City Council
125 E. 8th Ave., 2nd Floor
Eugene, OR 97401-2793
541-682-5010 • 541-682-5414 Fax
www.eugene-or.gov

AMENDED AGENDA
EUGENE CITY COUNCIL
June 10, 2019

5:30 p.m. **CITY COUNCIL WORK SESSION**
Harris Hall, 125 East 8th Avenue
Eugene, Oregon 97401

Meeting of June 10, 2019;
Her Honor Mayor Lucy Vinis Presiding

Councilors

Betty Taylor, President	Emily Semple, Vice President
Mike Clark	Greg Evans
Chris Pryor	Claire Syrett
Jennifer Yeh	Alan Zelenka

Note: This agenda has been amended to switch the order of the two items.

5:30 p.m. **CITY COUNCIL WORK SESSION**
Harris Hall, 125 East 8th Avenue
Eugene, Oregon 97401

1. **WORK SESSION AND ACTION: An Ordinance to Fund Community Safety with a Payroll Tax and Adding New Section to the Eugene Code, 1971**

2. **Committee Reports and Items of Interest**

For the hearing impaired, an interpreter can be provided with 48 hours' notice prior to the meeting. Spanish-language interpretation will also be provided with 48 hours' notice. To arrange for these services, contact the receptionist at 541-682-5010. City Council meetings are telecast live on Metro Television, Comcast channel 21, and rebroadcast later in the week.

El consejo de la Ciudad de Eugene agradece su interés en estos asuntos de la agenda. El lugar de la reunión tiene acceso para sillas de ruedas. Se puede proveer a un intérprete para las personas con discapacidad auditiva si avisa con 48 horas de anticipación. También se puede proveer interpretación para español si avisa con 48 horas de anticipación. Para reservar estos servicios llame al 541-682-5010. Las reuniones del consejo de la ciudad se transmiten en vivo por Metro Television, Canal 21 de Comcast y son retransmitidas durante la semana.

For more information, contact the Council Coordinator at 541-682-5010
or visit us online at ***www.eugene-or.gov.***

EUGENE CITY COUNCIL
AGENDA ITEM SUMMARY

Work Session and Possible Action: An Ordinance to Fund Community Safety with a Payroll Tax and Adding New Sections to the Eugene Code, 1971

Meeting Date: June 10, 2019
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 2
Staff Contact: Kristie Hammitt
Contact Telephone Number: 541-682-5524

ISSUE STATEMENT

The City Council is scheduled for a work session and possible action on an ordinance to fund community safety services with a payroll tax. The City Council held a public hearing on the ordinance on May 28, 2019. The proposed payroll tax will provide the funds needed to increase the capacity and services of the city's community safety system.

BACKGROUND

At the September 26, 2018, Community Safety System work session, council unanimously passed a motion to include $8.6 million to fund a one-time 18-month Community Safety service strategy as a short-term plan to begin addressing the $23.6 million gap in public safety services. The 18-month funding plan ends June 30, 2020.

Council directed staff to immediately begin work on a long-term funding plan. A Community Safety Revenue Team was formed to develop a recommendation for the City Manager. The Community Safety Revenue Team began reviewing funding options in November 2018 and completed their report in February 2019. The Community Safety Revenue Team report to the City Manager recommended a payroll tax as the ongoing funding mechanism for the Community Safety Initiative. The group was reconvened in April 2019 to do further revenue analysis on an income tax and River Road/Santa Clara annexation funding options. The team completed this work on April 19, 2019. Further evaluation of the income tax and annexation funding options did not change the Community Safety Revenue Team's original recommendation of a payroll tax. However, the team did support considering structuring the payroll tax to lessen the burden on businesses. Council received a copy of this report at its work session on May 8.

At the work session on May 8, council received a brief presentation on a proposed Community Safety Payroll Tax ordinance. The draft ordinance included input and feedback received from City Council, the Community Safety Revenue Team, and community outreach. Specifically, the draft ordinance included accountability measures that ensure funds may only be used for the Community Safety initiative, require an independent financial audit of fund use, establish a Citizen

Advisory Board that will conduct an annual performance audit and ensure that payroll tax revenue will be maintained in a separate fund and will not replace existing dedicated funds.

After considering three payroll tax rate options for inclusion in the proposed ordinance, on May 8 council decided to include in the proposed ordinance a 0.0040 tax rate on employees (except for minimum wage employees which had a reduced tax rate of 0.0020) and a 0.0020 tax rate on employers. Council directed the City Manager to schedule a public hearing on the Community Safety Payroll Tax ordinance for May 28.

At the May 28 public hearing, 29 people provided testimony. Between May 9 and May 31, 88 emails on the topic were received via the online form and the Mayor, City Council and City Manager public email address.

Revised Ordinance

The ordinance that was the subject of the May 28 public hearing has been revised to address some of the verbal and written public testimony, to respond to feedback from council, and to reflect input recently received from the Oregon Department of Revenue. Attached to this agenda items summary as Attachment A are the proposed revisions to the May 28 ordinance, shown in track changes. The clean ordinance attached to this AIS as Attachment B incorporates all of the proposed revisions shown in Attachment A.

The proposed revisions shown in Attachment A include: 1) changes that will facilitate smoother administration of the payroll tax by the Oregon Department of Revenue; 2) corrections to cross-reference errors; and, 3) changes intended to provide clarity regarding tax implementation. Additionally, in response to Council and community feedback, Attachment A shows proposed revisions to the following uncodified sections of the ordinance:

- Section 3 – Revision to further clarify that the council will use the payroll tax revenues to supplement, not replace, funding used in FY18 for Community Safety Services.

- Section 5 – Revision to specify that the FY27 comprehensive report will include an analysis of the economic impacts of the payroll tax on businesses in the city.

- Section 5 – Revisions to specify that the FY27 comprehensive report will include an analysis of progress made toward achieving the following system outcomes:
    - Increase the number of minutes per hour officers are available for community policing;
    - Reduce the number of calls for service per day to which no city personnel are dispatched to respond;
    - Reduce the number of minutes it takes city personnel to respond to non-emergency requests for service.

- Section 6 – Revision to provide that in seven years the City Council must refer the payroll tax to the voters in order for the tax to continue; if not referred by the council or not approved by the voters, the payroll tax ends in 2028.

Resolution Referring a Charter Amendment
Attached to this AIS as Attachment C is a Resolution referring to the voters the following Charter amendment: "*Any payroll tax imposed by the City is capped at 0.0020 on total wages paid by employers and 0.0040 on wages earned by employees. Revenues from a payroll tax imposed by the City may only be used to fund community safety services and administration of the tax.*"

The purpose of the proposed Charter amendment is to allow the voters to cap the payroll tax rates and limit the use of the payroll tax revenues to funding community safety services. If approved by the voters, the Charter amendment would prohibit any increase in the payroll tax rates above 0.0020 for employers and 0.0040 for employees or any use of the payroll tax for reasons other than funding community safety services or tax administration without voters amending the Charter. Council could adopt the resolution attached as Attachment C *after* adopting the ordinance imposing the payroll tax.

PREVIOUS COUNCIL DIRECTION
September 26, 2018, Work Session
https://eugene.ompnetwork.org/sessions/51006?embedInPoint=134&embedOutPoint=4378&shareMethod=link

February 13, 2019, Work Session
https://eugene.ompnetwork.org/sessions/98151?embedInPoint=1&embedOutPoint=5617&shareMethod=link

February 23, 2019, Workshop
https://eugene.ompnetwork.org/sessions/99837?embedInPoint=3575&embedOutPoint=15696&shareMethod=link

April 8, 2019, Work Session
https://eugene.ompnetwork.org/sessions/102601?embedInPoint=1110&embedOutPoint=4356&shareMethod=link

May 28, 2019, Public Hearing
https://eugene.ompnetwork.org/sessions/107322?embedInPoint=837&embedOutPoint=9872&shareMethod=link

COUNCIL OPTIONS
1. Adopt Attachment B as proposed.
2. Adopt Attachment B with modifications.
3. Take no action at this time.

If council adopts Attachment B as proposed or with modifications:
4. Adopt Attachment C as proposed.
5. Adopt Attachment C with modifications.
6. Take no action at this time.

CITY MANAGER'S RECOMMENDATIONS

1. Adopt Attachment B as proposed.
2. Adopt Attachment C as proposed.

SUGGESTED MOTIONS

1. Move to adopt Attachment B, an Ordinance to Fund Community Safety Services with a Payroll Tax, and Adding New Sections to the Eugene Code, 1971.

2. Move to adopt Attachment C, a Resolution Calling a City Election on November 5, 2019, for the Purpose of Referring to the Legal Electors of the City of Eugene a Charter Amendment that Caps the Rate and Limits the Use of the City's Payroll Tax.

ATTACHMENTS

A. Proposed changes to the May 28 payroll tax ordinance (shown in track changes).
B. An Ordinance to Fund Community Safety Services with a Payroll Tax, and Adding New Sections to the Eugene Code, 1971 (incorporating the changes shown in Attachment A).
C. A Resolution Calling a City Election on November 5, 2019, for the Purpose of Referring to the Legal Electors of the City of Eugene a Charter Amendment that Caps the Rate and Limits the Use of the City's Payroll Tax.

FOR MORE INFORMATION

Staff Contact: Kristie Hammitt, Assistant City Manager
Telephone: 541-682-5524
Staff E-Mail: KHammitt@eugene-or.gov

Attachment A

ORDINANCE NO. _____

AN ORDINANCE TO FUND COMMUNITY SAFETY SERVICES WITH A PAYROLL TAX AND ADDING NEW SECTIONS TO THE EUGENE CODE, 1971.

The City Council of the City of Eugene finds as follows:

A. Being safe, and feeling safe, is important to everyone. The City, through its community safety services, strives to make Eugene a safe and welcoming place for everyone to live, work, and do business.

B. The City's community safety services include the Eugene Police Department, the Eugene-Springfield Fire & EMS Department, Eugene Municipal Court, and multi-departmental efforts aimed at addressing and preventing homelessness. These City services provide the foundation needed to have accessible parks and natural resources, a prosperous economy, thriving arts and culture, and healthy, safe neighborhoods.

C. During the recession the City eliminated over 20% ($30 million) of the general fund operating budget, primarily through efficiencies, reorganizations and trimming of some services. Recognizing the importance of providing safety services, during the recession and continuing today, the public safety budget has remained steady, at around 60% of the City's total general fund budget.

D. To better serve our community's expanding and changing public safety needs, the City has worked over the last five years to optimize available resources and become even more efficient in its provision of services. Programs such as the Community Outreach Response Team, Mental Health Court, and Community Court provide alternative paths out of the traditional public safety system, helping reduce overall demands on the system. Eugene-Springfield Fire implemented Basic Life Support response for non-life-threatening calls to the Fire Department and added an Advanced Life Support ambulance unit which has improved patient outcomes for some of the most critical emergency medical calls for service across both Eugene and Springfield. Increased CAHOOTS services provide mobile crisis intervention that responds to thousands of police calls for service every year providing critical behavioral health services. Using grant funding, Municipal Court was able to make improvements that reduced their case backlog by 20%. While all of these programs are positive additions to our community safety system, more needs to be done.

E. The community's need for safety services has continued to grow, outpacing City resources and resulting in critical gaps in the system. From 2014 to 2017, daily average calls for police services increased 21%, but staffing has remained flat. Homicide, rape, robbery, assault, sex offenses and family offenses have increased by 18% in that same time. Police response time has increased 86% from 23 minutes in 2014 to 42 minutes in 2017. Police are unable to respond to 1 in 3 non-life-threatening calls for service, an increase of 40%. Eugene Municipal Court handles 5,000 misdemeanor criminal cases (like theft, disorderly conduct, or driving under the influence) annually – second in the state to Multnomah County's Circuit Court. The number of unsheltered homeless adults in Eugene is significantly higher than in many other similarly-sized communities.

F. It is not just statistics that demonstrate the City's need for increased community safety resources~~,~~ ; community members have said there is a need too. A survey of Eugene voters in July 2018 demonstrated that the community strongly supports addressing the City's public safety needs. A vast majority of survey respondents (84%) believe that City ~~O~~officials should take steps to address issues that impact public safety. Follow-up community outreach confirmed the community's very real and growing concern ~~for~~ about a delayed, or no, police response due to police resource levels.

G. Seeing the immediate, critical need for additional community safety services, in September~~,~~ 2018, the City Council approved spending $8.6 million to add some limited capacity and maintain funding for several critical programs (often referred to as the "bridge funding"). When appropriating the bridge funding, the Council made clear its intent to find a long-term, sustainable funding source for the community safety system.

H. Without a new, permanent source of funds, the community safety services funded by the $8.6 million bridge will end, and the gaps in the system will continue to widen. Specifically, response times will keep getting longer, an increasing number of calls will go unanswered, a higher percentage of violations and citations will not make it to the courts, safety concerns in parks, along pathways and in neighborhoods will continue to go unsolved, the little time currently available for proactive policing will dissipate, and fewer opportunities will be available to move homeless community members onto paths of wellness.

I. Making some of the systematic changes needed to alter the current trajectory of our safety system will cost an additional $23.6 million per year. The $23.6 million funding need is based on the following package of community safety services:

- Police services, including 40 patrol officers, 5 detectives, 4 sergeants, 10 community service officers, 9.5 staff for 911, animal welfare and traffic safety officers, and evidence control and forensic analysts.
- Fire and emergency medical services, including the creation of a 911 triage program and field triage/community response unit.
- Municipal court and prosecution services, including opening third courtroom, expanding community court and mental health court programs and adding 10 jail beds and increased jail services.
- Prevention and homelessness services, including adding emergency shelters, a day center and funding after school programs at Title 1 schools.

J. To fund the above-described package of services, the $23.6 million would generally be allocated among the services as follows: 65% for police services; 10% for fire and emergency medical services; 15% for municipal court and prosecution services; and, 10% for prevention and homelessness services.

K. By increasing capacity and services with an additional $23.6 million in funding, the community can expect that, as the safety system ramps-up over the next one to five years, the following ~~is~~ will occur:

- Faster and more responsive police services.
- Increased proactive community policing by sworn officers, achieved through the use of Community Response Units and Community Service Officers (CSOs) that can provide public safety support to assist with non-emergency calls like routine crashes and retrieving stolen property.

- Crime deterrence through the establishment of a 10-person Street Crimes Unit that will proactively deter crimes and increase officer presence in neighborhoods.
- Implementation of prevention efforts aimed at keeping people and youth off the streets, such as adding homeless services that help people stabilize and improve their lives, strengthening the network of support with nonprofit and medical organizations to help reduce the number of people who chronically use the system, and growing youth programs to engage and help at-risk youth, including after-school programs, 15th Night and inclusion programs.
- More people who commit crimes will be held accountable through the addition of detectives to investigate crimes, the opening of a third courtroom to resolve cases more quickly, the addition of more prosecutors, court appointed attorneys and court staff, and the increase in the number of jail beds and probation officers.

L. Providing the community safety services necessary to achieve the above-described outcomes requires a new, long-term, sustainable funding source. As part of the effort to find a new funding source, the Council directed the formation of a Community Safety Revenue Team to make recommendations to the City Manager. The Revenue Team focused on identifying a funding mechanism that could raise the amount needed, would be stable and flexible, fair and feasible. The Revenue Team recommended a modest payroll tax to address the significant and urgent gaps in our system and to provide the services that those who live, visit and work in Eugene need, expect and deserve.

M. A payroll tax on both employers and employees provides the funds needed to bring our community safety services up to the level that the community is expecting and entitled to receive. The addition of this separate, dedicated, revenue source for community safety services, together with the City's current, stable budget, will make a real difference in how community safety services are provided throughout the City.

THE CITY OF EUGENE DOES ORDAIN AS FOLLOWS:

Section 1. Sections 3.720, 3.722, 3.724, 3.726, 3.728, 3.730, 3.732, 3.734, 3.736, and 3.738 of the Eugene Code, 1971, are added to provide as follows:

Community Safety Payroll Tax

3.720 Payroll Tax – Purpose. The provisions contained in sections 3.720 to 3.738 of this code are for the purpose of providing funding to increase community safety services through the adoption of a dedicated tax on wages, hereinafter referred to as the payroll tax.

3.722 Payroll Tax - Definitions. For the purposes of sections 3.720 through 3.738 of this code, the following words and phrases shall have the following meanings, unless the context requires otherwise:

City. The City of Eugene.

City Manager. The city manager or the city manager's designee.

Employer. Any of the following:

(a) A person who is in such relation to another person that the person may control the work of that other person and direct the manner in which it is to be done;

(b) An officer or employee of a corporation, or a member or employee of a partnership, who as such officer, employee or member is under a duty to perform the acts required of employers by ORS 316.167, 316.182, 316.197, 316.202 and 316.207;

(c) The State of Oregon or any political subdivision of the state; or

(d) An independent contractor.

Employee. An individual who renders personal services at a fixed rate to an employer if the employer either pays or agrees to pay for personal services or permits the individual to perform personal services.

Fixed Rate. Compensation based on the time spent in the performance of the services, on the number of operations accomplished or on the quantity produced or handled.

Independent Contractor. As defined in ORS 670.600.

Minimum Wage Employee. An employee working for the minimum wage rate established by ORS 653.025.

Tax Administrator. The city manager, the manager's designee, or any person or entity with whom the city manager contracts to perform those duties. More than one person or entity can concurrently serve as the tax administrator.

Wages. As defined in ORS 267.380(1)(c), (2)~~(a)~~(b) – (c), and (2)(e) – (j).

3.724 Payroll Tax – Tax Imposed.

(1) A tax is hereby imposed on every employer, except the federal government, State of Oregon or any political subdivision of the state, with a physical address in the city at a rate of 0.0020 of wages paid by the employer.

(2) A tax is hereby imposed on every employee working at an employer located in the city at a rate of 0.0040 of employee's wages.

(3) Notwithstanding subsection (2) of this section, the tax rate imposed on every minimum wage employee working at an employer located in the city is 0.0020 of the employee's wages.

(4) If an employer located in the city also has one or more business locations outside the city, no tax is owed by the employer or the employee for those hours an employee works at an employer's business location that is outside the city.

(5) Every employer at the time of the payment of wages shall deduct and withhold from the total amount of the wages paid to employees an amount equal to the total amount of wages~~, without exemption or deduction,~~ multiplied by the rate of tax imposed under subsection (2) or (3) of this section.

3.726 Payroll Tax – Payment and Remittance. The employer shall pay the tax imposed by 3.724(1), and remit the tax imposed by 3.724(2) and (3), to the tax administrator quarterly, or less frequently than quarterly if directed by the rules adopted under section 3.732 of this code. The tax administrator is authorized to exercise all

supervisory and administrative powers with regard to the enforcement, collection and administration of the wage tax, except any administrative rules may only be adopted by the city manager under section 3.732.

3.728 **Payroll Tax – Use.** Payroll tax revenue shall only be used to fund:

(1) Police services, including but not limited to, patrol officers, detectives, sergeants, community service officers, 9-1-1 staff, animal welfare and traffic safety officers, and evidence control and forensic analysts;

(2) Fire and emergency medical services, including but not limited to, the creation of a 9-1-1 triage program and a field triage/community response unit;

(3) Municipal court and prosecution services, including but not limited to, staffing a third courtroom, expanding community court and mental health court programs and adding 10 jail beds and increased jail services;

(4) Prevention and homeless services, including but not limited to, adding emergency shelters, a day center and funding after school programs at Title I schools; and,

(5) Administration of the payroll tax.

3.730 **Payroll Tax – Interest and Penalties**.

~~(1)~~ The city manager shall adopt administrative rules pursuant to section 2.019 of this code to specify the amount of penalties and interest that an employer must pay if the employer fails to timely pay or remit any tax imposed by this code. The amount of penalties and interest established by administrative rule shall be consistent with comparable provisions of state law. ~~In addition to assessing any civil penalties under section 3.045 and 3.995, if the city manager determines that an employer has failed to pay all or any part of the payroll tax due under section 3.724(1) of this code, interest shall be due on the entire unpaid amount, assessed at the rate of .833 percent simple interest per month or fraction thereof (10 percent per annum), computed from the original due date of the tax.~~

~~(2)~~ ~~An employer that fails to deduct, withhold, or remit the tax required under this section is deemed responsible for the payment of the tax obligation in an amount equal to the amount that had been required to be withheld from the employee's wages and remitted to the tax administrator.~~

3.732 **Payroll Tax – Implementing Rules**. The city manager may adopt regulations, procedures, forms, guides and written policies pursuant to section 2.019 of this code for implementation of sections 3.720 through 3.738 of this code, including but not limited to interest and penalties, collection and enforcement, ~~partial refund processes~~appeals, and further clarification of the definitions contained in 3.722.

3.734 **Payroll Tax – Appeal**. Any person aggrieved by any decision under this code may appeal the decision in the manner provided by administrative rule adopted pursuant to ~~in~~ section 2.019 ~~2.021~~ of this code. The appeal shall be heard and determined as provided in the adopted administrative rule.~~section 2.021 of this code.~~

3.736 **Payroll Tax - Annual Audit**. The city manager shall contract with an outside auditor to prepare an annual written report on the use of the payroll tax revenue. The auditor shall ascertain and report on whether the tax revenue was used in compliance with the purpose and use set forth in sections 3.720 and 3.728 of this code. The city manager shall provide the report to the Council and make the report publicly available.

3.738 **Payroll Tax - Citizen Advisory Board**. The city manager shall convene a Citizen Advisory Board. The Citizen Advisory Board shall prepare an annual report, separate and distinct from the report prepared by the outside auditor, documenting the city's use of the tax revenue and noting whether the tax revenue was spent in compliance with the purpose and use set forth in sections 3.720 and 3.728 of this code. The city manager shall provide the Citizen Advisory Board's report to the ~~council~~ Council and make the report publicly available.

Section 2. Payroll tax revenues shall be budgeted and accounted for in a separate fund that is easily identifiable by members of the public.

Section 3. The purpose of the payroll tax is to raise additional revenue to be able to increase community safety services beyond what the City was able to fund in FY18 (before the $8.6 "bridge" funding). Therefore, the Council ~~intends to~~will use, in accordance with Oregon budget law, the payroll tax revenues to supplement, and not replace, funding used in FY18 for community safety services.

Section 4. Notwithstanding Section 3, the Council ~~intends to~~may use payroll tax revenues to replace $840,000 of downtown police services funding that is currently coming from the parking fund.

Section 5. In FY27, the Citizen Advisory Board established by section 3.738 of this code shall conduct a comprehensive review of the city's community safety system, use of the payroll tax revenues, and compliance with Section 3 ~~-~~and shall prepare and deliver a report to the city manager no later than March 31, 2027. The report shall include, but is not limited to, an analysis of the economic impacts of the payroll tax on businesses in the city and an analysis of the progress made toward achieving the following system outcomes: 1) increase the number of minutes per hour officers are available for community policing (currently, officer availability is approximately five minutes per hour); 2) reduce the number of calls for service per day to which no city personnel are dispatched to respond (currently, there is no response to approximately 80 calls for service per day); and, 3) reduce the number of minutes it takes city personnel to respond to non-emergency requests for service (currently, non-emergency response time is approximately 42 minutes).

Section 6. The city manager shall provide the Citizen Advisory Board's report to the ~~council~~ Council and make the report publicly available. After receiving the report, the ~~council~~ Council shall hold a public hearing to hear community ~~citizen~~ input regarding whether the payroll tax is accomplishing the objectives specified in Section 5, this Ordinance's findings, and the purpose specified in section 3.720. After reviewing the Citizen Advisory Board's report and public testimony, the City Council shall determine whether the payroll tax should continue. If the Council concludes that the payroll tax should continue, the Council shall adopt a resolution ~~motion~~ not later than June 30, 2027, referring continuation of the payroll tax to the voters. ~~stating that the payroll tax will continue after FY28. If the~~ Unless the Council ~~fails to~~ adopts such a resolution ~~motion~~ by June 30, 2027, and the voters subsequently vote to continue the payroll tax, ~~then~~ the payroll tax shall ~~automatically~~ terminate with respect to wages earned ~~on or~~ after December 31, ~~July 1,~~ 2028.

Section 7. No tax shall be owed under section 3.724 of this code on wages earned prior to July 1, 2020. The date after June 30, 2020, on which taxes shall first be owed shall be established by administrative rule adopted pursuant to section 2.019 of this code.

Section ~~6~~8. The City Recorder, at the request of, or with the consent of the City Attorney, is authorized to administratively correct any reference errors contained herein, or in other provisions of the Eugene Code, 1971, to the provisions added, amended or repealed herein.

Passed by the City Council this

__ day of ____, 2019.

_____
City Recorder

Approved by the Mayor this

_____ day of _____, 2019.

_____
Mayor

Attachment B

ORDINANCE NO. _____

AN ORDINANCE TO FUND COMMUNITY SAFETY SERVICES WITH A PAYROLL TAX AND ADDING NEW SECTIONS TO THE EUGENE CODE, 1971.

The City Council of the City of Eugene finds as follows:

A. Being safe, and feeling safe, is important to everyone. The City, through its community safety services, strives to make Eugene a safe and welcoming place for everyone to live, work, and do business.

B. The City's community safety services include the Eugene Police Department, the Eugene-Springfield Fire & EMS Department, Eugene Municipal Court, and multi-departmental efforts aimed at addressing and preventing homelessness. These City services provide the foundation needed to have accessible parks and natural resources, a prosperous economy, thriving arts and culture, and healthy, safe neighborhoods.

C. During the recession the City eliminated over 20% ($30 million) of the general fund operating budget, primarily through efficiencies, reorganizations and trimming of some services. Recognizing the importance of providing safety services, during the recession and continuing today, the public safety budget has remained steady, at around 60% of the City's total general fund budget.

D. To better serve our community's expanding and changing public safety needs, the City has worked over the last five years to optimize available resources and become even more efficient in its provision of services. Programs such as the Community Outreach Response Team, Mental Health Court, and Community Court provide alternative paths out of the traditional public safety system, helping reduce overall demands on the system. Eugene-Springfield Fire implemented Basic Life Support response for non-life-threatening calls to the Fire Department and added an Advanced Life Support ambulance unit which has improved patient outcomes for some of the most critical emergency medical calls for service across both Eugene and Springfield. Increased CAHOOTS services provide mobile crisis intervention that responds to thousands of police calls for service every year providing critical behavioral health services. Using grant funding, Municipal Court was able to make improvements that reduced their case backlog by 20%. While all of these programs are positive additions to our community safety system, more needs to be done.

E. The community's need for safety services has continued to grow, outpacing City resources and resulting in critical gaps in the system. From 2014 to 2017, daily average calls for police services increased 21%, but staffing has remained flat. Homicide, rape, robbery, assault, sex offenses and family offenses have increased by 18% in that same time. Police response time has increased 86% from 23 minutes in 2014 to 42 minutes in 2017. Police are unable to respond to 1 in 3 non-life-threatening calls for service, an increase of 40%. Eugene Municipal Court handles 5,000 misdemeanor criminal cases (like theft, disorderly conduct, or driving under the influence) annually – second in the state to Multnomah County's Circuit Court. The number of unsheltered homeless adults in Eugene is significantly higher than in many other similarly-sized communities.

F. It is not just statistics that demonstrate the City's need for increased community safety resources; community members have said there is a need too. A survey of Eugene voters in July 2018 demonstrated that the community strongly supports addressing the City's public safety needs. A vast majority of survey respondents (84%) believe that City officials should take steps to address issues that impact public safety. Follow-up community outreach confirmed the community's very real and growing concern about a delayed, or no, police response due to police resource levels.

G. Seeing the immediate, critical need for additional community safety services, in September 2018, the City Council approved spending $8.6 million to add some limited capacity and maintain funding for several critical programs (often referred to as the "bridge funding"). When appropriating the bridge funding, the Council made clear its intent to find a long-term, sustainable funding source for the community safety system.

H. Without a new, permanent source of funds, the community safety services funded by the $8.6 million bridge will end, and the gaps in the system will continue to widen. Specifically, response times will keep getting longer, an increasing number of calls will go unanswered, a higher percentage of violations and citations will not make it to the courts, safety concerns in parks, along pathways and in neighborhoods will continue to go unsolved, the little time currently available for proactive policing will dissipate, and fewer opportunities will be available to move homeless community members onto paths of wellness.

I. Making some of the systematic changes needed to alter the current trajectory of our safety system will cost an additional $23.6 million per year. The $23.6 million funding need is based on the following package of community safety services:

- Police services, including 40 patrol officers, 5 detectives, 4 sergeants, 10 community service officers, 9.5 staff for 911, animal welfare and traffic safety officers, and evidence control and forensic analysts.
- Fire and emergency medical services, including the creation of a 911 triage program and field triage/community response unit.
- Municipal court and prosecution services, including opening third courtroom, expanding community court and mental health court programs and adding 10 jail beds and increased jail services.
- Prevention and homelessness services, including adding emergency shelters, a day center and funding after school programs at Title 1 schools.

J. To fund the above-described package of services, the $23.6 million would generally be allocated among the services as follows: 65% for police services; 10% for fire and emergency medical services; 15% for municipal court and prosecution services; and, 10% for prevention and homelessness services.

K. By increasing capacity and services with an additional $23.6 million in funding, the community can expect that, as the safety system ramps-up over the next one to five years, the following will occur:

- Faster and more responsive police services.
- Increased proactive community policing by sworn officers, achieved through the use of Community Response Units and Community Service Officers (CSOs) that can provide public safety support to assist with non-emergency calls like routine crashes and retrieving stolen property.

- Crime deterrence through the establishment of a 10-person Street Crimes Unit that will proactively deter crimes and increase officer presence in neighborhoods.
- Implementation of prevention efforts aimed at keeping people and youth off the streets, such as adding homeless services that help people stabilize and improve their lives, strengthening the network of support with nonprofit and medical organizations to help reduce the number of people who chronically use the system, and growing youth programs to engage and help at-risk youth, including after-school programs, 15th Night and inclusion programs.
- More people who commit crimes will be held accountable through the addition of detectives to investigate crimes, the opening of a third courtroom to resolve cases more quickly, the addition of more prosecutors, court appointed attorneys and court staff, and the increase in the number of jail beds and probation officers.

L. Providing the community safety services necessary to achieve the above-described outcomes requires a new, long-term, sustainable funding source. As part of the effort to find a new funding source, the Council directed the formation of a Community Safety Revenue Team to make recommendations to the City Manager. The Revenue Team focused on identifying a funding mechanism that could raise the amount needed, would be stable and flexible, fair and feasible. The Revenue Team recommended a modest payroll tax to address the significant and urgent gaps in our system and to provide the services that those who live, visit and work in Eugene need, expect and deserve.

M. A payroll tax on both employers and employees provides the funds needed to bring our community safety services up to the level that the community is expecting and entitled to receive. The addition of this separate, dedicated, revenue source for community safety services, together with the City's current, stable budget, will make a real difference in how community safety services are provided throughout the City.

THE CITY OF EUGENE DOES ORDAIN AS FOLLOWS:

Section 1. Sections 3.720, 3.722, 3.724, 3.726, 3.728, 3.730, 3.732, 3.734, 3.736, and 3.738 of the Eugene Code, 1971, are added to provide as follows:

Community Safety Payroll Tax

3.720 **Payroll Tax – Purpose.** The provisions contained in sections 3.720 to 3.738 of this code are for the purpose of providing funding to increase community safety services through the adoption of a dedicated tax on wages, hereinafter referred to as the payroll tax.

3.722 **Payroll Tax - Definitions.** For the purposes of sections 3.720 through 3.738 of this code, the following words and phrases shall have the following meanings, unless the context requires otherwise:

City. The City of Eugene.

City Manager. The city manager or the city manager's designee.

Employer. Any of the following:

(a) A person who is in such relation to another person that the person may control the work of that other person and direct the manner in which it is to be done;

(b) An officer or employee of a corporation, or a member or employee of a partnership, who as such officer, employee or member is under a duty to perform the acts required of employers by ORS 316.167, 316.182, 316.197, 316.202 and 316.207;

(c) The State of Oregon or any political subdivision of the state; or

(d) An independent contractor.

Employee. An individual who renders personal services at a fixed rate to an employer if the employer either pays or agrees to pay for personal services or permits the individual to perform personal services.

Fixed Rate. Compensation based on the time spent in the performance of the services, on the number of operations accomplished or on the quantity produced or handled.

Independent Contractor. As defined in ORS 670.600.

Minimum Wage Employee. An employee working for the minimum wage rate established by ORS 653.025.

Tax Administrator. The city manager, the manager's designee, or any person or entity with whom the city manager contracts to perform those duties. More than one person or entity can concurrently serve as the tax administrator.

Wages. As defined in ORS 267.380(1)(c), (2)(b) – (c), and (2)(e) – (j).

3.724 **Payroll Tax – Tax Imposed.**

(1) A tax is hereby imposed on every employer, except the federal government, State of Oregon or any political subdivision of the state, with a physical address in the city at a rate of 0.0020 of wages paid by the employer.

(2) A tax is hereby imposed on every employee working at an employer located in the city at a rate of 0.0040 of employee's wages.

(3) Notwithstanding subsection (2) of this section, the tax rate imposed on every minimum wage employee working at an employer located in the city is 0.0020 of the employee's wages.

(4) If an employer located in the city also has one or more business locations outside the city, no tax is owed by the employer or the employee for those hours an employee works at an employer's business location that is outside the city.

(5) Every employer at the time of the payment of wages shall deduct and withhold from the total amount of the wages paid to employees an amount equal to the total amount of wages multiplied by the rate of tax imposed under subsection (2) or (3) of this section.

3.726 **Payroll Tax – Payment and Remittance**. The employer shall pay the tax imposed by 3.724(1), and remit the tax imposed by 3.724(2) and (3), to the tax administrator

quarterly, or less frequently than quarterly if directed by the rules adopted under section 3.732 of this code. The tax administrator is authorized to exercise all supervisory and administrative powers with regard to the enforcement, collection and administration of the wage tax, except any administrative rules may only be adopted by the city manager under section 3.732.

3.728 **Payroll Tax – Use.** Payroll tax revenue shall only be used to fund:

(1) Police services, including but not limited to, patrol officers, detectives, sergeants, community service officers, 9-1-1 staff, animal welfare and traffic safety officers, and evidence control and forensic analysts;

(2) Fire and emergency medical services, including but not limited to, the creation of a 9-1-1 triage program and a field triage/community response unit;

(3) Municipal court and prosecution services, including but not limited to, staffing a third courtroom, expanding community court and mental health court programs and adding 10 jail beds and increased jail services;

(4) Prevention and homeless services, including but not limited to, adding emergency shelters, a day center and funding after school programs at Title I schools; and,

(5) Administration of the payroll tax.

3.730 **Payroll Tax – Interest and Penalties**. The city manager shall adopt administrative rules pursuant to section 2.019 of this code to specify the amount of penalties and interest that an employer must pay if the employer fails to timely pay or remit any tax imposed by this code. The amount of penalties and interest established by administrative rule shall be consistent with comparable provisions of state law.

3.732 **Payroll Tax – Implementing Rules**. The city manager may adopt regulations, procedures, forms, guides and written policies pursuant to section 2.019 of this code for implementation of sections 3.720 through 3.738 of this code, including but not limited to interest and penalties, collection and enforcement, appeals, and further clarification of the definitions contained in 3.722.

3.734 **Payroll Tax – Appeal**. Any person aggrieved by any decision under this code may appeal the decision in the manner provided by administrative rule adopted pursuant to section 2.019 of this code. The appeal shall be heard and determined as provided in the adopted administrative rule.

3.736 **Payroll Tax - Annual Audit**. The city manager shall contract with an outside auditor to prepare an annual written report on the use of the payroll tax revenue. The auditor shall ascertain and report on whether the tax revenue was used in compliance with the purpose and use set forth in sections 3.720 and 3.728 of this code. The city manager shall provide the report to the Council and make the report publicly available.

3.738 **Payroll Tax - Citizen Advisory Board**. The city manager shall convene a Citizen Advisory Board. The Citizen Advisory Board shall prepare an annual report, separate and distinct from the report prepared by the outside auditor, documenting the city's use of the tax revenue and noting whether the tax revenue was spent in compliance with the purpose and use set forth in sections 3.720 and 3.728 of this code. The city manager shall provide the Citizen Advisory Board's report to the Council and make the report publicly available.

Section 2. Payroll tax revenues shall be budgeted and accounted for in a separate fund that is easily identifiable by members of the public.

Section 3. The purpose of the payroll tax is to raise additional revenue to be able to increase community safety services beyond what the City was able to fund in FY18 (before the $8.6 "bridge" funding). Therefore, the Council will use, in accordance with Oregon budget law, the payroll tax revenues to supplement, and not replace, funding used in FY18 for community safety services.

Section 4. Notwithstanding Section 3, the Council may use payroll tax revenues to replace $840,000 of downtown police services funding that is currently coming from the parking fund.

Section 5. In FY27, the Citizen Advisory Board established by section 3.738 of this code shall conduct a comprehensive review of the city's community safety system, use of the payroll tax revenues, and compliance with Section 3 and shall prepare and deliver a report to the city manager no later than March 31, 2027. The report shall include, but is not limited to, an analysis of the economic impacts of the payroll tax on businesses in the city and an analysis of the progress made toward achieving the following system outcomes: 1) increase the number of minutes per hour officers are available for community policing (currently, officer availability is approximately five minutes per hour); 2) reduce the number of calls for service per day to which no city personnel are dispatched to respond (currently, there is no response to approximately 80 calls for service per day); and, 3) reduce the number of minutes it takes city personnel to respond to non-emergency requests for service (currently, non-emergency response time is approximately 42 minutes).

Section 6. The city manager shall provide the Citizen Advisory Board's report to the Council and make the report publicly available. After receiving the report, the Council shall hold a public hearing to hear community input regarding whether the payroll tax is accomplishing the objectives specified in Section 5, this Ordinance's findings, and the purpose specified in section

3.720. After reviewing the Citizen Advisory Board's report and public testimony, the City Council shall determine whether the payroll tax should continue. If the Council concludes that the payroll tax should continue, the Council shall adopt a resolution not later than June 30, 2027, referring continuation of the payroll tax to the voters. Unless the Council adopts such a resolution by June 30, 2027, and the voters subsequently vote to continue the payroll tax, the payroll tax shall terminate with respect to wages earned after December 31, 2028.

Section 7. No tax shall be owed under section 3.724 of this code on wages earned prior to July 1, 2020. The date after June 30, 2020, on which taxes shall first be owed shall be established by administrative rule adopted pursuant to section 2.019 of this code.

Section 8. The City Recorder, at the request of, or with the consent of the City Attorney, is authorized to administratively correct any reference errors contained herein, or in other provisions of the Eugene Code, 1971, to the provisions added, amended or repealed herein.

Passed by the City Council this

__ day of ____, 2019.

_____
City Recorder

Approved by the Mayor this

_____ day of _____, 2019.

_____
Mayor

Attachment C

RESOLUTION NO. _____

A RESOLUTION CALLING A CITY ELECTION ON NOVEMBER 5, 2019, FOR THE PURPOSE OF REFERRING TO THE LEGAL ELECTORS OF THE CITY OF EUGENE A CHARTER AMENDMENT THAT CAPS THE RATE AND LIMITS THE USE OF THE CITY'S PAYROLL TAX.

The City Council of the City of Eugene finds as follows:

A. Being safe, and feeling safe, is important to everyone. The City, through its community safety services, strives to make Eugene a safe and welcoming place for everyone to live, work, and do business.

B. The City's community safety services include the Eugene Police Department, the Eugene-Springfield Fire & EMS Department, Eugene Municipal Court, and multi-departmental efforts aimed at addressing and preventing homelessness. These City services provide the foundation needed to have accessible parks and natural resources, a prosperous economy, thriving arts and culture, and healthy, safe neighborhoods.

C. During the recession the City eliminated over 20% ($30 million) of the general fund operating budget, primarily through efficiencies, reorganizations and trimming of some services. Recognizing the importance of providing safety services, during the recession and continuing today, the public safety budget has remained steady, at around 60% of the City's total general fund budget.

D. To better serve our community's expanding and changing public safety needs, the City has worked over the last five years to optimize available resources and become even more efficient in its provision of services. Programs such as the Community Outreach Response Team, Mental Health Court, and Community Court provide alternative paths out of the traditional public safety system, helping reduce overall demands on the system. Eugene-Springfield Fire implemented Basic Life Support response for non-life-threatening calls to the Fire Department and added an Advanced Life Support ambulance unit which has improved patient outcomes for some of the most critical emergency medical calls for service across both Eugene and Springfield. Increased CAHOOTS services provide mobile crisis intervention that responds to thousands of police calls for service every year providing critical behavioral health services. Using grant funding, Municipal Court was able to make improvements that reduced their case backlog by 20%. While all of these programs are positive additions to our community safety system, more needs to be done.

E. The community's need for safety services has continued to grow, outpacing City resources and resulting in critical gaps in the system. From 2014 to 2017, daily average calls for police services increased 21%, but staffing has remained flat. Homicide, rape, robbery, assault, sex offenses and family offenses have increased by 18% in that same time. Police response time has increased 86% from 23 minutes in 2014 to 42 minutes in 2017. Police are unable to respond to 1 in 3 non-life-threatening calls for service, an increase of 40%. Eugene Municipal Court handles 5,000 misdemeanor criminal cases (like theft, disorderly conduct, or driving under the influence) annually – second in the state to Multnomah County's Circuit Court. The number of

unsheltered homeless adults in Eugene is significantly higher than in many other similarly-sized communities.

F. It is not just statistics that demonstrate the City's need for increased community safety resources; community members have said there is a need too. A survey of Eugene voters in July 2018 demonstrated that the community strongly supports addressing the City's public safety needs. A vast majority of survey respondents (84%) believe that City Officials should take steps to address issues that impact public safety. Follow-up community outreach confirmed the community's very real and growing concern for a delayed, or no, police response due to police resource levels.

G. Seeing the immediate, critical need for additional community safety services, in September 2018, the City Council approved spending $8.6 million to add some limited capacity and maintain funding for several critical programs (often referred to as the "bridge funding"). When appropriating the bridge funding, the Council made clear its intent to find a long-term, sustainable funding source for the community safety system.

H. Without a new, permanent source of funds, the community safety services funded by the $8.6 million bridge would have ended, and the gaps in the system would have continued to widen. Specifically, response times would have kept getting longer, an increasing number of calls would have gone unanswered, a higher percentage of violations and citations would not have made it to the courts, safety concerns in parks, along pathways and in neighborhoods would have continued to go unsolved, the little time currently available for proactive policing would have dissipated, and fewer opportunities would have been available to move homeless community members onto paths of wellness.

I. Recognizing that approximately $23.6 million per year is needed to make some of the systemic changes needed to alter the current trajectory of our community safety system, on June 10, 2019, the City Council adopted an ordinance imposing a payroll tax on employers and employees. The ordinance imposes 0.0020 tax on total wages paid by employers, 0.0020 on total wages earned by minimum wage employees, and 0.0040 on total wages of all other employees. The ordinance also limits use of the payroll tax revenues to (a) community safety services (i.e., police services, fire and emergency medical services, municipal court and prosecution services, and prevention and homelessness services; and (b) administration of the tax. The City is working with the Oregon Department of Revenue to implement the City's payroll tax; payment of tax will not occur until after June 30, 2020.

J. The ordinance adopted by Council provides that revenues from the payroll tax will pay for the following package of community safety services:

- Police services, including 40 patrol officers, 5 detectives, 4 sergeants, 10 community service officers, 9.5 staff for 911, animal welfare and traffic safety officers, and evidence control and forensic analysts.
- Fire and emergency medical services, including the creation of a 911 triage program and field triage/community response unit.
- Municipal court and prosecution services, including opening third courtroom, expanding community court and mental health court programs and adding 10 jail beds and increased jail services.

- Prevention and homelessness services, including adding emergency shelters, a day center and funding after school programs at Title 1 schools.

K. To fund the above-described package of services, the $23.6 million will generally be allocated among the services as follows: 65% for police services; 10% for fire and emergency medical services; 15% for municipal court and prosecution services; and, 10% for prevention and homelessness services.

L. By using the $23.6 million in payroll tax revenue to increase community safety services, the community can expect that, as the safety system ramps-up over the next one to five years, the following is will occur:

- Faster and more responsive police services.
- Increased proactive community policing by sworn officers, achieved through the use of Community Response Units and Community Service Officers (CSOs) that can provide public safety support to assist with non-emergency calls like routine crashes and retrieving stolen property.
- Crime deterrence through the establishment of a 10-person Street Crimes Unit that will proactively deter crimes and increase officer presence in neighborhoods.
- Implementation of prevention efforts aimed at keeping people and youth off the streets, such as adding homeless services that help people stabilize and improve their lives, strengthening the network of support with nonprofit and medical organizations to help reduce the number of people who chronically use the system, and growing youth programs to engage and help at-risk youth, including after-school programs, 15th Night and inclusion programs.
- More people who commit crimes will be held accountable through the addition of detectives to investigate crimes, the opening of a third courtroom to resolve cases more quickly, the addition of more prosecutors, court appointed attorneys and court staff, and the increase in the number of jail beds and probation officers.

M. The City Council has determined that the voters should vote on capping payroll tax rates and limiting the use of payroll tax revenues to funding community safety services. If approved by the voters, the Charter amendment would prohibit (1) any increase in the payroll tax rates above 0.0020 for employers and 0.0040 for employees, and (2) any use of payroll tax revenues for reasons other than funding community safety services or tax administration without voters first amending the Charter.

NOW, THEREFORE, based on the above findings,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EUGENE, a Municipal Corporation of the State of Oregon, as follows:

Section 1. Pursuant to the authority of subsection (3) of Section 2.971 of the Eugene Code, 1971, a city election is called for the purpose of referring to the legal electors of the City of Eugene an amendment to the Eugene Charter that states:

Any payroll tax imposed by the City is capped at 0.0020 on total wages paid by

employers and 0.0040 on wages earned by employees. Revenues from a payroll tax imposed by the City may only be used to fund community safety services and administration of the tax.

Section 2. The City Council orders this special election be held in the City of Eugene, Oregon on the 5th of November, 2019, in accordance with the provisions of Chapter 254 of the Oregon Revised Statutes, and the ballots shall be counted and tabulated and the results certified as provided by law.

Section 3. The City Recorder is directed to give not less than ten days' notice of the city election by publication of one notice in the Register Guard, a newspaper published in the City and of general circulation within the City.

Section 4. This Resolution shall become effective immediately upon its adoption.

The forgoing Resolution adopted the ___ day of June, 2019.

_____

City Recorder