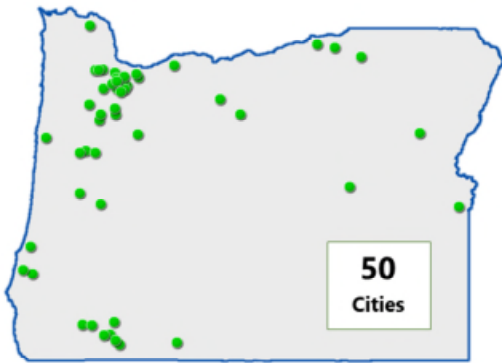


- City operating fees are collected as a separate line item on customer's monthly bills
- Operating fees are not a property tax because they are not associated with the value of a property, but based on:
 - The existence of an improved structure
 - An active utility account
- Fees would only apply to inside city customers
- Salem currently has one fee for streetlights, approved by City Council in 2014

Comparable Cities



City	Monthly Residential Fee	Budgeted 2018/19 Revenue
Hillsboro	\$8.79	\$3,134,000
Medford	\$17.72	\$10,415,000
Gresham	\$7.50	\$3,900,000
Tigard	\$15.86	\$4,040,053

- Average fee for residential customers: \$10
- City of Keizer implemented two \$4.00 fees in November 2017

- City operating fees are flexible regarding rates and structure
- 50 cities in Oregon collect a fee on their utility bill or city services bill for a variety of services:
 - Highest fee: City of West Linn, \$28 per month fee for Road/Park Maintenance
 - Lowest fee: City of Salem, \$2.80 per month for streetlight electricity and pole replacement
 - Average monthly fee for a residential customer: \$10.00
- Typically cities have higher rates for non-residential accounts
- City of Keizer implemented an \$8.00 fee; \$4.00 for public safety, \$4.00 for Parks
- City of Jacksonville approved an fee in June 2018, \$20 per month

Revenue Estimate- Flat Rate by Utility Account

Customer Classification	Total Units	% of Accounts	Monthly Fee	Annual Fee	Annual Revenue	% of Revenue
Residential	39,838	90.1%	\$15.30	\$183.60	\$7,314,257	67.3%
Multi-Family (Per Account)	1,825	4.1%	\$15.30	\$183.60	\$335,070	28.4%
Non Residential	2,550	5.8%	\$15.30	\$183.60	\$468,180	4.3%
Total	44,213				\$8,117,507	

- Staff produced a number of potential rate structures for the task force to review.
 - Page 10 and labeled as table 5
- In this scenario, each classification and utility account would pay the same monthly rate.
- Non Residential includes the roll up of the following classifications:
 - Small Commercial
 - Commercial
 - Industrial
 - Institutional
 - Public Building
- The task force expressed concerns about equity across classifications and if those groups rolled up into the Non-Residential classification should pay as much as a residential account

Revenue Estimate- Rate by Classification

Customer Classification	Utility Accounts	% of Accounts	Monthly Fee	Annual Fee	Annual Revenue	% of Revenue
Residential	39,732	90.1%	\$7.80	\$93.60	\$3,718,915	45.4%
Multi-Family (Per Unit)	23,951	4.1%	\$7.80	\$93.60	\$2,241,814	27.4%
Irrigation	23	0.1%	\$7.80	\$93.60	\$2,153	0.0%
Small Commercial	70	0.2%	\$7.80	\$93.60	\$6,552	0.1%
Commercial	2,360	5.3%	\$75.00	\$900.00	\$2,124,000	25.9%
Industrial	12	0.0%	\$75.00	\$900.00	\$10,800	0.1%
Institutional	8	0.0%	\$75.00	\$900.00	\$7,200	0.1%
Public Building	81	0.2%	\$75.00	\$900.00	\$72,900	0.9%
Total	66,237				\$8,184,334	

- Staff responded to this request presenting a scenario where residential and multifamily classifications would pay less than non residential accounts
 - This structure can be found as table 2 on page 9 of your binder
- This structure is very similar to the one recommended by the task force, but equity concerns were voiced due to the application of the same rate to both residential and multifamily units

Task Force Work Group Recommendation

Customer Classification	Utility Accounts	% of Accounts	Monthly Fee	Annual Fee	Annual Revenue	% of Revenue
Residential	39,732	60.0%	\$8.50	\$102.00	\$4,052,664	49.2%
Multi-Family (Per Unit)	23,951	36.2%	\$6.80	\$81.60	\$1,954,402	23.7%
Irrigation	23	0.0%	\$8.50	\$102.00	\$2,346	0.0%
Small Commercial	70	0.1%	\$8.50	\$102.00	\$7,140	0.1%
Commercial	2,360	3.6%	\$75.00	\$900.00	\$2,124,000	25.8%
Industrial	12	0.0%	\$75.00	\$900.00	\$10,800	0.1%
Institutional	8	0.0%	\$75.00	\$900.00	\$7,200	0.1%
Public Building	81	0.1%	\$75.00	\$900.00	\$72,900	0.9%
Total	66,237				\$8,231,452	

- The work group of the Task Force met in January to finalize their recommendations to Council, including a rate structure for a City Operating Fee
 - This recommendation is reflected here, and can be found on page 7 of your binder
- The table reflects the Task Force's emphasis on equitable distribution across classification types while still maintaining higher fees for commercial, industrial, institutional and public buildings.
 - Places a lower burden on multifamily units compared to other classifications with multifamily units paying 80% of the residential rate
 - This approach results in a total of 26.9% of revenue being paid by the commercial, industrial, institutional, and public buildings classifications.

Revenue Restrictions



- A City Operating Fee can either be tied to a specific service or general operations
 - The Task Force recommended not tying the revenue to a specific service
- Examples of current operating fees across Oregon include:
 - Public Safety
 - Parks Maintenance
 - Library Operations

Implementation

Approval Body

- City Council adoption
- Can be referred to voters
- Requires voter approval
- Requires legislative change



Timeframe:
Less than 1 year

- Can be adopted by City Council
- Can be referred to voters
- City has previously gone through this process with the streetlight fee, has an existing program to invoice, collect and process the revenue

CITY OF *Salem*
AT YOUR SERVICE



- Payroll Tax is a tax paid on a percentage of wages earned within a taxing jurisdiction.
- Six Oregon taxing jurisdictions currently have a payroll tax
 - Lane Transit District
 - TRIMET Transit District
 - City of Canby
 - City of Sandy
 - City of Wilsonville
 - State of Oregon

Revenue Estimate-Salem MSA

City of Salem Revenue Projection-Payroll Income Tax- 2017 Data						
	Annual Wages Salem MSA 2017	.02%	.05%	.08%	.10%	.105%
Estimated Annual Revenue (as a % of Wages)	\$7,547,078,422	\$1,510,000	\$3,774,000	\$6,038,000	\$7,547,000	\$8,000,000

- State of Oregon Employment Department Report
 - Salem MSA: Marion and Polk Counties in their entireties
 - Wage figures incorporate all sectors and industries

- Salem MSA incorporates all of Marion and Polk counties.
- Wage disbursement from data set:
 - Public sector wages: 31%
 - Private sector wages: 69%
- Lower revenue potential if exemptions or reductions for those who are residents of Salem

Revenue Estimate-City of Salem

City of Salem Revenue Projection-Payroll Income Tax							
	Quarter	Wages Earned in the City of Salem	.20%	.25%	.30%	.35%	.40%
Estimated Revenue (as a % of Wages)	1	874,318,200	1,748,636	2,185,796	2,622,954	3,060,113	3,497,272
Estimated Revenue (as a % of Wages)	2	1,048,515,900	2,097,031	2,621,289	3,145,547	3,669,805	4,194,063

- City of Salem Wages-Oregon Department of Revenue
 - Only two quarters of reported data
 - Business in tax base is a best guess by DOR for this data

- Data collected by DOR for the ODOT payroll tax which began in July 2018
- While this data is more Salem specific than the Salem MSA data (and more current) it is still not completely accurate
 - Without formal conditions as would be outlined in an ordinance, the resulting numbers above are a best guess by the State of the tax base
 - No list of BINs we can provide do to lack of business registration list for cross reference
 - Using those listed as doing business in “Salem”
 - Ex: places on Lancaster that are in and out of our city boundary.

Revenue Restrictions



- No known revenue restrictions
- Self Imposed Exemptions:
 - Listed in code/ordinance
 - Ex: income restrictions, industry sectors.
 - Exemptions in current codes
 - Ex: federal credit unions, public school districts, 501(c)(3)s

- Revenue restrictions due to how any potential City of Salem ordinance would be codified.
- Those taxing districts that use a payroll tax for operations have exemptions listed in their codes.

Implementation

Approval Body

- City Council adoption
- Can be referred to voters
- Requires voter approval
- Requires legislative change



Timeframe:

Minimum 18
Months

Other Considerations

- Collection method
 - DOR agreement or City collection?

- Various time considerations depending on approval body chosen (i.e. City Council adoption v. voter referral)
- Allow additional time for implementation

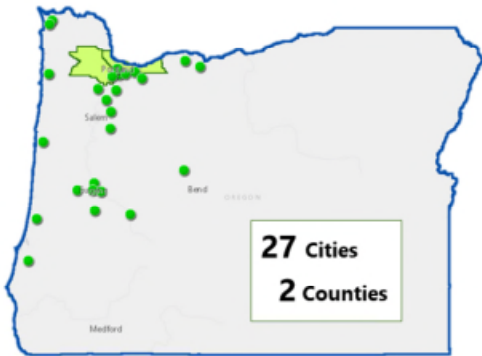
CITY OF *Salem*
AT YOUR SERVICE



Good evening, Mayor Bennet, members Council, and members of the Revenue Task Force. My name is Ryan Zink, one of the City's analysts in the Budget Office. This evening I will be presenting information on the local gas tax revenue option that is being recommended by the Revenue Task Force.

Interesting bit of trivia... the nation's first tax on gasoline was implemented 100 years ago in 1919 right here in the State of Oregon. At the time the tax was \$0.01 per gallon. Today Oregon's gas tax is \$0.34 per gallon, and is paid by the fuel distributors or retail gas stations, depending on the type of gas imported or distributed in Oregon.

Comparable Cities



City	Gas Tax Rate per Gallon	FY 2018 Revenue	Miles of Streets
Eugene	\$0.05	\$3,135,901	538
Portland	\$0.10	\$20,886,761	2,002
Springfield	\$0.03	\$1,081,791	267
Tigard	\$0.03	\$887,038	150

- Most common local gas tax rate is three cents per gallon

A gas tax is a familiar concept to most Oregonians. 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, with the most common rate being three cents.

Local gas tax is a significant revenue source that cities use to maintain and improve their transportation network. Portland's temporary local gas tax is currently the highest rate in the State and generated over \$20.8 million in FY 2018. Portland's gas tax sunsets December of 2020; however, it was announced last month that Portland will refer their gas tax to the voters again in May-2020.

Eugene is often compared with Salem as they are similar in size and population. Eugene maintains 538 miles of streets, while Salem maintains 640 miles. From 2005 through 2016, Eugene had the highest local gas tax rate in the State at five-cents per gallon and collects approximately \$3 million in revenue from this source each year.

Washington County and Multnomah County

Revenue Estimate

	\$0.03	\$0.04	\$0.05	\$0.06
Estimated Annual Revenue	\$2,394,000	\$3,202,000	\$4,010,000	\$4,818,000

- Based on Oregon Department of Transportation distribution records
- Discounted revenue by 20% to account for gas stations outside of City limits

Revenue estimates for a local gas tax in Salem range from \$2.4 million to \$4.8 million a year based on tax rates of \$0.03 to \$0.06 per gallon. The Revenue Task Force recommendation is \$0.06. Since fuel sales data for Salem is unavailable, these revenue estimates are based on wholesale distribution data provided by the Oregon Department of Transportation. The revenue estimates were discounted by 20% to account for gas stations with Salem addresses, but located outside of the City limits. Another consideration that could potentially support revenue estimates is the volume of through traffic and work commuters.

A local gas tax rate could be structured as a flat amount or could escalate over time.

The available funding used to maintain and improve the City’s transportation system has been insufficient to meet the growing need. For example, prior to the approval of the 2008 Streets and Bridges General Obligation Bond, identified projects totaled over \$300 million. The bond funded \$100 million in projects.

For the past three years, the City has conducted a statistically-valid residential satisfaction survey. In 2018, 14 percent of respondents indicated the most important issue for the City to address was related to transportation – more specifically street and infrastructure maintenance, an additional bridge, and alleviating traffic congestion. Not only was this

category identified as the second highest issue for the City to address, but it was also listed second for the service that needed the most improvement. A significant, additional revenue source such as a local gas tax would provide additional funding to progress toward meeting the community's expectations as relayed in this survey.

Revenue Restrictions



Highways, Roads, and Streets

- Construction
- Repair
- Maintenance
- Operation

The Oregon Constitution mandates that revenue derived from taxes on motor vehicle use and fuel, be used for construction, improvement, repair, maintenance, and operation of public highways, roads, and streets, including facilities for pedestrians and bicycles that are located within the right-of-way.

Currently, the City does not have adequate funding to provide many essential transportation activities. This additional revenue could be used to fund enhanced pavement, sidewalk, or bridge maintenance, or to offset the cost of traffic signal operations. Moving to a more sustainable model of using pay-as-you-go funds in combination with general obligation bond funds to accomplish major transportation infrastructure projects would be a positive outcome of implementing a local gas tax.

Implementation

Approval Body

- City Council adoption
- Can be referred to voters
- Requires voter approval
- Requires legislative change



Timeframe:

2 Years

Since 2009, all local gas tax measures must be approved by voters.

Depending on when City Council takes action and which election cycle is targeted for a measure of this nature, it could take two years or more before the City would begin receiving revenue from a gas tax. If passed by voters, implementation could occur in a short timeframe and without any additional staff. The Oregon Department of Transportation currently administers and collects local gas tax on behalf of 19 municipalities for an affordable administration fee (0.3702%) with minimal start-up costs (\$30-40K).