

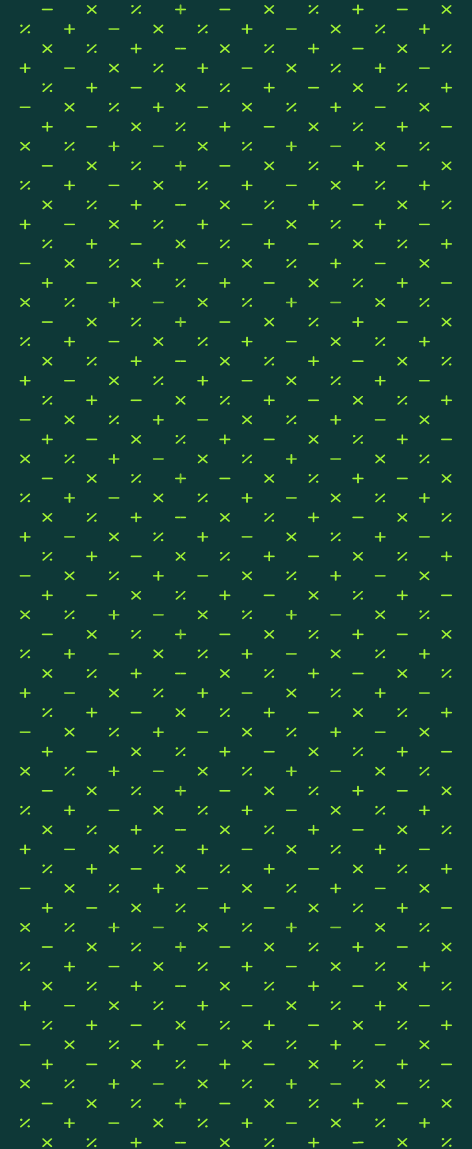


MOSSADAMS

CITY OF SALEM

Revenue Task Force Meeting 4

April 25, 2024



Agenda

01 Call to Order & Roll Call

02 Approval of Meeting Minutes

03 Public Comment

05 Community Survey & Townhall Results

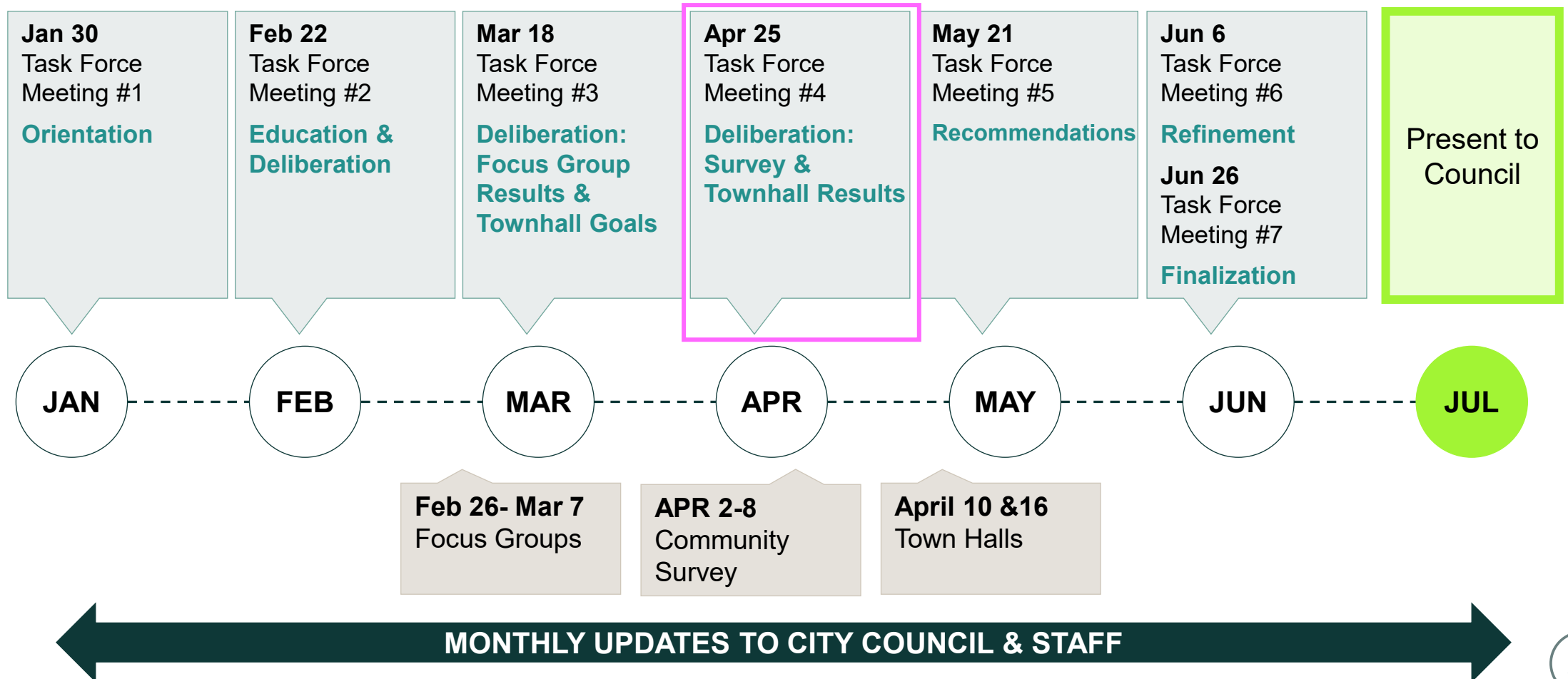
06 Review of High-Interest Analysis

07 Review of Revenue Options

08 Next Steps



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**



Townhall **Summary**



Townhall Overview

Three townhalls were offered in April.

- April 10th & 23rd (in person)
- April 16th (virtual)

Overall, approximately 148 total individuals participated across all events.

The purpose of hosting townhalls was to:

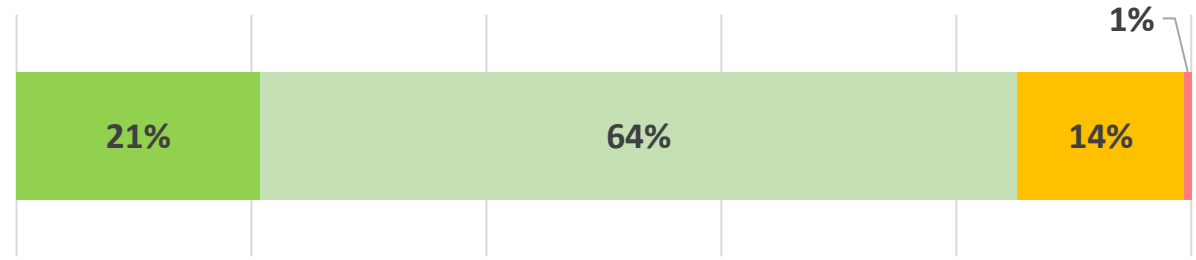
- **Share information** about the background, current state, and future work to address the revenue shortfall
- Ask for **community input** on potential revenue targets and options
- Provide space for community members to **ask questions and share feedback.**



Townhall

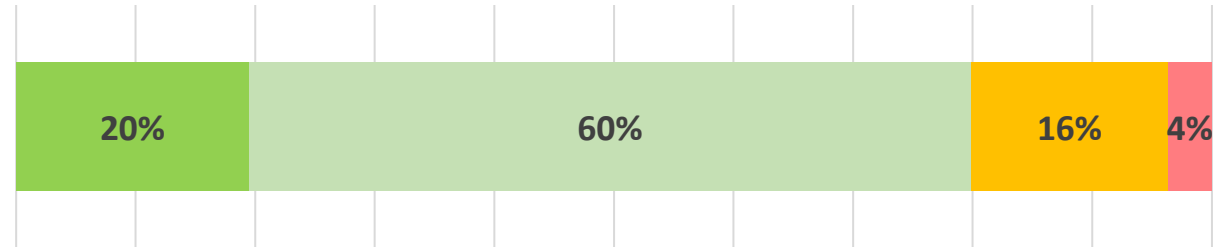
Results

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?

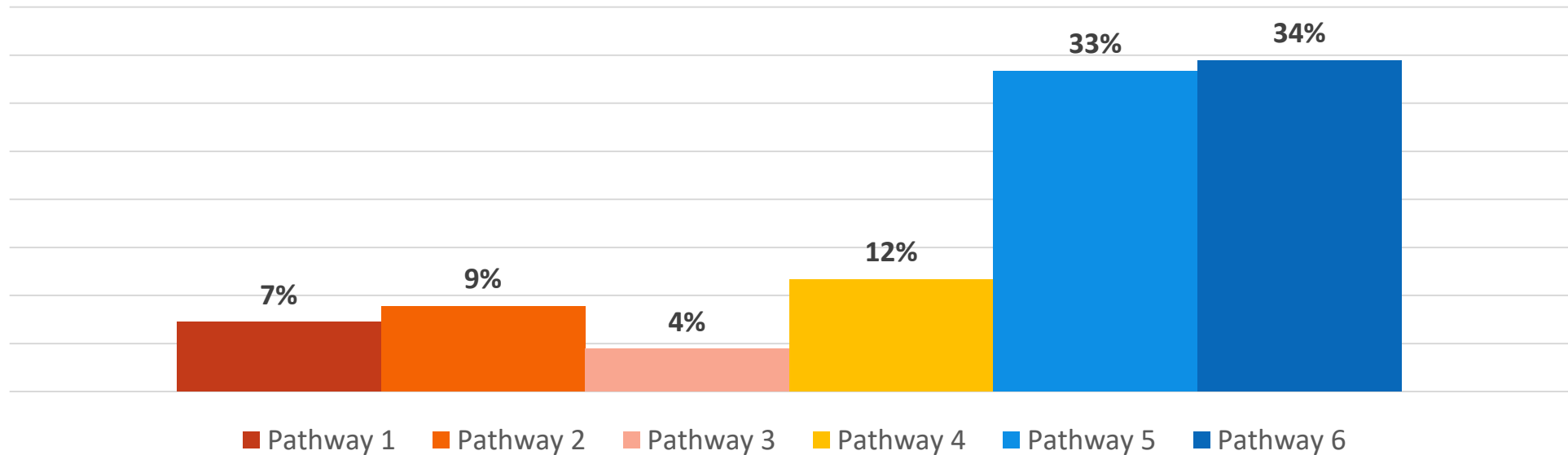


- Very Satisfied
- Somewhat Satisfied
- Somewhat Dissatisfied
- Very Dissatisfied



Townhall Results

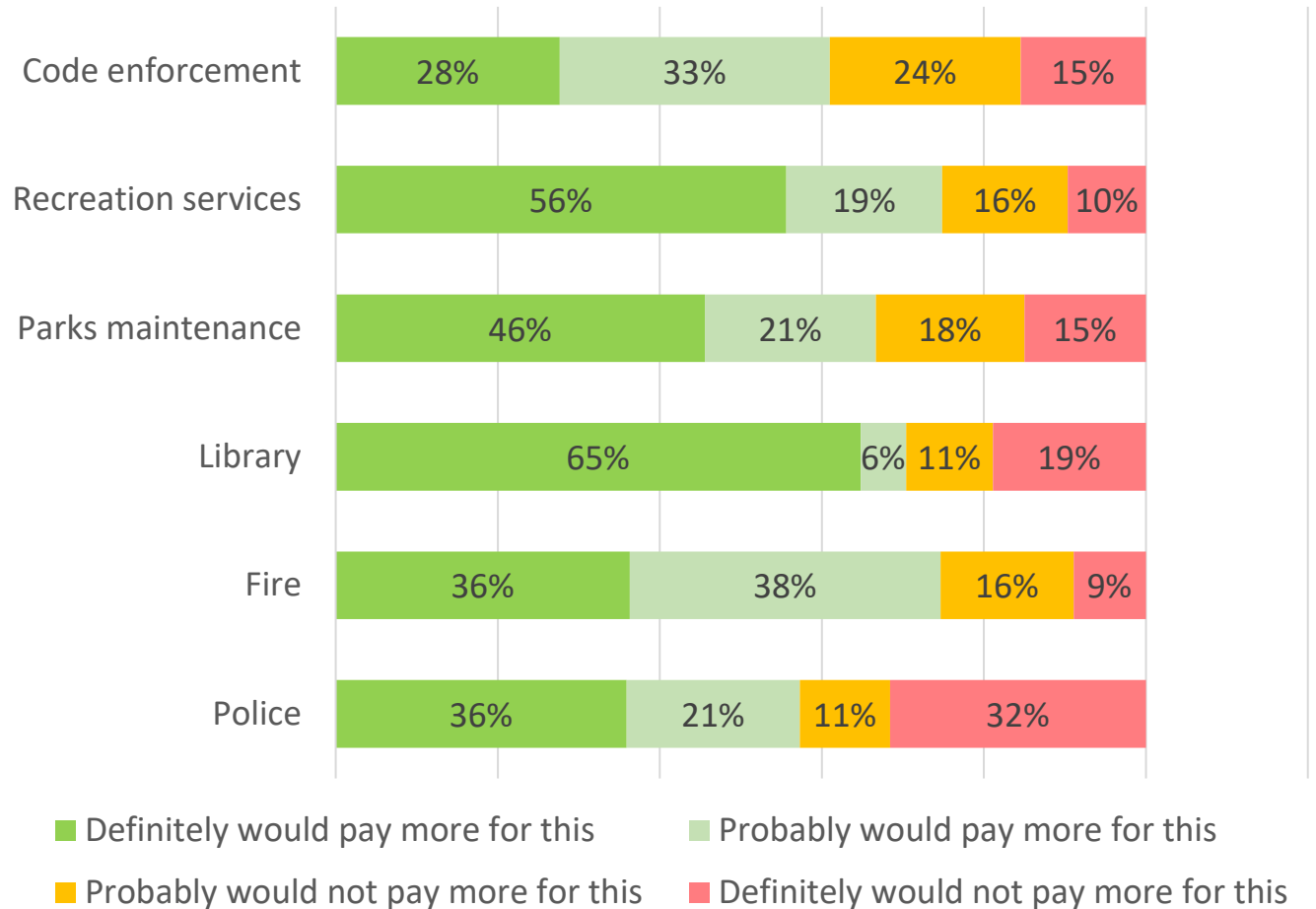
Based on your understanding of the potential revenue targets, please vote for ONE of the pathways listed below that would be your preferred choice.



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?

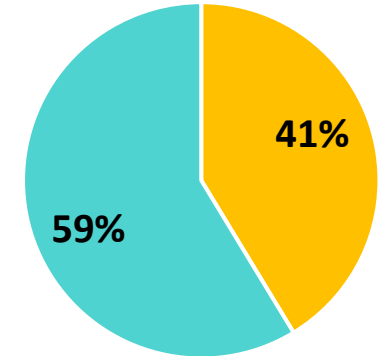
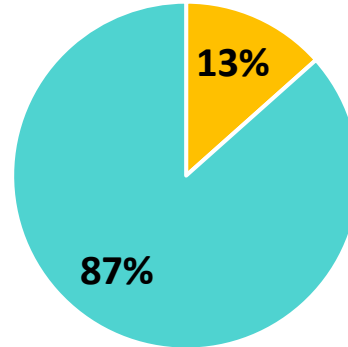


Townhall

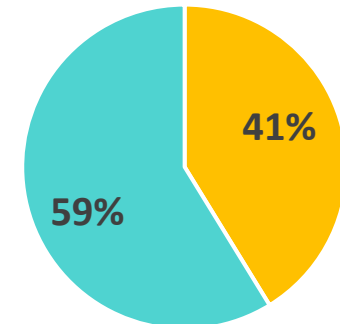
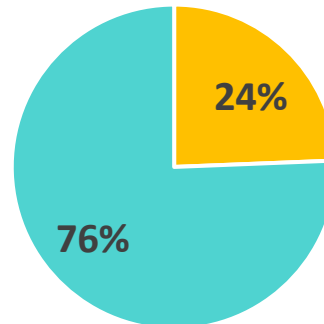
Results

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

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



High-Interest Revenue Option **Analysis**



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

Legal Authority	Allowed. New or additional property taxes must be approved by the majority of people voting in the May or November election.
Time-bound vs Ongoing	Temporary. The maximum duration of a levy for general fund services is 5 years, and 10 for capital projects.
Administrative Effort	Low
Timeline	Depends on Ballot Timing. Revenue could be collected starting one year after it appears on a ballot.
Who Pays	Owners of taxable property within city limits. Property owners include businesses (costs may be passed to customers) and residences.
Equity Implications	The property tax is a proportional tax on the assessed value of real and personal property for businesses and residences.
Environmental Sustainability Implications	N/A
Local Economic Implications	Would slightly increase ongoing cost of property ownership in Salem. A local option levy would cause additional properties to be in compression.
Revenue Potential	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	
Legal Authority	Allowed. Council may adopt fees by ordinance, or a fee could be placed on a ballot by Council or petition.
Time-bound vs Ongoing	Ongoing
Administrative Effort	Medium. Some infrastructure is already in place but depending on fee structure, could become more complex.
Timeline	1-2 years
Who Pays	Businesses (costs may be passed down to customers)
Equity Implications	Any potential increase in the cost of a good or service has a disproportionate effect on low-income households
Environmental Sustainability Implications	N/A
Local Economic Implications	Businesses could shift to nearby jurisdictions to avoid tax burden. This could negatively impact the perceived business climate in Salem.
Revenue Potential	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	
Legal Authority	Allowed. City Council may adopt this by ordinance, or the tax could be placed on a ballot by Council or petition.
Time-bound vs Ongoing	Ongoing
Administrative Effort	High. Annual tax returns would be required. Collection could potentially be contracted through the Oregon Department of Revenue.
Timeline	2+ years
Who Pays	Individuals. Residents and non-residents who work in City limits.
Equity Implications	Depends on the structure of the tax and exemptions. Potential to be structured progressively.
Environmental Sustainability Implications	N/A
Local Economic Implications	Uncertain. A higher local income tax rate could encourage workers to relocate, reducing economic activity and negatively impacting businesses in City limits.
Revenue Potential	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	
Legal Authority	Complex. Legal restrictions can influence the structure and application of the tax.
Time-bound vs Ongoing	Ongoing.
Administrative Effort	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.
Timeline	2-5 years
Who Pays	Corporations conducting business and deriving income within the City
Equity Implications	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
Environmental Sustainability Implications	N/A
Local Economic Implications	Businesses could shift to nearby jurisdictions to avoid tax burden. This could negatively impact the perceived business climate in Salem.
Revenue Potential	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

Legal Authority	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.
Time-bound vs Ongoing	Ongoing.
Administrative Effort	High. compliance and monitoring would be a significant barrier to success
Timeline	2+ years
Who Pays	Owners of vehicles within City limits (individuals)
Equity Implications	Can make vehicle ownership more costly for low-income individuals.
Environmental Sustainability Implications	Could marginally disincentivize car ownership, which may impact emissions.
Local Economic Implications	Residents would likely find ways to register their cars outside of City limits.
Revenue Potential	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	
Legal Authority	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.
Time-bound vs Ongoing	Ongoing
Administrative Effort	Medium
Timeline	Depends on Ballot Timing. Revenue could be collected starting one year after it appears on a ballot. Potentially earlier
Who Pays	All landowners within a newly annexed area pay property taxes to the city.
Equity Implications	Additional property taxes marginally affect the cost of housing, which can theoretically lower the housing supply.
Environmental Sustainability Implications	N/A
Local Economic Implications	Would slightly increase ongoing cost of property ownership in annexed areas.
Revenue Potential	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

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

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

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



Revenue Options

Mid-Interest



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	Franchise Fee Increase	x		x		x	x		x	More Viable
14	Local Gas Tax (only impacts Transportation Services Fund)	x		x			x	x		More Viable
19	Operations Fee Increase		x		x		x		x	More Viable
8	Electric Vehicle Charging Station Permit Fee		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	Carbon Tax (Likely takes the form of a Local Gas Tax)	X		X		X	X	X		More Viable
33	Sales Tax: Selective (includes any “sin taxes”)	X		X			X	X	X	More Viable
32	Sales Tax: General	X			X		X	X		More Viable
17	Luxury Tax (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	Payroll Tax (Employer-Paid)	x			x	x		x		Less Viable
24	Payroll Tax (Jointly- Paid)	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	Urban Renewal - Increase Frozen Base	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	Business Gross Tax Receipts	X			X	X		X		More Viable
6	Construction Excise Tax	X		X		X	X	X		More Viable
11	Heavy Vehicle Tax (only for Transportation Services Fund)	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	Concessions/rentals in parks		x	x			x	x		TBD
1	Admissions/ Entertainment Tax	x	x	x			x	x		Less Viable
26	Photo Red Light Cameras and/or Photo Speeding Cameras		x	x			x		x	Less Viable
41	Vacancy Tax (Empty Dwelling Fee)	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	Higher/New Fees for Services	x	x	x			x	x	x	More Viable
18	Motor Vehicle Rental Tax		x	x			x	x		More Viable
20	Parking Tax Increase	x		x		x			x	More Viable
30	Restaurant Tax	x		x			x	x		More Viable
39	Transient Occupancy Tax Increase		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	Private Foundation Endowment						X		X	Less Viable
31	Sale of Surplus Property					X	X	X		Less Viable
35	Special District(s) Formation	X		X		X	X	X		Less Viable



DISCUSSION

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

02 May 21st Revenue Task Force Meeting



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