



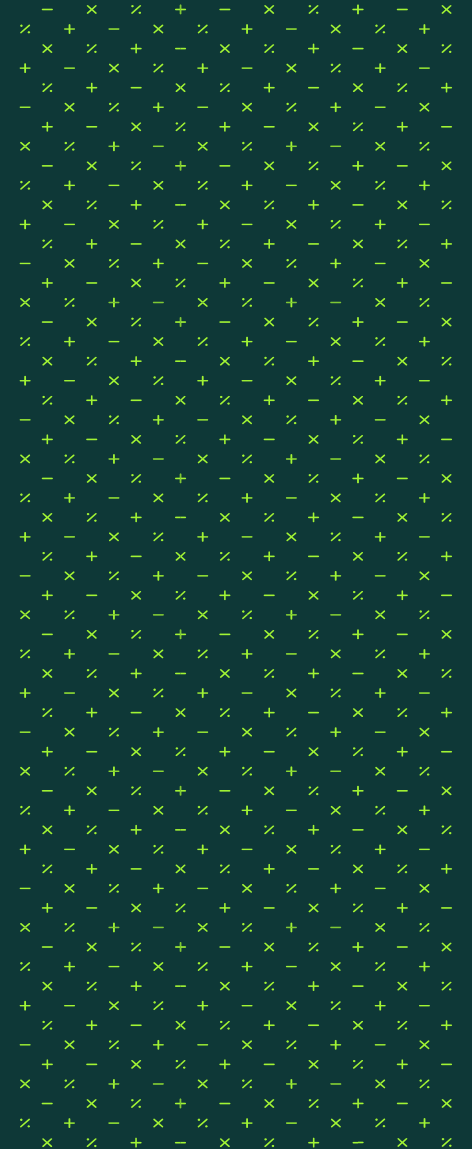
MOSSADAMS

CITY OF SALEM

# Revenue Task Force Meeting 4

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April 25, 2024



# Agenda

**01 Call to Order & Roll Call**

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**02 Approval of Meeting Minutes**

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**03 Public Comment**

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**05 Community Survey & Townhall Results**

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**06 Review of High-Interest Analysis**

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**07 Review of Revenue Options**

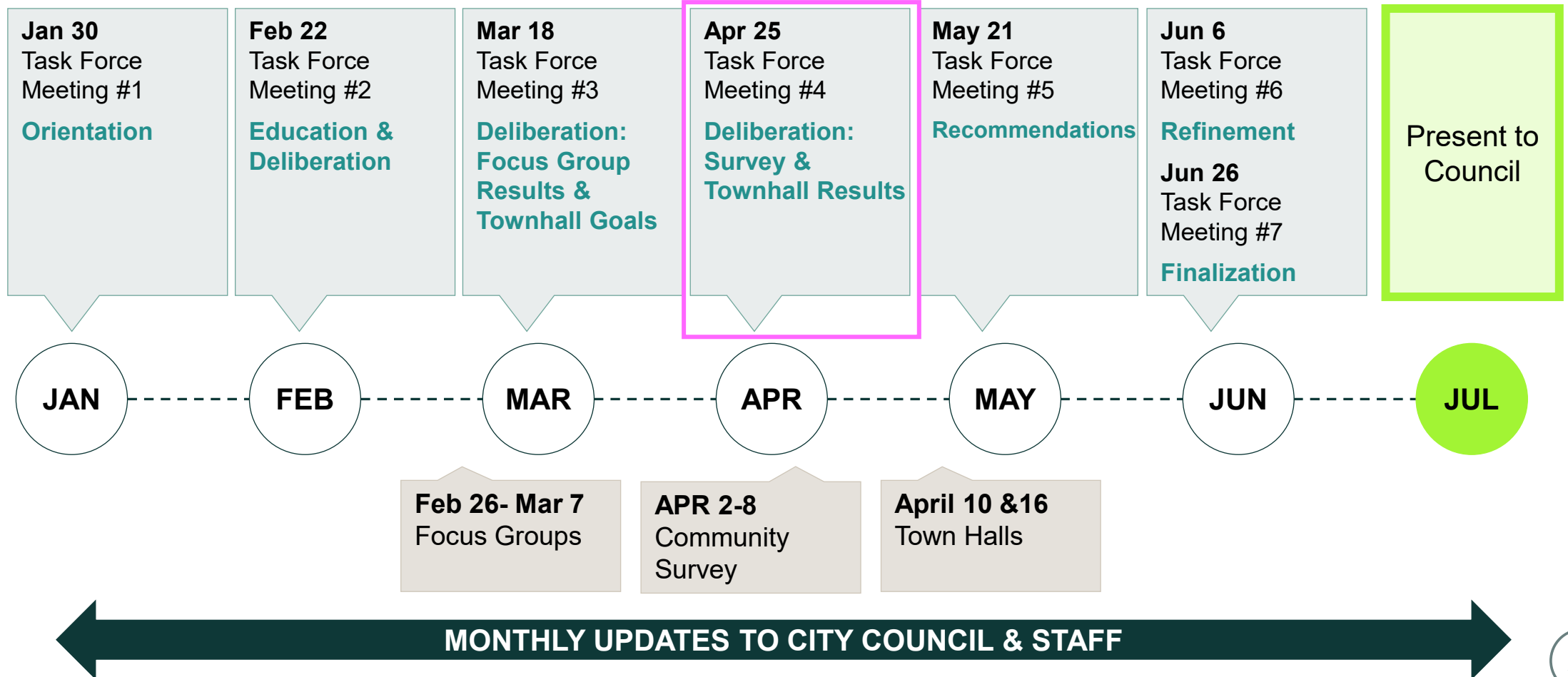
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**08 Next Steps**

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# Revenue Task Force Timeline



# 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



# Recommendation

The Task Force's recommendation will be approved by the Task Force at its final meeting.

A report of the recommendations will be drafted by city staff and reviewed by the Task Force chair prior to submission to the City Council.



# Community Survey **Results**

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# Townhall **Summary**

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# Townhall Overview

Three townhalls were offered in April.

- April 10<sup>th</sup> & 23<sup>rd</sup> (in person)
- April 16<sup>th</sup> (virtual)

Overall, approximately 148 total individuals participated across all events.

The purpose of hosting townhalls was to:

- **Share information** about the background, current state, and future work to address the revenue shortfall
- Ask for **community input** on potential revenue targets and options
- Provide space for community members to **ask questions and share feedback.**

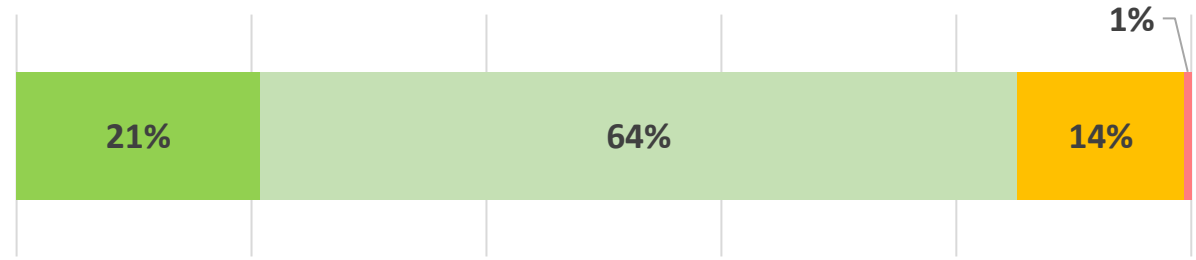




# Townhall

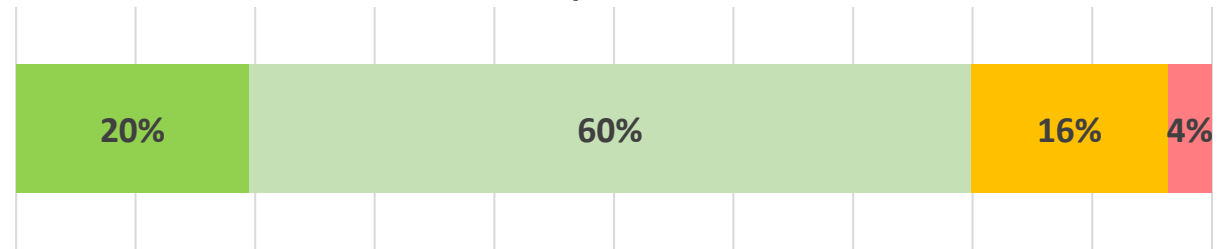
## Results

Overall, how satisfied are you with your quality of life in Salem?



- Very Satisfied
- Somewhat Satisfied
- Somewhat Dissatisfied
- Very Dissatisfied

Overall, how satisfied are you with the value of City services provided through the General Fund for your taxes and fees paid?

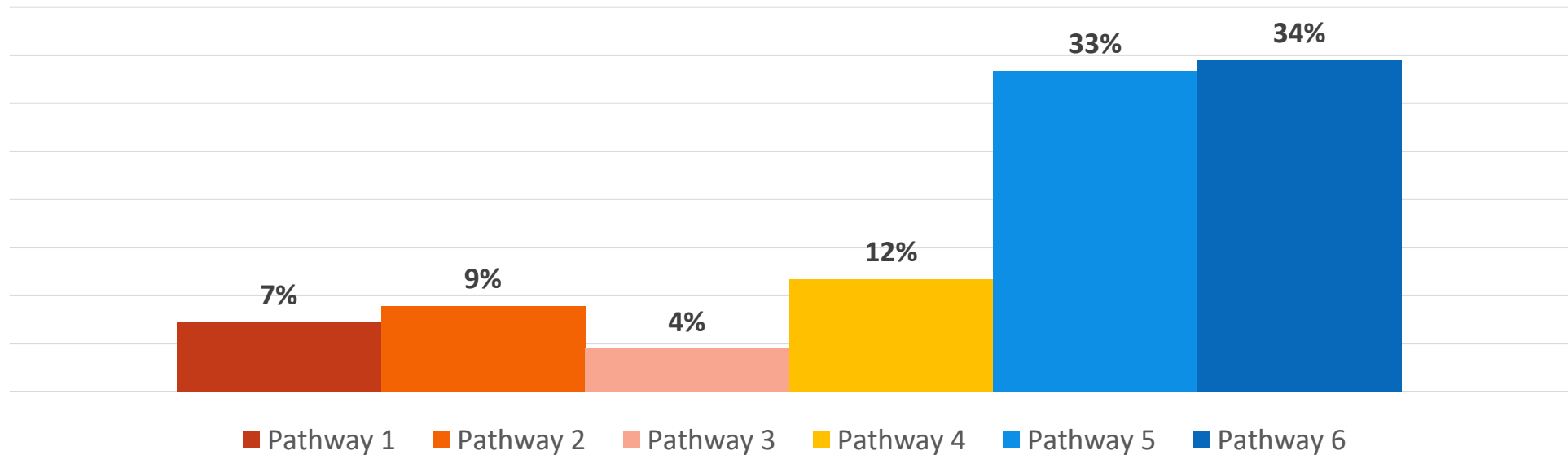


- Very Satisfied
- Somewhat Satisfied
- Somewhat Dissatisfied
- Very Dissatisfied



# Townhall Results

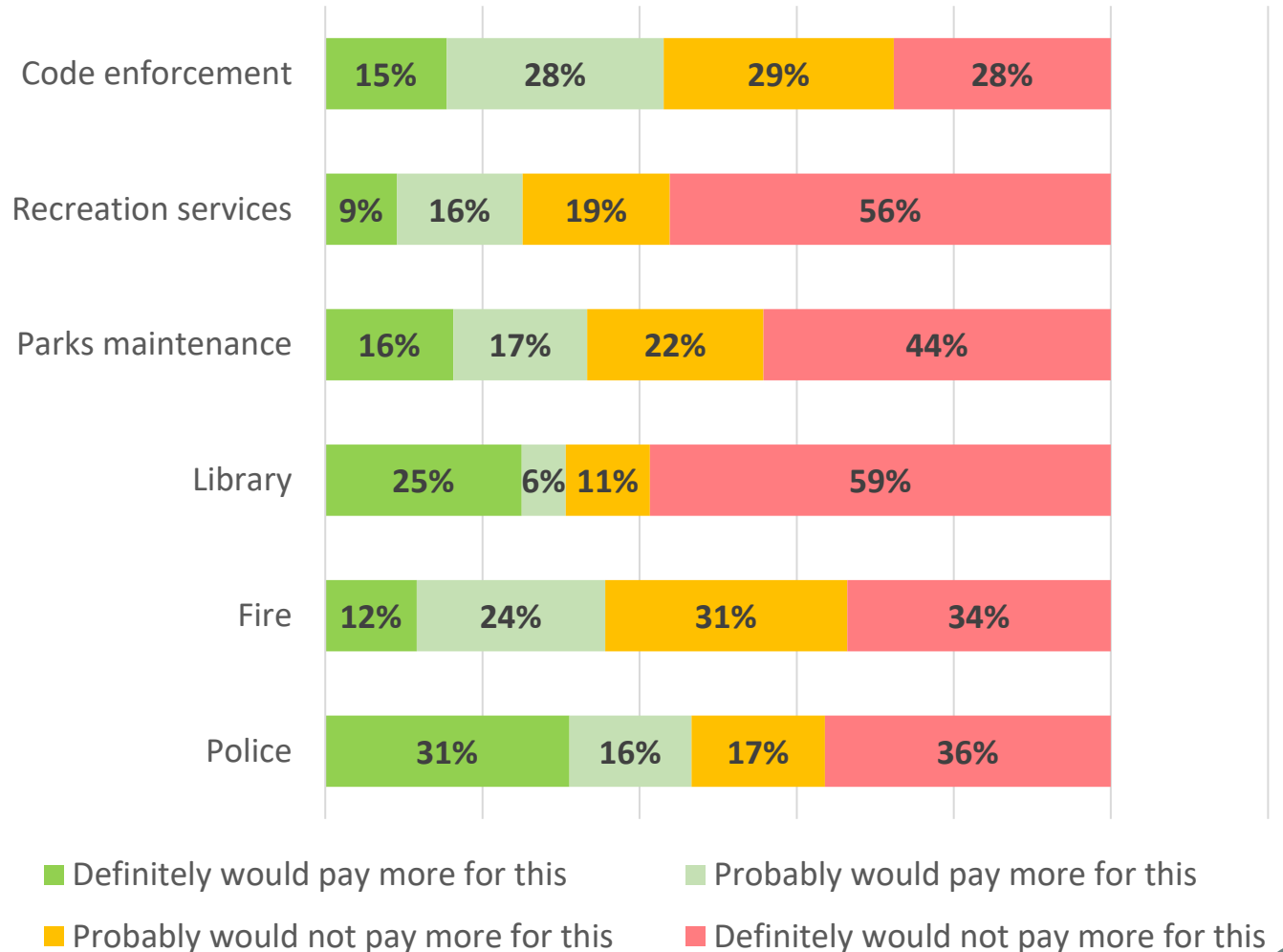
Based on your understanding of the potential revenue targets, please vote for ONE of the pathways listed below that would be your preferred choice.



# Townhall

## Results

Thinking about each of the following services provided through the City's General Fund, would you be willing to pay more in taxes or fees if you knew it would fund these services?

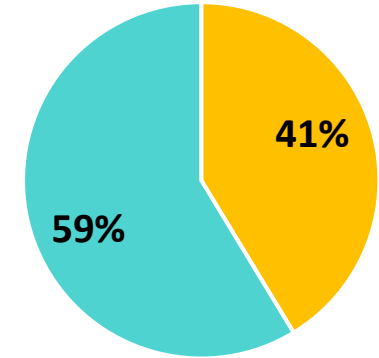
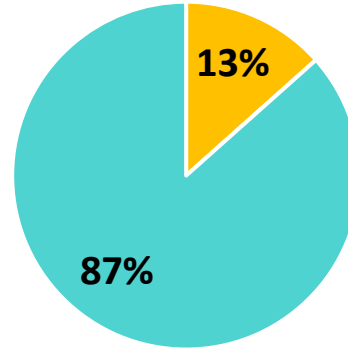


# Townhall

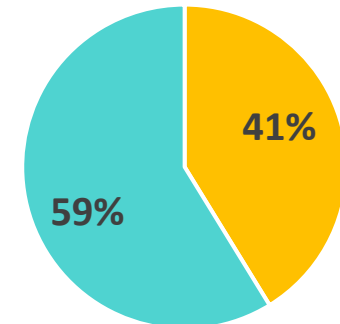
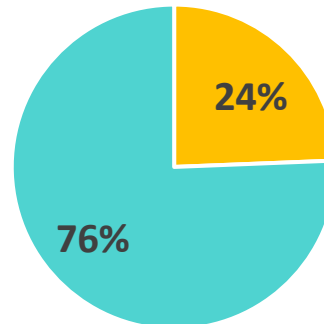
## Results

### Which option would you prefer in the case of any new taxes or fees in the City of Salem today?

- Everyone pays the same amount, regardless of their income or wealth
- Rely more on general taxes or fees, paid for by everyone in the community
- People pay an amount that is proportional to their income or wealth
- Rely more on taxes or fees on specific items or services, paid for by the people who use or buy them



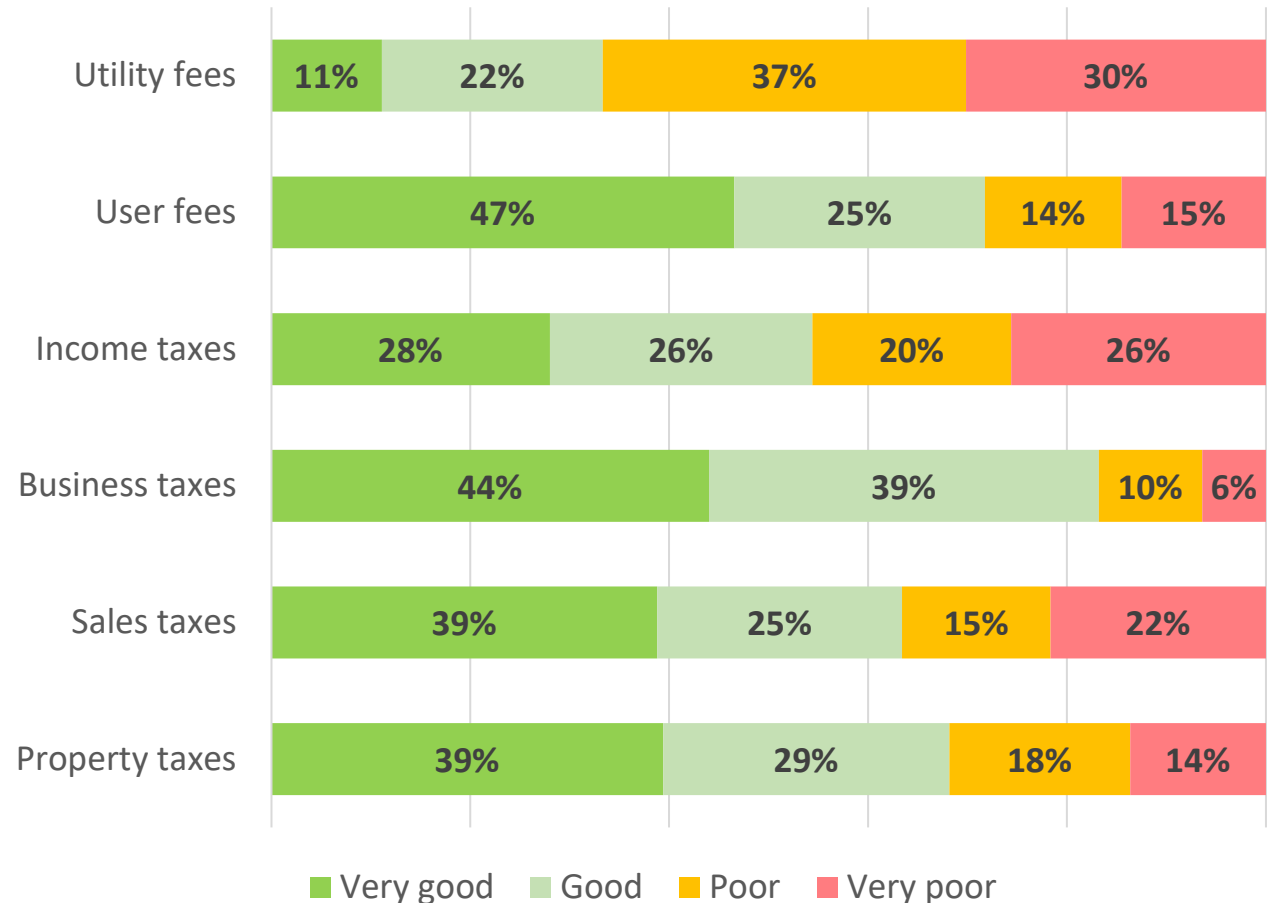
- Rely more on taxes and fees paid for by individuals in the community
- Raise the taxes or fees we already pay before implementing new ones
- Rely more on taxes and fees paid for by businesses in the community
- Implement new taxes or fees before raising or increasing the ones we already pay



# Revenue Townhall

## Results

In general, do you think the following are good or poor ways for the City of Salm to raise revenue and pay for services?



## DISCUSSION

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Between the community survey results and feedback gathered through the townhalls was anything surprising to you?



# High-Interest Revenue Option **Analysis**

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# Evaluation Criteria

- **Are legally viable.** Any revenue option where the City does not currently have legal authority would be discarded.
- **Are able to generate sustainable, ongoing revenue.** Revenue options with one-time or low estimated revenue potential will be considered less viable.
- **Do not have widespread negative impacts on the local economy.** We will take impacts to the local economy into account, recognizing that revenue options that are anticipated to negatively impact the local economy have significant drawbacks. However, negative impacts on the economy would not necessarily rule out a revenue option.
- **Can achieve short-, mid-, and long-term results.** We will provide an impact timeline to help determine how soon the city can expect to see revenues generated from that option. Options will not be eliminated based on the impact timeline but could be combined with other options.
- **Are equitable.** We will take equity considerations into account, recognizing that revenue options that are regressive in structure will have higher impacts on lower-income earners and are therefore less desirable than revenue options with more progressive structures.
- **Require an administrative effort that is commensurate to the revenue potential.** Revenue options with high estimated administrative effort would be considered more difficult to implement. However, high administrative effort would not necessarily rule out a revenue option.
- **Do not have negative environmental impacts.** Revenue options with negative environmental impacts are out of alignment with the City's strategic goals and therefore would be considered less viable.





# 16. Local Option Property Tax Levy

## Overview

### OVERALL VIABILITY

#### More Viable

<b>Legal Authority</b>	Allowed. New or additional property taxes must be approved by the majority of people voting in the May or November election.
<b>Time-bound vs Ongoing</b>	Temporary. The maximum duration of a levy for general fund services is 5 years, and 10 for capital projects.
<b>Administrative Effort</b>	Low
<b>Timeline</b>	Depends on Ballot Timing. Revenue could be collected starting one year after it appears on a ballot.
<b>Who Pays</b>	Owners of taxable property within city limits. Property owners include businesses (costs may be passed to customers) and residences.
<b>Equity Implications</b>	The property tax is a proportional tax on the assessed value of real and personal property for businesses and residences.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	Would slightly increase ongoing cost of property ownership in Salem. A local option levy would cause additional properties to be in compression.
<b>Revenue Potential</b>	Variable, depends on tax level chosen and could range from \$1.1 Million (or even lower) to \$55.7 Million



# 4. Business License Fees

## Overview

OVERALL VIABILITY	
More Viable	
<b>Legal Authority</b>	Allowed. Council may adopt fees by ordinance, or a fee could be placed on a ballot by Council or petition.
<b>Time-bound vs Ongoing</b>	Ongoing
<b>Administrative Effort</b>	Medium. Some infrastructure is already in place but depending on fee structure, could become more complex.
<b>Timeline</b>	1-2 years
<b>Who Pays</b>	Businesses (costs may be passed down to customers)
<b>Equity Implications</b>	Any potential increase in the cost of a good or service has a disproportionate effect on low-income households
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	Businesses could shift to nearby jurisdictions to avoid tax burden. This could negatively impact the perceived business climate in Salem.
<b>Revenue Potential</b>	Variable, depends on fees chosen. Current estimates place the range of potential revenue from \$8,000 to \$3.9 Million annually.



# 25. Personal Income Tax

## Overview

OVERALL VIABILITY	
More Viable	
<b>Legal Authority</b>	Allowed. City Council may adopt this by ordinance, or the tax could be placed on a ballot by Council or petition.
<b>Time-bound vs Ongoing</b>	Ongoing
<b>Administrative Effort</b>	High. Annual tax returns would be required. Collection could potentially be contracted through the Oregon Department of Revenue.
<b>Timeline</b>	2+ years
<b>Who Pays</b>	Individuals. Residents and non-residents who work in City limits.
<b>Equity Implications</b>	Depends on the structure of the tax and exemptions. Potential to be structured progressively.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	Uncertain. A higher local income tax rate could encourage workers to relocate, reducing economic activity and negatively impacting businesses in City limits.
<b>Revenue Potential</b>	High yet highly variable. Depends on exemptions, rates, and thresholds ranging from \$113K to \$91.3M.



# 7. Corporate Income Tax

## Overview

OVERALL VIABILITY	
Less Viable	
<b>Legal Authority</b>	Complex. Legal restrictions can influence the structure and application of the tax.
<b>Time-bound vs Ongoing</b>	Ongoing.
<b>Administrative Effort</b>	Medium. Could be administered and collected as a surcharge on a corporation's existing State corporate tax liability. Costs to implement would depend on whether the City could reach an agreement with the State Department of Revenue to collect the tax as a surcharge on existing State corporate tax.
<b>Timeline</b>	2-5 years
<b>Who Pays</b>	Corporations conducting business and deriving income within the City
<b>Equity Implications</b>	Likely has an indirect effect on the prices of goods and services, disproportionately impacting low-income households; However, those with equity in for-profit businesses impacted by such a tax are more likely to be medium-to-high income households
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	Businesses could shift to nearby jurisdictions to avoid tax burden. This could negatively impact the perceived business climate in Salem.
<b>Revenue Potential</b>	High- depends on the rates chosen. Current estimates range from \$251 thousand to \$5 million depending on tax rate chosen.



# 28. Property Tax on Vehicles

## Overview

### OVERALL VIABILITY

#### Less Viable

<b>Legal Authority</b>	Unknown. Under ORS 307.030 All real property (including vehicles) shall be subject to assessment and taxation. However, no such tax is known to exist in Oregon.
<b>Time-bound vs Ongoing</b>	Ongoing.
<b>Administrative Effort</b>	High. compliance and monitoring would be a significant barrier to success
<b>Timeline</b>	2+ years
<b>Who Pays</b>	Owners of vehicles within City limits (individuals)
<b>Equity Implications</b>	Can make vehicle ownership more costly for low-income individuals.
<b>Environmental Sustainability Implications</b>	Could marginally disincentivize car ownership, which may impact emissions.
<b>Local Economic Implications</b>	Residents would likely find ways to register their cars outside of City limits.
<b>Revenue Potential</b>	Variable. If the tax is structured as a percent of vehicle value, current estimates are between \$1.2 Million and \$35 Million, depending on tax rate chosen and the true average value of Salem cars, which is currently unknown



# A1. Annex Developed Areas within the UGB

## Overview

OVERALL VIABILITY	
Not Viable	
<b>Legal Authority</b>	Allowed. A vote must be approved by both (1) a majority of citizens of Salem and (2) a majority of citizens of the territory to be annexed.
<b>Time-bound vs Ongoing</b>	Ongoing
<b>Administrative Effort</b>	Medium
<b>Timeline</b>	Depends on Ballot Timing. Revenue could be collected starting one year after it appears on a ballot. Potentially earlier
<b>Who Pays</b>	All landowners within a newly annexed area pay property taxes to the city.
<b>Equity Implications</b>	Additional property taxes marginally affect the cost of housing, which can theoretically lower the housing supply.
<b>Environmental Sustainability Implications</b>	N/A
<b>Local Economic Implications</b>	Would slightly increase ongoing cost of property ownership in annexed areas.
<b>Revenue Potential</b>	The net impact to the city would be -\$8.5M from Four Corners and -\$11.2M from Hayesville for a total impact of -\$19.7M (revenue less costs to provide services).



# A4. Intergovernmental Agreements

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## Overview

An intergovernmental agreement could be profitable for Salem in one of a few ways.

1. Salem could enter into an agreement with another government in which the other government provides a service to Salem. Salem would then provide funds to this government that cost less than what it costs for Salem to provide this service.
  - a) This comes with a risk to Salem if the other government ever decides to terminate this agreement.
2. Salem could enter into an agreement with another government to jointly provide services together (e.g., Library services). By having a larger organization provide the same level of service to larger areas, there are potentially some economies of scale that could lower costs.
  - a) It is possible that joint service provision could be cheaper, but it is not certain. Cost savings would be realized in the medium-to-long terms (3-5 years).



# A4. Intergovernmental Entities

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## Overview

An intergovernmental entity could be profitable for Salem in two main ways:

1. Salem could create an IGE with another government in which the other government(s) provide(s) services and associated costs of services to both their jurisdiction(s) and to Salem.
2. As a new government, IGEs can levy their property taxes with new rates. This means that a new IGE could collect its own, new property taxes on top of all existing jurisdictions within a given area.
  - a) Due to the property tax limitations of Measures 5 and 50 there is a limited amount of property tax that can be collected from any given property.
  - b) This means, particularly in Marion County, new property taxes that are levied by an IGE are very likely to reduce the amount of property tax received by the city.





# DISCUSSION

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After analyzing these options, are there any that could be removed from further consideration?



# Revenue Options

## **Mid-Interest**

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# Utility and Other Fees

27% of community survey respondents rated utility fees as a very good/good funding mechanism

#	Revenue Description	Proportional to income or wealth (preferred)	The same for everyone	Tax or Fee for a specific item (preferred)	General tax or fee	Tax or Fee Paid by Business (preferred)	Tax or Fee Paid by Individuals	Implement New Tax or Fee	Raise Existing Tax or Fee (preferred)	Estimated Overall Viability
10	<b>Franchise Fee Increase</b>	x		x		x	x		x	More Viable
14	<b>Local Gas Tax (only impacts Transportation Services Fund)</b>	x		x			x	x		More Viable
19	<b>Operations Fee Increase</b>		x		x		x		x	More Viable
8	<b>Electric Vehicle Charging Station Permit Fee</b>		x	x		x	x	x		Less Viable



# Sales Taxes

35% of community survey respondents rated sales taxes as a very good/good funding mechanism

#	Revenue Description	Proportional to income or wealth (preferred)	The same for everyone	Tax or Fee for a specific item (preferred)	General tax or fee	Tax or Fee Paid by Business (preferred)	Tax or Fee Paid by Individuals	Implement New Tax or Fee	Raise Existing Tax or Fee (preferred)	Estimated Overall Viability
5	<b>Carbon Tax</b> (Likely takes the form of a Local Gas Tax)	X		X		X	X	X		More Viable
33	<b>Sales Tax: Selective</b> (includes any “sin taxes”)	X		X			X	X	X	More Viable
32	<b>Sales Tax: General</b>	X			X		X	X		More Viable
17	<b>Luxury Tax</b> (is also a type of Sales Tax: Selective)	X		X			X	X		Less Viable



# Income Tax

36% of community survey respondents rated income taxes as a very good/good funding mechanism

#	Revenue Description	Proportional to income or wealth (preferred)	The same for everyone	Tax or Fee for a specific item (preferred)	General tax or fee	Tax or Fee Paid by Business (preferred)	Tax or Fee Paid by Individuals	Implement New Tax or Fee	Raise Existing Tax or Fee (preferred)	Estimated Overall Viability
23	<b>Payroll Tax (Employer-Paid)</b>	x			x	x		x		Less Viable
24	<b>Payroll Tax (Jointly- Paid)</b>	x			x	x	x	x		Less Viable



# Property Tax

37% of community survey respondents rated property taxes as a very good/good funding mechanism

#	Revenue Description	Proportional to income or wealth (preferred)	The same for everyone	Tax or Fee for a specific item (preferred)	General tax or fee	Tax or Fee Paid by Business (preferred)	Tax or Fee Paid by Individuals	Implement New Tax or Fee	Raise Existing Tax or Fee (preferred)	Estimated Overall Viability
40	<b>Urban Renewal - Increase Frozen Base</b>	x			x				x	More Viable



# Business Tax

50% of community survey respondents rated business taxes as a very good/good funding mechanism

#	Revenue Description	Proportional to income or wealth (preferred)	The same for everyone	Tax or Fee for a specific item (preferred)	General tax or fee	Tax or Fee Paid by Business (preferred)	Tax or Fee Paid by Individuals	Implement New Tax or Fee	Raise Existing Tax or Fee (preferred)	Estimated Overall Viability
3	<b>Business Gross Tax Receipts</b>	X			X	X		X		More Viable
6	<b>Construction Excise Tax</b>	X		X		X	X	X		More Viable
11	<b>Heavy Vehicle Tax (only for Transportation Services Fund)</b>	X		X		X		X		More Viable



# User Fees

66% of community survey respondents rated user fees as a very good/good funding mechanism

#	Revenue Description	Proportional to income or wealth (preferred)	The same for everyone	Tax or Fee for a specific item (preferred)	General tax or fee	Tax or Fee Paid by Business (preferred)	Tax or Fee Paid by Individuals	Implement New Tax or Fee	Raise Existing Tax or Fee (preferred)	Estimated Overall Viability
A3	<b>Concessions/rentals in parks</b>		x	x			x	x		TBD
1	<b>Admissions/ Entertainment Tax</b>	x	x	x			x	x		Less Viable
26	<b>Photo Red Light Cameras and/or Photo Speeding Cameras</b>		x	x			x		x	Less Viable
41	<b>Vacancy Tax (Empty Dwelling Fee)</b>	x		x			x	x		Less Viable





# User Fees *continued*

66% of community survey respondents rated property taxes as a very good/good funding mechanism

#	Revenue Description	Proportional to income or wealth (preferred)	The same for everyone	Tax or Fee for a specific item (preferred)	General tax or fee	Tax or Fee Paid by Business (preferred)	Tax or Fee Paid by Individuals	Implement New Tax or Fee	Raise Existing Tax or Fee (preferred)	Estimated Overall Viability
12	<b>Higher/New Fees for Services</b>	x	x	x			x	x	x	More Viable
18	<b>Motor Vehicle Rental Tax</b>		x	x			x	x		More Viable
20	<b>Parking Tax Increase</b>	x		x		x			x	More Viable
30	<b>Restaurant Tax</b>	x		x			x	x		More Viable
39	<b>Transient Occupancy Tax Increase</b>		x	x			x		x	More Viable



# Other Funding Mechanisms

#	Revenue Description	Proportional to income or wealth (preferred)	The same for everyone	Tax or Fee for a specific item (preferred)	General tax or fee	Tax or Fee Paid by Business (preferred)	Tax or Fee Paid by Individuals	Implement New Tax or Fee	Raise Existing Tax or Fee (preferred)	Estimated Overall Viability
27	<b>Private Foundation Endowment</b>						x		x	Less Viable
31	<b>Sale of Surplus Property</b>					x	x	x		Less Viable
35	<b>Special District(s) Formation</b>	x		x		x	x	x		Less Viable



## DISCUSSION

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Based on the information present at this time, are there any options that could be removed from further consideration?





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# Next Steps

**01** Deep Dive Analysis on the Remaining Revenue Options

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**02** May 21<sup>st</sup> Revenue Task Force Meeting

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