

McMinnville City Council Work Session Agenda**Wednesday, September 22, 2021****6:00 p.m. – Joint City Council & Diversity Equity & Inclusion Advisory Committee (DEIAC) Work Session****6:00 p.m. – Joint City Council & Budget Committee Work Session**

*Welcome! Based on continued public health concerns, **Civic Hall will be closed to the public.** Until improvements of COVID cases in Yamhill County improve **meetings will be held via Zoom and live broadcast ONLY.***

*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

**JOINT CITY COUNCIL & DEIAC WORK SESSION AND
JOINT CITY COUNCIL & BUDGET COMMITTEE WORK SESSION MEETING**

You may join online via Zoom Meeting:

<https://mcminnvilleoregon.zoom.us/j/89969622393?pwd=OC9nS2lHWUhnSWt2VDMwbzlwSTVBdz09>

Zoom ID: 899 6962 2393

Zoom Password: 031287

Or you can call in and listen via zoom: 1-253- 215- 8782

ID: 899 6962 2393

**6:00 PM – JOINT MCMINNVILLE CITY COUNCIL & DIVERSITY, EQUITY & INCLUSION ADVISORY
COMMITTEE (DEIAC) WORK SESSION MEETING – VIA ZOOM**

1. CALL TO ORDER
2. DIVERSITY, EQUITY & INCLUSION ADVISORY COMMITTEE (DEIAC) PRESENTATION
3. ADJOURNMENT OF JOINT MEETING

**6:00 PM –JOINT MCMINNVILLE CITY COUNCIL & MCMINNVILLE BUDGET COMMITTEE WORK SESSION
MEETING – VIA ZOOM**

1. CALL TO ORDER
2. RESOURCES AND SUSTAINABLE CITY SERVICES DISCUSSION
3. ADJOURNMENT OF JOINT MEETING

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.

STAFF REPORT

DATE: September 15, 2021
TO: Mayor and City Councilors
FROM: Kylie Bayer, Human Resources Manager
SUBJECT: Diversity, Equity & Inclusion Advisory Committee Work Session
STRATEGIC PRIORITY & GOAL:



ENGAGEMENT & INCLUSION

Create a culture of acceptance & mutual respect that acknowledges differences & strives for equity.

OBJECTIVES:

Actively protect people from discrimination and harassment
Celebrate diversity of McMinnville
Improve access by identifying and removing barriers to participation
Cultivate cultural competency and fluency throughout the committee
Grow City's employees and Boards and Commissions to reflect our community

Report in Brief:

This is an informational work session for the City Council to learn about the proposed Diversity, Equity & Inclusion Advisory Committee work plan.

Background:

On October 6, 2020, the City Council approved Ordinance No. 5097 establishing a Diversity, Equity & Inclusion Advisory Committee (DEIAC).

The DEIAC is responsible for the following:

- 1) Advising the Council on policy decisions related to diversity, equity, and inclusion;
- 2) Making recommendations to the Council on public engagement strategies and methods by which McMinnville residents can better participate in the decision-making process;
- 3) Advising the City on culturally responsive service delivery, programming, and communication strategies;
- 4) Updating and overseeing progress on the City's Diversity, Equity and Inclusion Plan;
- 5) Overseeing progress on applicable goals and objectives in the 2019 Mac-Town 2032 Strategic Plan; and
- 6) Identifying local leaders and building leadership capacity in McMinnville's communities of color.

The City Council approved Resolution No. 2021-03 at the February 9, 2021 City Council Meeting, appointing members to the committee. The City Council approved Resolution No. 2021-28 at the May 25, 2021 City Council Meeting, appointing members to the committee and assigning term lengths for committee members.

Discussion:

The committee has met monthly since its first meeting, March 11, 2021, and has worked collaboratively to draft a plan to guide their work as they fulfil their purpose, as outlined in Ordinance No. 5097, and support the goals and objectives of the City's strategic plan, Mac-Town 2032. The purpose of this work session is for the committee to present their work plan to the City Council and to receive feedback from the Council.

Attachments:

Memo from Diversity, Equity & Inclusion Advisory Committee
Ordinance No. 5097
Draft Committee Work Plan

Fiscal Impact:

As this is purely informational there is no decision-making resulting in a fiscal impact.

Recommendation:

As this is purely informational there is no recommendation for the Council to consider.



September 15, 2021

To our City Councilors:

Thank you for the opportunity to discuss this initial draft of our DEIAC Work Plan. The nine of us are honored to serve as founding members of this committee, and to collaborate with you on making McMinnville an even more welcoming and inclusive place for all.

Since our first meeting in March, we have spent time getting to know each other; started our City Government 101 crash course by hearing from a few department heads (so far: Legal, Library, Police, Planning); and begun to share ideas for actions we can take and roles we can play.

In our research so far, one thing is clear: There is no one-size-fits-all approach to DEI, no suite of programs that we can simply take off a shelf and recommend to you that will meet our community's unique needs.

That said, a lot of local government work appears to fall into two broad buckets: **First**, examining City department policies and practices with a DEI lens, particularly with regard to human resources, procurement, service delivery, and public engagement; and **second**, proactively reaching out to historically underserved and underrepresented communities.

As we began to consider potential actions, our proposals naturally fell into these two categories, plus a third that underpins those two. **Hence our three subcommittees:** 1) government-facing; 2) community outreach; and 3) DEI resources (building a resource base that can be used by City staff, Council, and the public). You'll see that our work plan is organized by subcommittee, and you'll hear from each one in our discussion.

In the work plan document, we have mapped these actions to both the ordinance that you passed establishing our committee, and the Engagement & Inclusion Objectives from MacTown 2032.

A few notes as you review the work plan:

For time frame, we're defining "short term" as 3-6 months, "medium term" as 6-12 months, and "long term" as 12+ months.



City of McMinnville

ADMINISTRATION

You will see some natural overlap between the work of the subcommittees.
We thought it would be premature to include any discussion of fiscal implications.

Please consider this a starter for discussion. We are very much looking forward to your feedback and ideas.

Sincerely,

Maged Abo-Hebeish, Efrain Arredondo, Christine Bader, Remy Drabkin, Cecilia Flores,
Tiffany Henness, Tony Lai, Larry Miller, and Sarah Schwartz

ORDINANCE NO. 5097

An Ordinance Adopting a New McMinnville Municipal Code Chapter 2.35, Establishing a Diversity, Equity, and Inclusion Committee.

RECITALS:

Whereas, the City of McMinnville adopted the Mac-Town2032 Strategic Plan ("Strategic Plan") on January 8, 2019 via Resolution No. 2019-06; and

Whereas, one of the Goals of the Strategic Plan is to "create a culture of acceptance and mutual respect that acknowledges differences and strives for equity;" and

Whereas, one of the action items listed in the Strategic Plan to achieve the above-recited Goal is to create a diversity, equity, and inclusion advisory committee; and

Whereas, the City of McMinnville wishes to create a standing diversity, equity, and inclusion committee that will advise the Common Council for the City of McMinnville on policy decisions through a diversity, equity, and inclusion lens, among other purposes and duties.

NOW, THEREFORE, THE COMMON COUNCIL FOR THE CITY OF MCMINNVILLE ORDAINS AS FOLLOWS:

1. The Common Council for City of McMinnville adopts the above-stated recitals and findings as if fully set forth herein.
2. A new Chapter 2.35 of Title 2 of the McMinnville Municipal Code is hereby adopted to read as set forth on Exhibit A attached hereto and incorporated herein.
3. The City Recorder shall conform these amendments to the City's Municipal Code format and correct any scrivener's errors.
4. This Ordinance shall be in full force and effect thirty (30) days from the date of final passage and approval.

Adopted Council this 13th day of October, 2020, by the following votes:

Ayes: Drabkin, Garvin, Geary, Menke, Peralta, Stassens


Nays: _____

Abstain: _____



MAYOR

Attest:


City Recorder

Approved as to form:

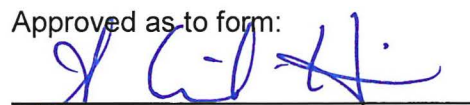

City Attorney

EXHIBIT:

A. Chapter 2.35 Diversity, Equity, and Inclusion Committee

Exhibit A to Ordinance No. 5097

“Chapter 2.35 Diversity, Equity, and Inclusion Committee

2.35.010 Purpose. To create a culture of acceptance and mutual respect that acknowledges differences and strives for equity by:

- A. Advising the Council on policy decisions related to diversity, equity, and inclusion;
- B. Making recommendations to the Council on public engagement strategies and methods by which McMinnville residents can better participate in the decision-making process;
- C. Advising the City on culturally responsive service delivery, programming, and communication strategies;
- D. Updating and overseeing progress on the City's Diversity, Equity and Inclusion Plan;
- E. Overseeing progress on applicable goals and objectives in the 2019 Mac-Town 2032 Strategic Plan; and
- F. Identifying local leaders and building leadership capacity in McMinnville's communities of color.

2.35.020 Responsibilities and Power.

- A. Serve as an advisory body to the Council for matters concerning City diversity, equity, and inclusion policies and general City policies through a diversity, equity, and inclusion lens.
- B. Evaluate City policies and make recommendations to the Council regarding public engagement strategies to ensure all interested persons have an avenue to participate in the Council's decision-making process.
- C. Supervise the implementation of the Goals and Objectives in the 2019 Mac-Town 2032 Strategic Plan related to diversity, equity, and inclusion and advise the Council on implementation of other Goals and Objectives in the 2019 Mac-Town 2032 Strategic Plan through a diversity, equity, and inclusion lens.
- D. Perform such other duties relating to issues of racism, sexism, or ableism as the McMinnville city council or city manager may request.
- E. Have the authority to coordinate its activities with other city, county, state or federal agencies.
- F. All members who are present at Board meetings, including the Chair and Vice Chair, are allotted one vote each on all motions.

2.35.030 Membership.

- A. *Number of Members.* The Diversity, Equity, and Inclusion Committee shall be composed of seven members.

B. *Residency.* Members must reside, own a business, or attend school within the City of McMinnville city limits. A majority of members shall reside within the city limits. The Council can appoint a member to the Diversity, Equity, and Inclusion Committee who does not meet any of these residency criteria if it is determined that the member brings significant value to the purpose of the Committee.

C. *Representation.* Individual seats are not geographically designated. Council members, planning commissioners, and water and light commissioners shall not serve as Diversity, Equity, and Inclusion Committee members.

D. *Appointments.* The Council will appoint the committee members. The City strives for members of the Diversity, Equity, and Inclusion Committee to bring their lived experiences as Black, Indigenous, and People of Color (BIPOC); lesbian, gay, bisexual, trans, queer/questioning, intersexed, asexual, and all other sexualities, sexes, and gendered/non-gendered (LGBTQIA+) people, and/or people experiencing disabilities, as well as the ability to think broadly in terms of how issues of racism, sexism, ableism, and other discriminatory and prejudicial biases impact all residents in McMinnville..

E. *Terms.* All terms are for four years commencing with January of each year. All members may serve two consecutive four-year terms. Members who have served two full terms may be reappointed to the Diversity, Equity, and Inclusion Committee after a four-year hiatus from the committee.

F. *Removal.* A committee member may be removed by the Council for misconduct, nonperformance of duty, or three successive unexcused absences from regular meetings. The committee may, by motion, request that a member be removed by the Council. If the Council finds misconduct, nonperformance of duties or three successive unexcused absences from regular meetings by the member, the member shall be removed.

G. *Ex Officio Members.* One *ex officio* youth (21 years of age and under) may be appointed by the Council, to serve a three year term. The *ex officio* youth shall not be a voting member. Additional *ex officio* members may be appointed by the city manager or city manager designee and will serve a three-year term. Additional *ex officio* members shall not be voting members.

2.35.040 Officers.

A. *Chairperson / Vice-Chairperson.* At its first meeting of each year, the Diversity, Equity, and Inclusion Committee shall elect from its membership a chairperson and vice-chairperson. The chairperson or vice-chairperson, acting as chairperson, shall have the right to make or correct motions and vote on all matters before the committee. A majority of the committee may replace its chairperson or vice-chairperson with another member at any time during the calendar year.

B. *Annual Report to City Council.* The Chairperson of the Diversity, Equity, and Inclusion Committee shall make an annual report to the Council outlining accomplishments for the past year and work plan for the following year, or more often as the Chairperson deems appropriate, or at the request of the Council.

2.35.050 Meeting/Quorum.

A. *Meeting Schedule.* The Diversity, Equity, and Inclusion Committee shall meet as

required to accomplish its purpose and responsibilities.

B. *Meeting Conduct.* Except as provided under Oregon Public Meetings Law, the Rules of Parliamentary Law and Practice as in Roberts Rules of Order Revised Edition ("Roberts Rules") shall govern each committee meeting. In the event of a conflict between Oregon Public Meetings Law and Roberts Rules, Oregon Public Meetings Law shall control.

C. *Open to the Public.* All meetings shall be open to the public.

D. *Quorum.* A majority of the members of the committee shall constitute a quorum. Quorum will be based on the number of people officially appointed to the committee at the time and does not include vacancies.

2.35.060 Expenses/Reimbursements. Committee members shall receive no compensation. Any expense incurred by a committee member that will need to be reimbursed by the City of McMinnville must be pre-authorized by the city manager or designee.

2.35.070 Special Provisions.

A. The Diversity, Equity, and Inclusion Committee shall operate within the laws and guidelines of the federal government, the state government, Yamhill County and the city of McMinnville.

B. The Council may appoint an ad-hoc committee to address issues that are not under the purview of the existing committee.

2.35.080 Staff Support. Staffing shall be determined by the city manager or city manager designee."

DRAFT McMinnville Diversity, Equity & Inclusion Advisory Committee Work Plan DRAFT

Subcommittee: Government-facing

	Strategy	Action	Next steps	Time frame	Ordinance clause	MacTown 2032 Objectives
G1	Collaborate with City departments to understand their services, policies, staffing, procurement, public interaction/meeting practices, and any DEI-related issues. Identify how DEI can help support their mission and goals.	Hear introductory presentations from each department. Identify best points of policy and program development for DEI involvement.	Schedule all City departments.	All City departments heard from by April 2022.	2.35.010 A, B, C	1, 3, 5
G2	Support City departments in conducting DEI assessments.	Review Protocol for Culturally Responsive Organizations (PCRO) and culture surveys.	Consider developing "PCRO lite"; explore best ways to collaborate with department heads.	Begin deeper dives with departments 1Q 2022.	2.35.010 A, B, C, E	1, 3, 5
G3	Support incorporation of DEI into City budgeting process.	Collaborate with Jennifer Cuellar.	Learn best practices for DEI in municipal budgeting; meet with JC to discuss resources and current practices.	Medium term	2.35.010 A, B, C	1, 3, 5
G4	Stay abreast of City Council business to provide a DEI lens to City Council and staff as issues and opportunities arise.	Proactive collaboration with City Council liaison.	Provide input on ARPA funds, possible new City revenue sources.	Ongoing	2.35.010 A, B, C	1, 3
G5	Assess diversity in City workforce, contractors, and on Boards and commissions.	Learn current data collection practices and recommend new ones.	Work with City H.R. to understand data collection practices and considerations.	Medium term	2.35.010 C, D, F	4

DRAFT McMinnville Diversity, Equity & Inclusion Advisory Committee Work Plan DRAFT

Subcommittee: Community Outreach						
	Strategy	Action	Next steps	Timeframe	Ordinance clause	MacTown 2032 Objectives
C1	Proactive outreach to underrepresented communities	Engaging underserved and under represented members of the community. Intent is to solicit feedback on where DEI activities should be focused. This will be achieved via community interviews, reaching out to local organizations, and leveraging city resources which help connect city government to its constituents.	Engage with city diversity leads to establish safety and trust with underserved and underrepresented communities. Research if there are open resources in place in Mac to leverage their connections. Develop questions for interviews. Conduct interviews with interested community members by going to them (e. g., bakery, restaurants, fields, place of worship, etc.)	Short term / Ongoing	2.35.010 B, E, F	4, 5
C2	Ensure accessibility and inclusivity of City's physical spaces beyond code compliance.	Audit of City-owned buildings to ensure spaces are representative, inclusive and open for all members of the community. Each building will be scored on employee engagement, space signage, multi-language abilities, etc. Recommendations will then be made to improve each facility	Develop scoring system. Schedule tours of city buildings. Collaborate with Planning Department and Government facing committee	Long term	2.35.010 C	1, 3, 5
C3	Develop plans for outreach for opportunities to increase diversity in all areas of city leadership.	Look at city's existing strategies for recruitment and outreach. Identify best practices for culturally responsive recruitment and retention to recommend.	Research what has been successful for other cities/organizations in Oregon; e.g. Hillsboro Civic Leadership Academy	Medium / Long term	2.35.010 F	1, 2, 3, 4
C4	Collaborate with Library	Ensure collection is inclusive and representative of community demographics. In addition the library would ensure percentage of books on-hand are dedicated to supporting these genres	Develop lists of recommended titles for inclusion (e.g., genre for LGBTQ, Asians, LatinX, Native American etc.) and submit to library staff for consideration	Medium term	2.35.010 C, E	2, 3

DRAFT McMinnville Diversity, Equity & Inclusion Advisory Committee Work Plan DRAFT

	Subcommittee: DEI Resources					
	Strategy	Action	Next steps	Timeframe	Ordinance clause	MacTown 2032 Objectives
R1	Identify appropriate opportunities to educate City Council and staff on DEI best practices & activities.	Reaching out to DEI officers at local colleges and universities, as well as DEI committees in other cities in Oregon to determine which resources they offer or have had success with.	Pick two or three resources to work through as a committee and then present shortlist to recommend to City Council and staff.	Medium term	2.35.010 C, E	1, 3
R2	Partner with the City and community to better understand the make up of McMinnville's diverse groups and their various needs.	Create visually engaging content that contextualizes McMinnville's demographic data.	Gathering data from departments, 2020 census, neighboring cities, etc.	Short term / Ongoing	2.35.010 C, E	2, 3, 4
R3	Promote public awareness and appreciation of McMinnville/Oregon's diverse histories and cultures.	Partner with local businesses, organizations and events to put informative materials on display.	Research and create materials highlighting history and significance of the diverse groups that are in our community.	Ongoing	2.35.010 E, 2.35.020 C	2, 3

STAFF REPORT

DATE: September 22, 2021
TO: Jeff Towery, City Manager
FROM: Jennifer Cuellar, Finance Director
SUBJECT: Resources and Sustainable City Services: Study of Options

Strategic Priority and Goal:



CITY GOVERNMENT CAPACITY

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

Report in Brief

The Council, along with the members of the Budget Committee (to serve as the community's voice), is grappling with the McMinnville City Council's 2021 objective to "address insufficient resources by finding new sustainable funding sources."

The Council and Budget Committee have had three work sessions on this topic; on 8/10/2021, staff was asked to study 18 of the originally identified resource options available to the City.

At the 9/22/2021 work session we plan to do the following:

- Staff will briefly review the information contained in this packet (5 minutes)
- Allow time for Council-Budget Committee discussion of options (50 minutes)
- Summarize next steps ahead of 10/20/2021 recommendation session

During the discussion, members of the Council and Budget Committee should identify any additional information or analysis needed to make a joint Council-Budget Committee recommendation on 10/20/2021. This timeline allows for community engagement activities, preparing for implementation and making projections for future consideration and potential adoption of new resource(s) as part of the FY2022-23 budget.

At the end of this agenda item, the two bodies should also decide if they need additional conversation to meet the October 20 timeline; if so, the discussion can continue at the Tues 9/28/2021 Council meeting if a quorum of the budget committee is available.

The Executive Team reviewed the data contained in this staff report and is making its recommendation on the resource option that appears to be most scalable, has potential to efficiently raise dollars in the seven-figure range, shows promise for ability to incorporate a waiver/discount program to mitigate impact for members of the community who are least

able to contribute, and is logistically feasible to bring online in time for the FY2022-23 budget. The resource option city staff recommends is a service fee based on utility consumption.

A utility fee would also be a flexible bridge for making progress towards a balanced budget while the Fire District conversation continues and key decisions are made regarding its financial details and the City's permanent property tax rate. Service fees can be modified or changed relatively simply whenever conditions change in the future.

Recommendations on other secondary resource options will also be discussed below.

Discussion

This work session's primary objective is to give the Council and Budget Committee the time to discuss the resources selected by the Council and Budget Committee and analyzed by staff. At this stage of the process, staff recommends the Council and Budget Committee identify the tool(s) best suited to provide a sustainable funding source for city services. As the parallel discussion of core services advances – current vs desired service levels and the resources required to support that city-wide package of programming – will inform the discussion of the amount needed to be raised in the upcoming budget cycle.

The following revenue options were studied and are discussed in the attached document:

- | | |
|---|---|
| 1. Business License Fee | 9. Motor Veh. Rental + Rideshare Tax |
| 2. Construction Excise Tax | 10. Property Tax: Local Option Levy |
| 3. Corporate Income-Business License Tax | 11. Property Tax: Special Districts |
| 4. Franchise Fees | 12. Reimbursement or Improvement District |
| 5. Hazardous Substance Fee | 13. System Development Charges |
| 6. Heavy Vehicle Fee | 14. Service Fee based on Utilities* |
| 7. Internal Financing for Capital Investments | 15. Service Fee based on Property |
| 8. Luxury Tax | 16. Transient Lodging Tax |
| | 17. User Fee Cost Recovery |

* Utility Consumption Tax and Utility Service Fee were separately listed previously but are combined in the study document as "Service Fee based on Utilities"

The study of the resource options to create a more sustainable funding base for city services includes research and analysis of:

1. supports (or presents obstacle to) other council goals
2. revenue raising capacity
3. revenue stability
4. household equity
5. healthy business climate
6. environmental impact
7. administrative effort/cost to implement and manage

A summary of the resource mechanisms studied follows. The table indicates likely scale of revenue generating capacity, funds supported, implementation timeline and a 1 – 5 score for

the remaining criteria reviewed. A score of 1 represents strongest alignment with a positive assessment for that evaluation criteria. Most of these categories are qualitative, not quantitative, so the number values are meant to indicate approximately where on a continuum from 1 to 5 that the various resource options fall regarding the above-mentioned criteria. A key to the 1 to 5 score designations by criteria follows the summary table.

City of McMinnville Resource Study Summary

September 2021

Resource		<div>Supports Council Goals</div> <div>Revenue Raising Capacity**</div> <div>Revenue Stability</div> <div>Household Equity</div> <div>Healthy Businesses</div> <div>Environmental Impact</div> <div>Cost Implement + Manage</div> <div>Fund(s) supported</div> <div>Implementation timeline</div>									Notes
1	Business License Fee	1	40k - 295k	2	1	3	2	2	General	12 mos	Fee can be handled as flat amt, % of income or employee level. A business registry would significantly help City deliver services such as public safety, incentive programs and econ development initiatives
2	Construction Excise Tax	1	160k-560k	3	1	3	3	2	Housing/General	3-6 mos	Predominantly funds affordable housing
3	Corp Income-Business License Tax	1	120k-1M	3	2	5	3	5	General	24-36 mos	Revenue projection is especially soft due to lack of relevant data. Frequently tied to specific programs
4	Franchise Fees*	1	25k-500k	2	4	2	3	3	General	Periodic over years	Portion of telco/cable fees go to other funds, revenue noted is general fund only estimate
5	Hazardous Substance Fee	1	\$0	4	3	3	1	2	Haz Subst Prog	12 mos	Likely would fund haz subst program with net \$0 new revenue
6	Heavy Vehicle Fee	1	0-50k	2	3	4	2	5	Streets	24 mos	ODOT intends to expand permitting through state in 2023 to cities (now only counties can permit thru ODOT)
7	Internal Financing for Capital Invst	1	\$1k-15k	NA	NA	NA	3	1	Capital Projs/WW	immediate	Lowest cost of capital financing; incremental interest earnings to wastewater depend on loans' interest rates, spread over investment interest earnings and amount loaned
8	Luxury Tax	3	30k-480k	3	1	4	3	3	General	12-24 mos	Revenue projection is especially soft due to lack of relevant data on gross receipts of luxury goods

Resource		Supports Council Goals	Revenue Raising Capacity**	Revenue Stability	Household Equity	Healthy Businesses	Environmental Impact	Cost Implement + Manage	Fund(s) supported	Implementation timeline	Notes
9	Motor Vehicle Rental Tax	2	0-100k	3	1 or 3	2	3	3	General	12 mos	Revenue projection is especially soft due to lack of relevant data as well as key qtn if apply to car rentals only or also include ride-share businesses.
10	Property Tax: Local Option Levy	1	679k-6.3M	1 and 5	4	2	3	3	General	6-18 mos	Voter approval required. Levy lasts 5 years max. Ballot measure also defines purpose for funds.
11	Property Tax: Special Districts	1	5.1M-5.7M	1	4	2	3	3	General	24-36 mos	Voter approval required. City is at stage of deciding whether to put a Fire District levy on the ballot to serve the City and, potentially, other communities
12	Reimbursement or Improvement Dist	1	\$0	3	3	3	3	3	Capital Projs	3-9 mos	For capital projects benefiting district property owners and residents, workers, customers and/or visitors as is applicable
13	System Development Charges*	1	100k-1M	5	4	2	2	4	Capital Projs	18-24 mos	For capital infrastructure (ex streets or parks). Full public master planning process + SDC update is lengthy. High range includes adding new stormwater SDC
14	Service Fee based on Utilities	1	1.8M-4.8M	1	2	2 or 4	2	2	General	6-12 mos	Revenue range is unlimited in variation; depends on fee percentage applied or flat fee charged and waiver program enacted (key for equity). Once established it is straight forward to update
15	Service Fee based on Property	1	1.2M-4M	1	2	2 or 5	3	4	General	12-24 mos	Revenue range is unlimited in variation; flat fees are particularly regressive though waiver program can mitigate. Once established it is somewhat straight forward to update.
16	Transient Lodging Tax*	1	35k-70k	3	1	1	3	1	Tourism/General	1-3 mos	70% tourism/30% unrestricted. Raising the rate by 1% would yield approx \$35,000 for the general fund
17	User Fee Cost Recovery*	1	10k-100k	3	3	3	3	3	General + Other Funds	1-9 mos	Typically tied to department/fund that provided service. Timeline required depends on cost study analysis needed and policy input on appropriate level of cost recovery

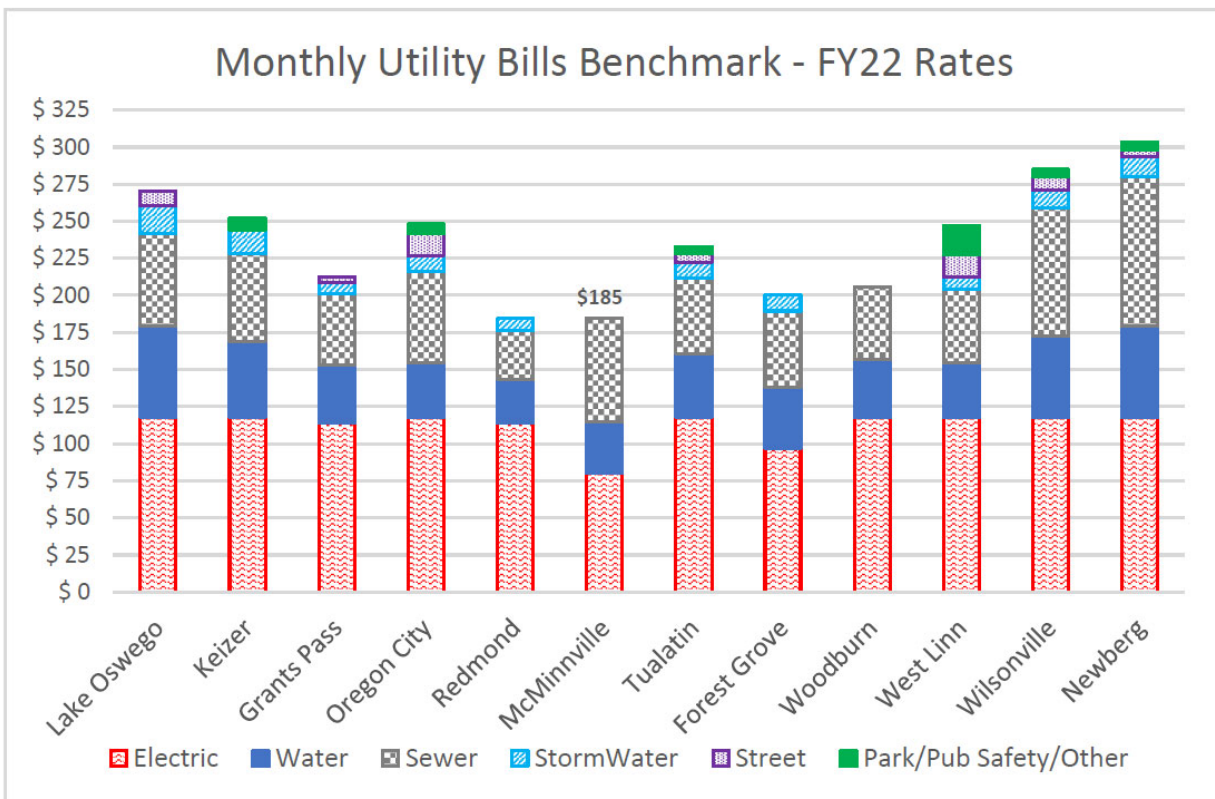
* Incremental revenue raising capacity only, doesn't include current fee levels

** Revenue raising capacity is approximate net revenue in the non-first year when costs to implement would likely be higher than in a typical year

Numbers Key	1	2	3	4	5
Supports Council Goals	Support		neither support or create obstacle		Obstacle
Revenue Raising Capacity	Numbers are ranges of likely net revenue. For activities we already do collect funds for, the numbers quoted are for the amount of incremental funds added.				
Revenue Stability	Very Stable		Fluctuate with Business Cycle		Very Unstable
Household Equity	Progressive	Can design offsets	Biz pays, may incr costs	Biz pays but passes on or moderately regressive	Strongly Regressive
Healthy Businesses	Share with Residents	Pass on to customers	Businesses pay but receive value		Only businesses pay
Environmental Impact	Positive climate change		No direct impact noted		Negative climate change
Cost to Implement + Manage	Low implementation; low admin		High implementation; low admin		High implementation; high admin

To understand how McMinnville compares to other similar communities, staff conducted two studies to benchmark (1) current utility and utility service fees and (2) property tax rates for the five cities with populations larger than McMinnville and the six cities that follow McMinnville in size (looking at six allows inclusion of Newberg, the only other Yamhill County city of a similar size).

It should come as little surprise to McMinnville residents that the City ranks 11th out of 12 in customer utility bill charges. Our sister organization, McMinnville Water and Light (MWL), prides itself on delivering water and electricity to its service area at one of the lowest rates in the State of Oregon.



Based on 1100 kWh, 10 ccf water, 7.5 ccf sewer and posted FY22 rates. Cities listed highest population to lowest population (5 larger than McMinnville and 6 smaller).

McMinnville's comparatively low utility bills are also due to the lack of a stormwater charge (only 2 of 12 cities do not charge a stormwater fee of some sort). McMinnville is also in the minority of cities (4 out of 12) that do not charge a municipal service fee of any kind.

When comparing the property tax levels for these same 12 incorporated cities, McMinnville is 9th out of 12 for the 2020-21 rates but is second out of twelve when comparing only the permanent rate. Our relatively generous permanent rate is one of the factors that has allowed the City to go this long without having to consider adding the types of alternative revenue sources that have become commonplace in other Oregon communities.

FY2020-21 Benchmarked Property Tax Rates per 1,000 of Assessed Value

	Lake Oswego	Keizer	Grants Pass	Oregon City	Redmond	McMinnville	Tualatin	Forest Grove	Woodburn	West Linn	Wilsonville	Newberg
City Permanent Rate	4.66	2.08	4.13	4.16	4.04	5.02	2.67	3.96	5.88	2.12	2.07	2.65
Other Govt Permanent Rate	3.89	5.32	1.02	6.06	6.22	2.74	3.37	1.96	5.13	4.61	6.29	5.09
City Local Option Rate	0.00	0.00	1.79	0.00	0.00	0.00	0.00	1.60	0.00	0.00	0.00	0.00
Other Govt Local Option Rate	0.37	0.59	1.01	0.37	0.27	0.00	1.44	1.42	0.35	0.82	0.82	0.45
Total Govt	8.93	7.99	7.96	10.59	10.52	7.76	7.48	8.93	11.37	7.54	9.17	8.19
Educational Rate	6.45	5.44	5.44	5.55	5.26	5.07	6.76	5.24	5.29	7.29	6.06	5.24
City Bond Rate	0.23	0.00	0.00	0.00	0.00	1.27	0.59	0.00	0.34	0.42	3.33	0.00
Other Bonds' Rate	2.78	3.14	0.00	1.93	2.42	2.85	3.03	3.44	2.89	4.14	0.81	1.38
Total Dollars per 1000	18.38	16.58	13.40	18.07	18.20	16.95	17.86	17.61	19.88	19.40	19.38	14.81
Rank	4	10	12	6	5	9	7	8	1	2	3	11

Cities are those with populations immediately larger and smaller than McMinnville; presented from largest to smallest

Ranking: 1 = highest total property tax, 12 = lowest

Data Source: respective County Assessor's annual reporting for city's tax code (or largest tax code within the city)

Add Fire Dist at \$2	18.38	16.58	13.40	18.07	18.20	18.95	17.86	17.61	19.88	19.40	19.38	14.81
	5	10	12	7	6	4	8	9	1	2	3	11

Add Fire Dist at \$1.80	18.38	16.58	13.40	18.07	18.20	18.75	17.86	17.61	19.88	19.40	19.38	14.81
	5	10	12	7	6	4	8	9	1	2	3	11

Noted in the lower portion of the table is how McMinnville's ranking relative our benchmark group would change with the addition of a fire district. At either the \$2 per 1000 of taxable value or \$1.80 per 1000 of taxable value level (the preliminary property tax rates estimated by our consultant team needed to create a fiscally sustainable fire district into the future), McMinnville would move to fourth highest property tax rate of the group.

Staff Recommendation

1. Establish a Service Fee based on utility consumption

As noted in the Report in Brief section, this is a scalable option with the potential to efficiently raise dollars on a seven-figure scale. A waiver/discount program can be included to mitigate impact for members of the community who are least able to pay. While the timeline is tight, based on initial conversations with MWL staff, it appears it will be logistically feasible to bring this online in time for FY2022-23's start on 7/1/2022.

The benchmarking study indicates that a service fee based on utility consumption is a common and broadly accepted mechanism for addressing the structural funding gap that Oregon's property tax system creates: property tax rates are capped at a 3% increase while municipal staffing costs typically increase in the 6% range annually.

The flexibility of service fee to update the fee imposed is particularly attractive given the fiscal unknowns that exist in our budgetary environment, which may lead the City to amend rates (potentially down) near term. This feature of the recommended revenue mechanism also allows for rate adjustments to support key one-time projects or address fiscal trends in the longer term that are not visible to us now.

Finally, utility cost and usage is a fairly stable and predictable base from which to build a municipal funding stream. This feature of the resource option means that it will be less susceptible to business cycle ups and downs.

2. Continue on the path towards a Fire District

The work of Emergency Services Consulting International (ESCI) has shown the benefits of creating a larger fire service area in terms of service delivery and financial efficiencies, consistent with trends throughout Oregon of consolidating fire and EMS services into fewer, larger agencies.

When the financial details are finalized – including Council decision on the approach to the City’s permanent rate in the context of a higher overall tax rate for city residents – and we ultimately see the will of the people expressed by the results of an upcoming special district ballot measure, corresponding adjustments to the municipal service fee based can be made. Depending on how the fire district process continues to unfold, these adjustments will be included in annual and/or supplemental budget actions and should be possible to implement in coordination with MWL in any month of the year if necessary.

A handful of smaller resource options studied are also recommended for consideration:

3. Establish a Business License Fee

A general business license fee program was recommended by the Economic Development Stable Table (McMinnville Economic Development Partnership, McMinnville Downtown Association, Visit McMinnville, McMinnville Chamber of Commerce and the City of McMinnville) in 2017 as a means of funding economic development programs and the implementation of the MAC Town 2032 Economic Development Strategic Plan. It was evaluated and explored for a couple of years. Due to concerns raised by the McMinnville Chamber of Commerce it did not move forward.

The City works to be a supportive, agile and responsive partner to the entire business community, particularly during this difficult period with the evolving needs that continue to surface. The ongoing impacts of the pandemic underscore the value add that having a business registry and database would mean. Such information would significantly help the City deliver key municipal services such as public safety and economic development initiatives in addition to financial, technical and informational support specific to the public health emergency.

4. Authorize a program of interfund borrowing for capital investments

This item is an outlier in the resource options list because it does not raise funds from the public. It is an administrative option authorized in Oregon statute that allows municipal governments to engage in internal borrowing (one fund lends money for capital investments to another fund). The City of McMinnville has utilized interfund borrowing in the past.

The benefits of this tool are two-fold: (1) it offers the lending fund the opportunity to earn a higher rate of return on cash that is sitting idle in its fund balance and (2) it offers the lowest cost of financing capital investments available to municipalities to the fund that borrows..

The City has not strategically leveraged interfund lending to increase the rate of return for funds that have the investment opportunity to do so. In other words, funds with significant cash reserves are earning lower rates of return than they could be by investing some of those funds through interfund loans. For example, the City has a capital fund in Wastewater that, due to a fiscally sound and prudent strategy, builds substantial cash reserves in advance of capital projects to avoid financing costs, thus saving rate payers money. Conversely, the City has a critical need in terms of deferred capital replacement and capital improvement projects, largely though not exclusively in the general fund. McMinnville's situation presents an opportunity to provide both city tax payers and wastewater rate payers an economic benefit by entering into interfund borrowing agreements for needed capital purchases.

Staff chose not to include interfund borrowings in the FY2021-22 budget because of the desire to have a public discussion of the tool. A risk identified by some staff is that it is possible to misunderstand these transactions as an improper use of funds, despite interfund loans being fiscally and legally sound and common. Consensus among staff is that the benefits of this financial tool available to municipalities do outweigh the risk of this misunderstanding, which is why staff have presented this strategy to the Council and Budget Committee as part of this resource discussion prior to continuing with interfund borrowings.

5. Consider Construction Excise Tax

A panel of experts and practitioners will be presenting information on the Construction Excise Tax to the City Council on 11/17/2021. The Affordable Housing Committee has been evaluating the benefits of an affordable housing Construction Excise Tax for the past four years and is working on a recommendation for the City Council to consider.

6. Continue iterative advancements in three existing funding areas

Staff intend to continue work in the areas of system development charges (SDCs), franchise fees and cost recovery.

SDCs: updating the SDC ordinance that applies to streets, wastewater and parks infrastructure depends on a public process of reviewing the relevant master plans, then updating fee methodologies and payers subject to SDCs. Transportation and wastewater master planning is programmed for the current fiscal year and parks currently is scheduled for next fiscal year. It may be possible to organize staff time to move up the parks master

plan timing and support of master planning may be funded by American Rescue Plan Act (ARPA) dollars.

Franchise fees: the option to adjust franchise rates will be addressed as existing contracts expire.

Cost recovery: departments will continue to advance their cost recovery plans and, as expected under the guidance of MacTown 2032, will apply equity filters to that work.

Next Steps:

In mid-October, the Council-Budget Committee will receive any additional information or analysis needed to aid in the formation of a recommendation at the scheduled session on Wednesday, 10/20/2021.

At the subsequent Council meeting on 10/26/2021, accept and/or reject the recommended resource options to pursue in a resolution.

In the conversations on resources for sustainable city services thus far, the need for additional community engagement beyond the inclusion of the Budget Committee as a public voice in the process is clear. Staff has begun meeting this month to discuss this topic specifically and is committed to finding effective ways to get meaningful public feedback as well as to communicate the City's story to our residents.

Interest in working with the newly formed Diversity, Equity and Inclusion Advisory Committee has also been noted. We hope to find time in their program for them to engage in the development of the waiver/discount program designed to protect those among us who are least able to pay from the regressive nature of so many fee and taxation programs.

With the decisions made, staff will focus on the technical activities required to refine revenue projections, establish a rate methodology and create the systems and business processes required to carry out the resource programs selected by Council.

Fiscal Impact:

These discussions will ultimately have a key impact on the City's financial sustainability and ability to maintain services in the FY2022-23 budget cycle and beyond.

Other Considerations

Link to Core Services: The ability to clearly articulate the vital services provided by the City that will be stabilized or expanded with new revenue stream(s) – whatever they ultimately may be – is a critical component for success. The companion discussions on this topic will inform our ability to explain in concrete terms the suite of services these new funds will make possible for the community.

ARPA: The pandemic and arrival of pandemic recovery-related federal funding introduces complexities that make understanding the City's funding status more difficult. As we know, ARPA dollars are not intended to fund structural fiscal deficits and are one-time dollars that must be obligated by 2024. While the city does have a significant revenue loss component of more than \$6 million that is more flexible, staff recommends that use of these funds be

focused on activities that move the city organization forward strategically and limit the use of these one-time funds for on-going municipal purposes.

Risks: As is true with any legislative action, the public has the power to propose and enact or repeal laws independent of the Council through the referendum process.

Materials:

McMinnville Resource Study

Resources for Sustainable City Services in McMinnville

Staff study of revenue options in September 2021

a. Resource Study Summary	p. 1
1. Business License Fee	p. 4
2. Construction Excise Tax	p. 7
3. Corporate Income Tax	p. 12
4. Franchise Fee Review	p. 14
5. Hazardous Substance User Fee	p. 17
6. Heavy Vehicle Fee	p. 22
7. Internal Financing for Capital Investments	p. 26
8. Luxury Tax	p. 30
9. Motor Vehicle Rental + Rideshare Tax	p. 32
10. Property Tax: Local Option Levy	p. 34
11. Property Tax: Special District	p. 38
12. Reimbursement or Improvement District	p. 42
13. System Development Charges	p. 44
14. Service Fee based on Utilities	p. 50
15. Service Fee based on Property	p. 54
16. Transient Lodging Tax Review	p. 58
17. User Fee Cost Recovery Review	p. 60

City of McMinnville Resource Study Summary

September 2021

Resource	Supports Council Goals	Revenue Raising Capacity**	Revenue Stability	Household Equity	Healthy Businesses	Environmental Impact	Cost Implement + Manage	Fund(s) supported	Implementation timeline	Notes
1 Business License Fee	1	40k - 295k	2	1	3	2	2	General	12 mos	Fee can be handled as flat amt, % of income or employee level. A business registry would significantly help City deliver services such as public safety, incentive programs and econ development initiatives
2 Construction Excise Tax	1	160k-560k	3	1	3	3	2	Housing/General	3-6 mos	Predominantly funds affordable housing
3 Corp Income-Business License Tax	1	120k-1M	3	2	5	3	5	General	24-36 mos	Revenue projection is especially soft due to lack of relevant data. Frequently tied to specific programs
4 Franchise Fees*	1	25k-500k	2	4	2	3	3	General	Periodic over years	Portion of telco/cable fees go to other funds, revenue noted is general fund only estimate
5 Hazardous Substance Fee	1	\$0	4	3	3	1	2	Haz Subst Prog	12 mos	Likely would fund haz subst program with net \$0 new revenue
6 Heavy Vehicle Fee	1	0-50k	2	3	4	2	5	Streets	24 mos	ODOT intends to expand permitting through state in 2023 to cities (now only counties can permit thru ODOT)
7 Internal Financing for Capital Invst	1	\$1k-15k	NA	NA	NA	3	1	Capital Projs/WW	immediate	Lowest cost of capital financing; incremental interest earnings to wastewater depend on loans' interest rates, spread over investment interest earnings and amount loaned
8 Luxury Tax	3	30k-480k	3	1	4	3	3	General	12-24 mos	Revenue projection is especially soft due to lack of relevant data on gross receipts of luxury goods
9 Motor Vehicle Rental Tax	2	0-100k	3	1 or 3	2	3	3	General	12 mos	Revenue projection is especially soft due to lack of relevant data as well as key qtn if apply to car rentals only or also include ride-share businesses.

Resource		Supports Council Goals	Revenue Raising Capacity**	Revenue Stability	Household Equity	Healthy Businesses	Environmental Impact	Cost Implement + Manage	Fund(s) supported	Implementation timeline	Notes
10	Property Tax: Local Option Levy	1	679k-6.3M	1 and 5	4	2	3	3	General	6-18 mos	Voter approval required. Levy lasts 5 years max. Ballot measure also defines purpose for funds.
11	Property Tax: Special Districts	1	5.1M-5.7M	1	4	2	3	3	General	24-36 mos	Voter approval required. City is at stage of deciding whether to put a Fire District levy on the ballot to serve the City and, potentially, other communities
12	Reimbursement or Improvement Dist	1	\$0	3	3	3	3	3	Capital Projs	3-9 mos	For capital projects benefiting district property owners and residents, workers, customers and/or visitors as is applicable
13	System Development Charges*	1	100k-1M	5	4	2	2	4	Capital Projs	18-24 mos	For capital infrastructure (ex streets or parks). Full public master planning process + SDC update is lengthy. High range includes adding new stormwater SDC
14	Service Fee based on Utilities	1	1.8M-4.8M	1	2	2 or 4	2	2	General	6-12 mos	Revenue range is unlimited in variation; depends on fee percentage applied or flat fee charged and waiver program enacted (key for equity). Once established it is straight forward to update
15	Service Fee based on Property	1	1.2M-4M	1	2	2 or 5	3	4	General	12-24 mos	Revenue range is unlimited in variation; flat fees are particularly regressive though waiver program can mitigate. Once established it is somewhat straight forward to update.
16	Transient Lodging Tax*	1	35k-70k	3	1	1	3	1	Tourism/General	1-3 mos	70% tourism/30% unrestricted. Raising the rate by 1% would yield approx \$35,000 for the general fund
17	User Fee Cost Recovery*	1	10k-100k	3	3	3	3	3	General + Other Funds	1-9 mos	Typically tied to department/fund that provided service. Timeline required depends on cost study analysis needed and policy input on appropriate level of cost recovery

* Incremental revenue raising capacity only, doesn't include current fee levels

** Revenue raising capacity is approximate net revenue in the non-first year when costs to implement would likely be higher than in a typical year

Numbers Key	1	2	3	4	5
Supports Council Goals	Support		neither support or create obstacle		Obstacle
Revenue Raising Capacity	Numbers are ranges of likely net revenue. For activities we already do collect funds for, the numbers quoted are for the amount of incremental funds added.				
Revenue Stability	Very Stable		Fluctuate with Business Cycle		Very Unstable
Household Equity	Progressive	Can design offsets	Biz pays, may incr costs	Biz pays but passes on or moderately regressive	Strongly Regressive
Healthy Businesses	Share with Residents	Pass on to customers	Businesses pay but receive value		Only businesses pay
Environmental Impact	Positive climate change		No direct impact noted		Negative climate change
Cost to Implement + Manage	Low implementation; low admin		High implementation; low admin		High implementation; high admin

Resources for Sustainable City Services in McMinnville

Business License Fee
Description
<p>Business License fees are enacted at the state and local levels. On the local level, there are several different types of business license fees – 1) General; 2) Regulatory (Home Occupations, Short-Term Rentals, Second-Hand Pawn Shops for example); and 3) Specialty (transient vendors such as carnivals and tree stands). McMinnville already has several regulatory and specialty business license fees, but does not currently have a General Business License fee program.</p> <p>A General 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 McMinnville. 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.</p>
Supports (or presents obstacle to) other council goals
<p>A general business license fee would provide two outcomes: 1) annual revenue; and 2) business registry and database. The annual revenue could be targeted to implement City Council goals such as those for public safety and economic development. The business registry and database would significantly help the City deliver key municipal services such as public safety and economic development initiatives.</p>
Revenue raising capacity
<p>Depending upon the annual fee which ranges \$50.00 – \$200.00 in other Oregon cities, the annual revenue would be approximately \$85,000 – \$340,000 with approximately 1700 businesses in McMinnville. Cities typically have a range of fees based on size (number of employees) and in-district or out-of-district conducting business in-district.</p>
Revenue stability
<p>McMinnville's number of overall businesses is fairly stable. This revenue source would fluctuate mildly year-over-year but not substantially.</p>
Restrictions on use (if any)
<p>Use is codified by local municipal code. There are no state-wide regulations regarding local implementation and use. Some jurisdictions identify public safety, transportation and economic development as targeted uses for the funds that directly relate to the support of the local business community.</p>
Household equity
<p>Currently in McMinnville people who operate their businesses out of their homes pay a Home Occupation Permit fee to set up their business (\$275.00) and an annual renewal fee (\$85.00). Typically home occupations are smaller businesses. This system is currently an inequitable system of licensing. The initial permit fee is a land-use application for land-use review of neighborhood compatibility of the home occupation. The annual renewal fee is</p>

Resources for Sustainable City Services in McMinnville

to maintain a registry of home occupations that are occurring in residential neighborhoods.
Healthy business climate
<p>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.</p> <p>A business registry of all businesses in McMinnville would be an invaluable resource for business support programs</p>
Environmental impact
An electronic business registry would allow the city and other organizations to collect and evaluate data electronically, and to implement programs accordingly.
Administrative effort/cost to implement and manage
The City would need to initially establish a database and software program for administering the business licensing program. The first year costs would be 0.5 FTE plus software for a total of approximately \$50,000 – \$60,000. Ongoing administration would be approximately 0.20 FTE plus annual software licensing for a total of approximately \$22,000.
Implementation timeline or considerations
A business license fee can be implemented within 12 months of direction.
Legal authority
Under Oregon’s constitutional home rule powers the McMinnville 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.
Use in other jurisdictions
<p>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.</p> <p>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.</p>

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Redmond's annual fee for a general business license is \$55.00 plus \$1.50 per employee in addition to regulatory and specialty business license fees. Non-profits are exempt.

Grants Pass has a sliding scale based upon size of \$50.00 - \$300.00 for their annual business license registration.

Ashland has an initial registration fee of \$120.00 plus \$5.00 per employee after the first two employees, and then a \$75.00 renewal plus \$10.00 per employee after the first two employees.

Newberg's annual business registration fee is \$50.00 per business.

Sherwood's annual business license fee is \$75.00 per business within the city and \$107.50 per business operating outside of the city but conducting business within the city.

Tualatin has an annual sliding scale based upon number of employees of \$55.00- \$240.00.

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.

Staff comments

A general business license fee program was recommended by the Economic Development Stable Table (McMinnville Economic Development Partnership, McMinnville Downtown Association, Visit McMinnville, McMinnville Chamber of Commerce and the City of McMinnville) in 2017 as a means of funding economic development programs and the implementation of the MAC Town 2032 Economic Development Strategic Plan. It was evaluated and explored for a couple of years. Due to concerns raised by the McMinnville Chamber of Commerce it did not move forward.

Additional documents attached

Not Applicable

Resources for Sustainable City Services in McMinnville

Construction Excise Tax	
Description	<p>Governed by ORS 320.170 – ORS 320.195, Construction Excise Taxes (CET) are taxes levied on construction permits in a jurisdiction for specific purposes. Taxes can only be imposed on new construction permits that result in a new structure or additional square footage to the existing structure. A CET cannot exceed 1% for qualifying residential permits. The law does not limit CET for commercial/industrial construction. Cities and counties are preempted from passing any taxes on construction unless otherwise allowed in statute. The law enables CET for school districts (McMinnville currently collects this CET), and affordable housing. ORS is very specific about the distribution of funds collected for affordable housing per the following: 1) the city can subtract 4% for administration; 2) 50% of residential CET needs to fund developer incentives for affordable housing, 15% needs to be distributed to the Housing and Community Services Department, 35% for city programs related to affordable housing; and 3) 50% of commercial CET needs to fund housing programs, and 50% is unrestricted.</p> <p>Note: a presentation on CET will take place at the November 17, 2021 Wednesday Work Session</p>
Supports (or presents obstacle to) other council goals	<p>A Construction Excise Tax for affordable housing supports the City Council's strategic goal of Housing and the City's comprehensive plan policies of Great Neighborhood Principles. Evaluating a Construction Excise Tax has been on the action plan of the Affordable Housing Committee since 2016 and is an identified strategy in the June 2020 draft McMinnville Housing Strategy.</p>
Revenue raising capacity	<p>Based on FY 20/21 permitting levels, a 1% construction excise tax on residential, commercial and industrial qualifying permits would yield \$602,205. Please see attached exhibit for more details.</p>
Revenue stability	<p>The revenue source would be tied to the construction market.</p>
Restrictions on use (if any)	<p>Oregon law provides parameters regarding what can be collected and how the money can be spent. Taxes can only be imposed on new construction permits that result in a new structure or additional square footage to the existing structure. A CET cannot exceed 1% for qualifying residential permits. The law does not limit CET for commercial/industrial construction. Cities and counties are preempted from passing any taxes on construction unless otherwise allowed in statute. The law enables CET for school districts (McMinnville currently collects this CET), and affordable housing. ORS is very specific about the distribution of funds collected for affordable housing per the following: 1) the city can subtract 4% for administration; 2) 50% of residential CET needs to fund developer incentives for affordable housing, 15% needs to be distributed to the Housing and Community Services</p>

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Department, 35% for city programs related to affordable housing; and 3) 50% of commercial CET needs to fund housing programs, and 50% is unrestricted.
Household equity
Approximately 35 – 40% of McMinnville’s future housing supply will need to be subsidized. An affordable housing CET will allow the City of McMinnville to implement local programs that will help incentivize and fund this housing development, working towards providing more equitable housing access for all McMinnville households.
Healthy business climate
Workforce housing is an element of affordable housing in McMinnville that is in short supply and will need to be incentivized by local affordable housing programs. An affordable housing CET will help to support workforce housing.
Environmental impact
The City might be able to explore programs that incentivize environmental building practices which help reduce monthly housing costs for low- and moderate-income households.
Administrative effort/cost to implement and manage
The City already currently administers a 1% CET program for the McMinnville School District and could easily add an affordable housing CET to the building permitting administration. The city can utilize 4% of the funds captured in an affordable housing CET to help offset administration costs. However, the City will need to administer and manage the resulting affordable housing programs that the CET funds will fund. It is estimated that this will be approximately 0.33 FTE per year to administer a \$500,000 – \$750,000 affordable housing program, costing approximately \$40,000.
Implementation timeline or considerations
This program could be implemented within 3 – 6 months.
Legal authority
ORS 320.192 allows cities or counties to enact a qualifying construction excise tax by adoption of an ordinance or resolution that conforms to the ORS. The ordinance must state the rate of the tax and what it will be imposed upon.
Use in other jurisdictions
Bend, Portland, Corvallis, Tillamook County, Cannon Beach, Eugene, Hood River County, Hood River, Medford, Milwaukie Newport, Newberg, and Salem have all adopted affordable housing CETs. The City of Bend has had an affordable housing CET in place since 2006 which they have successfully used to support affordable housing projects for the past 15 years. However, shortly after Bend enacted its CET program, the Legislature in 2007, preempted local jurisdictions from implementing additional construction excise taxes. This preemption was changed in 2016 when the affordable housing CET was written into ORS 320. After 2016, many Oregon cities have been enacting their own affordable housing CET programs. Newberg was the most recent city adopting an affordable housing CET

Resources for Sustainable City Services in McMinnville

program in November, 2020. (Please see attached Newberg Ordinance No. 2020-2860.
Staff comments
The Affordable Housing Committee has been evaluating the benefits of an affordable housing Construction Excise Tax for the past four years and is working on a recommendation for the City Council to consider.
Additional documents attached
Please see attached McMinnville Construction Excise Tax Brief Sheet. Newberg Affordable Housing CET Ordinance No. 2020-2860 is available for anyone interested in that level of detail.

CONSTRUCTION EXCISE TAX

1. CONSTRUCTION TAX (CET): SB 1533 allows cities to implement a construction excise tax

- The CET can't exceed 1% of valuation for residential construction. The law doesn't limit CET for commercial/industrial construction, but only Corvallis had adopted a commercial/industrial CET of more than 1%, (at 1.5%).
- Residential CET revenue disbursed per the following:
 - 4% = administration
 - 50% = developer incentives
 - 15% = Housing and Community Services Department
 - 35% = local affordable housing programs and city incentives

City can impose tax, based on permit valuation, on new construction and additions to square footages (incl. remodeling that adds living space) for residential (max 1% valuation) and/or commercial and industrial permits

- **for residential construction:**
 - 4% of revenue goes to city as admin fee, then the rest is divided as follows:
 - 50% of balance goes to fund developer incentives (see Inclusionary Zoning below),
 - 15% goes to OHCS (state) for down payment assistance for home ownership, and
 - 35% for affordable housing programs (using 80% AMI)
- **for commercial or industrial development:**
 - 4% of revenue goes to city as admin fee, then the rest is divided as follows:
 - 50% of balance "to fund programs related to housing"
 - 50% of balance unrestricted by the bill.
- **Example (based on Current Permit Valuations from ICC Table)**
 - **Cost to Developer is based on this permit valuation:**
 - Assume 2,000 sf home @\$130.58/sf and 440 sf garage @\$51.28/sf, for total permit valuation of \$283,723.
 - **Where Construction Tax Revenue would go** (based on FY20/21 Total Permit Valuations)
 - FY 20/21 Permit Valuations: Total: \$62,729,711
 - Residential: 96 (new) residential permits were issued with a total permit valuation of \$23,309,494.
 - Commercial/Industrial: \$39,420,217

Based upon a 2,000 sf home (@\$130.58/sf) plus 440 sf garage (@\$51.28/sf) = \$283,723 permit valuation and total FY 20/21 new residential valuations of \$23,309,494:

Residential

CET Imposed	Individual Home Cost to Developer	Total CET FY 20/21	City Admin (4%)	Balance	Developer Incentives (50%)	OHCS (State) (15%)	Aff. Housing Programs (35%)
1%	\$2,837	\$233,095	\$9,324	\$223,771	\$111,886	\$33,566	\$78,320
0.50%	\$1,419	\$116,547	\$4,662	\$111,885	\$55,943	\$16,783	\$39,160
0.33%	\$936	\$77,698	\$3,108	\$74,590	\$37,295	\$11,189	\$26,107

PS - Note that this would be added to a current building permit fee (including SDCs) of approximately \$12,410 (which includes sewer SDCs of \$3,547, Parks SDCs of \$2,617, and Transportation SDCs of 2,801). The School District collects a 1% CET, not included in this total.

PPS – Note that this house would have sold on the market for approximately \$480,000 at \$240/sf. The 1% CET would represent 6/10 of 1% of the total costs of the market value of the house to the consumer.

Interestingly, the commercial CET is not held to the same distribution standards. 50% needs to go “to fund programs related to housing.”

Based upon FY 20/21 commercial/industrial permit valuation of \$39,420,217:

Commercial/Industrial

CET Imposed	Total CET FY 20/21	City Admin (4%)	Balance	Aff. Housing Incentives (50%)	General Fund (50%)
1%	\$394,202	\$15,768	\$378,434	\$189,217	\$189,217
0.50%	\$197,101	\$7,884	\$189,217	\$94,608	\$94,608
0.33%	\$131,401	\$5,256	\$126,145	\$63,072	\$63,072

Exemptions (ORS 320.173). Construction taxes may not be imposed on (same list as school CT):

- Private school improvements.
- Public improvements.
- Residential housing that is guaranteed to be affordable to households at or below 80% AMI for at least 60 years.
- Public or private hospital improvements.
- Improvements to religious facilities primarily used for worship or education associated with worship.
- Agricultural buildings
- Facilities that are operated by a not-for-profit corporation and that are:
 - Long term care facilities,
 - Residential care facilities, or
 - Continuing care retirement communities

NOTE: City could adopt construction tax without adopting inclusionary zoning

2. INCLUSIONARY ZONING

City can require new developments with multi-family structures containing at least 20 units to include up to 20% of the units affordable to households at 80% or more of AMI;

- can apply to both rentals and condos
- City must either
 - allow developer to pay in-lieu fee or
 - provide to developer one or more financial incentives, such as
 - whole or partial waivers of permit fees, system development charges or impact fees (McMinnville’s SDC waiver will satisfy this requirement)
 - finance-based incentives
 - full or partial exemption from ad valorem property taxes on the terms described in this subparagraph. For purposes of any statute granting a full or partial exemption from ad valorem property taxes that uses a definition of “low income” to mean income at or below 60 percent of the area median income and for which the multifamily structure is otherwise eligible, the city or county shall allow the multifamily structure of the developer to qualify using a definition of “low income” to mean income at or below 80 percent of the area median income.
- City may also provide
 - Density adjustments.
 - Expedited service for local permitting processes. (McMinnville adopted a policy that provides this)
 - Modification of height, floor area or other site-specific requirements.
 - Other incentives as determined by the city or county.
- City can offer developers voluntary incentives, including incentives to:
 - Increase the number of affordable housing units in a development.
 - Decrease the sale or rental price of affordable housing units in a development.
 - Build affordable housing units that are affordable to households with incomes equal to or lower than 80% AMI

Resources for Sustainable City Services in McMinnville

Corporate Income Tax	
Description	<p>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.</p> <p>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 of 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.</p>
Supports (or presents obstacle to) other council goals	<p>This could be a revenue source used to support specific city council goals much like the Supportive Housing Services corporate income tax that voters recently approved in the Portland Metro area to support providing housing for individuals experiencing homelessness.</p>
Revenue raising capacity	<p>Revenue yield could be significant, depending on structure and rate schedule of the tax.</p>
Revenue stability	<p>The stability of this revenue source would fluctuate with the area's economic conditions.</p>
Restrictions on use (if any)	<p>Depending upon the structure of the program this would need to be explored further.</p>
Household equity	<p>An increase in the price of goods or services as a pass-through to consumers would negatively impact low-income residents.</p>
Healthy business climate	<p>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.</p> <p>A corporate income tax could discourage new businesses from establishing residence in McMinnville, 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.</p>
Environmental impact	<p>The City could choose to focus revenue resources from this revenue source on environmental issues.</p>

Resources for Sustainable City Services in McMinnville

Administrative effort/cost to implement and manage
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.
Implementation timeline or considerations
Implementation would likely take several years.
Legal authority
Under Oregon's constitutional home rule powers the McMinnville 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.
Use in other jurisdictions
<p>The State of Oregon is among the 46 states taxing corporations based on either income or sales, whichever is greater.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The Portland Metro voters approved a corporate income tax of 1% on net income for businesses with gross receipts above \$5,000,000 to fund supportive housing services for people experiencing or at risk of experiencing homelessness in May, 2020. This tax is commonly referred to as the Supportive Housing Services (SHS) tax. Using population as a proxy for comparison, this would translate to \$170,000 in gross receipts for City of McMinnville.</p>
Staff comments
Additional documents attached

Resources for Sustainable City Services in McMinnville

Franchise Fee Review	
Description	<p>Franchise agreements allow private companies to use public resources. Franchises can either be viewed as a fee for use of the public right of way or a tax for doing business in the city for telecommunications companies or private utilities companies (gas, electric, water, sewer). Because of this conflicting legal distinction, confer with the city attorney for all decisions on franchise agreements.</p> <p>The City of McMinnville has franchise agreements with Comcast, Ziply Fiber (formerly Frontier), Verizon, Northwest Natural Gas, Recology, McMinnville Water and Light, City of McMinnville Wastewater, and other small telecoms.</p>
Supports (or presents obstacle to) other council goals	<p>Franchise fees ensure that the City is compensated for the use of its right-of-way and easement areas. Franchises support the City's value of stewardship by placing value on the public assets – rights-of-way and easements.</p>
Revenue raising capacity	<p>Percentage increases of franchise fees can result in revenue increases that range from approximately \$2,500 to \$100,000 annually depending on the franchise and the size of the percentage increase.</p> <p>Some franchises are limited in the percentage that can be charged either under state or federal law. Currently, the City cannot increase its franchise fee charged to cable providers. Telecommunications providers can be charged up to 7% of gross revenues. The City currently charges 5%.</p>
Revenue stability	<p>Franchise fees are stable revenue resources where the provider pays relatively consistent amounts year over year.</p>
Restrictions on use (if any)	<p>There are no restrictions on the use of franchise fees.</p>
Household equity	<p>The cost of franchise fees is imposed on the end user of the service, so it is likely that any increases in franchise fees will result in relatively small increases to the end user's bill.</p>
Healthy business climate	<p>Franchise fees are ultimately paid by the end user, including any increase in a franchise fee. If a franchise fee is increased by 1-2%, the impact on individual end users will be relatively small, but businesses, as with all other end users, will see an increase in their bills from their service providers.</p>
Environmental impact	<p>N/A</p>

Resources for Sustainable City Services in McMinnville

Administrative effort/cost to implement and manage
Given that franchise fees already exist, the administrative burden would likely not increase.
Implementation timeline or considerations
<p>In addition, franchise agreements are contracts and so an increase in the middle of a contract term is only possible if the service provider agrees to the increase, which is unlikely.</p> <p>The City's franchise agreements' terms end at different times, one of which is ending in September 2022. The City's wastewater franchise fee and MWL franchise fee do not have expiration dates.</p>
Legal authority
<p>Under the City's home rule authority and state and federal statutes, the City has the legal authority to charge for use of the City's right-of-way and public utility easements.</p> <p>Franchises are often granted to public utilities such as gas and electric providers (ORS 221.420); vehicles for hire (ORS 221.495); telecommunication providers (ORS 221.515); solid waste collection haulers (ORS 458A.085); and cable television providers (47 USC 542).</p>
Use in other jurisdictions
<p>Other jurisdictions use franchise fees to compensate the city for the use of the public right-of-way.</p> <p>Franchise fees for solid waste collection and management are generally in the range of 4% to 7% of gross revenues. A 2012 survey conducted by the League of Oregon Cities found that 40% of Oregon cities charge a 5% franchise fee on gross revenues. The City currently charges a fee of 5%.</p>
Staff comments
<p>The City can increase its franchise fees, with the exception of its cable franchises. However, all of the City's current franchises are created through agreements, with the exception of wastewater and McMinnville Water & Light. As such, increasing any franchise fees that are established through contract should be explored when the current contracts are set to expire. One such fee is the telecommunications franchise fee, where the City has the opportunity to charge 2% more to telecommunications companies.</p> <p>For McMinnville Water & Light, the City could explore increasing the franchise fee related to gross revenues from the special class of heavy industrial users. That likely will not result in a significant immediate increase in revenue since only two users currently fall under that category.</p> <p>The City can also explore creating a franchise fee for stormwater and for vehicles for hire. For stormwater, analyzing the implementation of a franchise fee could be done through a master planning process.</p>
Additional documents attached
McMinnville Franchise Summary

Resources for Sustainable City Services in McMinnville

City of McMinnville Current Franchise Agreement Summary

Service	Provider	Franchise Fee	Termination Date	Authorizing Document
Wastewater	City	5% of annual revenue	N/A	Resolution No. 2019-35
Gas	NW Natural	5% gross revenue	8/31/2027	Ordinance No. 5029
Water/Electric	McMinnville Water & Light	6% residential, commercial, and "regular" industrial; 3% special class of heavy industrial users	N/A	Resolution No. 1988-31; Resolution No. 1990-04; Resolution No. 2003-14
Solid Waste	Recology	5% of receipts	Automatically renewed in one-year intervals	Ordinance No. 4904, 5033
Cable Television	Northwest Fiber ("Ziplay") (formerly Frontier and Verizon)	5% gross revenue	9/28/2022	Ordinance No. 4875
Cable Television	Comcast	5% of gross revenues	1/9/2023	Ordinance No. 4960, 5056
Telecommunications	Astound Broadband	5% gross revenue or \$2500 (whichever is greater)	1/3/2026	Ordinance No. 4998
Telecommunications	Lightspeed Networks	5% gross revenue or \$2500 (whichever is greater)	1/24/2026	Ordinance No. 5002
Telecommunications	OnlineNW	5% gross revenue or \$2500 (whichever is greater)	12/13/2025	Ordinance No. 4999

Resources for Sustainable City Services in McMinnville

Hazard Substance User Fee
<p>Description</p> <p>Many of the chemicals, solvents, and other substances used every day in industry, farming, household cleaning, and even for purifying our drinking water can pose a potential hazard. When used properly, and stored safely, we seldom hear of a problem. However, accidents, fires and unforeseen circumstances do happen.</p> <p>Due to the limited resources of the Environmental Protection Agency and Department of Environmental Quality, however, those agencies do not always have the ability to immediately respond to the release or identification of hazardous substances which threaten the public health, safety and welfare. Hazardous substance user fees at the local level could be used to fund programming associated with those materials such as</p> <ul style="list-style-type: none"> • Preparing for special needs emergency responses • Responding to community requests for information • Analyzing hazardous waste generation, hazardous substance import and export trends inside the city • Hazardous waste program permitting, closure, corrective action, and inspection planning <p>A Hazardous Substance User Fee could be a component of a business licensing program which would allow additional fees to be added to a business license for those organizations that use hazardous substances or create hazardous waste as a part of their operations.</p>
<p>Supports (or presents obstacle to) other council goals</p> <p>This supports the city value of Stewardship – being responsible stewards of our shared public assets and resources – and Accountability –providing responsive service and clear, accurate, useful information.</p> <p>The strategic priority of Community Safety and Resiliency– proactively planning for and responsively maintaining a safe and resilient community – is the priority most clearly served by establishing a revenue source that would allow our fire services to best be able to prevent (predominantly through a routine inspection program) and respond to fires or unforeseen circumstances associated with hazardous substances.</p>
<p>Revenue raising capacity</p> <p>The revenue raising capacity is likely to be quite limited as it is based on the number of businesses that utilize hazardous substances. The EPA tracks six companies within the city limits that handle chemicals that it tracks in its Toxics Release Inventory. The State Fire Marshall's has data on almost 100 additional company locations in the city which may be relevant for this permit type.</p> <p>Potentially this is a revenue source which could generate funds at the 20,000 to 50,000 annual level.</p>

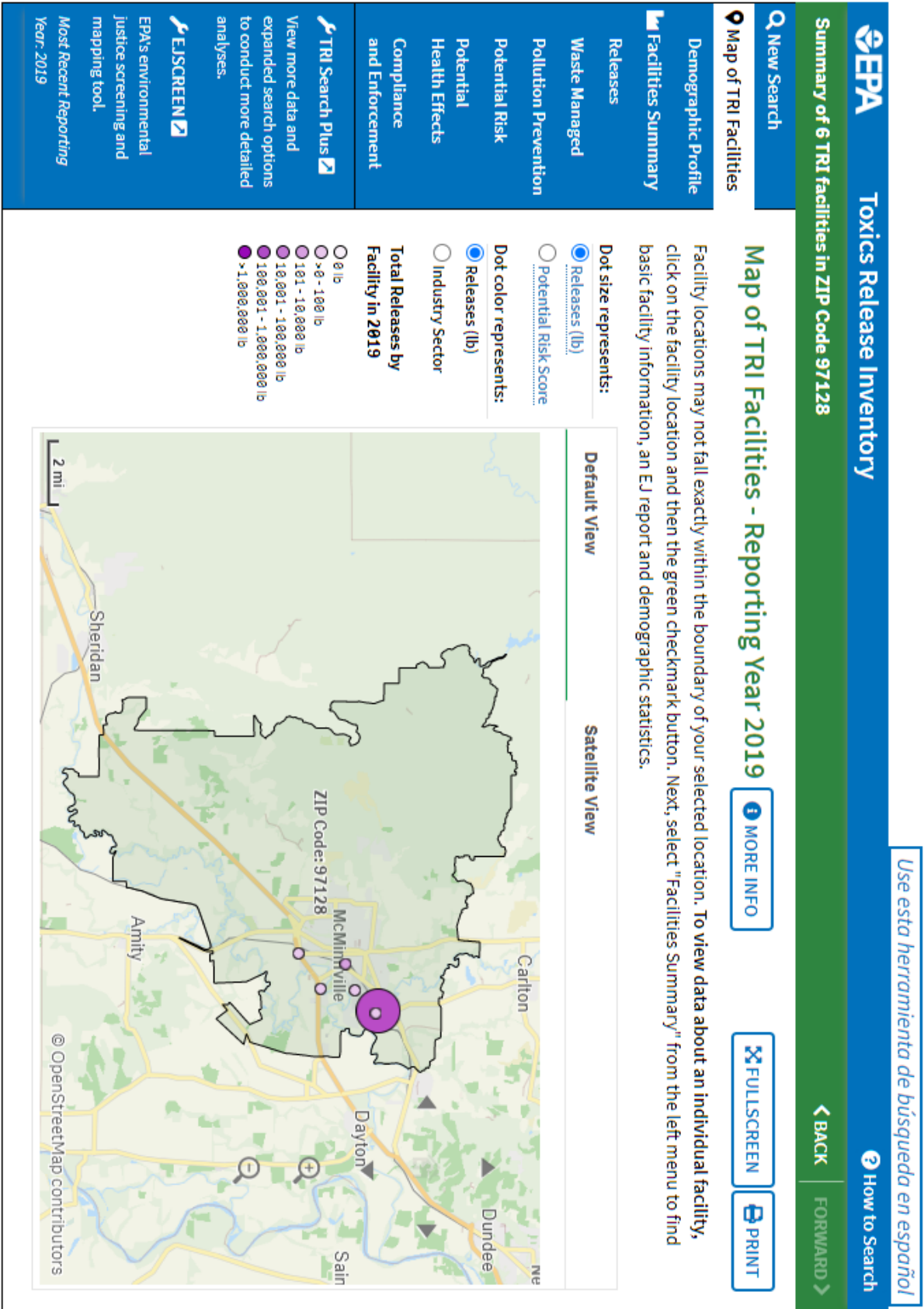
Resources for Sustainable City Services in McMinnville

Revenue stability
Revenue stability is tied to a limited number of businesses. The risk of revenue fluctuation is significant due to the small payer pool.
Restrictions on use (if any)
Funds from this revenue source would be restricted for funding the hazardous substances program, most likely to be managed by the City Fire Marshall or in some sort of partnership with the County's emergency management program.
Household equity
This fee would not be assessed on households.
Healthy business climate
<p>The fee would be applied to business that use hazardous substances or create hazardous byproducts as a part of their operations.</p> <p>While that would mean an incremental increase in their cost, it would also add value to their operations by strengthening a critical relationship and lines of communication between those organizations with the City's Fire Department and/or County Emergency Management in this specialized area. This in turn would result in reducing risk for those companies, their employees and the surrounding community.</p>
Environmental impact
Having local eyes tracking hazardous substances in a consistent way is likely to strengthen the processes and procedures used by the businesses and organizations that utilize or produce these materials in their operations. Reducing the risk of environmental damage or health and safety impacts from spills, fires or other unforeseen events will have a positive impact on those who work at these enterprises and the community generally.
Administrative effort/cost to implement and manage
<p>A hazardous substance user fee could present a substantial administrative burden. The program would require reporting by the payer as well as coordination with state and possibly federal agencies for administration, audit and enforcement purposes. The program could be fairly expensive to administer, depending on its complexity. Assumption is that the costs of a hazardous substance program would require all funds raised in the new fee, yielding no additional revenue.</p> <p>However, if it is combined with a business licensing program, the incremental cost of identifying and collecting organizations who would be subject to this fee would be mitigated.</p>
Implementation timeline or considerations
This fee would be dependent on a business license structure for it to have reasonable administrative efficiencies which means a timeline for this resource type would be tied to that of building a business license administrative structure.
Legal authority
Under Oregon's constitutional home rule powers the McMinnville City Charter grants the

Resources for Sustainable City Services in McMinnville

City Council broad authority over matters within the city's boundaries. The City Council may implement a hazardous substance user fee by ordinance without state enabling legislation.
Use in other jurisdictions
<p>The U.S. Environmental Protection Agency imposes fees associated with toxic substances.</p> <p>The State collects Hazardous Substance Fees in a program managed by the State Fire Marshal.</p> <p>The city of Eugene has a hazardous substance fee which funds its Toxic Board programming based on FTE counts of the organizations which pay into this system, collecting approximately \$150,000 annually.</p>
Staff comments
Additional documents attached
<p>EPA Toxic Release Inventory map of McMinnville</p> <p>Oregon Hazardous Substance Possession Fee FY2021-22</p>

Resources for Sustainable City Services in McMinnville



Resources for Sustainable City Services in McMinnville

Hazardous Substance Possession Fee July 1, 2021

Rank 1					
Max	SFM	OS	TUR	Combined	
00	\$120	\$0	\$0	\$120	
01	\$120	\$0	\$0	\$120	
02	\$120	\$0	\$0	\$120	
03	\$120	\$0	\$0	\$120	
04	\$120	\$0	\$0	\$120	
10	\$120	\$0	\$0	\$120	
11	\$120	\$0	\$0	\$120	
20	\$120	\$0	\$0	\$120	
21	\$120	\$0	\$26	\$146	
30	\$120	\$35	\$48	\$203	
31	\$164	\$52	\$71	\$287	
40	\$214	\$82	\$100	\$396	
41	\$272	\$115	\$134	\$521	
42	\$335	\$146	\$171	\$652	
43	\$400	\$189	\$214	\$803	
50	\$400	\$228	\$262	\$890	
51	\$400	\$267	\$315	\$982	
52	\$400	\$327	\$352	\$1,079	
53	\$400	\$364	\$374	\$1,138	
60	\$400	\$424	\$400	\$1,224	
61	\$400	\$579	\$400	\$1,379	
70	\$400	\$804	\$400	\$1,604	
71	\$400	\$1,037	\$400	\$1,837	
80	\$400	\$1,319	\$400	\$2,119	
81	\$400	\$1,507	\$400	\$2,307	
90	\$400	\$1,679	\$400	\$2,479	
91	\$400	\$1,800	\$400	\$2,600	
99	\$400	\$1,800	\$400	\$2,600	

Rank 2					
Max	SFM	OS	TUR	Combined	
00	\$120	\$0	\$0	\$120	
01	\$120	\$0	\$0	\$120	
02	\$120	\$0	\$0	\$120	
03	\$120	\$0	\$0	\$120	
04	\$120	\$0	\$0	\$120	
10	\$120	\$0	\$0	\$120	
11	\$120	\$45	\$23	\$188	
20	\$245	\$91	\$52	\$388	
21	\$411	\$132	\$133	\$676	
30	\$600	\$161	\$239	\$1,000	
31	\$820	\$267	\$358	\$1,445	
40	\$1,073	\$416	\$501	\$1,990	
41	\$1,357	\$568	\$668	\$2,593	
42	\$1,673	\$729	\$858	\$3,260	
43	\$2,000	\$940	\$1,073	\$4,013	
50	\$2,000	\$1,138	\$1,311	\$4,449	
51	\$2,000	\$1,285	\$1,574	\$4,859	
52	\$2,000	\$1,581	\$1,758	\$5,339	
53	\$2,000	\$1,818	\$1,870	\$5,688	
60	\$2,000	\$2,116	\$2,000	\$6,116	
61	\$2,000	\$2,891	\$2,000	\$6,891	
70	\$2,000	\$4,014	\$2,000	\$8,014	
71	\$2,000	\$5,182	\$2,000	\$9,182	
80	\$2,000	\$6,587	\$2,000	\$10,587	
81	\$2,000	\$7,529	\$2,000	\$11,529	
90	\$2,000	\$8,288	\$2,000	\$12,288	
91	\$2,000	\$9,000	\$2,000	\$13,000	
99	\$2,000	\$9,000	\$2,000	\$13,000	

Rank 3					
Max	SFM	OS	TUR	Combined	
00	\$120	\$0	\$0	\$120	
01	\$120	\$0	\$0	\$120	
02	\$120	\$0	\$0	\$120	
03	\$120	\$0	\$0	\$120	
04	\$120	\$0	\$0	\$120	
10	\$120	\$0	\$0	\$120	
11	\$316	\$220	\$120	\$656	
20	\$1,224	\$458	\$254	\$1,936	
21	\$2,000	\$663	\$664	\$3,327	
30	\$2,000	\$805	\$1,195	\$4,000	
31	\$2,000	\$1,281	\$1,758	\$5,039	
40	\$2,000	\$2,031	\$1,870	\$5,901	
41	\$2,000	\$2,836	\$2,000	\$6,836	
42	\$2,000	\$3,641	\$2,000	\$7,641	
43	\$2,000	\$4,703	\$2,000	\$8,703	
50	\$2,000	\$5,691	\$2,000	\$9,691	
51	\$2,000	\$6,422	\$2,000	\$10,422	
52	\$2,000	\$7,529	\$2,000	\$11,529	
53	\$2,000	\$8,388	\$2,000	\$12,388	
60	\$2,000	\$9,000	\$2,000	\$13,000	
61	\$2,000	\$9,000	\$2,000	\$13,000	
70	\$2,000	\$9,000	\$2,000	\$13,000	
71	\$2,000	\$9,000	\$2,000	\$13,000	
80	\$2,000	\$9,000	\$2,000	\$13,000	
81	\$2,000	\$9,000	\$2,000	\$13,000	
90	\$2,000	\$9,000	\$2,000	\$13,000	
91	\$2,000	\$9,000	\$2,000	\$13,000	
99	\$2,000	\$9,000	\$2,000	\$13,000	

Rank 4					
Max	SFM	OS	TUR	Combined	
00	\$120	\$0	\$0	\$120	
01	\$120	\$0	\$0	\$120	
02	\$120	\$0	\$0	\$120	
03	\$120	\$0	\$0	\$120	
04	\$120	\$0	\$0	\$120	
10	\$120	\$0	\$0	\$120	
11	\$120	\$0	\$0	\$120	
20	\$120	\$0	\$0	\$120	
21	\$120	\$0	\$0	\$120	
30	\$120	\$0	\$0	\$120	
31	\$120	\$0	\$0	\$120	
40	\$120	\$0	\$0	\$120	
41	\$120	\$0	\$0	\$120	
42	\$120	\$0	\$0	\$120	
43	\$120	\$0	\$0	\$120	
50	\$120	\$0	\$0	\$120	
51	\$120	\$0	\$0	\$120	
52	\$120	\$0	\$0	\$120	
53	\$120	\$0	\$0	\$120	
60	\$120	\$0	\$0	\$120	
61	\$120	\$0	\$0	\$120	
70	\$120	\$0	\$0	\$120	
71	\$120	\$0	\$0	\$120	
80	\$120	\$0	\$0	\$120	
81	\$120	\$0	\$0	\$120	
90	\$120	\$0	\$0	\$120	
91	\$120	\$0	\$0	\$120	
99	\$120	\$0	\$0	\$120	

Resources for Sustainable City Services in McMinnville

Heavy Vehicle Fee
<p>Description</p> <p>An over-dimension permit could be applied to vehicles over a certain weight or size on a single-trip permit basis.</p> <p>Alternatively, a heavy weight vehicle tax could be levied and registered to an individual or business within the city; if opting to go this route, 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 McMinnville.</p> <p>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 and oversized vehicles, while exempting these vehicles from the state motor vehicle fuel tax.</p> <p>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.</p> <p>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. These funds could provide additional resources fore pavement rehab and repair needs on roadways where permitted heavy traffic has negatively impacted the pavement.</p>
<p>Supports (or presents obstacle to) other council goals</p> <p>This supports the city value of Stewardship – being responsible stewards or our shared public assets and resources.</p> <p>The strategic priority of City Government Capacity – strengthening the city's ability to prioritize and deliver municipal services with discipline and focus – is the priority most clearly served by establishing a revenue source that links the super-users of our road system with paying in additional resources to support the maintenance of that vital community system that serves all residents and businesses.</p>
<p>Revenue raising capacity</p> <p>The city could charge up to \$8.00 per approval for single-trip permits, and up to \$5.25 for annual permits (values set by statute and rule).</p> <p>If a heavy vehicle tax was assessed to heavy/oversized vehicles registered in the city, the amount collected would be based on the annual fee times the number of vehicles.</p>

Resources for Sustainable City Services in McMinnville

Potentially this is a fee revenue source which could generate funds at the 50,000 to 150,000 annual level. Note: permits do have statutory maximums but a heavy vehicle tax could be set at a rate that would cover administration and enforcement of the ordinance as well as a target amount of funds generated for street maintenance or other allowable activities.
Revenue stability
Revenue stability is likely to be fairly strong. If significant changes were made in the way goods are shipped to/from/through our streets, a decline in the revenue would result.
Restrictions on use (if any)
Funds from this revenue source would be restricted for Street Fund use. More research would be needed to ascertain whether alternative transportation investments could be an applicable use within the streets restriction.
Household equity
This fee or tax would not be assessed on typical households and their vehicles.
Healthy business climate
<p>If pursued the permit option, the fee would be applied to large haulers that use the city's road system which include local businesses as well as state or out-of-state carriers.</p> <p>This fee or tax would impact local businesses that use these kinds of vehicles in their operations. While that would mean an incremental increase in their cost, it would be a way to add more equity into the way the city funds streets maintenance and related activities by more directly charging the significant users of the city's transportation grid.</p>
Environmental impact
<p>It is possible that with a trip permit fee, haulers from outside the community might look for alternative routes that don't take them on highly traveled roads in the city, which would have a positive impact on the health and safety of those who live and work along those roadways and city residents writ large.</p> <p>If a tax on local oversized vehicle users was set too high, local businesses could move to smaller vehicles (assuming fossil fuel and not alternative fuel vehicles are substituted), increasing fuel usage and trips.</p>
Administrative effort/cost to implement and manage
<p>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 McMinnville. A field capability will probably be needed. The program could be fairly expensive to administer, depending on its complexity.</p> <p>We understand that ODOT would need an inspector available 8-5 on weekdays, which represents an added function - and cost - that the city does not currently have assigned to an employee or contractor.</p>

Resources for Sustainable City Services in McMinnville

However, ODOT is actively working on a significant upgrade to their permitting system and will be rolling this out in 2023. While it does not have the capacity to add additional local jurisdictions to the current program, ODOT anticipates being able to do this after 2023, and has heard from other cities that they may be interested in participating.

Implementation timeline or considerations

The permitting option by working with ODOT is about two years out, though in the meantime negotiating IGAs and planning for such a collaborative effort with the state is something that could conceivably be built into the public works department's workplan.

A heavy vehicle tax approach would likely be dependent on a business license structure for it to have reasonable administrative efficiencies which means a timeline for this resource type would be tied to that of building a business license administrative structure.

Legal authority

Under Oregon's constitutional home rule powers the McMinnville 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. ORS Chapter 818, as well as various Oregon Administrative rules, describe the statutes regarding over dimension permitting.

Use in other jurisdictions

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.

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.

The state issues single trip and annual permits for over dimension vehicles and has IGAs with all 36 counties to issue permits on their behalf as well. The City of Portland and City of Gresham also have permitting systems for this purpose.

Staff comments

Additional documents attached

ODOT Funding "Keep Oregon Moving"

Resources for Sustainable City Services in McMinnville



Motor Carriers' Investment

Oregon is making major investments to benefit everyone who uses the state's transportation system, thanks to a funding package passed by the 2017 Legislature.



Roads & Bridges & Infrastructure

Most funding will go to road maintenance and preservation for lasting fixes that keep Oregon's roads and bridges in good condition today and for future generations.



Congestion Relief & Freight Mobility

Relieving congestion bottlenecks will help motor carriers save time and keep moving. New lanes on Interstate 5 at the Rose Quarter will save motorists an estimated 2.5 million hours wasted in gridlock each year, and widening sections of Oregon Highway 217 and Interstate 205 in Portland will improve reliability.



Accountability & Transparency

Stepped increases in motor fuel taxes are tied to ODOT meeting accountability requirements. ODOT and local governments will report on the condition of roads and bridges, and a website will show the status, cost and spending results of transportation projects.

Trucks pay their fair share Investment proportions by heavy and light vehicles



The weight-mile tax will rise in steps over seven years. The first step will add 4.1 cents per mile for an 80,000-pound truck.



That's only an additional \$12.63 to travel Interstate 5 from the Washington border to the California border.

More information on *Keep Oregon Moving*:

<https://www.oregon.gov/ODOT/Pages/HB2017.aspx>

Resources for Sustainable City Services in McMinnville

Internal Financing for Capital Investments
<p>Description</p> <p>Municipalities can pay for capital projects and capital equipment in a variety of ways:</p> <ul style="list-style-type: none"> • Pay cash • Internal borrowing from another fund • Leasing arrangements • Bank loans • Bond issuances <p>The lowest transactional cost, with no financing charge, is to use cash. But often there are not cash levels high enough to cover large outlays; jurisdictions may also not have enough time to save enough money for the outlay. In either of these cases, some sort of financing must be sought to be able to purchase needed capital equipment or invest in critical capital building projects.</p> <p>Commercial leases and bank loans increase the cost of capital investments with interest payments and financing charges. In addition, these financing options can have a high transactional cost in terms of the legal and financial review required and sometimes, particularly in the case of leases, the requirements of the lender simply don't meet state laws applicable to municipal governments. Issuing bonds is the most complex financing option and requires significant staffing resources and specialty consultants though it can mean securing interest rates that are lower than leases or bank loans. This financing option is an important one for municipalities, particularly for large investments and/or capital projects with a significant useful life, but is not typically a good match for financing capital replacement needs.</p> <p>Internal borrowing for capital outlays (one fund lends a different fund money) is another option open to governments. This method provides the lowest cost of capital as it has lower transactional costs and interest rates compared to other financing categories.</p> <p>The lending fund also stands to gain from the transaction because interest rates can be set to earn more than the rate of return that excess cash yields in the city's investment portfolio (for McMinnville that is effectively the Local Government Investment Pool). The key element in this arrangement is assuring that the lending fund's excess cash will not be needed before the internal loan is paid back.</p>
<p>Supports (or presents obstacle to) other council goals</p> <p>This supports the city value of Stewardship – being responsible stewards of our shared public assets and resources.</p> <p>The strategic priority of City Government Capacity– prioritizing and delivering municipal services with discipline and focus – is the priority most clearly served by establishing an internal borrowing program to facilitate capital equipment replacement needs, principally in the General Fund, with excess cash in the Waste Water Capital Fund.</p>

Resources for Sustainable City Services in McMinnville

<p>Revenue raising capacity</p> <p>The incremental revenue earned by the waste water fund is dependent on the amount of the spread (the difference between the LGIP interest rate and the loan interest rate), the interest rate level and amount of funds borrowed. At a 0.5% spread (what the city has used in past internal borrowings), approximately \$15 more dollars over a 5-year period is earned from a \$1000 loan than keeping that \$1000 in the LGIP. If the City were to establish a \$1 million/year capital borrowing program until the City is able to establish a Capital Improvement Plan and capital replacement reserve, the incremental increase in interest earnings for the fund (and its rate payers) would be approximately \$15,000 over 5 years for each year of bundled capital loans.</p> <p>In the most recent review of the Waste Water Capital Project Fund's projection of activities through FY20208-29, the lowest ending fund balance anticipated is \$12 million. While annual spending varies significantly depending on the capital investments made in the sewer system's infrastructure, annual revenues are more stable, and consistently projected to be higher than \$5 million.</p> <p>The annual capital replacement and small capital project needs for the General Fund hover in the \$1 - \$2 million range.</p> <p>Because the Waste Water Capital Fund's strategy is to set rates such that it can pay for its capital needs with cash, it is unlikely that establishing a prudent internal borrowing program until the General Fund is able to establish a capital reserve that builds capacity to pay for its capital needs with cash, would ever endanger the plans and needs of the Waste Water system.</p>
<p>Revenue stability</p> <p>Revenue stability isn't the relevant question here. In this context, the important question will be prudent planning, analysis and coordination by and between staff of both lender and borrower funds to assure that no current actions add undue risk for either in the future.</p>
<p>Restrictions on use (if any)</p> <p>Interfund loans for operations are only allowable if repaid within a year; as such, no operating loans are envisioned for this program. Interfund loans for capital investments can only be issued for a maximum of 10 years. Because loan terms should not exceed the useful life of the item being financed, the most likely use for internal loans would be for capital equipment and vehicles or small capital projects.</p>
<p>Household equity</p> <p>This doesn't affect households other than the indirect positive impact of stretching the public dollar by choosing the lowest cost of capital available for a class of the city's capital needs. Further, by operating capital equipment that is newer, lower maintenance costs also have an indirect impact by stretching scarce public resources.</p>
<p>Healthy business climate</p> <p>Similarly, this doesn't affect businesses other than the indirect positive impact of stretching the public dollar by choosing the lowest cost of capital available for a class of the city's</p>

Resources for Sustainable City Services in McMinnville

capital needs. Further, by operating capital equipment that is newer, lower maintenance costs also have an indirect impact by stretching scarce public resources.
Environmental impact
Establishing a prudent way to more regularly replace capital equipment and vehicles, newer models typically will be more environmentally friendly, replacing the oldest equipment and vehicles that typically are the least energy efficient in the existing capital stock. A more systematic approach to capital replacement will also make it more practical to systematically introduce green vehicles into the city's fleet.
Administrative effort/cost to implement and manage
Some staff costs will be needed to analyze the most prudent approach to establishing an internal financing program. The state laws and administrative actions needed to execute interfund loans are well known and formats for authorizing and accounting for these transactions already exist.
Implementation timeline or considerations
This could be implemented immediately. In fact, in May 2021 payoff penalty stipulations dropped off a commercial loan for a fire truck that needs to be re-financed due to a balloon payment feature in its amortization structure. An internal loan to refinance the fire truck could be made at any time.
Legal authority
Interfund loans are authorized under ORS 294.468. Restrictions associated with this law were discussed in the Restrictions on Use section of this document.
Use in other jurisdictions
The City of McMinnville currently has a handful of internal loans.
Staff comments
Additional documents attached
Internal Loan projections assuming \$1 million in 5-year interfund loans between Wastewater and the General Funds from FY2023 to FY30 with interest rates set at a small premium over LGIP rates.

Capital Projects Fund																			
Fund 77 - Capital Projects Fund																			
	Account #	Budget												FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028						
Beginning Balance:																			
SOURCES																			
	System Development Balance – July 1	\$14,864,301	\$19,620,317	\$20,820,895	\$28,522,742	\$29,307,662	\$26,448,801	\$24,230,627	\$28,035,246	\$31,533,653	\$34,232,812	\$36,382,287	\$33,940,668	\$37,032,678					
	Budgeting Development Charges	418,303	411,488	1,031,922	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000					
	Interest	137,318	\$299,450	\$535,455	\$698,500	439,615	396,732	363,459	420,529	473,005	513,489	545,734	509,110	405,490					
	Private Sewer Lateral Loan Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-					
	Private Sewer Lateral Penalty	13,700	6,150	4,250	2,500	2,400	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500					
	Transfers In Airport	-	-	-	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000					
	Transfers in Wastewater Services	6,239,346	5,643,071	6,429,189	5,752,934	6,177,497	5,642,426	5,641,453	5,617,594	5,722,497	5,693,630	5,491,787	5,264,574	4,867,043					
	Total Sources of Funds	\$21,671,968	\$25,980,485	\$32,281,621	\$35,333,356	\$36,283,954	\$32,647,139	\$30,594,720	\$34,432,549	\$38,066,654	\$40,777,231	\$42,757,309	\$40,051,851	\$32,632,712					
	USES																		
Professional Services		193,657	539,526	476,595	2,168,000	5,864,499	5,345,775	-	275,000	2,130,000	2,475,000	7,080,000	11,515,000	7,475,000					
Private Sewer Lateral Repair Income		1,442	690	-	3,500	3,500	3,500	3,500	2,500	3,500	3,500	2,500	3,500	3,500					
Private Sewer Lateral Loans Low Income Loans		-	-	-	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500					
Equipment		666,180	221,761	1,376,367	1,354,825	750,000	800,000	450,000	700,000	500,000	700,000	500,000	500,000	450,000					
Sewer Construction & Reduction Projects		987,354	716,409	1,410,971	2,220,000	2,938,000	2,175,000	1,800,000	1,600,000	865,000	865,000	865,000	865,000	865,000					
Sewer Construction Filtration System Expansion		-	-	536,743	12,875	-	-	-	-	-	-	-	-	-					
Developer Reimbursement Sanitary Sewer Transfers Out General Fund		203,109	221,294	228,203	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000					
Capital Improvements		-	-	-	249,194	281,654	274,736	288,473	302,897	318,042	333,944	350,641	368,173	386,582					
Ending Fund Balance – June 30		15,975,117	20,879,905	25,394,442	25,952,062	23,340,151	21,438,517	25,561,956	29,442,673	32,528,252	35,080,367	33,088,128	26,410,338	22,935,130					
Fund Balance	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000						
Contingency	-	-	-	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000						
PERS Reserve	3,045,200	3,401,200	3,138,300	2,865,600	2,608,650	2,292,110	1,953,250	1,591,080	1,204,360	791,920	352,540	122,340	-						
Total Uses of Funds	\$21,671,968	\$25,980,485	\$32,281,621	\$35,333,356	\$36,283,954	\$32,647,139	\$30,594,720	\$34,432,549	\$38,066,654	\$40,777,231	\$42,757,309	\$40,051,851	\$32,632,712						
JCS 3.7.2021																			
					ACTUAL FY20	FY21 & 2022	FY22 adopted												
					6,930,714	6,650,908	6,364,092	6,367,303	6,533,001	6,544,619	6,376,021	6,111,184	5,600,033	FY30 last loan made, repayments complete FY2035 (Gen Fund cap reserve built)					
					(2,411,115)	(2,419,647)	(2,559,473)	(2,898,897)	(3,834,042)	(4,394,944)	(8,616,641)	(13,019,173)	(9,197,582)	for these years, loan program only add to Waste Water fund balance					
					(1,518,425)	(580,529)	(494,404)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(2,000,000)	2,000,000					
					29,351,657	32,589,980	29,938,280	29,938,280	21,993,428	21,993,428	20,007,795	17,808,936	13,309,817	12,099,858	80,590	1,088,679	873,433	439,836	
					2,865,600	2,608,650	2,292,110	1,953,250	1,591,080	1,204,360	791,920	352,540	122,340	12,099,858	13,188,538	14,061,970	14,716,604	15,564,440	
																	15,793,922	221,481	
* source: FY22 Internal Borrowing Projections 3.7.2021, guarantees \$1M annual internal lending with growth in interest rate earnings. Note: I left the numbers as is because they include the firetruck which is not in current budget																			

Resources for Sustainable City Services in McMinnville

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.
Supports (or presents obstacle to) other council goals
Not particularly tied to council goals or MacTown 2032.
Revenue raising capacity
Revenue would depend on the sales values of the goods to which the tax would apply as well as the tax rate itself. For example, for every \$1 million in luxury items sold, a 10% tax would raise \$100,000; a 5% -> \$50,000. Lack of data on luxury sales inside City limits makes projecting potential revenue a hypothetical exercise.
Revenue stability
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.
Restrictions on use (if any)
Revenue would be unrestricted and available to the General Fund. If applied to automobiles, funds may be restricted to use for roads.
Household equity
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 or possibly businesses. The luxury tax is relatively progressive because low-income and middle-income households would not normally purchase luxury goods, while wealthy consumers would be subject to the tax.
Healthy business climate
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. Current businesses with product lines that could be subject to luxury tax might lose business to competitors in other jurisdictions.
Environmental impact
No impact in this area.
Administrative effort/cost to implement and manage
Implementation of the tax would require personnel and likely a consultant to build the interface for reporting, remitting and recording the tax. The city's accounting system vendor does have a tax module designed for property tax or sales tax administration and

Resources for Sustainable City Services in McMinnville

collection though the number of payers, even if Transient Lodging Tax (TLT) was incorporated, may not merit the cost of a formal module. A separate module for business license administration and fee collection also is available which potentially could be multi-purposed to include TLT and this new tax. Ongoing, there would be administration and tax collection costs for staff (minimal) and software (likely 5,000-10,000 annual cost level).

Finally, the payers would receive some offsetting amount to cover the cost of collecting and remitting the luxury tax (TLT program payers retain 5% of tax collected).

Implementation timeline or considerations

It could take from one to two years to fully implement.

Legal authority

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

Use in other jurisdictions

As far as I can find, luxury taxes are not utilized in the US.

Staff comments

Additional documents attached

Resources for Sustainable City Services in McMinnville

Motor Vehicle Rental Tax + Rideshare Tax	
Description	A tax imposed on people renting a motor vehicle from a commercial establishment within the city of McMinnville. 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. Renting a motor vehicle also could include ride-share.
Supports (or presents obstacle to) other council goals	City Council does not have any goals relative to this particular program, however it could generate revenue to advance other city council goals.
Revenue raising capacity	There is very little data about vehicle rentals and ride-share in McMinnville, but it is anticipated that this program would not generate much revenue.
Revenue stability	This revenue could fluctuate somewhat with economic conditions (or pandemics), as people may travel less during a slowdown of the economy.
Restrictions on use (if any)	Funds would be available to the general fund without restriction.
Household equity	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, and as ride-share becomes more popular it is often utilized by marginalized populations who do not have access to personal vehicles. Many communities have established franchise agreements with ride-share companies that reduce motor vehicle rental taxes for marginalized populations as most ride-share companies have specialty programs to provide reduced fares to qualifying demographics.
Healthy business climate	<p>For car rental companies, the business impact would be similar to impact from transient lodging taxes: fee would likely be passed on to customer, the company would retain a small percentage to defray the cost of collecting and remitting the funds, business activity is unlikely to be impacted as tourists typically pay taxes and fees on these types of goods and services.</p> <p>The impact on the rideshare business is slightly different as they would serve both visitors and residents alike but the key impacts and above-mentioned offsets would also be true for this business type.</p>
Environmental impact	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.

Resources for Sustainable City Services in McMinnville

Administrative effort/cost to implement and manage
This program would need to be established and monitored by the City. A comparable program is not already in place at the City.
Implementation timeline or considerations
12 months.
Legal authority
Under Oregon's constitutional home rule powers the McMinnville 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.
Use in other jurisdictions
<p>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.</p> <p>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.</p> <p>Multnomah County imposes a motor vehicle rental tax of 17%.</p> <p>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.</p>
Staff comments
Additional documents attached

Resources for Sustainable City Services in McMinnville

Property Tax: Local Option Levy																																							
Description																																							
<p>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.</p> <p>New or additional property taxes must be approved by a majority of the people voting in a primary or general election.</p>																																							
Supports (or presents obstacle to) other council goals																																							
<p>This supports the city value of Stewardship – being responsible stewards of our shared public assets and resources.</p> <p>The strategic priority of City Government Capacity – prioritizing and delivering municipal services with discipline and focus – is the priority most clearly served by establishing an additional component of property tax that is funded by broad, community-wide constituency of residents and economic interests.</p>																																							
Revenue raising capacity																																							
<p>Revenue capacity is significant. Based on FY2020-21 data, adding \$1 per \$1000 in assessed value raises approximately \$2.8 million.</p> <p>Local option levies for cities are included in the \$10 per \$1000 cap for all general government activities established by Measure 5 back in the 1990s. Local option levies are the first to be reduced in the event of tax rate compression is required to bring the total down to the \$10 maximum.</p> <p>Currently the City of McMinnville has a total property tax rate of \$16.95 per \$1000 assessed value with \$7.76 or the \$10 cap on governmental spending. McMinnville’s “permanent rate” is \$5.02 per \$1000.</p> <p>Because the City is looking into going to the voters to create a new fire district, the current numbers suggest \$1.80 to \$2.00 per 1000 would be needed, which would effectively raise the City’s government rate to almost the maximum, leaving little room for a local operating levy.</p>																																							
<table border="1"> <thead> <tr> <th colspan="5">Analysis Local Option Levy in Governmental Property Tax Maximum</th></tr> </thead> <tbody> <tr> <td>Governmental Cap</td><td>10.00</td><td colspan="3">\$1/1000 of McMinnville actual 20-21 property tax collections</td></tr> <tr> <td>20-21 Governmental</td><td>7.76</td><td colspan="3">2,827,499</td></tr> <tr> <td>Available property tax</td><td>2.24</td><td colspan="3"></td></tr> <tr> <td>Possible Fire District Scenarios</td><td>0.00</td><td>1.80</td><td>2.00</td><td></td></tr> <tr> <td>Remaining under cap</td><td>2.24</td><td>0.44</td><td>0.24</td><td></td></tr> <tr> <td>20-21 equivalent in dollars</td><td>6,333,598</td><td>1,244,100</td><td>678,600</td><td></td></tr> </tbody> </table>					Analysis Local Option Levy in Governmental Property Tax Maximum					Governmental Cap	10.00	\$1/1000 of McMinnville actual 20-21 property tax collections			20-21 Governmental	7.76	2,827,499			Available property tax	2.24				Possible Fire District Scenarios	0.00	1.80	2.00		Remaining under cap	2.24	0.44	0.24		20-21 equivalent in dollars	6,333,598	1,244,100	678,600	
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While property taxes are historically more stable than income or sales taxes, local																																							

Resources for Sustainable City Services in McMinnville

option levies in Oregon are limited in duration (five year maximum). This feature of Oregon's property tax system means this property tax based revenue source no longer has the desirable "stable" characteristic one would want for funding on-going public services as the revenue stream does drop to zero (though small disbursements of prior year delinquent taxes still come in) should voters choose not to renew the levy in future years.

Utilizing this funding source as a financing tool over ten years to support specific capital investments is a better match of resource type to use, provided the capital project or equipment is structured to be paid for during the life of the bond levy.

Restrictions on use (if any)

Revenue restriction depends on the type of local option levy. If operating, it is restricted according to any requirements in the ballot measure. If capital, funds are restricted for capital purposes and according to any requirements noted in the ballot measure.

Household equity

Property taxes are fundamentally regressive because, if two individuals in the same tax jurisdiction live in properties with the same values, they pay the same amount of property tax, regardless of their incomes. However, they are not purely regressive in practice because they are based on the value of the property. Compared to sales tax and fees, property taxes are more progressive.

Healthy business climate

Business pay as well as residential payers. Incremental increases in property taxes will likely be factored into the price consumers pay for goods and services provided by the business property tax payer.

Environmental impact

No impact in this area.

Administrative effort/cost to implement and manage

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.

Implementation timeline or considerations


The May 2022 ballot's filing deadline is in February 2022 with revenue available to be collected in FY2022-23. The deadline to place measures on the ballot for the November 2022 election is anticipated to be in August 2022 and revenue could be collected in FY2023-24. Local option levy ballot measures can also be put forward for the March or September election cycles.

Because of the likelihood that the city will pursue a fire district ballot measure, near term consideration of a local operating levy would not make sense in that context.

Resources for Sustainable City Services in McMinnville

Legal authority
New or additional property taxes must be approved by a majority of the people voting in a primary or general election. Article IV of the Oregon Constitution guarantees the voters of Oregon the right to initiative and referendum.
Use in other jurisdictions
In Yamhill County, the districts with local option levies include Amity Fire (0.45 per 1000), Sheridan Fire (0.35 per 1000), City of Dayton (1.85 per 1000), Yamhill Fire (0.55 per 1000), Gaston RFPD (0.67 per 1000), Tualatin Valley Fire and Rescue (0.45 per 1000), West Valley Fire (1.06 per 1000), and Sheridan Fire (.35 per 1000). Of the cities in our comparison group, only two have local option levies: Grants Pass (1.79 per 1000) and Forest Grove (1.60 per 1000).
Staff comments
Additional documents attached
FY2020-21 McMinnville Property Tax <i>details on jurisdictions receiving property tax from City of McMinnville tax payers</i> FY2020-21 Benchmarked Property Tax for cities of similar population

City of McMinnville Property Tax



YAMHILL COUNTY 2020-2021 TAX CODE RATES

40.0 CITY OF MCMINNVILLE	Total	Education	Government	Non-Limited
YAMHILL COUNTY	2.5775		2.5775	
YAMHILL COUNTY EXTENSION SERVICE	0.0449		0.0449	
YAMHILL COUNTY SOIL & WATER	0.0354		0.0354	
MCMINNVILLE SCHOOL DISTRICT	6.7363	4.1494		2.5869
WILLAMETTE REGIONAL ESD	0.2967	0.2967		
CITY OF MCMINNVILLE	6.2880		5.02	1.268
CHEMEKETA LIBRARY	0.0818		0.0818	
CHEMEKETA COLLEGE	0.8861	0.6259		0.2602
	<u>16.9467</u>	<u>5.072</u>	<u>7.7596</u>	<u>4.1151</u>

The City is slightly above the \$5 limit on Education and under the \$10 limit on Government category spending

<https://www.co.yamhill.or.us/sites/default/files/2020-2021%20District%20Rates%20by%20Category.pdf>

Resources for Sustainable City Services in McMinnville

FY2020-21 Benchmarked Property Tax Rates per 1,000 of Assessed Value

	Lake Oswego	Keizer	Grants Pass	Oregon City	McMinn- ville	Forest Tualatin	Wood- burn	Wilson- ville	Newberg
City Permanent Rate	4.66	2.08	4.13	4.16	4.04	5.02	2.67	3.96	5.88
Other Govt Permanent Rate	3.89	5.32	1.02	6.06	6.22	2.74	3.37	1.96	5.13
City Local Option Rate	0.00	0.00	1.79	0.00	0.00	0.00	0.00	1.60	0.00
Other Govt Local Option Rate	0.37	0.59	1.01	0.37	0.27	0.00	1.44	1.42	0.35
Total Govt	8.93	7.99	7.96	10.59	10.52	7.76	7.48	8.93	11.37
Educational Rate	6.45	5.44	5.44	5.55	5.26	5.07	6.76	5.24	5.29
City Bond Rate	0.23	0.00	0.00	0.00	0.00	1.27	0.59	0.00	0.34
Other Bonds' Rate	2.78	3.14	0.00	1.93	2.42	2.85	3.03	3.44	2.89
Total Dollars per 1000	18.38	16.58	13.40	18.07	18.20	16.95	17.86	17.61	19.88
Rank	4	10	12	6	5	9	7	8	1

Cities are those with populations immediately larger and smaller than McMinnville; presented from largest to smallest

Ranking: 1 = highest total property tax, 12 = lowest

Data Source: respective County Assessor's annual reporting for city's tax code (or largest tax code within the city)

Add Fire Dist at \$2	18.38	16.58	13.40	18.07	18.20	18.95	17.86	17.61	19.88	19.40	19.38	14.81
	5	10	12	7	6	4	8	9	1	2	3	11
Add Fire Dist at \$1.80	18.38	16.58	13.40	18.07	18.20	18.75	17.86	17.61	19.88	19.40	19.38	14.81
	5	10	12	7	6	4	8	9	1	2	3	11

Resources for Sustainable City Services in McMinnville

Property Tax: Special District
<p>Description</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The City of McMinnville has been discussing the possibility of establishing a special district for fire and EMS services with neighboring jurisdictions since 2013. City Council authorized pursuing formal consolidation efforts in 2018.</p>
<p>Supports (or presents obstacle to) other council goals</p> <p>Ties directly to City Council Goals in Strategic Plan. GOAL Strengthen the City’s ability to prioritize and deliver municipal services with discipline and focus. Objective : Develop and foster local and regional partnerships) COMMUNITY SAFETY & RESILIENCY</p> <p>Provide exceptional police, municipal court, fire, emergency medical services (EMS), utility services and public works</p>
<p>Revenue raising capacity</p> <p>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.</p> <p>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.</p> <p>The current consultant study is developing a funding strategy that ranges from \$1.80 to \$2.00 per \$1000 for a Fire District. In FY2020–21 property tax collections, that would convert to a range of proceeds from \$5,089,500 to \$5,655,000.</p>
<p>Revenue stability</p> <p>Revenue is stable as a new permanent tax base. Goal will be to ensure new tax rate will sustain the new district into the future and allow for City to use existing tax authority to</p>

Resources for Sustainable City Services in McMinnville

improve remaining services. Consultants indicate that the new district will required \$1.80 to \$2.00 / \$1,000 of assessed value to improve service levels and be sustainable.
Restrictions on use (if any)
The new tax rate would be restricted for the new fire district. For the city, its permanent rate tax authority could be used for general fund activities that, given the new district, would no longer include funding for the Fire-EMS department. As is currently the case, the city may elect to forego levying its full permanent rate; the choice to fully levy a jurisdiction's permanent, bond or local option levy is a part of each annual budgeting process.
Household equity
This is a property tax and as such considered regressive.
Healthy business climate
Less regressive than sales tax.
Environmental impact
Administrative effort/cost to implement and manage
Implementation costs will involve legal costs, polling and marketing costs, election costs prior to the election. Some cost allocation for the district will be how the transfer of City assets like fleet and facilities are transitioned to the new district. Costs associated with the district after election if successful will be incurred by the district. Once established there will be no costs to the city as the District will be responsible for those costs.
Implementation timeline or considerations
Estimated timeline will depend on election cycle and taxing cycles. The May 2022 ballot's filing deadline is in February 2022 with revenue available to be collected in FY2022-23. The deadline to place measures on the ballot for the November 2022 election is anticipated to be in August 2022 and revenue could be collected starting in FY2023-24.
Legal authority
<p>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.</p> <p>Formation of or annexation to a special district requires voter approval.</p> <p>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.</p> <p>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.</p>

Resources for Sustainable City Services in McMinnville

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. In addition for a Fire District there would be a required charter amendment vote to remove fire protection services as a service being provided by the City.

Annexation to create the new consolidated fire district has been shown by the consultants to not be a viable option at this time. No district within the study has a permanent tax rate that would be sustainable for the new consolidated district. The only viable financial option is to dissolve existing service areas and form a new district with a new permanent tax rate.

The majority of new districts are created by the joining of two or more service areas either districts or municipalities. In the event no other service area is interested in becoming part of a new district there is the potential for a new service district to be created that would include the existing City and adding the urban growth boundary to create the new district boundaries. This would require the dissolution of the City service and approval of any annexed territories.

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.

Use in other jurisdictions

Special districts have a long history and are found throughout Oregon. Throughout the state there has been a reduction of fire departments by over 12 % in the last 10 years due to the creation of new districts or consolidation of existing districts. 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.

Staff comments

In 2012 the Fire Department was tasked with evaluating the formation of a Fire District. They have worked with a variety of partners during this evaluation process. In 2019 City Council authorized moving forward with a Feasibility Study for FD consolidation. The Feasibility study demonstrated that it is fiscally feasible and capable of providing a sustainable resource for the new district. In August of 2021 the ESCI presented to City Council and the other Fire Department a Service level update and revised financial summary report. This information demonstrated that with a new permanent tax rate of 1.80 -2.00 /\$1,000 of assessed value the new district would be sustainable and demonstrated a significantly improved service level to the areas partnering in the new district.

In August 2021, the City's advisory committee on indoor Parks, Rec and Library facilities and programs, known as MacPAC, discussed the potential of looking at a Parks District to help fund capital and operational expenses to address deferred maintenance in city facilities. A subcommittee of MacPAC focused in on analyzing potential funding options as well. Because of the \$10 taxing cap on government described above, as well as the current Fire District conversation, MacPAC stopped further discussion about this as a funding option.

Resources for Sustainable City Services in McMinnville

Additional documents attached
Information presented by Emergency Services Consulting International (ESCI) on the Fire District assessment to City Council on August 16, 2021 is available on the website. https://www.mcminnvilleoregon.gov/sites/default/files/fileattachments/city_council/meeting/22356/northern_yamhill_comprehensive_presentation.pdf

Resources for Sustainable City Services in McMinnville

Reimbursement District	
Description	Reimbursement districts are a revenue tool that jurisdictions utilize to finance construction, operations, and maintenance of public facilities. When a reimbursement district is created, a developer agrees to construct infrastructure above and beyond the proportional impact of the development and then recover the cost that represents the amount above the development's impact. The cost is recovered from surrounding properties at the point they utilize the infrastructure (typically when development or redevelopment occurs), rather than being funded by the City.
Supports (or presents obstacle to) other council goals	Reimbursement districts further the City's values of stewardship and courage by having those who benefit from new or expanded infrastructure to pay for that infrastructure. However, they can pose equity issues to property owners, particularly if payment is required when little or no development/redevelopment occurs.
Revenue raising capacity	Reimbursement districts do not raise revenue, but instead avoid additional City costs for construction of public infrastructure or acting as a lender.
Revenue stability	Reimbursement districts do not provide revenue to the City, but they do stabilize City costs for infrastructure, particularly in new development areas where a developer cannot be required to construct additional infrastructure without reimbursement of costs. Reimbursement districts impose those costs on other property owners who benefit from the infrastructure rather than requiring the City to pay the developer or to carry the cost until other property owners pay the City.
Restrictions on use (if any)	N/A – reimbursement districts do not generate revenue.
Household equity	<p>Equity issues may come into play based on the cost imposed on other property owners and the trigger for payment to the developer. A methodology has to be developed for each reimbursement district to calculate the per-door fee that each property owner may eventually have to pay. The trigger can also lead to equity issues. Some reimbursement districts are structured so the fee is not paid until certain kinds of permits are issued, but others are structured to require payment as soon as the property benefits from the development. That could occur without any development or redevelopment performed by the affected property owner.</p> <p>There are also equity issues for the developer, particularly in redevelopment settings, of potentially not seeing full cost recovery if development by other property owners does not occur within the time the reimbursement district exists (they typically exist for 10 years).</p>

Resources for Sustainable City Services in McMinnville

Healthy business climate
Reimbursement districts are another tool the City can utilize to encourage development even when the City does not have the resources to pay for public infrastructure needed for the development. However, some developers are not willing to undertake the carrying costs of reimbursement districts.
Environmental impact
N/A
Administrative effort/cost to implement and manage
Although the City has code language for reimbursement districts, it does not appear that one has been created before. There will be some administrative effort to set up the reimbursement district and track payments by property owners and to the developer.
Implementation timeline or considerations
Implementation occurs as part of particular developments.
Legal authority
The City has authority under McMinnville Municipal Code Chapter 3.14 to establish reimbursement districts.
Use in other jurisdictions
Other jurisdictions utilize reimbursement districts. The City of Gresham used this mechanism to fund construction of a two-mile sewer main in 2020 by a private developer which will be turned over to City ownership upon completion. A System Development Charge (SDC) offset was incorporated into this agreement.
Staff comments
While I recommend that the City consider updating its Code regarding reimbursement districts and retaining this tool as a resource for future development, it is not a method to increase resources in the immediate future. Reimbursement districts are not consistent, stable resources either, as they are dependent on development occurring. <i>City Attorney Amanda Guile-Hinman.</i>
Additional documents attached

Resources for Sustainable City Services in McMinnville

System Development Charges
<p>Description</p> <p>Systems development charges (SDCs) are one-time fees charged on new development, and certain types of redevelopment, to help offset the project impacts on the City's storm and sanitary sewer systems, parks and recreation facilities, water and street systems. The fee is intended to recover a fair share of the costs of existing and planned facilities that provide capacity to serve new growth.</p> <p>Oregon Revised Statute (ORS) 223.297 – 223.314 defines SDCs and specifies how they shall be calculated, applied, and accounted for by local government. By statute, an SDC is the sum of two components:</p> <ul style="list-style-type: none"> • a reimbursement fee, designed to recover costs associated with capital improvements already constructed or under construction, and • an improvement fee, designed to recover costs associated with capital improvements to be constructed in the future. <p>SDCs are intended to recover the extra capacity cost of public infrastructure. Reimbursement and improvement fee calculations do not include the cost of a "local equivalent" facility. For example, streets SDC fees are only designed to recover the additional cost to construct collector and arterial streets, above that required to construct local streets.</p> <p>The City of McMinnville currently charges SDCs in three of the five statutorily authorized areas: sewer, streets and parks and recreation facilities.</p>
<p>Supports (or presents obstacle to) other council goals</p> <p>This fee type supports all of the city's values: Stewardship – being responsible stewards or our shared public assets and resources; Equity; Courage – proactively planning for change; and Accountability.</p> <p>The strategic priorities of Economic Prosperity and Growth and Development Character are the those most clearly served by assuring a funding system that supports the growth of the community as housing, commercial areas and industrial facilities are added or substantially redeveloped.</p>
<p>Revenue raising capacity</p> <p>From FY15 to FY21, the total amount of SDCs raised ranged from a low in FY2017-18 of \$940,000 to a high of \$2.47 million in FY2019-20. See chart in attachments.</p>
<p>Revenue stability</p> <p>SDC revenues are impacted by the pace of new development within the city limits. As a medium sized city, the number of residential, commercial or industrial projects subject to SDCs can vary considerably year to year.</p>

Resources for Sustainable City Services in McMinnville

<p>Restrictions on use (if any)</p> <p>State law creates a framework for local SDCs and specifies how, when, and for what improvements they can be imposed. SDCs may be used by cities, counties, and special districts for capital improvements related to:</p> <ul style="list-style-type: none"> • water supply, treatment, and distribution • waste water collection, transmission, treatment, and disposal • drainage and flood control • transportation • parks and recreation <p>SDC revenues may only be used for capital costs; they cannot be used for ongoing facility or system maintenance or for projects that either fix existing system deficiencies or replace existing capacity.</p> <p>As is common practice, McMinnville uses SDCs in combination with other funding sources to pay for eligible capital projects.</p>
<p>Household equity</p> <p>Residential SDCs are part of the cost of housing ultimately borne by the buyers of new construction homes. All residents in the community ultimately benefit from the SDCs because they are used to fund the new infrastructure needs of the city as it grows both in terms of population and also economic activity.</p> <p>Currently, Parks SDCs are only supported by residential fees, not commercial or industrial development, which places more burden for supporting the growth of the city on households as opposed to business activity.</p>
<p>Healthy business climate</p> <p>SDCs are paid by the developer, not by taxpayers. Fees are assessed to new development and to those persons who are increasing the capacity of an existing building or facility. For residential SDCs, homebuyers are likely to be passed on this cost as part of the purchase price of the property. Commercial and industrial developers pay SDCs to support new street and sewer infrastructure.</p>
<p>Environmental impact</p> <p>SDC programs can include exemptions or credits which potentially could be used to incentivize practices that improve the environmental footprint of the fee-paying project. In addition, creating the list of capital investment projects to be funded by SDCs can include environmental criteria.</p>
<p>Administrative effort/cost to implement and manage</p> <p>The administrative effort associated with SDCs comes with the periodic reviews of capital projects to be funded, the methodology by which the fees are calculated and the types of projects subject to the fee. The process includes public input and comment opportunities. As for the basic care and feeding of the program, the city currently assesses and collects</p>

Resources for Sustainable City Services in McMinnville

SDCs so that component of the administrative infrastructure exists and is capable of being updated as new rates and/or methodologies are issued.

Currently the underlying planning is slated to begin in FY2022-23 for parks and FY2021-22 for transportation and wastewater. In addition, a storm water master plan is anticipated to begin in FY2022-23 which would be an initial step in the process of establishing an SDC to support the city's growth needs in that type of infrastructure. Public processes are required prior to being able to update the methodology and/or payers subject to fees.

Implementation timeline or considerations

Typically, updating the underlying plan, capital investment priorities and assessment methodology will take a minimum of 18 months once the planning process itself has been funded.

Prior to imposing a SDC for planned improvements based on an improvement fee for capital facilities, the local government must have in place a capital improvement plan, public facilities plan, master plan, or comparable plan that:

- lists the improvements to be funded with the SDC
- estimates the cost, timing, and percentage of costs eligible for funding from the improvement fee for each improvement

The plan and list of improvements may be modified at any time, although there are additional notice and hearing requirements if the SDC will be increased as a result of modifying the list. The plan must make a reasonable connection between the need for additional facilities and the growth generated by new development.

Legal authority

SDCs are enabled in statute by ORS 223.297 – 223.314. State law explicitly prohibits local governments from imposing SDCs on employers based on the number of employees or potential new hires. Local governments must establish SDCs by ordinance or resolution and through a public process. They must have a methodology to calculate reimbursement and improvement fees and provide for a credit if a developer finances certain improvements. Local governments must also provide a review procedure through which anyone may challenge an expenditure of SDC revenue if it is out of compliance with state requirements.

Chapter 3.10 of the Municipal Code, as adopted by Ordinance No. 4980 on June 10th, 2014, includes provisions for imposing sanitary sewer, transportation, and parks and recreation system development charges (SDCs). Per Section 3.10.020 (B) of the Municipal Code, the SDCs should be adjusted annually, as allowed by Oregon Revised Statutes, to reflect the increase in construction costs.

Use in other jurisdictions

The City of Corvallis assembled a comparison table of the 20 cities that charge SDCs for parks, sewer, water, transportation, and stormwater for fiscal year 2019-2020. For single-family residences, the total SDCs imposed in these cities range from \$8,703 in Grants Pass to \$37,458 in Lake Oswego. Among the cities surveyed is Newberg which charges for all five

Resources for Sustainable City Services in McMinnville

categories of infrastructure contemplated by SDC enabling legislation and in FY2019-20 had a total fee of \$25,862. The FY2020-21 single family residence SDC total in the City of McMinnville is \$8,857 which includes parks, sewer and transportation but not charges for stormwater or water infrastructure.

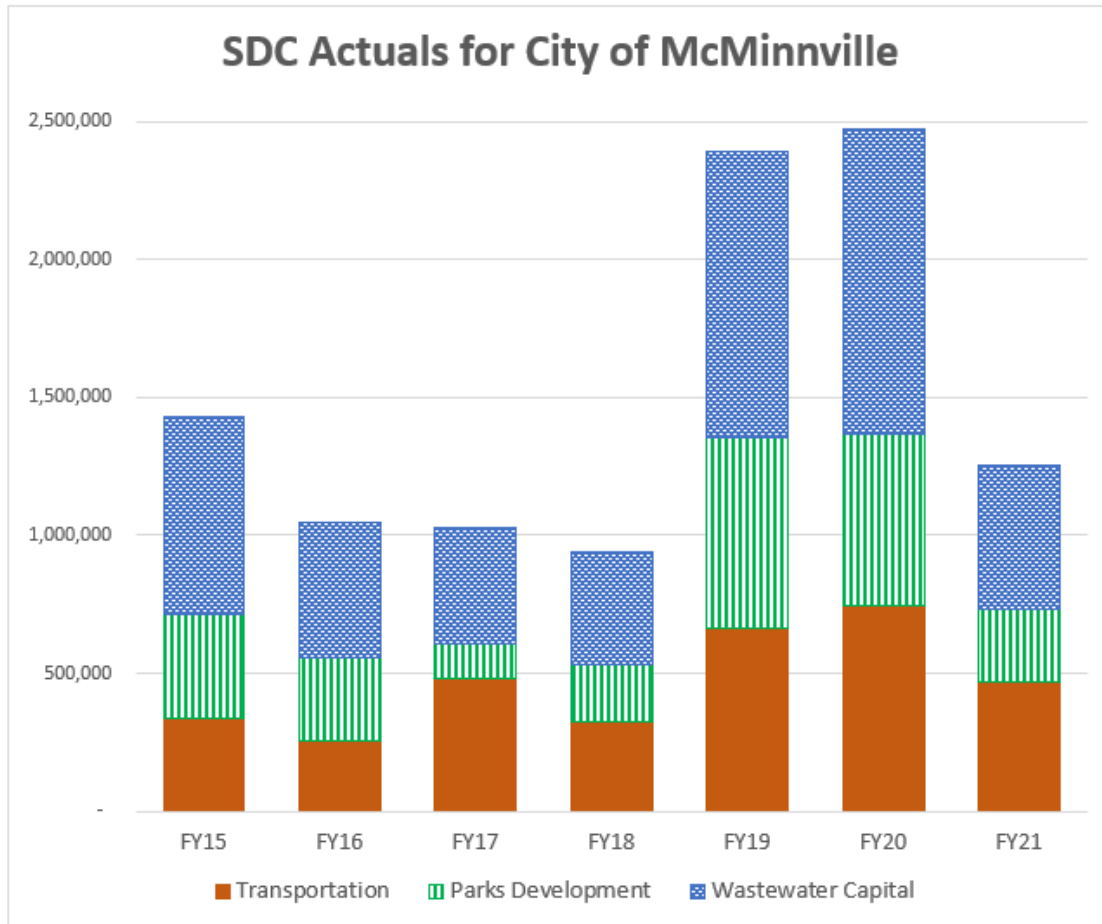
Staff comments

Additional documents attached

McMinnville SDCs collected FY2014-15 through FY2020-21

FY2019-20 Multi-City SDC Comparison

Resources for Sustainable City Services in McMinnville



Fees Collected	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Transportation	336,637	252,413	479,540	325,256	664,848	744,944	470,544
Parks Development	379,546	301,180	129,198	204,412	690,880	620,594	261,277
Wastewater Capital	715,204	490,088	418,303	411,498	1,031,922	1,104,163	519,909
Total	1,431,386	1,043,681	1,027,041	941,165	2,387,650	2,469,701	1,251,730

Proportion	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Transportation	23.5%	24.2%	46.7%	34.6%	27.8%	30.2%	37.6%
Parks Development	26.5%	28.9%	12.6%	21.7%	28.9%	25.1%	20.9%
Wastewater Capital	50.0%	47.0%	40.7%	43.7%	43.2%	44.7%	41.5%

Resources for Sustainable City Services in McMinnville

The following is a benchmarking study on single family residence SDC rates produced by the City of Corvallis as it was reviewing and updating its approach to SDCs.

FY19-20

MULTI-CITY SDC COMPARISON						
SINGLE FAMILY RESIDENCE						
City	Parks	Sewer	Water	Transportation	Stormwater	Total
Grants Pass	\$ 879	\$ 3,179	\$ 3,005	\$ 1,124	\$ 516	\$ 8,703
Garibaldi	\$ 816	\$ 2,755	\$ 1,980	\$ 1,650	\$ 2,000	\$ 9,201
Monmouth	\$ 2,053	\$ 3,394	\$ 1,743	\$ 3,852	\$ 285	\$ 11,327
Albany ¹	\$ 1,720	\$ 3,560	\$ 2,857	\$ 4,085	No SDC	\$ 12,222
Lebanon	\$ 3,545	\$ 4,251	\$ 2,543	\$ 1,936	\$ 255	\$ 12,530
Eugene	\$ 4,246	\$ 2,340	\$ 3,415	\$ 2,113	\$ 668	\$ 12,782
Columbia City	\$ 2,019	\$ 1,623	\$ 4,292	\$ 4,575	\$ 388	\$ 12,897
Woodburn	\$ 3,530	\$ 2,977	\$ 3,756	\$ 3,532	\$ 330	\$ 14,125
Corvallis (Current)	\$ 6,607	\$ 4,377	\$ 1,430	\$ 3,042	\$ 278	\$ 15,735
Corvallis (Proposed)	\$ 6,804	\$ 4,416	\$ 1,440	\$ 3,067	\$ 278	\$ 16,006
Salem	\$ 4,438	\$ 3,975	\$ 5,064	\$ 3,975	\$ 613	\$ 18,065
Gresham	\$ 4,204	\$ 6,318	\$ 4,751	\$ 4,111	\$ 1,203	\$ 20,587
Veneta	\$ 4,882	\$ 6,387	\$ 7,306	\$ 2,496	\$ 208	\$ 21,279
Silverton	\$ 6,240	\$ 4,653	\$ 8,286	\$ 3,760	\$ 877	\$ 23,816
Newberg	\$ 6,912	\$ 6,729	\$ 5,431	\$ 6,421	\$ 369	\$ 25,862
Philomath	\$ 1,094	\$ 8,829	\$ 9,616	\$ 5,581	\$ 1,728	\$ 26,848
Portland	\$ 9,682	\$ 6,917	\$ 4,593	\$ 5,393	\$ 1,159	\$ 27,744
West Linn	\$ 11,535	\$ 3,781	\$ 9,425	\$ 3,168	\$ 1,318	\$ 29,227
Wilsonville	\$ 6,099	\$ 5,503	\$ 9,600	\$ 13,357	\$ 1,848	\$ 36,407
Beaverton	\$ 11,895	\$ 5,800	\$ 9,007	\$ 8,968	\$ 1,252	\$ 36,922
Hillsboro	\$ 6,393	\$ 5,800	\$ 15,450	\$ 8,968	\$ 560	\$ 37,171
Lake Oswego	\$ 14,057	\$ 2,957	\$ 8,122	\$ 12,160	\$ 162	\$ 37,458
McMinnville (FY21)	\$2,617	\$3,547	\$0	\$2,693	\$0	\$8,857

Table 2 – Multi-City SDC Comparison

Notes

1 With the exception of Albany, only communities with parks, sewer, water, transportation, and stormwater SDCs are listed for comparison.

The City of Albany is provided as an often-requested comparator.

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Utility Consumption Tax or Utility Service Fee
<p>Description</p> <p>A service fee charged to consumers 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.</p> <p>The purpose of the fee is to provide stable funding to ensure the services supported by the fee remain available to the community.</p>
<p>Supports (or presents obstacle to) other council goals</p> <p>This supports the city value of Stewardship – being responsible stewards of our shared public assets and resources.</p> <p>The strategic priority of City Government Capacity– prioritizing and delivering municipal services with discipline and focus – is the priority most clearly served by establishing a service fee that is funded by broad, community-wide constituency of residents and economic interests.</p>
<p>Revenue raising capacity</p> <p>Of the options on the table, this is among the most flexible in terms of being able to generate a wide range of total revenues depending on the amount of the fee and how it is applied.</p> <p>Using FY2020–21’s utility revenues (and reducing residential by the 14.3% poverty rate as a proxy for a low-income waiver program), applying the same percentage on total bill amount, residential contributions would make up approximately 41% of the fees collected. An average residential customer (defined by having a single meter each for electric, water and sewer) with a \$6 increase per month would yield \$1.8 million; a \$9 monthly fee -> \$3.0 million; a \$15 monthly fee -> \$4.8 million. Individual business payers would have a much greater range of impact in dollars though the percentage would be the same as the one applied to residential customers in this scenario.</p> <p>If a percentage is applied to utility spend, for every dollar an average resident pays per month for this fee more will raise approximately \$325,000 overall.</p> <p>An alternative scenario might be charging a flat amount per meter for both households and businesses. Using the same utility data for last year (and applying the poverty rate on residential customers), a \$2 resid/\$20 business meter charge would raise \$1.9 million; \$3.50/\$30 -> \$3.0 million; \$5/\$40 -> \$4.2 million. These scenarios raise an average household’s monthly bill by \$6, \$11 and \$15 respectively. These flat fee examples have a residential to business payer split of 40/60, 44/56 and 46/54 respectively.</p>
<p>Revenue stability</p> <p>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. Utility Consumption Tax revenues are stable because the fee is levied broadly across the community. Flat fees are inelastic, meaning demand for the</p>

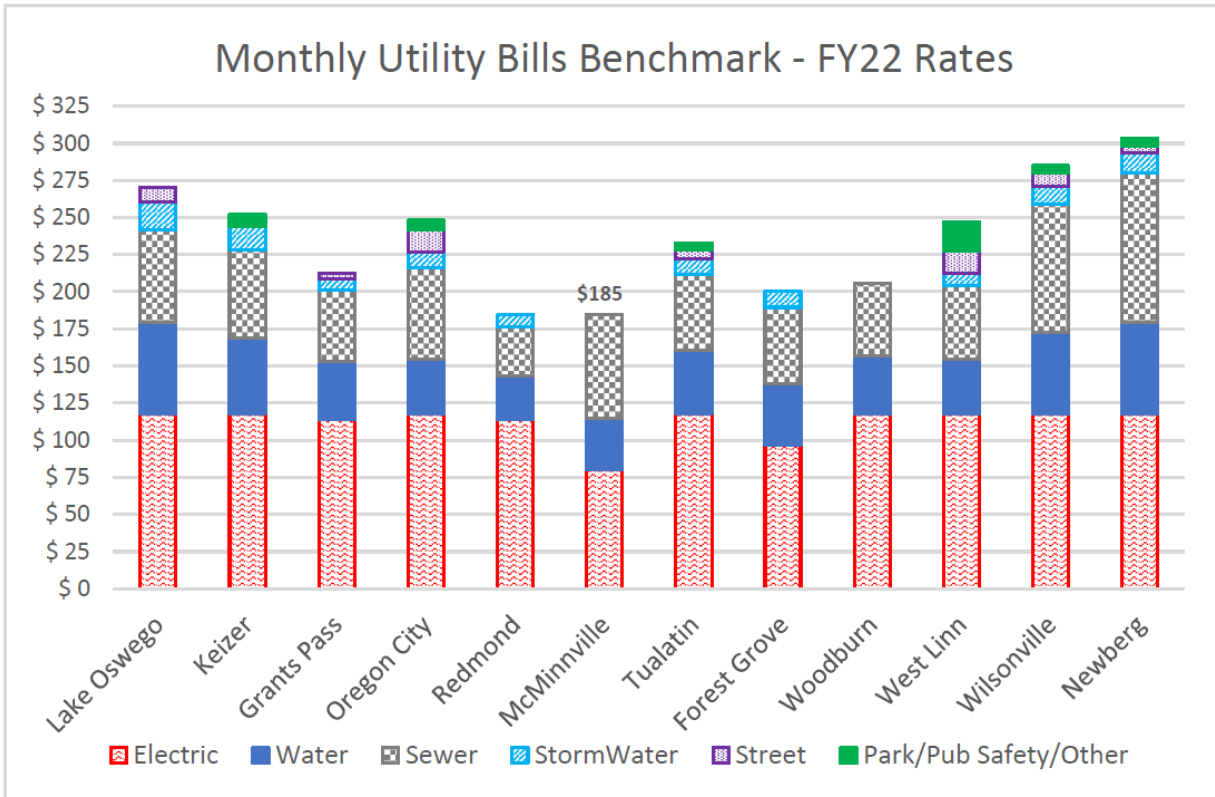
Resources for Sustainable City Services in McMinnville

<p>product – utilities – doesn’t change much even if the amount of the fee changes. Fees charged as a proportion of the underlying usage could have an impact of reinforcing energy and water conservation efforts as there would now be an added cost incentive for doing so.</p> <p>Another feature of this kind of fee is that once the fee is implemented, making updates to the amounts – to either increase or decrease the fee – should be straight forward as long as the same basic rule structure stays the same.</p>
<p>Restrictions on use (if any)</p> <p>Revenue would be unrestricted and available to the General Fund. Though cities can choose to restrict fees to particular programs, services or funds formally in the enacting documents.</p>
<p>Household equity</p> <p>If charged as a flat fee, this tax is 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.</p> <p>If charged as a percentage of utility bill total, the tax is also regressive though less so. In the same way that property taxes are regressive; while everyone is charged the same rate regardless of whether they earn at the poverty line or have a three figure or more household income their ability to pay is quite different.</p> <p>Waivers or discounts for low-income households mitigate that disproportionate impact.</p>
<p>Healthy business climate</p> <p>Businesses operating within the city would be among fee payers in order to broadly spread the cost of community-wide public services to both residential and non-residential properties. If based on a percentage of underlying use, impact to commercial users will vary to the extent that their use of power, water and wastewater varies.</p>
<p>Environmental impact</p> <p>As noted above, fees based on a percentage charge on the underlying utility usage could have an impact of reinforcing energy and water conservation efforts as there would now be an added cost incentive for doing so.</p>
<p>Administrative effort/cost to implement and manage</p> <p>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 the case of McMinnville, the city would work with McMinnville Water and Light (MWL) to implement.</p> <p>Utilizing the data in MWL’s system would likely be a far easier implementation when compared to a service fee based on property occupancy. Rates could be based on a flat amount by meter/customer type or by a percentage applied to the amount of the invoice.</p> <p>The fee could be structured as a single amount for the general fund (and/or other funds) or could be more specifically allocated to uses. Adding a group of fees to the utility bill as</p>

Resources for Sustainable City Services in McMinnville

opposed to a single charge does add complexity in terms of standing up and administering the fee.
Implementation timeline or considerations
<p>At this stage, the primary unknown is how quickly MWL's software company could add the programming necessary to calculate the fee accurately for each customer and include it in the monthly invoice.</p> <p>A separate system for identifying households and/or organizations that would have a waived or reduced rate would be required. Utilization of the LIHEAP (low Income Home Energy Assistance program) model may be an option. The cost of this program would also be a factor which would have an impact on the total revenue raised for city services.</p> <p>A portion of the revenue would be needed to offset administrative costs for MWL 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.</p>
Legal authority
Under Oregon's constitutional home rule powers the McMinnville 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. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition.
Use in other jurisdictions
Several municipalities in Oregon charge service fees for libraries, parks, street operations and maintenance, police and/or fire services via their utility bills. Most are referred to as service fees, as opposed to utility consumption tax, but they may very well be based on utility data as opposed to property use data. See "Service Fee" document for details on some municipal fees that support a variety of city services in those communities.
Staff comments
Additional documents attached
Utility Benchmark Study

Resources for Sustainable City Services in McMinnville



Based on 1100 kWh, 10 ccf water, 7.5 ccf sewer and posted FY22 rates. Cities listed highest population to lowest population (5 larger than McMinnville and 6 smaller).

	Lake Oswego	Keizer	Grants Pass	Oregon City	Redmond	McMinnville	Tualatin	Forest Grove	Woodburn	West Linn	Wilsonville	Newberg
Electric	117.92	117.92	114.18	117.92	114.18	80.06	117.92	96.84	117.92	117.92	117.92	117.92
Water	61.73	51.14	39.02	36.95	29.38	34.85	42.82	41.31	38.83	36.84	54.73	61.58
Sewer	61.90	58.98	47.93	61.19	32.58	69.92	50.63	51.32	49.21	49.33	86.22	100.37
StormWater	18.87	16.09	7.50	10.86	8.18		10.68	10.80		8.24	11.90	13.34
Street	9.95		3.80	14.63			5.99			15.25	9.08	5.09
Park/Pub Safety/Other		8.00		6.50		15.00	5.00			19.26	5.01	5.26
	\$ 270.37	\$ 252.13	\$ 212.43	\$ 248.05	\$ 184.32	\$ 199.83	\$ 233.04	\$ 200.27	\$ 205.96	\$ 246.84	\$ 284.86	\$ 303.56
Rank without fee	3	4	8	5	12	11	7	10	9	6	2	1
Rank with fee	3	4	8	5	12	11	7	10	9	6	2	1

If the City opted to add a \$15 fee – the highest service fee scenario considered which would raise almost \$5 million – to the utility billing, McMinnville would remain 11th lowest of the 12 cities benchmarked against.

Resources for Sustainable City Services in McMinnville

Service Fee
<p>Description</p> <p>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.</p> <p>This fee funds 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.</p>
<p>Supports (or presents obstacle to) other council goals</p> <p>This supports the city value of Stewardship – being responsible stewards of our shared public assets and resources.</p> <p>The strategic priority of City Government Capacity– prioritizing and delivering municipal services with discipline and focus – is the priority most clearly served by establishing a service fee that is funded by broad, community-wide constituency of residents and economic interests.</p>
<p>Revenue raising capacity</p> <p>Of the options on the table, this is among the most flexible in terms of being able to generate a wide range of total revenues depending on the amount of the fee and how it is applied. Using data from the census bureau for the number of households (12,792) and businesses (2,255) in town, a \$5/month fee for residents and \$20/month fee for businesses would raise \$1.2 million with the residential/business proportion 55%/45%. Going \$10/\$30, \$2.1 million is raised with split 62%/38%. If the amount was \$20/\$50, \$4.0 million is raised with 66%/34% residential to business split.</p> <p>The number of households was reduced by the 14.3 poverty rate as a proxy for a low-income fee waiver. Discounts or waivers for firms would also impact revenue projections.</p>
<p>Revenue stability</p> <p>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 payer 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). Flat fees are inelastic, meaning demand for the product – utilities – doesn't change much even if the amount of the fee changes.</p> <p>Another feature of this kind of fee is that once the fee is implemented, making updates to the amounts – to either increase or decrease the fee – should be straight forward as long as the same basic rule structure stays the same.</p>

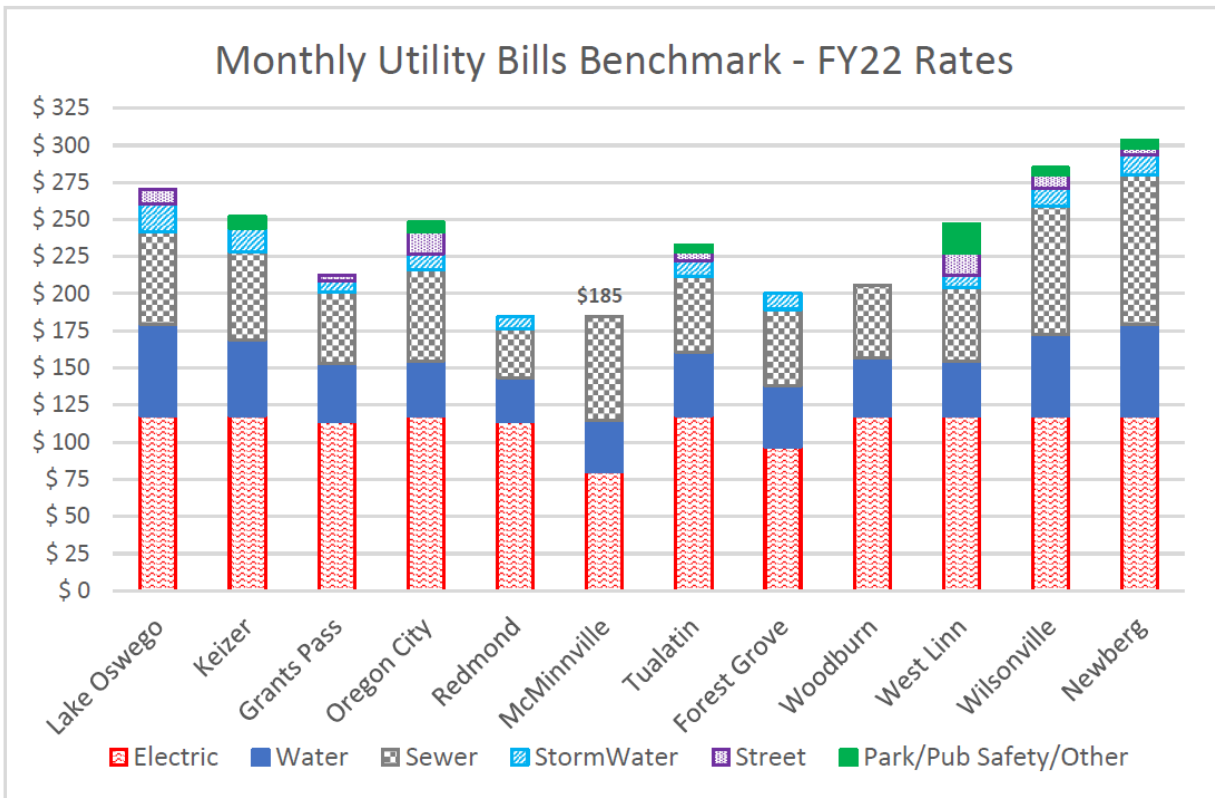
Resources for Sustainable City Services in McMinnville

Restrictions on use (if any)
Revenue would be unrestricted and available to the General Fund. Though cities can choose to restrict fees to particular programs, services or funds formally in the enacting ordinances.
Household equity
This tax is 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. Waivers or discounts for low-income households would mitigate that disproportionate impact.
Healthy business climate
Businesses operating within the city would be among fee payers in order to broadly spread the cost of community-wide public services to both residential and non-residential properties. 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.
Environmental impact
No impact in this area.
Administrative effort/cost to implement and manage
<p>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 the case of McMinnville, the city would work with McMinnville Water and Light (MWL) to implement.</p> <p>The fee could be structured as a single amount for the general fund (and/or other funds) or could be more specifically allocated to uses. Adding a group of fees as opposed to a single charge to the utility bill does add complexity in terms of standing up and administering the fee.</p>
Implementation timeline or considerations
<p>At this stage, the primary unknown is how quickly MWL's software company could add the programming necessary to calculate the fee accurately for each customer and include it in the monthly invoice.</p> <p>Crafting the low-income criteria and applying it to the payer data in the MWL billing system and any waivers or discounts for particular types or sizes of businesses would also have a bearing on ease, cost and timeline for implementation.</p> <p>Because this fee is based on property occupants, assessing the extent of the city's residents that occupy property but do not pay utility bills, then integrating those households/businesses into the utility billing base for service fee only billing is an added complexity.</p> <p>A portion of the revenue would be needed to offset administrative costs for MWL to collect and remit the tax. An annual allocation could be set to help mitigate the financial impacts</p>

Resources for Sustainable City Services in McMinnville

of the tax on low-income households. Implementation of these items would reduce the yield estimates given.
Legal authority
Under Oregon's constitutional home rule powers the McMinnville City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a 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.
Use in other jurisdictions
<p>Several municipalities in Oregon charge city service fees for libraries, parks, street operations and maintenance, police and/or fire services.</p> <ul style="list-style-type: none"> Albany implemented a service fee in June 2021, to start in July 2021, after going through a process similar to ours. The revenue generated from this fee will go toward public safety (69%), park maintenance (20%), libraries (7%), and a contingency fund (4%), which is vital to any organization's financial stability. Single family \$9 flat fee; commercial, flat based on meter size; low income household assistance. West Lynn has two service fees on utility bills: Roadway Maintenance fee (15.25 single family, commercial is based on a per trip calculation with a max) and parks main fee (19.26 single family w/ no commercial), low income discounts. Oregon City has two service fees: pavement maintenance (14.21 single family, non-residential average daily trip (ADT)) and temporary public safety 6.50 flat for building that will end when it's paid for. Lake Oswego has street maintenance fee (9.95 single family, commercial based on square footage by groups. Newberg charges public safety fee (3 single family), 911 center (2.26 single family), Transportation (5.09 single family). Tualatin approved a \$5 parks utility fee in April 2021 starting July 2021. <p>The Feb 2020 Water rates survey report from League of Oregon Cities reports the following types of fees that municipal respondents include in their utility bills:</p> <p>Ambulance Fee • Capital Improvements • Debt Service • Fire Flow Charges • Franchise Fees • Garbage/Sanitation • Streets and Infrastructure • Streetlights • Irrigation • Public Safety Fees</p>
Staff comments
Additional documents attached
Utility Benchmark Study

Resources for Sustainable City Services in McMinnville



Based on 1100 kWh, 10 ccf water, 7.5 ccf sewer and posted FY22 rates. Cities listed highest population to lowest population (5 larger than McMinnville and 6 smaller).

	Lake Oswego	Keizer	Grants Pass	Oregon City	Redmond	McMinnville	Tualatin	Forest Grove	Woodburn	West Linn	Wilsonville	Newberg
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Water	61.73	51.14	39.02	36.95	29.38	34.85	42.82	41.31	38.83	36.84	54.73	61.58
Sewer	61.90	58.98	47.93	61.19	32.58	69.92	50.63	51.32	49.21	49.33	86.22	100.37
StormWater	18.87	16.09	7.50	10.86	8.18		10.68	10.80		8.24	11.90	13.34
Street	9.95		3.80	14.63			5.99			15.25	9.08	5.09
Park/Pub Safety/Other		8.00		6.50		15.00	5.00			19.26	5.01	5.26
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If the City opted to add a \$15 fee to the utility billing, McMinnville would remain 11th lowest of the 12 cities benchmarked against.

Resources for Sustainable City Services in McMinnville

Transient Lodging Tax Review	
Description	<p>A transient lodging tax (TLT) 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.</p> <p>The City of McMinnville has a current rate of 10%.</p>
Supports (or presents obstacle to) other council goals	
Revenue raising capacity	In FY2021 the amount raised was \$1,125,000. For every 1%, \$112,500 is raised which, after expenses, is split 70/30 between tourism activities (support to the programs of Visit McMinnville) and the general fund.
Revenue stability	Is affected somewhat by the business cycle. Other impacts affecting the tourism and travel industry generally also are at play in McMinnville, such as global pandemics.
Restrictions on use (if any)	<p>For our local lodging taxes, proceeds are restricted in the following way:</p> <ul style="list-style-type: none"> • 70% must be used for tourism promotion or tourism-related facilities • 30% is unrestricted in use
Household equity	As TLT impacts visitors predominantly, it is a non-issue from a household equity perspective.
Healthy business climate	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 McMinnville 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 McMinnville.
Environmental impact	No impact
Administrative effort/cost to implement and manage	As system is established, little cost to implement or manage a rate change.
Implementation timeline or considerations	

Resources for Sustainable City Services in McMinnville

Legal authority
<p>The state regulations governing lodging taxes in Oregon can be found in ORS 320.300 to 320.350.</p> <p>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).</p> <p>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:</p> <ul style="list-style-type: none">• 70% must be used for tourism promotion or tourism-related facilities• 30% is unrestricted in use
Use in other jurisdictions
<p>TLT is utilized in dozens of cities and counties across the state. According to LOC data available on their website, only two of the 88 cities listed with TLT ordinances have a rate higher than McMinnville's.</p>
Staff comments
Additional documents attached

Resources for Sustainable City Services in McMinnville

User Fee Cost Recovery Review
<p>Description</p> <p>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.</p> <p>The Government Finance Officer's Association best practice notes:</p> <p style="padding-left: 40px;">When certain services provided especially benefit a particular group, then governments should consider charges and fees on the direct recipients of those that receive benefits from such services. However, many governments provide subsidies to various users for policy reasons, including the ability of residents or businesses to pay. Well-designed charges and fees not only reduce the need for additional revenue sources, but promote service efficiency.</p>
<p>Supports (or presents obstacle to) other council goals</p> <p>Establishing user fees based on cost recovery supports the city value of Stewardship – being responsible stewards of our shared public assets and resources. The City also pursues the value of Equity, particularly as relates to Parks and Recreation user fees in an effort to reduce barriers to participation in activities for low-income residents.</p> <p>The Planning Department and Parks and Recreation Department have been proactively working on updating the city's user fee structures in those programs to consider the core values coming out of the MacTown2032 process.</p>
<p>Revenue raising capacity</p> <p>The City of McMinnville currently imposes fees and charges that attempt to recover at least a portion of the cost to provide the service in the General Fund and Building Fund. The FY2021-22 budget includes almost \$4.9 million* and over \$580,000 in user fees respectively in the General and Building Funds. Ambulance transport fees (\$3,315,000) and Parks and Recreation program fees (\$1,145,495) are the most significant contributors within the General Fund.</p> <p>The above-mentioned departments are where user fees are most prevalent in the City. While each department is cognizant of the importance of evaluating the cost of services and identifying whether any user fees may be under-charging specific users who benefit from a service provided by the City or whether the equity lens needs to be applied in cases where some user fees may be presenting a barrier to participation in civic activities or a disproportionate burden on low-income residents, a cross-the-board campaign to review all fees has not been prioritized. A rough estimate is that a more in depth look at all fees could result in an incremental annual increase in user fees of \$10,000 to \$100,000.</p> <p>*system development charges, property leases, contracted services, franchise fees and wastewater utility charges are not included in this total</p>

Resources for Sustainable City Services in McMinnville

Revenue stability
User fees typically have an annual multiplier based on inflation data. Periodic reviews of cost structures also contribute to the stability of the revenue stream as well as to recalibrate user fees to the actual costs of services.
Restrictions on use (if any)
User fees are typically tied to the department/program that provides the service. In some cases this restriction may not be A statutory obligation or explicitly required in city code but it is customary in the City of McMinnville to budget all user fees to the department providing the service.
Household equity
User fees can be an area where large portions of the community can be negatively impacted. As noted above, an intentional process of incorporating an equity lens into the city's approach to user fees serves to mitigate these effects.
Healthy business climate
User fees are only paid by users; nonusers do not have to pay the fee. Perception of fairness on business-associated user fees 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.
Environmental impact
Administrative effort/cost to implement and manage
The administrative effort to maintain cost recovery models is modest once a cost model has been developed for the activities. Establishing new fees or embarking on a cost recovery review for activities that have not been looked at in some time can be costly both in consultancy dollars and staff time required.
Implementation timeline or considerations
Updating fees can be a question of weeks while new fees though a full cost recovery analysis is a question of months and with current staffing levels would require other activity(ies) to be placed on hold. Currently the city does not have a central fee schedule. Creating such a document and updating any methodologies for annual fee schedule review would require staff resources to develop.
Legal authority
Under Oregon's constitutional home rule powers the McMinnville City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may impose user fees and charges consistent with the City Code.
Use in other jurisdictions
Most cities impose a range of user fees and service charges. The City of McMinnville

Resources for Sustainable City Services in McMinnville

currently imposes fees and charges that attempt to recover at least a portion of the cost to provide the service in the General Fund and Building Fund. Excluding system development charges, property leases, franchise fees and wastewater utility charges, the FY2021-22 budget includes almost \$4.9 million and over \$580,000 in user fees respectively in the General and Building Funds. Ambulance transport fees (\$3,315,000) and Parks and Recreation program fees (\$1,145,495) are the most significant contributors within the General Fund.

Staff comments

Additional documents attached