



Revenue Task Force

Tuesday, January 30, 2024

6:30 – 9:00 p.m.

Hybrid Meeting – YouTube and Salem Public Library

Anderson Rooms (lower level) 585 Liberty St. SE

View Via YouTube: <https://www.youtube.com/@CCMediaSalem> or Comcast Channel 21

Task Force Members

Becky Beaman

Russ Beaton

Scott Cantonwine

Katie Ciancetta

Ken Collins

Beth Vargas Duncan

Bev Ecklund

Matthew Hale

Levi Herrera-Lopez

Stephen Jenkins

Kathy Knock

Ariel Loveall

Leola McKenzie

Raquel Moore-Green

Sean Nikas

Keith Norris

Jean Palmateer

Ray Quisenberry

Nathan Rafn

Jesus Resendiz

David Rheinholdt

Bill Riecke

Gretchen Schlie

Kaitlin Strathdee

William Smaldone

TJ Sullivan

Cathy vanEnckevort

Staff

Keith Stahley, City Manager

Krishna Namburi, Deputy City Manager

Dan Atchison, City Attorney

Josh Eggleston, Chief Financial Officer

Courtney Knox Busch, Chief Strategy Officer

Kali Leinenbach, Budget Manager

Moss Adams (Facilitators)

Tommy Conkling

Annie Fadley

Annie Rose Favreau

Jessie Lenhardt

Colleen Rozillis

Agenda

1. Welcome and Introductions
2. Project Overview
3. Task Force Charter, Roles and Responsibilities
4. Group Norms and Expectations
5. Revenue Challenge Overview
6. Next Steps
7. Adjourn

Next Meeting: February 22

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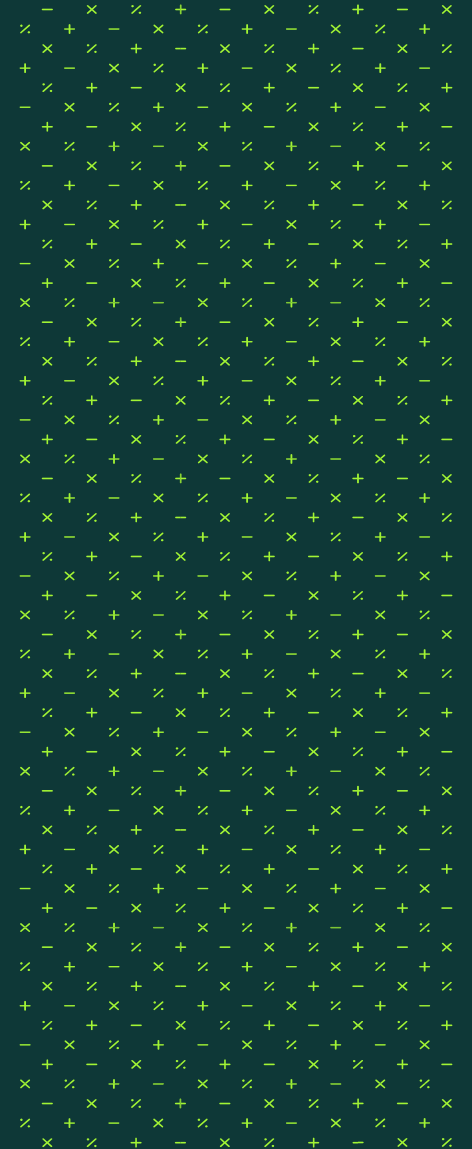


MOSSADAMS

CITY OF SALEM

Revenue Task Force Meeting #1

January 30, 2024





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Agenda

01 Welcome!

02 Charter and Purpose

03 Timeline

04 How We Got Here

05 Next Steps



Welcome!



Your Moss Adams Project Team



Colleen Rozillis
Partner



Annie Rose Favreau
Senior Manager



Jessie Lenhardt
Senior Manager



Annie Fadely
Senior



Tommy Conkling
Senior



City Support

- Dan Atchison, City Attorney
- Courtney Knox Busch, Chief Strategy Officer
- Josh Eggleston, Chief Financial Officer
- Kali Leinenbach, Budget Manager
- Krishna Namburi, Deputy City Manager
- Keith Stahley, City Manager



INTRODUCTIONS

IN GROUPS OF 5 SHARE:

- Your Name
- Connection to Salem
- If you were going to give a 1-minute TED Talk about anything, what would it be?



Charter and Purpose



Purpose of the Task Force

- **Review** the City's financial situation and understand the factors influencing the scale of the City's revenue shortfall
- **Consider** all revenue options available to cities in Oregon and evaluate the appropriateness of these revenue sources to meet the City's needs
- **Recommend** optimal revenue options to City Council for potential adoption



Roles and Responsibilities

- All Task Force members are expected to participate constructively with the shared goal of identifying potential revenue sources
- The Task Force will designate a Chair and a Vice Chair
- The **Chair** will preside over Task Force meetings, work with Moss Adams and staff liaison to develop meeting agendas
- The **Vice Chair** will preside in Chair's absence



Attendance

- Members are expected to attend all designated Task Force meetings in person (no virtual attendance option)
- If you need to miss a meeting, notify the Chair and the Chief Strategy Officer (Courtney Busch)
- Alternates will vote in place of absent members when needed



Community Engagement

- City Council encourages members to broadly engage with community members about the City's revenue needs
- Members may be asked to attend planned community Town Hall meetings and report back to the Task Force



Expectations

The Task Force shall generally conform to Council's Rules as they apply to this work, including:

RULE 1: Robert's Rules of Order

RULE 8: General Decorum

RULE 9: Rules of Debate

RULE 10: Consideration of Business

RULE 14: Council Requests of Staff



ACTIVITY

Chair and Vice Chair Selection



Group Norms

Norms help establish a common understanding of acceptable and unacceptable behavior, fostering a positive and productive group environment.

Norms matter because they lead to:

- Effective decision making
- Clear and consistent expectations
- Conflict transformation



Sample Norms

- Stay engaged
- Assume positive intent
- Be open-minded
- Keep feedback constructive
- Limit multitasking
- Stay within topic
- Parking lot issues
- Use inclusive language
- Respect and support the decision of the majority





GROUP NORMS

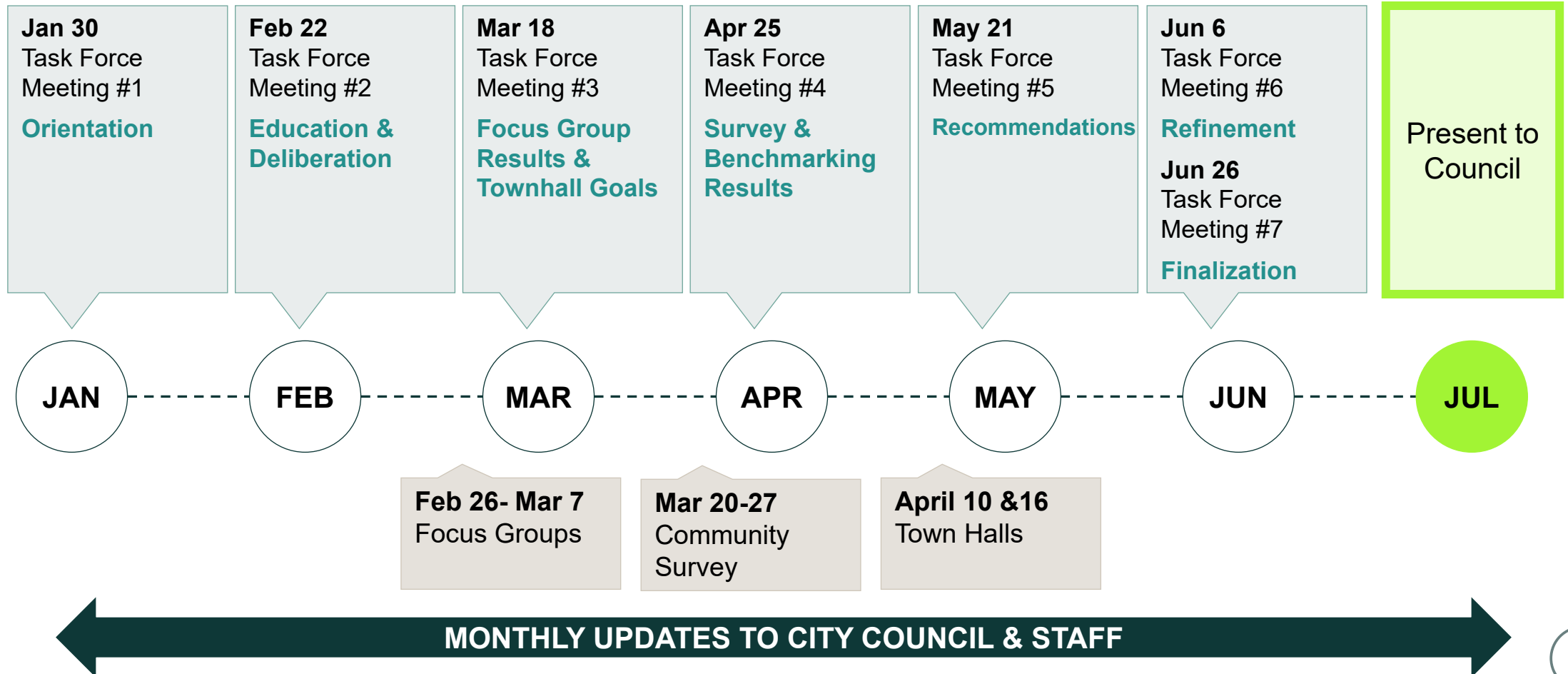
1. As a group, how will we treat each other?
2. As individuals, how will we conduct ourselves?



Timeline



Revenue Task Force Timeline



Task Force Meeting Logistics

BEFORE

- Any prework will be provided one week before the scheduled meeting
- If you are unable to attend, please notify Chair and Courtney Busch
- Share any accessibility accommodations to ensure your participation

DURING

- Light refreshments will be provided at every session starting at 6:00 pm
- Time your arrival to be present and ready to begin at 6:30 pm
- Abide by group norms

AFTER

- Meeting minutes will be distributed via email
- Complete any assigned post-session work



How We Got Here



The Challenge We Face

The City's projected revenues will soon not be enough to pay for the services we provide today.

The demand for and cost of services increases each year, but the revenue to provide those services grows at a slower rate. As a result, the cost of providing services is projected to be **\$15 million** greater than revenues collected by June 2026. However, this may change over time.

To give a sense of scale, a \$15 million is the equivalent of:

- 65 police officers (about 20%); or,
- Six fire stations (\$2.3 million each); or,
- All park maintenance (\$9.3 million), and all Library services (\$6 million).

Ultimately, a balanced budget will likely result from **both increased revenue and decreased services**.

In addition to the Task Force's work to identify new potential sources of revenue, the Budget Committee and City Council will develop options to reduce City services in conversation with our community.



How We Got Here



MEASURE 5

Limited the total amount of general property tax that could be collected across jurisdictions.

Salem property taxes are allocated to the City, Marion, and Polk County as well as Marion County Extension and 4H Service District.



MEASURE 50

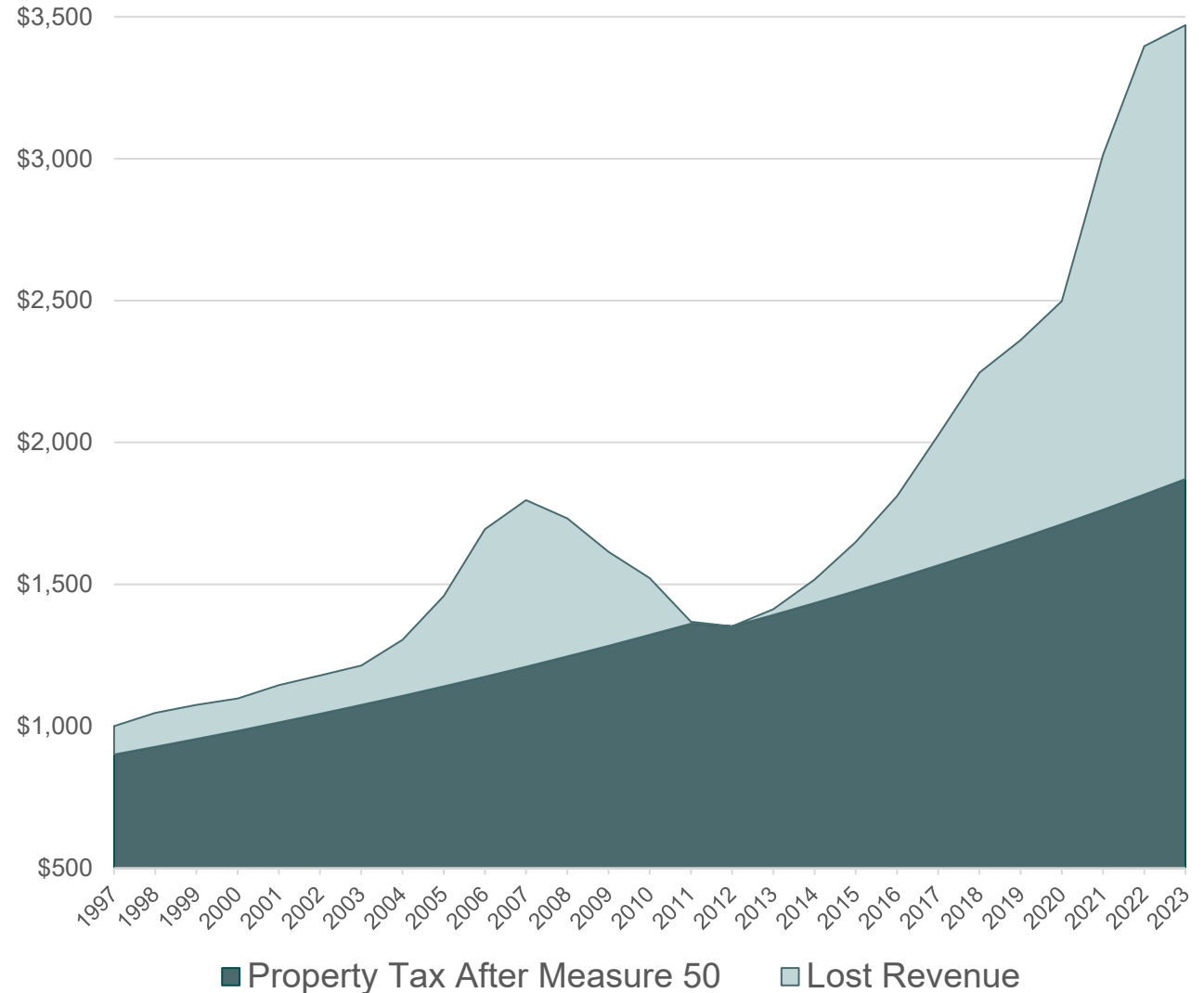
1. Restricted property tax rates to what they were in 1997.
2. Created assessed value by which properties are taxed.
3. Limited the maximum annual growth to 3% annually.



Impacts Over Time

The Graph illustrates the impact of one household.

Effects of Measure 50 on the Property Tax of an Average Salem Home Valued at \$100,000 in 1997



Property Tax Focus

Property taxes constitute the lion's share of city revenues across the State of Oregon.

Oregon law restricts both the type and size of taxes that local governments can impose.

New taxes can face public resistance. Multiple Oregon city tax ballot measures failed in 2023.

Without new revenues, Oregon cities will have to eliminate or reduce services beyond what most residents would consider acceptable.

This creates a situation where residents demand more and better services, but do not provide the financial resources to support service delivery.

This is called a structural deficit and is unsustainable.



Potential Revenue Options



Revenue Option 1

INCREASING THE CITY'S OPERATIONS FEE

- City Council enacted the City operations fee, an additional flat dollar charge placed on the monthly bills of utility customers. The fee amount varies by customer type (i.e., residential, commercial, industrial).
- Over 30 cities in Oregon implement such utility operations fees.
- Salem already has an operations fee in place and could raise more revenue by increasing the amount of this fee.

An increase could be implemented through either council action or ballot approval, depending on what task force members and city councilors believe is the best path forward.



Revenue Option 2

LOCAL OPTION LEVIES

- A local option levy temporarily increases the rate of property tax that the City of Salem can collect.
- Provides additional revenues for operations for the following 5 years. Must be renewed every 5 years to maintain funding levels.
- Because of Measure 5, this could lead to further compression over the life of such a tax if other governments pass their own levies or if a recession makes real market values decline.

Must be implemented through ballot approval. Extremely common across Oregon.



Revenue Option 3

PAYROLL TAX

- Payroll taxes consist of a percentage-based tax on gross wages. This is similar in structure to the Social Security and Medicare taxes you pay.
- Payroll taxes can be structured three main ways: employee-paid, employer-paid, and jointly paid.
 - Employee-paid payroll taxes are solely paid on gross wages received by the employee.
 - Employer-paid payroll taxes are solely paid on gross wages paid by the employer.
 - Jointly paid payroll taxes are paid both by the employee on gross wages received by the employee and gross wages paid by the employer.

A payroll tax could be implemented through a ballot measure or through council action.

Based on the results of the previous election, however, popular sentiment would likely require passing such a revenue by ballot measure.



DISCUSSION

Is there any other information that would be helpful to have, when considering these three initial options?



Option Customization

NUMBER OF OPTIONS

- The City does not have to choose just one option.
- Generally, a wider variety of revenue sources improve government resiliency.

AMOUNTS

- How much tax is collected by each revenue measure?

BRANDING & RESTRICTIONS

- Tax measures can be branded, associating these taxes with certain city services.
- If desired, funds could be legally restricted to certain purposes.



DISCUSSION

What other revenue options have people heard about that they'd like to see explored?



What are Our Targets?

The City is working on various funding scenarios to help find a realistic pathway between services, programs, and revenue. These are a few preliminary scenarios to conceptualize our targets. These will be refined, updated, and explored further in future sessions.

Scenario 1

Maintain City services at current staffing levels.

Scenario 2

Scenario 1
+
Add funding for some services to keep pace with population growth.

Scenario 3

Scenario 2
+
Add funding for all services to keep pace with population growth.

Scenario 4

Scenario 1, 2, or 3
+
Run sheltering programs.





Next Steps

01 Review Materials and Note Questions for Meeting #2

02 Task Force Meeting #2 – February 22, 2024



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