Revenues Brainstormed But Not Considered

CILT on Stormwater and Wastewater – In 2009, City Council approved an ordinance allowing the use of stormwater and wastewater funds for Road Fund purposes. The idea of a right-of-way payment or CILT on stormwater and wastewater came out of a recommendation from the City Manager in 2008. The two City utilities now pay 6% of their gross user fees to the Road Fund.

Increase in EWEB CILT – The EWEB General Manager and the Eugene City Manager reached an agreement with regard to changing the CILT payments prior to detailed discussion by the Revenue Team on this topic; therefore, no additional Revenue Team consideration was needed.

Increase Toxics Right to Know Fee to Cover Hazmat Team – Use of this fee is defined under the City's charter. Changing the fee to cover additional costs outside of the TRTK program would require a charter amendment, approved by Eugene voters.

Library User Fee – Charging a user fee for residents to use library services would require that the City undergo a "disestablishment process" to designate the library as a non-State sanctioned library (similar to Alvadore, Blue River, Dexter and the River Road/Santa Clara Volunteer libraries in Lane County). The implications of operating as a non-sanctioned library would be the loss of access to significant services and funding, such as inter-library loans, statewide database services, and state and federal grants. Those losses would far outweigh any revenue that could be gained from charging a library user fee.

Medical Marijuana: Product Sales Tax or Dispensary Fee or Tax – Current state statute places broad restrictions on local regulation of agricultural seed or products of agriculture seeds, which would include marijuana. Local taxes or fees are a form of regulation and are likely encompassed under the statutes that prohibit local laws or measures that regulate activities such as growth, distribution, marketing, and transportation. Additional legal research would be needed on this idea.

Sin Taxes – Taxes on alcohol and cigarettes. Local taxes for these items are prohibited by State law.

Sponsorships or Advertising – This has been considered by staff in the past, but because of First Amendment rights around free speech, the idea has been deemed not feasible. The City would likely want to be able to refuse advertising that was not in alignment with its goals and mission, but under the Constitution, this would not be possible.

Voter-Approved Redistribution of Bond Funds – This is possible, if City Council were to refer a measure to the ballot. Funds may only be used for capital purposes in accordance with State law, and would not be available for General Fund operating purposes.

Property Tax Compression

Background

Measure 5, which was passed by voters in 1990, limits the combined general government tax rate to $10 per $1,000 of real market value (RMV). General governments include the City, Lane County, urban renewal districts, and any non-school special districts. At the time that Measure 5 was passed, assessed value (AV) and RMV for properties were essentially equal.

Measure 50, which was passed by voters in 1997, changed the tax system so that properties are taxed on the basis of an AV that is generally lower than the RMV for the property. The average ratio of AV to RMV for residential properties in Lane County is currently about 70%, but each property could have a higher or lower percentage. In no event can a property have an AV that exceeds the property's RMV. It is possible for the stated tax rate on a property to exceed $10 per $1,000 of AV and still be within the $10 per $1,000 of RMV tax rate limit. This could occur if the RMV of a property exceeds the AV.

Compression Sequence

When the taxes for general government services on an individual property exceed $10 per $1,000 of RMV, the taxes on that property are compressed. This occurs in a two-stage process. First, any local option levies are proportionally reduced until either the $10 tax rate limit is no longer exceeded, or until the local option levies are reduced to zero for that property. If the local option levies are reduced to zero and the tax rate remains above $10, then taxes on the City, County, urban renewal districts and non-school special districts are reduced proportionally until the limit is no longer exceeded.

Current Tax Rates

The FY19 total tax rate for general government is $9.3595 per $1,000 of AV as shown in the table below. Given the Measure 5 limit of $10 per $1,000 of RMV for general government, **about 64 cents remains "under the cap" before compression starts to kick in**. The amount of compression that would occur depends on two factors: 1) how much the general government tax rate exceeds $10 per $1,000 of AV, and 2) how much of a difference there is between AV and RMV.

Levy Description	Rate	LOL Duration and Amount
City of Eugene Permanent Operating Levy	6.8571	
City of Eugene Library Local Option Levy	0.1723	FY17-21, $2.7 million per year
City of Eugene Parks & Rec Local Option Levy	0.2010	FY19-23, $3.15 million per year
Downtown UR District Division of Tax Levy	0.1792	
Riverfront UR District Division of Tax Levy	0.1677	
Lane County Permanent Operating Levy	1.2522	
Lane County Public Safety Local Option Levy	0.5150	FY19-23, up to 55 cents per $1,000 AV
Lane County 4-H/Extension Local Option Levy	0.0150	FY17-21, 1.5 cents per $1,000 AV
Total General Government	**9.3595**	

Source: Lane County Assessment & Taxation 2018-19 Tax Code Area Report, TCA 00400

Local Option Property Tax Levy

A local option property tax levy requires voter approval and would have a maximum length of five years for operating expenses. Revenue collection would begin the next fiscal year following voter approval. The table below provides estimates for three levels of net annual revenue collection. The amount paid by taxpayers is variable based on the taxable assessed value of their property. Half of homeowners would pay more than shown in the table and the other half would pay less.

Net Annual Revenue Collection	$5 Million	$10 Million	$15 Million
Tax Rate per $1,000 of Taxable Assessed Value	$0.31	$0.62	$0.93
Annual Cost for a Typical (Median) Home	$69	$138	$207
Monthly Cost for a Typical (Median) Home	$6	$11	$17

Notes:
Estimates provided by City of Eugene Finance Division, assumes collection rate of 95%
A typical (median) home has a taxable assessed value of $209,195 in FY19
Numbers represent five-year averages

Marijuana Taxes

Marijuana tax revenue, summarized in the table below, comes from two sources:

1. Local City of Eugene tax of 3% on the retail sales of recreational marijuana items, which was approved by voters in November 2016. **Local marijuana tax revenue has been designated by City Council for parks security, community justice, and human services.**
2. Share of the State's marijuana tax revenue based on Eugene's population and proportion of retail licenses. **State shared marijuana tax revenue has not been designated for any specific purpose.**

The FY19 Adopted Budget estimates as shown in the table were very conservative due to little historical information available at the time. Now that more revenue has been received, projections for FY19 and beyond have been increased.

Marijuana Taxes	Actual FY17	Actual FY18	Budget FY19	Projected FY19	Forecast FY20+
Local City of Eugene 3% Tax	$109,319	$936,078	$425,000	$1,100,000	$1,250,000
State Shared Tax Revenue	$0	$1,056,775	$400,000	$700,000	$750,000
Total Marijuana Taxes	**$109,319**	**$1,992,853**	**$825,000**	**$1,800,000**	**$2,000,000**

Notes:
Actuals and estimates provided by City of Eugene Finance Division
State shared revenue in FY18 includes a back payment of $472,830 from FY17

Eugene Central Services
Finance

Memorandum

Date: November 21, 2018

To: Community Safety Revenue Team

From: Twylla Miller, Finance Director

Subject: Revenue Options & Criteria

At your November 15th meeting you received a copy of the Revenue Team report from 2014 that included information on the various revenue options considered by that team. There have been questions about which of those options would generate more significant revenue yields as you look to make recommendations to fund community safety options of $15 to $20 million on an annual basis. The attached list shows the options from the Revenue Team report that would generate a minimum of $500K or more annually. Please refer to your binder for more detail on these options. It is important to note that the revenue estimates are somewhat dated and can vary depending on how taxes/fees are structured. To the extent possible as this team narrows down recommended options, finance staff can provide updated analysis to provide more current yield estimates based upon assumed tax/fee construction and administration.

At your next meeting on December 3rd we will begin to discuss revenue options that the team would like to consider. As part of this discussion, we will discuss the criteria that will be used to help the team evaluate revenue options. Draft criteria for your consideration are as follows:

1. Revenue Raising Capability: Will the revenue source produce sufficient revenue to make a significant contribution to the funding need?
2. Administrative Effort: The revenue sources included in the funding strategy should be efficient to implement and administer. There should be practical sources of tax or fee related data, and the implementation and on-going program management should not be overly complex. The revenue sources included in the funding strategy should have low to moderate costs for administration, relative to the total revenue generated.
3. Sustainable Revenue: Funding sources should have a high degree of long-term predictability, stability and reliability in order to ensure that the services funded can be maintained over the long run. They should be stable through economic cycles and not subject to political changes.
4. Triple Bottom Line: Funding solutions should take into account the “triple bottom line” which includes social equity, economic and environment impacts. The **economic** aspects of sustainability address the question of whether the revenue source supports a healthy business climate (e.g.by not imposing an inequitable burden on business). The **social** equity impacts relate both to how the income is derived as well as how the revenue is used. For example, what is the potential impact on low-income community members? From an **environmental** standpoint, would there be a positive impact on the environment (e.g. by reducing waste, encouraging alternate modes, etc.) from implementing potential revenue source.

5. Impact on other City Council Goals: Would this funding solution impact other City Council Goals?
    a. Safe Community: a community where all people are safe, valued and welcome;
    b. Sustainable Development: a community that meets its present environmental, economic and social needs without compromising the ability of future generations to meet their own needs;
    c. Accessible and Thriving Culture and Recreation: a community where arts and outdoors are integral to our social and economic well-being and are available to all;
    d. Effective, Accountable Municipal Government: a government that works openly collaboratively and fairly with the community to achieve measurable and positive outcomes and provide effective, efficient services;
    e. Fair, Stable and Adequate Financial Resources: a government whose ongoing financial resources are based on a fair and equitable system of revenues and are adequate to maintain and deliver municipal services.
6. Nexus with Community Safety: Does the funding strategy have a direct or indirect relationship to specified community safety services and/or the benefit derived from the community safety system to the community as a whole.
7. Fairness & Political Feasibility: To what extent would the revenue alternative likely be viewed as fair or unfair? How likely is Council approval and community acceptance of the revenue alternative?

If there are other criteria the team would like to consider, we can discuss as part of your next meeting.

I look forward to our continued conversation. If you have identified specific options that you are interested in exploring either from the Revenue Team report or have thought of other approaches the team can consider, or have other financial questions, you can email them to me prior to the next meeting or identify them as part of the discussion on December 3rd. My email is tmiller@eugene-or.gov

Fee	Estimated Yield
Business Gross Receipts Tax	In 2001 a 0.1% tax on gross receipts was estimated to yield about **$11 million**. This analysis would need to be updated to determine potential revenue at this time.
City Service Fee	Yield will vary with the fee level and can be scalable. City service fee revenue usually supplements other resources. Fees are set with consideration of the impact on the cus-tomer as well as the target revenue yield. Service fee revenues are stable because the fee is levied broadly across the community and the typical basis for the fee (occupancy and use of property) is fairly inelastic. The 2013 proposed City Service Fee would have been a flat fee, capped at a maximum of $10/month for residential and $30/month for non-residential property. The actual fee would be set by council and could be less than the cap. To produce the $5.3 million needed to fund the specified services, it was anticipated that the actual monthly fee would be less than the cap. Actual revenue yield would depend on how the fee was implemented in an ordinance that was never drafted because the measure failed at the polls.
Corporate Income Tax	Revenue yield could be significant, depending on structure and rate schedule of the tax. A 2003 staff analysis estimated that a 1% corporate income tax could yield about $2.7 million annually, while a 10% surcharge on State corporate income tax would yield **$1.8 million**. Further analysis will be necessary.
Local Option Levy	Under current tax rates, there is 64 cents left in the general government cap which equates to about a $10 million levy (62 cent tax rate). It would not be recommended to levy to the cap limit.
Parking Tax	Operation of the City of Eugene's parking system generates about $4.3 million in revenue per year. Adding a parking tax of 10% would generate **$430,000**, assuming there was no drop in parking demand as a result of the increased cost. There are no estimates available for the revenues generated by other commercial parking operators, such as Diamond Parking. In 2006 a parking needs assessment of only the Eugene downtown area was done. At that time the study identified about 15,250 spaces in the downtown area, of which approximately 5,000 were on and off-street publicly-owned spaces. The remaining approximately 10,000 are presumed to be free or paid commercial parking. If public parking was excluded and the owners/operators of these downtown commercial spaces were taxed $60 annually per space then the tax would produce about **$600,000** revenue annually.
Payroll Tax	According to an analysis completed in 2001, a 1% payroll tax in Eugene would raise an estimated **$29.6 million** per year if applied to all gross payrolls. Legal review is needed to determine if there are payrolls that are likely to be exempt from a City payroll tax, including federal and state agencies and non-profits. Exclusions will reduce estimated yield.
Personal Income Tax	In 2011, Eugene's Temporary City Income Tax for Schools was structured with tiered rates applied to Oregon Taxable Income: incomes below $22,000 were not taxed; between $22,001 and $35,000 had a rate of 0.35%; between $35,001 and $50,000 had a rate of 0.47%; between $50,001 and $75,000 had a rate of 0.75%; and income above $75,000 had a rate of 1.2%. These rates were for joint incomes and single filer income levels were half of the joint levels. It was estimated that this would generate a net amount of **$16.8 million** per year, after subtracting tax avoidance and evasion, exemptions and administration.
Restaurant Tax	Revenues would fluctuate with changes in personal income and the economic environment. The 2007 Economic Census reports $309,133,000 in restaurant sales in the City of Eugene. The Bureau of Labor Statistics reports that between 2007 and 2012 consumers spent approximately 0.4% more on food away from home. If levied at a 1% rate, this tax would raise approximately $3.1 million annually before administration costs. If levied at a 5% rate, this tax would raise approxi-mately **$15.5 million** annually before administration costs.
Utility Consumption Tax	If the tax were structured as a surcharge on the use of electricity, natural gas, water, storm water and wastewater a rough estimate for potential yield (numbers from 2010 analysis) was about **$2.2 million for every 1% surcharge**. The monthly impact to the average residential user of electric, gas, water, storm water and wastewater services (numbers from 2010 analysis) was about $1.25 for every 1% surcharge. Impact to commercial users is not provided as commercial consumption varies greatly by business. Residential consumption accounts for approximately 60% of the electric retail revenue collected by EWEB.

Community Safety Revenue Team Funding Alternatives
Evaluation Matrix

Page #	Revenue Options	Amount Or Rate	Revenue Raising Capability ($ millions or H/M/L)	Administrative Effort to Implement and Manage	Revenue Stability and Reliability	TBL: Healthy Business Climate	TBL: Burden on Low Income Community Members	TBL: Impact on Environment	Impact on Other Council goals	Nexus with Services Provided	Nexus Explanations
9	Business Gross Receipts Tax	**TBD**	**H**	X	□	X	X	–	X	X	**No nexus**
15	City Service Fee	**TBD**	**H**	**?**	□	□	□	–	–	□	**All households/businesses would pay and all would benefit enhanced community safety services**
21	Corporate Income Tax	**TBD**	**L-M**	□	□	X	□	–	X	X	**No nexus**
27	Local Option Levy	**TBD**	**M-H**	↑	↑	□	X	–	–	X	**No nexus**
N/A	Marijuana Tax	**$1.2 million**	**L**	↑	□	X	X	–	–	↑	**Council direction on spending**
35	Parking Tax	**TBD**	**L**	□	□	□	□	–	–	X	**No nexus**
39	Payroll Tax	**TBD**	**H**	□	□	X	X	–	□	X	**No nexus**
43	Personal Income Tax	**TBD**	**H**	□	□	X	□	–	□	X	**No nexus**
51	Restaurant Tax	**TBD**	**H**	□	□	X	□	–	□	□	**Indirect: tourists also pay tax**
67	**Utility Consumption Tax**	**TBD**	**L-M**	X	□	X	X	↑	–	X	**No nexus**

↑ = Meets All Criteria/Favorable/Yes
□ = Meets Some Criteria/Neutral/Maybe
x = Does Not Meet Criteria/Unfavorable/No
– = Not Applicable

? = Not Known
H - $10 million or greater
M = $5 million or greater
L = $1 million or greater

City of Eugene Revenue Options Report

Prepared for the Community Safety Revenue Team

January 17, 2019

Introduction

This report was prepared by City of Eugene Budget and Analysis staff at the request of the Community Safety Revenue Team. Included in this report are three revenue options that would generate approximately $15-20 million annually to fund the Community Safety Initiative: (1) payroll tax, (2) city service fee, and (3) utility consumption tax.

Payroll Tax

Payroll Tax Description

Summary

A payroll tax is levied on employees and/or employers as a percent of gross payroll earned within the taxing jurisdiction. It is considered a progressive form of taxation. A City of Eugene payroll tax may involve high administrative costs to either create the necessary infrastructure or contract with the Department of Revenue for collection. No cities in Oregon currently utilize a payroll tax.

There are several considerations for implementation, including whether to levy the tax on employees, employers, or both; equity implications and related rate adjustments; the impact of the economy on annual revenue yield; and administrative costs associated with implementation. A payroll tax does not include visitors, residents employed outside of Eugene, retirees, and the unemployed. Businesses that do not have payroll, such as sole-proprieters, may not be subject to the tax pending additional research.

Legal Authority

Under Oregon's constitutional home rule powers, the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a payroll tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative, or through a successful referendum petition.

It is a safe presumption that the City of Eugene cannot tax federal or state governments. However, more research is needed to identify whether the City has authority to tax other types of public entities that operate in Eugene such as school districts, LCOG, Lane County, and EWEB. Additionally, more time is needed to ascertain whether government employees can be taxed.

Precedence

No Oregon cities or counties have implemented a payroll tax. Additionally, no jurisdiction collects a payroll tax from both employers and employees.

LTD and TriMet Transit Tax

Two special transit districts collect payroll taxes from **employers**. The revenue partially funds mass transit in the Lane Transit District (LTD, Eugene/Springfield area) and the Tri-County Metropolitan Transit District (TriMet, Portland area). The 2019 rates were 0.74% and 0.7637%, respectively.[1] Employers submit the funds to the Oregon Department of Revenue (DOR). Nonprofit 501(c)3 organizations are exempt from this tax.

[1] Rates increase annually on a schedule set by the Oregon State Legislature, the authorizing authority.

Oregon Statewide Transit Tax

On July 1, 2018, the State of Oregon began collecting a 0.1% **employee** payroll tax for transportation funding. The revenue funds statewide transportation intiatives including capital projects and infrastructure maintenance. Employers collect the tax on behalf of employees and submit to DOR.

City of Salem

In November 2018 the City of Salem Sustainable Services Task Force forwarded a payroll tax recommendation to the City Council, along with a city operating fee and a local gas tax, to raise a minimum of $6 million annually. The task force recommended a 0.2% to 0.25% payroll tax on **employees** working within the Salem city limits to generate approximately $6.7 million annually.

Administrative Effort

The City of Eugene could potentially administer the tax in-house or opt to work with a third-party administrator like the DOR. In-house administration could be extremely expensive, requiring a new work unit dedicated to bill issuance and collection, legal compliance, and customer service.

DOR administration is possible, given that the agency administers both the district and statewide payroll taxes. However, DOR does not currently administer payroll taxes for other cities in this manner, and it would be a standalone program with substantial upfront costs. An initial rough estimate is approximately $1 million as a starting point for system configuration. This figure does not reflect other upfront costs including forms, publication development, outreach, and staffing. Estimated annual administration costs are unknown, pending additional discussions with DOR, as significantly more exploration would be needed if a payroll tax recommendation moves forward. If the City of Salem approves a similar tax, both cities could partner on a joint cost-sharing model.

Timeline

Implementation timeline is unknown and requires additional discussion with DOR. The administrative effort to establish a payroll tax could vary significantly based on the complexity of the tax structure.

The tax rate can likely be phased in over a multi-year period to allow the City to steadily increase operational capacity and spending. The LTD and TriMet transit taxes are on an annually increasing rate schedule.

Payroll Tax Revenue Yield

Tables 1 and 3 display estimated gross revenue yields that do not take into account the cost of administering the tax. As mentioned above, an initial rough estimate is approximately $1 million as a starting point for system configuration. In addition, there would be other upfront and ongoing maintenance costs.

Scenario A: Tax on Employers

Table 1 reflects that some or all government employers are exempt from the payroll tax. It is a safe presumption that the City cannot tax the federal or state governments. Other options are presented in the table for comparison purposes, pending further legal analysis.

There has been discussion about the potential impact of a payroll tax on nonprofit entities. An option for exempting nonprofit organizations from an employer-based payroll tax is modeled in Table 1.[2]

[2] Nonprofit 501(c)3 organizations are exempt from the employer-based TriMet and LTD payroll taxes.

Table 1: Estimated gross yield from employer payroll tax with exemptions[3]

Payroll tax rate	Exempt: Public agencies[4] and nonprofits	Exempt: Public agencies	Exempt: Federal and state government
0.2%	$5,400,000	$6,800,000	$7,600,000
0.3%	$8,100,000	$10,100,000	$11,400,000
0.4%	$10,900,000	$13,500,000	$15,100,000
0.5%	$13,600,000	$16,900,000	$18,900,000
0.6%	$16,300,000	$20,300,000	$22,700,000
0.7%	$19,000,000	$23,600,000	$26,500,000

Table 2: Estimated annual cost to employers with ten employees at average annual pay[5]

Payroll tax rate	Amount owed
0.2%	$900
0.3%	$1,400
0.4%	$1,900
0.5%	$2,400
0.6%	$2,800
0.7%	$3,300

Scenario B: Tax on Employees

Pending further legal analysis, some government employees may be exempt from a City of Eugene payroll tax. Table 3 reflects the possibility that some or all public employees may be exempt. The most conservative estimate, wherein employees of all public agencies are exempt from taxation, is highly unlikely. It remains possible that all public employees are subject to a payroll tax.

Table 3: Estimated gross yield from employee payroll tax with exemptions[3]

Payroll tax rate	Exempt: Public agency[4] employees	Exempt: Federal and state government employees	Exempt: Federal government employees
0.2%	$6,800,000	$7,600,000	$8,400,000
0.3%	$10,100,000	$11,400,000	$12,600,000
0.4%	$13,500,000	$15,100,000	$16,800,000
0.5%	$16,900,000	$18,900,000	$21,000,000
0.6%	$20,300,000	$22,700,000	$25,200,000
0.7%	$23,600,000	$26,500,000	$29,400,000

[3] Based on Eugene 2017 gross payroll of $3,948,971,336 and average 2.7% annual inflation. Eugene payroll data were provided to the City by the Oregon Employment Department Regional Workforce and Economic Research Division.
[4] Public agencies include local entities such as school districts, EWEB, Lane County, the City of Eugene, and LCOG, in addition to state and federal governments. For the purposes of this report the University of Oregon is categorized as a state government agency.
[5] Based on Eugene 2017 average annual employee pay of $43,298 and average 2.7% annual inflation. Eugene payroll data were provided to the City by the Oregon Employment Department Regional Workforce and Economic Research Division.

Table 4: Estimated annual cost to employees with average annual pay[5]

Payroll tax rate	Amount owed
0.2%	$90
0.3%	$140
0.4%	$190
0.5%	$240
0.6%	$280
0.7%	$330

Payroll Tax Implications

Sustainability

In the long-term, gross payroll appears to be a sustainable and growing revenue source. In Eugene, payroll increased an average of 2.7% from 2005 to 2017, and 5.0% from 2013 to 2017. The 12-year average includes two years of negative payroll growth during the recession in 2009 and 2010. Future recessions could decrease gross payroll for one or two years, but recent history suggests that average revenue yield will increase over time.

Fairness and Who Pays

If the tax is on employees, payrolled workers within Eugene city limits would be subject to the tax. If the tax is on employers, entities operating a payroll within Eugene city limits would pay. In both cases, a variety of possible exemptions exist, as demonstrated in Tables 1 and 3. A payroll tax would not include visitors to the city, Eugene residents that are employed elsewhere, retirees, and the unemployed. Employees that do not have payroll, such as sole-proprieters, may not be subject to the tax pending additional research.

A payroll tax on employees would increase with wages. Low-income individuals would pay the lowest amount. It is possible to reduce the impact of a payroll tax on economically vulnerable groups by establishing a minimum wage exemption or rate reduction. For employers, a payroll tax presents increased cost pressure, which is especially burdensome for nonprofit organizations that rely heavily on grants and donations.

Triple Bottom Line: Social Equity

A payroll tax on employees is progressive: the amount owed increases with income. However, low-income employees living paycheck-to-paycheck may be disproportionately impacted. A minimum wage exemption or reduction could mitigate the burden of this tax on the most economically vulnerable workers.

The payroll tax also presents additional cost pressure on employers, as taxing a firm of any size will decrease profit margins. This is especially burdensome for nonprofit organizations that rely heavily on grants and donations.

Triple Bottom Line: Environmental Stewardship

This revenue option has a neutral impact on the environment. It will not impact greenhouse gas emissions, fossil fuels, waste, or pollution.

Triple Bottom Line: Economic Prosperity

This option would have a neutral or negative impact on economic prosperity. Revenue paid to the City of Eugene could be money spent on the local economy. The positive economic benefits of additional public goods, such as law enforcement and other community safety initiatives, are difficult to quantify and unknown at this time.

City Service Fee

City Service Fee Description

Summary

Service fees are typically set to recover part or all of the costs of a group of services broadly accessed by occupants of property in a city. These fees are billed to persons who occupy or have use of developed property. Unlike electricity, natural gas, water, stormwater, and wastewater utility services, this fee would fund services that are not delivered directly to the property and are not directly measurable. The purpose of the fee is to provide stable revenue to ensure the funded services remain available to the community.

Legal Authority

Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a city service fee by ordinance. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition.

In January 2007, the Oregon Supreme Court, in *Knapp v. City of Jacksonville*, upheld Jacksonville's public service fee. This case clarified that city fees for utility services may be charged to a person with the right to occupy or use property, but they may not be based on property ownership or value.

Precedence

Measure 20-211 on the May 21, 2013 ballot asked Eugene voters if they would rather pay a capped, monthly city service fee to maintain funding for certain community services, or have those services reduced or eliminated. The fee was defeated at the ballot, with 67% voting against the city service fee.

Several municipalities in Oregon charge city service fees for libraries, parks, street operations and maintenance, police, and/or fire services. Please see Attachment A for a sampling of current city service fees in Oregon. Most of these cities operate their own utilities, which facilitates the administration of the fees. Medford and Canby are most similar to Eugene because they do not operate their own utilities, although they do use utility data for their customer datasets.

Administrative Effort

Most cities collect service fees as part of the City's sewer, stormwater, or water utility billing for a property unit. In many cities, this is practical because the cities operate and bill for their own utility services. In Eugene, this would require cooperation by EWEB or another third party billing agent. The EWEB Board discussed the possible collection of additional City fees during a public meeting on August 7, 2018.[6] At this meeting, EWEB Commissioners expressed interest in decoupling the City's fees from

[6] EWEB Board meeting minutes from August 7, 2018 can be found here: http://www.eweb.org/Documents/board-meetings/2018/08-07-18/rs-080718-approved.pdf

EWEB's, including the existing stormwater and wastewater fees. It was also noted that additional City charges would adversely affect EWEB ratepayers having trouble paying their bills.

If the fee is levied on a per-unit basis and is included on existing EWEB utility bills, the annual costs of administration, billing, collection and enforcement could be lower. Administrative costs could be much higher if the City had to develop and implement a billing process separate from EWEB. Another consideration is that EWEB's collection rate is very high and the City's collection rate on a service fee would likely be much lower, depending on the type of enforcement action taken. In addition, administrative costs would be higher if the basis of the fee requires development and maintenance of property-specific data on which to base the fee.

Timeline

The implementation timeline would be dependent on whether or not EWEB was involved. Even if the service fee could be billed by EWEB, time would be needed to determine billing, collection, and enforcement processes. If EWEB was not involved, significantly more administrative effort would be required to build a wide-scale monthly billing and collection process from the ground up. This would be complex and resource-intensive with many unknown variables, even with support from one or more third party vendors.

City Service Fee Revenue Yield

Revenue Yield

Table 5 shows high-level estimates of the monthly cost to residential and non-residential units in order to generate net revenue in the amount of $15-20 million annually. These estimates assume the monthly cost for non-residential units will be three times the monthly cost for residential units.

The cost per unit is lower under the EWEB billing scenario due to lower assumed administration costs and a higher assumed collection rate. The fee ranges below were calculated using the same structure as the proposed 2013 city service fee. There are a variety of factors that can impact the cost per unit including the fee structure, exemptions, low-income assistance, and the overall complexity of the service fee program.

Table 5: Estimated monthly service fee per unit to generate net revenue of $15-20 million annually[7]

Service Fee Monthly Range	Third Party Billing	EWEB Billing
Monthly Cost to Residential Units	$19 to $24	$15 to $19
Monthly Cost to Non-Residential Units	$56 to $73	$44 to $57

[7] Estimates assume 76,000 residential units and 7,000 non-residential units within Eugene city limits based on preliminary data provided by the Lane Council of Governments.

City Service Fee Implications

Sustainability

Service fee revenues are relatively stable because the fee is levied broadly across the community and the typical basis for the fee (occupancy and use of property) is fairly inelastic.

Fairness and Who Pays

This would be determined through specific ordinance language, with a goal of broadly spreading the cost of community-wide public services to both residential and non-residential properties.

For the 2013 proposed city service fee, the person who was responsible for paying the stormwater sewer service charges would be the responsible party for paying the city service fee. It was levied on developed property and there were different rates for residential vs. non-residential units. Council determined that 4J and Bethel would pay at the residential rate for any school owned by those districts. The measure included creation of a low-income assistance program that would be defined in the ordinance, which was never written as the measure failed at the polls.

The successes of cities that have implemented monthly fees for public services demonstrates that such fees can be seen as fair.

Triple Bottom Line: Social Equity

Some would consider this tax as regressive in that the fee is the same regardless of property value and household income. Low-income households would pay a greater percentage of their income than households with higher income, unless there is an exemption or low-income assistance program.

Triple Bottom Line: Environmental Stewardship

If the service fee is included on the EWEB bill, it's possible that some residents might reduce consumption in order to offset the increased cost of the total bill.

Triple Bottom Line: Economic Prosperity

This option would have a neutral or negative impact on economic prosperity. Revenue paid for the city service fee could be money spent on the local economy. The positive economic benefits of additional public goods, such as law enforcement and other community safety initiatives, are difficult to quantify and unknown at this time.

Utility Consumption Tax

Utility Consumption Tax Description

Summary

A tax on consumers for use of utility services; levied on the amount consumed or established as a flat fee per account. Utility services include electricity, natural gas, water, stormwater, and wastewater.

Legal Authority

Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a utility consumption tax by ordinance without state enabling legislation. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition.

Precedence

The City of Ashland imposes an Electric Utility User Tax to offset property taxes. The tax is designed as a surcharge of 25% on monthly electric energy use. This tax generates revenue to fund general City services such as Police, Fire, Planning, Building, and Senior Programs. This tax generated approximately $3.1 million in FY17. Ashland has a municipally-owned electric utility.

In March 1996, the City of Eugene proposed a 1% utility consumption tax to fund low-income housing which failed at public vote; 61% no to 39% yes. That tax would have dedicated 10% of the proceeds for low-income energy assistance programs.

Administrative Effort

Utility service providers (EWEB and NW Natural) would be responsible for collection of the tax. An administrative fee for collecting and remitting the tax to the City could be negotiated with EWEB and NW Natural. As an example, if an administrative fee of 3% of the tax were instituted, the foregone revenue would be approximately $490,000 at the 5% tax level.

Timeline

This tax would be administered by the utility service providers and thus would depend on their implementation capacity. Additional time would be required for the City to conduct negotiations and coordination with the utility service providers.

Utility Consumption Tax Revenue Yield

Revenue Yield

If the tax was structured as a surcharge on the use of electricity, natural gas, water, stormwater, and wastewater, a rough estimate for potential gross yield is about $3.2 million for every 1% surcharge. The current average monthly residential bill for electricity, water, stormwater, and wastewater is about $200, so a 5% surcharge would add $10 per month or $120 per year (note: does not include natural gas). Impact to commercial users is not provided as commercial consumption varies greatly by business. Residential consumption accounted for approximately 50% of the electric retail revenue collected by EWEB in calendar year 2017.

A portion of the tax revenue would be needed to offset administrative costs for utilities to collect and remit the tax. Some entities, such as public agencies, may be exempt from the tax. An annual allocation could be set to help mitigate the financial impacts of the tax on low-income households. Implementation of these items would reduce the gross yield estimates provided in Table 6.

Table 6: Estimated gross yield of utility consumption tax at various levels

Utility	5% Surcharge	6% Surcharge	7% Surcharge
EWEB - Electricity[8]	$10,400,000	$12,400,000	$14,500,000
EWEB - Water[9]	$1,800,000	$2,100,000	$2,500,000
NW Natural - Natural Gas[10]	$1,400,000	$1,700,000	$1,900,000
City - Stormwater[11]	$900,000	$1,100,000	$1,300,000
City - Wastewater (Local)[12]	$500,000	$600,000	$700,000
MWMC - Wastewater (Regional)[13]	$1,200,000	$1,400,000	$1,700,000
Gross Yield	**$16,200,000**	**$19,300,000**	**$22,600,000**

Utility Consumption Tax Implications

Sustainability

Many factors can contribute to fluctuations in utility revenue including weather patterns, economic cycles, commodity price changes, energy efficiency improvements, carbon emission reduction efforts, alternative energy sources (e.g. rooftop solar panels), and general consumer preferences. Therefore, additional research would be needed to determine the long-term sustainability of this revenue source.

Fairness and Who Pays

All consumers of the subject utilities in the city would pay. This tax would have a greater impact on large businesses, low-income residents, or those who are out of work. The tax could be structured to provide relief for low-income households, but this would increase the rate and the administrative costs associated with the collection.

Triple Bottom Line: Social Equity

When the tax is established as a percent of consumption, large utility users are affected more than other users in the community. Developing a program to rebate some portion of the tax to large users could mitigate creating a barrier to economic development.

This would be a regressive tax. As such, an increase in utility bills would be a greater financial burden to low-income households who have little to no discretionary income.

Triple Bottom Line: Environmental Stewardship

The tax could lead to reduced consumption, a sustainable practice which is a high priority value for the City.

Triple Bottom Line: Economic Prosperity

This option would have a neutral or negative impact on economic prosperity. Revenue paid on increased utility bills could be money spent on the local economy. The positive economic benefits of additional public goods, such as law enforcement and other community safety initiatives, are difficult to quantify and unknown at this time.

[8] Based on 2017 retail electric sales revenue of $207,378,148 per EWEB's 2017 audited financial statements.
[9] Based on 2017 retail water sales revenue of $35,695,436 per EWEB's 2017 audited financial statements.
[10] Based on FY18 natural gas sales revenue of $27,640,180 per franchise fee statements received from NW Natural.
[11] Based on FY18 City of Eugene stormwater user fee revenue of $18,468,299.
[12] Based on FY18 City of Eugene local wastewater user fee revenue of $10,336,224.
[13] Based on FY18 City of Eugene regional wastewater user fee revenue of $23,837,451 (passed through to MWMC).

City Service Fee Summary
December 2018

Attachment A

City	Population	# of Customers Billed	City operated water utility	Type of Fee	Annual Amt Generated	Monthly Fee	Monthly Fee - SFD	Monthly Fee - Commercial	Collection Mechanism	Low Income Assistance?	Notes
Canby	17,759	4,800	No	Street Maintenance Fee	$24,000	$5.00			Lien/Prop Taxes	Application process, verification of age and income upon receipt. Have to be 65 years of age or older or 100% disabled. Only applicable for reduced sewer/park maintenance	
				Parks Fee	$24,000	$5.00			Lien/Prop Taxes		
Corvallis	57,961	14,000	Yes	Transportation Fee	$1,150,000	Varies	$1.36	Based on trips/type of business	Fees credited to **city services** prior to water bill, if non-payment, then turn off water.	Did not provide info.	
				Transit Operations Fee	$910,000	$3.73	same rate for all customers	same rate for all customers			
				Urban Forestry	did not report	$0.50	same rate for all customers	same rate for all customers			
				Sidewalk Maintenance Fee	$150,000	$0.80	same rate for all customers	same rate for all customers			
				Public Safety Fee	implement 7/19	Varies	$5.00	$10.00			
Gresham	111,053	24,000	Yes	Police, Fire and Parks Fee	$3,500,000	$7.50 per month	Every utility account pays $7.50 per month per "unit." Multi family (4 units or more) receive a vacancy factor discount of 4.1%. Charging each property type the same fee is important so as not to be construed as attached to the property value.		On utility bill: applied by payment hierarchy and paid first. It is a non-lienable portion of the bill but generally this fee is not left out of any delinquent payment.	Customer service for single family account holders that if approved, covers this feel. For tenant of multifamily: a separate program through a third party administrator.	Fee is allocated 95% to Police & Fire, 5% to Parks.
Hillsboro	106,894	26,850	Both	Transportation Fee	$3,168,000	Varies	$8.16	Trip based (7 different options)	Turn off service or collection agency.	Commercial Transportation Fee: can be reduced if business provides alternate transportation for employees (like MAX pass). SFD: Can go to Public Works Office and fill out form saying low income, no authorization just paperwork and can get transportation fee eliminated for entire year. (Annual Process)	26,850 have water, 3,000 just have wastewater. Effective 4/19 fee increasing to $8.79.
Lake Oswego	39,196	13,000	Yes	Street Maintenance Fee	$2,700,000	Varies	$9.30	Multi: $6.65, Commercial (based on trips and rate per sq. ft): Group 1: $5.69, Group 2: $12.81/Group 3: $47.85	Fees are not applied equally. Will turn off water for non-pay. Send out 200+ shut off notices per month, shut off 30 accounts/month.	Yes, if you have 60% of median income then you can fill out transcript request and mail to IRS. Lake Oswego is only place doing IRS check. If you qualify it cuts fees in half.	Group 1: less than 29 vehicle trip miles per day/1,000; Group 2: from 29 to 90 vehicle trip miles per day/1,000; Group 3: greater than 90 vehicle trip miles per day/1,000.
Medford	81,780	26,000	No	Street Fee	did not report	Varies	$7.35	Type of business and # of trips	Collection Agency	50% off for street fee for non-profit headquarters, found through business license status 501C3.	See code for more specific information.
				Parks Fee	did not report	$2.56	same rate for all customers	same rate for all customers			
				Parks Maintenance	did not report	$0.39	same rate for all customers	same rate for all customers			
				Public Safety Fee	did not report	$7.42	same rate for all customers	same rate for all customers			
				Street Light Fee	did not report	$5.34	same rate for all customers	same rate for all customers			
North Bend	25,997	4,500	No	Public Safety Fee	$810,000	$15.00	same rate for all customers	same rate for all customers	Billed through the water board, only a few have not paid.	No	North Bend owns 1/2 of water company, Coos Bay owns other half, separate entity, water company bills for supplemental fee.
Salem	169,798	44,163	Yes	Streetlight Fee	$1,900,000	Varies	$2.80	Multi-Fam: $10.40 Comm /Public: $18.00	On utility bill/if water not paid water then disconnect, sent to collection agency.	Low-Income Utility Assistance Program: Up to $150 per year towards City of Salem utility bills. Eligibility: Any customer who has a delinquent balance and meets the USDA-TEFAP income guidelines. Determination/Administration – Salvation Army and St Vincent DePaul determine eligibility; administration performed by City staff.	
Tigard	53,148	21,000	Yes	Transportation Fee	$19,307	$5.00	Same rate for all customers (River Terrace area only)	Same rate for all customers (River Terrace area only)	On utility bill/if water not paid water then disconnect, sent to collection agency.	Yes, they offer assistance through St Vincent de Paul: 50% reduction to Parks Fee for low income qualifiers.	For River Terrace (500 acre area, new to UGB), not the whole City of Tigard
				Street Maintenance Fee	did not report	Varies	$6.69/unit or $6.83 unit	$2.19 per min req. parking space or $2.24 per unit			
				Parks Fee	$1,163,462	Varies	$4.17 per unit for SFD	Non-resi: $4.17 per dwelling unit; separate calculation for commercial and industrial (see handout)			

Eugene Central Services
Finance

City of Eugene Payroll Tax Report

Prepared for the Community Safety Revenue Team

February 1, 2019

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Introduction

This report was prepared by City of Eugene Budget and Analysis staff at the request of the Community Safety Revenue Team. This report focuses on the payroll tax and provides additional information gathered since the previous report dated January 17, 2019.

Payroll Tax

Description

Summary

A payroll tax is levied as a percent of gross payroll earned within the taxing jurisdiction. Entities can enact a payroll tax on employees and/or on employers. If the City pursues a payroll tax on both groups, the tax on employers and the tax on employees would be treated as two separate payroll taxes. The City can phase in the tax to provide time for program development, staff hiring and onboarding, and program growth to the full operating level. Additional costs for collection and disbursement, whether in-house or provided by the Oregon Department of Revenue (DOR), would be deducted from the gross revenue yield.

During preliminary conversations with DOR regarding payroll tax administration, DOR has informed us that we may have options regarding the "applicability" of the payroll tax (i.e. what payroll is the tax applied to), depending how the City's ordinance is written. A couple of potential options may be to base applicability on the physical location within Eugene city limits, or base applicability on work performed within Eugene city limits regardless of the physical location. A practical example to consider might be two different plumbing companies, one physically located in Eugene and the other physically located in another community, but both companies perform work inside and outside of Eugene.

For comparison purposes, applicability for the LTD and TriMet transit taxes is based on work performed within the district and not on physical location of the business or where the employee lives. These transit districts cover much larger geographical boundaries than Eugene, so cross-boundary work may occur less frequently. Please note that all payroll data contained in this report is based on establishments physically located within Eugene city limits. Payroll data for work performed within Eugene city limits regardless of the physical location is not currently available.

Legal Authority

Under Oregon's constitutional home rule powers, the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a payroll tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative, or through a successful referendum petition.

Precedence

No Oregon cities or counties have implemented or currently utilize a payroll tax. Additionally, no jurisdiction collects two payroll taxes, on both employers and employees.

LTD and TriMet Transit Tax

Two special transit districts collect payroll taxes from **employers**. The revenue partially funds mass transit in the Lane Transit District (LTD, Eugene/Springfield area) and the Tri-County Metropolitan Transit District (TriMet, Portland area). The 2019 rates were 0.74% and 0.7637%, respectively.[1] Employers who pay wages for services performed in these districts must remit the transit payroll tax to DOR regardless of where the employer is physically located. Nonprofit 501(c)3 organizations are exempt from these taxes.

Oregon Statewide Transit Tax

On July 1, 2018, the State of Oregon began collecting a 0.1% **employee** payroll tax for transportation funding. The revenue funds statewide transportation initiatives including capital projects and infrastructure maintenance. Employers collect the tax on behalf of employees and submit to DOR. This payroll tax applies to wages of Oregon residents (regardless of where the work is performed) and wages of nonresidents who perform services in Oregon.

City of Salem

In November 2018 the City of Salem Sustainable Services Task Force forwarded a payroll tax recommendation to the City Council, along with a city operating fee and a local gas tax, to raise a minimum of $6 million annually. The task force recommended a 0.2% to 0.25% payroll tax on **employees** working within the Salem city limits to generate gross revenue of approximately $7 to $8.7 million annually.

Administrative Effort

DOR Administration

City staff have had initial conversations with DOR staff regarding possible administration of an employee payroll tax and/or an employer payroll tax. Although DOR administers both the district and statewide payroll taxes, they have never administered payroll taxes for other municipalities. As such, DOR is beginning to have internal conversations about what it would look like to enter into an agreement with the City of Eugene. During this exploratory phase, unexpected barriers to implementation could arise. The following information should be considered high-level and preliminary; more conversations will be needed to solidify the details.

DOR Administration: Timeline

Depending on other legislative directives, DOR has estimated that approximately one year would be needed to create the necessary framework for tax administration on behalf of the City. Given that the current community safety bridge funding covers services through FY20, payroll tax revenue collection should begin July 1, 2020. While the City of Eugene ordinance should be in effect by July 1, 2019 to give DOR enough time for implementation, there are short term options that Council could enact to continue services into FY21 until implementation was complete, such as appropriating one-time funding.

[1] Rates increase annually on a schedule set by the Oregon State Legislature, the authorizing authority.

DOR Administration: Costs

An initial rough estimate for upfront costs is approximately $1 million as a starting point for system configuration. This figure does not reflect other start-up costs including forms, publication development, outreach, and staffing. An initial rough estimate for the ongoing cost of administration is approximately $600,000 per year.

DOR Administration: Other Considerations

State statute gives the Department of Revenue authority to enter into an agreement with the City of Eugene for the collection, administration, and distribution of local taxes.

DOR estimates a 97% collection rate for established voluntary compliance revenue programs. However, new voluntary compliance revenue programs could start out as low as 75%. As businesses become more familiar with the new tax, compliance is expected to increase to normal levels.

It's likely that City of Eugene payroll taxes would be remitted to DOR on a quarterly basis, which would be due on the last day of the month following the end of the quarter. This means there would be a delay of up to four months before the City receives the first distribution of payroll tax revenue. For example, if a payroll becomes effective July 1, tax revenue is due to DOR by October 31 and the City would receive the first distribution some time in November.

It is possible for DOR to collect City of Eugene payroll taxes from businesses that do not have payroll, such as sole-proprietors, depending on how the City's ordinance is written. This would add complexity and cost to tax administration.

Any special exemptions, such as non-profit employers or low-income employees, would add complexity and cost to tax administration.

City of Eugene Administration

If the City of Eugene opts to administer the taxes in-house, administration would be challenging and more expensive. The City has never administered a tax program of this scale, thus, it would require building a new payroll tax collection program from the ground up. This would involve new staff to handle software development and maintenance, website and electronic payment platforms, informational publications and outreach, collection, customer service, and auditing.

City of Eugene Administration: Timeline

It's anticipated there will be a one-year projected timeline between passage of the ordinance and the assumed payroll tax collection start date. It's unlikely the City would be able to implement the necessary framework for payroll tax administration within this time period. However, it could be possible with adequate dedicated resources.

City of Eugene Administration: Costs

Early high-level estimates suggest that start-up costs would be approximately $2 million, with ongoing costs of approximately $1 million annually. This is twice the cost of working with DOR because the City does not have existing infrastructure in place for this type of revenue administration and there are many unknowns.

The City estimates above do not include the possibility of costs associated with acquiring business data. In-house administration would require developing and maintaining an accurate and current list of all businesses operating in Eugene. Given that the City of Eugene does not currently issue a general business license, acquiring this dataset would represent additional costs above the basic administration of the tax.

City of Eugene Administration: Other Considerations

It is likely that the City of Eugene's collection rate would be lower than DOR's. Thus, a higher payroll tax rate would be required to collect the same amount of revenue.

Remitting payroll tax to DOR and to the City of Eugene creates additional work for businesses to file multiple returns and forms, follow multiple compliance procedures, and have different points of contact for their taxes.

Any special exemptions, such as non-profit employers or low-income employees, would add complexity and cost to tax administration.

The applicability of the tax would impact the administration efforts as it would be more difficult for the City of Eugene to administer a tax based on work performed within Eugene city limits regardless of the physical location of the business, as opposed to a tax based on employers with a physical presence in Eugene.

Community Safety Revenue Requirement

Table 1 represents the estimated annual revenue requirement needed to phase in $22 million in community safety services over a six year timeframe. These estimates assume $10 million in ongoing expenditures starting in FY21, with an additional $6 million starting in FY23, and another $6 million starting in FY25. The annual requirement also includes 5% inflation of the prior year's expenditures and enough balance available to cover two months of operating expenses.

Table 1: Estimated annual community safety revenue requirement

Annual Requirement	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**
	$11,100,000	$11,200,000	$18,000,000	$18,100,000	$25,900,000	$26,200,000

Payroll Tax Revenue Yield

The estimates in this section are based on Eugene payroll data payroll data from establishments that are physically located within Eugene city limits, provided by the Oregon Employment Department Regional Workforce and Economic Research Division.

These estimates represent <u>net</u> revenue yields based on the following assumptions:

- DOR administration costs of $1.6 million in FY21, which consists of $1 million in upfront costs plus $600,000 in annual maintenance for that year. In FY22-26, annual DOR administration costs are assumed to be $600,000.
- The assumed collection rate in FY21 is 75% as businesses become familiar with the new tax. In FY22-26, the assumed collection rate is 97%.

Scenario A: Employer Payroll Tax

Table 2 reflects application of the employer payroll tax on all employers except for other government entities (federal, state, and local).

The forecasted figures are based on Eugene's 2017 non-government payroll of $3.1 billion and 4% average annual inflation. Eugene had approximately 6,600 non-government employers operating within city limits in 2017.

Table 2: Estimated <u>net</u> yield from employer payroll tax; all government agencies exempt

Rate	FY21	FY22	FY23	FY24	FY25	FY26
0.15%	$2,300,000	$4,700,000	$4,900,000	$5,100,000	$5,400,000	$5,600,000
0.20%	$3,700,000	$6,500,000	$6,800,000	$7,100,000	$7,400,000	$7,700,000
0.25%	$5,000,000	$8,200,000	$8,600,000	$9,000,000	$9,300,000	$9,700,000
0.30%	$6,300,000	$10,000,000	$10,400,000	$10,900,000	$11,300,000	$11,800,000
0.40%	$8,900,000	$13,500,000	$14,100,000	$14,700,000	$15,300,000	$16,000,000
0.50%	$11,500,000	$17,100,000	$17,800,000	$18,500,000	$19,300,000	$20,100,000
0.60%	$14,200,000	$20,600,000	$21,500,000	$22,400,000	$23,300,000	$24,200,000
0.70%	$16,800,000	$24,200,000	$25,100,000	$26,200,000	$27,300,000	$28,400,000

Table 3: Estimated annual cost to employers with ten employees at average annual pay in FY21[2]

Rate	Amount owed
0.15%	$700
0.20%	$1,000
0.25%	$1,200
0.30%	$1,500
0.40%	$2,000
0.50%	$2,500
0.60%	$2,900
0.70%	$3,400

Scenario B: Employee Payroll Tax

Table 4 reflects application of the employee payroll tax to all employees earning wages in the City of Eugene. The forecasted figures are based on Eugene's 2017 total payroll of $3.9 billion and 4% average annual inflation. Eugene had approximately 91,000 payrolled jobs in 2017.[3]

[2] Based on Eugene 2017 average annual employee pay of $43,298 and 4% average annual inflation.
[3] This data represents jobs, not employees. One employee with three part-time jobs is counted three times.

Table 4: Estimated net yield from employee payroll tax; no exemptions

Rate	FY21	FY22	FY23	FY24	FY25	FY26
0.15%	$3,400,000	$6,100,000	$6,400,000	$6,700,000	$7,000,000	$7,300,000
0.20%	$5,100,000	$8,400,000	$8,700,000	$9,100,000	$9,500,000	$9,900,000
0.25%	$6,700,000	$10,600,000	$11,000,000	$11,500,000	$12,000,000	$12,500,000
0.30%	$8,400,000	$12,800,000	$13,400,000	$13,900,000	$14,500,000	$15,100,000
0.40%	$11,700,000	$17,300,000	$18,000,000	$18,800,000	$19,600,000	$20,400,000
0.50%	$15,100,000	$21,800,000	$22,700,000	$23,600,000	$24,600,000	$25,600,000
0.60%	$18,400,000	$26,300,000	$27,400,000	$28,500,000	$29,600,000	$30,800,000
0.70%	$21,700,000	$30,800,000	$32,000,000	$33,300,000	$34,700,000	$36,100,000

Table 5: Estimated monthly cost to full-time employees at various hourly wages

Rate	$12/hour*	$14/hour	$16/hour	$18/hour	$20/hour
0.15%	$3	$4	$4	$5	$5
0.20%	$4	$5	$6	$6	$7
0.25%	$5	$6	$7	$8	$9
0.30%	$6	$7	$8	$9	$10
0.40%	$8	$10	$11	$12	$14
0.50%	$10	$12	$14	$16	$17
0.60%	$12	$15	$17	$19	$21
0.70%	$15	$17	$19	$22	$24

* As of July 1, 2020, the minimum wage in Eugene will be $12 per hour.

Note: Eugene had approximately 36,000 payrolled jobs in the first quarter of 2018 with wages less than $15 per hour.[3]

Scenario C: Employee Payroll Tax and Employer Payroll Tax

Table 6 reflects simultaneous enactment of both an employee payroll tax and an employer payroll tax. The forecasted figures assume that both employees and employers are taxed at equal rates.

Table 6: Estimated net yield from employee payroll tax and employer payroll tax; equal rates

Rate	FY21	FY22	FY23	FY24	FY25	FY26
0.15%	$7,300,000	$11,400,000	$11,900,000	$12,400,000	$12,900,000	$13,500,000
0.20%	$10,300,000	$15,400,000	$16,100,000	$16,700,000	$17,400,000	$18,200,000
0.25%	$13,300,000	$19,400,000	$20,200,000	$21,100,000	$21,900,000	$22,800,000
0.30%	$16,300,000	$23,400,000	$24,400,000	$25,400,000	$26,500,000	$27,500,000
0.40%	$22,200,000	$31,500,000	$32,700,000	$34,100,000	$35,500,000	$36,900,000
0.50%	$28,200,000	$39,500,000	$41,100,000	$42,800,000	$44,500,000	$46,300,000
0.60%	$34,200,000	$47,500,000	$49,400,000	$51,400,000	$53,500,000	$55,700,000
0.70%	$40,100,000	$55,500,000	$57,800,000	$60,100,000	$62,500,000	$65,000,000

Payroll Tax Considerations

Sustainability

In the long-term, gross payroll appears to be a sustainable and growing revenue source. For establishments physically located within Eugene city limits, payroll increased an average of 2.7% from 2005 to 2017, which includes two years of negative payroll growth during the recession in 2009 and 2010. After the recession from 2011 to 2017, payroll increased an average of approximately 4% per year. Future recessions could decrease gross payroll for one or two years, but recent history suggests that average revenue yield will increase over time.

Revenue Fluctuations

Several factors can cause fluctuations in the amount of annual payroll tax revenue received by the City. For example, the amount of payroll subject to the tax could grow significantly faster or slower than anticipated due to economic cycles. Another example is the collection rate which could be significantly higher or lower than expected as businesses adjust to the new tax. One way to address these fluctuations is to maintain flexibility in changing the tax rate, even beyond the initial ramp-up period, to ensure adequate revenues are received to cover approved expenses; DOR has confirmed that annual rate changes are feasible.

Payroll tax revenue and approved community safety expenditures would be maintained in a new fund separate from other City funds in order to provide adequate transparency. Similar to other City operating funds, the goal would be that the new fund will have enough balance available to cover two months of operating expenses. However, due to potential revenue fluctuations, the annual balance available could be significantly more or less than anticipated. Flexibility in changing the tax rate up or down could be utilized to smooth out potential revenue fluctuations.

Fairness and Who Pays

Who pays depends on whether the tax is on employees and/or employers and how “applicability” is defined in the ordinance (i.e. what payroll is the tax applied to). A couple of potential options may be to base applicability on the physical location within Eugene city limits, or base applicability on work performed within Eugene city limits regardless of the physical location.

If the tax is on employees, all employees earning wages subject to the payroll tax would pay. If the tax is on employers, entities operating a payroll subject to the payroll tax would pay, except government agencies. A payroll tax on either party would not capture visitors, city residents employed elsewhere (depending on applicability), retirees, and the unemployed. As mentioned previously, the ordinance could be written to include sole-proprietors, requiring additional administrative complexity and cost.

Triple Bottom Line: Social Equity

A payroll tax on employees is progressive: the amount owed increases with wages. However, low-income employees living paycheck-to-paycheck may be disproportionately impacted. A minimum wage exemption or reduction could mitigate the burden of this tax on the most economically vulnerable workers.

The payroll tax on employers also presents additional cost pressure, as taxing a firm of any size will decrease profit margins. This is especially burdensome for nonprofit organizations that rely heavily on grants and donations.

Triple Bottom Line: Environmental Stewardship

This revenue option has a neutral impact on the environment. It will not impact greenhouse gas emissions, fossil fuels, waste, or pollution.

Triple Bottom Line: Economic Prosperity

The positive economic benefits of additional public goods, such as law enforcement and other community safety initiatives, are difficult to quantify and are unknown at this time. Revenue paid to the City of Eugene for a payroll tax could be money spent on the local economy. While not quantifiable at this time, it is likely that this option would have a neutral or negative impact on economic prosperity.

Eugene Central Services
Finance

February 1, 2019

Summary of key tables when considering both employee and employer payroll taxes

Table 3: Estimated annual cost to employers with ten employees at average annual pay in FY21

Rate	Amount owed
0.15%	$700
0.20%	$1,000
0.25%	$1,200
0.30%	$1,500
0.40%	$2,000
0.50%	$2,500
0.60%	$2,900
0.70%	$3,400

Table 5: Estimated monthly cost to full-time employees at various hourly wages

Rate	$12/hour*	$14/hour	$16/hour	$18/hour	$20/hour
0.15%	$3	$4	$4	$5	$5
0.20%	$4	$5	$6	$6	$7
0.25%	$5	$6	$7	$8	$9
0.30%	$6	$7	$8	$9	$10
0.40%	$8	$10	$11	$12	$14
0.50%	$10	$12	$14	$16	$17
0.60%	$12	$15	$17	$19	$21
0.70%	$15	$17	$19	$22	$24

* As of July 1, 2020, the minimum wage in Eugene will be $12 per hour.

Table 6: Estimated <u>net</u> yield from employee payroll tax and employer payroll tax; equal rates

Rate	FY21	FY22	FY23	FY24	FY25	FY26
0.15%	$7,300,000	$11,400,000	$11,900,000	$12,400,000	$12,900,000	$13,500,000
0.20%	$10,300,000	$15,400,000	$16,100,000	$16,700,000	$17,400,000	$18,200,000
0.25%	$13,300,000	$19,400,000	$20,200,000	$21,100,000	$21,900,000	$22,800,000
0.30%	$16,300,000	$23,400,000	$24,400,000	$25,400,000	$26,500,000	$27,500,000
0.40%	$22,200,000	$31,500,000	$32,700,000	$34,100,000	$35,500,000	$36,900,000
0.50%	$28,200,000	$39,500,000	$41,100,000	$42,800,000	$44,500,000	$46,300,000
0.60%	$34,200,000	$47,500,000	$49,400,000	$51,400,000	$53,500,000	$55,700,000
0.70%	$40,100,000	$55,500,000	$57,800,000	$60,100,000	$62,500,000	$65,000,000

https://www.hcn.org/issues/53.5/north-climate-change-has-eugene-oregon-found-a-superpower-for-climate-action

Has Eugene, Oregon, found a ‘superpower’ for climate action?

The city’s eyeing changes to its natural gas contract to fund climate ambitions.

Carl Segerstrom March 26, 2021From the print edition

Tyee Williams has been on the frontlines of climate change as a wildland firefighter. He helped battle the Pine Gulch Fire, one of three record-setting fires in Colorado last summer and fall — all scorching examples of how the climate crisis is intensifying wildfires in the Western U.S.

Back home in Eugene, Oregon, Williams is on another vanguard of the climate fight: a push for the city to cut fossil fuel consumption. That work includes pressing the Eugene City Council to revamp its operating agreement with the local gas utility, Northwest Natural, to reduce greenhouse gas emissions.

In testimony before the city council in February, Williams shared his experience, which included digging a fire line to protect natural gas infrastructure. “On one side I could see the glow of the wildfire, and on the other hillside I could see flares from the gas wellheads from fracked gas,” Williams said during a virtual public meeting. To him, the connection between fossil fuel emissions and worsening wildfires is clear. “As someone who will have jobs created by Northwest Natural, I would like to say, I’m not appreciative of it.”

The current operating agreement with Northwest Natural is set to expire in May. Renegotiations, however, are stalled, in part because the city is pushing to include funding for its ambitious climate plans in the contract. Natural gas accounts for about 40% of fossil fuel use in the city, so the city sees reducing gas burning as a key to reaching climate commitments. By tying climate action funding to the gas company’s operating agreement, the city is testing a new tool for municipalities across the Western U.S. looking to phase out fossil fuels.

Organizer Dylan Plummer addresses the crowd during a March protest outside the offices of Northwest Natural, the Eugene, Oregon, gas utility. Activists are pressing the city council to integrate climate action into Eugene's operating agreement with the utility.

Robert Scherle

The contract dispute between Eugene and Northwest Natural is over the utility's franchise agreement, which grants it the ability to bypass certain bureaucratic hurdles: for example, filing a permit or getting an inspection every time it installs a new hookup. The expiration of the agreement doesn't mean gas customers will suddenly have their gas shutoff. But it would mean the gas company will face more red tape, and Eugene will miss out on the approximately $1.4 million the gas company pays each year under the agreement.

One of the main sticking points in the negotiations, which started in 2019, is a carbon fee program proposed by the city. It would add at least $740,000 per year to existing franchise fees charged to Northwest Natural, and would primarily fund residential energy efficiency programs. It would also pay for carbon offsets and investments in renewable natural gas — gas from non-fossil fuel sources like landfills and feedlots. Eugene asserted that the fund is a condition of any new contract, while Northwest Natural argued that the fund should be separate from the franchise agreement.

Climate and environmental justice advocates see the negotiations as part of a just transition away from fossil fuels. "We can't just say we don't want natural gas," said Aimee Okotie-Oyekan, the environmental and climate justice coordinator for the Eugene-Springfield chapter of the NAACP. "We need to be building the alternative." The carbon fee program would pay for home improvements like insulation, which reduces energy consumption and lowers bills.

Avery Temple of the climate justice advocacy group Breach Collective speaks during a March protest outside the offices of Northwest Natural, the Eugene, Oregon, gas utility. The "die-in" represented deaths due to fossil fuel pollution.

Robert Scherle

Throughout the ongoing contract disputes, Northwest Natural has maintained its infrastructure can be part of climate solutions, particularly with renewable natural gas. “No matter the outcome of discussions with the City of Eugene, we are moving forward with our vision of a carbon-neutral pipeline by 2050,” Kim Heiting, Northwest Natural’s senior vice president of operations, wrote in an email.

But Eugene isn’t content waiting for an uncertain future of cleaner gas. In 2014, the city passed an ordinance to reduce fossil fuel use to 50% of 2010 levels by 2030. Despite overall emissions reductions in recent years, natural gas emissions in the city continue to grow. Not reaching an agreement with Northwest Natural could lead to protracted court fights, increased energy bills for customers and more work for city staff as they deal with an influx of permits, but Eugene Mayor Lucy Vinis said that isn’t what she worries about most. “My biggest concern is that we’re facing a climate crisis,” she said.

Standing firm against the gas company is about climate leadership, Vinis added. “That’s why we want to succeed — this is an important pathway, and we’d hope other cities would follow.” Policy experts see Eugene leading the way for other municipalities, like King County, where Seattle is located, by providing an example of how to leverage franchise agreements as a tool for climate action, said Eric de Place, the director of the nonprofit

Sightline Institute's Thin Green Line program, which fights fossil fuel infrastructure expansion in the Northwest. Making gas companies pay for climate resilience as a condition of franchise agreements "is a superpower when it comes to decarbonization," he said. "It changes the nature of the conversation dramatically."

Carl Segerstrom is an assistant editor at High Country News*, covering Alaska, the Pacific Northwest and the Northern Rockies from Spokane, Washington. Email him at carls@hcn.org or submit a [letter to the editor](). [Follow @carlschirps]()*

League of Oregon City (LOC) Resources

https://www.orcities.org/resources/reference/topics-z/details/revenue

Revenue Sources Overview

Topic: Revenue Sources

Updated: Nov 27, 2019

As a home rule state, Oregon cities have general authority to tax and impose fees. However, there are a few areas where the state has preempted cities' ability to tax or impose fees or otherwise imposed revenue restrictions. For example, cities are restricted on how they spend lodging tax revenues and construction excise revenues, and cities are restricted on both the type and the amount of system development charges that may be imposed.

Property taxes are cities' primary revenue source. Property taxes must be referred to the voters, but many taxes and fees can be imposed by the city council. Cities are often struggling with how to pay for city services and balance their budget. Thus, the LOC has created **a chart of the various revenue sources** cities might consider utilizing. In addition, the state shares some state revenues with cities; see the LOC's State Shared Revenue Report for more details.

Related Assets

- **LOC State Shared Revenue Report (2019)**

Related Library Topics

- **Local Legislation Overview**
- **Franchises and Rights of Way Overview**
- **Fees**
- **Business License Fees**
- **Construction Excise Tax**
- **Local Gas Tax**
- **Lodging Tax**
- **Franchise Fees**
- **Property Taxes**
- **Street Utility Fee**
- **System Development Charges**
- **State Shared Revenue**
- **Local Improvement Districts**

https://www.orcities.org/resources/reference/topics-z/details/business-license-fees

Business License Fees

Topic: Revenue Sources

Updated: Nov 26, 2019

Cities generally fall into the following approaches: 1) no license requirement; 2) limited license requirements for a few specialty areas (lodging, cabs, etc); 3) flat fee license requirement for all businesses 4) general license requirement with fee based on number of employees; 5) general license requirement and fee based on business income. Most cities have a renewal requirement that is usually an annual renewal. With a renewal, some cities charge a lower fee if a business renews their license before the expiration date. All fees should be included on the city's fee schedule.

Resources from Other Sites

- **Beaverton - Business License Fee Schedule**
- **Lake Oswego - Business License FAQ**
- **Cannon Beach - Business Licenses**
- **Redmond - Business Licenses**
- **Portland - Based on Income**
- **Bend - Business Registration Program**
- **Eugene - Business Licenses**

Related Assets

- **Model Business License Ordinance**

Related Library Topics

- **Business Licenses**

https://www.orcities.org/resources/reference/topics-z/details/construction-excise-tax

Construction Excise Tax

Topic: Revenue Sources

Updated: Nov 25, 2019

Several cities have passed local construction excise taxes, a fee or tax assessed on construction at the time building permits are issued. The fee is often charged based on square footage, or on a percent of the total valuation. The revenue from these fees are used for a variety of purposes, including affordable housing, street maintenance, planning, and public safety. With the passage of **SB 1036** in 2007, cities that had not enacted an excise tax before May 1, 2007, are preempted from passing this type of fee.

SB 1036 also authorized school districts to implement construction excise taxes.

Sample City/School Intergovernmental Agreement

Related Laws and Regulations

- **SB 1036**
- **ORS chapter 320: Miscellaneous Taxes - ORS 320.170-189: Construction Taxes Imposed by School District**

Related Assets

- **Sample City/School Intergovernmental Agreement**

Related Library Topics

- **Revenue Sources Overview**

https://www.orcities.org/resources/reference/topics-z/details/fees

Fees

Topic: Revenue Sources

Updated: Nov 19, 2019

Cities collect fees for services they provide to residents like building permit review, business licenses, inspections, etc. Most cities provide a fee schedule to residents which lists every fee type and the cost of that fee.

Resources from Other Sites

- **Beaverton Fee Schedule**
- **Hood River Fee Schedule**
- **Bend Fee Schedule**

https://www.orcities.org/resources/reference/topics-z/details/franchise-fees

Franchise Fees

Topic: Revenue Sources

Updated: Dec 30, 2019

Franchise fees are implemented as part of an agreement between local governments and utilities that use their rights of way. These agreements are executed to ensure that companies receiving special use of rights of way are paying fees intended to reimburse local governments for use of public rights of way and other public services, and also preventing general taxpayers from subsidizing such extra ordinary use.

Franchise agreements outline the terms under which utility companies use the rights-of-way and the terms of the compensation requirements. Franchise fees work much like a gross receipts tax and are typically calculated on a percentage of the revenues derived from sales of the utility company to customers in that service area or territory.

Related Laws and Regulations

- ORS Chapter 221: Organization and Government of Cities
- ORS Chapter 757: City Authority Over Rights of Way
- ORS Chapter 772: Rights of Way for Public Uses

Resources from Other Sites

- City Focus Podcast: Franchise Fees - Steady or in Decline?

Related Assets

- Franchise Agreement Survey Report (2019) https://www.orcities.org/resources/reference/topics-z/details/local-gas-tax

Local Gas Tax

Topic: Revenue Sources

Updated: May 21, 2020

Streets and roads are critical assets for local communities. In many cities, the State Highway Fund is the primary source of street funding.

The federal government and State of Oregon levy gas taxes as a source of revenue for federal, state, and local roads and highways. These gas taxes assess a certain number of cents per gallon of fuel. In an effort to alleviate the backlog of street projects, cities have looked to local funding options, such as local fuel dealer license taxes, or "local gas taxes." In Oregon, local gas tax ordinances levy a business license tax on fuel dealers. The amount of tax levied is set as a certain number of cents per gallon of motor vehicle fuel sold by the dealer. **HB 2001** (section 27), enacted by the 2009 Legislature, requires that a city, county or local government must submit the proposed new or increased gas tax to the electors for their approval, prior to enacting or amending any charter, provision, ordinance, resolution or other provision taxing fuel for motor vehicles.

Resources from Other Sites

- ODOT - Current Fuel Tax Rates (state and local)

Related Assets

- Model Motor Vehicle Fuel Tax Ordinance (2020)

Related Library Topics

- Revenue Sources Overview

https://www.orcities.org/resources/reference/topics-z/details/local-improvement-districts

Local Improvement Districts

Topic: Revenue Sources

Updated: Nov 26, 2019

A Local Improvement District (LID) is a method by which a group of property owners can share in the cost of infrastructure improvements, most commonly for roads, sidewalks, or storm water. A shared LID project ensures economies of scale and avoids piecemeal infrastructure development. Generally, the city finances the public improvement and the property owners benefited repay the city. Property owners benefited can pay assessments in full or by installments with a lien on the property. There is a required assessment procedure and financing methodology to follow. See ORS 223.001.

Related Laws and Regulations

- ORS Chapter 223

Related Library Topics

- Revenue Sources Overview

https://www.orcities.org/resources/reference/topics-z/details/lodging-tax

Lodging Tax

Topic: Revenue Sources

Updated: Jan 14, 2020

Transient lodging taxes (TLTs) are taxes for temporary lodging at hotels, motels, campgrounds, and other temporary lodgings. Oregon has a statewide TLT and cities and counties can also charge a local TLT subject to certain limitations. The state regulations governing lodging taxes in Oregon can be found in ORS 320.300 to 320.350. A brief summary of state and local lodging taxes follows.

Oregon first began imposing a state lodging tax in 2003. Significant changes to the state tax followed in 2005 (provider coverage expansion via HB 2197), 2013 (expansion to cover persons that facilitate the sale of transient lodging, including online companies via HB 2656), and 2016 (state tax increase from 1 percent to 1.8 percent and state tax distribution changes via HB 4146).

The bill establishing the state lodging tax – **HB 2267** – also placed restrictions on local lodging taxes, which are still in place today. These restrictions include:

For new or increased local lodging taxes:

- 70% must be used for tourism promotion or tourism-related facilities
- 30% is unrestricted in use

For existing local lodging taxes:

- Maintain the percentage of existing lodging tax used for tourism promotion and tourism facilities
- The recipients of the tax may change, but the percentage used for tourism purposes cannot

Commonly Asked Questions

Q: What is the tax rate?

A: 1.8% state tax; local government tax rate varies as local governments set the rate for their jurisdiction by ordinance. Specifically, cities and counties may impose taxes on transient lodging but not all do. Alternatively, some cities have an agreement for the county to impose the tax and cities share in a percent of the revenue.

Q: Is it possible to raise the tax rate?

A: Yes, the tax rate ordinance/charter for the city would need to be changed. You should consult with your city attorney about any restrictions that might apply to how any increase in the tax can be spent. A legislative increase of the state tax requires a 3/5 vote of the legislature.

Q: What specific activities are allowed to be supported by the tax?

A: It varies. July 2003 is a key date as the state statutes significantly restrict the use of lodging tax revenues that are newly imposed after that date (both increases and taxes for local governments that had no tax are restricted). The restrictions are tourism related. This is an issue you should consult with your city attorney. The restrictions are detailed in ORS 320.350. **Caution: Many cities pass on transient lodging tax revenues to third parties, such as a chamber of commerce or an event organizer. Cities should carefully restrict use of such revenues by such organizations and/or require reporting to ensure they are complying with the state statutes that restrict the use of transient tax revenues.

Related Laws and Regulations

- ORS 320.300 - 320.350

Resources from Other Sites

- State of Oregon Lodging Tax Program
- Albany - Transient Room Tax
- Ashland - Transient Occupancy Tax
- Baker City - Transient Room Tax
- Cannon Beach - Lodging Tax
- Central Point - Lodging Tax
- Fairview - Hotel and Motel Tax
- Hermiston - Transient Room Tax
- Medford - Municipal Code
- Portland - Transient Lodgings Tax
- Springfield - Transient Room Tax
- Yachats - Occupancy Tax
- Transient Lodging Tax Report - Oregon Tourism Commission (2018)
- Transient Lodging Tax Revenues Data - LOC Data

Related Assets

- Legal Guide to Collecting Transient Lodging Tax in Oregon (2019)
- Model TLT Multiple Locations Form (Excel)
- ECONorthwest Local Transient Lodging Tax report (2008)
- Lodging Tax Presentation - Oregon Mayors Association Conference, July 2018
- Ask LOC - What Should Our City Consider When Updating Our TLT Ordinances? (Aug. 2016)

Related Library Topics

- Regulations Overview
- Revenue Sources Overview

https://www.orcities.org/resources/reference/topics-z/details/property-taxes

Property Taxes

Topic: Revenue Sources

Updated: Nov 26, 2019

As the single largest source of tax revenues for cities, property tax revenues fund essential city services including police, fire, roads, water, parks and more.

The property tax system in Oregon has been heavily influenced by Measures 5 and 50. The passage of Measure 5 in 1990 instituted limits on the amount of tax that can be levied per $1,000 of a property's real market value (RMV). Those limits (caps) are $5 per $1,000 for revenues used for educational services and $10 per $1,000 for revenues used for general government (other than educational services). The latter generally includes services by cities, counties and special districts. The limits apply only to operating taxes, not bond levies.

The passage of Measure 50 in 1997 added another layer of limits to the existing property tax restrictions imposed by Measure 5. Measure 50 instituted a permanent operating rate limit for all cities, counties, school districts, and special districts in existence at the time. The permanent rates were largely set by combining all of the tax levies that existed for that district at that time, though the process was complicated.1 Those highly variable and inequitable permanent rates have been frozen at the 1997 rates ever since. The rates reflected budgets at that time but fail to reflect changes in community circumstances, including the lack of timber payments. The total tax rate of a taxing jurisdiction can exceed the established permanent rate only with the passage of a bond levy or a local option levy. These exceptions are voter-approved temporary measures.

Measure 50 also created what is known as assessed value (AV). The assessed value of a property was established by reducing a property's real market value in 1995-1996 by 10 percent. Measure 50 required taxes to be assessed on this discounted assessed value rather than the real market value as it was prior to Measure 50. Measure 50 then capped annual growth on the assessed value to 3 percent, no matter the changes in real market value. Note that there are special ratio rules to apply for property that is significantly improved or for new properties that came on the tax roll after 1997. This complex AV system has resulted in significant inequities in taxes compared to real market values of homes throughout the state.

Today all properties are subject to the limits of both Measures 5 and 50, and the county assessors must calculate both AV and RMV, making adjustments as necessary to comply with the limits. The house graphic on the next page depicts the two calculations that must be made. If the tax extended is greater than the maximum allowable tax under Measure 5 limits, the difference is reduced, or compressed, and is not collected on the property.

Related Laws and Regulations

- **ORS Chapter 306: Property Taxation Generally**
- **ORS 310: Property Tax Rates and Amounts; Tax Limitations; Tax Reduction Programs**
- **ORS Chapter 311: Collection of Property Taxes**

Resources from Other Sites

- **Property Tax Fairy - Useful tool produced by Deschutes County to explain property taxes**

- Oregon Public Finance Basic Facts (2013)
- Tax Election Ballot Measures: A Guide to Writing Ballot Measures for Property Taxing Authority (DOR)
- Oregon's Property Tax System Horizontal Inequities under Measure 50

Related Assets

- City Property Tax Report (2016)

https://www.orcities.org/resources/reference/topics-z/details/state-shared-revenue

State Shared Revenue

Topic: Revenue Sources

Updated: Mar 10, 2021

Cities receive payments from five different state shared revenue programs each fiscal year. Most shared revenues are distributed to cities based on population, but some use more complex distribution mechanisms. The five state revenue sources are highway trust fund revenues, marijuana tax revenues, liquor revenues, cigarette tax revenues, and 9-1-1 tax revenues. Eligible cities are required to file certifications with the state each year to receive these revenues. The details of the state shared revenues, including payment schedules, certification requirements, and use restrictions, are described in the LOC's annual State Shared Revenue Report.

Related Laws and Regulations

- ORS 221.760-770
- ORS 294.950

Related Assets

- LOC State Shared Revenue Report (2021)
- LOC State Shared Revenue Report (2020)

Related Library Topics

- Revenue Sources Overview

https://www.orcities.org/resources/reference/topics-z/details/street-utility-fee

Street Utility Fee

Topic: Revenue Sources

Updated: Nov 26, 2019

In the search for new revenue options to address the deficit caused by a stagnant gas tax, a number of cities have chosen to implement local transportation utility fees (TUFs). Transportation utility fees have many names: street user fee, road maintenance fee, etc. Regardless of the terminology, the basic idea is the same: a fee is assessed on the utility bills of water/sewer customers, and the revenue is designated for city transportation infrastructure projects.

There are two common methods used in calculating a transportation utility fee: a flat fee, and the more complicated trip generation methodology. Cities using trip generation establish different rates for different categories of use. Most cities use the Institute of Transportation Engineers (ITE) manual as a model for their trip generation methodology.

Resources from Other Sites

- Ashland - Transportation Utility Fee
- Brookings - Systems Replacement Charges
- Canby - Street Maintenance Program
- Corvallis - Transportation Maintenance Fee
- Eagle Point - Transportation Utility Fee
- Hillsboro - Transportation Utility Fee
- Hubbard - Transportation Utility Fee
- Lake Oswego - Street Maintenance Fee Ordinance
- Milwaukie - Street Surface Maintenance Program
- Mytrle Creek - Street Utility Fee
- Philomath - Road Maintenance Fee
- Talent - Transportation Utility Fee Ordinance
- West Linn - Roadway Maintenance Service

Related Assets

- TUF Solutions for Local Street Funding (2008)

Related Library Topics

- Transportation Infrastructure
- Streets
- Revenue Sources Overview

https://www.orcities.org/resources/reference/topics-z/details/system-development-charges

System Development Charges

Topic: Revenue Sources

Updated: May 21, 2020

A system development charge (SDC) is a one-time fee imposed on new development to equitably recover the cost of expanding infrastructure capacity to serve new customers. SDCs are not taxes—they are collected for a specific purpose and provide a distinct benefit to the persons who pay the fee. SDC revenue is restricted by statute, and SDC revenue must be used to provide needed capital improvements.

SDCs represent a valuable tool for cities to ensure that public facilities keep pace with new development by distributing the costs of increased services on new development, not on existing development. SDCs can be costly to develop and complicated to administer, however, and may not be appropriate for every community. A community interested in implementing an SDC ordinance should evaluate: its current and projected levels of growth; whether existing infrastructure can accommodate new development; and whether the community has a plan for future improvements to infrastructure to accommodate future growth. Any SDC ordinance and development plan should be tailored to reflect growth projections and zoning code requirements, as set out in a city's comprehensive plan. Finally, cities are strongly encouraged to utilize their city attorneys in the drafting and passage of any SDC ordinance and development plan.

Related Laws and Regulations

- ORS Chapter 223: Local Improvements and Works Generally

Resources from Other Sites

- Cannon Beach - SDCs
- Fairview - SDCs
- Junction City - SDCs
- Lake Oswego - SDCs
- Newberg - SDCs
- Waldport - SDCs
- Yamhill - SDCs
- City Focus Podcast: Breaking Down the Data: Making sense of LOC's SDC survey results (Aug. 2019)

Related Assets

- Model System Development Charges Ordinance
- System Development Charges Survey Report (2020)
- System Development Charges Survey Report (2016)

Related Library Topics

- Transportation Infrastructure
- Revenue Sources Overview