



MOSSADAMS

CITY OF SALEM

Revenue Task Force Meeting 2

February 22, 2024





Agenda

01 Call to Order & Roll Call

02 Approval of Meeting Minutes

03 Public Comment

04 Welcome and Introductions

05 Meeting 1 Recap

06 Revenue Targets Discussion

07 Revenue Options Overview

08 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

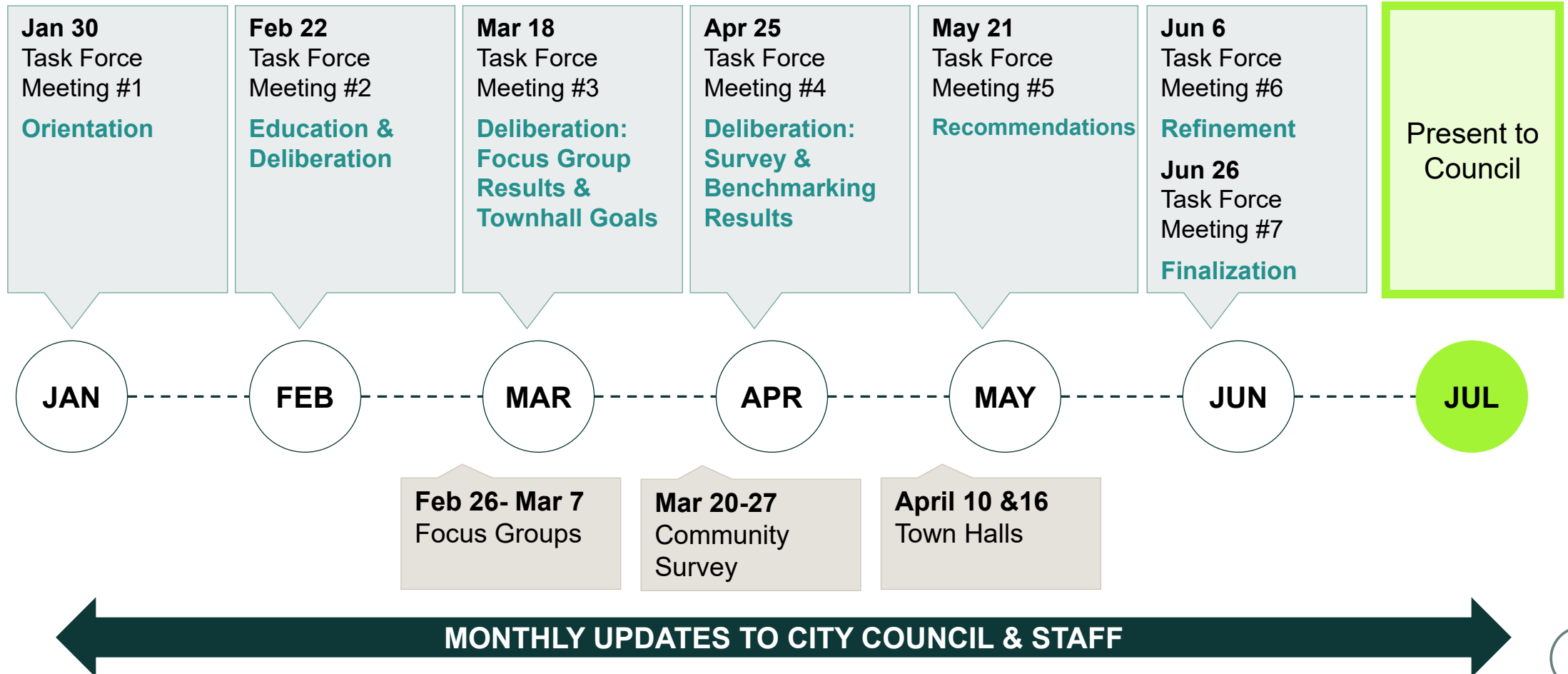


City Support

- 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



Revenue Task Force Timeline



Meeting 1 Recap

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.



Group Norms

- Stay focused on the purpose of the task force.
- Treat others as you would like to be treated.
- Be gracious, understanding, and curious.
- Help one another develop ideas.
- Provide opportunities for all opinions.
- Be open to other's ideas.
- Ask questions.
- Act neighborly.
- Assume positive intent.
- Behave professionally and formally.
- Recall that we are in a public forum and should set the standards for behavior.
- Be respectful.
- Listen actively, and avoid interrupting, swearing, or side conversations.
- Separate the person from the idea.



ICEBREAKER

What's one new thing
you learned during the
January 30 Task Force
meeting?



Revenue Targets **Discussion**



History

GENERAL FUND REVENUE AND EXPENDITURES

- **1990-1997:** Measures 5 and 50 limit property taxes statewide, reducing municipal revenues
- **2007-2008:** Financial Crisis & Great Recession Begin
- **2008:** Salem freezes hiring for all positions except public safety
- **2008:** Salem eliminates municipal pools
- **2010:** Community Services Department and 73 FTE eliminated
- **2013:** Two Fire Stations eliminated
- **2013:** 42 FTE eliminated



History

GENERAL FUND REVENUE AND EXPENDITURES

- **2017:** Fire station 8 reopens
- **2018:** Salem starts Homeless Rental Assistance program (now Special Program Outreach Team)
- **2018:** Previous Revenue Task Force begins considering revenue options
- **2019:** Fire station 11 reopens
- **2019:** Previous Revenue Task Force recommends Operations Fee and Employee-Paid Payroll Tax
- **2020:** Operations Fee implemented



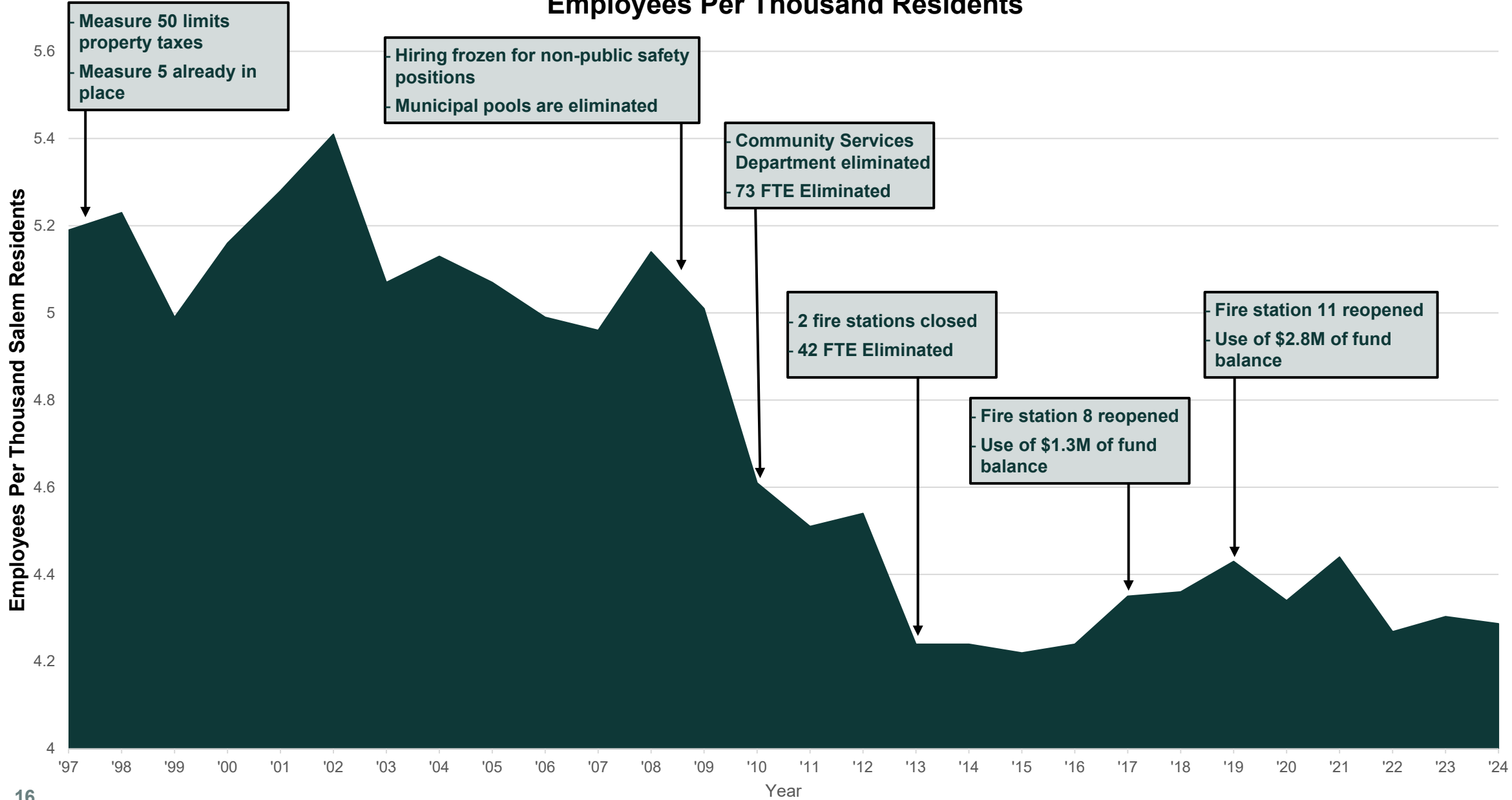
History

GENERAL FUND REVENUE AND EXPENDITURES

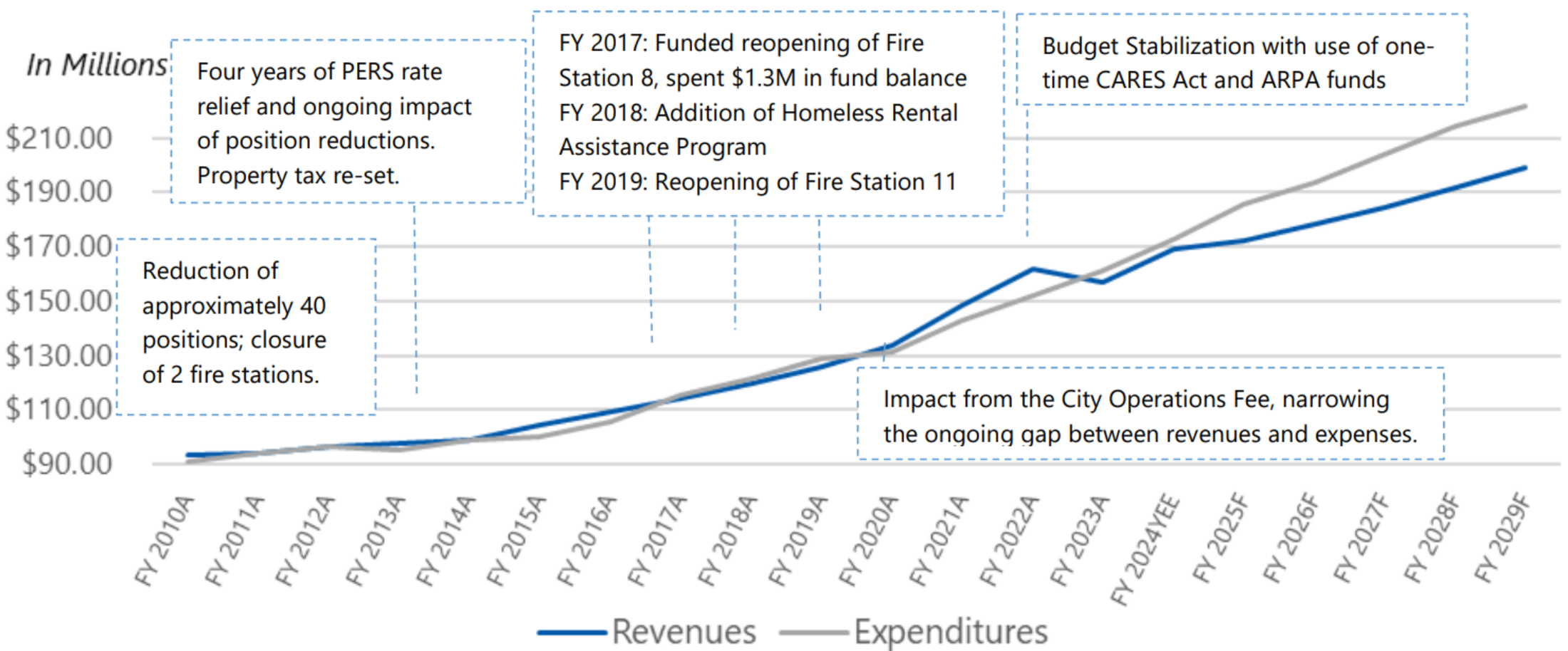
- **2020:** COVID-19 pandemic begins
- **2020:** Employee-Paid Payroll tax removed from May 2020 ballot
- **2020-2022:** Salem General Fund receives \$27.2 million in federal CARES Act funding and American Rescue Plan (ARPA) funding
- **2023:** Salem adds commercial airport service with General Fund Support
- **2023:** City Operations Fee increase (additional one-time increase: \$5.50 per month for residential accounts)



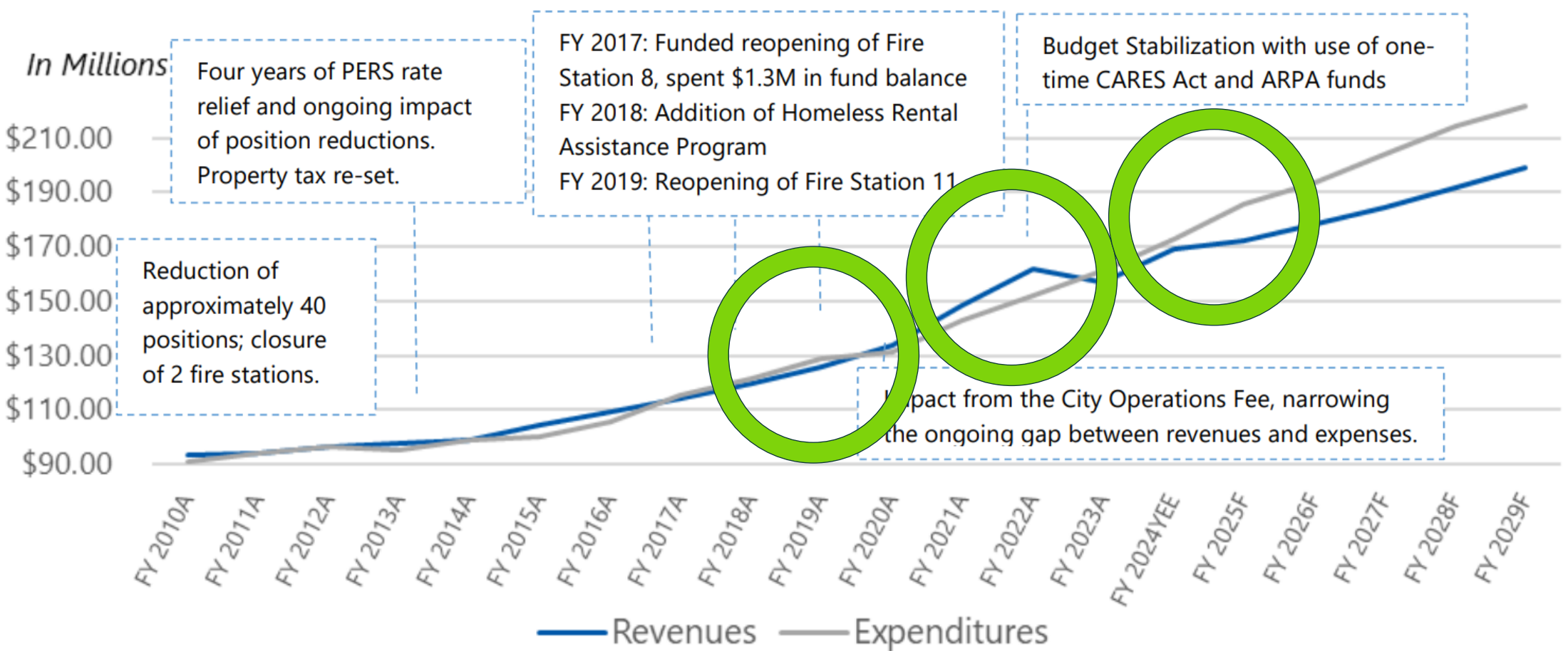
City of Salem Employees Per Thousand Residents



General Fund Revenue and Expenditure History and Forecast



General Fund Revenue and Expenditure History and Forecast



Why discuss revenue targets?

- Before analyzing revenue options, we need to have a shared sense of the scale of the challenge.
- Ultimately, City Council will make a policy decision about how much revenue to attempt to raise (and therefore what service levels will be available to community).
- The Task Force does not need to select a single revenue target today. Instead, the group needs to be aware of the potential scale of the revenue gap so that you have a clear understanding of whether the recommended revenue options will fully or partially meet the potential needs.



Potential Revenue Targets

EMPLOYEE RETENTION TARGET

**Keep current
staffing levels,
while service levels
decline over time**

SERVICE LEVEL TARGET

**Maintain current
standard of service
over time**

SHELTERING TARGET

**Continue shelter
services for those
experiencing
homelessness**



Cost Estimates

REVENUE TARGET	FY 2025-2026	FY 2026-2027	FY 2027-2028	FY 2028-2029	FY 2029-2030
Employee Retention Target	\$9.7M	\$10.4M	\$14.3M	\$16.8M	\$16.7M
Service Level Target	Additional \$6.1M	Additional \$10.8M	Additional \$13.1M	Additional \$17.1M	Additional \$23.1M
Sheltering Services Target	Additional \$9.6M	Additional \$10.1M	Additional \$10.6M	Additional \$11.1M	Additional \$11.7M



Potential Pathways

Pathway & Total Cost During <u>FY2029-2030</u>	EMPLOYEE RETENTION TARGET	SERVICE LEVEL TARGET	SHELTERING TARGET
Pathway 1 No Revenues			
Pathway 2 \$16.7 million	Included \$16.7 million		
Pathway 3 \$28.4 million	Included \$16.7 million		Included \$11.7 million
Pathway 4 \$39.8 million	Included \$16.7 million	Included \$23.1 million	
Pathway 5 \$51.5 million	Included \$16.7 million	Included \$23.1 million	Included \$11.7 million



SMALL GROUP DISCUSSION

Any questions about
the potential revenue
targets?



POLL

Option A: I would like to move forward with the identified revenue targets.

Option B: I am interested in exploring additional or alternative revenue targets.



Revenue Options

Initial Overview



Potential Revenue Options

1. Admissions/Entertainment Tax
2. Bicycle Registration Fee
3. Business Gross Tax Receipts
4. Business License Fees
5. Carbon Tax
6. Construction Excise Tax
7. Corporate Income Tax
8. Electric Vehicle Charging Station Permit Fees
9. First Responder Fee Increase
10. Franchise Fee Increase
11. Heavy Vehicle Tax (only for Transportation Services Fund)
12. Higher/New Fees for Services
13. Land Value Tax
14. Local Gas Tax

15. Local Marijuana Tax Increase
16. Local Option Property Tax Levy
17. Luxury Tax
18. Motor Vehicle Rental Tax
19. Operations Fee Increase
20. Parking Tax Increase
21. Payment in Lieu of Taxes
22. Payroll Tax (Employee-Paid)
23. Payroll Tax (Employer-Paid)
24. Payroll Tax (Jointly Paid)
25. Personal Income Tax
26. Photo Red Light Cameras and/or Photo Speeding Cameras
27. Private Foundation Endowment
28. Property Tax on Vehicles
29. Rental Housing Fee

30. Restaurant Tax
31. Sale of Surplus Property
32. Sales Tax (General)
33. Sales Tax (Selective)
34. Solid Waste Collection Fee
35. Special District(s) Formation
36. Street Lighting District
37. Sweetened Beverages Distributor Tax
38. Tolls on Marion Street or Center Street Bridges
39. Transient Lodging Tax Increase
40. Urban Renewal Increase of Frozen Tax Base
41. Vacancy Tax (Empty Dwelling Fee)



Packet Purpose

- Gain a general **understanding** of the breadth of revenue options available to the City
- Learn about the potential **constraints and impacts** of available revenue options
- Begin to formulate **ideas and questions** on potential revenue options for staff and consultants



Considerations

- *Policy considerations* consist of the assessment and analysis of community priorities and what revenue options (and associated impacts) best reflect the priorities, preferences, and interests of the Salem community.
- *Technical constraints* consist of the legal, financial, administrative, and logistic characteristics and limitations of revenue options.



Overview of All Revenue Options

REVENUE TYPE	ESTIMATED OVERALL VIABILITY	ESTIMATED REVENUE POTENTIAL	CURRENT UNDERSTANDING OF LEGAL AUTHORITY	ESTIMATED ADMINISTRATIVE COMPLEXITY	ESTIMATED TIME TO IMPLEMENT	ESTIMATED POLITICAL COMPLEXITY
1. Admissions/ Entertainment Tax	Less Viable	Likely Low	Allowed	Medium-to-High	1-2 years	Low
2. Bicycle Registration Fee	Less Viable	Likely Very Low	Allowed	Medium	Unclear	Low
3. Business Gross Tax Receipts	More Viable	Likely High	Complex	High	2-5 years	High
4. Business License Fees	More Viable	Variable Depends on fee structure	Allowed	Depends on fee structure	1-2 years	Medium
5. Carbon Tax (Likely takes the form of a Local Gas Tax)	More Viable	Variable, depending on tax(es) chosen	Complex	Variable, depending on tax(es) chosen	1-2 years	Variable, depending on tax(es) chosen
6. Construction Excise Tax	More Viable	Currently Unknown	Allowed	Medium-to-High	1-2 years	High



Analyzing Options

1. ADMISSIONS/ENTERTAINMENT TAX	
Description	An excise tax applied to the price of admission for performances, entertainment, etc. Can be a flat fee (e.g., \$2) or a tax rate (e.g., 2% of ticket sales)
Legal Authority	State constitutional home rule powers and Salem City Charter grants City Council broad authority over matters within the City's boundaries. <ul style="list-style-type: none"> • Council may adopt tax by ordinance • Or tax could be placed on ballot by Council or petition.
Legal Restrictions	Could not be levied on admissions sold by other public agencies.
Peer Usage	In Oregon there does not appear to be any admissions taxes supporting general services of local governments. Widespread in other jurisdictions, including Spokane, Bloomington (state capital), Tacoma, Alexandria, Roanoke, Richmond, Denver, Boulder, Cincinnati, Minneapolis, Seattle, Santa Cruz.
Administrative Effort	Medium or high, may require additional FTE.
Timeline	Up to 2 years to fully implement.
Who Pays	Individual consumers, regardless of residence
Equity Implications	Technically the tax has a regressive structure (meaning that the tax is levied uniformly and therefore costs lower-income earners a larger percentage of their income in comparison to higher-income earners). However, because lower-income households are less likely to buy taxable admissions as higher-income households, more affluent people are likely to pay more.
Environmental Sustainability Implications	None
Local economic implications	A very small economic loss is possible as it is possible that higher ticket prices dissuade some people from attending events.
Revenue Potential	Likely low
Viability	Less viable. There is no major entertainment presence in the City, unlike Eugene with University of Oregon sports, or the Trailblazers in Portland. As such, this type of tax could probably help on the margins but would not substantially solve the City's large structural deficit.



DISCUSSION

Any initial questions
about the layout or
contents of the packet?



ACTIVITY

Please begin reviewing the revenue options packet. Write any questions about the revenue options themselves on the provided sticky notes.





Next Steps

01

**REVIEW REVENUE OPTIONS IN
PREPARATION FOR DISCUSSION AT
MEETING #3**

02

**TAKE SCHEDULING SURVEY FOR
JUNE 6 MEETING**

03

**TASK FORCE MEETING 3 –
MARCH 18, 2024**



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