

TO: Sustainable Services Task Force Members
FROM: Steve Powers, City Manager
City Manager's Office
DATE: November 28, 2018
SUBJECT: Revenue Task Force Meeting Four

November 28, 2018 Meeting Packet:

The agenda materials with this transmittal letter reflect direction received from the task force at its November 7 meeting.

The agenda packet includes staff reports for three revenue sources for City Council consideration – an operating fee and employee-paid payroll tax to sustain services in the General Fund and a local gas tax to support ongoing operation and maintenance of the transportation system.

The staff reports for the two General Fund revenue sources reflect rate examples that would each deliver a minimum of \$6 million of additional, annual revenue. Rates for both sources could be sized to generate a greater level of revenue. The local gas tax report contains a per gallon rate that is estimated to generate approximately \$4.8 million annually.

Sustainable Services Task Force Recommendation:

The task force has been asked to deliver a recommendation for new, additional revenue sources to City Council. To address the anticipated, ongoing gap between General Fund revenues and expenditures, staff recommended a minimum of \$6 million annually within a 1 percent positive forecast variability. The positive variability means that \$6 million would help to sustain services as long as an additional 1 percent of savings and 1 percent of additional revenue from other General Fund sources was achieved each year. Without the additional 1 percent of positive variability, the amount needed to address the gap is more likely \$8 to \$9 million.

The two revenue options for the General Fund can be sized to meet a range of need. The need will be more clearly defined with the completion of a FY 2020 five-year forecast and with additional revenue trend data from the current fiscal year. To allow the task force to construct a recommendation that addresses a developing requirement, the example guiding principles detailed below can be modified to provide the task force with the means to deliver a recommendation to the City Council that retains some flexibility.

Guiding Principles for General Fund Revenue Options

1. Consider a new revenue source or sources through a lens of affordability with options to improve affordability for low income residents.

2. Consider a new revenue source or sources that will effectively close the gap between revenues and expenditures for General Fund services during the period demonstrated by the FY 2020 five-year forecast.
3. Consider an escalator for a new revenue source or sources that will support continued alignment with the cost of services desired by the community into the future.
4. Consider creating a General Fund stabilization reserve to hold revenue that is generated from the recommended, new revenue source or sources in excess of what is needed to balance the fund each year. Develop policies to govern when and how reserve contributions are made and when and how the reserved funds can be accessed.

Transmitting a Recommendation to the City Council:

In addition to providing general advice to the City Council through development of a set of guiding principles, staff recommends that a final report from the task force include the below-listed components.

Sustainable Services Task Force Recommendation Report Components

1. Description of the funding need
2. Description of the revenue source including use of the option in other jurisdictions
3. Analysis of methodologies, rates, and results
4. Implementation and administration considerations

It is anticipated the Sustainable Services Revenue Task Force's recommendation will be presented to the City Council on December 10, 2018. To ensure effective management of the report timing, staff also recommends that Mayor Bennett appoint three members to assist staff with finalizing a report that reflects the advice of the task force.

In closing, please allow me to extend appreciation from the City's executive leadership team and the staff in their departments, who are responsible each day for delivering a wide array of quality services benefitting our community. The work performed by the task force is deeply valued. Your thoughtful and thorough consideration of new sources of revenue is an essential first step in achieving financial sustainability for important City services. We will look to you for ongoing interest, advice, and involvement through the many future steps – including education and outreach to the community – over the next months and into the new fiscal year. Thank you.

**CITY OF SALEM
CITY MANAGER'S OFFICE
BUDGET AND FINANCE DIVISIONS**

Si necesita ayuda para comprender esta información, por favor llame 503-588-6274

Disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting or event, are available upon request. Sign language and interpreters for languages other than English are also available on request. To request such an accommodation or interpretation, contact the Finance Division at 503-588-6040 at least **two business days** before meeting; or TTD/TTY telephone (503) 588-6439, is also available 24/7.

**CITY OF SALEM
REVENUE TASK FORCE**

Committee Members

Mayor Chuck Bennett-Chair
Councilor Matthew Ausec
Councilor Steve McCoid
Britni Davidson-Cruickshank
Antonia Decker
Mike Erdmann
Jesse Gasper
Theresa Haskins
Dayna Jung
Raquel Moore-Green
Monica D. Pacheco
Kasia Quillinan
Ray Quisenberry
Dan Wellert

City Staff

Kacey Duncan, Deputy City Manager
Kelley Jacobs, Budget Officer
David Lacy, Financial Operations Manager
Ryan Zink, Budget Analyst
Kali Leinenbach, Budget Analyst
Josh Eggleston, Budget Analyst
Samantha Naluai, Management Analyst
Kelli Blechschmidt, Administrative Analyst

Anticipated Recommendation to City Council:
December 10, 2018

It is the City of Salem's policy to assure that no person shall be discriminated against on the grounds of race, religion, color, sex, marital status, familial status, national origin, age, mental or physical disability, sexual orientation, gender identity, and source of income, as provided by Salem Revised Code 97. The City also fully complies with Title VI of the Civil Rights Act of 1964, and related statutes and regulations, in all programs and activities.

MEETING AGENDA

November 28, 2018

6:00 PM

555 Liberty Street SE, Council Chambers

1. Call to Order
2. Public Testimony
(Appearance of persons wishing to address the Task Force on agenda items)
3. Minutes
 - a. Approval of November 7, 2018 Minutes
4. Action Items
Introduction of Action Items by Deputy City Manager Duncan
 - a. Recommendation to Council – *City Operating Fee*
 - b. Recommendation to Council-
City Payroll Tax
 - c. Recommendation to Council-
Local Gas Tax
 - d. Recommendation to Council – *Preparing the Report*
5. Information Items
 - a. Correspondence from Don Lulay regarding a Business License Program
 - b. Correspondence from Jeff D. Miller regarding a Business License Program
 - c. Correspondence from Ed Davis regarding a Business License Program
6. Adjournment

**City of Salem Sustainable Services Revenue Task Force
Minutes**

DATE: NOVEMBER 7, 2018

CHAIRPERSON: Mayor Bennett

PLACE: Council Chambers

STAFF LIAISON:

Kelley Jacobs, Budget Officer

503-588-6049

kjacobs@cityofsalem.net

Members Present:

Mayor Bennett
Councilor McCoid-Vice Chair
Councilor Ausec
Member Britni Davidson-Cruickshank
Member Antonia Decker
Member Mike Erdmann
Member Dayna Jung
Member Raquel Moore-Green
Member Monica D. Pacheco
Member Kasia Quillinan
Member Ray Quisenberry

Staff Present:

Steve Powers, City Manager
Kacey Duncan, Deputy City Manager
Kelley Jacobs, Budget Officer
David Lacy, Financial Operations Manager
Alicia Blaylock, Public Works Administration Manager
Ryan Zink, Budget Analyst
Kali Leinenbach, Budget Analyst
Josh Eggleston, Budget Analyst
Samantha Naluai, Management Analyst
Kelli Blechschmidt, Administrative Analyst

Members Absent:

Member Jesse Gasper
Member Theresa Haskins
Member Dan Wellert

1. **CALL TO ORDER: 6:02pm – Quorum**
2. **APPROVAL OF MINUTES:**
 - a. October 30, 2018
3. **PUBLIC COMMENT:**
 - a. Mr. CJ Nelson of Coin Jam in regards to a Business License Program
 1. Questions or Comments by: Mayor Bennett, Councilor McCoid, Councilor Ausec
 - b. Mr. TJ Sullivan of Huggins Insurance in regards to a Business License Program
 1. Questions or Comments by: None
4. **ACTION ITEMS:**
 - a. A motion was made by Mayor Bennett to approve the October 30th, 2018 meeting minutes. Motion was seconded by Councilor McCoid.

The motion carried by the following vote:

Aye: 11-Bennett, Ausec, McCoid, Davidson-Cruickshank, Decker, Erdmann, Jung, Moore-Green, Pacheco, Quillinan, Quisenberry,

Nay: 0

Absent: 3- Gasper, Haskins, Wellert

Abstain: 0

5. INFORMATION ITEMS:

- a. *Staff Presentation* by Kacey Duncan, Deputy City Manager, on the Task Force's previous meeting request for more information on Payment in Lieu of Tax, Local Improvement Districts and Urban Renewal Districts. Deputy City Manager Duncan also gave outline of staff reports and potential draft recommendations for City Council to be discussed.

Questions or Comments by: Mayor Bennett

Staff Responses: Kacey Duncan

- b. *Business License Program Recommendation*

Questions or Comments by: Mayor Bennett, Councilor Ausec, Councilor McCoid, Member Erdmann, Member Jung, Member Quillinan

Staff Responses by: None

1. A motion was made by Member Jung to remove a Business License Program from the list of potential recommendations to City Council. Motion was seconded by Councilor McCoid.

The motion was carried by the following vote:

Aye: 9-Bennett, McCoid, Davidson-Cruickshank, Decker, Erdmann, Jung, Moore-Green, Pacheco, Quisenberry

Nay: 2-Ausec, Quillinan

Absent: 3- Gasper, Haskins, Wellert

Abstain: 0

- c. *City Operating Fee Recommendation*

Questions or Comments by: Mayor Bennett, Councilor Ausec, Councilor McCoid, Member Davidson-Cruickshank, Member Decker, Member Erdmann, Member Jung, Member Moore-Green, Member Pacheco, Member Quillinan, Member Quisenberry

Staff Responses by: City Manager Powers, Deputy City Manager Duncan, Budget Officer Jacobs, Financial Operations Manager Lacy, Public Works Administration Manager Blaylock

- d. *Municipal Payroll Tax Recommendation*

Questions or Comments by: Mayor Bennett, Councilor McCoid, Member Davidson-Cruickshank, Member Decker, Member Erdmann, Member Jung, Member Moore-Green, Member Pacheco, Member Quillinan

Staff Responses by: City Manager Powers, Deputy City Manager Duncan, Budget Officer Jacobs, Administrative Analyst Blechschmidt

e. *Local Gas Tax Recommendation*

Questions or Comments by: Mayor Bennett, Member Ausec, Member Erdmann, Member Pacheco, Member Quillinan

Staff Responses by: Deputy City Manager Duncan

6. SPECIAL ORDERS OF BUSINESS:

a. Task Force Discussion of Revenue Options

1. Task Force requests additional information on a City Operating Fee, a Payroll Tax and a Local Gas Tax to formulate a potential recommendation to the City Council.

7. ADJOURNMENT: 8:20 PM

The next meeting of the Sustainable Services Revenue Task Force is Wednesday November 28th, 2018 at 6PM in Council Chambers.

TO: SUSTAINABLE SERVICES REVENUE TASK FORCE
FROM: STEVE POWERS, CITY MANAGER
SUBJECT: CITY OPERATING FEE

ISSUE:

Shall the Sustainable Services Revenue Task Force forward a recommendation to the City Council for consideration of a City operating fee?

SUMMARY AND BACKGROUND:

At the November 7, 2018, meeting, the task force discussed the details of a potential City operating fee. While there are many different ways to allocate a fee, staff presented an allocation method based on the City's current streetlight fee. After discussion, the task force asked staff to return with additional scenarios, focusing on multi-family per unit rates, as well as state offices, which reside in the commercial and public building customer classes. The following examples represent three methods to generate approximately \$6 million dollars in net revenue.

Example Allocation Methodology 1

Table 1 details the methodology provided at the November 7, 2018, task force meeting. Under this scenario, multi-family customers would pay a fee based on the number of units within a range: 2-4 units would pay \$9.20 per month in total, 5-25 units would pay \$34.10 per month in total, and customers with over 25 units would pay \$59.00 per month in total. Commercial and public building classifications would pay \$44.25 per month.

Table 1: Allocation Method 1 (multi-family unit range)

Customer Classification	Utility Accounts	% of Accounts	Monthly Fee	Annual Fee	Annual Revenue	% of Revenue
Residential	39,732	90.1%	\$9.20	\$110.40	\$4,386,413	71.6%
Multi-Family Units <5	1,259	2.9%	\$9.20	\$110.40	\$138,994	2.3%
Multi-Family Units 5-25	393	0.9%	\$34.10	\$409.20	\$160,816	2.6%
Multi-Family Units >25	177	0.4%	\$59.00	\$708.00	\$125,316	2.0%
Irrigation	23	0.1%	\$9.20	\$110.40	\$2,539	0.0%
Small Commercial	70	0.2%	\$9.20	\$110.40	\$7,728	0.1%
Commercial	2,360	5.3%	\$44.25	\$531.00	\$1,253,160	20.4%
Industrial	12	0.0%	\$44.25	\$531.00	\$6,372	0.1%
Institutional	8	0.0%	\$44.25	\$531.00	\$4,248	0.1%
Public Building	81	0.2%	\$44.25	\$531.00	\$43,011	0.7%
Total	44,115				\$6,128,596	

Example Allocation Methodology 2

Table 2 details a different methodology that shifts a portion of the allocation from residential to multi-family through a per unit charge, lowering the residential fee amount from \$9.20 to \$6.15 per month, and increasing multi-family customers accordingly. In this example, per unit multi-family monthly fees would be equal to the residential rate of \$6.15 per month.

In addition to the multi-family per unit methodology change, the four classifications of commercial through public building were increased from \$44.25 to \$50.00 per month, which generates an additional \$169,809 annually from those classifications.

Table 2: Allocation Method 2 (residential rate applied to multi-family based on unit count)

Customer Classification	Utility Accounts	% of Accounts	Monthly Fee	Annual Fee	Annual Revenue	% of Revenue
Residential	39,732	90.1%	\$6.15	\$73.80	\$2,932,222	47.8%
Multi-Family (Per Unit)	23,951	4.1%	\$6.15	\$73.80	\$1,767,584	28.8%
Irrigation	23	0.1%	\$6.15	\$73.80	\$1,697	0.0%
Small Commercial	70	0.2%	\$6.15	\$73.80	\$5,166	0.1%
Commercial	2,360	5.3%	\$50.00	\$600.00	\$1,416,000	23.1%
Industrial	12	0.0%	\$50.00	\$600.00	\$7,200	0.1%
Institutional	8	0.0%	\$50.00	\$600.00	\$4,800	0.1%
Public Building	81	0.2%	\$50.00	\$600.00	\$48,600	0.8%
Total	66,237				\$6,183,269	

Example Allocation Methodology 3

Table 3 demonstrates a similar methodology, but lowers the multi-family fee to one half of the residential fee. This method shifts a portion of the allocation back to residential, resulting in a monthly fee of \$7.60, and provides a monthly per unit multi-family fee of \$3.80. As an example, this methodology would result in the City's 924 duplexes paying the same rate as the \$7.60 residential rate.

Table 3: Allocation Method 3 (1/2 residential rate applied to multi-family based on unit count)

Customer Classification	Utility Accounts	% of Accounts	Monthly Fee	Annual Fee	Annual Revenue	% of Revenue
Residential	39,732	90.1%	\$7.60	\$91.20	\$3,623,558	59.1%
Multi-Family (Per Unit)	23,951	4.1%	\$3.80	\$45.60	\$1,092,166	17.8%
Irrigation	23	0.1%	\$7.60	\$91.20	\$2,098	0.0%
Small Commercial	70	0.2%	\$7.60	\$91.20	\$6,384	0.1%
Commercial	2,360	5.3%	\$50.00	\$600.00	\$1,416,000	23.1%
Industrial	12	0.0%	\$50.00	\$600.00	\$7,200	0.1%
Institutional	8	0.0%	\$50.00	\$600.00	\$4,800	0.1%
Public Building	81	0.2%	\$50.00	\$600.00	\$48,600	0.8%
Total	66,237				\$6,200,806	

Table 4 compares the three example allocation methods, along with the corresponding monthly fee ranges.

Table 4: Comparison of Allocation Methodologies (\$6 Million Revenue Target)

Monthly Allocation Expense Comparison	Allocation Method 1	Allocation Method 2 (Res. Rate per Unit)	Allocation Method 3 (1/2 Res. Rate per Unit)
Residential	\$9.20	\$6.15	\$7.60
Multi-Family Units <5	\$9.20	\$12.30 to \$24.60	\$7.60 to \$15.20
Multi-Family Units 5-25	\$34.10	\$30.75 to \$153.75	\$19.00 to \$95.00
Multi-Family Units >25	\$59.00	\$159.90 to \$1,377.60	\$98.80 to \$851.20
Irrigation	\$9.20	\$6.15	\$7.60
Small Commercial	\$9.20	\$6.15	\$7.60
Commercial	\$44.25	\$50.00	\$50.00
Industrial	\$44.25	\$50.00	\$50.00
Institutional	\$44.25	\$50.00	\$50.00
Public Building	\$44.25	\$50.00	\$50.00

A detailed comparison of the impact of the three allocation methodologies on multi-family customers is presented in Attachment 1.

Due to the variability of forecasting, this report includes multiple examples of revenue options to generate a minimum of \$6 million dollars per year, while also demonstrating what would be needed to generate a higher amount. Table 5 compares the same three allocation methods, but with the rates needed to generate \$8 million in revenue.

Table 5: Comparison of Allocation Methodologies (\$8 Million Revenue Target)

Monthly Allocation Expense Comparison	Allocation Method 1	Allocation Method 2 (Res. Rate per Unit)	Allocation Method 3 (1/2 Res. Rate per Unit)
Residential	\$11.40	\$7.80	\$9.60
Multi-Family Units <5	\$11.40	\$15.60 to \$31.20	\$9.60 to \$19.20
Multi-Family Units 5-25	\$42.25	\$39.00 to \$195.00	\$24.00 to \$120.00
Multi-Family Units >25	\$73.11	\$202.80 to \$1,747.20	\$124.80 to \$1,075.20
Irrigation	\$11.40	\$7.80	\$9.60
Small Commercial	\$11.40	\$7.80	\$9.60
Commercial	\$75.00	\$75.00	\$75.00
Industrial	\$75.00	\$75.00	\$75.00
Institutional	\$75.00	\$75.00	\$75.00
Public Building	\$75.00	\$75.00	\$75.00

OTHER CONSIDERATIONS

As discussed at the previous task force meeting, there are efficiencies that are gained by using the existing City utility bill to collect a fee. However, there are also limitations regarding the commercial, industrial, institutional, and public building classifications. The small commercial classification was created as part of the streetlight fee implementation to provide a lower streetlight fee to smaller commercial accounts, identified by stormwater impervious surface data (less than 3,000 sqft. of impervious surface).

The additional classifications, including public buildings, were allocated a set rate due to the complexity of the data. Since the City does not have additional relevant data, including employee count or type of business, it is difficult to differentiate the classes. While the use of meter size or impervious surface was also considered, neither method creates a sufficient nexus to support their use as part of the methodology.

Affordability and equity are other topics discussed by the task force. Under any of the approaches discussed above, considerations could be made to provide some method of fee relief for low income residents. Options could include credits or exemptions for providers of affordable housing, or an application process where income factors could be considered. Depending on the desired credit amounts and level of participation, the fee structure may need to be revised to generate a similar level of total net revenue.

RECOMMENDATION:

Staff recommends the Sustainable Services Revenue Task Force forward a recommendation to the City Council to consider implementation of a City operating fee to generate a minimum of \$6 million dollars to help sustain current service levels in the General Fund.

Attachment 1: Sample Multi-Family Unit Allocations Based on Size of Complex

City Operating Fee - Sample Multi-Family Unit Allocations Based on Size of Complex

Multi-Family Data		Allocation Method 1 - \$6 Million (Unit Range Allocation)			Allocation Method 2 - \$6 Million (Residential Per Unit Allocation)			Allocation Method 3 - \$6 Million (1/2 Residential Per Unit Allocation)		
Number of Multi-Family Units	Number of Accounts	Rate	Per Month	Annual Fee	Rate	Per Month	Annual Fee	Rate	Per Month	Annual Fee
2	924	\$9.20	\$9.20	\$110.40	\$6.15	\$12.30	\$147.60	\$3.80	\$7.60	\$91.20
3	138	\$9.20	\$9.20	\$110.40	\$6.15	\$18.45	\$221.40	\$3.80	\$11.40	\$136.80
4	233	\$9.20	\$9.20	\$110.40	\$6.15	\$24.60	\$295.20	\$3.80	\$15.20	\$182.40
5	48	\$34.10	\$34.10	\$409.20	\$6.15	\$30.75	\$369.00	\$3.80	\$19.00	\$228.00
6	97	\$34.10	\$34.10	\$409.20	\$6.15	\$36.90	\$442.80	\$3.80	\$22.80	\$273.60
7	21	\$34.10	\$34.10	\$409.20	\$6.15	\$43.05	\$516.60	\$3.80	\$26.60	\$319.20
8	93	\$34.10	\$34.10	\$409.20	\$6.15	\$49.20	\$590.40	\$3.80	\$30.40	\$364.80
9	14	\$34.10	\$34.10	\$409.20	\$6.15	\$55.35	\$664.20	\$3.80	\$34.20	\$410.40
10	47	\$34.10	\$34.10	\$409.20	\$6.15	\$61.50	\$738.00	\$3.80	\$38.00	\$456.00
11	13	\$34.10	\$34.10	\$409.20	\$6.15	\$67.65	\$811.80	\$3.80	\$41.80	\$501.60
12	77	\$34.10	\$34.10	\$409.20	\$6.15	\$73.80	\$885.60	\$3.80	\$45.60	\$547.20
13	6	\$34.10	\$34.10	\$409.20	\$6.15	\$79.95	\$959.40	\$3.80	\$49.40	\$592.80
14	23	\$34.10	\$34.10	\$409.20	\$6.15	\$86.10	\$1,033.20	\$3.80	\$53.20	\$638.40
15	9	\$34.10	\$34.10	\$409.20	\$6.15	\$92.25	\$1,107.00	\$3.80	\$57.00	\$684.00
16	45	\$34.10	\$34.10	\$409.20	\$6.15	\$98.40	\$1,180.80	\$3.80	\$60.80	\$729.60
17	9	\$34.10	\$34.10	\$409.20	\$6.15	\$104.55	\$1,254.60	\$3.80	\$64.60	\$775.20
18	29	\$34.10	\$34.10	\$409.20	\$6.15	\$110.70	\$1,328.40	\$3.80	\$68.40	\$820.80
19	5	\$34.10	\$34.10	\$409.20	\$6.15	\$116.85	\$1,402.20	\$3.80	\$72.20	\$866.40
20	31	\$34.10	\$34.10	\$409.20	\$6.15	\$123.00	\$1,476.00	\$3.80	\$76.00	\$912.00
21	2	\$34.10	\$34.10	\$409.20	\$6.15	\$129.15	\$1,549.80	\$3.80	\$79.80	\$957.60
22	5	\$34.10	\$34.10	\$409.20	\$6.15	\$135.30	\$1,623.60	\$3.80	\$83.60	\$1,003.20
23	2	\$34.10	\$34.10	\$409.20	\$6.15	\$141.45	\$1,697.40	\$3.80	\$87.40	\$1,048.80
24	15	\$34.10	\$34.10	\$409.20	\$6.15	\$147.60	\$1,771.20	\$3.80	\$91.20	\$1,094.40
25	7	\$34.10	\$34.10	\$409.20	\$6.15	\$153.75	\$1,845.00	\$3.80	\$95.00	\$1,140.00
26	3	\$59.00	\$59.00	\$708.00	\$6.15	\$159.90	\$1,918.80	\$3.80	\$98.80	\$1,185.60
27	1	\$59.00	\$59.00	\$708.00	\$6.15	\$166.05	\$1,992.60	\$3.80	\$102.60	\$1,231.20
28	11	\$59.00	\$59.00	\$708.00	\$6.15	\$172.20	\$2,066.40	\$3.80	\$106.40	\$1,276.80
29	6	\$59.00	\$59.00	\$708.00	\$6.15	\$178.35	\$2,140.20	\$3.80	\$110.20	\$1,322.40
30	8	\$59.00	\$59.00	\$708.00	\$6.15	\$184.50	\$2,214.00	\$3.80	\$114.00	\$1,368.00
31	4	\$59.00	\$59.00	\$708.00	\$6.15	\$190.65	\$2,287.80	\$3.80	\$117.80	\$1,413.60
32	20	\$59.00	\$59.00	\$708.00	\$6.15	\$196.80	\$2,361.60	\$3.80	\$121.60	\$1,459.20
33	5	\$59.00	\$59.00	\$708.00	\$6.15	\$202.95	\$2,435.40	\$3.80	\$125.40	\$1,504.80
34	2	\$59.00	\$59.00	\$708.00	\$6.15	\$209.10	\$2,509.20	\$3.80	\$129.20	\$1,550.40
35	6	\$59.00	\$59.00	\$708.00	\$6.15	\$215.25	\$2,583.00	\$3.80	\$133.00	\$1,596.00
36	10	\$59.00	\$59.00	\$708.00	\$6.15	\$221.40	\$2,656.80	\$3.80	\$136.80	\$1,641.60
37	1	\$59.00	\$59.00	\$708.00	\$6.15	\$227.55	\$2,730.60	\$3.80	\$140.60	\$1,687.20
38	3	\$59.00	\$59.00	\$708.00	\$6.15	\$233.70	\$2,804.40	\$3.80	\$144.40	\$1,732.80
39	2	\$59.00	\$59.00	\$708.00	\$6.15	\$239.85	\$2,878.20	\$3.80	\$148.20	\$1,778.40
40	6	\$59.00	\$59.00	\$708.00	\$6.15	\$246.00	\$2,952.00	\$3.80	\$152.00	\$1,824.00
41	2	\$59.00	\$59.00	\$708.00	\$6.15	\$252.15	\$3,025.80	\$3.80	\$155.80	\$1,869.60
42	8	\$59.00	\$59.00	\$708.00	\$6.15	\$258.30	\$3,099.60	\$3.80	\$159.60	\$1,915.20
43	2	\$59.00	\$59.00	\$708.00	\$6.15	\$264.45	\$3,173.40	\$3.80	\$163.40	\$1,960.80
44	7	\$59.00	\$59.00	\$708.00	\$6.15	\$270.60	\$3,247.20	\$3.80	\$167.20	\$2,006.40
45	1	\$59.00	\$59.00	\$708.00	\$6.15	\$276.75	\$3,321.00	\$3.80	\$171.00	\$2,052.00
46	4	\$59.00	\$59.00	\$708.00	\$6.15	\$282.90	\$3,394.80	\$3.80	\$174.80	\$2,097.60
47	1	\$59.00	\$59.00	\$708.00	\$6.15	\$289.05	\$3,468.60	\$3.80	\$178.60	\$2,143.20
48	4	\$59.00	\$59.00	\$708.00	\$6.15	\$295.20	\$3,542.40	\$3.80	\$182.40	\$2,188.80
49	3	\$59.00	\$59.00	\$708.00	\$6.15	\$301.35	\$3,616.20	\$3.80	\$186.20	\$2,234.40
50	7	\$59.00	\$59.00	\$708.00	\$6.15	\$307.50	\$3,690.00	\$3.80	\$190.00	\$2,280.00
51	2	\$59.00	\$59.00	\$708.00	\$6.15	\$313.65	\$3,763.80	\$3.80	\$193.80	\$2,325.60
53	3	\$59.00	\$59.00	\$708.00	\$6.15	\$325.95	\$3,911.40	\$3.80	\$201.40	\$2,416.80
54	4	\$59.00	\$59.00	\$708.00	\$6.15	\$332.10	\$3,985.20	\$3.80	\$205.20	\$2,462.40
55	4	\$59.00	\$59.00	\$708.00	\$6.15	\$338.25	\$4,059.00	\$3.80	\$209.00	\$2,508.00
56	3	\$59.00	\$59.00	\$708.00	\$6.15	\$344.40	\$4,132.80	\$3.80	\$212.80	\$2,553.60
58	1	\$59.00	\$59.00	\$708.00	\$6.15	\$356.70	\$4,280.40	\$3.80	\$220.40	\$2,644.80
59	1	\$59.00	\$59.00	\$708.00	\$6.15	\$362.85	\$4,354.20	\$3.80	\$224.20	\$2,690.40
60	3	\$59.00	\$59.00	\$708.00	\$6.15	\$369.00	\$4,428.00	\$3.80	\$228.00	\$2,736.00
62	1	\$59.00	\$59.00	\$708.00	\$6.15	\$381.30	\$4,575.60	\$3.80	\$235.60	\$2,827.20
63	2	\$59.00	\$59.00	\$708.00	\$6.15	\$387.45	\$4,649.40	\$3.80	\$239.40	\$2,872.80
64	2	\$59.00	\$59.00	\$708.00	\$6.15	\$393.60	\$4,723.20	\$3.80	\$243.20	\$2,918.40
65	3	\$59.00	\$59.00	\$708.00	\$6.15	\$399.75	\$4,797.00	\$3.80	\$247.00	\$2,964.00

City Operating Fee - Sample Multi-Family Unit Allocations Based on Size of Complex

Multi-Family Data		Allocation Method 1 - \$6 Million (Unit Range Allocation)			Allocation Method 2 - \$6 Million (Residential Per Unit Allocation)			Allocation Method 3 - \$6 Million (1/2 Residential Per Unit Allocation)		
Number of Multi-Family Units	Number of Accounts	Rate	Per Month	Annual Fee	Rate	Per Month	Annual Fee	Rate	Per Month	Annual Fee
66	2	\$59.00	\$59.00	\$708.00	\$6.15	\$405.90	\$4,870.80	\$3.80	\$250.80	\$3,009.60
67	1	\$59.00	\$59.00	\$708.00	\$6.15	\$412.05	\$4,944.60	\$3.80	\$254.60	\$3,055.20
68	1	\$59.00	\$59.00	\$708.00	\$6.15	\$418.20	\$5,018.40	\$3.80	\$258.40	\$3,100.80
69	3	\$59.00	\$59.00	\$708.00	\$6.15	\$424.35	\$5,092.20	\$3.80	\$262.20	\$3,146.40
70	1	\$59.00	\$59.00	\$708.00	\$6.15	\$430.50	\$5,166.00	\$3.80	\$266.00	\$3,192.00
72	1	\$59.00	\$59.00	\$708.00	\$6.15	\$442.80	\$5,313.60	\$3.80	\$273.60	\$3,283.20
73	2	\$59.00	\$59.00	\$708.00	\$6.15	\$448.95	\$5,387.40	\$3.80	\$277.40	\$3,328.80
74	1	\$59.00	\$59.00	\$708.00	\$6.15	\$455.10	\$5,461.20	\$3.80	\$281.20	\$3,374.40
78	4	\$59.00	\$59.00	\$708.00	\$6.15	\$479.70	\$5,756.40	\$3.80	\$296.40	\$3,556.80
79	1	\$59.00	\$59.00	\$708.00	\$6.15	\$485.85	\$5,830.20	\$3.80	\$300.20	\$3,602.40
80	3	\$59.00	\$59.00	\$708.00	\$6.15	\$492.00	\$5,904.00	\$3.80	\$304.00	\$3,648.00
82	1	\$59.00	\$59.00	\$708.00	\$6.15	\$504.30	\$6,051.60	\$3.80	\$311.60	\$3,739.20
83	1	\$59.00	\$59.00	\$708.00	\$6.15	\$510.45	\$6,125.40	\$3.80	\$315.40	\$3,784.80
84	2	\$59.00	\$59.00	\$708.00	\$6.15	\$516.60	\$6,199.20	\$3.80	\$319.20	\$3,830.40
86	1	\$59.00	\$59.00	\$708.00	\$6.15	\$528.90	\$6,346.80	\$3.80	\$326.80	\$3,921.60
87	1	\$59.00	\$59.00	\$708.00	\$6.15	\$535.05	\$6,420.60	\$3.80	\$330.60	\$3,967.20
89	1	\$59.00	\$59.00	\$708.00	\$6.15	\$547.35	\$6,568.20	\$3.80	\$338.20	\$4,058.40
90	1	\$59.00	\$59.00	\$708.00	\$6.15	\$553.50	\$6,642.00	\$3.80	\$342.00	\$4,104.00
92	1	\$59.00	\$59.00	\$708.00	\$6.15	\$565.80	\$6,789.60	\$3.80	\$349.60	\$4,195.20
94	1	\$59.00	\$59.00	\$708.00	\$6.15	\$578.10	\$6,937.20	\$3.80	\$357.20	\$4,286.40
100	1	\$59.00	\$59.00	\$708.00	\$6.15	\$615.00	\$7,380.00	\$3.80	\$380.00	\$4,560.00
101	2	\$59.00	\$59.00	\$708.00	\$6.15	\$621.15	\$7,453.80	\$3.80	\$383.80	\$4,605.60
102	1	\$59.00	\$59.00	\$708.00	\$6.15	\$627.30	\$7,527.60	\$3.80	\$387.60	\$4,651.20
103	1	\$59.00	\$59.00	\$708.00	\$6.15	\$633.45	\$7,601.40	\$3.80	\$391.40	\$4,696.80
108	1	\$59.00	\$59.00	\$708.00	\$6.15	\$664.20	\$7,970.40	\$3.80	\$410.40	\$4,924.80
115	2	\$59.00	\$59.00	\$708.00	\$6.15	\$707.25	\$8,487.00	\$3.80	\$437.00	\$5,244.00
116	3	\$59.00	\$59.00	\$708.00	\$6.15	\$713.40	\$8,560.80	\$3.80	\$440.80	\$5,289.60
120	1	\$59.00	\$59.00	\$708.00	\$6.15	\$738.00	\$8,856.00	\$3.80	\$456.00	\$5,472.00
125	1	\$59.00	\$59.00	\$708.00	\$6.15	\$768.75	\$9,225.00	\$3.80	\$475.00	\$5,700.00
126	2	\$59.00	\$59.00	\$708.00	\$6.15	\$774.90	\$9,298.80	\$3.80	\$478.80	\$5,745.60
128	1	\$59.00	\$59.00	\$708.00	\$6.15	\$787.20	\$9,446.40	\$3.80	\$486.40	\$5,836.80
129	1	\$59.00	\$59.00	\$708.00	\$6.15	\$793.35	\$9,520.20	\$3.80	\$490.20	\$5,882.40
132	1	\$59.00	\$59.00	\$708.00	\$6.15	\$811.80	\$9,741.60	\$3.80	\$501.60	\$6,019.20
140	2	\$59.00	\$59.00	\$708.00	\$6.15	\$861.00	\$10,332.00	\$3.80	\$532.00	\$6,384.00
144	2	\$59.00	\$59.00	\$708.00	\$6.15	\$885.60	\$10,627.20	\$3.80	\$547.20	\$6,566.40
149	1	\$59.00	\$59.00	\$708.00	\$6.15	\$916.35	\$10,996.20	\$3.80	\$566.20	\$6,794.40
152	1	\$59.00	\$59.00	\$708.00	\$6.15	\$934.80	\$11,217.60	\$3.80	\$577.60	\$6,931.20
154	1	\$59.00	\$59.00	\$708.00	\$6.15	\$947.10	\$11,365.20	\$3.80	\$585.20	\$7,022.40
155	1	\$59.00	\$59.00	\$708.00	\$6.15	\$953.25	\$11,439.00	\$3.80	\$589.00	\$7,068.00
164	1	\$59.00	\$59.00	\$708.00	\$6.15	\$1,008.60	\$12,103.20	\$3.80	\$623.20	\$7,478.40
167	1	\$59.00	\$59.00	\$708.00	\$6.15	\$1,027.05	\$12,324.60	\$3.80	\$634.60	\$7,615.20
168	1	\$59.00	\$59.00	\$708.00	\$6.15	\$1,033.20	\$12,398.40	\$3.80	\$638.40	\$7,660.80
172	1	\$59.00	\$59.00	\$708.00	\$6.15	\$1,057.80	\$12,693.60	\$3.80	\$653.60	\$7,843.20
180	2	\$59.00	\$59.00	\$708.00	\$6.15	\$1,107.00	\$13,284.00	\$3.80	\$684.00	\$8,208.00
204	1	\$59.00	\$59.00	\$708.00	\$6.15	\$1,254.60	\$15,055.20	\$3.80	\$775.20	\$9,302.40
205	1	\$59.00	\$59.00	\$708.00	\$6.15	\$1,260.75	\$15,129.00	\$3.80	\$779.00	\$9,348.00
213	1	\$59.00	\$59.00	\$708.00	\$6.15	\$1,309.95	\$15,719.40	\$3.80	\$809.40	\$9,712.80
220	1	\$59.00	\$59.00	\$708.00	\$6.15	\$1,353.00	\$16,236.00	\$3.80	\$836.00	\$10,032.00
224	1	\$59.00	\$59.00	\$708.00	\$6.15	\$1,377.60	\$16,531.20	\$3.80	\$851.20	\$10,214.40

TO: SUSTAINABLE SERVICES REVENUE TASK FORCE
FROM: STEVE POWERS, CITY MANAGER
SUBJECT: CITY PAYROLL TAX

ISSUE:

Shall the Sustainable Services Revenue Task Force forward a recommendation to the City Council for consideration of a City payroll tax?

SUMMARY AND BACKGROUND:

At the November 7, 2018 meeting, the task force discussed the details of a potential City payroll tax. After discussion, the task force asked staff to return with additional information, including options that address equity and affordability.

A payroll tax can be implemented in two different ways. An *employer-paid* payroll tax is utilized by Tri-Met in the Portland Metropolitan area and the Lane County Transit District. This method is a tax that is assessed on the employer, based on employee wages, and paid to the taxing jurisdiction by the employer. An *employee-paid* payroll tax is paid by the employee through payroll wage withholding, and submitted to the taxing jurisdiction by the employer on the employee’s behalf. Both methods result in a progressive tax methodology, which would be based on a percentage of an employee’s individual gross wages.

As discussed at the November 7, 2018 task force meeting, Salem specific wage data is difficult to isolate, as the Oregon Employment Department aggregates the data at the county level within the Salem Metropolitan Statistical Area (MSA), which includes Marion and Polk counties. Table 1 uses 2012 US Census data as a way to provide a Salem estimate.

Table 1: Estimated wages for the Salem MSA

Estimated Wage Income	2012 Data	2017 Data
Salem MSA <i>OR Empl. Dept (Marion and Polk Counties)</i>	\$5,540,131,375	\$7,547,078,422
Salem Estimate* <i>2012 US Census Data (NAICS)</i>	\$2,457,862,000	\$3,348,237,796
<i>Allocation Percentage</i>	<i>0.4436</i>	<i>0.4436</i>

* Salem 2017 wages are estimated by comparing the 2012 Salem MSA data to the 2012 Salem specific NAICS data, and allocating a similar percentage to the 2017 Salem MSA data.

While the previous table provides an estimate for Salem wages, it is important to note that more analysis will be needed if the task force recommends moving a payroll tax forward for City Council’s consideration. Staff has had conversations with the Department of Revenue regarding wage data and potential administrative costs, but additional work will be needed. Those continuing conversations may result in tax rates that differ from the examples provided in this report.

EMPLOYEE PAYROLL TAX RATE OF 0.2%

Based on estimated Salem wages, a tax rate of 0.2% (two tenths of one percent) would generate approximately \$6.7 million in revenue. Table 2 details the impact to wage earners based on sample income amounts.

Table 2: Tax Impact on sample annual wage rates

Sample Gross Wage Amount	Tax Percentage	Monthly Tax	Annual Tax
\$10,000	0.20%	\$1.67	\$20.00
\$25,000	0.20%	\$4.17	\$50.00
\$50,000	0.20%	\$8.33	\$100.00
\$75,000	0.20%	\$12.50	\$150.00
\$100,000	0.20%	\$16.67	\$200.00

EMPLOYEE PAYROLL TAX RATE OF 0.25%

Table 3 details the impact of a 0.25% (one quarter of one percent) tax, which would generate approximately \$8.4 million in revenue.

Table 3: Tax Impact on sample annual wage rates

Sample Gross Wage Amount	Tax Percentage	Monthly Tax	Annual Tax
\$10,000	0.25%	\$2.08	\$25.00
\$25,000	0.25%	\$5.21	\$62.50
\$50,000	0.25%	\$10.42	\$125.00
\$75,000	0.25%	\$15.63	\$187.50
\$100,000	0.25%	\$20.83	\$250.00

RECOMMENDATION:

Staff recommends the Sustainable Services Revenue Task Force forward a recommendation to the City Council to consider implementation of a City payroll tax applied to employees of all employers within Salem, and in a method that generates a minimum of \$6 million dollars to sustain current service levels in the General Fund.

TO: SUSTAINABLE SERVICES REVENUE TASK FORCE
FROM: STEVE POWERS, CITY MANAGER
SUBJECT: LOCAL GAS TAX

ISSUE:

Shall the Sustainable Services Revenue Task Force forward a recommendation to the City Council for consideration of a local gas tax?

SUMMARY AND BACKGROUND:

At the November 7, 2018 meeting, the task force discussed a local gas tax, which would help to sustain transportation system operations and maintenance.

The current financial forecast for the City's Transportation Services Fund is relatively stable in the short term but most essential activities, such as pavement maintenance, are funded at minimal levels. There are many unmet needs, and this significant, additional revenue stream could be used to conduct or enhance pavement, sidewalk, or bridge maintenance, or traffic signal operations.

A gas tax is an amount charged per gallon of motor vehicle fuel used or distributed in a city or county. The Oregon Constitution mandates that revenue derived from the sale, import or distribution of motor vehicle fuel must be used to construct, improve, repair, maintain, or operate public highways, road, and streets.

In addition to the state tax, 27 cities and 2 counties have a local gas tax ranging from one cent to ten cents per gallon of motor vehicle fuel. Since 2009, all local gas tax measures must be approved by voters. If voters approved a local gas tax in Salem, implementation could occur in a short timeframe and without the addition of City administrative positions if the Oregon Department of Transportation were to administer and collect the tax.

LOCAL GAS TAX

The data below, which was first reviewed by the task force at its October 30, 2018 meeting, demonstrates local gas tax rates of neighboring jurisdictions with an example of a Salem rate.

City	Gas Tax Rate per Gallon	Revenue Based on FY 2017	Miles of Streets
Eugene	\$0.05	\$3,081,192	538
Portland	\$0.10	\$9,787,463	2,002
Springfield	\$0.03	\$1,071,487	267
Tigard	\$0.03	\$844,866	150
<i>Salem</i>	<i>\$0.06</i>	<i>\$4,818,000•</i>	<i>640</i>

- Estimation of Salem revenue based on Oregon Department of Transportation fuel distribution records. Revenue estimate is discounted by 20 percent to account for gas stations outside of Salem city limits, but within the fuel distribution area.

RECOMMENDATION:

Staff recommends the Sustainable Services Revenue Task Force forward a recommendation to the City Council to consider implementation of a local gas tax to generate revenue to help sustain transportation system operations and maintenance.

Kelli Blechschmidt

From: Kelley Jacobs
Sent: Friday, November 09, 2018 11:08 AM
To: Kelli Blechschmidt
Subject: FW: Business License Fee

Kelli –

The below message was received after the 5PM time limit for inclusion in the Nov 7 task force additions agenda. Please retain it in our records for the meeting. Thank you!

From: Kacey Duncan
Sent: Friday, November 9, 2018 10:33 AM
To: Kelley Jacobs <KJacobs@cityofsalem.net>
Subject: Fwd: Business License Fee

Sent from my iPhone

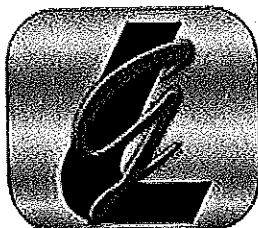
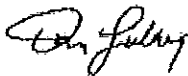
Begin forwarded message:

From: Don Lulay <Don@thelulayGroup.com>
Date: November 7, 2018 at 6:59:57 PM PST
To: <citycouncil@cityofsalem.net>, <SPowers@cityofsalem.net>
Subject: Business License Fee
Reply-To: <don@thelulaygroup.com>

Mr. City Manager and City Council

It has been brought to my attention about a proposed Business License fee to raise money for the General Fund. I wholeheartedly OBJECT to any business license fee. I find it always ironic how easy it is for a group of City employees to come up with the only way to raise money to run the City is charge the business owners, I suggest to eliminate a few City employees positions! Way over staffed for the work they don't do anyway!

Stop passing the buck to private business!



THE LULAY Group

The Lulay Group
Office (503) 363-3426
Cell (503) 931-1152
Fax (503) 363-7958

Kelli Blechschmidt

From: Kelley Jacobs
Sent: Friday, November 09, 2018 11:08 AM
To: Kelli Blechschmidt
Subject: FW: Revenue Task Force - Recommendation Concerns
Attachments: Revenue Task Force - Agenda Packet 11.7.18.pdf; ATT00001.htm

Kelli --

The below message was received after the 5PM time limit for inclusion in the Nov 7 task force additions agenda. Please retain it in our records for the meeting. Thank you!

From: Kacey Duncan
Sent: Friday, November 9, 2018 10:34 AM
To: Kelley Jacobs <KJacobs@cityofsalem.net>
Subject: Fwd: Revenue Task Force - Recommendation Concerns

Sent from my iPhone

Begin forwarded message:

From: "Jeff Miller" <jeff@firstcommercialoregon.com>
To: "citycouncil" <citycouncil@cityofsalem.net>
Subject: Revenue Task Force - Recommendation Concerns

All --

I apologize, I was unable to attend this evening's meeting and provide public comment regarding the Revenue Task Force recommendations (attached). To be clear and direct, I'm not in favor of any of these recommendations.

Specifically, the invasive nature of the Business License Program's seemingly deep dive into business data collection. I do not understand how the collection of all this data on local business has anything to do with raising revenue for the City's budgetary shortfall. Additionally, it seems this action would create further City expenses via technology/software to capture the data collected and staffing to not only input the data but to monitor and enforce potential infractions. This seems counter productive when the whole purpose is to close the financial shortfall, not maintain the gap by adding staff etc. to implement this program(s).

I encourage you all to consider placing City spending under the microscope before implementing taxes/fees on citizens and/or business.

Thank you for the opportunity to address this topic.

Enjoy your day.

Jeff D. Miller

Oregon Licensed Broker
First Commercial Real Estate Services LLC
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Kelli Blechschmidt

From: Kelley Jacobs
Sent: Wednesday, November 14, 2018 4:49 PM
To: Kali Leinenbach; Kelli Blechschmidt
Subject: FW: Business License Fee

Hi Kelli –

Any correspondence that was not included on the additions agenda from last week's meeting will need to be included with the Nov 28 meeting agenda. And here's one more.

Thanks!
Kelley

From: Kacey Duncan
Sent: Wednesday, November 14, 2018 4:33 PM
To: Kelley Jacobs <KJacobs@cityofsalem.net>
Subject: Fwd: Business License Fee

Sent from my iPhone

Begin forwarded message:

From: <eddavis@comcast.net>
Date: November 14, 2018 at 4:27:49 PM PST
To: <citycouncil@cityofsalem.net>
Cc: Nick Williams <nick@salemchamber.org>
Subject: Business License Fee

I was unable to attend the hearing on the proposed business license fee, but would like to weigh in via email.

I appreciate the seemingly never-ending need for additional revenue to support the services our population needs and desires, and would support a broad-based revenue source that reasonably reflects the population being served without unduly affecting those who can least afford to pay. However, I am disturbed by what appear to be repeated efforts to see the business community as a convenient source for additional revenue.

We have always been among the first to support nonprofit and other community organizations, and are repeatedly approached for donations, sponsorships, etc. However, at election times, it often seems that any candidate supported by the business community has an uphill battle to gain public support, no matter how much they have given back to our City and its citizens. Please don't give local businesses a reason to look elsewhere for a supportive business environment.

Ed Davis

Ed Davis

945 Holiday Ct. S | Salem, OR 97302-5927

H: (503) 399-0689 | C: (503) 586-4685

eddavis@comcast.net