



Eugene City Council

101 W 10th Ave., Suite 203
Eugene, OR 97401
541-682-5010 • 541-682-5414 Fax
www.eugene-or.gov

EUGENE CITY COUNCIL AGENDA

February 27, 2023

5:30 p.m. CITY COUNCIL WORK SESSION

City Council meetings will continue to be held in hybrid format using in person and virtual meeting technology. Information about online or other options for access and participation will be available at <https://www.eugene-or.gov/3360/Webcasts-and-Meeting-Materials>

Meeting of February 27, 2023; Her Honor Mayor Lucy Vinis Presiding

Councilors

Randy Groves, President
Mike Clark
Lyndsie Leech
Jennifer Yeh

Matt Keating, Vice President
Greg Evans
Emily Semple
Alan Zelenka

5:30 p.m. CITY COUNCIL WORK SESSION

1. WORK SESSION: Budget Update
2. WORK SESSION: Introduction to HB 3115

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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.

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or visit us online at www.eugene-or.gov.

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Work Session: Budget Update

Meeting Date: February 27, 2023
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 1
Staff Contact: Twylla Miller
Contact Telephone Number: 541-682-8417

ISSUE STATEMENT

The purpose of this work session is to provide a high-level update of the upcoming budget process, including a recommendation for a revenue team to address funding options for unfunded service needs.

BACKGROUND

The City Manager will be presenting the 2023-2025 Proposed Budget to the Budget Committee on April 26, 2023. As discussed previously, the City is addressing a budget gap of \$15 - \$20 million in the general fund that will require a range of budget strategies to be implemented in the coming budget cycle. There will be a Budget Committee meeting on March 4th to provide an overview of the City Manager's approach and strategies in advance of the City Manager's Proposed Budget presentation on April 26th. While a number of revenue strategies have been identified as part of the proposed budget, there are services provided by the city that have not had ongoing funding identified to sustainably fund the desired level of service by the community. Creation of a revenue team to explore new revenue options and provide recommendations to the City Manager will be a key component of the overall budget approach (see Attachment A).

There have been many revenue committees over the years that have been structured in different ways. The three most recent committees were structured as follows:

2022 Review Team on Parks and Recreation Security and Maintenance Funding

When the 2018 Park Levy was placed on the ballot, staff committed to looking for sustainable funding for these services in the future. The team was internal in membership, with input and review from the Parks and Recreation Advisory Board.

Membership:

- Parks and Open Space staff
- Recreation Staff
- Facilities Staff
- Finance Staff

Objectives:

- Identify challenges in the current service system
- Identify service level solutions
- Identify funding strategies

Deliverable:

- Report to the City Manager detailing the findings of the team and a funding recommendation (Attachment B).

2018 Community Safety Revenue Team

Membership:

- Three City Councilors
- The Chair of the Budget Committee
- The Chair of the Police Commission
- One current Budget Committee member
- Two former Budget Committee Chairs
- Facilitation and support provided by city staff

Objectives:

- Identify, evaluate and develop revenue funding strategies to support the needs of the Community Safety system.
- Develop a recommendation for the City Manager.

Deliverables

- Report to the City Manager detailing the findings of the committee and a funding recommendation (Attachment C).

2017 City Council Subcommittee for Parks and Recreation Security and Maintenance Funding

Membership:

- Four city Councilors
- One member of the Eugene Parks Foundation
- One member of the Parks and Rec System Plan Advisory Group
- Facilitation and support provided by city staff

Objectives:

- Gain a better understanding of current Park and Recreation O&M funding, including safety and security.
- Explore various funding mechanisms that could address the gaps.
- Consider how to maximize use of System Development Charge (SDC) dollars that are currently limited by a constrained O&M budget.
- Consider how O&M funding can keep pace in the future with additional capital improvements and system growth.

- Bring information to a City Council work session to inform council's discussion about Parks and Recreation O&M funding.

Deliverables

- Report of findings to the City Council, the committee was not charged with providing recommendations (Attachment D).

As we look to the new biennium, staff recommend the formation of a revenue team to identify, evaluate and develop revenue funding strategies to support the emerging service areas of downtown resilience, unhoused services, and climate work, patterned after the Community Safety Revenue Team with the addition of community partners. The recommended approach is detailed on Attachment A, with deliverable of funding recommendations to the City Manager by October 31, 2023.

PREVIOUS COUNCIL DIRECTION

[April 27, 2020 Work Session](#)

This session was an informational COVID-19 update focusing on the financial impact to the City from the pandemic.

[July 15, 2020 Work Session](#)

This session was an informational update on the health of the General Fund and distressed funds as a result of the pandemic.

[September 20, 2021 Work Session](#)

This session was an information update on the condition of the General Fund and future financial needs and the impact to the General Fund.

[September 14, 2022 Work Session](#)

This session was an information update on the condition of the General Fund and the future financial outlook.

COUNCIL OPTIONS

Council can provide input and feedback on the suggested revenue team proposal or suggest an alternate proposal.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends approving the revenue team proposal as outlined in Attachment A.

SUGGESTED MOTION

1. Move to adopt the revenue team proposal as outlined in Attachment A.

Or

2. Move to adopt the revenue team proposal with modifications of _____.

ATTACHMENTS

- A. Revenue Team Proposal
- B. 2022 Review Team on Parks and Recreation Security and Maintenance Funding Report
- C. 2018 Community Safety Revenue Team Report
- D. 2017 City Council Subcommittee for Parks and Rec. Security and Maintenance Funding Report

FOR MORE INFORMATION

Staff Contact: Twylla Miller
Telephone: 541-682-8417
Staff E-Mail: tmiller@eugene-or.gov

2023-25 Revenue Team Proposal

Objectives:

- Identify, evaluate and develop revenue funding strategies to support the priority service areas of downtown resilience, unhoused services, and climate work.
- Develop recommendations for the City Manager.

Deliverables

- Report to the City Manager detailing the findings of the team and funding recommendations.

Membership:

- City Councilors
- Budget Committee members
- Community members (business, non-profit, etc.)
- Other commission or advisory group members
- Facilitation and support provided by city staff

A revenue team is recommended to develop funding recommendations for two focus areas: downtown/unhoused and climate/sustainability.

As with other revenue teams, the Mayor will work with interested City Councilors for Councilor selection to the team. The City Manager will work with the Budget Committee Chair to solicit interest from Budget Committee members to participate on the revenue team and will develop a list of interested community/advisory board members for consideration/selection by the Mayor and Council President to finalize team selection.

Process Timeline

Meetings would begin in June with an introductory meeting and additional meetings occurring between June and October 2023 to develop recommendations to the City Manager by October 31, 2023 for the respective service areas.



Memorandum

Date: October 5, 2022
 To: Sarah Medary, City Manager
 From: Review Team on Parks and Recreation Security and Maintenance Funding
 Subject: Future funding options for Parks and Recreation

As the 2018 Parks and Recreation Levy will expire in June 2023, a staff team from Recreation, Parks and Open Space, Facilities and Finance has met throughout the past year to consider funding options and service levels for the service areas funded by the current levy. The Parks and Recreation Advisory Board also provided input and guidance into this review. The current levy provides maintenance funding to care for existing and future planned parks, program funding for renovated and expanded recreation facilities and helps address safety concerns in some parks due to illegal activity and vandalism. Upon expiration of the levy, if future funding is not identified, staff will seek further direction from City Council on how to adjust service levels. This report describes both the costs of addressing current challenges in these services and summarizes updated information on various revenue sources.

Overview of Challenges

- Costs to care for existing parks is outpacing current levy funding. The primary factors contributing to rising costs of caring for the park system include:
 - Park usage has continued to increase, beyond what was forecasted in 2018. During the height of the pandemic, park usage increased 125% across Lane County. This has had a lasting effect on park usage as staff estimates current park usage is now 25 – 30% higher than before the pandemic. The increased visits to parks increased custodial costs such as restroom cleaning needs, garbage collection and disposal costs, and the increased maintenance and repair of turf and playgrounds, etc.
 - Illicit activity throughout the park system has continued to increase, increasing camping, vandalism and graffiti abatement costs, garbage removal costs, and overall repair costs.
 - Inflationary costs are outpacing the adjustment provided by the City's budget process, for items such as materials and services, and utility costs.
 - To help meet climate recovery goals, the cost to operate renovated recreation facilities, with LEED standards, has also increased.
 - General Fund budget reductions needed to balance the City's General Fund have also impacted park services, reducing POS's ability to maintain service levels across the park system. For example, funding for fewer summer season temporary staff was reduced, along with materials budgets for preventative care and maintenance of park landscapes. These General Fund reductions put pressures on the same parks and environments that the levy funding supported.

- Growth of the parks system has outpaced current levy funding. The current levy provided funding to help grow the system in partnership with the 2018 Parks and Recreation bond that was also approved by voters in May 2018. However, community parks like the Downtown Riverfront Park are also coming online to the park system and were built with the requirement for additional maintenance needs beyond the scope of what was planned for in the 2018 bond projections.
- Maintenance, and programming, and operations for the three renovated and expanded recreational facilities require additional, sustainable funding. Revenue earned from recreation programming does not fully cover the costs of increased facility maintenance and program operations. Recreation revenue has been and continues to be adversely impacted by the pandemic, affecting cost recovery goals.
- Costs to address safety concerns within some parks due to illegal activity and vandalism have continued to rise. The 2018 levy provided funding for two Eugene Police Department (EPD) Park Resource Officers to partner with Park Ambassadors to help increase the safety of park patrons. In the current environment, additional officers and park ambassadors are necessary to effectively address safety concerns within the park system.

Potential Solutions and Funding Need

Potential solutions have been identified and the type of activities needed to address these challenges are outlined in the following table.

Issue	Potential Solution	Maintain Current Levy Rate	FTE	2024 Service Requirements	FTE	Enhanced Safety Option	FTE
Park Operations & Maintenance	Developed Park Maintenance	\$922	2	\$1,150	3		
	Natural Area Maintenance	\$256	2	\$380	3		
	Future Developed Park Maint.	\$496	1	\$1,330	4		
Community Center Operations & Maintenance	Operations	\$132		\$650	2		
	Facilities Maintenance	\$582		\$590	1		
Operations & Maintenance Sub-total		\$2,388		\$4,100		\$4,100	
Park Safety	Park Resource Officers	\$404	2	\$450	2	\$900	4
	Security Services			\$130		\$190	
	Park Ambassadors	\$358	2	\$550	3	\$810	5
Total – O&M and Safety*		\$3,150	9	\$5,230	18	\$6,000	22

*\$ in 1,000s; Enhanced Safety Option is additive to 2024 Service Requirements option.

2018 Levy

The 2018 levy provided on average \$3.03M per year, for five years, beginning July, 2018 for parks and recreation funding including safety and facilities maintenance. The funding was used to improve the cleanliness, safety and general conditions of the City's parks, recreation facilitations and natural areas. The following is a summary of the specific activities funded:

- Two dedicated EPD officers and two Park Ambassadors for park safety and security;
- Illicit activity response activities such as illegal camp clean-up, graffiti removal and vandalism response;
- General park maintenance activities such as re-opening restrooms, litter and trash pick-up, turf mowing, landscape bed and tree maintenance, infrastructure maintenance (irrigation, lighting, furnishings, etc) and weekend/after-hours maintenance;
- Habitat and natural area maintenance activities such as invasive weed management, wildlife risk abatement, trail maintenance and infrastructure maintenance (roads, parking lots, fences, signs, portable restrooms, etc.);
- Future park, community center, pool and field maintenance that have been phased in over time, as the 2018 bond funded projects are completed.

Maintain 2018 Levy Tax Rate

The average tax rate levied under the 2018 funding measure is \$0.19/\$1,000 of assessed value. If the same tax rate was levied today, the total funding levied would not support the current service level. Assessed value has increased approximately 4% per year, but inflation on services has outpaced this growth, and is expected to continue to outpace assessed value growth at least through the next year. Keeping the tax rate consistent would support approximately \$3.150M per year for services, which would represent a decrease in service provision from the loss of purchasing power over the last five years, due to inflation. This option would cost the average homeowner \$49 per year.

2024 Service Requirements

The 2024 Service Requirements option outlines the estimated service level to maintain operations in the current environment. Included in this option's totals are:

- An additional 1.0 FTE to maintain developed parks to current standards under increased use, and cleanup parks and waterways effected by camping and dumping in parks.
- An additional 3.0 FTE to maintain future parks, such as Santa Clara Community Park, Mattie Reynolds Park and Striker Field, that are currently planned to be developed and are being built with many more amenities then how the parks plan originally scoped these parks in 2018 when the original levy was sized.
- An additional 1.0 FTE to maintain the current and future trails such as Suzanne Arlie Park and natural areas to current standards under increased use and scale, and to address wildfire abatement in natural areas.
- An additional 2.0 FTE to manage the additional programming of services at the renovated community centers.
- An additional 1.0 FTE for Facilities maintenance, to maintain the renovated community centers and pool that are experiencing an increase in use.

- An additional 1.0 FTE for increasing the Park Ambassador team to address illicit activity and increased use of parks by community and funding for a park host at the new Downtown Riverfront Park to address ongoing safety concerns.
- Additional funding for security focused contracts for night-time park patrols and reminders of park rules.

This option would support \$5.230M per year in services and cost the average homeowner \$83 per year, at a tax rate of \$0.32/\$1,000.

Enhanced Safety Option

The Enhanced Safety Option outlines a service level which provides additional funding to address park safety issues, beyond that of the 2024 Service Requirements option. This option includes:

- An additional 2.0 FTE for Park Resource Officers to address the increased illicit activity in parks and open spaces.
- An additional 2.0 FTE for increasing the Park Ambassador team to 4.0 FTE to address illicit activity and increased use of parks by the community.
- Additional funding for security focused contracts for night-time park patrols and reminders of park rules.

This option would support \$6.0M per year in services and cost the average homeowner \$95 per year, at a tax rate of \$0.37/\$1,000.

Potential Funding Sources and Considerations

Leading up to the 2018 Parks and Recreation Levy, a City Council subcommittee investigated multiple revenue sources and evaluated each on multiple factors. While the subcommittee made no official recommendations, there was a consensus that a permanent funding solution was favored over temporary solutions; however, permanent funding sources were not as viable as temporary sources, and the Levy was enacted.

Over the past year, City staff have updated the work of the subcommittee, reviewing possible revenue sources.

The following table is a generalized summary of the pros and cons of each funding source. Please see Appendix A for a more detailed evaluation of all revenue sources evaluated.

Revenue Source	Pros	Cons
Park Fee	Sustainable, ongoing funding source	New fee for residents and uncertainty about collection method
Local Option Property Tax Levy	Common taxing method, understood by voters. Historically well-supported by voters; can generate significant income	Levy needs to be renewed by voters every 5 years creating a high degree of uncertainty for ongoing funding, voter support may be impacted by economic cycles and overall tax burden.
Marijuana Tax	Sustainable, ongoing funding source; low admin costs; impacts residents and non-residents alike	Would divert funds from the General Fund or require legislation to increase allowable local tax.
Restaurant Tax	Sustainable, ongoing funding source; impacts residents and non-residents alike	May result in some lost business for Eugene restaurants. Strong political opposition likely.
Sugary Beverage Tax	Sustainable, ongoing funding source; impacts residents and non-residents alike	Strong political opposition likely.
Admissions/Entertainment Tax	Sustainable, ongoing funding source; impacts residents and non-residents alike	May be costly and difficult to administer. University, school district, and government events would be exempt, which could significantly reduce potential revenue.
Private Foundation Endowment	Sustainable, ongoing funding source; likely well-received by the public	Opportunity cost of putting funds in an endowment for long-term growth instead of investing in current needs - lost revenues in near-term; would need a very large endowment to meet funding needs. Interest earnings are often restricted revenues.
Sale of underutilized park property	Could reduce future need to increase existing or impose new taxes	Limited property inventory; not sustainable or on-going; likely not enough revenue to be sole funding source

Parks and Recreation Advisory Board Guidance

City staff presented the initial update on the funding challenges, service issues, and potential funding sources to the Parks and Recreation Advisory Board in August 2021. The advisory board provided overall guidance to City staff, and is summarized below:

- Long term plan: There was agreement amongst all board members that a long-term plan is needed for the ongoing maintenance and operations of the City's parks and recreation facilities. Funding sources that would provide generational stability to the City's park and recreation system is strongly preferred over short-term solutions.
- Nexus to services provided: Choosing a funding solution, such as a variety of the fees reviewed, that have a nexus to the park and recreation system is preferred.
- Park security: The board discussed whether the hiring of police officers should be funded through a park and recreation levy. The board felt this was outside of parks services and would be interested in City Council discussion and direction on future funding of this service.
- Administration costs: The board discussed future funding solutions should be efficient so that the cost of administering the solution can stay as low as possible. They would prefer more revenue to be directed to park and recreation work.

Recommended Revenue Options

City staff narrowed down the potential revenue sources to those that best met the guidance provided the Parks and Recreation Advisory Board. A follow-up presentation to the board will be held on October 13, 2022 and will focus on two revenue options, a levy renewal and a park fee. The park levy renewal is the staff short-term recommendation to address continuity in funding that is desired for these services, with the long-term solution of a park fee to be considered when the technical complexities of this approach can be addressed with more optimal timing through partnership with EWEB.

Levy renewal: While renewing the current levy does not meet the board's request for a long-term funding source for parks and recreation services, it does meet the other priorities of having a strong nexus to the services offered and low administrative costs. Administering a levy is very cost effective, as the collection rate is 95.5%, is collected through Lane County's Assessment and Tax office, and remitted to the City with other property taxes. The process to renew the current levy would require the City Council to place it on the May 2023 ballot to prevent a gap in funding.

Parks Fee: Staff researched different ways to charge a parks fee. There are three basic different approaches for administering a parks fee:

1. Bill Through EWEB: Utilize the EWEB billing system in conjunction with the City stormwater charges on the EWEB bill. This approach has an expected 99% collection rate and would likely require 2.0 additional FTE to administer the fee. This method is the most cost effective and efficient given the charge would use existing processes and billing structures already in place. The additional fee could make it harder for some households to pay their EWEB/City bill in entirety, and the consequence for unpaid bills is an electrical shut-off. If the park fee is not tied to an electrical shut-off, reducing this burden on residents, then the collection rate is likely to decrease to approximately 85% (which would increase the overall fee for all households).

Currently, EWEB is working on implementing a new Customer Information System, which would increase the complexity of instituting a new fee through their systems

and contracts. The timing of creating an additional fee through EWEB's system would be more optimal after their customer information system is in place.

2. Administering the fee in-house: City staff could contract with MuniRevs, the system currently used to bill the Payroll tax. This approach would yield an estimated 85% collection rate and is likely to require double the administrative FTE necessary to manage this approach compared to the EWEB bill option, as considerable customer service, administration, and non-electronic payment processing would be handled by City of Eugene staff.
3. Contract with a Third Party: The City could contract with a third-party administrator to manage the account administration and billings. This approach would have the same basic assumptions as the MuniRevs option above with an estimated 85% collection rate and approximately 4.0 FTE to administer. Analysis of third-party service structure and experience implementing the CSI Payroll tax indicated that additional FTE would be needed for this option compared to the EWEB option to assist with customer inquiries and communications, and manage vendor billing and accounts, particularly during the first 18 months of implementation.

Annual Park Survey

In the summer of 2022, the [Annual Parks Survey](#) went out to area residents in order to understand how they view their parks and the improvements made possible through the 2018 Levy. Of the 1271 respondents, parks are very important to survey respondents' quality of life, with 89% of survey respondents expressing that parks are extremely (62%) or very (27%) important. For Spanish language respondents, the distribution was nearly identical, with 91% indicating that parks are extremely or very important to their quality of life.

Funding parks is extremely or very important to nearly all (82%) respondents, and changes made possible by 2018 Levy funds are completely or mostly worth the additional expense to most (70%) respondents.

What happens if a replacement revenue is not approved?

The current Parks and Recreation Levy will lapse in June 2023. If a revenue source is not identified to continue the current service level, City Council will be asked for direction on how to address the funding shortfall. Current options would be to discontinue services or re-prioritize City services, as there is not financial capacity to add these ongoing costs within existing revenues. Additionally, challenges related to increased park usage, illicit activity, new parks, safety concerns, the maintenance needs of new bond funded parks and recreation centers and pools, and the additional recreation programming and activation may not be able to be addressed in the short term.

Park and Recreation Security and Maintenance Funding Alternatives
Evaluation Matrix

Attachment B

Revenue Options	Amount or Rate	Revenue Raising Capability (\$ millions or H/M/L)	Action Needed to Implement	Revenue Administrative Effort to Implement and Manage	Revenue Stability and Reliability	TBL: Healthy Business Climate	TBL: Burden on Low Income Community Members	TBL: Impact on Environment	Impact on Other Council Goals	Nexus with Services Funded	Nexus Explanations
Parks and Rec Service Fee	\$3/month	\$2.5 (gross)	Council	?	☑	☐	✗	—	—	☐	All households would pay and all would benefit from having more robust parks & recreation services
Local Option Property Tax Levy	\$3/month	\$2.3 (net)	Voter Approval	☑	☑	☐	✗	—	—	☐	Current method used for paying for the bulk of parks & recreation services
Marijuana Tax	Increase	L-M	Voter Approval	☑	☐	✗	☐	—	—	☐	Council directed spending for three specific purposes, including park maintenance & security
Restaurant Tax	1%	\$3.1 (gross)	Council	☐	☐	✗	☐	—	☐	☐	Indirect nexus: tourists will pay a portion of the tax
Sugary Beverage Tax	1 cent/ounce	\$4.7 (gross)	Council	☐	☐	✗	☐	☐	☐	☐	Could work together with park and recreation activities to create opportunities to improve health
Transient Room Tax Increase	1%	\$0.2 (net)	Council	☑	☐	✗	☐	—	☐	☐	Indirect nexus: tourists will pay a portion of the tax
Admissions/Amusement/Entertainment Tax	?	?	Council	☐	☐	✗	☐	—	✗	☐	Could apply to activities that occur in parks and recreation facilities, such as park rentals, leagues, etc.
Private Foundation Endowment	?	L-M	Foundation	☑	☐	☑	☑	—	☑	☑	People who support parks make a choice to donate to their cost
Sale of Golf Course & Surrounding Property (Back 9)	?	H	Council	☑	✗	☑	☑	✗	☐	☑	Revenue from sale of park property can provide seed money for endowment to maintain parkland

☑ = Meets All Criteria/Favorable/Yes

☐ = Meets Some Criteria/Neutral/Maybe

✗ = Does Not Meet Criteria/Unfavorable/No

— = Not applicable

? = Not known

H = \$1 million or greater; M= \$100,000 to \$1 million; L = less than \$100,000

Gross = no cost of administration taken into consideration; Net = net of administration costs

Park and Recreation Security and Maintenance Funding Alternatives
Evaluation Matrix

Attachment B

Revenue Options	Amount or Rate	Revenue Raising Capability (\$ millions or H/M/L)	Action Needed to Implement	Administrative Effort to Implement and Manage	Revenue Stability and Reliability	TBL: Healthy Business Climate	TBL: Burden on Low Income Community Members	TBL: Impact on Environment	Impact on Other Council Goals	Nexus with Services Funded	Nexus Explanations
Bicycle Registration Fee	\$ amt per sale	L	Council	☐	☐	☐	✗	☐	✗	☐	46 miles of off-street bike path, most of which are in parks
Business Gross Receipts Tax	0.1% tax on gross receipts	H	Council	✗	☐	✗	✗	—	✗	✗	No nexus
Business License Fee	varies	L (net)	Council	☐	☐	✗	—	—	✗	✗	No nexus
Commuter Tax	varies	M-H (gross)	Council	✗	☐	✗	☐	☑	✗	✗	No nexus
Corporate Income Tax	1% income tax	\$2.7+ (gross)	Council	☐	☐	✗	☐	—	✗	✗	No nexus
E-Cigarette Tax	?	L	Council	☐	☐	✗	☐	—	—	✗	No nexus
Heavy Vehicle Tax	?	?	Council	✗	☐	✗	—	☐	☐	✗	No nexus; must be used for street right-of-ways
Luxury Tax	?	?	Council	✗	✗	☐	☑	☐	—	✗	No nexus
Motor Vehicle Rental Tax	varies	H	Council	☐	☐	✗	—	—	—	✗	No nexus
Paper Bag Fee	\$0.05-\$0.20/bag	L	Council	☐	☐	—	☐	☑	—	✗	No nexus
Parking Tax	varies	M	Council	☐	☐	☐	☐	—	—	✗	No nexus
Payroll Tax	varies	H	Council	☐	☐	✗	☐	—	☐	✗	No nexus
Personal Income Tax	varies	H	Council	☐	☐	☐	✗	—	—	✗	No nexus
Red Light Cameras	?	L	Council	☐	☐	—	—	—	☑	✗	No nexus
Sales Tax	varies	H	Council	✗	☐	✗	✗	—	☐	✗	No nexus
Solid Waste Collection Fee	varies	L	Council	☑	☑	☐	✗	☐	—	☐	Pay for cleanup of solid waste in parks
Utility Consumption Tax	1% surcharge	H	Council	✗	☐	✗	✗	☑	—	✗	No nexus
User Fees and Service Charges for Parks & Recreation	varies	L	City Manager	☑	☐	☐	✗	—	✗	☑	Users pay for the cost of the services

☑ = Meets All Criteria/Favorable/Yes

☐ = Meets Some Criteria/Neutral/Maybe

✗ = Does Not Meet Criteria/Unfavorable/No

— = Not applicable

? = Not known

H = \$1 million or greater; M= \$100,000 to \$1 million; L = less than \$100,000

Gross = no cost of administration taken into consideration; Net = net of administration costs

Community Safety Revenue Team Report

February 2019

Community Safety Revenue Team Members

Councilor Pryor
Councilor Semple
Councilor Yeh
John Barofsky
Laura Illig
Eliza Kashinsky
Scott Nowicki
Bill Whalen



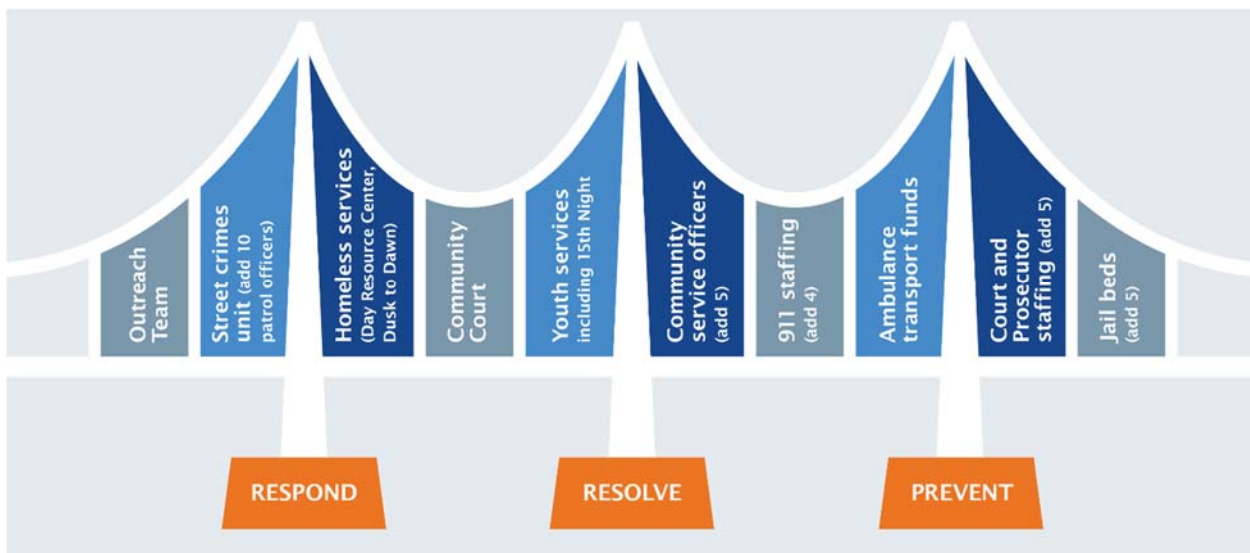
Community Safety Initiative

Approximately four years ago the City Manager initiated a Community Safety system assessment to identify and address critical service gaps in providing for a safety and well-being of the community. The system includes services focused on prevention, response and resolution. The initial focus was to identify and implement system efficiencies and find alternative paths to resolving community safety issues.



The City implemented changes to improve the case-flow process, improve municipal jail system usage to optimize limited capacity, and assure for timely resolution of cases. The City also began implementing pilot programs such as Community Court, the Community Outreach Response Team, and Basic Life Support services to connect people to social, shelter, medical, and treatment services. System changes proved beneficial, however the increasing demand for services has continued to outpace system resources resulting in a growing gap in providing critical services for the safety and well-being community.

Throughout 2018, the City Council met and worked with staff to gain a deeper understanding of the community safety system and issues, examine possible strategies, get feedback from the community, and ultimately implement measures to address critical safety gaps. In September, the City Council unanimously passed a motion to include \$8.6 million in Supplemental Budget #1.



This one-time, 18-month bridge funding strategy supports prevention efforts and services for youth and people experiencing homelessness, as well as police and emergency response services. The funding includes expanding prevention programs that help move at-risk youth and chronic offenders toward stable lives and away from the jail and the courtroom, and adding police officers, 911 dispatchers and jail beds.

Council also gave direction to immediately begin work on long-term funding strategies to address critical community safety needs based on the identified strategies. A Community Safety Revenue Team was formed to develop a recommendation for the City Manager.

Community Safety Revenue Team Process

The Community Safety Revenue Team is comprised of the following members:

- Councilor Emily Semple (Ward 1)
- Councilor Jennifer Yeh (Ward 4)
- Councilor Chris Pryor (Ward 8)
- Scott Nowicki (Budget Committee Chair)
- Eliza Kashinsky (Budget Committee member)
- Bill Whalen (Police Commission Chair)
- John Barofsky (former Budget Committee Chair)
- Laura Illig (former Budget Committee Chair)

The scope of work for the Revenue Team included identifying, evaluating and developing revenue funding strategies to support the needs of the Community Safety system and to report back to the City Manager on a funding strategy by February 1, 2019. The Revenue Team was provided the following parameters for the new revenue source(s) it considered as part of its work:

- New revenue source(s) would need to provide significant new revenue of approximately \$20 million on an ongoing basis.
- New revenue source(s) would need to be likely to be accepted by the community; and
- New revenues would need to be implemented by July 1, 2020 (i.e., be legal and practical to implement).

The Revenue Team met four times to conduct its deliberations on November 15, December 3, January 17, and February 1. At the first meeting, the Revenue Team received information on Community Safety funding strategies, property tax levies, compression, election sequencing, the Strategy Research Institute Survey (SRI) results, and the 2014 Revenue Team report (Attachment 1).

The SRI survey from July 2018 surveyed registered voters throughout the City assessing voter awareness of critical issues, identifying the most pressing spending priorities, and assessing voter support for a modest levy or fee to be used for the most pressing needs intended to address public safety challenges. The top three spending priorities noted in the survey were

addressing the homelessness problem, increasing the number of sworn police officers, and enhancing police services.

Information on property tax compression and a local option levy was reviewed (Attachment 2) and the Revenue Team learned that approximately 64 cents remains under the Measure 5 limit of \$10 per \$1,000 of real market value before compression would begin on properties within the city (which would equate to a levy of no more than \$10 million annually). The Revenue Team discussed the impact of increasing tax bills due to recently passed property tax initiatives or those that are expected to be on the ballot in the coming years. They noted that a levy would not fully fund the service level needed.

After this overview the Revenue Team requested identification of revenues that would generate yields of \$15 million or more (Attachment 3).

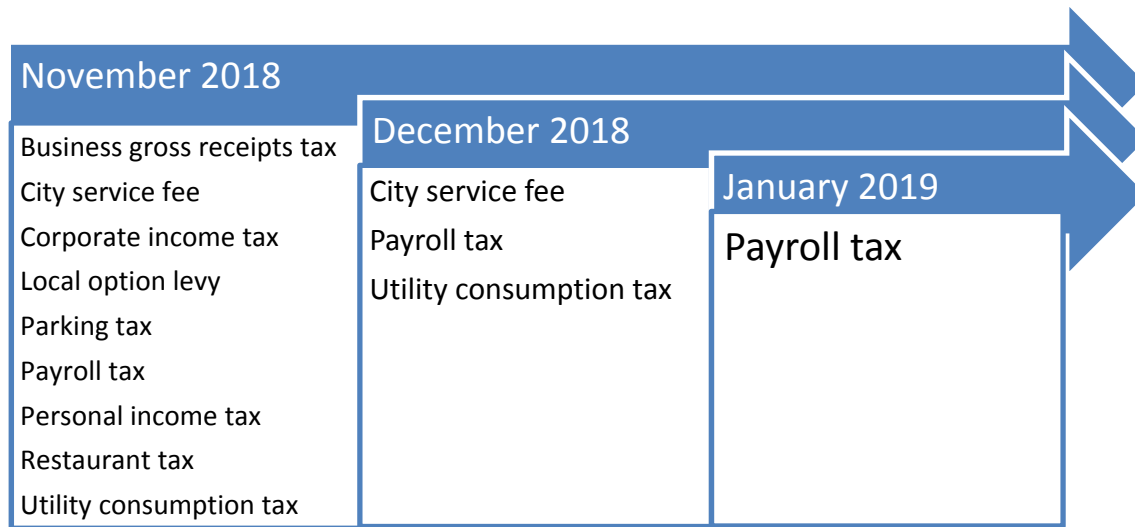
On December 3rd, The Revenue Team discussed the high yield revenue options by evaluating each option using the following set of criteria (Attachment 4):

- Revenue raising capability
- Administrative effort
- Revenue stability and reliability
- Triple Bottom Line (TBL) considerations
- Nexus with Community Safety
- Fairness and political feasibility

At the end of this discussion, the team chose three options to move forward for further discussion: Payroll Tax, Public Safety Fee, and Utility Consumption Tax.

On January 17, 2019 the Revenue Team reviewed updated information on the three options to further refine their recommendation. After discussing these options, the Team requested further analysis and information on the Payroll Tax be developed and brought back for consideration.

The fourth meeting was held on February 1, 2019 for the Revenue Team to receive additional information and discuss the impacts and considerations of a payroll tax and further refine their recommendation.



Community Safety Revenue Team Recommendation

The Community Safety Revenue Team recommends implementing a payroll tax to provide funding to support \$22 million in community safety services on an annual basis with an option to be phased in over a six year timeframe.

A payroll tax is levied as a percent of gross payroll earned within the taxing jurisdiction. Entities can enact a payroll tax on employees and/or on employers and if enacted on both groups the tax would be treated as two separate payroll taxes. The Revenue Team recommends developing a “hybrid” approach of a tax on both employees and employers which could either be a flat percentage for both taxes or structured at different tiers for each tax to achieve the desired revenue yield.

The Revenue Team recognizes that this doesn’t impact every segment of the population as this tax would not capture revenue from visitors, potentially city residents employed elsewhere (based upon structure), retirees and the unemployed, however, the Revenue Team generally thought that this approach was the clearest and most fair of the final options considered.

Considerations

Growth & Sustainability

In the long term, gross payroll appears to be a sustainable and growing revenue source that can generally weather economic cycles and keep pace with general and wage inflation impacts on

recommended service funding levels. Additionally, payroll taxes can be flexible over time (adjusted upwards or downwards) to address fluctuations if needed.

Administration

It would be most efficient and cost effective to enter into an agreement with the Department of Revenue (DOR), who already administers and collects payroll taxes for transit districts and the State of Oregon. If the City were unable to come to an agreement with the DOR, the Revenue Team recommends the City establish an internal mechanism for administration and collection of the recommended payroll tax, even though the cost of administration would be higher than DOR collecting on behalf of the City.

Social Equity

A payroll tax on employees is progressive in the sense that the amount owed increases as wages increase, however, low-income employees living paycheck-to-paycheck may be disproportionately impacted. The Revenue Team also recognizes that a payroll tax on employers also presents additional cost pressure, will decrease profit margins, and may be more burdensome for nonprofit organizations.

The Revenue Team recommends the payroll tax on employers and employees be structured very simply without exemptions or carve outs, while recognizing the impacts above. By creating a simple tax structure that applies to all employers/employees the City can legally tax, the new taxes will be easier to communicate to the community, easier to implement, and will be less costly to administer as the more complex the tax structure the more costly to administer/maintain.

Phased In Option

The Revenue Team recognizes that the City cannot implement the full scope of services in the first year and recommends including an option for the tax be structured to accommodate a phase in of services over a six year time period. This option would ensure that the tax is structured to collect amounts needed over time and demonstrates progress in service delivery as the service levels are increased.

Trust and Accountability

To ensure trust and accountability with the community, the Revenue Team recommends the following:

- Create a unique fund for payroll tax revenues and associated community safety expenditures;
- Clearly communicate the outcomes achieved with the services enacted with the new payroll tax; and
- Report to City Council annually and have a citizen review panel to review activity and outcomes achieved with the new payroll taxes on an annual basis.

Community Outreach

The Revenue Team recommends outreach to community members to inform people about the proposed tax structure and related impact as well as to provide more detail on the services that will be provided with the additional funding including homelessness services.

Implementation

The Revenue Team recognizes the importance of finding a stable, long-term source to address the critical need for community safety services in the community and recommends the City Council enact the payroll taxes by ordinance without placing the tax mechanism on the ballot for voter approval.

Other Considerations

Over the course of four meetings, the Revenue Team had much discussion on the pros and cons of various options and by consensus came to the recommendation of the payroll tax.

In addition to enacting a payroll tax, the Revenue Team also recommends the City Manager consider including the amount of the annual transfer from the Parking Fund for downtown safety as part of the community safety funding strategy to provide relief to the Parking Fund as those services align with the community safety initiative more closely than parking services.

The Revenue Team also recognized the impact of visitors on the community and their benefit from a strong community safety system and advises that in the future, the City should consider revenue mechanisms (consumption taxes) that would collect revenue from this sector.

Attachments

1. 2014 Revenue Team Report with Revenue Templates.
2. Tax and Compression Information
3. Revenue Options & Criteria – November 21, 2018 Memo
4. Revenue Evaluation Matrix – December 3, 2018
5. Draft Revenue Report – January 17, 2019
6. Draft Payroll Tax Report – February 1, 2019
7. Summary of Key Payroll Tax Tables

Revenue Team

Report to the City of Eugene Budget Committee



April 8, 2014

9 of 113

Table of Contents

Memo to the Budget Committee	1
Admissions Tax	3
Bicycle Registration Fee	5
Business Gross Receipts Tax	9
Business License Fee	11
City Service Fee	15
Commuter Tax	19
Corporate Income Tax	21
E-Cigarette Tax.....	23
Heavy Vehicle Tax	25
Local Option Property Tax Levy	27
Luxury Tax.....	29
Motor Vehicle Rental Tax	31
Paper Bag Fee	33
Parking Tax	35
Payroll Tax	39
Personal Income Tax.....	43
Red Light Cameras	47
Restaurant Tax	51
Sales Tax	55
Solid Waste Collection Fee	59
Special Districts	61
Transient Room Tax	65
Utility Consumption Tax	67
User Fees and Service Charges	69
Revenues Brainstormed But Not Considered	73



City of Eugene
100 West 10th Avenue, Suite 400
Eugene, Oregon 97401
(541) 682-5589 PHONE
(541) 682-5802 FAX
www.eugene-or.gov

MEMORANDUM

Date: April 4, 2014

To: Eugene Budget Committee

From: Sue Cutsogeorge, Finance Director

Subject: Revenue Team Final Report

Attached is the final report of the Budget Committee Revenue Team. The Revenue Team is one part of a multi-faceted approach designed to address a long-term sustainable financial strategy for the City of Eugene. Other components of the approach include a series of meetings to gather input about the community's perspective on the budget, a Finance Investigative Team to review potential budget savings items in a fact finding effort, media outreach about the Budget Committee's activities to keep the community informed and engaged, a series of Budget Committee work sessions to develop FY15 budget balancing options and public hearings on potential budget strategies.

The Revenue Team's charge was to identify potential General Fund revenue strategies that might make sense for the Budget Committee and City Council to consider. The Team should focus on revenue strategies that would:

- Provide significant new revenue;
- Be likely to be accepted by the community; and
- Could be implemented by FY16 (i.e., be legal and practical to implement).

The Revenue Team analyzed a list of 24 potential revenue alternatives. They looked at factual information provided by City staff, and discussed the pros, cons and political feasibility of each of the options. The final report will provide an excellent revenue "toolbox" for the Budget Committee and City Council to use when you begin our conversations around how to achieve a sustainable budget.

The Revenue Team also acknowledged that some of the revenue alternatives in the report would not meet the criteria set out above, but might be worthy of City Council consideration for policy reasons other than General Fund revenue generation.

Membership:

John Barofsky
Ken Beeson
Jen Bell
Rob Bennett
Bob Clarke

Chelsea Clinton
Jill Featherstonhaugh
Gerry Gaydos
Dave Hauser
Andrea Ortiz

George Poling
Greg Rikhoff
Claire Syrett
Laurie Trieger
Marty Wilde

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Admissions Tax	
Description	An admissions tax is a specific excise tax which would be applied to the price of admission for performances, entertainments, spectator events, festivals, sporting events and other activities for which admissions are charged. It may also be referred to as an entertainment tax. The tax can be applied to a narrow or broad range of venues and types of events. It can be applied to cost of admission as a flat fee or as a tax rate.
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a tax on admissions by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative petition or by referendum petition.</p> <p>Types of organizations or specific activities subject to the tax would need to be decided when the tax is established. Exemptions from the tax vary by jurisdiction but typically include performances sponsored by elementary and secondary schools and admission charged to museums and botanical gardens.</p> <p>The tax could not be levied on admissions sold by a public university or other public agencies, but a contribution in lieu of tax could be collected only if an intergovernmental agreement is mutually agreed upon. Revenue would be unrestricted and available to the General Fund.</p>
Precedence	<p>Admission taxes are levied by many U.S. cities including Seattle, Tacoma, Alexandria, Roanoke, Richmond, Denver, Boulder, Cincinnati, Minneapolis, Santa Cruz, and others. Many counties and states also levy admission taxes. Rates and activities taxed vary widely.</p> <p>In Oregon there appears to be no admission taxes supporting general municipal or county services. There are admission taxes for very specific services however. In Eugene, the Cultural Services Division currently imposes a ticket Patron User Fee by City Ordinance, used to offset expenditures for operations and equipment repair and replacement at the Hult Center and the Cuthbert Amphitheater.</p>
Revenue Yield & Stability	Revenue would depend on the types and number of events and venues to which the tax would apply. Tax revenues would fluctuate with general economic conditions. Changes in consumer spending may occur.
Administrative Effort	Implementation, administration and collection of the tax may require additional FTE, depending upon types and number of events and activities taxed and the structure of the tax.
Timeline	It could take from one to two years to fully implement.

Who Pays	<p>The tax would be paid primarily by individual consumers whether they live within the city or not. Businesses that purchase admissions would also pay the tax.</p> <p>Admissions are typically purchased with a household's discretionary income. This makes an admission tax relatively progressive because low-income households would not normally purchase as many taxable admissions as higher-income households.</p>
Fairness & Indirect Implications	<p>This tax would be less regressive than other excise taxes because it taxes discretionary spending. Depending on the tax level, an admissions tax could encourage some consumers to reduce admission purchases, seek out free activities, or avoid the tax by patronizing events and venues outside city limits. A small fee would be unlikely to discourage economic activity.</p> <p>An admissions tax would likely have a negative impact on the Council Goal of encouraging accessible, thriving recreation and culture, where arts and outdoors are integral to our social and economic well-being and are available to all.</p>
Sustainability Impact	<p>A tax on the price of admissions could disproportionately impact low-income and large families. This could be mitigated by capping the tax at a certain number of admissions per purchase.</p>
MTC Task Force Recommendation	<p>Not included in Meeting the Challenge report.</p>
Budget Committee Revenue Team Comments	<p>Pros – May be able to capture revenue from non-residents as well as residents. Can be scalable to capture many types of venues or fewer types, depending on administration preference.</p> <p>Cons – The tax may be costly and difficult to administer. University, school district and government events would be exempt, which could significantly reduce revenue generation.</p> <p>Political Feasibility – Tax could negatively impact economic activity related to event attendance. Public agencies would not be subject to a tax and may not be open to paying a fee in lieu of tax.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Bicycle Registration Fee	
Description	An annual or one-time fee levied on bicycle ownership in Eugene. This could instead be structured as a tax added to the purchase of a new bicycle in city limits.
Legal Authority & Restrictions	Under Oregon’s constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city’s boundaries. The City Council may implement a bicycle registration fee by ordinance without state enabling legislation. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>Eugene had a mandatory \$2 bicycle registration fee in place from 1974 to 1977. The mandatory program was discontinued due to compliance issues.</p> <p>The city and county of Honolulu, Hawaii requires the registration of all bicycles with 20” or larger wheels. The charge is a one-time \$15 fee, with an additional \$5 charge when transferring ownership. After administrative costs, the bicycle registration program nets approximately \$100,000 per year in a county with a population of approximately 976,000. Fees go towards bicycle infrastructure.</p> <p>Although it no longer exists, Colorado Springs had a mandatory registration program that taxed \$4 at the point of sale and raised up to \$150,000 per year with a population of approximately 430,000 people. Fees went towards bicycle infrastructure.</p> <p>In Oregon, proposed State legislation in the 2009 session would have required various transfer-of-license fees as well as a registration fee for every bicycle at \$54 every other year. The bill stalled in committee. Similar legislation was introduced in the 2013 session, SB 769, which lowered the registration fee to a one-time \$10. This bill also stalled in committee. All funds received in both instances were to be deposited into a bicycle transportation improvement fund for bicycle lanes, paths and related projects.</p> <p>Several Oregon communities have had voluntary bicycle registration programs with associated fees, including Grants Pass (now discontinued). Free voluntary programs have been offered subsequently, intended primarily to discourage bicycle theft and facilitate recovery and return of stolen bikes. Eugene’s program currently has approximately 5,000 registrants. The University of Oregon reports that their free compulsory bike registration program has 109 registrants out of nearly 25,000 enrolled students from September 2013 through January 2014.</p>

Revenue Yield & Stability	<p>Applying the point-of-sale model from Colorado Springs to Eugene's (estimated population of 159,580 could yield approximately \$56,000 before accounting for any administration costs. A blanket fee on existing and new bicycles (based on Honolulu's model) could net approximately \$16,000 after administrative costs.</p> <p>The census estimate for Eugene bike commuters is 8.7% of the population, excluding trips for recreation and school (per Public Works Transportation), which would translate into about 10,000 bike commuters.</p>
Administrative Effort	<p>There are currently no specific estimates of the cost of administration, collection and enforcement associated with this revenue source. As there is currently no existing similar program at the City, administration costs may be significant compared to revenue generation potential. Start-up cost estimates would also need to include the cost of educating the public about the program and implementing a tracking system. The effort and effectiveness of enforcement needs to be evaluated further.</p>
Timeline	<p>This tax would take possibly 6-12 months to implement depending on the necessary level of administration.</p>
Who Pays	<p>This fee would primarily be paid by Eugene residents. If it were a tax on bike sales, some non-residents could pay if they purchased a bike in Eugene.</p>
Fairness & Indirect Implications	<p>This fee would directly impact citizens, and unless minimum income provisions were included in the structure, would negatively impact low income citizens that use bicycles as a cost-effective mode of transportation. The equity of this fee would largely depend on its structure. A point-of-sale fee on bicycle purchases over a predetermined price would ease burdens on recreational purchases for families or low-income citizens. In the case of a flat fee for all bicycles owned by citizens, provisions could be included to exempt low-income bicycle owners and/or bicycles with certain sized wheels. However, adding qualifications and exemptions to a fee collection program would significantly increase administration costs and would likely lower yield.</p>
Sustainability Impact	<p>This fee could discourage the purchase or use of bicycles, which are generally accepted as a preferable method of transportation for environmental reasons.</p> <p>This fee could increase costs to citizens who practice a method of commuting that is generally encouraged by the Council.</p> <p>People who use bicycles for transportation because they cannot afford other means of transportation would be negatively impacted.</p>
MTC Task Force Recommendation	<p>Not included in Meeting the Challenge report.</p>

Budget Committee Revenue Team Comments	<p>Pros – Registration could assist return of stolen bikes to owners.</p> <p>Cons – Compliance would likely be low and enforcement challenging and costly. Other agencies have discontinued their programs due to lack of popularity. Can be seen as contrary to the triple bottom line if it discourages bike use or impacts people with no other transportation alternatives. Revenue would not be significant.</p> <p>Political Feasibility – May be difficult to gain community acceptance. Children’s bike could be exempted to improve acceptance.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Business Gross Receipts Tax	
Description	<p>A gross receipts tax has a simple broad-based structure. It taxes all for-profit business sales transactions, with few or no exemptions or deductions. Business and occupations taxes are often a form of a gross receipts tax.</p> <p>Because the values of transactions are taxed, a gross receipts tax is often compared to retail sales taxes. However, while retail sales taxes apply only to final sales to consumers, gross receipts taxes tax wholesale transactions as well, including intermediate business-to-business purchases of supplies, raw materials and equipment.</p> <p>As a result of the tax's application to intermediate sales, a gross receipts tax create an extra layer of taxation at each stage of production that sales and other taxes do not—something economists call "tax pyramiding."</p> <p>A gross receipts tax's very broad base that distributes the impact of the tax, allowing a very low tax rate.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a gross receipts tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p>
Precedence	<p>A number of state have gross receipts taxes, including Washington, Delaware, Florida, Hawaii, Illinois Mississippi, Montana, New Mexico, Ohio, Pennsylvania, and West Virginia. Cities with a gross receipts tax include Los Angeles, San Francisco, Oakland CA, Bellevue WA, Alexandria VA, among others.</p> <p>The City of Eugene administered a Downtown Development District Tax with a gross sales and receipt component from 1973-1992 for the purpose of operating the City's downtown free parking program. Under this program, any person engaging in business in the Downtown Development District was required to pay the City a tax at rates of \$2.80-\$3.50 per \$1,000 of the gross retail sales and receipts from business.</p>
Revenue Yield & Stability	<p>In 2001 a 0.1% tax on gross receipts was estimated to yield about \$11 million. This analysis will need to be updated to determine potential revenue at this time.</p>
Administrative Effort	<p>Significant City effort would be necessary to implement, collect and administer a City gross receipts tax.</p>
Timeline	<p>Implementation would likely take one to two years.</p>
Who Pays	<p>A broad gross receipts tax would apply to for-profit business of all kinds. Although a gross receipts tax is not a retail sales tax, it would likely be passed on in the purchase price of goods and services. Both residents and non-residents purchasing goods and services within the City would pay.</p>

Fairness & Indirect Implications	<p>Lower income households spend a larger percentage of their disposable income for basic necessities than higher income households. As a result these households would experience more impact in any increase in goods and services resulting from a gross receipts tax.</p> <p>Since Eugene is a part of a larger metro area, consumers could shop outside the City to avoid the tax, although a very low rate of the tax would help minimize this effect. Similarly, business location decisions could be adversely impacted if there were substantial increases in the cost of doing business within the City. The “tax pyramiding” aspect of a gross receipts tax could cause a shift of some wholesale and manufacturing activity to areas outside the City. Again, a very low tax rate would help minimize this.</p>
Sustainability Impact	<p>Because the tax is levied on receipts and not the profit of a business, new and struggling businesses will be disproportionately impacted by a gross receipts tax as they attempt to make profits or minimize their losses.</p> <p>Lower income households will experience a larger negative impact if the tax results in higher costs associated with purchase of goods and services.</p>
MTC Task Force Recommendation	Not reviewed in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – A low rate would generate a significant amount of revenue.</p> <p>Cons – No precedence in Oregon. Would be difficult and costly to enact and administer. Businesses with small margins will experience largest impact from the tax. May require many businesses to change their existing business models.</p> <p>Political Feasibility – If implemented with other taxes/fees that apply to business owners it could be onerous and costly for that segment of the population. Business community would likely aggressively oppose this tax.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Business License Fee	
Description	A business license fee is a fee for the privilege of conducting business within the city limits. It could be imposed on any person, partnership, corporation or similar entity doing business in Eugene. The fee calculation could take several different forms: a fixed amount per business, a flat percentage of income earned in the city, a fixed fee levied on business according to the number of employees. It is typically paid prior to engaging in business, paid on an annual basis, and does imply a regulatory relationship.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a business license fee by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>The City of Portland business license rate is 2.2% of net income after allowable deductions. The annual minimum fee is \$100. Business licenses are required from the opening date of business. Multnomah County's business income tax rate is 1.45% of the net income after allowable deductions. The annual minimum fee is \$100 (started 2008). Business income taxes are due after each tax year end. Both have exemptions, most notably businesses that gross less than \$50,000 annually.</p> <p>Springfield has a set of specific license fees as set out in their code. The city's Finance Director estimates that 75-80% of the estimated \$105,000 - \$120,000 generated per year revenue is devoted to personnel expenses to administer the program. A large portion of the remaining revenue covers software, supervision, and indirect program costs, leaving approximately 5-10% of collection as net revenue.</p> <p>Many other Oregon municipalities also collect business license fees, with amounts varying greatly by jurisdiction. Some jurisdictions, such as the City of Springfield, restrict business license fees to certain types of businesses, while others, e.g. Portland, Gresham and Beaverton collect this fee from all businesses operating within their city limits. A number of other Oregon municipalities, e.g. the City of Salem, do not impose a business license fee.</p> <p>Eugene currently requires the following businesses to apply and pay a fee for a license from the City: payday lenders, public passenger vehicles, and tobacco retail sales.</p>

Revenue Yield & Stability	<p>Based on Oregon Employment Department records, there were approximately 5,800 businesses registered in Eugene area zip codes as of 2001. According to the 2005 study by Chastain Economic Consulting, the number of private firms in Lane County has grown by an average 1.7% per year between 1990 and 2004; however, it is likely that this trend has reversed during the recent recession. A flat fee of \$100 per year would generate approximately \$580,000 in business license revenue, assuming 100% collection and no increase in the number of businesses since 2001.</p> <p>Using Springfield's model and basing assumptions on population, Eugene's gross revenue would be approximately \$280,000 to \$330,000. Net revenue would range from \$14,000 to \$33,000.</p> <p>The stability of this revenue source would fluctuate with the area's economic conditions.</p>
Administrative Effort	<p>The City currently has a small business license program for payday lenders, public passenger vehicles, and tobacco retail sales but it would need to be expanded if an overarching fee program were to be implemented. Cost estimates would also need to include the cost of implementing a tracking and enforcement system. Using Springfield's model, administration costs could be in the range of \$250,000 to \$300,000.</p>
Timeline	<p>The timeline for implementation of an overarching business license program would be a minimum of 8-12 months from Council approval of the program.</p>
Who Pays	<p>While this fee would be paid by businesses, some portion of it may be passed on to the customers.</p>
Fairness & Indirect Implications	<p>The fairness of this fee would largely depend on its structure. A flat fee per business would be a greater burden on smaller businesses. Some jurisdictions have a fee structure that attempts to alleviate this issue; for instance, the fee may be based on number of employees and/or whether it is a home-based business. This fee would not be related to business profitability. It would be a deductible business expense for federal and state tax purposes.</p> <p>Research shows that Oregon ties North Carolina for having the lowest state and local business tax in the U.S.</p>
Sustainability Impact	<p>The license fee would increase the cost of doing business within the City of Eugene and would make the city a slightly more expensive place to do business.</p> <p>Businesses and residents in the city benefit from a favorable business climate associated with adequate provision of general government services, such as police and fire protection, parks and libraries.</p>
MTC Task Force Recommendation	<p>The Business License Fee was dropped from consideration since the effort required to implement the fee would not result in a substantial revenue source (less than \$2 million annually) and the administrative costs would likely be substantial. The revenue stream would be more appropriate for new City services.</p>

Budget Committee Revenue Team Comments	<p>Pros – Established precedent in many Oregon cities. Many new businesses expect the City to have an overarching program.</p> <p>Cons – Based on estimates it could be costly to administer. The purpose of most business license programs is to provide regulation and oversight of businesses, not to generate significant additional revenue. Current negative business sentiment towards City could be exacerbated.</p> <p>Political Feasibility – There was some difference of opinion as to whether there would be a high rate of acceptance of the fee by businesses new to Eugene. May be politically challenging if the business community rallies against a proposal.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

City Service Fee	
Description	<p>Service fees are typically set to recover part or all of the costs of a group of services broadly accessed by occupants of property in a city. These fees are billed to persons who occupy or have use of developed property. Unlike electricity, water, stormwater and sewer utility services, this fee would fund services that are not delivered directly to the property and are not directly measurable. The purpose of the fee is to provide stable funding to ensure the service remains available to the community.</p>
Legal Authority & Restrictions	<p>Under Oregon’s constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city’s boundaries. The City Council may implement a city service fee by ordinance. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p> <p>In January, 2007, the Oregon Supreme Court, in <i>Knapp v. City of Jacksonville</i>, upheld Jacksonville’s public service fee. This case clarified that city fees for utility services may be charged to a person with the right to occupy or use property, but they may not be based on property ownership or value.</p>
Precedence	<p>Measure 20-211 on the May 21, 2013 ballot asked Eugene voters if they would rather pay a capped, monthly City Service Fee to maintain funding for certain community services, or have those services reduced or eliminated. The fee was defeated at the ballot, with 67% voting no.</p> <p>Several municipalities in Oregon charge city service fees for libraries, parks, street operations and maintenance, police and/or fire services.</p> <ul style="list-style-type: none"> • Gresham implemented a temporary Police, Fire and Parks Fee on households and businesses and a one-time surcharge on large businesses to help maintain essential police positions and keep fire stations open. The fee was implemented without a vote and expires in June 2014. The City will ask voters to replace the fee with a local option property tax levy on the May 20, 2014 election ballot. • Jacksonville enacted a Fire Protection Act in 2003 to move fire services from volunteer to paid fire service. In 2011, the rate was set at \$31/month on the occupant of each unit of developed property. • Medford charges \$4.60 per single-family home per month for police and fire services. Medford also charges a parks maintenance fee of \$2.95 per month per single-family home and business unit for maintenance and operation of city parks. • Newberg charges \$3 per residential unit per month for public safety services and \$1.50 per month fire fee. • Shady Cove charges a fee of \$15 per month per residential or non-residential unit, dedicating the revenue to police services.

Revenue Yield & Stability	<p>Yield will vary with the fee level. City service fee revenue usually supplements other resources. Fees are set with consideration of the impact on the customer as well as the target revenue yield. Service fee revenues are stable because the fee is levied broadly across the community and the typical basis for the fee (occupancy and use of property) is fairly inelastic.</p> <p>The 2013 proposed City Service Fee would have been a flat fee, capped at a maximum of \$10/month for residential and \$30/month for non-residential property. The actual fee would be set by council and could be less than the cap. To produce the \$5.3 million needed to fund the specified services, it was anticipated that the actual monthly fee would be less than the cap. Actual revenue yield would depend on how the fee was implemented in an ordinance that was never drafted because the measure failed at the polls.</p>
Administrative Effort	<p>Most cities collect service fees as part of the city's sewer, stormwater or water utility billing for a property unit. In many cities, this is practical because the cities operate and bill for their own utility services. In Eugene, this would require cooperation by EWEB. If the fee is levied on a per-unit basis and is included on existing EWEB utility bills annual costs of administration, billing, collection and enforcement could be relatively low. The City has talked with EWEB in the recent past about being the billing agent for the 2013 City Service Fee. City and EWEB staff would need to agree that the charges would be placed on the EWEB bill. Administrative costs could be much higher and the collection rate lower if the City had to develop and implement a billing process separate from EWEB. In addition, administrative costs would likely be higher if the basis of the fee requires development and maintenance of property-specific data on which to base the fee.</p>
Timeline	<p>Time would be needed to determine billing, collection and enforce processes. It would likely take a longer period of time, perhaps two years, to implement a new city service fee.</p>
Who Pays	<p>This would be determined through specific ordinance language, with a goal of broadly spreading the cost of community-wide public services to both residential and non-residential properties.</p> <p>For the 2013 proposed City Service Fee, the person who was responsible for paying the stormwater sewer service charges would be the responsible party for paying the City Service Fee. It was levied on developed property and there were different rates for residential vs. non-residential units. Council determined that 4J and Bethel would pay at the residential rate for any school owned by those districts. The measure included creation of a low-income assistance program that would be defined in the ordinance, which was never written as the measure failed at the polls.</p>

Fairness & Indirect Implications	The successes of cities that have implemented monthly fees for public services demonstrates that such fees can be seen as fair and can be politically feasible. However, given the recent experience in Eugene, it is likely that substantial additional community discussion would be required before a consensus on fairness emerges and a politically feasible approach could be developed.
Sustainability Impact	Some would consider this tax as regressive in that the fee is the same regardless of property value/household income. Low income households would pay a greater percent of their income than businesses/households with higher income unless there was an exemption or low-income assistance program.
MTC Task Force Recommendation	After a Restaurant Tax, the Task Force recommended a City Service Fee of between \$5 and \$10 a month to pay for services that are not deemed to be essential services such as public safety.
Budget Committee Revenue Team Comments	<p>Pros – Has the ability to raise a significant amount of revenue. Initial polling of the fee in 2013 was positive. May be well accepted if it is time limited and/or supporting specific new or existing services and programs.</p> <p>Cons – The 2013 ballot measure failed and it may be difficult to get the community to reconsider. Would require new messaging and an explanation as to how the gap was solved when the previous measure failed.</p> <p>Political Feasibility – There was some difference of opinion as to whether the community would accept a second attempt at a City Service Fee. May be politically necessary to allow more time before attempting another ballot measure.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Commuter Tax	
Description	<p>A commuter tax is levied specifically on non-resident workers employed within a jurisdiction. It is intended to fund a share of the costs of general-funded services that broadly benefit the non-resident worker and their employment.</p> <p>The tax can be a schedule of flat fees per employee or rates applied to wages and salaries. It may also apply to self-employed people. The rate schedule may vary depending on the industry or business activity.</p> <p>Employers typically deduct the tax from their non-resident employee's wages and salaries and remit the revenue to the taxing jurisdiction. The tax is often but not always imposed in conjunction with a parallel occupational privilege tax on residents, in which case the non-resident tax might be at a lower rate than the resident rate to reflect the difference in benefit received from public services. Commuter tax revenue would be available to the General Fund.</p>
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a commuter tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, or by citizen initiative or a successful referendum petition.
Precedence	This tax has been implemented by cities or counties in Alabama, Michigan, Missouri, Ohio and Pennsylvania. In Oregon there are currently no commuter taxes.
Revenue Yield & Stability	<p>Jurisdictions with commuter taxes in the form of flat fees generally charge from \$25 up to \$50 per worker per year. Among jurisdictions with the tax based on earnings, the tax rates range from 0.25% to over 2%.</p> <p>It is not certain that a commuter tax could be applied to all employees within the City, such as people working at federal and state agencies. Additional legal research will be needed on this issue. Exclusions will reduce estimated yield. Revenues vary with level of employment and wages.</p> <p>The commuter tax would be an ongoing revenue source, fluctuating from year to year to the extent that there are swings in the number of non-resident workers or their personal income earned within the City. In times of a general economic slowdown, revenue would drop, then rise again in a recovery. Long-term changes in the distribution of metropolitan area urban development, business location decisions and City annexation practices would affect the growth in revenue from a commuter tax.</p>
Administrative Effort	Administration and enforcement mechanisms and costs will depend on the tax's structure and complexity. It is possible that one to three FTE would be required.
Timeline	The tax may take from one to two years to implement.

Who Pays	The tax would be paid by non-residents working within the City of Eugene.
Fairness & Indirect Implications	Non-residents working within the City are benefited directly and indirectly by General Fund services but contribute little revenue to help fund City services unless they also own taxable property. A commuter tax could help improve horizontal equity of a city's tax system because it would be paid by non-residents who benefit from the provision of the range of City General Fund services that directly and indirectly benefits them and supports their employment within the City. The tax can include self-employed non-residents doing business in the City as well as non-residents employed by others.
Sustainability Impact	<p>A commuter tax would have a larger impact on low-income commuters who may not be able to afford to live in the Eugene metro area.</p> <p>The tax could encourage some commuters to move into the city limits, which could slightly decrease commuter tax revenue and possibly reduce fuel consumption.</p> <p>The tax could make it more difficult for businesses to recruit employees.</p>
MTC Task Force Recommendation	Not reviewed in Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Would capture revenue from non-residents that benefit from City services.</p> <p>Cons – May disproportionately impact those in lower paying positions that cannot afford to live inside city limits. Revenue raised would be used to support city services however the City and its employees might not be required to pay the tax. May be difficult and costly to administer.</p> <p>Political Feasibility – Would face challenges because public agencies and their employees would not be required to pay the tax. May be confused with the LTD payroll tax.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Corporate Income Tax	
Description	<p>A corporate income tax is different from a general income tax in that only for-profit corporations doing business or otherwise obtaining income from within the taxing jurisdiction are subject to the tax. Self-employed persons, sole proprietorships, partnerships and other non-corporate business entities are not taxed as corporations. Income from these businesses is taxed as personal income. S-corporations may or may not be subject to a corporate tax. Public agencies and governments are not subject to corporate taxes and non-profit corporations are exempted as well.</p> <p>It is usually implemented as a schedule of tax rates applied to corporate net taxable income earned within the taxing jurisdiction, or it may be in the form an excise tax based on the carrying of business within the jurisdiction. Corporate tax structures can be complex, differing widely in details of structure, implementation, and definition of income, rates, exemptions, credits and deductions allowed, and so forth.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a corporate income tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative, or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p>
Precedence	<p>The State of Oregon is among the 46 states taxing corporations based on either income or sales, whichever is greater.</p> <p>The State corporate tax rate on income is 6.6% of Oregon net income under \$1 million, or \$66,000 plus 7.6% on incomes over \$1 million. Alternatively a minimum excise tax of \$150 may be levied instead, based on sales of under \$500,000 in sales. This excise tax rises to \$100,000 for sales of \$100 million or more.</p> <p>Across the nation there are examples of local corporate taxes. The cities of New York, Detroit, Columbus, and Lansing are among cities using this revenue source. In Oregon, no local jurisdiction has imposed a corporate tax.</p>
Revenue Yield & Stability	<p>Revenue yield could be significant, depending on structure and rate schedule of the tax. A 2003 staff analysis estimated that a 1% corporate income tax could yield about \$2.7 million annually, while a 10% surcharge on State corporate income tax would yield \$1.8 million. Further analysis will be necessary.</p>

Administrative Effort	A City corporate tax could be administered and collected most efficiently as a surcharge on a corporation's existing State corporate tax liability. This would greatly simplify imposition of the local tax. Effort and costs to implement and administer a City corporate income tax would depend on whether the City could reach agreement with the State Department of Revenue to collect the tax as a surcharge on existing State corporate tax. If the City were to implement and collect the tax itself the administrative effort would be very high.
Timeline	Implementation would likely take several years.
Who Pays	Corporations conducting business or deriving income from within the City of Eugene would pay the tax.
Fairness & Indirect Implications	Although a corporate income tax is imposed on net income there is likely to be an indirect impact on the prices of goods and services because some or all of the cost of the tax would then be passed on in the wholesale or retail sale of goods and services, to be paid by the consumer.
Sustainability Impact	<p>A corporate income tax could discourage new businesses from establishing residence in Eugene, and could also encourage existing businesses to move to a lower tax city. This would result in an overall loss in taxes for the City.</p> <p>An increase in the price of goods or services as a pass-through to consumers would negatively impact low-income residents.</p>
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – A low rate would generate a significant amount of revenue. Can be structured to be somewhat progressive. Could potentially piggyback on state tax for more streamlined administration.</p> <p>Cons – Would be difficult and costly to enact and administer. Would target certain type of businesses (c-corporations) and provide a disincentive to forming them. Businesses that are able may choose to move outside city limits to avoid the tax.</p> <p>Political Feasibility – If implemented with other taxes/fees that apply to business owners it could be onerous and costly for that segment of the population. Business community would likely aggressively oppose this tax.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

E-Cigarette Tax	
Description	<p>This would be a tax based on sales or use of e-cigarettes and other personal vaporizers and vaporizer liquids. A personal vaporizer is a pocket-sized, battery-powered device for turning liquid into vapor, utilizing an atomizer. It converts e-liquid into a vapor that is inhaled and is meant to act as a simulant and substitute for tobacco smoking.</p> <p>Vaporizers and supplies are available in vapor shops in Eugene and Springfield, and are also readily available for purchase online. The tax could be applied at point of sale, or could be applied to gross value of the taxed sales. Online sales could not be taxed by the City. Revenue would be available to the General Fund.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a tax on admissions by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative petition or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p> <p>Currently, federal and Oregon law does not regulate sale or use of these devices. The Oregon Legislative Assembly has recently considered, but has not passed, legislation to limit access to personal vaporizers by minors and to regulate their use in public areas, similar to regulation of conventional tobacco use. Future legislation that regulates vaporizers might preempt the City's ability to tax vaporizer sales.</p>
Precedence	<p>A number of states and local governments have regulated sales of vaporizers to minors and several have restricted use of vaporizers in public spaces.</p> <p>As of December, 2013 only Minnesota has put in place a specific state tax policy for e-cigarettes, a decision reached in 2012. The products are subject to a 95% tax on the wholesale cost of the product. At least 30 other states are expected to consider vaporizer taxes of some kind this year.</p>
Revenue Yield & Stability	<p>Revenue yield would depend on the level of the tax and the vaporizer sales activity occurring within Eugene. Currently only two vapor shops are located in Eugene. Vaporizers and supplies may be available at other shops, and can readily be purchased online. Number and values of vaporizer sales within Eugene are not known at this time.</p> <p>If the City tax rate were high, consumers could avoid the tax by going to vaporizer shops in Springfield. The ready online availability of vaporizers and supplies will likely reduce the potential tax revenue.</p> <p>There is a possibility that the Oregon State Legislature may tax and regulate vaporizers, and could preempt local taxes on these items.</p>

Administrative Effort	Implementation, collection and administration of the tax by the City would likely require one or two FTE, depending on the number of shops that sell vaporizers and supplies. Businesses selling taxed items would have the administrative responsibility to collect and remit the tax to the City.
Timeline	This tax could likely be implemented within one year.
Who Pays	Consumers of vaporizers would pay a tax applied at point of sale. If the tax were applied to gross value of taxed sales, the business would be liable for payment and would likely pass on some or all of the tax to the customer in prices.
Fairness & Indirect Implications	A tax on sales of vaporizers and supplies would be considered regressive because it would not be related to ability to pay. Vaporizers are promoted as a more healthful alternative to smoking because they do not produce ash and other harmful particulates. Increasing the cost of vaporizers may have the effect of discouraging use of vaporizers, indirectly contributing to continued smoking by consumers.
Sustainability Impact	Social inequity would not be increased. Economic activity could be marginally decreased. If vaporizers were discouraged as an alternative to smoking due to increased costs of the tax, public health may be negatively impacted.
MTC Task Force Recommendation	Not included in Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – May be a growing market that could be captured before the State preempts local taxes with their own legislation. Could potentially support positive public health outcomes.</p> <p>Cons – May not initially constitute a significant amount of revenue, and those revenues may be outpaced by the cost of administration. Taxing a commodity that is easily purchased in surrounding areas or online could reduce the potential revenue.</p> <p>Political Feasibility – City would need to act quickly before a local tax is preempted by the State.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Heavy Vehicle Tax	
Description	<p>A heavy vehicle tax could be levied on vehicles over a certain weight and registered to an individual or business within the city. Since most heavy vehicles are used by business, the tax would be implemented as a business license tax, and payment of the tax would be a condition of doing business within Eugene.</p> <p>Studies have shown that although fuel consumption increases with size and weight, it does not increase proportionately with cost responsibility for damage done to roads by heavy vehicles. Above 26,000 lbs. the overall weight and axle loads become important factors in apportioning cost responsibility for damage to roads. For this reason the State of Oregon applies a weight-mile tax to heavy vehicles, while exempting these vehicles from the state motor vehicle fuel tax.</p> <p>The City of Eugene has imposed a local motor vehicle fuel tax since 2003. However heavy vehicles over 26,000 lbs. are exempt from the state fuel tax and are also eligible for an 80% refund for the local fuel tax. In addition there are vehicles below 26,000 lbs. that impose a heavier burden on city streets than passenger autos.</p> <p>The heavy vehicle business license tax rate would be proportional to the vehicle's weight & axle configuration. Mileage would probably not be a practical factor in determining the local tax. Heavy vehicles would be grouped into classes. Each class would have an assigned tax rate reflecting proportionate shares of estimated costs of the local transportation system they impose less the estimated local fuel tax revenue they contribute.</p> <p>The purpose of the heavy vehicle business license tax would be to impose a share of cost responsibility for local streets to heavy vehicles to recover revenue towards costs of damage such vehicles cause to the City's transportation system.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a heavy vehicle business license tax by ordinance without state enabling legislation. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would have to be dedicated to streets under Article IX of Oregon's Constitution.</p> <p><i>Revenue from a heavy vehicle tax would be subject to Article IX of the Oregon Constitution requiring that it be spent within the street right-of-ways. It may be possible to use the revenue for alternative mode activities within street right-of-ways, but it could not be used to plug the General Fund budget gap.</i></p>

Precedence	<p>The City has imposed a local motor vehicle fuel tax within Eugene. However, vehicles of over 26,000 lbs. are eligible for an 80% refund on the local fuel tax, as well as exemption from the state fuel tax.</p> <p>The U.S. Department of Transportation imposes a heavy vehicle use tax (HVUT) on heavy vehicles operating on public highways at registered gross weights equal to or exceeding 55,000 pounds. Vehicles between 55,000 and 75,000 lbs. pay \$100 plus \$22 per 1,000 pounds over 55,000 lbs. Vehicles over 75,000 lbs. pay \$550.</p> <p>An initial search has not identified any other municipalities with a heavy vehicle tax.</p> <p>State taxes based on weight or weight-mileage of heavy vehicles are common. The State of Oregon implements a weight-mile tax on heavy trucks, while exempting them from state fuel taxes.</p>
Revenue Yield & Stability	Additional direction and information is needed to estimate revenue.
Administrative Effort	A heavy vehicle business license tax could impose a substantial administrative burden. The program would require reporting by the taxpayer, use of Department of Motor Vehicles, PUC and ODOT data for administration, audit and enforcement purposes. It may be difficult to identify and license parties located outside the city that regularly conduct business in Eugene. A field capability will probably be needed. The program could be fairly expensive to administer, depending on its complexity.
Timeline	This tax would take a longer period of time to implement, at least one or more years depending on the necessary level of administration.
Who Pays	Businesses with registered heavy vehicles would pay.
Fairness & Indirect Implications	Any party conducting business in Eugene would be subject to the license requirement and tax. Heavy vehicles are operated primarily by businesses. Only heavy vehicles over a certain weight would be subject to the tax.
Sustainability Impact	If the tax were set too high business could begin using multiple smaller vehicles as a part of their fleet, thus increase fuel usage and trips made to conduct business at the same level.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Could be used to compensate for road damage inflicted by heavy vehicles.</p> <p>Cons – It may be possible to use the revenue for alternative mode activities within street right-of-ways, but it could not be used to plug the General Fund budget gap.</p> <p>Political Feasibility – Not discussed because this tax would not benefit the General Fund.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Local Option Property Tax Levy	
Description	A local option levy is a temporary property tax that is paid by all owners of taxable property within the City limits. The City could impose a local option levy for General Fund services for a maximum of five years or for capital projects for up to 10 years.
Legal Authority & Restrictions	New or additional property taxes must be approved by a majority of the people voting in a primary or general election.
Precedence	<p>The City has had three local option levies for the libraries. The first in November 1998 was a four-year serial option levy to raise \$8,760,000. The measure passed with 63.3% voting yes. In May 2002 another four-year local option levy was proposed and passed by 56% of the vote. This levy raised \$19,600,000 over the four-year period. The last City of Eugene four-year local option levy for the library was placed on the November 2006 ballot. This measure passed with 52.1% of the vote and raised \$10,750,000 over four years.</p> <p>In November 2008 4J proposed to renew a five-year local option levy to generate \$75,000,000 over the course of the levy through FY15. This passed with 63.7% voting in the affirmative.</p> <p>In May 2013 Lane County proposed a local option tax levy to fund jail beds and youth offender services. Over the five year period this levy is expected to raise \$79,459,479. The measure passed with 57% voting in the affirmative.</p>
Revenue Yield & Stability	<p>To fund \$3 million of operating costs with a five-year local option levy, a tax rate of about \$0.25 to \$0.30/\$1000 of AV would be needed, which would mean the typical homeowner would pay approximately \$50 per year.</p> <p>Local option levies are subject to the \$10/\$1000 of real market value tax rate cap for all general governments under Measure 5 which amended the Oregon constitution. Local option levies are the first to be reduced in the event of tax rate compression. This means that if the combined total levies for the overlapping general governments exceed the Measure 5 cap, any local option levies would be proportionally reduced until the tax rate limit is satisfied.</p>
Administrative Effort	Property taxes are administered by the County. The County prepares the tax bills, collects the funds, and remits the appropriate amount to the City on a regular basis. Enforcement is performed by the County in the foreclosure process.
Timeline	The deadline to place the measure on the ballot for the May 2014 election is February 10, and revenue could be collected starting in FY15. To be placed on the ballot for the November 2014 election the deadline is July 30, and revenue could be collected starting in FY16.

Who Pays	The tax is paid by all owners of taxable property within City limits. Property owners include business and residences. Businesses may choose to pass the tax on to their customers.
Fairness & Indirect Implications	<p>The property tax is a proportional tax on the assessed value of real and personal property for both businesses and residences. It does not take into account the ability of the taxpayer to pay the tax. There are numerous exemptions from the property tax designed to promote a variety of policy goals, including some designed to lessen the impact on low-income owners and tenants.</p> <p>A local option levy is not necessarily a long-term solution as future funding would be contingent upon voters renewing the levy in future years to continue the revenue stream.</p>
Sustainability Impact	An additional property tax levy could affect how affordable housing is in the community.
MTC Task Force Recommendation	Local option levy is not recommended because by statute the funding is limited to 5 years for operating purposes. The revenue from the levy is not ongoing and should not be used to pay for ongoing expenses.
Budget Committee Revenue Team Comments	<p>Pros – Could generate significant revenue if approved by voters. Limited duration may make this option more palatable to voters. City could demonstrate progress on program/service before asking voters to renew the levy. Could be used as a bridge to establishing a special district.</p> <p>Cons – Would not provide ongoing, sustainable revenue source because of the possibility of defeat at each election. Could result in Measure 5 tax rate compression issues depending on the amount, with subsequent loss of some revenue.</p> <p>Political Feasibility – Generally considered feasible because of community familiarity with property taxes as a General Fund revenue source and the short duration would provide City with the opportunity to establish public trust. More politically feasible if it is a service or program that is well-supported by the public.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Luxury Tax	
Description	<p>A luxury tax is a sales or excise tax that would be applied to the price of specific luxury goods or services. Luxury goods generally are products that are not considered essential and are purchased by very wealthy consumers. The tax has been typically applied to particular classes of luxury goods such as expensive vehicles, jewelry, airplanes, boats, etc.</p>
Legal Authority & Restrictions	<p>Under Oregon’s constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city’s boundaries. The City Council may implement a tax on admissions by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative petition or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p> <p>A luxury tax levied on motor vehicles might fall within the Oregon Constitution’s requirement that revenue from a tax levied on the “ownership” of a motor vehicle must be dedicated to roads. Additional legal research would be required. Real estate transfer taxes are prohibited at the local level in Oregon.</p>
Precedence	<p>In the United States there do not appear to be many local, state or federal luxury taxes. In 2011, Connecticut enacted a luxury tax in lieu of the sales tax on certain items: (1) motor vehicles exceeding \$50,000; (2) vessels exceeding \$100,000; (3) jewelry (real or imitation) exceeding \$5,000, and (4) clothing, footwear, handbags, luggage, wallets, umbrellas, or watches with a sales price exceeding \$1,000. The rate was initially 7% on all of these goods, but in 2013 the rate on luxury yachts was reduced to the same rate as the general sales tax (6.35%) due to the negative impact on the boating industry in the state. Some states have a real estate transfer tax rate that increases for higher value properties, such as New Jersey and New York. Other luxury taxes have been considered, but not enacted, such as consideration in Washington State recently.</p> <p>In November 1991, The United States Congress enacted a luxury tax that has since been repealed. This tax was levied on material goods such as watches, expensive furs, boats, yachts, private jet planes, jewelry and expensive cars. Congress enacted a 10 percent luxury surcharge tax on boats over \$100,000, cars over \$30,000, aircraft over \$250,000, and furs and jewelry over \$10,000. The federal government estimated that it would raise \$9 billion in revenues over the following five-year period. However, only two years after its imposition, in August 1993, the Congress decided to limit application of the tax. The revenues generated were disappointing and it also negatively impacted the incomes of the sellers of the luxury items. However the luxury automobiles tax was still active for the next 13 years until that was also repealed.</p> <p>Mexico levies a luxury tax on several items. Australia has levied the tax on luxury cars with a maximum tax rate of 33%. Hungary levied a luxury tax on yachts and cars whose value exceeded \$150,000.</p>

Revenue Yield & Stability	Revenue would depend on the sales values of the goods to which the tax would apply. Tax revenues would fluctuate with general economic conditions. Depending on the tax rate, a luxury tax could encourage some wealthy consumers to easily avoid the tax by purchasing luxury goods outside city limits. Alternatively consumers could purchase lower cost untaxed goods rather than higher cost taxed goods.
Administrative Effort	Implementation, administration and collection of the tax may require additional FTE, depending upon the structure of the tax.
Timeline	It could take from one to two years to fully implement.
Who Pays	The tax would be paid by the relatively few purchasers of the taxed luxury goods. Since the taxed goods would be expensive the purchasers would likely be wealthy households and businesses. The luxury tax would be relatively progressive because low-income and middle-income households would not normally purchase luxury goods, while wealthy consumers would be subject to the tax.
Fairness & Indirect Implications	It is likely that only wealthy households and businesses would pay the tax. The tax would have a negative effect on economic activity insofar that sellers of luxury goods would be discouraged from conducting business within the city.
Sustainability Impact	Social inequity would not be increased. Economic activity could be marginally decreased. There would be no burden passed on to future generations.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros –Would be paid by individuals perceived to have the most disposable income.</p> <p>Cons – Administration would be difficult whether it was structured as point-of-sale tax or ongoing personal property tax. Point-of-sale may risk driving purchases of expensive items to other cities without such a tax. Difficult to generate revenue because tax can be easily avoided by people with the capacity to purchase luxury goods. Taxes on motor vehicles must be used for road-related purposes.</p> <p>Political Feasibility – This was attempted at a federal level and did not generate significant revenue and was repealed within a few years of implementation.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Motor Vehicle Rental Tax	
Description	A tax imposed on people renting a motor vehicle from a commercial establishment within the city of Eugene. The two most common methods of rate calculation are a percentage of gross rental fee or a flat per day fee. Rates vary significantly among jurisdictions with percentages ranging from 1%-17% and flat fees ranging from \$2-\$4 per day.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a motor vehicle rental tax by ordinance without state enabling legislation. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund. Further legal analysis is needed to assess the legality of taxing rental companies at the Eugene Airport but the City may need to annex the Airport to enact the tax at that location.
Precedence	<p>The City has not previously enacted a motor vehicle rental tax.</p> <p>Lane County levies a car rental tax of 10% of the gross rental fee on all motor vehicles obtained from a commercial establishment in Lane County. The County's definition of a motor vehicle excludes vehicles designed and used primarily for the transportation of property (e.g. U-Haul moving vans) or vehicles rented for more than 30 days. Between FY04 and FY13 annual gross revenues ranged from approximately \$1.1 million to \$1.35 million. Revenues appeared to be significantly impacted by the recession in FY09-FY10. This funding has historically been dedicated to County Parks and the County General Fund.</p> <p>The City of Eugene Airport has imposed a Customer Facility Charge on car rental agencies operating at the Eugene Airport Location. The charge is \$2/day per car rented. The revenue is dedicated to financing improvements to facilities at the airport and is not available for General Fund services. The Customer Facility Charge generated approximately \$400,000 to \$500,000 annually over the past three years.</p> <p>It is estimated that 38 states and over 80 local governments impose a vehicle rental tax. Uses are varied and include construction of stadiums/arenas, transportation, education, arts/tourism and general fund activities. Multnomah County currently impose a tax equal to 10% of the gross rental fee charged by the commercial company for the rental. Multnomah County directs all funds received to the County General Fund.</p>

Revenue Yield & Stability	<p>The yield would vary dependent on the rate charged. In FY2006 approximately \$1.2 million in vehicle rental tax receipts were generated in Lane County. Two of the rental companies have facilities in Springfield and/or Cottage Grove and the split between Eugene and all others is unknown. Further information would be needed to accurately project revenues, including the legality of taxing businesses at the Eugene Airport.</p> <p>The revenue history for the past ten years shows this to be a stable revenue source, although this revenue could fluctuate somewhat with economic conditions, as people may travel less during a slowdown of the economy.</p>
Administrative Effort	Lane County currently collects the county-wide car rental tax quarterly. The City could ask the county to collect the additional City share and remit the funds to the City quarterly. The County currently deducts an administration fee from revenues before distributing funds to County Parks and the County General Fund. A similar fee could be deducted from the City of Eugene's portion before distribution.
Timeline	Because a mechanism already exists for collection of this fee within Lane County, this fee might be relatively simple to implement, if an intergovernmental agreement can be reached with Lane County for collection.
Who Pays	People/businesses who rent motor vehicles from rental companies located in Eugene.
Fairness & Indirect Implications	This tax would primarily be borne by non-residents, however some local residents rent vehicles such as when their car breaks down and they rent a vehicle for the time period their car is in the shop.
Sustainability Impact	<p>If the rate were increased high enough, there might be incentive for those renting vehicles (particularly those rentals not from the Airport or Amtrak station) to rent vehicles in Springfield.</p> <p>A high tax has the potential to dissuade some visitors from renting a vehicle and could perhaps encourage a higher use of alternative transportation methods.</p>
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Could possibly be broadly structured to not only include passenger vehicle rentals but moving vans to capture a larger market. Lane County and the Airport already charge a fee on passenger vehicle rentals. The majority of tax revenue would come from non-residents visiting the city.</p> <p>Cons – Would likely not include revenue from vehicles rented at the Airport because it is outside city limits at this time.</p> <p>Political Feasibility – Due to the established precedents this tax is feasible.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Paper Bag Fee	
Description	A paper bag fee was established by City Council by ordinance in October 2012. This option would direct some or all of the vendor paper bag revenue pass-through to the City.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may direct the paper bag fee to the City by ordinance. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>In July 2013 the City of Boulder, CO implemented a \$0.10 for every plastic or paper bag used at the checkout. \$0.04 is kept by the retailer and the remainder is sent to the city for administrative costs associated with developing and implementing the fee, providing reusable bags to the community, community educational efforts about disposable bag impacts, and related programs. At the time of implementation it was estimated that the city used 33 million checkout bags per year. The ban does not apply to restaurants, bulk or produce bags, newspaper bags, or any other kind of food packaging bags.</p> <p>In 2008 Seattle enacted an ordinance for a plastic bag tax of \$0.20 per bag. Stores with annual gross sales of under \$1,000,000 could keep all of the fees they collected to cover their costs. Other stores could keep 25% of the fees they collected, and would send the remainder to the City to support garbage reduction and recycling programs. The stores would get a business-tax deduction for the fees they collected. The bag tax was subsequently referred to the August 2009 ballot where the measure was defeated with 53% voting against it.</p> <p>Beginning in January 2010, all Washington D.C. businesses selling food or alcohol are required to charge a minimum \$0.05 for each disposable paper or plastic carryout bag. The businesses retains one cent (or two cents if it offers a rebate when customers bring their own bag), and the remaining three or four cents is submitted to the D.C. government and placed in The Anacostia River Clean Up and Protection Fund.</p>
Revenue Yield & Stability	Original estimates showed that prior to implementation of the plastic bag ban, Eugene used an estimated 67 million single-use plastic carryout bags each year and paper bag use was unknown. Further analysis is required to determine total paper bag use in Eugene if this option is selected for consideration.
Administrative Effort	There is no estimate for the cost of administration (including tracking), collection and enforcement efforts associated with this potential revenue source.

Timeline	If this option is selected for further action, revenue analysis and program scoping would require 3 months. Upon adoption of an ordinance, a reasonable timeline for implementation of collection of a paper bag fee would be 12-18 months to provide adequate time for Eugene businesses to change current operations.
Who Pays	Retailers that currently collect the fee as a cost pass-through would share some, or all, of the fee with the City.
Fairness & Indirect Implications	Currently the fee applies to all businesses. It is possible to structure it to exempt small local businesses based on square footage or sales revenues.
Sustainability Impact	<p>The fee for paper bags has previously been established in Eugene, and unless a decision was made to increase this fee, shoppers would not notice a change in program structure.</p> <p>Retailers would experience increased administration costs associated with tracking the purchases and remitting the required portion to the City.</p> <p>If the current fee is increased it could increase the number of reusable shopping bags and further decrease one-time use bags.</p>
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Existing ordinance in place that would only require an amendment to enact the change. Would not be a new fee to citizens, just a redirection of funds. Could expand application to plastic bags.</p> <p>Cons – Will be an unknown administrative burden to retailers and City will need to establish administrative process for collection and enforcement. Should be a diminishing revenue source as more shoppers adopt reusable bags. Opening ordinance for amendment could jeopardize entire program.</p> <p>Political Feasibility – May be some consumer pushback depending on where funds are directed. A clear nexus between the fee and its use may encourage support, such as parks maintenance and to a possible lesser degree the sustainability program.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Parking Tax	
Description	A parking tax is usually structured as an excise tax associated with the rental or leasing of parking spaces. It could alternatively be structured as a type of business privilege or gross receipts tax levied on businesses that provide parking to employees, customers or participants, and on industrial or fleet parking.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council could establish the tax by ordinance. It could also be placed on the ballot by citizen initiative, or referred to the ballot by Council or by a successful citizen referendum petition. Revenue would be available for General Fund services.
Precedence	<p>Parking taxes are currently in effect in at least 49 cities across the United States. The rates for parking taxes can vary considerably. As of 2014 parking taxes based on parking revenue ranged widely, from 6-40%.</p> <p>The City of San Francisco imposes a 25% tax on all commercial, off-street, non-residential parking. Miami has a 15% tax, Los Angeles' tax is \$5.07 per \$1,000 gross receipts and Pittsburg imposes a 40% tax. Chicago imposes a 20% tax for daily parking on weekends and 20% on weekday and long-term parking.</p> <p>In the state of Washington, the City of Bremerton imposes a 15% rate on commercial operators, while Bainbridge Island's rate of 30% applies to both private and public parking. The City of Seattle enacted a tax on commercial parking operators in 2006. The tax rate is 12.5%, added to the fee drivers pay to park in Seattle's commercial parking lots. Drivers pay the tax when they park but it is the responsibility of the business to charge and collect the tax. The business is liable for the tax whether or not it is collected.</p> <p>The City of Salem has had a Downtown Parking District since 1976 to provide funding for economic promotion and public parking within Salem's downtown core. The District is supported by tax assessments on all for-profit businesses of a proportionate share of the costs of the District, calculated on type of business, square footage and associated customer parking demand. Annual assessments currently range from \$200 for small offices to \$43,000 for the largest department store.</p> <p>The City of Eugene has used this revenue source in the past. In 1973 a measure was passed authorizing establishment of a Downtown Development District, including public parking and transportation and the power to tax in the district. This district is no longer in existence. From 1977 to 1986 voters approved several measures to levy a Downtown Free Parking District tax.</p> <p>The Eugene Budget Committee Citizen Subcommittee considered a parking tax as an option for funding transportation system needs in 2001, but decided not to pursue this option.</p>

Revenue Yield & Stability	<p>Parking taxes are usually a tax rate applied to the parking revenues generated by the owner or operator, or paid by the parking patron. Other less common approaches include a flat fee per space or transaction, or a tiered rate system based on parking location, type of parking and/or length of use. The tax could be based only on commercial parking or on all parking. This could include parking at office buildings, residences, on-street parking, and so on.</p> <p>Operation of the City of Eugene's parking system generates about \$4.3 million in revenue per year. Adding a parking tax of 10% would generate \$430,000, assuming there was no drop in parking demand as a result of the increased cost. There are no estimates available for the revenues generated by other commercial parking operators, such as Diamond Parking.</p> <p>In 2006 a parking needs assessment of only the Eugene downtown area was done. At that time the study identified about 15,250 spaces in the downtown area, of which approximately 5,000 were on and off-street publicly-owned spaces. The remaining approximately 10,000 are presumed to be free or paid commercial parking. If public parking was excluded and the owners/operators of these downtown commercial spaces were taxed \$60 annually per space then the tax would produce about \$600,000 revenue annually.</p> <p>As part of a 2007 study of transportation funding options, City staff estimated an approximate number of parking spaces citywide. Total parking spaces were estimated at 250,000, of which approximately 100,000 were nonresidential (estimate generated from impervious surface data) and 150,000 were residential (estimate generated from number of residential units). Beyond these approximate numbers no further information is currently available on citywide parking spaces.</p>
Administrative Effort	<p>Administration of this tax will require parking owners or operators to maintain reliable records of their parking revenues or their parking transaction activities, depending on the method of taxation. Under reporting of taxable activity is a difficulty faced by governments that have adopted a parking tax.</p> <p>The administration of a parking tax would fall on the various parties affected by the tax. For the City, operating costs would include the salaries of additional employees needed to collect, monitor, and enforce the tax. These costs would depend on the specifics of the tax structure and payment periods. Parking operators, building owners, and employers who charge their employees for parking, would bear costs for recordkeeping and remitting the tax. These costs could be passed onto customers.</p>
Timeline	The tax could be implemented within 12-18 months.

Who Pays	<p>A parking tax can be structured to be paid by the owners or operators of parking facilities, or by the direct users of the parking spaces. Taxes paid by owners or operators of parking facilities may be passed on to the direct users of the parking, depending on the economics of the parking market in the area.</p> <p>A parking tax would be paid by anyone who parks in the facilities that are subject to the tax. It is likely that non-residents would pay a significant share of the parking tax because about one-half of people employed in Eugene are commuters. If a parking tax were structured to capture revenue from all free and commercial spaces, then it would be paid by all businesses and residences. The City would probably not be able to levy this tax on parking provided by the federal or state government.</p>
Fairness & Indirect Implications	<p>The tax would increase the cost of parking in Eugene, which may have the effect of encouraging consumers to travel to neighboring cities that have lower parking costs. Studies in other cities have indicated that a 10% increase in parking costs could reduce parking demand by 2-4%, as a result of consumers using other forms of transportation, consolidating trips, or driving elsewhere for goods or services.</p>
Sustainability Impact	<p>A parking tax is considered regressive because it is not based on the income of a parking patron. Parking patrons that have no reasonable alternative to parking downtown for lower wage jobs or to access necessary shopping or services could bear a significant financial burden. If a parking tax were levied on all parking, including free parking associated with rental housing, lower income citizens would bear an additional significant financial burden.</p> <p>A parking tax could be seen as a way to encourage the use of alternate modes. For instance, the City of San Francisco's parking tax was implemented in the 1970's as part of an overall strategy to discourage the use of private automobiles. On the other hand, a parking tax could encourage suburban sprawl. If a parking tax is levied only on commercial spaces that generate parking revenue, the effect could be to encourage businesses to locate in outlying areas where parking is free.</p>
MTC Task Force Recommendation	<p>Not included in the Meeting the Challenge report.</p>

Budget Committee Revenue Team Comments	<p>Pros – Would provide a method for generating revenue from large events throughout Eugene. May generate some revenue from non-residents benefitting from City services. Could help to offset losses experienced by the City for providing parking. Could be structured in many different ways. Could apply to free or paid parking, public or private spaces, on-street or structured parking. May encourage development of sites downtown rather than keeping them for parking.</p> <p>Cons – May be unable to limit the tax to just downtown parking. Would likely not apply to universities, schools or other public agencies. Could be difficult to administer. A higher cost of parking could have a negative economic impact on some businesses, especially downtown. Some conflict of interest where code requires the provision of parking by businesses and then City taxes them on this requirement.</p> <p>Political Feasibility – Taxing residential parking would likely result in broad opposition. Business would likely oppose tax on non-residential parking.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Payroll Tax	
Description	<p>Payroll taxes are levied when employers pay employees their wages and salaries earned within the taxing jurisdiction. The tax can be applied to self-employed people as well as those employed by others.</p> <p>The tax can take the form of a flat fee per employee or a tax rate applied to gross earnings paid by an employer within the taxing jurisdiction. It can be levied on the employer based on the employee's wages, or the employee as a deduction from an employee's wages. In the latter case this tax would not be the same as a local income tax, which would tax all income after adjustments under applicable income tax laws. The tax revenue would be available to the General Fund.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a payroll tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or through a successful referendum petition.</p>
Precedence	<p>Many countries levy national payroll taxes of various kinds. In the United States we are familiar with income, Social Security, Medicare and unemployment taxes. All U.S. states also collect a range of payroll taxes, as do a number of cities nationwide.</p> <p>While there are no payroll taxes to generally support city or county services in Oregon, there are payroll taxes being collected under state law for the specific purpose of funding local mass transit. The State of Oregon collects a transit tax on gross payroll within the Lane Transit District (LTD) in Eugene/Springfield area and the Tri-County Metropolitan Transit District (Tri-Met) in the Portland area to provide partial funding for those districts. Transit districts do not have the home rule authority and so may not impose these taxes unless specifically allowed by the state statute.</p> <p>In 2003, Oregon legislature provided LTD with the authority to increase the rate annually until it reaches 0.7% in 2014. On January 1, 2013, the rate increased to .0069 (\$6.90 per \$1,000) of the wages paid by an employer and the net earnings from self-employment for services performed within the Lane Transit District boundary. Certain wages, such as those paid by the federal government units and public school districts are exempt from the transit tax under the state law. A number of other employers, including cities and the county and non-profits, are exempted from the transit tax by an LTD ordinance. While the University of Oregon is exempt from the LTD tax, the State provides payments to LTD in lieu of the tax. State in-lieu payments would not be available to the City if it imposes a payroll tax however.</p>

Revenue Yield & Stability	<p>According to an analysis completed in 2001, a 1% payroll tax in Eugene would raise an estimated \$29.6 million per year if applied to all gross payrolls. Legal review is needed to determine if there are payrolls that are likely to be exempt from a City payroll tax, including federal and state agencies and non-profits. Exclusions will reduce estimated yield.</p> <p>The most efficient way for the City to implement a payroll tax would be to use the same mechanism as the existing Lane Transit District payroll tax, imposed under state statutes and collected by the Oregon Department of Revenue. The current LTD tax rate is .0069 (\$6.90 per \$1,000) applied to districtwide subject gross payroll of about \$4 billion. This will produce over \$27 million in revenue for Lane Transit District in FY14. It is reasonable to assume that 40% to 60% of the subject payroll occurs within City of Eugene boundaries. Based on this rough estimate a City payroll tax at the rate of .001 (\$1 per \$1000) would gross between \$1.6 million and \$2.4 million annually. Further analysis will be needed to provide a more accurate revenue estimate.</p> <p>The amount of revenue collected is likely to mirror employment and wage trends and therefore correlate strongly with the current economic conditions in the area.</p>
Administrative Effort	<p>It may be possible to reach agreement with the State Department of Revenue to “piggyback” a local tax on the existing LTD payroll tax. If agreement can be reached collection would be done by the State Department of Revenue under agreement with the City. It is likely that the State would require compensation for administrative and collection costs. If the City of Eugene were to collect this tax on its own, the administrative and collection costs of doing so would be very high.</p>
Timeline	<p>Negotiations with the Department of Revenue could be time-consuming. Implementation would likely take two or more years, depending on the structure and means of administering and collecting the tax.</p>
Who Pays	<p>Depending on the structure of the tax, either employers or employees would be liable for the tax for wages or salaries paid within the City.</p>
Fairness & Indirect Implications	<p>In many or most instances a payroll tax paid by the employer would be passed on either to the employee through downward pressure on wages and salaries or to the consumer in the price of goods and services. If structured as a flat fee per employee the tax would be somewhat regressive. Structuring the tax as a rate applied to wages and salaries would provide a more progressive effect. More analysis would be needed to determine if the tax could be applied to public agencies and non-profit organizations. Employee-paid payroll tax is deductible by on state and federal income taxes.</p>
Sustainability Impact	<p>If the tax is passed from employer onto the employee this will be equivalent to a pay reduction in an economy that has seen stagnant or lower wages in the recession. Current living wage jobs could fall under that level as a result of a pass-through tax.</p>
MTC Task Force Recommendation	<p>The payroll tax was reviewed and was “not recommended” in the Meeting the Challenge report.</p>

Budget Committee Revenue Team Comments	<p>Pros – Ability to generate a significant amount of revenue when applying a small tax rate. Could be structured to apply to either the employer or the employee. Method for collection is already in place through LTD tax.</p> <p>Cons – Universities, schools and other public agencies and non-profits would likely be exempt. Employees making minimum wage may be impacted by even a small tax rate.</p> <p>Political Feasibility – The LTD payroll tax is generally considered unpopular but has established precedence for this type of tax in the area. Might be considered unfair because universities, schools, other public agencies and non-profits would likely be exempt.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Personal Income Tax	
Description	A tax on income of residents of Eugene.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a personal income tax on residents by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>In November 1985 there was an income tax measure on the Eugene ballot. It failed 89% to 11%.</p> <p>In the summer of 1994 the City Club of Eugene issued a report suggesting the City Council consider a personal income tax.</p> <p>A personal income tax on incomes above \$100,000 to fund public safety services was considered and rejected by City Council in July of 1996.</p> <p>In 1997, the Council Committee on Finance reviewed multiple revenue sources that would stabilize the General Fund after the impact of Measure 50. The committee recommended that Council direct staff to develop an implementation plan for a business and personal income tax. Council took no action on the recommendation.</p> <p>In November of 1999, Lane County proposed an 8% income tax surcharge to support public safety needs. The measure failed, 74% no 26% yes; in Eugene it failed 68% no to 32% yes.</p> <p>In May of 2007, Lane County proposed a 1.1% income tax measure to support public safety needs. It failed 71.1% to 28.9% in Lane County.</p> <p>In January 2010 two statewide tax measures were passed by voters, one of which raised tax rates on income above \$125,000 to fund education, health care, public safety and other services.</p> <p>In a May 2011 special election, Eugene's Measure 20-182 proposed a temporary City income tax for schools. 62% voted against the measure.</p> <p>In 2003 Multnomah County passed a three-year temporary personal income tax on County residents to fund public schools, healthcare, senior services and public safety. The tax raised about \$128 million per year.</p>

Revenue Yield & Stability	<p>In 2011, Eugene's Temporary City Income Tax for Schools was structured with tiered rates applied to Oregon Taxable Income: incomes below \$22,000 were not taxed; between \$22,001 and \$35,000 had a rate of 0.35%; between \$35,001 and \$50,000 had a rate of 0.47%; between \$50,001 and \$75,000 had a rate of 0.75%; and income above \$75,000 had a rate of 1.2%. These rates were for joint incomes and single filer income levels were half of the joint levels. It was estimated that this would generate a net amount of \$16.8 million per year, after subtracting tax avoidance and evasion, exemptions and administration.</p> <p>Tax revenues would fluctuate with changes in personal income and mirror economic conditions.</p>
Administrative Effort	<p>For the 2011 Temporary City Income Tax for Schools, Eugene staff entered into discussions with the City of Portland Revenue Bureau about possible collections of this tax. Portland collected the Multnomah County income tax, as well as Portland's Business License Tax and Art Tax. In addition to a contract for tax collection, additional City staff would be needed to manage the program.</p> <p>The cost to administer a local income tax would be substantial. Compliance would be affected by whether employers would be required to withhold taxes. For Eugene's 2011 tax, employers would not have been required to withhold.</p>
Timeline	<p>This tax would take a longer period of time to implement, approximately one year. The City would have to establish a collection mechanism, either in house or through contract with another entity like the Portland Revenue Bureau, to establish procedures around the distribution of the tax. There would also need to be a significant information campaign to educate Eugene residents about their responsibilities for paying the tax.</p>
Who Pays	<p>Eugene's proposed 2011 income tax for schools applied to all Eugene residents.</p>
Fairness & Indirect Implications	<p>A personal income tax may be viewed as unfair especially given the high unemployment rate in the region since the recession. Lane County was unable to pass a personal income tax in a more stable economic environment. The tax could be structured to provide exemptions for low-income households, however this would increase the rate needed to generate a particular dollar amount and increase the associated administration costs.</p>
Sustainability Impact	<p>Generally an income tax is designed to be progressive, but the structure of the tax can increase or decrease progressivity.</p>
MTC Task Force Recommendation	<p>The Task Force agreed that the Personal Income Tax was the best, most fair tax to pay for a broad range of General Fund services, but it is politically unfeasible at the current time. Measure 66 which raises the personal income taxes State-wide and was on the ballot in January 2010 was the reason for not considering the tax any further.</p>

<p>Budget Committee Revenue Team Comments</p>	<p>Pros – Could generate a significant amount of revenue.</p> <p>Cons – May negatively impact the City’s economic prosperity initiatives. Would likely face significant, aggressive political opposition. Implementation may be difficult and costs of administration would likely be high.</p> <p>Political Feasibility – Generally determined to not be politically feasible, especially given the failure of the City’s 2011 ballot measure to fund schools.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Red Light Cameras	
Description	<p>A citation for violation of ORS 811.265 (Driver failure to obey traffic control device) may be issued on the basis of photographs from a camera taken without the presence of a police officer.</p> <p>This Photo Red Light option is presented as a means to generate revenue. It should be noted that EPD enforces traffic laws for public safety, not for the purpose of generating revenue.</p>
Legal Authority & Restrictions	<p>If a city chooses to operate a camera that complies ORS 810.434 (Photo red light), a citation for violation of ORS 811.265 (Driver failure to obey traffic control device) may be issued on the basis of photographs from a camera taken without the presence of a police officer if certain conditions are met.</p> <p>ORS 810.434 Photo red light requires:</p> <p>(1) Any city may, at its own cost, operate cameras designed to photograph drivers who violate ORS 811.265 (Driver failure to obey traffic control device) by failing to obey a traffic control device.</p> <p>(2) Cameras operated under this section may be mounted on street lights or put in other suitable places.</p> <p>(3) A city that chooses to operate a camera shall:</p> <p style="padding-left: 40px;">(a) Provide a public information campaign to inform local drivers about the use of cameras before citations are actually issued; and</p> <p style="padding-left: 40px;">(b) Once each biennium, conduct a process and outcome evaluation for the purposes of subsection (4) of this section that includes:</p> <p style="padding-left: 80px;">(A) The effect of the use of cameras on traffic safety;</p> <p style="padding-left: 80px;">(B) The degree of public acceptance of the use of cameras; and</p> <p style="padding-left: 80px;">(C) The process of administration of the use of cameras.</p> <p>(4) By March 1 of each odd-numbered year, each city that operates a camera under this section shall present to the Legislative Assembly the process and outcome evaluation conducted by the city under subsection (3) of this section. [1999 c.851 §1; 1999 c.1051 §327; 2001 c.474 §1; subsection (5) of 2001 Edition enacted as 2001 c.474 §3; 2003 c.14 §491; 2003 c.339 §1; 2005 c.686 §1; 2007 c.640 §1; 2011 c.545 §65]</p> <p>Revenue generated from the Photo Red Light could be used for the General Fund, net of any one-time or ongoing operational expenses.</p>

Precedence	<p>Beaverton, Medford, Salem and Portland all utilize Photo Red Light Cameras as allowed by ORS 810.434. Based on information from other communities, there appear to be a few key elements related to the implementation of a photo red light program.</p> <p>The primary purpose of the project is to increase the level of compliance with red light (stop) signals which may reduce the incidence of collisions directly related to red light violations. This affects the location, and therefore the traffic volume, anticipated under the program. Prior to actual implementation of a camera system, staff would conduct traffic surveys at intersections where historically high levels of red-light running have occurred. Based on the long-term experience of other communities, collisions directly related to red light violations are reduced only in the intersections where the systems are installed. Eugene has more than 700 traffic crashes annually on our streets. Photo red light systems installed in four intersections may reduce traffic collisions by roughly ten to fifteen. However, it's important to note that collisions at signalized intersections may be caused by a variety of factors that a camera system will not affect, so there is no guarantee that a camera system will be an effective strategy to improve overall traffic safety.</p> <p>A camera system may augment, but should not replace, any part of the City's current traffic enforcement efforts. Camera systems may be an effective deterrent to red-light running but do not necessarily effect other driving habits/actions. For example, recent targeted enforcement efforts have shown that contact with an officer often produces several additional beneficial outcomes by improving community safety through DUII enforcement, impounding vehicles from drivers without insurance or who are driving with a suspended license, etc. Staff recommends that resources currently devoted to traffic enforcement or any other public safety activity should not be diverted to this effort.</p> <p>Revenue generation should not be a goal of the system. Other jurisdictions have experienced significant public criticism in part due to the perception of implementing red light cameras in order to generate funds.</p>
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Revenue Yield & Stability	<p>In 2010, EPD contacted the cities of Beaverton, Medford, Salem and Portland regarding their Photo Red light Programs. Staff from Portland stated that the use of Photo Red Light was used to prevent and reduce accidents—not to generate revenue.</p> <p>According to Portland’s biennial report submitted to the 2011 Legislature, the program’s net revenue since its inception in 2002 is a net loss of \$47,000. In 2010 Beaverton’s data shows that the program has a cumulative net loss of \$425,000 since 2001. Medford’s 2010 data indicated that from FY08-09 they were averaging approximately \$30,000 in revenues although they were not charging program time for a coordinator, sergeant, and officer because this program is only a portion of their assignments. Salem’s 2010 data indicated that after subtracting vendor costs, annual revenue is approximately \$225,000-\$250,000, however this does not include costs associated with the Traffic Sergeant or any non-volunteer hours required to review the citations before they are issued. The data from Beaverton, Medford and Salem does not appear to include any FTE costs from the Prosecutor’s office who will generally experience increased caseloads and records requests associated with the alleged violations.</p> <p>When Photo Red Light was initially explored by Eugene in 2002 and 2004, estimates showed a negative impact to the General Fund. Similar programs in other cities have shown that drivers become aware of red light cameras and change their driving behavior which reduces revenue generated from this type of program and that these programs are put in place to promote public safety. It is unknown if this program would generate any net revenue or incur ongoing liability.</p>
Administrative Effort	<p>There are currently no specific estimates of the cost of administration, additional FTE, vendor contracts, and collection associated with this revenue source. Start-up cost estimates including the identification and survey of intersections would also need to be included. Additionally it is estimated that FTE may need to be added to both the City’s Municipal Court and the Prosecutor’s Office to process the additional citations that the program would create.</p>
Timeline	<p>If funding were available for the initial start-up costs, a pilot program would take about a year to implement.</p>
Who Pays	<p>The individual violating ORS 811.265: Driver failure to obey traffic control device. This could be both residents and non-residents of the city.</p>
Fairness & Indirect Implications	<p>The issuance of citations would directly affect only those violating traffic laws in intersections where the system is installed.</p> <p>Some states have forbidden photo red light systems when they were viewed as a means to unfairly generate revenue.</p>
Sustainability Impact	<p>A higher rate of compliance with red light signals may reduce collisions directly related to red light violations, possibly enhancing public safety.</p> <p>Opponents of photo red light programs frequently cite privacy concerns and scope creep (using the cameras for anything other than red light traffic infractions) as arguments against implementation.</p>

MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Could lead to positive changes in driving habits and compliance with traffic regulations.</p> <p>Cons – Revenue is not apparent and may be a net loss when accounting for all personnel required administering the program.</p> <p>Political Feasibility – Concerns about privacy could result in public resistance over implementation of such a program. May be feasible to promote not as a revenue option but as a benefit to public safety and traffic regulation adherence.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Restaurant Tax	
Description	Tax on sales of food and non-alcoholic beverages served by restaurants in Eugene. The tax is typically applied as a rate and paid by customers on their restaurant bill.
Legal Authority & Restrictions	Under Oregon’s constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city’s boundaries. The City Council may implement a restaurant tax by ordinance without state enabling legislation. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>Currently, there are two cities in Oregon that collect this tax. The City of Yachats collects a 5% tax that applies to most prepared foods and dispensed beverages, not including alcoholic beverages. Yachats City Council voted 4-1 in favor of the tax on November 6, 2006; collection of this tax started in July of 2007. Tax proceeds are dedicated to debt payments on the wastewater treatment plant. The ordinance that imposed the tax does not have a sunset clause, and contains a provision allowing the City Council to increase the tax rate in the future after a public hearing.</p> <p>The City of Ashland collects a 5% tax on all prepared food. One percent is used to purchase open spaces for parks and four percent is used to offset the costs associated with the building of the new wastewater treatment plant. The tax was to sunset in 2010. On November 3, 2009, Ashland voters voted to extend the 5% tax to 2030, 58.8% to 41.2% in favor. One of the factors in this vote was that the wastewater rates would have gone up by 55% had the tax not been renewed.</p> <p>In February 2011, Cottage Grove City Manager proposed for the ballot a 3% restaurant tax for continuing the operation of the aquatic center which previously had been funded by the owner, South Lane School District. This proposal was an alternative to creating a separate tax district to fund pool operations. The proposal was for a 3% tax on all prepared food and (non-alcoholic) beverages. The proposed tax did not apply to grocery items - only restaurant, deli or foods prepared for possible immediate consumption. Cottage Grove City Council voted 6-1 against placing the proposal on the May 2011 ballot.</p> <p>In March 1993, the City of Eugene proposed a 3% restaurant tax to be used as a general revenue source; the proposal failed at public vote with 60% opposed and 40% in favor.</p> <p>In major cities that have a “meals tax” it is in addition to sales tax – the combined taxes on meals range from 5% to almost 11%. The meals tax rates alone range up to 5.5% with the average being just over 2%.</p>

Revenue Yield & Stability	Revenues would fluctuate with changes in personal income and the economic environment. The 2007 Economic Census reports \$309,133,000 in restaurant sales in the City of Eugene. The Bureau of Labor Statistics reports that between 2007 and 2012 consumers spent approximately 0.4% more on food away from home. If levied at a 1% rate, this tax would raise approximately \$3.1 million annually before administration costs. If levied at a 5% rate, this tax would raise approximately \$15.5 million annually before administration costs.
Administrative Effort	If patterned after Ashland's process, businesses would remit the tax quarterly to the City. After the initial registration of all eligible businesses, staff time would be required to post payments, work with business owners and enforce the tax uniformly. Dedicated staff would be needed to perform this function. An effort will need to be made to clearly identify foods and beverages that are subject to this tax to make compliance easier for local businesses. A portion of the proceeds may be retained by the restaurants to help defray the costs associated with collections and remittance activities.
Timeline	This tax would take a longer period of time to implement, possibly one year or more. Lead time would be necessary to establish administrative and enforcement mechanisms.
Who Pays	Determining how much of this amount would be paid by out-of-town visitors vs. City residents would require additional research, as this data is not readily available.
Fairness & Indirect Implications	<p>In the current economic environment, an additional tax on food and beverages may be seen as unfair by some segments of the local community, including businesses and those representing low-income populations. One way to possibly address this concern is to exempt fast food.</p> <p>Although it is possible that some consumers may choose to go outside of city limits to avoid the tax, a small tax is unlikely to significantly impact local restaurant revenues, similar to the implementation of the gas tax.</p>
Sustainability Impact	In the political campaign of 1992-93, it was argued that this tax is regressive because low income households spend a high proportion of their income on "fast food". However, according to the Economic Research Service/USDA, "The wealthiest households tend to spend a greater share of their food budget on eating away from home than the least wealthy households: 47% versus 36% in 2008 – almost double the share of low-income households."
MTC Task Force Recommendation	The Task Force recommended a 5% Restaurant Tax.

Budget Committee Revenue Team Comments	<p>Pros – Could generate a significant amount of revenue. Two Oregon cities have established this tax. Could be structured to provide exemptions and a small tax rate. A portion of revenues could be dedicated to assisting restaurants with implementation and administration costs.</p> <p>Cons – Targeting one specific industry may be seen as unfair. May result in some lost business for Eugene restaurants. Restaurant margins may be too slim to absorb administration costs.</p> <p>Political Feasibility – Would be aggressively opposed by the Oregon Restaurant & Lodging Association (ORLA) and has previously been rejected by voters. Tax is a “dining out” tax or “prepared foods” tax and should be represented as such.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Sales Tax	
Description	<p>A retail sales tax is an excise tax levied on a range of goods and services at the point of final sale to an end-user or consumer. It can be imposed as a general sales tax applying to a broad range of goods and services. It can also be made quite narrow and selective in the range of goods and services subject to the tax. The tax can be structured to apply to leases and rentals as well as sales.</p> <p>It is usually levied only on sales of tangible personal property (goods). Services, real estate and financial instruments such as stocks and bonds are not tangible personal property and are usually exempt, although some jurisdictions do include specific categories of services as taxable services.</p> <p>Purchases of goods and services by households are generally retail sales and are taxable. Purchases by businesses are also taxable if consumed by the business, and goods consumed by business such as machinery and equipment (which wear out or are consumed slowly) and supplies that are used up in the production process but do not become part of the final product, are also retail sales. Wholesale sales are not taxable because those sales are not made to final consumers. Remote sales, such as purchases of goods over the internet, cannot be taxed unless the vendor has a physical location within the taxing jurisdiction.</p> <p>Typical exemptions from sales taxes include food for human consumption, prescription medicines, utilities, gasoline, animals and feed for animals, agricultural supplies, and items that become a component of goods manufactured for later retail sale. It is typically structured as a tax rate applied to the value of the sale. Different rates may be applied to specific categories of goods and services.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a retail sales tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p> <p>State law prevents local retail sales taxes on alcohol and tobacco products and real estate transactions. Local taxes on motor vehicle fuel, real estate transactions and transient lodging are restricted. Internet sales from remote vendors are not subject to a local sales tax under federal court decisions.</p>

Precedence	<p>Forty-five states impose general sales taxes that apply to the sale or lease of most goods and some services, and most states also levy selective sales taxes on the sale or lease of particular goods or services. Many cities and counties across the nation have local sales taxes.</p> <p>The definition of retail sales and what goods and services are taxable vary among the taxing jurisdictions. Nearly all jurisdictions provide numerous categories of goods and services that are exempt from sales tax, or taxed at reduced rates. The purchase of goods for further manufacture or for resale is uniformly exempt from sales tax. Most jurisdictions exempt food sold in grocery stores, prescription medications, and many agricultural supplies.</p> <p>Oregon has no general retail sales taxes, but a number of selective retail sales taxes are in place. The State and a number of cities and counties, including Eugene, charge a tax on transient lodging. Ashland and Yachats have city retail sales taxes on restaurant meals.</p> <p>In Oregon, state taxes on tobacco and alcohol as well as state and local taxes on motor vehicle fuel are collected at the wholesale or distributor level. While these are excise taxes they are not retail sales taxes.</p>
Revenue Yield & Stability	<p>Revenue would depend on the structure and rates of the tax, and the range of goods and services to which the tax would apply. Tax revenues would fluctuate with general economic conditions. Changes in consumer spending may occur due to tax-avoidance behavior. Local sales tax is sensitive to interjurisdictional competition. Previous studies estimate that a 1 percent rate differential in local sales tax leads to a 3 to 7 percent decrease in retail sales.</p>
Administrative Effort	<p>Because there is no existing infrastructure in Oregon to collect a general sales tax, the effort to implement, administer and collect a local general retail sales tax would certainly be high, requiring several FTE to implement, administer, collect and enforce.</p>
Timeline	<p>Implementation would likely take several years.</p>
Who Pays	<p>This will depend on the structure and coverage of the tax. A general retail sales tax could apply to a broad range of consumers, while a more selective retail sales tax could apply to a much smaller number of consumers.</p>
Fairness & Indirect Implications	<p>A broad, general retail sales tax is regressive because lower income households typically spend a much larger percentage of their available income on goods and services subject to the tax, while households with higher incomes spend a smaller percentage of their available income on taxed goods and services. Typical exemptions for food for human consumption, prescription medicines, utilities and similar essential goods and services mitigates, but does not eliminate, the regressivity of a general sales tax.</p> <p>Selective, targeted retail sales taxes can be much less regressive, in particular when applies to goods and services that are non-essential or luxury purchases.</p>

Sustainability Impact	<p>Lower income households will experience a larger negative impact if a sales tax is enacted.</p> <p>Businesses may experience a significant increase in costs associated with administration of a tax that is generally not applied in Oregon</p>
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Could generate significant revenue.</p> <p>Cons – Would require significant administrative effort and would take a significant period of time to implement. A broad sales tax is regressive.</p> <p>Political Feasibility – Oregon voters have a long history of rejecting sales tax proposals.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Solid Waste Collection Fee	
Description	A surcharge on solid waste haulers using a percentage increase across account types. <i>If the purpose of this fee is to pay for the added damage that heavy garbage trucks place on Eugene's streets, then the revenue from the fee would go into the Road Fund and would not provide any relief for the General Fund shortfall.</i>
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a solid waste collection fee by ordinance without state enabling legislation. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	In 2007, a Council Subcommittee on transportation funding recommended charging road fees to heavy vehicles operating within the City. In 2008, the City Manager presented options to the City Council, including this surcharge. After several discussions and public hearings by both the City Council and the Budget Committee in 2009, the Eugene City Council voted not to adopt an ordinance which would have established a 5% surcharge on solid waste fee collection to generate an estimated \$900,000 for the operations and maintenance of city streets.
Revenue Yield & Stability	Based upon customer information submitted by haulers in the 2013 rate review and using the current rate structure, the equivalent of a 2.5% rate increase across all account types would generate approximately \$355,000 per year. For the average residential customer (a 32 gallon can collected once per week), the monthly increase would be \$0.51 if this cost were passed through to the customer.
Administrative Effort	<p>The City currently sets the solid waste rate structure used by haulers operating within City limits. The City sets rates to ensure the largest hauler achieves a target profit level of 11%. Any significant increases through a tax or fee would increase expenses and reduce hauler profit thereby requiring a rate increase.</p> <p>An alternative might be to have the haulers bill the same fee on their monthly statements as a "City fee" and remit the funds to the City. The haulers would have increased administrative costs associated with this added billing function and it is possible that rates might have to be raised to keep haulers at the target profit level.</p> <p>Both alternatives would require additional administrative oversight to ensure revenues received aligned with yearly customer counts and amounts collected.</p>
Timeline	Because there is already a collection mechanism in place, this option would take less time to implement than some other new revenue types.

Who Pays	Haulers would be responsible for collecting and remitting the fee to the City; however, citizens would pay either in the form of a direct line item on their bill or through increased rates.
Fairness & Indirect Implications	As the fee would be assessed on Eugene customer accounts, only city of Eugene residents would be assessed the fee. Both commercial and residential customers would be assessed the same percentage increase. Any significant increase would essentially raise rates, and have a financial impact on all citizens regardless of income levels.
Sustainability Impact	If customers perceive rates to be too high, they might haul their own garbage or illegally dump garbage creating additional disposal costs and potential environmental hazards.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – The administrative mechanism for collection currently exists so this would be relatively easy and inexpensive to implement.</p> <p>Cons – Fee singles out one industry, and this industry is not the only one that stresses infrastructure. If this is a fee to compensate for damage to roads, revenue would not be usable for General Fund.</p> <p>Political Feasibility – At this time Lane County is also considering raising tipping fee which may lead to difficulty in implementing City's fee at the same time or shortly thereafter.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Special Districts	
Description	<p>Special districts are governmental entities that provide a single service or a group of services within a delineated local service area. Oregon state law authorizes formation of many different special districts for particular purposes. Each special district has services, formation requirements, governance structure, revenue authority, and other powers and limitations described in the Oregon statutes, usually in a “principal Act” for each type of district.</p> <p>Some types of special districts may provide urban services that may also be provided by a city, such as fire protection or park services. However, a special district and a city may not provide the same services to the same territory.</p>
Legal Authority & Restrictions	<p>The formation process for most types of special districts is covered in ORS Chapter 198 – “Special Districts Generally”. Some types have additional requirements for formation that are found in the district’s principal Act. Applicable law also addresses annexation to an existing special district. Formation of or annexation to a special district requires voter approval.</p> <p>Each type of district’s principal Act describes its governing structure, service areas, revenue authority and debt authority. Most kinds of districts are operated under a separate elected governing board. Many, but not all, special districts can levy property taxes with voter approval, and some may charge fees or assessments for services. Special districts are subject to Oregon Constitutional property tax limitations.</p> <p>A new special district could be established within a city, or city territory could be annexed to an existing special district, if the applicable urban land use plan permits it. The adopted Metropolitan Plan of the City of Eugene currently restricts the use of special districts within the city. The Metro Plan would first need to be amended if a special district were to be established.</p> <p>If permitted by the Metro Plan, special districts could be considered to provide fire, emergency medical, park & recreation, or library services now provided by the City of Eugene.</p> <p>In the case of formation of a new special district a vote would need to be held on the establishment of the district, election of a governing board and a separate vote would be needed to approve a permanent property tax rate to support the district’s services.</p> <p>If annexation to an existing district were proposed a vote would be required on the annexation question, but the existing governing board and permanent rate of the district would automatically apply to the annexed territory if the voters approve the proposal.</p> <p>With either a new district or annexation to an existing district the City would need to terminate or transfer to the special district all current City services that would be provided by the district within the City’s territory.</p>

Precedence	<p>Special districts have a long history and are found throughout Oregon. Most districts provide services in rural or unincorporated urban areas but, as long as there is no duplication of services, special districts may also provide services within city boundaries.</p> <p>Several dozen districts currently provide services in areas of Lane County. Within the Eugene-Springfield metropolitan area special districts currently provide fire protection, ambulance services, library, and park & recreation services.</p>
Revenue Yield & Stability	<p>Each special district is granted particular revenue and debt authority by its principal Act. Some types of districts can charge fees or collect assessments for services. Many types are authorized to establish a permanent property tax rate and levy local option property tax levies with voter approval. Property tax revenue yield depends on the tax rate and the taxable assessed value of property within the district.</p> <p>The following lists a number of districts within the Eugene-Springfield urban area, with their current tax rates per \$1,000 of assessed value as of FY14.</p> <ul style="list-style-type: none"> • Willamalane Park & Recreation District: 1.9720 permanent. • River Road Park District: 3.0559 permanent / 0.4700 local option. • Santa Clara Rural Fire Protection District: 1.0439 permanent / 0.6000 local option. • River Road Water District: 1.9694 permanent. • Lane Rural Fire/Rescue: 2.1174 permanent. • Willakenzie Rural Fire Protection District: 3.0669 permanent. • Lane Library District: 0.5900 permanent. <p>Special districts are subject to property tax limitations under the Oregon Constitution, including compression of property tax revenue under certain conditions. Districts providing general governmental services, such as fire protection or park services share the general government property tax cap of \$10 per \$1,000 of real market value, along with cities and counties.</p> <p>When a special district is formed within a city or a city's territory is annexed to a special district, the city's existing permanent tax rate does not change.</p>
Administrative Effort	A very high and sustained level of effort would be required to establish a new special district within the city of Eugene or to annex city territory to an existing special district.
Timeline	The formation process for a special district within city of Eugene would likely take at least two years. First the Metro Plan would need to be amended, which could take a year or more. The process of district formation or annexation could then take an additional year or more. The question would finally need to go to the ballot for voter approval.
Who Pays	After formation or annexation, owners of taxable property would be liable for district property taxes as well as city property taxes. A district may also be able to charge fees or assessments for services provided.

Fairness & Indirect Implications	A special district is established and levies property taxes only with the approval of its voters. If a district serves territory within a city there may be increased likelihood of tax compression, which would reduce property tax revenue to both district and the city. The addition of a new governing board supporting specific services within the city could result in conflicting services priorities and less coordination of urban services overall.
Sustainability Impact	Establishment of a special district could provide urban services that are important for urban quality of life, that otherwise could not be funded by a city. The additional property taxes levied by a district would increase the overall tax load within the city, and could be a burden to households with limited income. Increased taxes could have a negative impact on economic investment within the city. There would not likely be an increased burden transferred onto future generations however.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Popular services provided by the City (e.g. parks, recreation, library) may stand a higher chance of being accepted as a special district. Could possibly annex to an existing special district.</p> <p>Cons – Would take 3-5 years to implement due to the necessity of amending the current metro plan. Could result in Measure 5 tax rate compression issues depending on the amount, with subsequent loss of some revenue. Voter approval of district formation as well as ability to tax would be required.</p> <p>Political Feasibility – More politically feasible if it is a service or program that is well-supported by the public.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Transient Room Tax	
Description	A transient room tax (TRT) is levied as a rate applied to the cost of rentals of temporary lodging. The tax is collected from hospitality providers (hotels, motels, lodges, bed & breakfasts) and RV parks and campgrounds, including private, city, county, and state. Federal parks are exempt.
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council could increase the fee by ordinance. It could also be increased by citizen initiative, referral to the ballot by Council or by a successful citizen referendum petition.</p> <p>State law requires that 100% of the revenue from the City's current 4.5% tax must continue to go to tourism promotion and tourism-related facilities; it cannot be diverted to other purposes.</p>
Precedence	<p>The City currently imposes a 4.5% tax under the authority of the City's Transient Room Tax Ordinance on all overnight stays in the City, including hotels and motels, campgrounds, retreat centers, RV parks, bed and breakfasts, and vacation rentals. The tax is collected by the lodging operator, who retains a collection fee of 5% of the amount collected and remits the balance to the city. City Code directs that all the revenue is placed in the Cultural Services Fund, which accounts for operation of the Hult Center, Community Events, Public Art and Cuthbert Amphitheater.</p> <p>Lane County also levies a transient room tax as does the State, making the current total tax rate within Eugene 10.5%.</p>
Revenue Yield & Stability	<p>The amount of taxes currently available for any given period, approximately \$1.6 million annually, varies with the lodging occupancy rate. State law requires that 100% of the revenue from the current 4.5% tax must continue to go to tourism promotion and tourism-related facilities; it cannot be diverted to other purposes.</p> <p>While all revenue from the current TRT must continue to go to the Cultural Services Fund, state law permits an increase in the tax rate to generate additional revenue of which at least 70% shall be used for tourism promotion or tourism-related facilities, while a maximum of 30% may be used for city operations not directly related to tourism. An increase in the Transient Room Tax and assignment of increased revenues could be accomplished by ordinance; a vote would not be required. City Code would also need to be amended if part of the increased revenue were to be directed to city operations not directly related to tourism.</p> <p>An increase in the tax rate from 4.5% to 5.5% could net about \$355,000 in revenue in a typical year. A maximum of 30% or about \$105,000 would be available for city services unrelated to tourism promotion or tourism-related facilities. A minimum of 70% or about \$250,000 would have to be used for tourism promotion or tourism-related facilities.</p>
Administrative Effort	An increase in the tax rate would require little additional administrative effort or costs.

Timeline	An increase could be accomplished within a few months.
Who Pays	Since the room tax is primarily paid by visitors and not city residents, an increase may be more widely accepted by the community than would alternative tax proposals that primarily tax residents.
Fairness & Indirect Implications	<p>An increase to the City rate would make the total tax within Eugene the highest of any city within Lane County. Lodging and other hospitality businesses have generally opposed increasing the tax or using the TRT revenue for other than tourism-related industries.</p> <p>Any increase in the tax rate would result in higher costs to persons renting lodging within the City. Depending on the size of any rate increase, this could make Eugene lodging less competitive and cause some visitors to obtain lodging outside the City. City revenue may not increase if our largest tourism related events and conventions go to more affordable cities. A possible negative economic effect may extend to our restaurants, retail stores, and small businesses throughout Eugene.</p>
Sustainability Impact	<p>An increase in room rates would disproportionately affect those without stable housing or in transition.</p> <p>The bulk of the tax would be paid by non-residents.</p>
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Good method for capturing revenue from non-residents. Would increase funding to promote tourism and cultural services. Cost of administration would be small because the collection mechanisms already exist.</p> <p>Cons – Would only generate a small amount of revenue for the General Fund. An increase could make Eugene’s the highest rate in the state.</p> <p>Political Feasibility – May be opposed by Travel Lane County and others representing the travel industry.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Utility Consumption Tax	
Description	A tax on consumers for use of utility services; levied on the amount consumed or established as a flat fee per account. Utility services include electricity, natural gas, water, stormwater and/or wastewater.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a utility consumption tax by ordinance without state enabling legislation. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>The City of Ashland imposes an Electric Utility User Tax. The tax is designed as a surcharge of 25% on monthly energy use. This tax generates revenue to fund general City services such as Police, Fire, Planning, Building and Senior Programs, offsetting property taxes. This tax generates approximately \$2.8 million annually. Ashland has a municipally-owned electric utility.</p> <p>In March 1996, the City of Eugene proposed a 1% utility consumption tax to fund low income housing which failed at public vote; 61% no to 39% yes. That tax would have dedicated 10% of the proceeds for low-income energy assistance programs.</p>
Revenue Yield & Stability	<p>If the tax were structured as a surcharge on the use of electricity, natural gas, water, storm water and wastewater a rough estimate for potential yield (numbers from 2010 analysis) was about \$2.2 million for every 1% surcharge. The monthly impact to the average residential user of electric, gas, water, storm water and wastewater services (numbers from 2010 analysis) was about \$1.25 for every 1% surcharge. Impact to commercial users is not provided as commercial consumption varies greatly by business. Residential consumption accounts for approximately 60% of the electric retail revenue collected by EWEB.</p> <p>A portion of the tax revenue would be needed to offset administrative costs for utilities to collect and remit the tax. An annual allocation could be set to help mitigate the financial impacts of the tax on low-income households. Implementation of these items would reduce the yield estimates given.</p>
Administrative Effort	Utility service providers (City, EWEB, NWNG) would be responsible for collection of the tax. An administrative fee for collecting and remitting the tax to the City could be negotiated with EWEB and NWNG. As an example, if an administrative fee of 5% of the tax were instituted, the foregone revenue would be approximately \$110,000 at the 1% tax level.
Timeline	This tax would take a longer period of time to implement, possibly a year or more, due to the negotiations and coordination with the utility providers who would collect the tax.

Who Pays	All consumers of the subject utilities in the city would pay.
Fairness & Indirect Implications	This tax would have a greater impact on large businesses, low income residents or those who are out of work. The tax could be structured to provide relief for low-income households but this would increase the rate and the administrative costs associated with the collection.
Sustainability Impact	<p>When the tax is established as a percent of consumption, large utility users are affected more than other users in the community. Developing a program to rebate some portion of the tax to large users could mitigate creating a barrier to economic development.</p> <p>The tax could lead to reduced consumption, a sustainable practice which is a high priority value for the City.</p> <p>An increase would be a greater financial burden to low-income households who have little to no discretionary income.</p>
MTC Task Force Recommendation	As an alternative to the Restaurant Tax, a Utility Consumption Tax of 1.5% that would net \$2 million annually after administrative costs and adjustments for low income and high volume users was recommended by the Task Force.
Budget Committee Revenue Team Comments	<p>Pros – Cost of administration would be small because the collection mechanisms already exist. Could be matched with another small revenue as a package of options to implement.</p> <p>Cons – This would be a regressive tax. Public agencies would be exempt from paying.</p> <p>Political Feasibility – Utility fees are consistently rising and consumers are sensitive to price increases so this option may not receive the necessary votes to implement.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

User Fees & Service Charges	
Description	<p>A user fee or service charge is paid by those who use and benefit from a specific public good, service or facility, as a condition for receiving or using it. A fee or charge is usually based on a share of the cost of the good, service or facility that is used. The revenue generated is retained by the fund within which the good, service or facility is budgeted and is used to defray some or all of the costs.</p> <p>The terms user fee and service charge are frequently used interchangeably, but “user fee” generally refers to payment for specific, discrete and time-limited admissions, events or services, usually imposed at the time and location the good or service is delivered or the facility is used. In comparison, the term “service charge” often refers to payment for multiple uses of goods, services or facility usage accruing over a period of time. Service charges may occur under a contractual arrangement, while user fees typically do not.</p>
Legal Authority & Restrictions	<p>Under Oregon’s constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city’s boundaries. The Council may impose user fees and charges for services or facility use, and has delegated responsibility to the City Manager to administer user fees and charges for service consistent with the Eugene City Code.</p>
Precedence	<p>Most cities impose a range of user fees and service charges. The City of Eugene currently imposes fees and charges for more than 120 specific General-funded goods and services, with budgeted revenue of about \$9.7 million for the General Fund in FY14. It is possible to establish new charges for goods and services not currently charged for.</p>

Revenue Yield & Stability	<p>The City's user fees and service charges are adjusted periodically to recover increased costs of the good, service or facility. General Fund fees may provide all but more typically yield only part of the direct cost and overhead costs. Fees are usually set with consideration of the impact on the customer as well as the revenue yield. Some considerations that influence fee levels are a possible need to regulate demand for a good or service, a desire to subsidize a certain good or service, administrative concerns such as the cost of collection, the promotion of other goals. If fees are set too high, customer volume and eventually revenue may decline. If the fees are too low then not enough of the costs will be recovered to support the good or service. Fee revenues will vary with economic conditions, as the local economy fluctuates and households' disposable income increases or decreases. These concerns are usually taken into account when fees are set or contracts are negotiated.</p> <p>Revenue from new fees or increase of existing fees would be small compared to the General Fund budget gap. Many of the user fees and charges are routinely increased for inflationary cost increases so there would not be any additional gap-filling potential for those items. A number of fees and charges, such as fire and police charges, are billed out at cost, so they cannot be increased beyond the cost of providing the services.</p> <p>In the FY15 discussions with the Budget Committee, recreation user fees and charges, which total about \$2.8 million, are already slated for increases as part of the FY15 budget strategy.</p>
Administrative Effort	<p>Administrative effort for new or increased fees would be moderate. If a fee increase is considered then an analysis of costs, customer demand for the service, economic conditions and other considerations may be necessary. Development of new charges for service may require more substantial administrative effort. Once set or adjusted, charges are relatively simple to impose and collect at the time and place of delivery of the good or service.</p>
Timeline	<p>Charges for service are set administratively by the City Manager. Adjustment of existing charges may be done within a few weeks, while establishing new charges may take several months or longer.</p>
Who Pays	<p>User fees are only paid by users; nonusers do not have to pay the fee. On the other hand, increasing or expanding fees may exclude some lower-income households from accessing some goods or services. Equity can be a concern if charges are set so high that some people cannot afford to pay, even though they desire the service. City policy towards maintaining affordable charge levels may come into play to address equity concerns. Fees or charges for service can be avoided if the services they fund are optional to the customer. If fees are set too high, then fee revenue may suffer and the good or service may require greater subsidization from taxpayers as a whole.</p>
Fairness & Indirect Implications	<p>Perception of fairness will vary depending on the good or service involved and the level of the charge. Existing City charges are generally seen by Council and community as a fair way to generate revenue for the particular service provided.</p>

Sustainability Impact	<p>An increase in fees could have a larger negative impact on low income households or families that participate in City activities, making the events cost-prohibitive for those that the events may generally target.</p> <p>Raising user fees and charges could have a negative impact on the Council Goal of encouraging accessible, thriving recreation and culture, where arts and outdoors are integral to our social and economic well-being and are available to all.</p>
MTC Task Force Recommendation	The Task Force recommended reviewing existing fees for services regularly and making predictable, periodic adjustments to reflect the increased cost of the good or service.
Budget Committee Revenue Team Comments.	<p>Pros – Cost of administration would be small because collection mechanisms already exist.</p> <p>Cons – May not be a source of significant revenue because staff has consistently analyzed and implemented fee and charge increases where viable.</p> <p>Political Feasibility – When a clear nexus appears between the revenue source and program it may be seen as more palatable to implement increases. Recreation user fee increases are a part of the City Manager’s proposed FY15 Budget Strategies accepted by the Budget Committee.</p>

Revenues Brainstormed But Not Considered

CILT on Stormwater and Wastewater – In 2009, City Council approved an ordinance allowing the use of stormwater and wastewater funds for Road Fund purposes. The idea of a right-of-way payment or CILT on stormwater and wastewater came out of a recommendation from the City Manager in 2008. The two City utilities now pay 6% of their gross user fees to the Road Fund.

Increase in EWEB CILT – The EWEB General Manager and the Eugene City Manager reached an agreement with regard to changing the CILT payments prior to detailed discussion by the Revenue Team on this topic; therefore, no additional Revenue Team consideration was needed.

Increase Toxics Right to Know Fee to Cover Hazmat Team – Use of this fee is defined under the City's charter. Changing the fee to cover additional costs outside of the TRTK program would require a charter amendment, approved by Eugene voters.

Library User Fee – Charging a user fee for residents to use library services would require that the City undergo a “disestablishment process” to designate the library as a non-State sanctioned library (similar to Alvadore, Blue River, Dexter and the River Road/Santa Clara Volunteer libraries in Lane County). The implications of operating as a non-sanctioned library would be the loss of access to significant services and funding, such as inter-library loans, statewide database services, and state and federal grants. Those losses would far outweigh any revenue that could be gained from charging a library user fee.

Medical Marijuana: Product Sales Tax or Dispensary Fee or Tax – Current state statute places broad restrictions on local regulation of agricultural seed or products of agriculture seeds, which would include marijuana. Local taxes or fees are a form of regulation and are likely encompassed under the statutes that prohibit local laws or measures that regulate activities such as growth, distribution, marketing, and transportation. Additional legal research would be needed on this idea.

Sin Taxes – Taxes on alcohol and cigarettes. Local taxes for these items are prohibited by State law.

Sponsorships or Advertising – This has been considered by staff in the past, but because of First Amendment rights around free speech, the idea has been deemed not feasible. The City would likely want to be able to refuse advertising that was not in alignment with its goals and mission, but under the Constitution, this would not be possible.

Voter-Approved Redistribution of Bond Funds – This is possible, if City Council were to refer a measure to the ballot. Funds may only be used for capital purposes in accordance with State law, and would not be available for General Fund operating purposes.

Property Tax Compression

Background

Measure 5, which was passed by voters in 1990, limits the combined general government tax rate to \$10 per \$1,000 of real market value (RMV). General governments include the City, Lane County, urban renewal districts, and any non-school special districts. At the time that Measure 5 was passed, assessed value (AV) and RMV for properties were essentially equal.

Measure 50, which was passed by voters in 1997, changed the tax system so that properties are taxed on the basis of an AV that is generally lower than the RMV for the property. The average ratio of AV to RMV for residential properties in Lane County is currently about 70%, but each property could have a higher or lower percentage. In no event can a property have an AV that exceeds the property's RMV. It is possible for the stated tax rate on a property to exceed \$10 per \$1,000 of AV and still be within the \$10 per \$1,000 of RMV tax rate limit. This could occur if the RMV of a property exceeds the AV.

Compression Sequence

When the taxes for general government services on an individual property exceed \$10 per \$1,000 of RMV, the taxes on that property are compressed. This occurs in a two-stage process. First, any local option levies are proportionally reduced until either the \$10 tax rate limit is no longer exceeded, or until the local option levies are reduced to zero for that property. If the local option levies are reduced to zero and the tax rate remains above \$10, then taxes on the City, County, urban renewal districts and non-school special districts are reduced proportionally until the limit is no longer exceeded.

Current Tax Rates

The FY19 total tax rate for general government is \$9.3595 per \$1,000 of AV as shown in the table below. Given the Measure 5 limit of \$10 per \$1,000 of RMV for general government, **about 64 cents remains "under the cap" before compression starts to kick in.** The amount of compression that would occur depends on two factors: 1) how much the general government tax rate exceeds \$10 per \$1,000 of AV, and 2) how much of a difference there is between AV and RMV.

Levy Description	Rate	LOL Duration and Amount
City of Eugene Permanent Operating Levy	6.8571	
City of Eugene Library Local Option Levy	0.1723	FY17-21, \$2.7 million per year
City of Eugene Parks & Rec Local Option Levy	0.2010	FY19-23, \$3.15 million per year
Downtown UR District Division of Tax Levy	0.1792	
Riverfront UR District Division of Tax Levy	0.1677	
Lane County Permanent Operating Levy	1.2522	
Lane County Public Safety Local Option Levy	0.5150	FY19-23, up to 55 cents per \$1,000 AV
Lane County 4-H/Extension Local Option Levy	0.0150	FY17-21, 1.5 cents per \$1,000 AV
Total General Government	9.3595	

Source: Lane County Assessment & Taxation 2018-19 Tax Code Area Report, TCA 00400

Local Option Property Tax Levy

A local option property tax levy requires voter approval and would have a maximum length of five years for operating expenses. Revenue collection would begin the next fiscal year following voter approval. The table below provides estimates for three levels of net annual revenue collection. The amount paid by taxpayers is variable based on the taxable assessed value of their property. Half of homeowners would pay more than shown in the table and the other half would pay less.

Net Annual Revenue Collection	\$5 Million	\$10 Million	\$15 Million
Tax Rate per \$1,000 of Taxable Assessed Value	\$0.31	\$0.62	\$0.93
Annual Cost for a Typical (Median) Home	\$69	\$138	\$207
Monthly Cost for a Typical (Median) Home	\$6	\$11	\$17

Notes:

Estimates provided by City of Eugene Finance Division, assumes collection rate of 95%

A typical (median) home has a taxable assessed value of \$209,195 in FY19

Numbers represent five-year averages

Marijuana Taxes

Marijuana tax revenue, summarized in the table below, comes from two sources:

1. Local City of Eugene tax of 3% on the retail sales of recreational marijuana items, which was approved by voters in November 2016. **Local marijuana tax revenue has been designated by City Council for parks security, community justice, and human services.**
2. Share of the State's marijuana tax revenue based on Eugene's population and proportion of retail licenses. **State shared marijuana tax revenue has not been designated for any specific purpose.**

The FY19 Adopted Budget estimates as shown in the table were very conservative due to little historical information available at the time. Now that more revenue has been received, projections for FY19 and beyond have been increased.

Marijuana Taxes	Actual FY17	Actual FY18	Budget FY19	Projected FY19	Forecast FY20+
Local City of Eugene 3% Tax	\$109,319	\$936,078	\$425,000	\$1,100,000	\$1,250,000
State Shared Tax Revenue	\$0	\$1,056,775	\$400,000	\$700,000	\$750,000
Total Marijuana Taxes	\$109,319	\$1,992,853	\$825,000	\$1,800,000	\$2,000,000

Notes:

Actuals and estimates provided by City of Eugene Finance Division

State shared revenue in FY18 includes a back payment of \$472,830 from FY17



Memorandum

Date: November 21, 2018
 To: Community Safety Revenue Team
 From: Twylla Miller, Finance Director
 Subject: Revenue Options & Criteria

At your November 15th meeting you received a copy of the Revenue Team report from 2014 that included information on the various revenue options considered by that team. There have been questions about which of those options would generate more significant revenue yields as you look to make recommendations to fund community safety options of \$15 to \$20 million on an annual basis. The attached list shows the options from the Revenue Team report that would generate a minimum of \$500K or more annually. Please refer to your binder for more detail on these options. It is important to note that the revenue estimates are somewhat dated and can vary depending on how taxes/fees are structured. To the extent possible as this team narrows down recommended options, finance staff can provide updated analysis to provide more current yield estimates based upon assumed tax/fee construction and administration.

At your next meeting on December 3rd we will begin to discuss revenue options that the team would like to consider. As part of this discussion, we will discuss the criteria that will be used to help the team evaluate revenue options. Draft criteria for your consideration are as follows:

1. Revenue Raising Capability: Will the revenue source produce sufficient revenue to make a significant contribution to the funding need?
2. Administrative Effort: The revenue sources included in the funding strategy should be efficient to implement and administer. There should be practical sources of tax or fee related data, and the implementation and on-going program management should not be overly complex. The revenue sources included in the funding strategy should have low to moderate costs for administration, relative to the total revenue generated.
3. Sustainable Revenue: Funding sources should have a high degree of long-term predictability, stability and reliability in order to ensure that the services funded can be maintained over the long run. They should be stable through economic cycles and not subject to political changes.
4. Triple Bottom Line: Funding solutions should take into account the "triple bottom line" which includes social equity, economic and environment impacts. The **economic** aspects of sustainability address the question of whether the revenue source supports a healthy business climate (e.g. by not imposing an inequitable burden on business). The **social** equity impacts relate both to how the income is derived as well as how the revenue is used. For example, what is the potential impact on low-income community members? From an **environmental** standpoint, would there be a positive impact on the environment (e.g. by reducing waste, encouraging alternate modes, etc.) from implementing potential revenue source.

5. Impact on other City Council Goals: Would this funding solution impact other City Council Goals?
 - a. Safe Community: a community where all people are safe, valued and welcome;
 - b. Sustainable Development: a community that meets its present environmental, economic and social needs without compromising the ability of future generations to meet their own needs;
 - c. Accessible and Thriving Culture and Recreation: a community where arts and outdoors are integral to our social and economic well-being and are available to all;
 - d. Effective, Accountable Municipal Government: a government that works openly collaboratively and fairly with the community to achieve measurable and positive outcomes and provide effective, efficient services;
 - e. Fair, Stable and Adequate Financial Resources: a government whose ongoing financial resources are based on a fair and equitable system of revenues and are adequate to maintain and deliver municipal services.
6. Nexus with Community Safety: Does the funding strategy have a direct or indirect relationship to specified community safety services and/or the benefit derived from the community safety system to the community as a whole.
7. Fairness & Political Feasibility: To what extent would the revenue alternative likely be viewed as fair or unfair? How likely is Council approval and community acceptance of the revenue alternative?

If there are other criteria the team would like to consider, we can discuss as part of your next meeting.

I look forward to our continued conversation. If you have identified specific options that you are interested in exploring either from the Revenue Team report or have thought of other approaches the team can consider, or have other financial questions, you can email them to me prior to the next meeting or identify them as part of the discussion on December 3rd. My email is tmiller@eugene-or.gov

Fee	Estimated Yield
Business Gross Receipts Tax	In 2001 a 0.1% tax on gross receipts was estimated to yield about \$11 million . This analysis would need to be updated to determine potential revenue at this time.
City Service Fee	Yield will vary with the fee level and can be scalable. City service fee revenue usually supplements other resources. Fees are set with consideration of the impact on the customer as well as the target revenue yield. Service fee revenues are stable because the fee is levied broadly across the community and the typical basis for the fee (occupancy and use of property) is fairly inelastic. The 2013 proposed City Service Fee would have been a flat fee, capped at a maximum of \$10/month for residential and \$30/month for non-residential property. The actual fee would be set by council and could be less than the cap. To produce the \$5.3 million needed to fund the specified services, it was anticipated that the actual monthly fee would be less than the cap. Actual revenue yield would depend on how the fee was implemented in an ordinance that was never drafted because the measure failed at the polls.
Corporate Income Tax	Revenue yield could be significant, depending on structure and rate schedule of the tax. A 2003 staff analysis estimated that a 1% corporate income tax could yield about \$2.7 million annually, while a 10% surcharge on State corporate income tax would yield \$1.8 million . Further analysis will be necessary.
Local Option Levy	Under current tax rates, there is 64 cents left in the general government cap which equates to about a \$10 million levy (62 cent tax rate). It would not be recommended to levy to the cap limit.
Parking Tax	Operation of the City of Eugene's parking system generates about \$4.3 million in revenue per year. Adding a parking tax of 10% would generate \$430,000 , assuming there was no drop in parking demand as a result of the increased cost. There are no estimates available for the revenues generated by other commercial parking operators, such as Diamond Parking. In 2006 a parking needs assessment of only the Eugene downtown area was done. At that time the study identified about 15,250 spaces in the downtown area, of which approximately 5,000 were on and off-street publicly-owned spaces. The remaining approximately 10,000 are presumed to be free or paid commercial parking. If public parking was excluded and the owners/operators of these downtown commercial spaces were taxed \$60 annually per space then the tax would produce about \$600,000 revenue annually.
Payroll Tax	According to an analysis completed in 2001, a 1% payroll tax in Eugene would raise an estimated \$29.6 million per year if applied to all gross payrolls. Legal review is needed to determine if there are payrolls that are likely to be exempt from a City payroll tax, including federal and state agencies and non-profits. Exclusions will reduce estimated yield.
Personal Income Tax	In 2011, Eugene's Temporary City Income Tax for Schools was structured with tiered rates applied to Oregon Taxable Income: incomes below \$22,000 were not taxed; between \$22,001 and \$35,000 had a rate of 0.35%; between \$35,001 and \$50,000 had a rate of 0.47%; between \$50,001 and \$75,000 had a rate of 0.75%; and income above \$75,000 had a rate of 1.2%. These rates were for joint incomes and single filer income levels were half of the joint levels. It was estimated that this would generate a net amount of \$16.8 million per year, after subtracting tax avoidance and evasion, exemptions and administration.
Restaurant Tax	Revenues would fluctuate with changes in personal income and the economic environment. The 2007 Economic Census reports \$309,133,000 in restaurant sales in the City of Eugene. The Bureau of Labor Statistics reports that between 2007 and 2012 consumers spent approximately 0.4% more on food away from home. If levied at a 1% rate, this tax would raise approximately \$3.1 million annually before administration costs. If levied at a 5% rate, this tax would raise approximately \$15.5 million annually before administration costs.
Utility Consumption Tax	If the tax were structured as a surcharge on the use of electricity, natural gas, water, storm water and wastewater a rough estimate for potential yield (numbers from 2010 analysis) was about \$2.2 million for every 1% surcharge . The monthly impact to the average residential user of electric, gas, water, storm water and wastewater services (numbers from 2010 analysis) was about \$1.25 for every 1% surcharge. Impact to commercial users is not provided as commercial consumption varies greatly by business. Residential consumption accounts for approximately 60% of the electric retail revenue collected by EWEB.

**Community Safety Revenue Team Funding Alternatives
Evaluation Matrix**

Page #	Revenue Options	Amount Or Rate	Revenue Raising Capability (\$ millions or H/M/L)	Administrative Effort to Implement and Manage	Revenue Stability and Reliability	TBL: Healthy Business Climate	TBL: Burden on Low Income Community Members	TBL: Impact on Environment	Impact on Other Council goals	Nexus with Services Provided	Nexus Explanations
9	Business Gross Receipts Tax	TBD	H	X	□	X	X	—	X	X	No nexus
15	City Service Fee	TBD	H	?	□	□	□	—	—	□	All households/businesses would pay and all would benefit enhanced community safety services
21	Corporate Income Tax	TBD	L-M	□	□	X	□	—	X	X	No nexus
27	Local Option Levy	TBD	M-H	↑	↑	□	X	—	—	X	No nexus
N/A	Marijuana Tax	\$1.2 million	L	↑	□	X	X	—	—	↑	Council direction on spending
35	Parking Tax	TBD	L	□	□	□	□	—	—	X	No nexus
39	Payroll Tax	TBD	H	□	□	X	X	—	□	X	No nexus
43	Personal Income Tax	TBD	H	□	□	X	□	—	□	X	No nexus
51	Restaurant Tax	TBD	H	□	□	X	□	—	□	□	Indirect: tourists also pay tax
67	Utility Consumption Tax	TBD	L-M	X	□	X	X	↑	—	X	No nexus

↑ = Meets All Criteria/Favorable/Yes
 □ = Meets Some Criteria/Neutral/Maybe
 X = Does Not Meet Criteria/Unfavorable/No
 — = Not Applicable

? = Not Known
 H - \$10 million or greater
 M = \$5 million or greater
 L = \$1 million or greater

City of Eugene Revenue Options Report

Prepared for the Community Safety Revenue Team

January 17, 2019

This report was prepared by City of Eugene Budget and Analysis staff at the request of the Community Safety Revenue Team. Included in this report are three revenue options that would generate approximately \$15-20 million annually to fund the Community Safety Initiative: (1) payroll tax, (2) city service fee, and (3) utility consumption tax.

Payroll Tax

Payroll Tax Description

Summary

A payroll tax is levied on employees and/or employers as a percent of gross payroll earned within the taxing jurisdiction. It is considered a progressive form of taxation. A City of Eugene payroll tax may involve high administrative costs to either create the necessary infrastructure or contract with the Department of Revenue for collection. No cities in Oregon currently utilize a payroll tax.

There are several considerations for implementation, including whether to levy the tax on employees, employers, or both; equity implications and related rate adjustments; the impact of the economy on annual revenue yield; and administrative costs associated with implementation. A payroll tax does not include visitors, residents employed outside of Eugene, retirees, and the unemployed. Businesses that do not have payroll, such as sole-proprietors, may not be subject to the tax pending additional research.

Legal Authority

Under Oregon's constitutional home rule powers, the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a payroll tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative, or through a successful referendum petition.

It is a safe presumption that the City of Eugene cannot tax federal or state governments. However, more research is needed to identify whether the City has authority to tax other types of public entities that operate in Eugene such as school districts, LCOG, Lane County, and EWEB. Additionally, more time is needed to ascertain whether government employees can be taxed.

Precedence

No Oregon cities or counties have implemented a payroll tax. Additionally, no jurisdiction collects a payroll tax from both employers and employees.

LTD and TriMet Transit Tax

Two special transit districts collect payroll taxes from **employers**. The revenue partially funds mass transit in the Lane Transit District (LTD, Eugene/Springfield area) and the Tri-County Metropolitan Transit District (TriMet, Portland area). The 2019 rates were 0.74% and 0.7637%, respectively.¹ Employers submit the funds to the Oregon Department of Revenue (DOR). Nonprofit 501(c)3 organizations are exempt from this tax.

¹ Rates increase annually on a schedule set by the Oregon State Legislature, the authorizing authority.

On July 1, 2018, the State of Oregon began collecting a 0.1% **employee** payroll tax for transportation funding. The revenue funds statewide transportation initiatives including capital projects and infrastructure maintenance. Employers collect the tax on behalf of employees and submit to DOR.

City of Salem

In November 2018 the City of Salem Sustainable Services Task Force forwarded a payroll tax recommendation to the City Council, along with a city operating fee and a local gas tax, to raise a minimum of \$6 million annually. The task force recommended a 0.2% to 0.25% payroll tax on **employees** working within the Salem city limits to generate approximately \$6.7 million annually.

Administrative Effort

The City of Eugene could potentially administer the tax in-house or opt to work with a third-party administrator like the DOR. In-house administration could be extremely expensive, requiring a new work unit dedicated to bill issuance and collection, legal compliance, and customer service.

DOR administration is possible, given that the agency administers both the district and statewide payroll taxes. However, DOR does not currently administer payroll taxes for other cities in this manner, and it would be a standalone program with substantial upfront costs. An initial rough estimate is approximately \$1 million as a starting point for system configuration. This figure does not reflect other upfront costs including forms, publication development, outreach, and staffing. Estimated annual administration costs are unknown, pending additional discussions with DOR, as significantly more exploration would be needed if a payroll tax recommendation moves forward. If the City of Salem approves a similar tax, both cities could partner on a joint cost-sharing model.

Timeline

Implementation timeline is unknown and requires additional discussion with DOR. The administrative effort to establish a payroll tax could vary significantly based on the complexity of the tax structure.

The tax rate can likely be phased in over a multi-year period to allow the City to steadily increase operational capacity and spending. The LTD and TriMet transit taxes are on an annually increasing rate schedule.

Payroll Tax Revenue Yield

Tables 1 and 3 display estimated gross revenue yields that do not take into account the cost of administering the tax. As mentioned above, an initial rough estimate is approximately \$1 million as a starting point for system configuration. In addition, there would be other upfront and ongoing maintenance costs.

Scenario A: Tax on Employers

Table 1 reflects that some or all government employers are exempt from the payroll tax. It is a safe presumption that the City cannot tax the federal or state governments. Other options are presented in the table for comparison purposes, pending further legal analysis.

There has been discussion about the potential impact of a payroll tax on nonprofit entities. An option for exempting nonprofit organizations from an employer-based payroll tax is modeled in Table 1.²

² Nonprofit 501(c)3 organizations are exempt from the employer-based TriMet and LTD payroll taxes.

Table 1: Estimated gross yield from employer payroll tax with exemptions³

Payroll tax rate	Exempt: Public agencies⁴ and nonprofits	Exempt: Public agencies	Exempt: Federal and state government
0.2%	\$5,400,000	\$6,800,000	\$7,600,000
0.3%	\$8,100,000	\$10,100,000	\$11,400,000
0.4%	\$10,900,000	\$13,500,000	\$15,100,000
0.5%	\$13,600,000	\$16,900,000	\$18,900,000
0.6%	\$16,300,000	\$20,300,000	\$22,700,000
0.7%	\$19,000,000	\$23,600,000	\$26,500,000

Table 2: Estimated annual cost to employers with ten employees at average annual pay⁵

Payroll tax rate	Amount owed
0.2%	\$900
0.3%	\$1,400
0.4%	\$1,900
0.5%	\$2,400
0.6%	\$2,800
0.7%	\$3,300

Scenario B: Tax on Employees

Pending further legal analysis, some government employees may be exempt from a City of Eugene payroll tax. Table 3 reflects the possibility that some or all public employees may be exempt. The most conservative estimate, wherein employees of all public agencies are exempt from taxation, is highly unlikely. It remains possible that all public employees are subject to a payroll tax.

Table 3: Estimated gross yield from employee payroll tax with exemptions³

Payroll tax rate	Exempt: Public agency⁴ employees	Exempt: Federal and state government employees	Exempt: Federal government employees
0.2%	\$6,800,000	\$7,600,000	\$8,400,000
0.3%	\$10,100,000	\$11,400,000	\$12,600,000
0.4%	\$13,500,000	\$15,100,000	\$16,800,000
0.5%	\$16,900,000	\$18,900,000	\$21,000,000
0.6%	\$20,300,000	\$22,700,000	\$25,200,000
0.7%	\$23,600,000	\$26,500,000	\$29,400,000

³ Based on Eugene 2017 gross payroll of \$3,948,971,336 and average 2.7% annual inflation. Eugene payroll data were provided to the City by the Oregon Employment Department Regional Workforce and Economic Research Division.

⁴ Public agencies include local entities such as school districts, EWEB, Lane County, the City of Eugene, and LCOG, in addition to state and federal governments. For the purposes of this report the University of Oregon is categorized as a state government agency.

⁵ Based on Eugene 2017 average annual employee pay of \$43,298 and average 2.7% annual inflation. Eugene payroll data were provided to the City by the Oregon Employment Department Regional Workforce and Economic Research Division.

Table 4: Estimated annual cost to employees with average annual pay⁵

Payroll tax rate	Amount owed
0.2%	\$90
0.3%	\$140
0.4%	\$190
0.5%	\$240
0.6%	\$280
0.7%	\$330

Payroll Tax Implications

Sustainability

In the long-term, gross payroll appears to be a sustainable and growing revenue source. In Eugene, payroll increased an average of 2.7% from 2005 to 2017, and 5.0% from 2013 to 2017. The 12-year average includes two years of negative payroll growth during the recession in 2009 and 2010. Future recessions could decrease gross payroll for one or two years, but recent history suggests that average revenue yield will increase over time.

Fairness and Who Pays

If the tax is on employees, payrolled workers within Eugene city limits would be subject to the tax. If the tax is on employers, entities operating a payroll within Eugene city limits would pay. In both cases, a variety of possible exemptions exist, as demonstrated in Tables 1 and 3. A payroll tax would not include visitors to the city, Eugene residents that are employed elsewhere, retirees, and the unemployed. Employees that do not have payroll, such as sole-proprietors, may not be subject to the tax pending additional research.

A payroll tax on employees would increase with wages. Low-income individuals would pay the lowest amount. It is possible to reduce the impact of a payroll tax on economically vulnerable groups by establishing a minimum wage exemption or rate reduction. For employers, a payroll tax presents increased cost pressure, which is especially burdensome for nonprofit organizations that rely heavily on grants and donations.

Triple Bottom Line: Social Equity

A payroll tax on employees is progressive: the amount owed increases with income. However, low-income employees living paycheck-to-paycheck may be disproportionately impacted. A minimum wage exemption or reduction could mitigate the burden of this tax on the most economically vulnerable workers.

The payroll tax also presents additional cost pressure on employers, as taxing a firm of any size will decrease profit margins. This is especially burdensome for nonprofit organizations that rely heavily on grants and donations.

Triple Bottom Line: Environmental Stewardship

This revenue option has a neutral impact on the environment. It will not impact greenhouse gas emissions, fossil fuels, waste, or pollution.

This option would have a neutral or negative impact on economic prosperity. Revenue paid to the City of Eugene could be money spent on the local economy. The positive economic benefits of additional public goods, such as law enforcement and other community safety initiatives, are difficult to quantify and unknown at this time.

City Service Fee

City Service Fee Description

Summary

Service fees are typically set to recover part or all of the costs of a group of services broadly accessed by occupants of property in a city. These fees are billed to persons who occupy or have use of developed property. Unlike electricity, natural gas, water, stormwater, and wastewater utility services, this fee would fund services that are not delivered directly to the property and are not directly measurable. The purpose of the fee is to provide stable revenue to ensure the funded services remain available to the community.

Legal Authority

Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a city service fee by ordinance. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition.

In January 2007, the Oregon Supreme Court, in *Knapp v. City of Jacksonville*, upheld Jacksonville's public service fee. This case clarified that city fees for utility services may be charged to a person with the right to occupy or use property, but they may not be based on property ownership or value.

Precedence

Measure 20-211 on the May 21, 2013 ballot asked Eugene voters if they would rather pay a capped, monthly city service fee to maintain funding for certain community services, or have those services reduced or eliminated. The fee was defeated at the ballot, with 67% voting against the city service fee.

Several municipalities in Oregon charge city service fees for libraries, parks, street operations and maintenance, police, and/or fire services. Please see Attachment A for a sampling of current city service fees in Oregon. Most of these cities operate their own utilities, which facilitates the administration of the fees. Medford and Canby are most similar to Eugene because they do not operate their own utilities, although they do use utility data for their customer datasets.

Administrative Effort

Most cities collect service fees as part of the City's sewer, stormwater, or water utility billing for a property unit. In many cities, this is practical because the cities operate and bill for their own utility services. In Eugene, this would require cooperation by EWEB or another third party billing agent. The EWEB Board discussed the possible collection of additional City fees during a public meeting on August 7, 2018.⁶ At this meeting, EWEB Commissioners expressed interest in decoupling the City's fees from

⁶ EWEB Board meeting minutes from August 7, 2018 can be found here: <http://www.eweb.org/Documents/board-meetings/2018/08-07-18/rs-080718-approved.pdf>

EWEB's, including the existing stormwater and wastewater fees. It was also noted that additional City charges would adversely affect EWEB ratepayers having trouble paying their bills.

If the fee is levied on a per-unit basis and is included on existing EWEB utility bills, the annual costs of administration, billing, collection and enforcement could be lower. Administrative costs could be much higher if the City had to develop and implement a billing process separate from EWEB. Another consideration is that EWEB's collection rate is very high and the City's collection rate on a service fee would likely be much lower, depending on the type of enforcement action taken. In addition, administrative costs would be higher if the basis of the fee requires development and maintenance of property-specific data on which to base the fee.

Timeline

The implementation timeline would be dependent on whether or not EWEB was involved. Even if the service fee could be billed by EWEB, time would be needed to determine billing, collection, and enforcement processes. If EWEB was not involved, significantly more administrative effort would be required to build a wide-scale monthly billing and collection process from the ground up. This would be complex and resource-intensive with many unknown variables, even with support from one or more third party vendors.

City Service Fee Revenue Yield

Revenue Yield

Table 5 shows high-level estimates of the monthly cost to residential and non-residential units in order to generate net revenue in the amount of \$15-20 million annually. These estimates assume the monthly cost for non-residential units will be three times the monthly cost for residential units.

The cost per unit is lower under the EWEB billing scenario due to lower assumed administration costs and a higher assumed collection rate. The fee ranges below were calculated using the same structure as the proposed 2013 city service fee. There are a variety of factors that can impact the cost per unit including the fee structure, exemptions, low-income assistance, and the overall complexity of the service fee program.

Table 5: Estimated monthly service fee per unit to generate net revenue of \$15-20 million annually⁷

Service Fee Monthly Range	Third Party Billing	EWEB Billing
Monthly Cost to Residential Units	\$19 to \$24	\$15 to \$19
Monthly Cost to Non-Residential Units	\$56 to \$73	\$44 to \$57

⁷ Estimates assume 76,000 residential units and 7,000 non-residential units within Eugene city limits based on preliminary data provided by the Lane Council of Governments.

Sustainability

Service fee revenues are relatively stable because the fee is levied broadly across the community and the typical basis for the fee (occupancy and use of property) is fairly inelastic.

Fairness and Who Pays

This would be determined through specific ordinance language, with a goal of broadly spreading the cost of community-wide public services to both residential and non-residential properties.

For the 2013 proposed city service fee, the person who was responsible for paying the stormwater sewer service charges would be the responsible party for paying the city service fee. It was levied on developed property and there were different rates for residential vs. non-residential units. Council determined that 4J and Bethel would pay at the residential rate for any school owned by those districts. The measure included creation of a low-income assistance program that would be defined in the ordinance, which was never written as the measure failed at the polls.

The successes of cities that have implemented monthly fees for public services demonstrates that such fees can be seen as fair.

Triple Bottom Line: Social Equity

Some would consider this tax as regressive in that the fee is the same regardless of property value and household income. Low-income households would pay a greater percentage of their income than households with higher income, unless there is an exemption or low-income assistance program.

Triple Bottom Line: Environmental Stewardship

If the service fee is included on the EWEB bill, it's possible that some residents might reduce consumption in order to offset the increased cost of the total bill.

Triple Bottom Line: Economic Prosperity

This option would have a neutral or negative impact on economic prosperity. Revenue paid for the city service fee could be money spent on the local economy. The positive economic benefits of additional public goods, such as law enforcement and other community safety initiatives, are difficult to quantify and unknown at this time.

Utility Consumption Tax Description

Summary

A tax on consumers for use of utility services; levied on the amount consumed or established as a flat fee per account. Utility services include electricity, natural gas, water, stormwater, and wastewater.

Legal Authority

Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a utility consumption tax by ordinance without state enabling legislation. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition.

Precedence

The City of Ashland imposes an Electric Utility User Tax to offset property taxes. The tax is designed as a surcharge of 25% on monthly electric energy use. This tax generates revenue to fund general City services such as Police, Fire, Planning, Building, and Senior Programs. This tax generated approximately \$3.1 million in FY17. Ashland has a municipally-owned electric utility.

In March 1996, the City of Eugene proposed a 1% utility consumption tax to fund low-income housing which failed at public vote; 61% no to 39% yes. That tax would have dedicated 10% of the proceeds for low-income energy assistance programs.

Administrative Effort

Utility service providers (EWEB and NW Natural) would be responsible for collection of the tax. An administrative fee for collecting and remitting the tax to the City could be negotiated with EWEB and NW Natural. As an example, if an administrative fee of 3% of the tax were instituted, the foregone revenue would be approximately \$490,000 at the 5% tax level.

Timeline

This tax would be administered by the utility service providers and thus would depend on their implementation capacity. Additional time would be required for the City to conduct negotiations and coordination with the utility service providers.

Utility Consumption Tax Revenue Yield

Revenue Yield

If the tax was structured as a surcharge on the use of electricity, natural gas, water, stormwater, and wastewater, a rough estimate for potential gross yield is about \$3.2 million for every 1% surcharge. The current average monthly residential bill for electricity, water, stormwater, and wastewater is about \$200, so a 5% surcharge would add \$10 per month or \$120 per year (note: does not include natural gas). Impact to commercial users is not provided as commercial consumption varies greatly by business. Residential consumption accounted for approximately 50% of the electric retail revenue collected by EWEB in calendar year 2017.

A portion of the tax revenue would be needed to offset administrative costs for utilities to collect and remit the tax. Some entities, such as public agencies, may be exempt from the tax. An annual allocation could be set to help mitigate the financial impacts of the tax on low-income households. Implementation of these items would reduce the gross yield estimates provided in Table 6.

Table 6: Estimated gross yield of utility consumption tax at various levels

Utility	5% Surcharge	6% Surcharge	7% Surcharge
EWEB - Electricity ⁸	\$10,400,000	\$12,400,000	\$14,500,000
EWEB - Water ⁹	\$1,800,000	\$2,100,000	\$2,500,000
NW Natural - Natural Gas ¹⁰	\$1,400,000	\$1,700,000	\$1,900,000
City - Stormwater ¹¹	\$900,000	\$1,100,000	\$1,300,000
City - Wastewater (Local) ¹²	\$500,000	\$600,000	\$700,000
MWMC - Wastewater (Regional) ¹³	\$1,200,000	\$1,400,000	\$1,700,000
Gross Yield	\$16,200,000	\$19,300,000	\$22,600,000

Utility Consumption Tax Implications

Sustainability

Many factors can contribute to fluctuations in utility revenue including weather patterns, economic cycles, commodity price changes, energy efficiency improvements, carbon emission reduction efforts, alternative energy sources (e.g. rooftop solar panels), and general consumer preferences. Therefore, additional research would be needed to determine the long-term sustainability of this revenue source.

Fairness and Who Pays

All consumers of the subject utilities in the city would pay. This tax would have a greater impact on large businesses, low-income residents, or those who are out of work. The tax could be structured to provide relief for low-income households, but this would increase the rate and the administrative costs associated with the collection.

Triple Bottom Line: Social Equity

When the tax is established as a percent of consumption, large utility users are affected more than other users in the community. Developing a program to rebate some portion of the tax to large users could mitigate creating a barrier to economic development.

This would be a regressive tax. As such, an increase in utility bills would be a greater financial burden to low-income households who have little to no discretionary income.

Triple Bottom Line: Environmental Stewardship

The tax could lead to reduced consumption, a sustainable practice which is a high priority value for the City.

Triple Bottom Line: Economic Prosperity

This option would have a neutral or negative impact on economic prosperity. Revenue paid on increased utility bills could be money spent on the local economy. The positive economic benefits of additional public goods, such as law enforcement and other community safety initiatives, are difficult to quantify and unknown at this time.

⁸ Based on 2017 retail electric sales revenue of \$207,378,148 per EWEB's 2017 audited financial statements.

⁹ Based on 2017 retail water sales revenue of \$35,695,436 per EWEB's 2017 audited financial statements.

¹⁰ Based on FY18 natural gas sales revenue of \$27,640,180 per franchise fee statements received from NW Natural.

¹¹ Based on FY18 City of Eugene stormwater user fee revenue of \$18,468,299.

¹² Based on FY18 City of Eugene local wastewater user fee revenue of \$10,336,224.

¹³ Based on FY18 City of Eugene regional wastewater user fee revenue of \$23,837,451 (passed through to MWMC).

City Service Fee Summary
December 2018

City	Population	# of Customers Billed	City operated water utility	Type of Fee	Annual Amt Generated	Monthly Fee	Monthly Fee - SFD	Monthly Fee - Commercial	Collection Mechanism	Low Income Assistance?	Notes
Canby	17,759	4,800	No	Street Maintenance Fee Parks Fee	\$24,000 \$24,000	\$5.00 \$5.00			Lien/Prop Taxes Lien/Prop Taxes	Application process, verification of age and income upon receipt. Have to be 65 years of age or older or 100% disabled. Only applicable for reduced sewer/park maintenance	
Corvallis	57,961	14,000	Yes	Transportation Fee Transit Operations Fee Urban Forestry Sidewalk Maintenance Fee Public Safety Fee	\$1,150,000 \$910,000 did not report \$150,000 implement 7/19	Varies \$3.73 \$0.50 \$0.80 Varies	\$1.36 same rate for all customers same rate for all customers same rate for all customers \$5.00	Based on trips/type of business same rate for all customers same rate for all customers same rate for all customers \$10.00	Fees credited to city services prior to water bill, if non-payment, then turn off water.	Did not provide info.	
Gresham	111,053	24,000	Yes	Police, Fire and Parks Fee	\$3,500,000	\$7.50 per month	Every utility account pays \$7.50 per month per "unit." Multi family (4 units or more) receive a vacancy factor discount of 4.1%. Charging each property type the same fee is important so as not to be construed as attached to the property value.		On utility bill: applied by payment hierarchy and paid first. It is a non-lienable portion of the bill but generally this fee is not left out of any delinquent payment.	Customer service for single family account holders that if approved, covers this feel. For tenant of multifamily: a separate program through a third party administrator.	Fee is allocated 95% to Police & Fire, 5% to Parks.
Hillsboro	106,894	26,850	Both	Transportation Fee	\$3,168,000	Varies	\$8.16	Trip based (7 different options)	Turn off service or collection agency.	Commercial Transportation Fee: can be reduced if business provides alternate transportation for employees (like MAX pass). SFD: Can go to Public Works Office and fill out form saying low income, no authorization just paperwork and can get transportation fee eliminated for entire year. (Annual Process)	26,850 have water, 3,000 just have wastewater. Effective 4/19 fee increasing to \$8.79.
Lake Oswego	39,196	13,000	Yes	Street Maintenance Fee	\$2,700,000	Varies	\$9.30	Multi: \$6.65, Commercial (based on trips and rate per sq. ft): Group 1: \$5.69, Group 2: \$12.81/Group 3: \$47.85	Fees are not applied equally. Will turn off water for non-pay. Send out 200+ shut off notices per month, shut off 30 accounts/month.	Yes, if you have 60% of median income then you can fill out transcript request and mail to IRS. Lake Oswego is only place doing IRS check. If you qualify it cuts fees in half.	Group 1: less than 29 vehicle trip miles per day/1,000; Group 2: from 29 to 90 vehicle trip miles per day/1,000; Group 3: greater than 90 vehicle trip miles per day/1,000.
Medford	81,780	26,000	No	Street Fee Parks Fee Parks Maintenance Public Safety Fee Street Light Fee	did not report did not report did not report did not report did not report	Varies \$2.56 \$0.39 \$7.42 \$5.34	\$7.35 same rate for all customers same rate for all customers same rate for all customers same rate for all customers	Type of business and # of trips same rate for all customers same rate for all customers same rate for all customers same rate for all customers	Collection Agency	50% off for street fee for non-profit headquarters, found through business license status 501C3.	See code for more specific information.
North Bend	25,997	4,500	No	Public Safety Fee	\$810,000	\$15.00	same rate for all customers	same rate for all customers	Billed through the water board, only a few have not paid.	No	North Bend owns 1/2 of water company, Coos Bay owns other half, separate entity, water company bills for supplemental fee.
Salem	169,798	44,163	Yes	Streetlight Fee	\$1,900,000	Varies	\$2.80	Multi-Fam: \$10.40 Comm /Public: \$18.00	On utility bill/if water not paid water then disconnect, sent to collection agency.	Low-Income Utility Assistance Program: Up to \$150 per year towards City of Salem utility bills. Eligibility: Any customer who has a delinquent balance and meets the USDA-TEFAP income guidelines. Determination/Administration – Salvation Army and St Vincent DePaul determine eligibility; administration performed by City staff.	
Tigard	53,148	21,000	Yes	Transportation Fee Street Maintenance Fee Parks Fee	\$19,307 did not report \$1,163,462	\$5.00 Varies Varies	Same rate for all customers (River Terrace area only) \$6.69/unit or \$6.83 unit \$4.17 per unit for SFD	Same rate for all customers (River Terrace area only) \$2.19 per min req. parking space or \$2.24 per unit Non-resi: \$4.17 per dwelling unit; separate calculation for commercial and industrial (see handout)	On utility bill/if water not paid water then disconnect, sent to collection agency.	Yes, they offer assistance through St Vincent de Paul: 50% reduction to Parks Fee for low income qualifiers.	For River Terrace (500 acre area, new to UGB), not the whole City of Tigard



City of Eugene Payroll Tax Report

Prepared for the Community Safety Revenue Team

February 1, 2019

Introduction

This report was prepared by City of Eugene Budget and Analysis staff at the request of the Community Safety Revenue Team. This report focuses on the payroll tax and provides additional information gathered since the previous report dated January 17, 2019.

Payroll Tax

Description

Summary

A payroll tax is levied as a percent of gross payroll earned within the taxing jurisdiction. Entities can enact a payroll tax on employees and/or on employers. If the City pursues a payroll tax on both groups, the tax on employers and the tax on employees would be treated as two separate payroll taxes. The City can phase in the tax to provide time for program development, staff hiring and onboarding, and program growth to the full operating level. Additional costs for collection and disbursement, whether in-house or provided by the Oregon Department of Revenue (DOR), would be deducted from the gross revenue yield.

During preliminary conversations with DOR regarding payroll tax administration, DOR has informed us that we may have options regarding the “applicability” of the payroll tax (i.e. what payroll is the tax applied to), depending how the City’s ordinance is written. A couple of potential options may be to base applicability on the physical location within Eugene city limits, or base applicability on work performed within Eugene city limits regardless of the physical location. A practical example to consider might be two different plumbing companies, one physically located in Eugene and the other physically located in another community, but both companies perform work inside and outside of Eugene.

For comparison purposes, applicability for the LTD and TriMet transit taxes is based on work performed within the district and not on physical location of the business or where the employee lives. These transit districts cover much larger geographical boundaries than Eugene, so cross-boundary work may occur less frequently. Please note that all payroll data contained in this report is based on establishments physically located within Eugene city limits. Payroll data for work performed within Eugene city limits regardless of the physical location is not currently available.

Legal Authority

Under Oregon’s constitutional home rule powers, the Eugene City Charter grants the City Council broad authority over matters within the city’s boundaries. The City Council may implement a payroll tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative, or through a successful referendum petition.

Precedence

No Oregon cities or counties have implemented or currently utilize a payroll tax. Additionally, no jurisdiction collects two payroll taxes, on both employers and employees.

LTD and TriMet Transit Tax

Two special transit districts collect payroll taxes from **employers**. The revenue partially funds mass transit in the Lane Transit District (LTD, Eugene/Springfield area) and the Tri-County Metropolitan Transit District (TriMet, Portland area). The 2019 rates were 0.74% and 0.7637%, respectively.¹ Employers who pay wages for services performed in these districts must remit the transit payroll tax to DOR regardless of where the employer is physically located. Nonprofit 501(c)3 organizations are exempt from these taxes.

Oregon Statewide Transit Tax

On July 1, 2018, the State of Oregon began collecting a 0.1% **employee** payroll tax for transportation funding. The revenue funds statewide transportation initiatives including capital projects and infrastructure maintenance. Employers collect the tax on behalf of employees and submit to DOR. This payroll tax applies to wages of Oregon residents (regardless of where the work is performed) and wages of nonresidents who perform services in Oregon.

City of Salem

In November 2018 the City of Salem Sustainable Services Task Force forwarded a payroll tax recommendation to the City Council, along with a city operating fee and a local gas tax, to raise a minimum of \$6 million annually. The task force recommended a 0.2% to 0.25% payroll tax on **employees** working within the Salem city limits to generate gross revenue of approximately \$7 to \$8.7 million annually.

Administrative Effort

DOR Administration

City staff have had initial conversations with DOR staff regarding possible administration of an employee payroll tax and/or an employer payroll tax. Although DOR administers both the district and statewide payroll taxes, they have never administered payroll taxes for other municipalities. As such, DOR is beginning to have internal conversations about what it would look like to enter into an agreement with the City of Eugene. During this exploratory phase, unexpected barriers to implementation could arise. The following information should be considered high-level and preliminary; more conversations will be needed to solidify the details.

DOR Administration: Timeline

Depending on other legislative directives, DOR has estimated that approximately one year would be needed to create the necessary framework for tax administration on behalf of the City. Given that the current community safety bridge funding covers services through FY20, payroll tax revenue collection should begin July 1, 2020. While the City of Eugene ordinance should be in effect by July 1, 2019 to give DOR enough time for implementation, there are short term options that Council could enact to continue services into FY21 until implementation was complete, such as appropriating one-time funding.

¹ Rates increase annually on a schedule set by the Oregon State Legislature, the authorizing authority.

DOR Administration: Costs

An initial rough estimate for upfront costs is approximately \$1 million as a starting point for system configuration. This figure does not reflect other start-up costs including forms, publication development, outreach, and staffing. An initial rough estimate for the ongoing cost of administration is approximately \$600,000 per year.

DOR Administration: Other Considerations

State statute gives the Department of Revenue authority to enter into an agreement with the City of Eugene for the collection, administration, and distribution of local taxes.

DOR estimates a 97% collection rate for established voluntary compliance revenue programs. However, new voluntary compliance revenue programs could start out as low as 75%. As businesses become more familiar with the new tax, compliance is expected to increase to normal levels.

It's likely that City of Eugene payroll taxes would be remitted to DOR on a quarterly basis, which would be due on the last day of the month following the end of the quarter. This means there would be a delay of up to four months before the City receives the first distribution of payroll tax revenue. For example, if a payroll becomes effective July 1, tax revenue is due to DOR by October 31 and the City would receive the first distribution some time in November.

It is possible for DOR to collect City of Eugene payroll taxes from businesses that do not have payroll, such as sole-proprietors, depending on how the City's ordinance is written. This would add complexity and cost to tax administration.

Any special exemptions, such as non-profit employers or low-income employees, would add complexity and cost to tax administration.

City of Eugene Administration

If the City of Eugene opts to administer the taxes in-house, administration would be challenging and more expensive. The City has never administered a tax program of this scale, thus, it would require building a new payroll tax collection program from the ground up. This would involve new staff to handle software development and maintenance, website and electronic payment platforms, informational publications and outreach, collection, customer service, and auditing.

City of Eugene Administration: Timeline

It's anticipated there will be a one-year projected timeline between passage of the ordinance and the assumed payroll tax collection start date. It's unlikely the City would be able to implement the necessary framework for payroll tax administration within this time period. However, it could be possible with adequate dedicated resources.

City of Eugene Administration: Costs

Early high-level estimates suggest that start-up costs would be approximately \$2 million, with ongoing costs of approximately \$1 million annually. This is twice the cost of working with DOR because the City does not have existing infrastructure in place for this type of revenue administration and there are many unknowns.

The City estimates above do not include the possibility of costs associated with acquiring business data. In-house administration would require developing and maintaining an accurate and current list of all businesses operating in Eugene. Given that the City of Eugene does not currently issue a general business license, acquiring this dataset would represent additional costs above the basic administration of the tax.

City of Eugene Administration: Other Considerations

It is likely that the City of Eugene's collection rate would be lower than DOR's. Thus, a higher payroll tax rate would be required to collect the same amount of revenue.

Remitting payroll tax to DOR and to the City of Eugene creates additional work for businesses to file multiple returns and forms, follow multiple compliance procedures, and have different points of contact for their taxes.

Any special exemptions, such as non-profit employers or low-income employees, would add complexity and cost to tax administration.

The applicability of the tax would impact the administration efforts as it would be more difficult for the City of Eugene to administer a tax based on work performed within Eugene city limits regardless of the physical location of the business, as opposed to a tax based on employers with a physical presence in Eugene.

Community Safety Revenue Requirement

Table 1 represents the estimated annual revenue requirement needed to phase in \$22 million in community safety services over a six year timeframe. These estimates assume \$10 million in ongoing expenditures starting in FY21, with an additional \$6 million starting in FY23, and another \$6 million starting in FY25. The annual requirement also includes 5% inflation of the prior year's expenditures and enough balance available to cover two months of operating expenses.

Table 1: Estimated annual community safety revenue requirement

Annual Requirement	FY21	FY22	FY23	FY24	FY25	FY26
	\$11,100,000	\$11,200,000	\$18,000,000	\$18,100,000	\$25,900,000	\$26,200,000

Payroll Tax Revenue Yield

The estimates in this section are based on Eugene payroll data from establishments that are physically located within Eugene city limits, provided by the Oregon Employment Department Regional Workforce and Economic Research Division.

These estimates represent net revenue yields based on the following assumptions:

- DOR administration costs of \$1.6 million in FY21, which consists of \$1 million in upfront costs plus \$600,000 in annual maintenance for that year. In FY22-26, annual DOR administration costs are assumed to be \$600,000.
- The assumed collection rate in FY21 is 75% as businesses become familiar with the new tax. In FY22-26, the assumed collection rate is 97%.

Scenario A: Employer Payroll Tax

Table 2 reflects application of the employer payroll tax on all employers except for other government entities (federal, state, and local).

The forecasted figures are based on Eugene's 2017 non-government payroll of \$3.1 billion and 4% average annual inflation. Eugene had approximately 6,600 non-government employers operating within city limits in 2017.

Table 2: Estimated net yield from employer payroll tax; all government agencies exempt

Rate	FY21	FY22	FY23	FY24	FY25	FY26
0.15%	\$2,300,000	\$4,700,000	\$4,900,000	\$5,100,000	\$5,400,000	\$5,600,000
0.20%	\$3,700,000	\$6,500,000	\$6,800,000	\$7,100,000	\$7,400,000	\$7,700,000
0.25%	\$5,000,000	\$8,200,000	\$8,600,000	\$9,000,000	\$9,300,000	\$9,700,000
0.30%	\$6,300,000	\$10,000,000	\$10,400,000	\$10,900,000	\$11,300,000	\$11,800,000
0.40%	\$8,900,000	\$13,500,000	\$14,100,000	\$14,700,000	\$15,300,000	\$16,000,000
0.50%	\$11,500,000	\$17,100,000	\$17,800,000	\$18,500,000	\$19,300,000	\$20,100,000
0.60%	\$14,200,000	\$20,600,000	\$21,500,000	\$22,400,000	\$23,300,000	\$24,200,000
0.70%	\$16,800,000	\$24,200,000	\$25,100,000	\$26,200,000	\$27,300,000	\$28,400,000

Table 3: Estimated annual cost to employers with ten employees at average annual pay in FY21²

Rate	Amount owed
0.15%	\$700
0.20%	\$1,000
0.25%	\$1,200
0.30%	\$1,500
0.40%	\$2,000
0.50%	\$2,500
0.60%	\$2,900
0.70%	\$3,400

Scenario B: Employee Payroll Tax

Table 4 reflects application of the employee payroll tax to all employees earning wages in the City of Eugene. The forecasted figures are based on Eugene's 2017 total payroll of \$3.9 billion and 4% average annual inflation. Eugene had approximately 91,000 payrolled jobs in 2017.³

² Based on Eugene 2017 average annual employee pay of \$43,298 and 4% average annual inflation.

³ This data represents jobs, not employees. One employee with three part-time jobs is counted three times.

Table 4: Estimated net yield from employee payroll tax; no exemptions

Rate	FY21	FY22	FY23	FY24	FY25	FY26
0.15%	\$3,400,000	\$6,100,000	\$6,400,000	\$6,700,000	\$7,000,000	\$7,300,000
0.20%	\$5,100,000	\$8,400,000	\$8,700,000	\$9,100,000	\$9,500,000	\$9,900,000
0.25%	\$6,700,000	\$10,600,000	\$11,000,000	\$11,500,000	\$12,000,000	\$12,500,000
0.30%	\$8,400,000	\$12,800,000	\$13,400,000	\$13,900,000	\$14,500,000	\$15,100,000
0.40%	\$11,700,000	\$17,300,000	\$18,000,000	\$18,800,000	\$19,600,000	\$20,400,000
0.50%	\$15,100,000	\$21,800,000	\$22,700,000	\$23,600,000	\$24,600,000	\$25,600,000
0.60%	\$18,400,000	\$26,300,000	\$27,400,000	\$28,500,000	\$29,600,000	\$30,800,000
0.70%	\$21,700,000	\$30,800,000	\$32,000,000	\$33,300,000	\$34,700,000	\$36,100,000

Table 5: Estimated monthly cost to full-time employees at various hourly wages

Rate	\$12/hour*	\$14/hour	\$16/hour	\$18/hour	\$20/hour
0.15%	\$3	\$4	\$4	\$5	\$5
0.20%	\$4	\$5	\$6	\$6	\$7
0.25%	\$5	\$6	\$7	\$8	\$9
0.30%	\$6	\$7	\$8	\$9	\$10
0.40%	\$8	\$10	\$11	\$12	\$14
0.50%	\$10	\$12	\$14	\$16	\$17
0.60%	\$12	\$15	\$17	\$19	\$21
0.70%	\$15	\$17	\$19	\$22	\$24

* As of July 1, 2020, the minimum wage in Eugene will be \$12 per hour.

Note: Eugene had approximately 36,000 payrolled jobs in the first quarter of 2018 with wages less than \$15 per hour.³

Scenario C: Employee Payroll Tax and Employer Payroll Tax

Table 6 reflects simultaneous enactment of both an employee payroll tax and an employer payroll tax. The forecasted figures assume that both employees and employers are taxed at equal rates.

Table 6: Estimated net yield from employee payroll tax and employer payroll tax; equal rates

Rate	FY21	FY22	FY23	FY24	FY25	FY26
0.15%	\$7,300,000	\$11,400,000	\$11,900,000	\$12,400,000	\$12,900,000	\$13,500,000
0.20%	\$10,300,000	\$15,400,000	\$16,100,000	\$16,700,000	\$17,400,000	\$18,200,000
0.25%	\$13,300,000	\$19,400,000	\$20,200,000	\$21,100,000	\$21,900,000	\$22,800,000
0.30%	\$16,300,000	\$23,400,000	\$24,400,000	\$25,400,000	\$26,500,000	\$27,500,000
0.40%	\$22,200,000	\$31,500,000	\$32,700,000	\$34,100,000	\$35,500,000	\$36,900,000
0.50%	\$28,200,000	\$39,500,000	\$41,100,000	\$42,800,000	\$44,500,000	\$46,300,000
0.60%	\$34,200,000	\$47,500,000	\$49,400,000	\$51,400,000	\$53,500,000	\$55,700,000
0.70%	\$40,100,000	\$55,500,000	\$57,800,000	\$60,100,000	\$62,500,000	\$65,000,000

Payroll Tax Considerations

Sustainability

In the long-term, gross payroll appears to be a sustainable and growing revenue source. For establishments physically located within Eugene city limits, payroll increased an average of 2.7% from 2005 to 2017, which includes two years of negative payroll growth during the recession in 2009 and 2010. After the recession from 2011 to 2017, payroll increased an average of approximately 4% per year. Future recessions could decrease gross payroll for one or two years, but recent history suggests that average revenue yield will increase over time.

Revenue Fluctuations

Several factors can cause fluctuations in the amount of annual payroll tax revenue received by the City. For example, the amount of payroll subject to the tax could grow significantly faster or slower than anticipated due to economic cycles. Another example is the collection rate which could be significantly higher or lower than expected as businesses adjust to the new tax. One way to address these fluctuations is to maintain flexibility in changing the tax rate, even beyond the initial ramp-up period, to ensure adequate revenues are received to cover approved expenses; DOR has confirmed that annual rate changes are feasible.

Payroll tax revenue and approved community safety expenditures would be maintained in a new fund separate from other City funds in order to provide adequate transparency. Similar to other City operating funds, the goal would be that the new fund will have enough balance available to cover two months of operating expenses. However, due to potential revenue fluctuations, the annual balance available could be significantly more or less than anticipated. Flexibility in changing the tax rate up or down could be utilized to smooth out potential revenue fluctuations.

Fairness and Who Pays

Who pays depends on whether the tax is on employees and/or employers and how “applicability” is defined in the ordinance (i.e. what payroll is the tax applied to). A couple of potential options may be to base applicability on the physical location within Eugene city limits, or base applicability on work performed within Eugene city limits regardless of the physical location.

If the tax is on employees, all employees earning wages subject to the payroll tax would pay. If the tax is on employers, entities operating a payroll subject to the payroll tax would pay, except government agencies. A payroll tax on either party would not capture visitors, city residents employed elsewhere (depending on applicability), retirees, and the unemployed. As mentioned previously, the ordinance could be written to include sole-proprietors, requiring additional administrative complexity and cost.

Triple Bottom Line: Social Equity

A payroll tax on employees is progressive: the amount owed increases with wages. However, low-income employees living paycheck-to-paycheck may be disproportionately impacted. A minimum wage exemption or reduction could mitigate the burden of this tax on the most economically vulnerable workers.

The payroll tax on employers also presents additional cost pressure, as taxing a firm of any size will decrease profit margins. This is especially burdensome for nonprofit organizations that rely heavily on grants and donations.

Triple Bottom Line: Environmental Stewardship

This revenue option has a neutral impact on the environment. It will not impact greenhouse gas emissions, fossil fuels, waste, or pollution.

Triple Bottom Line: Economic Prosperity

The positive economic benefits of additional public goods, such as law enforcement and other community safety initiatives, are difficult to quantify and are unknown at this time. Revenue paid to the City of Eugene for a payroll tax could be money spent on the local economy. While not quantifiable at this time, it is likely that this option would have a neutral or negative impact on economic prosperity.



February 1, 2019

Summary of key tables when considering both employee and employer payroll taxes

Table 3: Estimated annual cost to employers with ten employees at average annual pay in FY21

Rate	Amount owed
0.15%	\$700
0.20%	\$1,000
0.25%	\$1,200
0.30%	\$1,500
0.40%	\$2,000
0.50%	\$2,500
0.60%	\$2,900
0.70%	\$3,400

Table 5: Estimated monthly cost to full-time employees at various hourly wages

Rate	\$12/hour*	\$14/hour	\$16/hour	\$18/hour	\$20/hour
0.15%	\$3	\$4	\$4	\$5	\$5
0.20%	\$4	\$5	\$6	\$6	\$7
0.25%	\$5	\$6	\$7	\$8	\$9
0.30%	\$6	\$7	\$8	\$9	\$10
0.40%	\$8	\$10	\$11	\$12	\$14
0.50%	\$10	\$12	\$14	\$16	\$17
0.60%	\$12	\$15	\$17	\$19	\$21
0.70%	\$15	\$17	\$19	\$22	\$24

* As of July 1, 2020, the minimum wage in Eugene will be \$12 per hour.

Table 6: Estimated net yield from employee payroll tax and employer payroll tax; equal rates

Rate	FY21	FY22	FY23	FY24	FY25	FY26
0.15%	\$7,300,000	\$11,400,000	\$11,900,000	\$12,400,000	\$12,900,000	\$13,500,000
0.20%	\$10,300,000	\$15,400,000	\$16,100,000	\$16,700,000	\$17,400,000	\$18,200,000
0.25%	\$13,300,000	\$19,400,000	\$20,200,000	\$21,100,000	\$21,900,000	\$22,800,000
0.30%	\$16,300,000	\$23,400,000	\$24,400,000	\$25,400,000	\$26,500,000	\$27,500,000
0.40%	\$22,200,000	\$31,500,000	\$32,700,000	\$34,100,000	\$35,500,000	\$36,900,000
0.50%	\$28,200,000	\$39,500,000	\$41,100,000	\$42,800,000	\$44,500,000	\$46,300,000
0.60%	\$34,200,000	\$47,500,000	\$49,400,000	\$51,400,000	\$53,500,000	\$55,700,000
0.70%	\$40,100,000	\$55,500,000	\$57,800,000	\$60,100,000	\$62,500,000	\$65,000,000



Date: October 30, 2017

To: Mayor and City Council

From: Council Subcommittee on Parks & Recreation Security & Maintenance Funding

Subject: Subcommittee Report

A subcommittee of the Eugene City Council was formed to look more closely at two of the challenges facing Parks and Recreation in Eugene; insufficient maintenance funding to care for existing and future planned parks and recreation facilities and safety concerns in some parks due to illegal activity and vandalism. This report describes the cost of addressing these challenges and summarizes information on various revenue sources. The complete packet of subcommittee materials can be found in the report appendix.

OVERVIEW OF CHALLENGES

- There are safety concerns in some parks due to illegal activity and vandalism. Illegal activities, such as camping, drug use, graffiti and dumping deter residents from using some urban neighborhood parks, the Willamette River, and the Fern Ridge Bike Path.
- Current funding is insufficient to care for existing parks. Two successful bond measures in 1998 and 2006 have allowed us to almost double our parks system in the last 18 years, protecting lands for public use. This additional open space is a critically important part of our city's development and growing population. While our land has grown, maintenance funds have not kept pace to care for these additional parks and natural areas.
- Maintenance funding is needed to support growth of the system. Without identified funding to maintain and operate new parks and recreation facilities, it is impossible to grow the system. This means that we cannot proactively keep pace with population growth or address the existing equity issues in some neighborhoods.

POTENTIAL SOLUTIONS AND FUNDING NEED

Potential solutions have been identified and the types of activities needed to address these challenges. Annual costs have been estimated totaling \$2.4 million dollars. Information on the activities and costs are provided in the following table.

Issue	Potential Solution	Activities	Annual Cost
Park Safety	Park Safety and Security	<ul style="list-style-type: none"> Two dedicated EPD officer for Parks <ul style="list-style-type: none"> Includes bike patrols in parks Two year-round Park Ambassadors 	\$590,000
	Illicit Activity Response	<ul style="list-style-type: none"> Illegal camp clean-up Graffiti removal Vandalism 	\$300,000
Park Maintenance	Developed Park Maintenance	<ul style="list-style-type: none"> Reopen restrooms Trash and litter pick-up Turf mowing Landscape bed care Infrastructure maintenance (irrigation, lighting, walkways, site furniture) Seasonal weekend/after-hours maintenance 	\$700,000
	Natural Area Maintenance	<ul style="list-style-type: none"> Trail maintenance Trash and litter pick-up Invasive weed management Native tree and shrub planting Hazard tree abatement Wildfire risk abatement Infrastructure maintenance (access roads, fences, gates) 	\$250,000
	Future Developed Park Maintenance	<ul style="list-style-type: none"> Santa Clara Community Park (SC) Ruby Park (SC) Ferndale Park (SC) Mattie Reynolds Park (SW) Striker Field (WK) 	\$550,000
	TOTAL NEED		\$2,390,000

A few clarifications about this table:

- The table is not representative of a capital bond funding scenario. If capital resources are identified to move forward with other high priority projects such as building new pools, community centers and parks in areas that are currently underserved, additional operations and maintenance funding will be required.
- The activities and costs for Developed Park Maintenance outlined in the table represents a modest proposal that addresses the most critical system needs. It does not address funding for the following activities:
 - Preventative tree maintenance in developed parks
 - Additional portable toilets
 - Increased community gardens maintenance and support
 - Increased ornamental gardens maintenance
- The Future Developed Park Maintenance category outlined in the table represents high priority park development projects. If maintenance funding is identified, existing System Development Charge (SDC)

funds can be used, in part, for capital costs. It should be noted that SDC's do require matching funds. This funding need would be phased in over four to five years as new parks were developed.

POTENTIAL FUNDING SOURCES AND CONSIDERATIONS

While no formal recommendations were discussed, it was generally agreed that a single funding source will likely not fill the need, favoring a multi-pronged approach instead. The following table is a generalized summary of the pros and cons discussed for each funding source. A matrix of additional information is attached. Additional analysis and full discussion summaries are included in the appendix.

Revenue Options	Pros	Cons
Parks and Recreation Fee	Sustainable, ongoing funding source.	New fee for residents and uncertainty about collection method.
Local Option Property Tax Levy	Most common form of providing additional operational funding locally.	Levy needs to be renewed by voters every 5 years creating a high degree of uncertainty for ongoing funding.
Marijuana Tax	Council has already identified this as a partial funding source for Parks.	Uncertainty about how much revenue this will generate.
Restaurant Tax	Sustainable, ongoing funding source.	Local willingness to support this new tax is likely low.
Sugary Beverage Tax	Other jurisdictions across the nation are finding success with this approach.	Local willingness to support this new tax is unknown.
Transient Room Tax	Already established revenue source with identifiable nexus to parks.	Limitations to how much revenue this will generate.
Admissions/Entertainment Tax	Many potential permeations of this tax.	UO events exempt by State Law. Need to balance with keeping arts and recreation affordable.
Private Foundation Endowment	Not a tax on residents.	Limitations to how much ongoing revenue it will generate. It will require additional resources for the Eugene Parks Foundation to launch and sustain a campaign.
Sale of underutilized park property	Provide one-time seed money for endowment.	The future potential of a park site is lost once the land is sold. Additionally, identifying park land as surplus and selling can be unpopular with some members of the public.
Special District	Dedicated funding source for Parks and Recreation.	This approach will likely increase the cost of providing parks and recreation services and reduce operational efficiencies. Could result in revenue loss for other services, including Lane County.

Park and Recreation Security and Maintenance Funding Alternatives
Evaluation Matrix

Revenue Options	Amount or Rate (can be scaled up or down)	Annual Revenue Capability (\$ millions or H/M/L)	Action Needed to Implement	Administrative Effort to Implement and Manage	Revenue Stability and Reliability	Sustainable /ongoing Revenue	TBL: Healthy Business Climate	TBL: Burden on Low Income Community Members	TBL: Impact on Environment	Impact on Other Council Goals	Nexus with Services Funded	Nexus Explanations
Parks and Rec Fee	\$3/month \$1/month	\$2.5 (gross) .8 (gross)	Council	?	£	..	£	Ÿ	—	—	£	All households would pay and all would benefit from having more robust parks & recreation services. Parks provide green infrastructure with multiple utility benefits.
Local Option Property Tax Levy	\$3/month	\$2.3 (net)	Voter Approval	..	..	£	£	Ÿ	—	—	£	Property taxes are the current method used for paying for the bulk of parks & recreation services
Marijuana Tax	Current	L-M	None	..	£	£	Ÿ	£	—	—	..	Council directed spending for three specific purposes, including park maintenance & security
Restaurant Tax	1%	\$3.1 (gross)	Council	£	£	..	Ÿ	£	—	£	£	Indirect nexus: tourists will pay a portion of the tax
Sugary Beverage Tax	1 cent/ounce	\$4.7 (gross)	Council	£	£	£	Ÿ	£	£	£	£	Could work together with park and recreation activities to create opportunities to improve health
Transient Room Tax Increase	1%	\$0.2 (net)	Council	..	£	£	Ÿ	£	—	£	£	Indirect nexus: tourists will pay a portion of the tax
Admissions/Amusement/Entertainment Tax	?	?	Council	£	£	£	Ÿ	£	—	Ÿ	£	Could apply to activities that occur in parks and recreation facilities, such as park rentals, leagues, etc.
Private Foundation Endowment	?	L-M	Foundation	..	£	£	..	..	—	..	..	People who support parks make a choice to donate to their cost
Sale of underutilized park property	?	H	City Manager and Council	..	Ÿ	Ÿ	..	..	Ÿ	£	..	Revenue from sale of park property can provide seed money for endowment to maintain parkland
Special District	?	H	Council, Voter Approval, and Metro Plan Amendment	Ÿ	..	£	£	Ÿ	—	Ÿ	..	Created specifically for funding and managing park and recreation services

.. = Meets All Criteria/Favorable/Yes
£ = Meets Some Criteria/Neutral/Maybe
Ÿ = Does Not Meet Criteria/Unfavorable/No

— = Not applicable
? = Not known
H = \$1 million or greater; M= \$100,000 to \$1 million; L = less than \$100,000
Gross = no cost of administration taken into consideration; Net = net of administration costs

Park and Recreation Security and Maintenance Funding Alternatives
Evaluation Matrix

Revenue Options	Amount or Rate	Annual Revenue Capability (\$ millions or H/M/L)	Action Needed to Implement	Administra tive Effort to Implement and Manage	Revenue Stability and Reliability	Sustainable /ongoing Revenue	TBL: Healthy Business Climate	TBL: Burden on Low Income Community Members	TBL: Impact on Environme nt	Impact on Other Council Goals	Nexus with Services Funded	Nexus Explanations
Bicycle Registration Fee	\$ amt per sale	L	Council	£	£	£	£	Ÿ	£	Ÿ	£	46 miles of off-street bike path, most of which are in parks
Business Gross Receipts Tax	0.1% tax on gross receipts	H	Council	Ÿ	£	£	Ÿ	Ÿ	—	Ÿ	Ÿ	No nexus
Business License Fee	varies	L (net)	Council	£	£	£	Ÿ	—	—	Ÿ	Ÿ	No nexus
Commuter Tax	varies	M-H (gross)	Council	Ÿ	£	£	Ÿ	£	¨	Ÿ	Ÿ	No nexus
Corporate Income Tax	1% income tax	\$2.7+ (gross)	Council	£	£	£	Ÿ	£	—	Ÿ	Ÿ	No nexus
E-Cigarette Tax	?	L	Council	£	£	£	Ÿ	£	—	—	Ÿ	No nexus
Luxury Tax	?	?	Council	Ÿ	Ÿ	Ÿ	£	¨	£	—	Ÿ	No nexus
Paper Bag Fee	\$0.05-\$0.20/bag	L	Council	£	£	£	—	£	¨	—	Ÿ	No nexus
Parking Tax	varies	M	Council	£	£	£	£	£	—	—	Ÿ	No nexus
Payroll Tax	varies	H	Council	£	£	£	Ÿ	£	—	£	Ÿ	No nexus
Personal Income Tax	varies	H	Council	£	£	£	£	Ÿ	—	—	Ÿ	No nexus
Red Light Cameras	?	L	Council	£	£	£	—	—	—	¨	Ÿ	No nexus
Sales Tax	varies	H	Council	Ÿ	£	£	Ÿ	Ÿ	—	£	Ÿ	No nexus
Solid Waste Collection Fee	varies	L	Council	¨	¨	¨	£	Ÿ	£	—	£	Pay for cleanup of solid waste in parks
Utility Consumption Tax	1% surcharge	H	Council	Ÿ	£	£	Ÿ	Ÿ	¨	—	Ÿ	No nexus
User Fees and Service Charges for Parks & Recreation	varies	L	City Manager	¨	£	£	£	Ÿ	—	Ÿ	¨	Users pay for the cost of the services

10/30/2017

¨ = Meets All Criteria/Favorable/Yes

£ = Meets Some Criteria/Neutral/Maybe

Ÿ = Does Not Meet Criteria/Unfavorable/No

— = Not applicable

? = Not known

H = \$1 million or greater; M= \$100,000 to \$1 million; L = less than \$100,000

Gross = no cost of administration taken into consideration; Net = net of administration costs

October 29, 2017

Criteria for Evaluation of Funding Alternatives

These criteria are intended be used by subcommittee members and staff to analyze various revenue options and to get a quick picture of how the various options meet certain important criteria.

Amount or Rate: The evaluation is based on a particular amount or rate for the alternative. For some alternatives, the amount or rate can't be determined at this point.

Revenue Raising Capability: Will this revenue source produce sufficient revenue to make a significant contribution to the funding need? Some estimates take into account the cost of administration ("net"), while others do not ("gross").

Administrative Effort: The revenue sources included in the funding strategy should be efficient to implement and administer. There should be practical sources of tax- or fee-related data, and the implementation and on-going program management should not be overly complex. The revenue sources included in the funding strategy should have low to moderate costs for administration, relative to the total revenue generated.

Revenue Stability and Reliability: Funding sources should have a high degree of long-term predictability, stability and reliability in order to ensure that the services funded can be maintained over the long run. They should be stable through economic cycles and not subject to political changes.

Sustainable/ Ongoing Revenue: Funding sources should produce an ongoing funding stream that has the capability to expand and generate additional funds to support growth in the parks and recreation system over time.

Triple Bottom Line: Funding solutions should take into account the "triple bottom line," which includes social equity, economic and environmental impacts. The **economic** aspect of sustainability address the question of whether the revenue source supports a healthy business climate (*e.g., by not imposing an inequitable burden on business*). The **social equity** impacts relate both to how the income is derived as well as how the revenue is used. What is the potential impact on low-income community members? From an **environmental** standpoint, would there be a positive impact on the environment (*e.g., by reducing waste, encouraging alternate modes, etc.*) from implementing this revenue source?

Impact on Other Council Goals: Would this funding solution impact other City Council Goals:

- ***Safe community:*** a community where all people are safe, valued and welcome
- ***Sustainable development:*** a community that meets its present environmental, economic and social needs without compromising the ability of future generations to meet their own needs.
- ***Accessible and Thriving Culture and Recreation:*** a community where arts and outdoors are integral to our social and economic well-being and are available to all.
- ***Effective, Accountable Municipal Government:*** a government that works openly, collaboratively, and fairly with the community to achieve measurable and positive outcomes and provide effective, efficient services.
- ***Fair, Stable and Adequate Financial Resources:*** a government whose ongoing financial resources are based on a fair and equitable system of revenues and are adequate to maintain and deliver municipal services.

For this analysis, it is assumed that all options would help achieve the goal of Fair, Stable and Adequate Financial Resources, so the evaluation is based on the direct or indirect impact on the other goals.

Nexus with Parks and Recreation Services: Does the funding strategy have a direct or indirect relationship to specified park and recreation system services and/or the benefit derived from the parks and recreation system to the community as a whole.

City Council Subcommittee for
Parks and Recreation Security and Maintenance Funding
11/6/2017

Report Appendix

1. Subcommittee Scope
2. Service and Funding Gap Materials:
 - a. Parks and Recreation Service and Funding Gap, 8/15/2017
 - b. Potential Phasing of Current and Future O&M Costs, 8/25/2017
 - c. System Development Charge (SDC) Fund for Parks and Recreation, 8/28/2017
3. Revenue Option Reports:
 - a. Trust for Public Land Conservation Finance Feasibility Study, 5/2016
 - b. Addendum to Trust for Public Land report: Tax on Sugar-Sweetened Beverages, 8/1/2017
 - c. Revenue Team Report to the City of Eugene Budget Committee, 4/8/2014
 - d. Transient Room Tax Update, 8/10/2017
4. Special District Materials:
 - a. Considerations for Formation of or Annexation to a Special District, 11/1/17
 - b. Examples of the Impact on Compression from Extending a Parks District Permanent Tax Rate Inside the City of Eugene Boundaries, 9/26/2017
 - c. ECO Northwest Memo on Implications of New Parks and Recreation District on Existing Taxing Districts, 5/10/2017
5. Private Endowment Materials:
 - a. Analysis of Creating an Endowment to Pay \$2.3 Million of Park & Recreation Security & Maintenance Funding, 8/18/2017
6. Meeting Agendas and Minutes:
 - a. Meeting 1, August 16, 2017
 - b. Meeting 2, August 30, 2017
 - c. Meeting 3, September 26, 2017
 - d. Meeting 4, October 27, 2017

Council Committee
Parks and Recreation Security and Maintenance Funding

The funding of parks and recreation security and maintenance has been a part of the Parks and Recreation Systems Plan discussions with the community and Council. The need has been driven by the combination of: 1) A doubling of parkland in less than ten years associated with the 2006 park acquisition bond; 2) Reductions in general fund revenues for parks and recreation facility maintenance over these years; 3) A significant increase in the need to mitigate the impacts to parks from illegal camping and other illicit activities; and 4) The deferred maintenance of an aging park and recreation infrastructure. Nine out of ten respondents to a recent community survey believe that addressing insufficient maintenance funding for parks was important, followed closely by concerns for safety in parks.

We are proposing a Council Committee be formed with the following objectives:

- Gain a better understanding of current Park and Recreation O&M funding, including safety and security.
- Explore various funding mechanisms that could address the gaps.
- Consider how to maximize use of System Development Charge (SDC) dollars that are currently limited by a constrained O&M budget.
- Consider how O&M funding can keep pace in the future with additional capital improvements and system growth.
- Bring information to a City Council work session to inform council's discussion about Parks and Recreation O&M funding.

The committee would be comprised of:

- 4 members of the Council
- 1 member of the Eugene Parks Foundation
- 1 member of the Parks and Rec System Plan Advisory Group
- City Staff (facilitator and content professionals)

This task force will begin to meet in August with dates and times to be determined. The intent is to conclude after a series of meetings in September with a report of findings to Council by the end of September/early October. The committee is not charged with providing recommendations.

The purpose of the July 26 work session agenda item is for Council to give its okay to the committee and appoint four Councilors to the committee.



Date: August 15, 2017

To: Council Subcommittee on Parks & Recreation Security & Maintenance Funding

From: Craig Carnagey, Director, Parks and Open Space

Subject: Parks and Recreation Service and Funding Gap

A subcommittee of the Eugene City Council has been formed to look more closely at two of the challenges facing Parks and Recreation in Eugene; insufficient maintenance funding to care for existing and future planned parks and recreation facilities and safety concerns in some parks due to illegal activity and vandalism. This memo briefly describes these challenges and presents information on the types of activities and funding required to address these issues.

OVERVIEW OF CHALLENGES

- **Current funding is insufficient to care for existing parks and future planned parks and recreation facilities.** Two successful bond measures in 1998 and 2006 have allowed us to almost double our parks system in the last 18 years, protecting lands for public use. This additional open space is a critically important part of our city's development and growing population. While our land has grown, maintenance funds have not kept pace to care for these additional parks and natural areas.

What if we don't solve the problem?

- The 17 neighborhood and community parks that have been purchased and are awaiting development will remain unusable or limited for children, families and residents in neighborhoods across Eugene. Similarly, areas of town currently lacking community centers and pools will remain underserved.
 - Access to over 1,000 acres of natural area will remain limited and habitat quality will decline system-wide.
 - The function and appearance of many existing parks and amenities, such as playground equipment, restrooms, ornamental landscapes, lawns and trails will decline over time.
- **There are safety concerns in some parks due to illegal activity and vandalism.** Illegal activities, such as camping and drug use, often deter residents from accessing the Willamette River or visiting specific parks, such as Washington Jefferson Park.

What happens if we don't solve the problem?

- o Although safe river access is a strong community desire, people may continue to be deterred from visiting park areas most impacted by illegal activities and camping.
- o Park maintenance staff will continue to spend significant time and resources cleaning up illegal campsites and vandalism instead of performing traditional park maintenance, sometimes risking their own personal safety.
- o Environmental degradation of the riparian corridor, Willamette River and other local waterways resulting from large amounts of trash, drug paraphernalia and human waste will continue.

POTENTIAL SOLUTIONS AND FUNDING NEED

Staff have identified potential solutions and the types of activities needed to address these challenges. Annual costs have been estimated totaling \$2.3 million dollars. Information on the activities and costs are provided in the following table. A few clarifications about this table are provided below:

- The maintenance activities and costs for Developed Parks outlined in the table represents a modest proposal that addresses the most critical system needs. It does not address funding for the following activities:
 - o Preventative tree maintenance in developed parks
 - o Additional portable toilets
 - o Increased community gardens maintenance and support
 - o Increased ornamental gardens maintenance
- The Future Developed Park category outlined in the table represents high priority park development projects. If maintenance funding is identified, existing System Development Charge (SDC) funds can be used, in part, for capital costs. It should be noted that SDC's do require matching funds. One to two parks could be constructed each year, beginning 18-24 months after funding is identified.
- The table is not representative of a capital bond funding scenario. If capital resources are identified to move forward with other high priority projects such as building new pools, community centers and parks in areas that are currently underserved, additional operations and maintenance funding will be required.

Issue	Potential Solution	Activities	Annual Cost
Park Safety	Park Safety and Security	<ul style="list-style-type: none"> Two dedicated EPD officer for Parks <ul style="list-style-type: none"> Includes bike patrols in parks Two year-round Park Ambassadors 	\$500,000
	Illicit Activity Response	<ul style="list-style-type: none"> Illegal camp clean-up Graffiti removal Vandalism 	\$300,000
Park Maintenance	Developed Park Maintenance	<ul style="list-style-type: none"> Reopen restrooms Trash and litter pick-up Turf mowing Landscape bed care Infrastructure maintenance (irrigation, lighting, walkways, site furniture) Seasonal weekend/after-hours maintenance 	\$700,000
	Natural Area Maintenance	<ul style="list-style-type: none"> Trail maintenance Trash and litter pick-up Invasive weed management Native tree and shrub planting Hazard tree abatement Wildfire risk abatement Infrastructure maintenance (access roads, fences, gates) 	\$250,000
	Future Developed Park Maintenance	<ul style="list-style-type: none"> Santa Clara Community Park (SC) Ruby Park (SC) Ferndale Park (SC) Mattie Reynolds Park (SW) Striker Field (WK) 	\$550,000
	TOTAL NEED		\$2,300,000

Potential Phasing of Current and Future O&M Costs

August 25, 2017

The following tables project the estimated amount of operations and maintenance (O&M) funding required as future projects are constructed on a phased implementation schedule. Actual phasing and costs will be based on more refined planning and construction schedules.

Current O&M Funding Need: Phasing Estimate for “Maintain It Scenario”

Issue	Potential Solution	Year 1	Year 2	Year 3	Ongoing annual O&M
Park Safety	Park Safety and Security	\$500,000	\$500,000	\$500,000	\$500,000
	Illicit Activity Response ¹	\$300,000	\$300,000	\$300,000	\$300,000
Park Maintenance	Developed Park Maintenance	\$700,000	\$700,000	\$700,000	\$700,000
	Natural Area Maintenance	\$250,000	\$250,000	\$250,000	\$250,000
	Future Developed Park Maintenance ²	0	\$200,000	\$400,000	\$550,000
	TOTAL NEED	\$1,750,000	\$1,950,000	\$2,150,000	\$2,300,000

Future O&M Funding Need: Phasing Estimate for all Implementation Scenarios³

*\$ amount in millions

Scenario	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Ongoing annual O&M
“Maintain It”	\$1.75	\$1.95	\$2.15	\$2.3				\$2.3
“Fix It”	\$1.75	\$2.1	\$2.4	\$2.75	\$3.1			\$3.1
Fix & Enhance It”	\$1.75	\$2.1	\$2.4	\$2.75	\$3.1	\$3.4	\$3.7	\$3.9
Fix, Enhance & Build It”	\$1.75	\$2.3	\$2.85	\$3.4	\$3.95	\$4.5	\$5.0	\$5.7

¹ Assumes clean-up/ response efforts continue at current levels.

² Phased construction schedule for one community and four new neighborhood parks. Year one dedicated to planning and design.

³ Detailed descriptions of scenarios can be found at www.EUGparksandrec.org

System Development Charge (SDC) Fund for Parks and Recreation

August 28, 2017

Overview

System Development Charges (SDC's) are collected and spent for the purposes of supporting new growth and capacity in the Parks and Recreation System. SDC's are collected and spent based on state law and the City's adopted project list for Parks and Recreation. Some SDCs are considered "reimbursement funds" and can be used to rehabilitate existing facilities. Approximately \$650,000 in reimbursement SDCs are utilized each year to make much needed renovations to the existing system. A majority of SDC funds (approximately 77%) are considered "improvement funds" and can only be utilized for new facilities that expand the capacity of the existing system. Based on a lack of operations and maintenance (O&M) dollars to care for new facilities, the City has not developed new parks (just one in the last ten years), and has therefore not fully utilized the collected SDC improvement funds.

The current balance of unobligated SDC's is:

Improvement Funds	\$6.7 million
Reimbursement Funds	\$1.3 million
Total	\$8 million

O&M Funding Proposal

A proposal to fund an additional \$2.3 million dollars annually in Parks O&M will close the gap for funding the maintenance of existing assets and allow for modest growth of the system in high need areas of the City. The capital dollars required to build these new parks can partially be funded through existing SDC improvement funds, however not the full amount.

The remaining capital need must come from a matching source such as bond funds, SDC reimbursement funds, General Fund dollars, grants, donations, or a combination of these sources. While limited new development can occur by matching SDC improvement funds with these other existing sources, it will be difficult to leverage the balance of SDC improvement funds without a new capital funding source.

Potential Park Development Projects	Estimated Construction Cost	SDC Improvement Funding Eligible	Remaining Capital Need
Santa Clara Community Park Phase 1 (SC)	\$500,000	\$260,000	\$240,000
Ruby Park (SC)	\$750,000	\$367,500	\$382,500
Ferndale Park (SC)	\$1,000,000	\$190,000	\$810,000
Mattie Reynolds Park (SW)	\$1,000,000	\$490,000	\$510,000
Striker Fields Phase 1 (WK)	\$1,000,000	\$490,000	\$510,000
TOTAL	\$4,250,000	\$1,797,500	\$2,452,500

Parks and Recreation SDC Methodology Update

The City's methodology that determines the collection and expenditures of SDCs for Parks and Recreation is currently being reviewed in anticipation of a new adopted project list in conjunction with the Parks and Recreation System Plan update. Upon adoption of the System Plan, staff will complete the SDC methodology update and bring it to City Council for review and adoption.

CONSERVATION FINANCE FEASIBILITY STUDY | MAY 2016

CITY OF EUGENE, OREGON



THE
TRUST
FOR
PUBLIC
LAND



Eugene City Manager's Office

February 17, 2016

Paul Kundtz
Northwest Regional Director
The Trust for Public Land
901 Fifth Avenue, Suite 1520
Seattle, WA 98164

Dee Frankfourth, Associate National Director Conservation Strategies
The Trust for Public Land
901 Fifth Avenue, Suite 1520
Seattle, WA 98164

Dear Mr. Kundtz and Ms. Frankfourth:

By this letter, I am requesting on behalf of the Eugene City Council technical advice and assistance from your organization in connection with our efforts to develop a program to finance parks and recreation, and land conservation, and potential related ballot measure(s). As part of your advice and assistance, we understand you may provide feasibility research, conduct one or more public opinion surveys, and develop strategies for our consideration, based upon your extensive experience with these kinds of projects in support of parks and recreation systems regionally and nationally.

We are interested not only in the factual information that you can provide to us, but also your organization's analysis, professional judgment and recommendations on public financing mechanisms and measures that are available to us. Although your submissions will be directed to the attention of Craig Carnagey, Parks and Open Space Director, we understand that your responses to this request will be for the general use of the City of Eugene organization.

This request will continue in effect for any subsequent advice you offer or presentations you submit for the use of the City related to such matters. In addition, we would like to take this opportunity to request that you continue to be available to provide technical advice and assistance in this area and on related matters in the future.

Thank you for your organization's contributions to the work of the City of Eugene to continue bringing excellence to the Eugene community through our parks and recreation system.

Sincerely,

A handwritten signature of Jon R. Ruiz.

Jon R. Ruiz
City Manager

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

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TABLE OF CONTENTS

Table of Contents	3
Introduction	5
Executive Summary	6
Overview	8
Demographics and Economy	8
Needs Assessment	9
Recent Issues	12
Choosing a Local Funding Strategy	13
Local Conservation Finance Ballot Measures in Oregon	13
General Obligation Bonds	14
Local Option Property Tax Levy	16
Parks Service Fee	19
Restaurant Tax	21
Transient Room Tax	22
Marijuana Tax	23
Election Trends	26
Upcoming Elections	27
City Government	28
Appendices	29
Appendix A: Revenue Options Summary	30
Appendix B: General Obligation Bond Implementation, Ballot Language Requirements, and Examples	32
Appendix C: Property Tax Implementation, Ballot Language Requirements, and Examples	35

Appendix D: Service Fee Implementation, Ballot Language Requirements, and Example38

Appendix E: Restaurant Tax Implementation, Ballot Language Requirements, and Example39

Appendix F: Transient Room Tax Implementation and Ballot Language Requirements.....40

Appendix G: Marijuana Tax Implementation and Ballot Language Example.....41

INTRODUCTION

The Trust for Public Land is a national nonprofit land conservation organization working to protect land for human enjoyment and well-being. The Trust for Public Land helps conserve land for parks, greenways, recreation areas, watersheds and wilderness. Since 1972, the Trust for Public Land has protected more than 3 million acres and completed more than 5,200 park and conservation projects. To help public agencies or land trusts acquire land, the Trust for Public Land's Conservation Finance program assists communities in identifying and securing public financing. The Trust for Public Land offers technical assistance to elected officials, public agencies, and community groups to design, pass, and implement public funding measures that reflect popular priorities.

Helping communities to secure dedicated conservation funding is often the tipping point that can lead to deeper ecological responsibility, including more prudent land use, better managed growth, and the increased protection of natural landscapes. To stimulate engagement across jurisdictions and constituencies, the Trust for Public Land has historically found effective partnerships among a broad spectrum of players, from the environmental left to the fiscally conservative right, and recognizes that it is important to consistently explore new tools that can encourage and strengthen the willpower of the voters to seek dedicated conservation funds. This focused, up-front investment pays dividends over the long-term in voter-supported funding that is dedicated to conservation.

Since 1996, the Trust for Public Land has been involved in nearly 500 successful ballot measures and 20 successful legislative campaigns that have created more than \$57 billion in new funding for parks, restoration, and land conservation. Voters have approved 81 percent of the ballot measures assisted by the Trust for Public Land, including 12 successful measures in Oregon since 1996. Recent successes include the passage of a \$68 million bond for park improvements and upgrades in the City of Portland in 2014, as well as the passage of a 5-year local option property levy of 9.6 cents per \$1,000 for park improvement, operations, and maintenance in the Portland Metro special district in 2013. These measures passed with 74 and 56 percent support, respectively. In 2012, voters in the Bend Park and Recreation District approved a \$29 million bond for the purpose of protecting natural areas, connecting trails, improving parks, and providing water safety. Also in 2012, a \$20 million bond for the acquisition and improvement of parks, trails, watersheds, wildlife habitat, and other natural areas was passed by voters in the Willamalane Park and Recreation District. These measures passed with 52 and 53 percent support, respectively.

The City of Eugene has asked the Trust for Public Land to explore public funding options available for parks and recreation in the city. Given the substantial investment of time and resources required for a successful conservation finance initiative, preliminary research is essential to determine the feasibility of such an effort. This research provides a stand-alone, fact-based reference document that can be used to evaluate financing mechanisms from an objective vantage point.^{1,2}

If city officials decide to pursue a funding option, then such options should match political and fiscal realities in the city. A possible next step could be testing voter attitudes toward a specific set of funding proposals. The Trust for Public Land would then recommend conducting a public opinion survey that tests ballot language, tax tolerance, and program priorities of Eugene voters.

¹ The contents of this report are based on the best available information at the time of research and drafting, March-April 2016.

² This feasibility study is not a legal document and should not be relied upon as a legal opinion.

EXECUTIVE SUMMARY

Many opportunities exist to fund parks and recreation in the City of Eugene. At the heart of the most successful funding programs is a substantial, long-term, dedicated source of local revenue. With a reliable source of funds, local governments can establish meaningful parks and recreation priorities that protect the most valuable resources, are geographically distributed, and otherwise meet important goals and values. Furthermore, local governments with significant funds are much better positioned to secure and leverage funding from the federal government and attract other local and state government or private philanthropic partners.

Nationwide, a range of public financing options has been utilized to fund parks and open space preservation. These include general obligation bonds, the local sales tax, the property tax, and less frequently used mechanisms such as special assessment districts, real estate transfer taxes, impact fees, and income taxes. Communities in Oregon have traditionally been able to rely on a mix of funding due to the availability of state funding and local conservation funding measures.

The property tax and general obligation bonds are the principal local revenue sources that could be permitted for conservation purposes in Oregon. Counties and municipalities are authorized to acquire land and easements for purposes including parks, trails, watershed protection, floodplain management, farmland, and cultural and historic preservation. In Oregon, municipalities rather than counties have largely undertaken conservation finance ballot measures. Most of these measures are bonds.

This report is intended to analyze mechanisms available to both the Parks and Open Space Division and the Recreation Division. It does not address the formation of a special district, as there are many legislative and political obstacles that would need to be overcome. Thus a special district is not included in the scope of this report. The report begins by analyzing several local public funding tools available to the City of Eugene, including revenue generating capacity, estimated costs to taxpayers, and implementation procedures. Each revenue option is available to both Parks and Recreation. The City of Eugene must determine whether to use the generated revenue for Parks, Recreation, or both divisions. These tools are summarized below, as well as in Appendix A.

- **General Obligation Bonds:** Bonds are the most utilized tool for parks capital purposes by local governments in Oregon. Generally, bond proceeds are limited to capital projects and may not be used for operations and maintenance purposes. The City of Eugene could issue a general obligation bond for \$30 million at a cost of about \$31 per household per year. Voter approval is required.
- **Local Option Property Tax Levy:** In Oregon, three jurisdictions including Eugene have been successful in dedicating a property tax to parks and recreation. The City of Eugene could levy a local option property tax of \$0.1616 per \$1,000 of assessed value and generate approximately \$2.5 million annually, at a cost of about \$33 per year for the average homeowner. Revenues may be used for operating and maintenance purposes. Voter approval is required.
- **Parks Service Fee:** The City of Eugene could implement a maintenance utility or service fee for parks and recreation facilities. A monthly fee of \$3 would generate about \$2.5 million annually at a cost of \$36 per housing unit, not accounting for the costs of administering the fee, which could be substantial. Revenues may be used for operating and maintenance purposes. Several cities in Oregon have used this mechanism. For example,

the City of Medford assesses a monthly fee for operations, administration, maintenance, repair, improvement, renewal, replacement, and reconstruction of parks and recreation facilities, beautification, and right-of-way areas. The city council may implement a city service fee by ordinance or put a measure to the voters at an election.

- **Restaurant Tax:** The City of Eugene could implement a tax on meals and non-alcoholic beverages at restaurants. For example, a 1 percent tax could generate roughly \$3.1 million per year, depending on restaurant sales and not taking into account the costs of administering the tax. Revenues may be used for operating and maintenance purposes. Two jurisdictions in Oregon levy a tax on restaurant meals. The city council may implement a restaurant tax by ordinance.
- **Transient Room Tax:** An increase of 1 percent in Eugene's TRT rate from 4.5 to 5.5 percent could net about \$467,000 in revenue in a typical year. Assuming that 70 percent is used for tourism promotion and facilities according to state law, this leaves 30 percent of the net proceeds, or about \$140,000, which would be available for city services such as parks and recreation. Revenues may be used for operating and maintenance purposes. During 2014, 85 cities and 15 counties in Oregon levied a locally administered transient room tax. The city council may increase the TRT and dedicate the new funds to parks and recreation by ordinance.
- **Marijuana Tax:** The City of Eugene might expect to generate roughly \$200,000 per year from a 3 percent tax on recreational marijuana, not including the costs to administer the tax. Revenues may be used for operating and maintenance purposes. The city council has placed a measure on the November 2016 ballot; however, the revenues are not dedicated to any particular use. Voter approval is required. Several municipalities in Colorado impose local taxes on marijuana sales. Since 2013, 52 local Colorado jurisdictions have passed taxes on marijuana.

In general, Oregon voters have shown support for funding parks and open space measures – approving 20 of 33 local funding questions (61 percent) since 1996. The most common finance mechanism utilized by local jurisdictions in the state is general obligation bonds, which accounted for 15 of the successful ballot measures, followed by the property tax, and then the meals or restaurant tax. The City of Eugene has been highly supportive of local parks and recreation measures. Creating a dedicated funding source in the city could help to address both capital and stewardship needs for parks and recreation.

This report also provides a brief summary of election trends, upcoming elections, and government structure in the City of Eugene.

OVERVIEW

Home to more than 160,000 people, Eugene is Oregon's third largest city. It covers approximately 43.8 square miles, with the Willamette River running through the heart of the city and the McKenzie River joining the Willamette to the north of town. The elevation is 426 feet above sea level and the city's topography features Skinner Butte to the north of downtown and the south, the landmark Spencer Butte, now a 310-acre city park.³

Demographics and Economy

In 2015, Eugene's population for the entire Urban Growth Boundary (as defined in the Needs Assessment, includes the City of Eugene and some surrounding areas) was 185,000. Over the next 20 years, it is estimated to grow to approximately 219,000, an increase of 18 percent. According to the city's comprehensive planning effort, Envision Eugene, this growth will primarily occur within the existing urban area, increasing the development density of the city.⁴ The table below contains general demographic information for Eugene, compared to Oregon and the United States.

Population			
	Eugene	Oregon	United States
Population, % change - April 1, 2010 to July 1, 2015	4.6%	4.8%	4.1%
Race and Hispanic Origin			
	Eugene	Oregon	United States
White alone	85.8%	83.6%	72.4%
Black or African American alone	1.4%	1.8%	12.6%
American Indian and Alaska Native alone	1.0%	1.4%	0.9%
Asian alone	4.0%	3.7%	4.8%
Native Hawaiian and Other Pacific Islander alone	0.2%	0.3%	0.2%
Two or More Races	4.7%	3.8%	2.9%
Hispanic or Latino*	7.8%	11.7%	16.3%
<i>*Hispanics may be of any race, so also are included in applicable race categories.</i>			
Housing			
	Eugene	Oregon	United States
Median value of owner-occupied housing units, 2010-2014	\$237,000	\$234,100	\$175,700
Families and Living Arrangements			
	Eugene	Oregon	United States
Language other than English spoken at home, % of persons age 5 years+, 2010-2014	11.5%	14.9%	20.9%
Education			
	Eugene	Oregon	United States
High school graduate or higher, % of persons age 25 years+, 2010-2014	93.3%	89.5%	86.3%
Bachelor's degree or higher, % of persons age 25 years+, 2010-2014	39.9%	30.1%	29.3%
Income and Poverty			
	Eugene	Oregon	United States
Median household income (in 2014 dollars), 2010-2014	\$42,715	\$50,521	\$53,482
Persons in poverty, %	24.4%	16.6%	14.8%
<i>Sources: US Census QuickFacts, Portland State University http://www.pdx.edu/prc/population-reports-estimates</i>			

³ <https://www.eugene-or.gov/1383/About-Eugene>

⁴ City of Eugene Parks and Recreation System Needs Assessment Report

At the heart of the Eugene economy are the homegrown small- and medium-sized businesses. Most of Eugene's businesses employ fewer than 20 workers. Including sole proprietorships and limited partnerships, there are more than 10,000 businesses in and around Eugene.⁵ Eugene's top ten principal employers are shown in the table below.

2015 Ten Principal Employers		
Employer	Employees	% of Total Employment
PeaceHealth Medical Group	5,500	3.45%
University of Oregon	5,406	3.39%
US Government	1,575	0.99%
City of Eugene	1,369	0.86%
Springfield School District	1,283	0.80%
Lane County	1,279	0.80%
State of Oregon	1,229	0.77%
Eugene School District 4J	1,163	0.73%
Lane Community College	1,009	0.63%
McKenzie-Willamette Medical Center	895	0.56%
<i>Source: City of Eugene 2015 Comprehensive Annual Financial Report</i>		

Needs Assessment

Eugene's Parks and Recreation divisions fall under separate departments. Parks and Open Space, which manages the city's parks and natural areas, is part of the Public Works Department. Recreation, which provides many community programs and operates the city's pools and community centers, is part of the Library, Recreation and Cultural Services Department. In 2015, the two divisions worked together to produce a needs assessment report for the parks and recreation system. This system is comprised of 3,745 acres of natural areas, 48 neighborhood parks, 19 community and metropolitan parks, 6 community centers, 3 pools, 87 miles of paths and trails, and 6,000 programs and events per year. Each year, the system sees 9.3 million park visits and 2.7 million recreation facility visits by adults. Eugene has 26 acres of parkland per 1,000 residents.⁶ To assess Eugene's park and recreation needs, a comprehensive report was undertaken and issued in January 2016.

Parks and Natural Areas Needs

Over the past 16 years, Eugene residents have passed two bond measures that supported nearly doubling the acreage within the park system. While this expansion added great value for future residents and their park opportunities, there is a growing challenge. During those 16 years, the park maintenance budget has remained at virtually the same pre-expansion levels, leading to an annual gap of approximately \$1.5 million in funding for annual maintenance and operations of parks. Contributing to this gap are a series of budget reductions, combined with the costs of maintenance deferrals and increases in vandalism, graffiti, and illegal camping. The result of these funding shortages persisting over many years is a cumulative backlog of deferred maintenance capital projects totaling nearly \$24 million. In order to reduce costs, the Parks and Open Space Division has made adjustments including reductions in turf watering in neighborhood parks, mowing of sports fields, and materials for trail maintenance. Three park restrooms were also closed.

⁵ http://web.eugenechamber.com/business/ratings_reports.aspx

⁶ City of Eugene Parks and Recreation System Needs Assessment Report

Examples of aging park infrastructure include play equipment reaching the end of its useful life, broken and worn out park furniture, bark running trails that are not up to safety and usability standards, cracked and unsafe concrete paths, and restrooms needing repairs and aesthetic upgrades. While the city has managed to extend the life of these types of amenities for many years, eventually they will need to be removed or closed if funding for maintenance remains limited. Maintenance of natural areas through trail maintenance, vegetation management and habitat enhancement is an ongoing expense needed to keep these areas safe and protect and sustain the natural beauty valued by the community.⁷

Recreation Needs

Like most city services, operating funds for recreation programming were trimmed through the recession years. This reduction has impacted the level of service that recreation currently provides. Additional funding would be needed in the future to meet these service gaps:

- meeting the growing challenge of serving seniors and people with disabilities;
- providing additional scholarships for low-income families;
- expanding school district partnerships to provide after-school programming;
- and staffing new community centers or pools in currently underserved areas.

Five of Eugene's six community centers were built in the late 1960s and 70s (averaging 45 years old). By current standards, they have a relatively small average size of 8,500 square feet. In addition to their size, the quality and condition of the facilities reflect their age and lack of financial investment in renovation or expansion. As a result, most centers are in need of rehabilitation, are costly to maintain, and do not have the capacity or the flexibility to meet growing community programming needs. The city has identified a backlog for approximately \$10 million in rehabilitation needs in these facilities.

Two of the city's three pools were built in the late 1960s and are now 48 years old. The newest pool, which was expanded and renovated in 2001, is only open six months each year, as it is an outdoor pool. This places the burden of aquatic services through the winter months on the two older pools, which are both in need of major renovation. Many of the primary systems of both pools (plumbing, electrical, HVAC, furnishings) are beyond their expected useful life. The plumbing system in one pool complex needed its plumbing system replaced two years ago, and the other could fail at any time.⁸

Funding

Funding for renovating or replacing park and recreation amenities and facilities is limited, and, because of the magnitude of the need, will require voter-approved bond funding or another large source of capital dollars dedicated to specific projects. Ongoing sources of maintenance-eligible facility replacement funds are relatively limited when compared to the backlog of work needing to be addressed. Small amounts of the city's General Fund and developer impact fees are allowed to be dedicated to park renovation work, but in general, Community Centers, Parks and Pools tend to be managed to maintain infrastructure in its current state for as long as possible. Available capital dollars for maintenance-based re-construction in Parks has been focused almost solely on projects

⁷ City of Eugene Parks and Recreation System Needs Assessment Report

⁸ City of Eugene Parks and Recreation System Needs Assessment Report

that will reduce maintenance or make maintenance more sustainable over the long term, such as conversion of large landscape planting beds to lawn areas and conversion of sand play surfacing in playgrounds to wood fiber chips.

In general, the inability of the city to adequately fund ongoing park maintenance and to be able to significantly invest in renovation and updating of existing community center facilities and pools has contributed to the acceleration of aging infrastructure and often, reduction in park and recreation system services.⁹ This lack of adequate on-going maintenance funding has also halted construction of new facilities on land the city already owns, due to insufficient capacity to maintain additional facilities.

The table below summarizes the current annual operating and maintenance (O&M) budget of the Parks and Open Space and Recreation Divisions, as well as estimated O&M expenses for potential future parks and recreation facilities. For example, a new 4-acre neighborhood park could be expected to cost \$60,000 per year to maintain. While Recreation has quantified a shortfall in the 2016 O&M budget, services have been reduced to accommodate reduced funding. The ongoing future maintenance and operations expenses should be considered when planning to develop or construct any new parks or recreation facilities. This table includes expenses only and does not account for any revenue generated by and for these services, such as recreation fees and stormwater charges.

Annual Parks and Recreation O&M Expenses			
Parks O&M		Recreation O&M	
FY2016 Operating Budget*	\$6,265,279	FY2016 Operating Budget	\$9,993,203
O&M Shortfall	\$1,500,000		
Source: City of Eugene FY 2016 Budget			
*Does not include Stormwater Utility funds.			
Potential Future O&M Expenses			
Potential Future Parks/Rec Facility		Annual O&M Expense	
New 4-acre Neighborhood Park		\$60,000	
New 40-acre Community Park		\$750,000	
New 100-acre Natural Area		\$50,000	
New Community Center/Pool Complex		\$2,500,000	

Parks Systems Development Charges

Systems Development Charges (SDCs) are a type of development impact fee that is authorized by state statutes and Eugene's city charter for the purpose of collecting revenues to help fund development of urban infrastructure that supports and serves new growth. SDCs have been collected in Eugene since 1978, and provide funds for transportation, wastewater, stormwater, and park system infrastructure. These funds are generated by a fee assessed to new residential and commercial development. Each type of infrastructure has its own SDC methodology adopted by the city council. As specified in the Parks SDC Methodology, the majority of funds generated by the Parks SDC (77 percent) may only be used to fund park infrastructure that increases capacity to serve new growth, while a smaller percentage (23 percent) may be used to renovate existing

⁹ City of Eugene Parks and Recreation System Needs Assessment Report

facilities to maintain their capacity.¹⁰ The current net parks SDC per unit for a single-family home is \$3,953.¹¹

Currently, there is approximately \$7.8 million in collected Parks SDCs dedicated to new capacity that the city cannot responsibly spend because it does not have the resources to maintain any additional parks or facilities. Once the gap in operations and maintenance funding has been closed, the city will be able to spend the Parks SDC funds on new parks and facilities in good conscience.

Recent Issues

In 2006, Eugene voters passed a \$27.5 million bond for parks and open space. As of early 2016, about \$22 million of the authorized bond funds have been spent on projects authorized under the bond language. Due to a higher incidence of willing sellers, available sites, and lower land costs, more land has been acquired in the ridgeline system on the south side of the city than on the north side of the city. This has resulted in total expenditure of nearly \$3 million more in bond funds on the south side of the city than on the north side. Local news reports indicate that there may be some citizen concern about where the funds have been spent.¹²

Furthermore, the acquisition and development of parks, community centers, and pools has not kept pace with urban growth and development in newer areas of the city, including the north, west and southwest parts of Eugene. While progress has been made to acquire parkland in these areas, much of it remains undeveloped, due to a lack of funding. Both the north and southwest areas lack community centers and pools. The Needs Assessment identified geographical areas which are underserved in terms of access to parks and recreation facilities. Further research is needed to calculate how many residents live in these underserved areas.

¹⁰ System Development Charge Methodologies, Appendix E Excerpt (Park System Details), <https://www.eugene-or.gov/2247/Systems-Development-Charges>

¹¹ Parks SCD Unit Rates, <https://www.eugene-or.gov/DocumentCenter/View/20783>

¹² <http://registerguard.com/rg/opinion/34200649-78/city-has-parkland-promises-to-keep.html.csp#>

CHOOSING A LOCAL FUNDING STRATEGY

Generally, there are three broad-based types of revenue sources available to local governments to pay for parks and recreation: discretionary annual spending (i.e. budget appropriation), creation of dedicated funding streams such as voter-approved special taxes or fees, and the issuance of bonds. The financing options utilized by a community will depend on a variety of factors such as taxing capacity, budgetary resources, voter preferences, and political will. While most local governments can create funding for parks and recreation through their budgetary process, this either happens infrequently or does not yield adequate funding.

In the Trust for Public Land's experience, local governments that create funding via the budget process provide substantially less funding than those that create funding through ballot measures. As elected officials go through the process of making critical budgetary decisions, funding for parks and recreation lags behind other public purposes and well behind what voters would support. It is often quite difficult to raise taxes without an indisputable public mandate for the intended purpose.

The power of conservation finance ballot measures is they provide a tangible means to implement a local government's vision. With their own funding, local governments are better positioned to secure scarce funding from state or federal governments or private philanthropic partners. Having a predictable funding source empowers the municipality, county, or special district to establish long-term conservation priorities that protect the most valuable resources, are geographically distributed, and otherwise meet important community goals and values.

Nationwide, a range of public financing options has been utilized by local jurisdictions to fund parks and recreation, including general obligation bonds, the local sales tax, and the property tax. Less frequently used mechanisms have included real estate transfer taxes, impact fees, and income taxes. The ability of local governments and special districts to establish dedicated funding sources depends upon state enabling authority.

Conservation finance measures are not right for every local government or they might not be the best approach at the moment. Budget appropriations and other revenue mechanisms that can be implemented by the local government, such as developer impact fees, may well serve as short-term funding options while parks and recreation proponents develop a strategy and cultivate broad support for longer-term financing options.

Local Conservation Finance Ballot Measures in Oregon

The property tax and general obligation bonds are the principal local, voter-approved revenue sources that could be permitted for conservation purposes in Oregon. Counties and municipalities are authorized to acquire land and easements for purposes including parks, trails, watershed protection, floodplain management, farmland, and cultural and historic preservation. These mechanisms have different requirements for authorization. In Oregon, municipalities rather than counties have largely undertaken conservation finance ballot measures. Most of these measures are bonds, which can only be used for capital expenses.¹³ The property tax may be used to fund operations and maintenance.

¹³ The Trust for Public Land's Conservation Almanac Database

Oregon voters have shown support for funding parks and open space measures – approving 20 of 33 local funding questions (61 percent) since 1996. The most common finance mechanism utilized by local jurisdictions in the state is general obligation bonds, which accounted for 15 of the successful ballot measures. Two jurisdictions, the City of Portland and the Portland Metro special district, have passed local option property taxes for parks and land conservation.¹⁴

Conservation Finance Ballot Measures in Oregon, 1996-present			
Finance Mechanism	Number of Measures	Total Funds Approved	Passed
Bond	22	\$562,345,000	15
Local Option Property Tax	8	\$99,400,000	2
Constitutional Amendment	2	\$2,440,000,000	2
Meals Tax	1	\$30,000,000	1
Total	33	\$3,131,745,000	20
<i>Source: The Trust for Public Land's LandVote Database. The LandVote database tracks ballot measures that include significant funding for land acquisition.</i>			

General Obligation Bonds

Upon voter approval, a city may issue general obligation bonds to finance capital construction or capital improvements, such as land acquisition or building construction. Generally, bond proceeds are limited to capital projects and may not be used for operations and maintenance purposes.¹⁵ An Oregon city may not issue or have outstanding at the time of issuance general obligation bonds in a principal amount that exceeds three percent of the real market value of the taxable property within its boundaries.¹⁶ The city determines the maturity dates for bonds to provide for short-term, interim, or long-term borrowing and establishes the principal amounts, interest rates, and other terms and conditions of the bonds.¹⁷

In order to pay the principal of and interest on outstanding general obligation bonds, the city levies annually an ad valorem property tax on the taxable property within the boundaries of the city. The revenues of this levy may only be used to pay the principal of and interest on the general obligation bond.¹⁸ Property taxes imposed to pay the principal and interest on voter-approved general obligation bonds for capital construction or improvements are not subject to the property tax limits of Measure 5.¹⁹ Measure 5 limitations are discussed further in the following section on the Property Tax.

General obligation bonds are a popular finance mechanism for funding land conservation in Oregon. Since 1996, several municipalities in Oregon, including Eugene, have passed general obligation bonds for parks and recreation. See Appendix B for examples of municipal bond ballot language.

¹⁴ The Trust for Public Land's LandVote Database

¹⁵ Federal IRS rules governing the issuance of tax-exempt bonds limit the use of proceeds to capital purposes such that only a small fraction of bond funds may be used for maintenance or operations of facilities. State and local laws may further limit the use of bond proceeds.

¹⁶ Unless the city charter provides a lesser limitation; Oregon Revised Statutes §287A.050

¹⁷ Oregon Revised Statutes §287A.300

¹⁸ Oregon Revised Statutes §287A.140

¹⁹ Oregon Constitution Article XI Section 11b

Successful Conservation Bonds in Oregon, 1996-present				
Jurisdiction Name	Date	Description	Total Funds Approved	% Yes
Portland	11/4/2014	Bond for park improvements and upgrades	\$68,000,000	74%
Bend Park and Recreation District	11/6/2012	Bond to protect natural areas, connect trails, improve parks and provide water safety	\$29,000,000	52%
Willamalane Park and Recreation District	11/6/2012	Bond for the acquisition and improvement of parks, trails, watersheds, wildlife habitat and other natural areas	\$20,000,000	53%
Tigard	11/2/2010	Bond for the acquisition of parkland	\$17,000,000	52%
Cannon Beach	5/19/2009	Bond for the protection of Ecola Creek watershed	\$4,000,000	51%
Tualatin Hills Park and Recreation District	11/4/2008	Bond for new parks, land acquisition, trails, and facility renovation	\$100,000,000	51%
Metro-Portland	11/7/2006	Bond to preserve natural areas, and protect water quality, fish and wildlife habitats	\$227,400,000	59%
Eugene	11/7/2006	Bond to acquire parks and open space	\$27,490,000	59%
Lake Oswego	11/5/2002	Measure 3-93; Bond for parks, open space and pathways	\$9,750,000	58%
Corvallis	11/7/2000	Bond issue for open space acquisition	\$7,900,000	65%
Roseburg	11/3/1998	Bonds for parks and trails	\$2,500,000	55%
Lake Oswego	11/3/1998	Measure No. 3-20, Bond for open space, sports field renovation	\$13,000,000	60%
Eugene	11/3/1998	Ballot Measure 20-30, Bond for Parkland Acquisition, Sports Field, Swimming Pool	\$25,305,000	67%
West Linn	11/3/1998	Measure 3-37, Bond for Parks, Recreation	\$8,000,000	51%
Lincoln City	11/3/1998	Bond measure for open space acquisition	\$3,000,000	52%
Source: The Trust for Public Land's LandVote Database				

Debt Capacity in the City of Eugene

Eugene's outstanding indebtedness from voter approved general obligation bonds totaled \$19 million at the end of Fiscal Year 2015. The city's general obligation debt is rated "Aa1" by Moody's Investors Service, indicating strong credit and low risk. The State of Oregon limits debt to 3 percent of real market value. However, the City of Eugene has debt policies that further limit the available debt capacity in order to reflect a more affordable level of debt that could be issued. The Budget Committee and city council have adopted debt guidelines that limit net direct debt to 1 percent of real market value. The table to the right depicts the city's debt capacity and indicates the amount of marginal capacity available. Eugene has ample capacity to issue bonds under the debt limits.

General Obligation Debt Limitation	
Real Market Value	\$22,488,946,078
Debt Capacity - 1% of Real Market Value	\$224,889,461
Outstanding Debt	(\$18,990,300)
Debt reserve	\$354,949
Net Debt Subject to 1% limitation	(\$18,635,351)
Marginal Capacity	\$206,254,110
Source: City of Eugene, FY2016 Budget, FY2015 Comprehensive Annual Financial Report	

Issuing Debt for Parks and Recreation

The table below includes the general obligation bond projections from a variety of potential debt issuances displaying the average household cost for each. For example, the City of Eugene could issue \$30 million in general obligation bonds at a cost of about \$31 per year for the typical homeowner based on an average home assessed value of \$189,821. This would represent a property tax increase of \$0.1613 per \$1000 of assessed value. See Appendix B for implementation procedures and ballot language requirements.

City of Eugene Estimated Bond Financing Costs			
Bond Issue	Annual Debt Service	Mill Increase	Annual Cost Per Household*
\$10,000,000	\$735,818	0.0538	\$10
\$20,000,000	\$1,471,635	0.1075	\$20
\$30,000,000	\$2,207,453	0.1613	\$31
\$40,000,000	\$2,943,270	0.2151	\$41
\$50,000,000	\$3,679,088	0.2688	\$51
\$70,000,000	\$5,150,723	0.3764	\$71
\$100,000,000	\$7,358,175	0.5377	\$102
<i>Assumes a 20-year bond issue at 4.0% interest rate</i>			
<i>Total taxable assessed value = \$13,685,478,306, Lane County Assessment and Taxation</i>			
<i>*Average assessed value = \$189,821, Lane County Assessment and Taxation</i>			

The Trust for Public Land's bond cost calculations provide an estimate of debt service, tax increase, and cost to the average homeowner in the community of potential bond issuances for land conservation. Assumptions include the following: the entire debt amount is issued in the first year and payments are equal until maturity; 20-year maturity; and a 4 percent interest rate. Property tax estimates assume that the city would increase property taxes to pay the debt service on bonds; however, other revenue streams may be used. The cost per household represents the average annual impact of increased property taxes levied to pay the debt service. The estimates do not take into account growth in the tax base due to new construction and annexation over the life of the bonds, the property tax collection rate, or the costs of issuing the bonds. The jurisdiction's officials, financial advisors, bond counsel and underwriters would establish the actual terms.

Local Option Property Tax Levy²⁰

While property tax revenue makes up only a portion of most city budgets, it is usually a critical resource supporting daily operations. Both the Oregon Constitution and Oregon Revised Statutes limit the amount and types of tax a city may impose. The first property tax limitation came in 1990 with the passage of Ballot Measure 5. Article XI, Section 11(b), Oregon Constitution. Ballot Measure 5 imposed a tax rate limit on local governments: one for schools (kindergarten through community colleges), and one for all other local governments. Oregon local governments are limited to billing each property tax account no more than \$10.00 per \$1,000 of **real market value** (RMV) plus any voter approved general obligation bonded debt (school districts have a \$5.00 limit).

Ballot Measure 50 was adopted by the voters in November 1996. Measure 50 created a new property tax system by repealing the tax base system and replacing it with a permanent tax rate system with some local options and the concept of maximum assessed value. The measure set the

²⁰ The property tax overview was largely excerpted from League of Oregon Cities, City Handbook, May 2013

maximum assessed value for each property in 1997 equal to 90 percent of the 1995-96 real market value and placed a cap on **assessed value** (AV) growth of 3 percent annually, except for new construction, subdivision, remodeling, rezoning, loss of special assessment or exemption. Because assessed values were initially established at levels below real market values, and because the real estate market has appreciated at a rate of more than three percent in most years since Ballot Measure 50 passed, the assessed values of many properties are substantially lower than their real market values. This means that assessed values may continue to increase even though the real market value of a property can be falling as a result of current market conditions.

When the total of a local government (non-school) tax rates on a property for all purposes except payment of general obligation bonds exceed \$10 per \$1,000 of real market value, the property is said to be in compression. All property tax levies except levies for general obligation bonds are subject to compression.

Local option levies are subject to “special compression.” This means that local option levies are reduced (to zero if necessary) before other levies are reduced to bring the total tax on the property down to the Measure 5 limit. Compression is calculated separately for each property, so it is possible for one property to be in compression, and for the neighboring property not to be.

A city may determine through the budget process that it needs additional funds to operate. State law allows for local option levies, either for a specific or general purpose. Local option levies for operating purposes may only extend for five years. Levies for capital purposes may extend for ten years or the useful life of the project, whichever is shorter. Levy authority can be expressed as a target total dollar amount or as a rate per thousand.

Local option levies can be structured as either a fixed dollar amount per year for the term of the levy or as a fixed rate per thousand dollars of assessed value. There are pros and cons to each approach and a government should carefully weigh these as they decide what to put forth to the voters. Eugene has used both approaches in past levies, and the library local option levy recently approved by voters was structured as a fixed dollar levy.

Since 1996, two jurisdictions in Oregon have passed local option levies for parks and land acquisition. The City of Eugene has passed two recreation property tax levies:

- On November 7, 2000, Eugene voters passed Ballot Measure 20-37, a two-year, \$3.5 million local option tax levy, to fund youth activities. The levy expired on June 30, 2003.
- On November 5, 2002, Eugene voters passed Ballot Measure 20-67, a four year, \$0.86 per \$1,000 of assessed value local option levy expected to raise approximately \$8 million. Of this amount, 7 percent was retained by the city to directly provide youth services, and the remaining 93 percent was split between the 4J and Bethel school districts based upon their relative share of assessed value within the City of Eugene (83 percent to 4J and 17 percent to Bethel). These school district funds were used to provide five categories of services historically supported by the city.

See Appendix C for examples of local option levy ballot language.

Successful Parks and Recreation Property Tax Ballot Measures in Oregon, 1996-present				
Jurisdiction Name	Date	Description	Total Funds Approved	% Yes
Portland Metro	5/21/2013	5-year local option levy of \$0.096 per \$1,000 for park improvement and operations and maintenance	\$50,000,000	56%
Portland	11/5/2002	5-year \$0.39 per \$1,000 assessed value property tax increase for park services, repairs, maintenance, and recreation programs	\$49,400,000	65%
Eugene	11/5/2002	5-year \$0.86 per \$1000 tax rate for schools and youth recreation	\$29,200,000	54%
Eugene	11/7/2000	2-year \$3.5 million per year for recreation services	\$7,000,000	64%
Sources: The Trust for Public Land's LandVote Database, City of Eugene				

Operating Levies

Local options levies for operating purposes provide local governments with the possibility of collecting additional operating dollars from property taxes beyond the permanent levy. Although these collections are subject to Measure 50 compression, local option levies may present the most significant, efficient and equitable form of revenue raising options for local governments.²¹ Local option levies for operating purposes may only extend for five years.

In November 2015, voters in the City of Eugene approved a five-year local option levy to fund expanded Eugene Public Library services. The levy will raise \$2.7 million annually for five years (about \$36 per year for a typical Eugene property tax statement, or about 17 cents per \$1,000 assessed value).²²

In May 2016, Lane County voters passed a levy to fund Oregon State University Extension Service's local programs. The levy will pay staff salaries and fund programs such as 4-H, Master Gardener, Master Food Preserver and others over the next five years. Property owners countywide will be charged a tax of 1.5 cents per \$1,000 of assessed value. The owner of a home assessed at \$200,000 will pay an extra \$3 a year under the levy. The levy is projected to send an estimated \$426,000 in tax revenue to the Extension Service in the first fiscal year, starting in July 2016.²³

Capital Levies

Local option levies can be used for capital purposes. Levies for capital purposes can extend up to the lesser of 10 years or the useful life of the financed capital items. Capital items can include any capitalizable asset, including items that are specifically excluded from general obligation debt by Measure 50. Capital local options levies are rarely seen in Oregon. Because the levy is subject to the same voter approval requirement as GO bonds but the revenue stream is subject to the Measure 5 tax rate limits, municipalities tend to favor GO bond authority over the local option levy. However, because general obligation bond proceeds are more limited in usage, some jurisdictions have opted for local option levies to pay for things that would otherwise be disallowed under general obligation bond provisions (for example, supplies and equipment).²⁴

²¹ League of Oregon Cities, Debt Issuance Manual, September 2007

²² <https://www.eugene-or.gov/2984/FIVE-YEAR-LIBRARY-LOCAL-OPTION-LEVY>

²³ City of Eugene, personal communication

²⁴ League of Oregon Cities, Debt Issuance Manual, September 2007

Revenue Raising Capacity in the City of Eugene

The City of Eugene levies its permanent tax rate of \$7.0058 per \$1,000 of taxable assessed value; although the effective tax rate paid in FY2016 is expected to be about \$6.90 per \$1,000 of assessed value due to the impact of the urban renewal tax increment calculation on overlapping tax rates.²⁵

The table to the right summarizes the estimated revenues and costs of various levels of mill

increase. For example, an increase of \$0.1616 per \$1000 of assessed value would generate roughly \$2.5 million per year at a cost of \$33 per year for the average household, notwithstanding any Measure 5 compression. See Appendix C for implementation procedures and ballot language requirements.

Estimated Revenue & Cost of Property Tax Increase		
Mill Increase	Annual revenue	Annual cost per household
0.0970	\$1,500,000	\$20
0.1293	\$2,000,000	\$27
0.1616	\$2,500,000	\$33
0.1939	\$3,000,000	\$40
0.2263	\$3,500,000	\$47

Parks Service Fee

City service or utility fees are typically set to recover part or all of the costs of a group of services broadly accessed by occupants of property in a city, such as police, fire, and parks. These fees are billed to persons who occupy or have use of developed property. Unlike electricity, water, stormwater, and sewer utility services, such a fee would fund services that are not delivered directly to the property and are not directly measurable. The purpose of the fee is to provide stable funding to ensure the services remain available to the community.²⁶ Several municipalities in Oregon have adopted service fees to supplement various city services, including public safety services, such as police and fire departments, and parks and recreation. City service fees may be imposed by ordinance or by placing a measure on the ballot.

The City of Eugene currently imposes stormwater and wastewater service fees. These fees are included in customers' monthly water bills. A flat service fee for parks and recreation could be added to the monthly statements in a similar manner. In this case, the city would need to work with the Eugene Water and Electric Board (EWEB) to include a fee on the utility's bills.²⁷ While the stormwater and wastewater fees are required to be collected by EWEB under the city charter, there is no such requirement for other types of fees, and EWEB would have to agree to collect the fee. Alternatively, the city could develop and implement a billing process separate from EWEB; however, administrative costs would be much higher and the collection rate would likely be lower. It is also possible to structure the fee in order to provide reduced fees for multi-family housing, low-income households, and seniors, as other municipalities have done when implementing a service fee.

A measure on the May 2013 ballot asked Eugene voters if they would rather pay a capped, monthly service fee to maintain funding for certain community services, or have those services reduced or eliminated. The fee was defeated at the ballot, with only 33 percent support.²⁸ If approved, the measure would have authorized a monthly fee to maintain public safety services, homeless and

²⁵ City of Eugene FY2016 Budget

²⁶ Revenue Team, Report to the City of Eugene Budget Committee, April 2014, <http://eugene-or.gov/2582/Revenue-Team>

²⁷ EWEB is an administrative unit of the City of Eugene, Oregon (the City) with responsibilities for operation of the water and electric utilities delegated by City Charter to the publicly elected board of five commissioners.

²⁸ Revenue Team, Report to the City of Eugene Budget Committee, April 2014, <http://eugene-or.gov/2582/Revenue-Team>

basic human services, and quality of life services including parks and recreation. The 2013 proposed City Service Fee would have been a flat fee, capped at a maximum of \$10 per month for residential and \$30 per month for nonresidential property. The actual fee would have been set by council and could be less than the cap. To produce the \$5.3 million needed to fund the specified services, it was anticipated that the actual monthly fee would be less than the cap. Actual revenue yield would depend on how the fee was implemented in an ordinance that was never drafted because the measure failed. The person who was responsible for paying the stormwater sewer service charges would have been the responsible party for paying the City Service Fee. It would have been levied on developed property, with different rates for residential and nonresidential units. The measure would also have required Council to establish a program for assistance to low income individuals.^{29,30} The ballot language from this measure can be found in Appendix D.

Precedent in Oregon

In 2005, the Medford city council approved Ordinance 2005-120 establishing a monthly fee per unit to be billed via the Medford water bill. Each developed parcel in the City of Medford is assessed a fee per unit per month. Ordinance 2005-120 states that the person paying the city's water utility charges shall pay the fee. The fee commences upon connection to the water system, completion, occupancy, or use of improvements; whichever comes first.³¹ The City of Medford operates its own water utility, so it was able to easily administer the new fee as an addition to the existing billing system.

Revenues from the monthly fee can be used for operations, administration, maintenance, repair, improvement, renewal, replacement and reconstruction of parks facilities, beautification, and right-of-way areas.³² The monthly Park Utility Fund fee, currently \$2.95, is charged for each occupied residential dwelling unit, business unit or tenant space.³³

Several other cities also impose a utility fee for parks. The table below summarizes the amount and structure of the fee for selected example cities.

Municipal Park Utility Fees		
Municipality	Monthly Residential Fee	Notes
Central Point	\$1.00	Charged per water meter for all residential and non-residential users, except multifamily, which is \$0.50 per unit
Gresham	\$7.50	Charged per unit to single-family homes, multi-family property owners, and businesses; 95% of proceeds used to support Public Safety services; remaining 5% goes toward Parks; 4.1% vacancy discount for unoccupied multi-family units
Medford	\$2.95	Charged for each occupied residential dwelling unit, business unit, or tenant space; fee not assessed when property is unoccupied
Talent	\$3.00	Charged per unit for all residential and non-residential units on developed property
Tigard	\$3.75	Charged per unit for all residential and non-residential units; ~\$7.00 for business customers, based on number of parking spaces; fee-reduction program for qualifying low-income households who earn 50 percent of the state median income.
West Linn	\$13.01	Charged to residents only, per household

²⁹ <http://www.lanecounty.org/Departments/CAO/Operations/CountyClerk/elections/Documents/backup/20-211.pdf>

³⁰ Revenue Team, Report to the City of Eugene Budget Committee, April 2014, <http://eugene-or.gov/2582/Revenue-Team>

³¹ <http://www.ci.medford.or.us/Page.asp?NavID=1065>

³² <http://www.fcsgroup.com/news/documents/ParkImpactDG.pdf>

³³ <http://www.ci.medford.or.us/Page.asp?NavID=1065>

Revenue Raising Capacity in the City of Eugene

The table below summarizes the estimated revenues and costs of various levels of service or maintenance utility fees. For example, Eugene could institute a flat-rate fee of \$3 per month per unit, which would cost each housing unit approximately \$36 annually, and would generate roughly \$2.5 million per year from residential units alone, not including a low income assistance program or any factor for non-payment or administration of the fee, which could be substantial. Further research is needed to calculate the additional revenue that could be generated from non-residential units, as well as the effects of any reduced fee programs. The proposed service fee in 2013 would have been set by the city council to generate \$5.3 million, with a maximum fee of \$10 per month for residential properties and \$30 per month for businesses. See Appendix D for implementation procedures and ballot language requirements.

Estimated Revenue & Cost of Maintenance Utility Fee			
Monthly Fee	Number of housing units*	Annual Revenue**	Annual cost per housing unit
\$1	69,951	\$839,412	\$12
\$2	69,951	\$1,678,824	\$24
\$3	69,951	\$2,518,236	\$36
\$4	69,951	\$3,357,648	\$48
\$5	69,951	\$4,197,060	\$60
*US Census QuickFacts			
**Excludes low income assistance program, any factor for non-payment of the fees, and the cost of administering the fee.			

Restaurant Tax

A retail sales tax is an excise tax levied on a range of goods and services at the point of final sale to an end-user or consumer. It can be imposed as a general sales tax applying to a broad range of goods and services. It can also be made quite narrow and selective in the range of goods and services subject to the tax. Oregon state law prevents local retail sales taxes on alcohol and tobacco products. Oregon has no general retail sales taxes, but a number of selective local retail sales taxes are in place. For example, Ashland and Yachats have city-wide retail sales taxes on restaurant meals. These are taxes on food and non-alcoholic beverages served by restaurants.³⁴

In November 2009, voters in the City of Ashland approved a 5 percent meals tax extension, with 80 percent of the revenue devoted to sewage capital projects and 20 percent for open space purchases. This measure is expected to generate \$30 million over its 20-year lifespan, of which \$6 million is set aside for open space purchases, and was approved with 59 percent support.³⁵ See Appendix E for the ballot language used in this measure.

In March 1993, the City of Eugene proposed a 3 percent restaurant tax to be used as a general revenue source. The measure failed with only 40 percent voter support.

Revenue Raising Capacity in the City of Eugene

Ashland's 5 percent meals tax generates roughly \$2 million per year.³⁶ If a similar 5 percent tax was imposed in Eugene, it could be expected to generate revenues close to \$15.5 million, based on

³⁴ Revenue Team, Report to the City of Eugene Budget Committee, April 2014, <http://eugene-or.gov/2582/Revenue-Team>

³⁵ The Trust for Public Land's LandVote Database

³⁶ <http://www.bendbulletin.com/entertainment/restaurants/1457291-151/sales-tax-islands>

Estimated Annual Revenue from Meals Tax	
Tax	Annual Revenue*
1%	\$3,100,000
3%	\$9,300,000
5%	\$15,500,000
<i>Source: City of Eugene, Revenue Team Report</i>	
<i>*Does not include cost of administration.</i>	

the \$97 per capita generated in Ashland. This estimate is in line with a 2014 report from the City of Eugene Revenue Team, which estimated that a 5 percent restaurant tax would raise approximately \$15.5 million annually, based on a 2007 Economic Census report of restaurant sales in the city.³⁷ Thus, a 1 percent tax could be

expected to generate roughly \$3.1 million per year. This tax would be borne by visitors as well as residents. Further research is needed to determine what portion of the revenue would be generated by visitors. See Appendix E for implementation and ballot language requirements.

Transient Room Tax

Transient lodging taxes (TLT), or the Transient Room Tax (TRT) in Eugene, are one of the most direct means for jurisdictions to collect revenues from visitors. During 2014, 85 cities and 15 counties in Oregon levied a locally administered TLT. This tax, ranging from 2 percent to 13.5 percent, is collected on the sale (i.e., rental) of a room at a lodging establishment such as a hotel, motel, bed and breakfast, or at a campground site or RV park.³⁸ Oregon recently raised the state lodging tax of 1 percent to 1.8 percent for four years, beginning in July 2016, and to 1.5 percent after that.³⁹

To fund the promotion of tourism, the 2003 Legislative Assembly (HB 2267) established a statewide transient lodging tax and the Oregon Tourism Commission. Transient lodging was defined as “hotel, motel and inn dwelling units that are designed for temporary overnight human occupancy, and includes spaces designed for parking recreational vehicles during periods of human occupancy of those vehicles.” The law required the Oregon Tourism Commission to use at least 80 percent of lodging tax net receipts to fund state tourism marketing programs and up to 15 percent to implement regional tourism marketing programs.⁴⁰

For new or increased local government lodging taxes imposed by cities and/or counties, the law required that at least 70 percent of net revenue be used to fund tourism promotion or tourism related facilities. The law also required that new or increased local lodging taxes allow for at least 5 percent of the tourism revenues to be retained by lodging providers to cover tax collection administrative costs.⁴¹ This leaves 30 percent which can be used for city services, such as parks and recreation.⁴²

Revenue Raising Capacity in the City of Eugene

Eugene currently imposes a 4.5 percent tax under the authority of the city’s Transient Room Tax Ordinance on all overnight stays in the city, including hotels and motels, campgrounds, retreat centers, RV parks, bed and breakfasts, and vacation rentals. The tax is collected by the lodging operator, who retains a collection fee of 5 percent of the amount collected and remits the balance to

³⁷ Revenue Team, Report to the City of Eugene Budget Committee, April 2014, <http://eugene-or.gov/2582/Revenue-Team>

³⁸ Oregon Travel Impacts 1991-2014, April 2015, Dean Runyan Associates

³⁹ <http://registerguard.com/rg/news/local/34122721-75/story.csp>

⁴⁰ Oregon’s State Lodging Tax, Oregon Department of Revenue, April 2015

⁴¹ Oregon’s State Lodging Tax, Oregon Department of Revenue, April 2015

⁴² Oregon Revised Statutes §320.350

the city. According to Eugene's city code, all revenues must be placed in the Cultural Services Fund, which accounts for operation of the Hult Center, Community Events, Public Art and Cuthbert Amphitheater. Lane County also levies a transient room tax, as does the state of Oregon, making the current total TRT rate within Eugene 11.3 percent.⁴³

The amount of taxes currently available for any given period, approximately \$2.1 million⁴⁴ in fiscal year 2015, varies with the lodging occupancy rate. An increase of 1 percent in the tax rate from 4.5 to 5.5 percent could net about \$467,000 in revenue in a typical year. The table below illustrates the potential revenue amounts from a TRT increase. See Appendix F for implementation and ballot language requirements.

Estimated Revenue of Transient Room Tax		
TRT Rate Increase	Annual Revenue*	30% for Parks and Recreation
1%	\$466,667	\$140,000
2%	\$933,333	\$280,000
3%	\$1,400,000	\$420,000
Source: City of Eugene Revenue Team Report		
*Based on revenue of \$2.1 million from existing 4.5% TLT, net of collection fee retained by operators.		

Marijuana Tax

Municipalities in Oregon are authorized to impose a tax on the sale of recreational marijuana. HB 3400 passed in 2015, and provides that cities may adopt an ordinance, which must be referred to the voters, imposing a tax or fee of up to 3 percent on the sale of marijuana items by a retail licensee. The ordinance must be referred to the voters in a statewide general election, meaning an election in November of an even-numbered year. Although HB 3400 provides that cities may impose a tax on sales by retail licensees, it remains unclear whether a city can tax medical marijuana. In particular, a city should consult its attorney on whether the authority to impose a tax or fee on "the production, processing or sale of marijuana items," vested solely in the Legislature except as provided in HB 3400, includes the authority to tax medical marijuana.⁴⁵

To date, no Oregon municipalities have imposed a tax on the sale of recreational marijuana. However, the Eugene city council has referred a 3 percent tax on recreational marijuana to the November 2016 ballot. The revenues have not been dedicated to any particular use; the council will discuss how to use the proceeds during a work session in September 2016. City staff estimated that the tax could raise between \$200,000 and \$600,000, but cautioned that these estimates are very speculative.

The state of Oregon currently imposes a tax of 25 percent on sales of recreational marijuana. The tax was expected to generate \$1 million in January; actual revenue was \$3.48 million, more than three times what was expected. Information on how much each county or city generated is not yet available. The revenues from the state tax, minus operating costs, will be divided among a variety of accounts: 40 percent for the common school fund, 20 percent for mental health, 15 percent for

⁴³ Revenue Team, Report to the City of Eugene Budget Committee, April 2014, <http://eugene-or.gov/2582/Revenue-Team>

⁴⁴ Net of 5% collection fee retained by operators, City of Eugene

⁴⁵ League of Oregon Cities, Local Government Regulation of Marijuana in Oregon, August 2015

state police, 10 percent for cities, 10 percent for counties, and 5 percent for the state Health Authority.⁴⁶

Several municipalities in Colorado impose local taxes on marijuana sales. Since 2013, 52 local jurisdictions have passed taxes on marijuana.⁴⁷ The table to the right shows several Colorado municipalities' taxes on recreational marijuana.

Colorado Municipal Taxes on Recreational Marijuana	
Municipality	Tax
Aurora	5%, up to 10% authorized
Boulder	3.50%
Breckenridge	5%
Denver	3.5%, up to 15% authorized
Pueblo	8%, up to 15% authorized (excise tax)
Source: Colorado Municipal League	

Revenue Raising Capacity in the City of Eugene

Because the sale of recreational marijuana is so new in Oregon, any revenue estimates are fairly speculative. In January 2016, the state of Oregon collected \$3.48 million in tax revenue from the state's 25 percent tax on recreational marijuana. This equates to approximately \$14 million in sales. Based on its population, Eugene's sales can be estimated at \$566,000, meaning the city could have generated nearly \$17,000 from a 3 percent sales tax in the month of January. Thus annual revenue in the city from a potential 3 percent tax on recreational marijuana could be estimated at nearly \$204,000. The table below summarizes these calculations, and does not include the cost of administering the tax.

Estimated Revenue based on State of Oregon	
Oregon sales Jan 2016*	\$14,000,000
Oregon population**	3,970,239
Marijuana sales per capita Jan 2016	\$4
Eugene population***	160,775
Estimated sales per month	\$566,931
Estimated monthly revenue from 3% tax	\$17,008
Estimated annual revenue from 3% tax	\$204,095
* http://www.oregonlive.com/marijuana/index.ssf/2016/03/first_month_of_taxed_recreatio.html	
**US Census QuickFacts	
***2015 City of Eugene Comprehensive Annual Financial Report	

Fort Collins, Colorado is similar in population to Eugene. While the city does not have a special tax on marijuana, collections from the city's general sales tax of 3.85 percent on marijuana sales was estimated to be \$200,000 in 2015. Thus total annual marijuana sales in the city can be estimated to total nearly \$5.2 million, which is approximately \$33 per capita. Based on this per capita estimate, Eugene's sales can be estimated at \$5.3 million, which would generate nearly \$160,000 from a 3 percent tax on recreational marijuana in the city. The table on the following page summarizes these calculations.

⁴⁶ <http://registerguard.com/rg/news/local/34174852-75/first-month-of-oregon-recreational-marijuana-taxes-nets-3.48-million.csp>

⁴⁷ Colorado Municipal League

Estimated Revenue based on Fort Collins, CO	
Fort Collins population*	156,480
2015 sales tax collections from marijuana**	\$200,000
Fort Collins general sales tax	3.85%
Estimated 2015 marijuana sales	\$5,194,805
Estimated sales per capita	\$33
Eugene population***	160,775
Estimated marijuana sales	\$5,337,390
Estimated revenue from 3% tax	\$160,122
<i>*US Census QuickFacts</i>	
<i>**Fort Collins 2015-2016 Budget</i>	
<i>***2015 City of Eugene Comprehensive Annual Financial Report</i>	

Based on these two estimates, the City of Eugene might expect to generate roughly \$160,000 to \$204,000 per year from a 3 percent tax on recreational marijuana, not accounting for the costs of administration. Once location-specific data from the January 2016 collections in Oregon is available, a more accurate estimate of Eugene's revenue generating capacity can be calculated. However, a longer history of revenue collections will provide a more accurate estimate than calculations based on one month of data for a new revenue source such as the marijuana tax. See Appendix G for implementation procedures and an example of ballot language.

ELECTION TRENDS

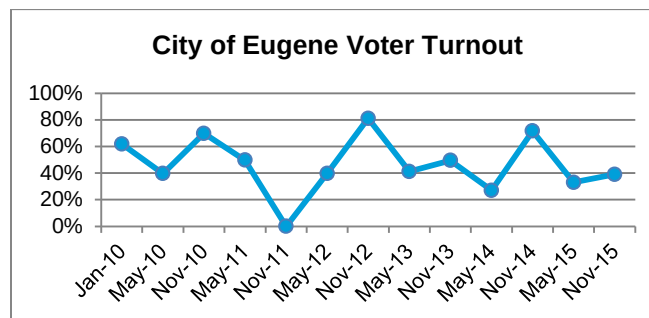
Cities across the country have an impressive track record of passing funding measures for parks and recreation. Since 1996, voters in Oregon have approved 20 of 33 state and local measures for a 61 percent success rate.

In the City of Eugene, voters have been highly supportive of local and statewide measures for parks, recreation, and conservation. In November 1998, Oregon voters approved the dedication of 15 percent of state lottery proceeds for parks, beaches, wildlife, and watershed protection. The measure passed with 67 percent support statewide and 75 percent support from Eugene. In November 2010, Oregon voted to continue this dedication, with 69 percent support statewide and 82 percent support from Eugene. The City of Eugene has also passed two bonds, once in 1998 and again in 2006, as well as two property taxes for recreation services in 2000 and 2002.⁴⁸ These results are summarized in the table below.

Conservation Ballot Measure Election Results							
Jurisdiction	Date	Description	Total Funds Approved	Conservation Funds Approved	Status	% Yes	% Yes Eugene
Oregon	11/2/2010	Constitutional amendment	\$1,740,000,000	\$1,740,000,000	Pass	69%	82%
Eugene	11/7/2006	Bond	\$27,490,000	\$20,200,000	Pass	59%	59%
Eugene	11/5/2002	Property Tax	\$29,200,000	n/a	Pass	54%	54%
Eugene	11/7/2000	Property Tax	\$7,000,000	n/a	Pass	64%	64%
Eugene	11/3/1998	Bond	\$25,305,000	\$9,070,000	Pass	67%	67%
Oregon	11/3/1998	Constitutional amendment	\$700,000,000	\$700,000,000	Pass	67%	75%

Sources: The Trust for Public Land's LandVote Database, City of Eugene

As of March 2016, the City of Eugene had 86,961 registered voters, including 42,138 Democrats (48 percent), 27,180 Independents (31 percent), and 17,643 Republicans (20 percent).⁴⁹ The chart below summarizes voter turnout in the City of Eugene for each special, primary, and general election since 2010. In November 2011, there were no City of Eugene, Lane County, or Oregon state-wide measures on the ballot, so Eugene voters did not receive ballots.⁵⁰ In November 2013, only two Eugene districts voted on a school district question, so the percent voter turnout is based on a small portion of Eugene voters (301 voters).



⁴⁸ The Trust for Public Land's LandVote Database

⁴⁹ http://app.l2political.com/reports/PDF/OR/ORCNTY_LANE-PCP.PDF

⁵⁰ <http://kval.com/news/local/oregon-election-results-november-5-2013-11-20-2015>

Upcoming Elections

There are two elections remaining in 2016: September 20 and November 8. One statewide measure has been referred to the November 8, 2016 ballot. There are several potential statewide measures. Currently no measures have been filed for Lane County. The City of Eugene has referred a 3 percent tax on recreational marijuana to the November 2016 ballot. It is too distant to know what might appear on 2017 ballots. However, there will likely be some local levies up for renewal. For instance, the Lane County Public Safety Levy will expire and may be on the ballot for renewal, likely in November 2017 or May 2018.⁵¹ School District 4J has a local option levy that runs through 2020 and will need to be renewed.⁵²

The table below outlines the City of Eugene's filing deadlines for 2016 elections. The 2017 and 2018 election schedules are not yet available; however, the deadlines will be similar.

City of Eugene 2016 Election Deadlines for Ballot Measures Referred by City Council						
Council authorizes Voters' Pamphlet process*	Last day Council may pass Resolution or Ordinance placing new measure on ballot	Ballot Title prepared by Attorney 5th business day after Recorder sends measure to Attorney	Ballot Title appeal deadline 7 business days after ballot title rec'd from CAO by CRO**	Measure filed w/LC Elections 61st day prior	Legal Notice of election published 10 days prior	2016 Election Date***
December 14, 2015	December 14, 2015	December 22, 2015	December 31, 2015	January 7, 2016	February 27, 2016 (February 23 to RG)	March 8, 2016 (2nd Tues)
February 8, 2016	February 8, 2016	February 17, 2016	February 26, 2016	March 17, 2016	May 7, 2016 (May 3 to RG)	May 17, 2016 (3rd Tues)
June 22, 2016	June 22, 2016	June 30, 2016	July 10, 2016	July 16, 2016	September 4, 2016	September 20, 2016 (3rd Tues)
July 25, 2016 (last meeting date before summer break)	July 25, 2016 (last meeting date before summer break)	August 2, 2016	August 11, 2016	September 8, 2016	October 29, 2016 (October 25 to RG)	November 8, 2016
*Additional time is required for recruitment and selection of Voters' Pamphlet Opponent Committee members. This is an approximate date and authorization to begin the process may occur prior to Council action to place the measure on the ballot.						
**Appeals are filed with Lane County Circuit Court; therefore, timeline is contingent on court's ability to expedite hearing.						
***The City is charged to participate in elections other than the Primary and General in even numbered years; and the costs, which are prorated by voter count per district, would be determined by level of participation of other districts.						
Source: Beth Forrest, City Recorder, City of Eugene						

⁵¹ City of Eugene

⁵² <http://www.4j.lane.edu/communications/localoptionlevy2014/>

CITY GOVERNMENT

In 1944, the citizens of Eugene adopted the council/manager form of government. In this form of government, the city council develops legislation and policies to direct the city, but hires a professional manager (the city manager) to oversee City of Eugene personnel and operations and to carry out the city council's direction. Jon Ruiz is currently serving as city manager.

The mayor serves as the city's political head and chairperson of the council. He or she is elected by the city at large on a nonpartisan ballot for a four-year term. The mayor is the formal representative of the city. He or she presides over city council meetings but has no vote except in the case of a tie. The mayor can veto any decision, but a two-thirds vote of the council can override the veto.

The city council, Eugene's legislative body, has eight members. The city council is responsible for passing laws, setting community goals, adopting policy and deciding which services the city will provide. Councilors are elected on a nonpartisan ballot for four-year terms. One councilor is elected from each of eight wards with one-half of the council elected every two years. An ordinance may be passed by majority vote of the council after it has been considered at two council meetings. Alternatively, an ordinance may be passed after only one meeting if the council votes unanimously to approve it.

City of Eugene Government			
Seat	Name	Term Ends	Notes
Mayor	Kitty Piercy	Jan 2017	Lucy Vinis won May 2016 primary
Councilmember, Ward 1	George Brown	Jan 2017	Seat up for election in 2016
Councilmember, Ward 2	Betty Taylor	Jan 2017	Seat up for election in 2016
Councilmember, Ward 3	Alan Zelenka	Jan 2019	
Councilmember, Ward 4	George Poling	Jan 2019	
Councilmember, Ward 5	Mike Clark	Jan 2019	
Councilmember, Ward 6	Greg Evans	Jan 2019	
Councilmember, Ward 7	Claire Syrett	Jan 2017	Seat up for election in 2016
Councilmember, Ward 8	Chris Pryor	Jan 2017	Seat up for election in 2016

APPENDICES

Appendix A: Revenue Options Summary

Summary of Revenue Options						
Option	Description & Revenue Generating Potential			Process	Comments & Considerations	
General Obligation Bond	The City of Eugene could issue general obligation bonds to support capital purposes. For example, a general obligation bond for \$30 million would cost the average household \$31 per year.			Voter approval required.	Bonds raise substantial amounts of money, enabling the city to make important acquisitions now while land is available.	
	<u>Bond Issue</u>	<u>Debt Service</u>	<u>Tax Req'd</u>		<u>Cost/Home/Year*</u>	Costs would be spread out over a long time horizon, and therefore are borne by both current and future residents.
	\$30 million	\$2,207,453	0.1613		\$31	Bond funds may not be used for operations and maintenance.
	*Average assessed value = \$189,821. The debt service figure for the proposed bond issue above is based upon a general obligation bond issued for 20 years at 4% interest. These estimates do not take into account bond issuance costs, property tax collection rates or changes in assessed value over the life of the bonds. This rate is used only for illustration. City officials, financial advisors, bond counsel, and underwriters would establish the actual terms of any bond issue.					
Property Tax	The City of Eugene could levy a local option property tax for parks and/or recreation purposes. For example, a property tax of \$0.20 per \$1,000 of assessed value could generate approximately \$2.7 million annually, at a cost of about \$38 per year for the average homeowner.			Voter approval required.	A local option levy would create significant funding for parks and conservation that could be used for operations and maintenance purposes.	
	<u>Mill Rate</u>	<u>Revenue/Year</u>	<u>Cost/Home/Year*</u>		A local option levy may be imposed for five years (ten years if imposed for capital purposes only).	
	0.1616	\$2,500,000	\$33		Local option levies are counted under the Measure 5 tax rate limits and are the first to be affected by compression loss if/when applicable.	
	*Average assessed value = \$189,821.					
Parks Utility Fee	The City of Eugene could implement a maintenance utility fee for parks. A monthly fee of \$3 would generate about \$2.5 million annually at a cost of \$36 per housing unit.			Ordinance or voter approval.	A monthly utility fee would create significant funding for parks that could be used for operations and maintenance purposes.	
	<u>Fee/Month</u>	<u>Revenue/Year*</u>	<u>Cost/Housing Unit</u>		The fee would be spread out over both residential and non-residential properties, with potential for reduced fees for low-income/senior housing.	
	\$3	\$2,518,000	\$36		Revenue estimate based on residential units only, further research needed to estimate potential revenue from non-residential properties.	
	*Based on 69,951 housing units. Does not include a low income assistance program, any factor for non-payment, and the cost of administering and collecting the fee.					
Restaurant Tax	The City of Eugene could implement a meals tax. For example, a 1% tax could generate roughly \$3.1 million per year, depending on restaurant sales.			Ordinance or voter approval.	Allows the city to collect revenues from visitors.	
	This estimate is based on revenues collected by Ashland, as well as a 2014 report by the City of Eugene Revenue Team. Does not include the cost of administering the tax.				Eugene attempted to implement a restaurant tax via ballot measure in 1993. The measure was defeated. Revenues may be used for operations and maintenance.	

Transient Room Tax	<p>The City of Eugene could increase the local tax on lodging and dedicate a portion of the revenue to parks and recreation purposes.</p> <table><tr><td><u>Tax Increase</u></td><td><u>Revenue/Year*</u></td><td><u>30% for Parks</u></td></tr><tr><td>1%</td><td>\$466,667</td><td>\$140,000</td></tr></table> <p>*Based on revenue of \$2.1 million from existing 4.5% TLT.</p>	<u>Tax Increase</u>	<u>Revenue/Year*</u>	<u>30% for Parks</u>	1%	\$466,667	\$140,000	<p>Ordinance or voter approval.</p>	<p>Allows the city to collect revenues from visitors.</p> <p>70% of revenues must be used for tourism purposes, after netting out the 5% collection fee.</p> <p>Revenues may be used for operations and maintenance.</p>
<u>Tax Increase</u>	<u>Revenue/Year*</u>	<u>30% for Parks</u>							
1%	\$466,667	\$140,000							
Marijuana Tax	<p>The City of Eugene might expect to generate roughly \$160,000 to \$204,000 per year from a 3 percent tax on recreational marijuana.</p> <p>This estimate is based on revenues collected in January 2016 by the state of Oregon, as well as revenues collected by Fort Collins, CO in 2015. This does not take into account the costs of administering the new tax.</p>	<p>Voter approval required.</p>	<p>Several municipalities in Colorado impose local taxes on marijuana sales. Since 2013, 52 local jurisdictions have passed taxes on marijuana.</p> <p>Revenues may be used for operations and maintenance.</p>						

Appendix B: General Obligation Bond Implementation, Ballot Language Requirements, and Examples

Implementation Procedure

General obligation bonds must be approved by a majority of the voters voting in a May or November general election, or at a special election with at least 50 percent voter turnout (i.e., approved by a “double majority” of voters).⁵³

Bond measures can be submitted to voters on the following dates:

- second Tuesday in March (double majority required);
- third Tuesday in May;
- third Tuesday in September (double majority required); or
- first Tuesday after the first Monday in November.⁵⁴

The general election is held on the first Tuesday after the first Monday in November of each even-numbered year.⁵⁵

Ballot Language Requirements and Examples

The ballot title of any measure, other than a state measure, to be initiated or referred shall consist of:

- A caption of not more than 10 words which reasonably identifies the subject of the measure;
- A question of not more than 20 words which plainly phrases the chief purpose of the measure so that an affirmative response to the question corresponds to an affirmative vote on the measure; and
- A concise and impartial statement of not more than 175 words summarizing the measure and its major effect.⁵⁶

If the election is not the May or November election, and thus the “double majority” requirement applies, the ballot must include the following statement as the first statement of the ballot title summary:

- “This measure may be passed only at an election with at least a 50 percent voter turnout.”
- The words of this statement do not count towards the word limits described above.⁵⁷

The ballot title of any measure requesting elector approval of bonds, the principal and interest on which will be payable from taxes imposed on property or property ownership that are not subject to the limitations of sections 11 and 11b, Article XI of the Oregon Constitution (including general obligation bonds), shall contain the following statement immediately after the ballot title question and appearing with it, in this manner:

⁵³ League of Oregon Cities, Debt Issuance Manual, September 2007

⁵⁴ Oregon Revised Statutes §221.230

⁵⁵ League of Oregon Cities, Debt Issuance Manual, September 2007

⁵⁶ Oregon Revised Statutes §250.035

⁵⁷ Oregon Revised Statutes §250.036

- “Question: (herein the question is stated) If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.”
- The words of this statement do not count towards the word limits described above.

The ballot title statement for any measure requesting elector approval of bonds, the principal and interest on which is to be payable from taxes imposed on property or property ownership that are not subject to the limitations of sections 11 and 11b, Article XI of the Oregon Constitution (including general obligation bonds), shall contain a reasonably detailed, simple and understandable description of the use of proceeds.

The front of the outer envelope in which the ballot title is delivered shall state, clearly and boldly printed in red, “CONTAINS VOTE ON PROPOSED TAX INCREASE.”⁵⁸

Portland, November 2014
<p>Referred to the People by the City Council</p> <p>26-159 Bonds to fix playgrounds, trails; improve park facilities, safety, accessibility.</p> <p>Question: Shall Portland fix, improve park facilities by issuing bonds estimated to maintain current tax rate; require audits and public oversight? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.</p> <p>Yes No</p>
Tigard, November 2010
<p>Bond to Acquire Open Spaces, Protect Clean Water, Improve Parklands</p> <p>Question: Shall city issue \$17 million general obligation bonds to acquire, preserve and protect open spaces, water quality, habitat, and parks? If the Bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of Sections II and IIb, Article XI of the Oregon Constitution.</p> <p>Summary: If approved, this measure would authorize the City of Tigard to sell up to \$17 million in bonds for land acquisition, restoration, capital construction and improvements allocated as follows:</p> <ul style="list-style-type: none"> • 80% or more to acquire land to preserve open space, parklands, and wildlife habitat, protect streams for improved local water quality to benefit fish and wildlife, • 20% or less to create and improve community parks, recreational areas and trails, and • Up to 10% of the total for downtown parkland. <p>This investment is for the benefit of current and future generations.</p> <p>The Parks and Recreation Board would provide oversight; spending would be audited by the City's yearly audit.</p> <p>Bonds would mature in 21 years or less from issuance and may be issued in one or more series. The estimated additional annual cost to property owners would be \$0.29 per \$1,000 of assessed valuation. For a home with the median assessed value of \$207,000, the City estimates that the additional monthly cost would be about \$4.99 per month, or \$60 per year.</p>

⁵⁸ Oregon Revised Statutes §250.037

Cannon Beach, May 2009

Measure 4-144 - CITY OF CANNON BEACH

BOND AUTHORIZATION ACQUIRE ECOLA TRACT TO PROTECT WETLANDS, STREAMS, FORESTLANDS

Question: Shall City acquire Ecola Tract to protect wetlands, streams, salmon habitat, forestlands; issue up to \$4 million general obligation bonds?

If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

Summary: This measure would authorize the City of Cannon Beach to sell up to \$4 million in bonds to acquire the 800-acre Ecola Tract from the Oregon Department of Forestry for the protection of wetlands, streams, forestlands, salmon, trout and wildlife habitat. Acquired lands would expand the existing City-owned Ecola Creek Forest Reserve. Additionally, proceeds would pay associated bond issuance costs.

The City would establish a citizen oversight committee and require a yearly independent financial audit, as well as create a management plan with input from citizens for the acquired land. The management plan would focus on conservation, restoration and passive recreation.

Bonds would mature in 21 years or less from issuance and may be issued in one or more series. The estimated additional annual cost to property owners if all \$4 million in bonds are sold would be \$0.36 per \$1,000 of assessed valuation. For the owner of a home with the median assessed value of \$200,516, the additional annual cost would be approximately \$75 per year.

Appendix C: Property Tax Implementation, Ballot Language Requirements, and Examples

Implementation Procedure

Local options levies can be imposed only with voter approval. Local options levy elections are subject to the same “double majority” requirements as general obligation bonds. If the election was held in May or November, the double majority requirement would not apply. The March and September elections are subject to the “double majority” requirement.

Ballot Language Requirements and Examples

The ballot title of any measure, other than a state measure, to be initiated or referred shall consist of:

- A caption of not more than 10 words which reasonably identifies the subject of the measure;
- A question of not more than 20 words which plainly phrases the chief purpose of the measure so that an affirmative response to the question corresponds to an affirmative vote on the measure; and
- A concise and impartial statement of not more than 175 words summarizing the measure and its major effect.⁵⁹

If the election is not the May or November election, and thus the “double majority” requirement applies, the ballot must include the following statement as the first statement of the ballot title summary:

- “This measure may be passed only at an election with at least a 50 percent voter turnout.”
- The words of this statement do not count towards the word limits described above.⁶⁰

The ballot title for a measure authorizing the imposition of local option taxes shall contain the following statement and information:

- “This measure may cause property taxes to increase more than three percent.”

As part of the question, the ballot title for a measure authorizing or renewing the authorization of the imposition of local option taxes shall state:

- The length in years of the period during which the proposed local option tax will be imposed.
- The first fiscal year in which the proposed local option tax will be imposed.⁶¹

If the measure is authorizing the imposition of local option taxes, the front of the outer envelope in which the ballot title is delivered shall state, clearly and boldly printed in red, “CONTAINS VOTE ON PROPOSED TAX INCREASE”.⁶²

⁵⁹ Oregon Revised Statutes §250.035

⁶⁰ Oregon Revised Statutes §250.036

⁶¹ Oregon Revised Statutes §280.070

⁶² Oregon Revised Statutes §250.038

For a levy imposed based on a fixed amount, the statement in the ballot title for the measure that explains the chief purpose of the measure and gives reasons for the measure shall state the total amount of money to be raised by the proposed local option tax, in dollars and cents. If the statement in the ballot title for the measure submitted includes an estimated tax impact, it shall be based on the most current estimate of assessed value from the county assessor. The measure shall bear the statement:

- “The estimated tax cost for this measure is an ESTIMATE ONLY based on the best information available from the county assessor at the time of estimate and may reflect the impact of early payment discounts, compression and the collection rate.”
- This statement is to be added to and made a part of the 175-word statement, however, will not count towards the 175-word limitation.

For a levy imposed based on a fixed millage rate, an estimate of the total amount of money to be raised for each year of the proposed local option tax shall be stated in dollars and cents. If this levy raises more money than estimated, the excess collections above that estimate shall be considered a budget resource for the levy fund in the next fiscal year of the subdivision. This statute does not apply to an election authorizing general obligation bonds or the tax levies to repay general obligation bonds. This statement is to be added to and made a part of the 175-word statement, however, will not count towards the 175-word limitation.⁶³

Portland Metro, May 2013
<p>Measure No. 26-152 METRO Local option levy: improve natural areas, water quality for fish</p> <p>Question: Shall Metro improve natural areas, water quality for fish: five-year operating levy, \$.096 per \$1,000 assessed value, beginning 2013? This measure may cause property taxes to increase more than three percent.</p> <p>Summary: Twice in two decades, Metro voters approved measures to acquire thousands of acres of natural areas throughout the tri-county region. Past measures could not include money for maintenance and restoration. This levy creates a dedicated fund to improve water quality for salmon and native fish, remove invasive weeds that threaten the health of these natural areas, restore wetlands and provide opportunities for people from around the region to experience nature close to home.</p> <p>Cost The estimated cost for the typical household is \$20 per year for five years.</p> <p>Result of a “yes” vote</p> <ul style="list-style-type: none"> • Improve water quality in local rivers and streams for salmon and other native fish including the Clackamas, Sandy, Tualatin rivers; Fanno, Johnson creeks. • Restore wildlife habitat and remove weeds that choke plants wildlife need for food and shelter. • Restore wetlands and floodplains to control flooding, provide habitat for birds and amphibians. • Construct or replace capital projects in parks, such as restrooms, picnic shelters, playgrounds. • Provide nature education programs in natural areas to visitors and school-aged children. <p>The proposed rate (at \$.096/\$1,000) will raise approximately \$10.2 million in 2013-14, \$10.4 million in 2014-15, \$10.6 million in 2015-16, \$ 10.9 million in 2016-17 and \$11.2 million in 2017-18. The estimated tax cost for this measure is an ESTIMATE ONLY based on the best information available from the county assessors at the time of estimate.</p>

⁶³ Oregon Revised Statutes §280.075

Portland, November 2002

26-34 FIVE-YEAR LEVY TO RESTORE PARK SERVICES, REPAIRS, RECREATION PROGRAMS

QUESTION: Shall Portland repair, restore maintenance to parks, playgrounds, pools; levy \$.39 per \$1,000 assessed valuation for five years beginning 2003? (This measure may cause property taxes to increase by more than three percent.)

Appendix D: Service Fee Implementation, Ballot Language Requirements, and Example

Implementation Procedure

Under Oregon's constitutional home rule powers the Eugene city charter grants the city council broad authority over matters within the city's boundaries. The city council may implement a city service fee by ordinance. Alternatively, the fee may be placed on a ballot by the council, by citizen initiative, or by referendum petition.⁶⁴

Ballot Language Requirements and Example

The ballot title of any measure, other than a state measure, to be initiated or referred shall consist of:

- A caption of not more than 10 words which reasonably identifies the subject of the measure;
- A question of not more than 20 words which plainly phrases the chief purpose of the measure so that an affirmative response to the question corresponds to an affirmative vote on the measure; and
- A concise and impartial statement of not more than 175 words summarizing the measure and its major effect.⁶⁵

If the election is not the May or November election, and thus the "double majority" requirement applies, the ballot must include the following statement as the first statement of the ballot title summary:

- "This measure may be passed only at an election with at least a 50 percent voter turnout."
- The words of this statement do not count towards the word limits described above.⁶⁶

There are no specific requirements for maintenance utility or service fee ballot measures.

Eugene, May 2013
<p>Monthly fee for City fire, police, homelessness and other services. Question: Shall City maintain fire, police, homelessness and quality of life services with monthly fee capped at \$10 for residences? If approved, this measure would authorize a monthly fee to maintain: -public safety services, such as a fire company (fire engine and nine firefighters/paramedics), police detectives, mobile mental health crisis team (CAHOOTS) and teen court -homeless and basic human services such as emergency shelter for homeless youth -quality of life services such as downtown and branch libraries, Sheldon swimming pool, recreation programs and services, neighborhood park restrooms and parks maintenance The measure would raise funds by authorizing City Council to impose a monthly fee of no more than \$10/month for residences and \$30/month for businesses. The actual fee would be set by Council. The measure would require Council to establish a program for assistance to low income individuals who would be subject to the fee. An oversight committee would annually determine whether revenues generated by the fee were spent for authorized purposes. Council would be required to review the fee after five years to decide if it should be revised or terminated.</p>

⁶⁴ Revenue Team, Report to the City of Eugene Budget Committee, April 2014, <http://eugene-or.gov/2582/Revenue-Team>

⁶⁵ Oregon Revised Statutes §250.035

⁶⁶ Oregon Revised Statutes §250.036

Appendix E: Restaurant Tax Implementation, Ballot Language Requirements, and Example

Implementation Procedure

Under Oregon's constitutional home rule powers the Eugene city charter grants the city council broad authority over matters within the city's boundaries. The city council may implement a restaurant tax by ordinance. Alternatively, the tax may be placed on a ballot by the council or by referendum petition.⁶⁷

Ballot Language Requirements and Example

The ballot title of any measure, other than a state measure, to be initiated or referred shall consist of:

- A caption of not more than 10 words which reasonably identifies the subject of the measure;
- A question of not more than 20 words which plainly phrases the chief purpose of the measure so that an affirmative response to the question corresponds to an affirmative vote on the measure; and
- A concise and impartial statement of not more than 175 words summarizing the measure and its major effect.⁶⁸

If the election is not the May or November election, and thus the "double majority" requirement applies, the ballot must include the following statement as the first statement of the ballot title summary:

- "This measure may be passed only at an election with at least a 50 percent voter turnout."
- The words of this statement do not count towards the word limits described above.⁶⁹

There are no specific requirements for sales tax ballot measures.

Ashland, November 2009
<p>Extend the 5% tax on food and beverage to 2030.</p> <p>Question: Shall 5% tax on prepared food and beverages extend to 2030 for parks and wastewater treatment improvements including debt repayment?</p> <p>This measure extends the five percent tax on prepared food and beverages sold by restaurants, caterers, grocery store delis, coffee shops and other establishments. Alcoholic beverages are excluded. Tax revenues are dedicated for acquisition of park land and for capital improvements of parks and the wastewater treatment plant including debt repayment. Funds may only be used for park and wastewater capital improvements projects identified in the City's adopted Capital Improvement Plan. The City Council can reduce or eliminate the tax at anytime. Restaurants retain 5% of the tax collected. The City may use up to 2% for administrative expenses. The tax is not collected on food or beverages sold on school grounds or college campuses (except food sold by an independent contractor or non-educational catered events), on hospital grounds, in vending machines, at senior centers, or by non-profits or service clubs at street booths or concessions. Food provided by bed and breakfast inns is excluded. For single events, such as weddings, costing more than \$5,000 the tax is capped at \$250.</p>

⁶⁷ Revenue Team, Report to the City of Eugene Budget Committee, April 2014, <http://eugene-or.gov/2582/Revenue-Team>

⁶⁸ Oregon Revised Statutes §250.035

⁶⁹ Oregon Revised Statutes §250.036

Appendix F: Transient Room Tax Implementation and Ballot Language Requirements

Implementation Procedure

While all revenue from Eugene's current TRT must continue to go to the Cultural Services Fund, state law permits an increase in the tax rate to generate additional revenue. An increase in the TRT and dedication of increased revenues could be accomplished by ordinance; a public vote would not be required, but the ordinance would be referable. City code would also need to be amended if part of the increased revenue were to be directed to city operations not directly related to tourism. This can be accomplished by ordinance. The TRT could also be increased by citizen initiative, referral to the ballot by Council, or by a successful citizen referendum petition to the Council.⁷⁰

Ballot Language Requirements

The ballot title of any measure, other than a state measure, to be initiated or referred shall consist of:

- A caption of not more than 10 words which reasonably identifies the subject of the measure;
- A question of not more than 20 words which plainly phrases the chief purpose of the measure so that an affirmative response to the question corresponds to an affirmative vote on the measure; and
- A concise and impartial statement of not more than 175 words summarizing the measure and its major effect.⁷¹

If the election is not the May or November election, and thus the "double majority" requirement applies, the ballot must include the following statement as the first statement of the ballot title summary:

- "This measure may be passed only at an election with at least a 50 percent voter turnout."
- The words of this statement do not count towards the word limits described above.⁷²

There are no specific requirements for TLT ballot measures.

⁷⁰ Revenue Team, Report to the City of Eugene Budget Committee, April 2014, <http://eugene-or.gov/2582/Revenue-Team>

⁷¹ Oregon Revised Statutes §250.035

⁷² Oregon Revised Statutes §250.036

Appendix G: Marijuana Tax Implementation and Ballot Language Example

Implementation Procedure

Cities in Oregon may adopt an ordinance, which must be referred to the voters, imposing a tax or fee of up to 3 percent on the sale of marijuana items by a retail licensee. The ordinance must be referred to the voters in a statewide general election, meaning an election in November of an even-numbered year.⁷³

Ballot Language

Below is an example of ballot language provided by the League of Oregon Cities.⁷⁴

BALLOT TITLE

*A caption which reasonably identifies the subject of the measure
10 word limit under ORS 250.035(1)(a)*

“Imposes city tax on marijuana retailer’s sale of marijuana items”

QUESTION

*A question which plainly phrases the chief purpose of the measure so that an affirmative response to the question corresponds to an affirmative vote on the measure
20 word limit under ORS 250.035(1)(b)*

“Shall City of {name} impose a {up to three percent} tax on the sale in the City of {city} of marijuana items by a marijuana retailer?”

SUMMARY

*A concise and impartial statement summarizing the measure and its major effect
175 word limit under ORS 250.035(1)(c)*

“Under state law, a city council may adopt an ordinance to be referred to the voters of the city imposing up to a three percent tax or fee on the sale of marijuana items in the city by a licensed marijuana retailer.

Approval of this measure would impose a {up to three} percent tax on the sale of marijuana items in the city by a licensed marijuana retailer. The tax would be collected at the point of sale and remitted by the marijuana retailer.

{Under state law, a city that adopts an ordinance that prohibits the establishment in the area subject to the jurisdiction of the city of a medical marijuana processor, medical marijuana dispensary, or recreational marijuana producer, processor, wholesaler, or retailer may not impose a tax or fee on the production, processing or sale of marijuana or any product into which marijuana has been incorporated. This measure would become operative only if the measure

⁷³ League of Oregon Cities, Local Government Regulation of Marijuana in Oregon, August 2015

⁷⁴ League of Oregon Cities, Local Government Regulation of Marijuana in Oregon, August 2015

*proposing to prohibit the establishment of any of those marijuana entities does not pass by a majority of votes.}*⁷⁵

⁷⁵ Cities that desire to provide voters with the most options may wish to put both a measure banning certain activities and a tax measure before the voters at the same time. Cities that elect to do so should include this wording explaining the effect of the vote.

With any questions or for more information please contact:

J. Dee Frankfourth

Associate National Conservation Services Director – West
The Trust for Public Land
(206) 274-2920
dee.frankfourth@tpl.org

or

Jessica Welch

Conservation Finance Research Associate
The Trust for Public Land
(206) 274-2907
jessica.welch@tpl.org

www.tpl.org



August 1, 2017

Addendum to City of Eugene Feasibility Report

Tax on Sugar-Sweetened Beverages

Seven U.S. cities and one county have implemented a tax on sugar-sweetened beverages, commonly known as a “soda tax,” which is levied on the distributors of the beverages as cents-per-ounce. Berkeley, California was the first to pass a tax in November 2014 with 75 percent voter support. The city’s tax is one cent per ounce, and revenue goes to the general fund. A panel of public health experts decides how to allocate the funds. The city began collecting the tax in May 2015, and raised \$116,000 in the first month.¹ The tax was expected to generate \$1.2 million in its first year; however, that goal was met in the first nine months.²

The Philadelphia City Council passed a 1.5 cent per ounce tax in June 2016. The city finance department estimates annual revenues of \$91 million, which will fund pre-kindergarten and other city programs.³ In the first month of its existence, Philadelphia’s sugar-sweetened beverage tax brought in at least \$5.7 million. However, it is below the average of \$7.6 million a month the tax would need to make in order to generate a yearly projection of \$91 million.⁴

In November 2016, voters passed sugar-sweetened beverage taxes in Boulder, Colorado (2 cents per ounce), San Francisco (1 cent per ounce), Oakland (1 cent per ounce), and Albany, California (1 cent per ounce). The Boulder tax could raise as much as \$3.8 million per year, and the revenues are to be used for health programs.⁵ The three California measures did not specify how the revenues would be used.

Also in November 2016, the County Board of Cook County, Illinois approved a penny-per-ounce tax on sugary and artificially sweetened beverages, which will be used to balance the county’s budget. Revenues are estimated to be \$244 million per year;⁶ however, it did not go into effect on July 1, 2017 as planned due to legal challenges.

Most recently, in June 2017, the Seattle City Council approved a tax of 1.75 cents per ounce. The tax is expected to raise about \$15 million per year. Some money will support the city’s Fresh Bucks program, which helps people using food stamps buy more fruits and vegetables at farmers markets. The council reserved up to \$1.5 million in the first five years of the tax to help soda industry workers retrain for new jobs. Some of the revenue will fund education programs for low-income and otherwise vulnerable children. The city will begin collecting the tax in January 2018.⁷

There is a reasonable nexus between taxes on sugar-sweetened beverages and public health, and the City of Eugene could consider a soda tax to fund parks and recreation. In October 2016, the World Health Organization issued a news release, saying “If governments tax products like sugary drinks, they can reduce suffering and save lives. They can also cut healthcare costs and

¹ <http://www.berkeleyside.com/2015/05/18/berkeley-soda-tax-raises-116000-revenue-in-first-month/>

² <http://www.dailycal.org/2016/01/20/city-council-votes-allocate-soda-tax-revenue-school-district-city-organizations/>

³ <http://www.nytimes.com/2016/06/17/upshot/soda-tax-passes-in-philadelphia-advocates-ask-whos-next.html>

⁴ <https://billypenn.com/2017/02/23/philly-soda-tax-earns-5-7-million-in-first-month/>

⁵ <http://www.9news.com/news/local/politics/boulder-voters-to-decide-on-sugary-drink-tax/343292818>

⁶ <http://www.chicagotribune.com/news/local/politics/ct-cook-county-soda-pop-tax-vote-met-1111-20161110-story.html>

⁷ <http://www.seattletimes.com/seattle-news/politics/seattle-city-council-says-yes-to-soda-tax/>

increase revenues to invest in health services.”⁸ However, the creation of a special tax on beverages will be strongly opposed by the beverage industry, as was the case in all of the localities which have approved the tax. Since the sugar-sweetened beverage tax is levied on distributors, not consumers, it is unclear whether this would be considered a sales tax, and therefore it is unclear whether state or voter approval is needed.⁹

The Rudd Center for Food Policy and Obesity estimates that a one-cent-per-ounce tax on sugar-sweetened beverages in the State of Oregon would have generated roughly \$90 million in 2017, based on beverage consumption, population, and pricing, as well as socio-demographic information on the variation in sugar-sweetened beverage consumption.¹⁰ Eugene is approximately 4 percent of the state's population. Thus, it can be estimated that consumption of sugar-sweetened beverages, and therefore revenues from a penny-per-ounce tax, would be roughly equivalent to 4 percent of the state's consumption and revenues, or \$4.7 million. The table below summarizes these calculations.

Penny-per-Ounce Sugar-Sweetened Beverage Tax			
Sugary Drink Type	OR Gallons Sold*	OR Annual Revenue	Eugene Estimated Annual Revenue**
Carbonated soft drinks	36,845,853	\$47,162,691	\$1,919,187
Fruit drinks	11,478,572	\$14,692,572	\$597,883
Sports drinks	13,276,036	\$16,993,327	\$691,508
Ready to drink tea	12,683,321	\$16,234,651	\$660,635
Energy drinks	11,872,066	\$15,196,244	\$618,379
Enhanced water	1,501,209	\$1,921,547	\$78,193
Ready to drink coffee	2,599,078	\$3,326,820	\$135,378
Sugary Drink Total	90,256,135	\$115,527,852	\$4,701,164
*2017 estimate			
**based on population size			
Source: The Rudd Center for Food Policy & Obesity			

⁸ <http://www.who.int/mediacentre/news/releases/2016/curtail-sugary-drinks/en/>

⁹ This addendum is not a legal document and should not be relied upon as a legal opinion.

¹⁰ <http://www.uconnruddcenter.org/revenue-calculator-for-sugar-sweetened-beverage-taxes?>

Revenue Team

Report to the City of Eugene Budget Committee



April 8, 2014

Table of Contents

Memo to the Budget Committee	1
Admissions Tax	3
Bicycle Registration Fee	5
Business Gross Receipts Tax	9
Business License Fee	11
City Service Fee	15
Commuter Tax	19
Corporate Income Tax	21
E-Cigarette Tax.....	23
Heavy Vehicle Tax	25
Local Option Property Tax Levy	27
Luxury Tax.....	29
Motor Vehicle Rental Tax	31
Paper Bag Fee	33
Parking Tax	35
Payroll Tax	39
Personal Income Tax.....	43
Red Light Cameras	47
Restaurant Tax	51
Sales Tax	55
Solid Waste Collection Fee	59
Special Districts	61
Transient Room Tax	65
Utility Consumption Tax	67
User Fees and Service Charges	69
Revenues Brainstormed But Not Considered	73



City of Eugene
100 West 10th Avenue, Suite 400
Eugene, Oregon 97401
(541) 682-5589 PHONE
(541) 682-5802 FAX
www.eugene-or.gov

MEMORANDUM

Date: April 4, 2014

To: Eugene Budget Committee

From: Sue Cutsogeorge, Finance Director

Subject: Revenue Team Final Report

Attached is the final report of the Budget Committee Revenue Team. The Revenue Team is one part of a multi-faceted approach designed to address a long-term sustainable financial strategy for the City of Eugene. Other components of the approach include a series of meetings to gather input about the community's perspective on the budget, a Finance Investigative Team to review potential budget savings items in a fact finding effort, media outreach about the Budget Committee's activities to keep the community informed and engaged, a series of Budget Committee work sessions to develop FY15 budget balancing options and public hearings on potential budget strategies.

The Revenue Team's charge was to identify potential General Fund revenue strategies that might make sense for the Budget Committee and City Council to consider. The Team should focus on revenue strategies that would:

- Provide significant new revenue;
- Be likely to be accepted by the community; and
- Could be implemented by FY16 (i.e., be legal and practical to implement).

The Revenue Team analyzed a list of 24 potential revenue alternatives. They looked at factual information provided by City staff, and discussed the pros, cons and political feasibility of each of the options. The final report will provide an excellent revenue "toolbox" for the Budget Committee and City Council to use when you begin our conversations around how to achieve a sustainable budget.

The Revenue Team also acknowledged that some of the revenue alternatives in the report would not meet the criteria set out above, but might be worthy of City Council consideration for policy reasons other than General Fund revenue generation.

Membership:

John Barofsky
Ken Beeson
Jen Bell
Rob Bennett
Bob Clarke

Chelsea Clinton
Jill Featherstonhaugh
Gerry Gaydos
Dave Hauser
Andrea Ortiz

George Poling
Greg Rikhoff
Claire Syrett
Laurie Trieger
Marty Wilde

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Admissions Tax	
Description	An admissions tax is a specific excise tax which would be applied to the price of admission for performances, entertainments, spectator events, festivals, sporting events and other activities for which admissions are charged. It may also be referred to as an entertainment tax. The tax can be applied to a narrow or broad range of venues and types of events. It can be applied to cost of admission as a flat fee or as a tax rate.
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a tax on admissions by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative petition or by referendum petition.</p> <p>Types of organizations or specific activities subject to the tax would need to be decided when the tax is established. Exemptions from the tax vary by jurisdiction but typically include performances sponsored by elementary and secondary schools and admission charged to museums and botanical gardens.</p> <p>The tax could not be levied on admissions sold by a public university or other public agencies, but a contribution in lieu of tax could be collected only if an intergovernmental agreement is mutually agreed upon. Revenue would be unrestricted and available to the General Fund.</p>
Precedence	<p>Admission taxes are levied by many U.S. cities including Seattle, Tacoma, Alexandria, Roanoke, Richmond, Denver, Boulder, Cincinnati, Minneapolis, Santa Cruz, and others. Many counties and states also levy admission taxes. Rates and activities taxed vary widely.</p> <p>In Oregon there appears to be no admission taxes supporting general municipal or county services. There are admission taxes for very specific services however. In Eugene, the Cultural Services Division currently imposes a ticket Patron User Fee by City Ordinance, used to offset expenditures for operations and equipment repair and replacement at the Hult Center and the Cuthbert Amphitheater.</p>
Revenue Yield & Stability	Revenue would depend on the types and number of events and venues to which the tax would apply. Tax revenues would fluctuate with general economic conditions. Changes in consumer spending may occur.
Administrative Effort	Implementation, administration and collection of the tax may require additional FTE, depending upon types and number of events and activities taxed and the structure of the tax.
Timeline	It could take from one to two years to fully implement.

Who Pays	<p>The tax would be paid primarily by individual consumers whether they live within the city or not. Businesses that purchase admissions would also pay the tax.</p> <p>Admissions are typically purchased with a household's discretionary income. This makes an admission tax relatively progressive because low-income households would not normally purchase as many taxable admissions as higher-income households.</p>
Fairness & Indirect Implications	<p>This tax would be less regressive than other excise taxes because it taxes discretionary spending. Depending on the tax level, an admissions tax could encourage some consumers to reduce admission purchases, seek out free activities, or avoid the tax by patronizing events and venues outside city limits. A small fee would be unlikely to discourage economic activity.</p> <p>An admissions tax would likely have a negative impact on the Council Goal of encouraging accessible, thriving recreation and culture, where arts and outdoors are integral to our social and economic well-being and are available to all.</p>
Sustainability Impact	<p>A tax on the price of admissions could disproportionately impact low-income and large families. This could be mitigated by capping the tax at a certain number of admissions per purchase.</p>
MTC Task Force Recommendation	<p>Not included in Meeting the Challenge report.</p>
Budget Committee Revenue Team Comments	<p>Pros – May be able to capture revenue from non-residents as well as residents. Can be scalable to capture many types of venues or fewer types, depending on administration preference.</p> <p>Cons – The tax may be costly and difficult to administer. University, school district and government events would be exempt, which could significantly reduce revenue generation.</p> <p>Political Feasibility – Tax could negatively impact economic activity related to event attendance. Public agencies would not be subject to a tax and may not be open to paying a fee in lieu of tax.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Bicycle Registration Fee	
Description	An annual or one-time fee levied on bicycle ownership in Eugene. This could instead be structured as a tax added to the purchase of a new bicycle in city limits.
Legal Authority & Restrictions	Under Oregon’s constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city’s boundaries. The City Council may implement a bicycle registration fee by ordinance without state enabling legislation. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>Eugene had a mandatory \$2 bicycle registration fee in place from 1974 to 1977. The mandatory program was discontinued due to compliance issues.</p> <p>The city and county of Honolulu, Hawaii requires the registration of all bicycles with 20” or larger wheels. The charge is a one-time \$15 fee, with an additional \$5 charge when transferring ownership. After administrative costs, the bicycle registration program nets approximately \$100,000 per year in a county with a population of approximately 976,000. Fees go towards bicycle infrastructure.</p> <p>Although it no longer exists, Colorado Springs had a mandatory registration program that taxed \$4 at the point of sale and raised up to \$150,000 per year with a population of approximately 430,000 people. Fees went towards bicycle infrastructure.</p> <p>In Oregon, proposed State legislation in the 2009 session would have required various transfer-of-license fees as well as a registration fee for every bicycle at \$54 every other year. The bill stalled in committee. Similar legislation was introduced in the 2013 session, SB 769, which lowered the registration fee to a one-time \$10. This bill also stalled in committee. All funds received in both instances were to be deposited into a bicycle transportation improvement fund for bicycle lanes, paths and related projects.</p> <p>Several Oregon communities have had voluntary bicycle registration programs with associated fees, including Grants Pass (now discontinued). Free voluntary programs have been offered subsequently, intended primarily to discourage bicycle theft and facilitate recovery and return of stolen bikes. Eugene’s program currently has approximately 5,000 registrants. The University of Oregon reports that their free compulsory bike registration program has 109 registrants out of nearly 25,000 enrolled students from September 2013 through January 2014.</p>

Revenue Yield & Stability	<p>Applying the point-of-sale model from Colorado Springs to Eugene's (estimated population of 159,580 could yield approximately \$56,000 before accounting for any administration costs. A blanket fee on existing and new bicycles (based on Honolulu's model) could net approximately \$16,000 after administrative costs.</p> <p>The census estimate for Eugene bike commuters is 8.7% of the population, excluding trips for recreation and school (per Public Works Transportation), which would translate into about 10,000 bike commuters.</p>
Administrative Effort	<p>There are currently no specific estimates of the cost of administration, collection and enforcement associated with this revenue source. As there is currently no existing similar program at the City, administration costs may be significant compared to revenue generation potential. Start-up cost estimates would also need to include the cost of educating the public about the program and implementing a tracking system. The effort and effectiveness of enforcement needs to be evaluated further.</p>
Timeline	<p>This tax would take possibly 6-12 months to implement depending on the necessary level of administration.</p>
Who Pays	<p>This fee would primarily be paid by Eugene residents. If it were a tax on bike sales, some non-residents could pay if they purchased a bike in Eugene.</p>
Fairness & Indirect Implications	<p>This fee would directly impact citizens, and unless minimum income provisions were included in the structure, would negatively impact low income citizens that use bicycles as a cost-effective mode of transportation. The equity of this fee would largely depend on its structure. A point-of-sale fee on bicycle purchases over a predetermined price would ease burdens on recreational purchases for families or low-income citizens. In the case of a flat fee for all bicycles owned by citizens, provisions could be included to exempt low-income bicycle owners and/or bicycles with certain sized wheels. However, adding qualifications and exemptions to a fee collection program would significantly increase administration costs and would likely lower yield.</p>
Sustainability Impact	<p>This fee could discourage the purchase or use of bicycles, which are generally accepted as a preferable method of transportation for environmental reasons.</p> <p>This fee could increase costs to citizens who practice a method of commuting that is generally encouraged by the Council.</p> <p>People who use bicycles for transportation because they cannot afford other means of transportation would be negatively impacted.</p>
MTC Task Force Recommendation	<p>Not included in Meeting the Challenge report.</p>

Budget Committee Revenue Team Comments	<p>Pros – Registration could assist return of stolen bikes to owners.</p> <p>Cons – Compliance would likely be low and enforcement challenging and costly. Other agencies have discontinued their programs due to lack of popularity. Can be seen as contrary to the triple bottom line if it discourages bike use or impacts people with no other transportation alternatives. Revenue would not be significant.</p> <p>Political Feasibility – May be difficult to gain community acceptance. Children’s bike could be exempted to improve acceptance.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Business Gross Receipts Tax	
Description	<p>A gross receipts tax has a simple broad-based structure. It taxes all for-profit business sales transactions, with few or no exemptions or deductions. Business and occupations taxes are often a form of a gross receipts tax.</p> <p>Because the values of transactions are taxed, a gross receipts tax is often compared to retail sales taxes. However, while retail sales taxes apply only to final sales to consumers, gross receipts taxes tax wholesale transactions as well, including intermediate business-to-business purchases of supplies, raw materials and equipment.</p> <p>As a result of the tax's application to intermediate sales, a gross receipts tax create an extra layer of taxation at each stage of production that sales and other taxes do not—something economists call "tax pyramiding."</p> <p>A gross receipts tax's very broad base that distributes the impact of the tax, allowing a very low tax rate.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a gross receipts tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p>
Precedence	<p>A number of state have gross receipts taxes, including Washington, Delaware, Florida, Hawaii, Illinois Mississippi, Montana, New Mexico, Ohio, Pennsylvania, and West Virginia. Cities with a gross receipts tax include Los Angeles, San Francisco, Oakland CA, Bellevue WA, Alexandria VA, among others.</p> <p>The City of Eugene administered a Downtown Development District Tax with a gross sales and receipt component from 1973-1992 for the purpose of operating the City's downtown free parking program. Under this program, any person engaging in business in the Downtown Development District was required to pay the City a tax at rates of \$2.80-\$3.50 per \$1,000 of the gross retail sales and receipts from business.</p>
Revenue Yield & Stability	<p>In 2001 a 0.1% tax on gross receipts was estimated to yield about \$11 million. This analysis will need to be updated to determine potential revenue at this time.</p>
Administrative Effort	<p>Significant City effort would be necessary to implement, collect and administer a City gross receipts tax.</p>
Timeline	<p>Implementation would likely take one to two years.</p>
Who Pays	<p>A broad gross receipts tax would apply to for-profit business of all kinds. Although a gross receipts tax is not a retail sales tax, it would likely be passed on in the purchase price of goods and services. Both residents and non-residents purchasing goods and services within the City would pay.</p>

Fairness & Indirect Implications	<p>Lower income households spend a larger percentage of their disposable income for basic necessities than higher income households. As a result these households would experience more impact in any increase in goods and services resulting from a gross receipts tax.</p> <p>Since Eugene is a part of a larger metro area, consumers could shop outside the City to avoid the tax, although a very low rate of the tax would help minimize this effect. Similarly, business location decisions could be adversely impacted if there were substantial increases in the cost of doing business within the City. The “tax pyramiding” aspect of a gross receipts tax could cause a shift of some wholesale and manufacturing activity to areas outside the City. Again, a very low tax rate would help minimize this.</p>
Sustainability Impact	<p>Because the tax is levied on receipts and not the profit of a business, new and struggling businesses will be disproportionately impacted by a gross receipts tax as they attempt to make profits or minimize their losses.</p> <p>Lower income households will experience a larger negative impact if the tax results in higher costs associated with purchase of goods and services.</p>
MTC Task Force Recommendation	Not reviewed in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – A low rate would generate a significant amount of revenue.</p> <p>Cons – No precedence in Oregon. Would be difficult and costly to enact and administer. Businesses with small margins will experience largest impact from the tax. May require many businesses to change their existing business models.</p> <p>Political Feasibility – If implemented with other taxes/fees that apply to business owners it could be onerous and costly for that segment of the population. Business community would likely aggressively oppose this tax.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Business License Fee	
Description	A business license fee is a fee for the privilege of conducting business within the city limits. It could be imposed on any person, partnership, corporation or similar entity doing business in Eugene. The fee calculation could take several different forms: a fixed amount per business, a flat percentage of income earned in the city, a fixed fee levied on business according to the number of employees. It is typically paid prior to engaging in business, paid on an annual basis, and does imply a regulatory relationship.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a business license fee by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>The City of Portland business license rate is 2.2% of net income after allowable deductions. The annual minimum fee is \$100. Business licenses are required from the opening date of business. Multnomah County's business income tax rate is 1.45% of the net income after allowable deductions. The annual minimum fee is \$100 (started 2008). Business income taxes are due after each tax year end. Both have exemptions, most notably businesses that gross less than \$50,000 annually.</p> <p>Springfield has a set of specific license fees as set out in their code. The city's Finance Director estimates that 75-80% of the estimated \$105,000 - \$120,000 generated per year revenue is devoted to personnel expenses to administer the program. A large portion of the remaining revenue covers software, supervision, and indirect program costs, leaving approximately 5-10% of collection as net revenue.</p> <p>Many other Oregon municipalities also collect business license fees, with amounts varying greatly by jurisdiction. Some jurisdictions, such as the City of Springfield, restrict business license fees to certain types of businesses, while others, e.g. Portland, Gresham and Beaverton collect this fee from all businesses operating within their city limits. A number of other Oregon municipalities, e.g. the City of Salem, do not impose a business license fee.</p> <p>Eugene currently requires the following businesses to apply and pay a fee for a license from the City: payday lenders, public passenger vehicles, and tobacco retail sales.</p>

Revenue Yield & Stability	<p>Based on Oregon Employment Department records, there were approximately 5,800 businesses registered in Eugene area zip codes as of 2001. According to the 2005 study by Chastain Economic Consulting, the number of private firms in Lane County has grown by an average 1.7% per year between 1990 and 2004; however, it is likely that this trend has reversed during the recent recession. A flat fee of \$100 per year would generate approximately \$580,000 in business license revenue, assuming 100% collection and no increase in the number of businesses since 2001.</p> <p>Using Springfield's model and basing assumptions on population, Eugene's gross revenue would be approximately \$280,000 to \$330,000. Net revenue would range from \$14,000 to \$33,000.</p> <p>The stability of this revenue source would fluctuate with the area's economic conditions.</p>
Administrative Effort	<p>The City currently has a small business license program for payday lenders, public passenger vehicles, and tobacco retail sales but it would need to be expanded if an overarching fee program were to be implemented. Cost estimates would also need to include the cost of implementing a tracking and enforcement system. Using Springfield's model, administration costs could be in the range of \$250,000 to \$300,000.</p>
Timeline	<p>The timeline for implementation of an overarching business license program would be a minimum of 8-12 months from Council approval of the program.</p>
Who Pays	<p>While this fee would be paid by businesses, some portion of it may be passed on to the customers.</p>
Fairness & Indirect Implications	<p>The fairness of this fee would largely depend on its structure. A flat fee per business would be a greater burden on smaller businesses. Some jurisdictions have a fee structure that attempts to alleviate this issue; for instance, the fee may be based on number of employees and/or whether it is a home-based business. This fee would not be related to business profitability. It would be a deductible business expense for federal and state tax purposes.</p> <p>Research shows that Oregon ties North Carolina for having the lowest state and local business tax in the U.S.</p>
Sustainability Impact	<p>The license fee would increase the cost of doing business within the City of Eugene and would make the city a slightly more expensive place to do business.</p> <p>Businesses and residents in the city benefit from a favorable business climate associated with adequate provision of general government services, such as police and fire protection, parks and libraries.</p>
MTC Task Force Recommendation	<p>The Business License Fee was dropped from consideration since the effort required to implement the fee would not result in a substantial revenue source (less than \$2 million annually) and the administrative costs would likely be substantial. The revenue stream would be more appropriate for new City services.</p>

Budget Committee Revenue Team Comments	<p>Pros – Established precedent in many Oregon cities. Many new businesses expect the City to have an overarching program.</p> <p>Cons – Based on estimates it could be costly to administer. The purpose of most business license programs is to provide regulation and oversight of businesses, not to generate significant additional revenue. Current negative business sentiment towards City could be exacerbated.</p> <p>Political Feasibility – There was some difference of opinion as to whether there would be a high rate of acceptance of the fee by businesses new to Eugene. May be politically challenging if the business community rallies against a proposal.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

City Service Fee	
Description	<p>Service fees are typically set to recover part or all of the costs of a group of services broadly accessed by occupants of property in a city. These fees are billed to persons who occupy or have use of developed property. Unlike electricity, water, stormwater and sewer utility services, this fee would fund services that are not delivered directly to the property and are not directly measurable. The purpose of the fee is to provide stable funding to ensure the service remains available to the community.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a city service fee by ordinance. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p> <p>In January, 2007, the Oregon Supreme Court, in <i>Knapp v. City of Jacksonville</i>, upheld Jacksonville's public service fee. This case clarified that city fees for utility services may be charged to a person with the right to occupy or use property, but they may not be based on property ownership or value.</p>
Precedence	<p>Measure 20-211 on the May 21, 2013 ballot asked Eugene voters if they would rather pay a capped, monthly City Service Fee to maintain funding for certain community services, or have those services reduced or eliminated. The fee was defeated at the ballot, with 67% voting no.</p> <p>Several municipalities in Oregon charge city service fees for libraries, parks, street operations and maintenance, police and/or fire services.</p> <ul style="list-style-type: none"> • Gresham implemented a temporary Police, Fire and Parks Fee on households and businesses and a one-time surcharge on large businesses to help maintain essential police positions and keep fire stations open. The fee was implemented without a vote and expires in June 2014. The City will ask voters to replace the fee with a local option property tax levy on the May 20, 2014 election ballot. • Jacksonville enacted a Fire Protection Act in 2003 to move fire services from volunteer to paid fire service. In 2011, the rate was set at \$31/month on the occupant of each unit of developed property. • Medford charges \$4.60 per single-family home per month for police and fire services. Medford also charges a parks maintenance fee of \$2.95 per month per single-family home and business unit for maintenance and operation of city parks. • Newberg charges \$3 per residential unit per month for public safety services and \$1.50 per month fire fee. • Shady Cove charges a fee of \$15 per month per residential or non-residential unit, dedicating the revenue to police services.

Revenue Yield & Stability	<p>Yield will vary with the fee level. City service fee revenue usually supplements other resources. Fees are set with consideration of the impact on the customer as well as the target revenue yield. Service fee revenues are stable because the fee is levied broadly across the community and the typical basis for the fee (occupancy and use of property) is fairly inelastic.</p> <p>The 2013 proposed City Service Fee would have been a flat fee, capped at a maximum of \$10/month for residential and \$30/month for non-residential property. The actual fee would be set by council and could be less than the cap. To produce the \$5.3 million needed to fund the specified services, it was anticipated that the actual monthly fee would be less than the cap. Actual revenue yield would depend on how the fee was implemented in an ordinance that was never drafted because the measure failed at the polls.</p>
Administrative Effort	<p>Most cities collect service fees as part of the city's sewer, stormwater or water utility billing for a property unit. In many cities, this is practical because the cities operate and bill for their own utility services. In Eugene, this would require cooperation by EWEB. If the fee is levied on a per-unit basis and is included on existing EWEB utility bills annual costs of administration, billing, collection and enforcement could be relatively low. The City has talked with EWEB in the recent past about being the billing agent for the 2013 City Service Fee. City and EWEB staff would need to agree that the charges would be placed on the EWEB bill. Administrative costs could be much higher and the collection rate lower if the City had to develop and implement a billing process separate from EWEB. In addition, administrative costs would likely be higher if the basis of the fee requires development and maintenance of property-specific data on which to base the fee.</p>
Timeline	<p>Time would be needed to determine billing, collection and enforce processes. It would likely take a longer period of time, perhaps two years, to implement a new city service fee.</p>
Who Pays	<p>This would be determined through specific ordinance language, with a goal of broadly spreading the cost of community-wide public services to both residential and non-residential properties.</p> <p>For the 2013 proposed City Service Fee, the person who was responsible for paying the stormwater sewer service charges would be the responsible party for paying the City Service Fee. It was levied on developed property and there were different rates for residential vs. non-residential units. Council determined that 4J and Bethel would pay at the residential rate for any school owned by those districts. The measure included creation of a low-income assistance program that would be defined in the ordinance, which was never written as the measure failed at the polls.</p>

Fairness & Indirect Implications	The successes of cities that have implemented monthly fees for public services demonstrates that such fees can be seen as fair and can be politically feasible. However, given the recent experience in Eugene, it is likely that substantial additional community discussion would be required before a consensus on fairness emerges and a politically feasible approach could be developed.
Sustainability Impact	Some would consider this tax as regressive in that the fee is the same regardless of property value/household income. Low income households would pay a greater percent of their income than businesses/households with higher income unless there was an exemption or low-income assistance program.
MTC Task Force Recommendation	After a Restaurant Tax, the Task Force recommended a City Service Fee of between \$5 and \$10 a month to pay for services that are not deemed to be essential services such as public safety.
Budget Committee Revenue Team Comments	<p>Pros – Has the ability to raise a significant amount of revenue. Initial polling of the fee in 2013 was positive. May be well accepted if it is time limited and/or supporting specific new or existing services and programs.</p> <p>Cons – The 2013 ballot measure failed and it may be difficult to get the community to reconsider. Would require new messaging and an explanation as to how the gap was solved when the previous measure failed.</p> <p>Political Feasibility – There was some difference of opinion as to whether the community would accept a second attempt at a City Service Fee. May be politically necessary to allow more time before attempting another ballot measure.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Commuter Tax	
Description	<p>A commuter tax is levied specifically on non-resident workers employed within a jurisdiction. It is intended to fund a share of the costs of general-funded services that broadly benefit the non-resident worker and their employment.</p> <p>The tax can be a schedule of flat fees per employee or rates applied to wages and salaries. It may also apply to self-employed people. The rate schedule may vary depending on the industry or business activity.</p> <p>Employers typically deduct the tax from their non-resident employee's wages and salaries and remit the revenue to the taxing jurisdiction. The tax is often but not always imposed in conjunction with a parallel occupational privilege tax on residents, in which case the non-resident tax might be at a lower rate than the resident rate to reflect the difference in benefit received from public services. Commuter tax revenue would be available to the General Fund.</p>
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a commuter tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, or by citizen initiative or a successful referendum petition.
Precedence	This tax has been implemented by cities or counties in Alabama, Michigan, Missouri, Ohio and Pennsylvania. In Oregon there are currently no commuter taxes.
Revenue Yield & Stability	<p>Jurisdictions with commuter taxes in the form of flat fees generally charge from \$25 up to \$50 per worker per year. Among jurisdictions with the tax based on earnings, the tax rates range from 0.25% to over 2%.</p> <p>It is not certain that a commuter tax could be applied to all employees within the City, such as people working at federal and state agencies. Additional legal research will be needed on this issue. Exclusions will reduce estimated yield. Revenues vary with level of employment and wages.</p> <p>The commuter tax would be an ongoing revenue source, fluctuating from year to year to the extent that there are swings in the number of non-resident workers or their personal income earned within the City. In times of a general economic slowdown, revenue would drop, then rise again in a recovery. Long-term changes in the distribution of metropolitan area urban development, business location decisions and City annexation practices would affect the growth in revenue from a commuter tax.</p>
Administrative Effort	Administration and enforcement mechanisms and costs will depend on the tax's structure and complexity. It is possible that one to three FTE would be required.
Timeline	The tax may take from one to two years to implement.

Who Pays	The tax would be paid by non-residents working within the City of Eugene.
Fairness & Indirect Implications	Non-residents working within the City are benefited directly and indirectly by General Fund services but contribute little revenue to help fund City services unless they also own taxable property. A commuter tax could help improve horizontal equity of a city's tax system because it would be paid by non-residents who benefit from the provision of the range of City General Fund services that directly and indirectly benefits them and supports their employment within the City. The tax can include self-employed non-residents doing business in the City as well as non-residents employed by others.
Sustainability Impact	<p>A commuter tax would have a larger impact on low-income commuters who may not be able to afford to live in the Eugene metro area.</p> <p>The tax could encourage some commuters to move into the city limits, which could slightly decrease commuter tax revenue and possibly reduce fuel consumption.</p> <p>The tax could make it more difficult for businesses to recruit employees.</p>
MTC Task Force Recommendation	Not reviewed in Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Would capture revenue from non-residents that benefit from City services.</p> <p>Cons – May disproportionately impact those in lower paying positions that cannot afford to live inside city limits. Revenue raised would be used to support city services however the City and its employees might not be required to pay the tax. May be difficult and costly to administer.</p> <p>Political Feasibility – Would face challenges because public agencies and their employees would not be required to pay the tax. May be confused with the LTD payroll tax.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Corporate Income Tax	
Description	<p>A corporate income tax is different from a general income tax in that only for-profit corporations doing business or otherwise obtaining income from within the taxing jurisdiction are subject to the tax. Self-employed persons, sole proprietorships, partnerships and other non-corporate business entities are not taxed as corporations. Income from these businesses is taxed as personal income. S-corporations may or may not be subject to a corporate tax. Public agencies and governments are not subject to corporate taxes and non-profit corporations are exempted as well.</p> <p>It is usually implemented as a schedule of tax rates applied to corporate net taxable income earned within the taxing jurisdiction, or it may be in the form an excise tax based on the carrying of business within the jurisdiction. Corporate tax structures can be complex, differing widely in details of structure, implementation, and definition of income, rates, exemptions, credits and deductions allowed, and so forth.</p>
Legal Authority & Restrictions	<p>Under Oregon’s constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city’s boundaries. The City Council may implement a corporate income tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative, or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p>
Precedence	<p>The State of Oregon is among the 46 states taxing corporations based on either income or sales, whichever is greater.</p> <p>The State corporate tax rate on income is 6.6% of Oregon net income under \$1 million, or \$66,000 plus 7.6% on incomes over \$1 million. Alternatively a minimum excise tax of \$150 may be levied instead, based on sales of under \$500,000 in sales. This excise tax rises to \$100,000 for sales of \$100 million or more.</p> <p>Across the nation there are examples of local corporate taxes. The cities of New York, Detroit, Columbus, and Lansing are among cities using this revenue source. In Oregon, no local jurisdiction has imposed a corporate tax.</p>
Revenue Yield & Stability	<p>Revenue yield could be significant, depending on structure and rate schedule of the tax. A 2003 staff analysis estimated that a 1% corporate income tax could yield about \$2.7 million annually, while a 10% surcharge on State corporate income tax would yield \$1.8 million. Further analysis will be necessary.</p>

Administrative Effort	A City corporate tax could be administered and collected most efficiently as a surcharge on a corporation's existing State corporate tax liability. This would greatly simplify imposition of the local tax. Effort and costs to implement and administer a City corporate income tax would depend on whether the City could reach agreement with the State Department of Revenue to collect the tax as a surcharge on existing State corporate tax. If the City were to implement and collect the tax itself the administrative effort would be very high.
Timeline	Implementation would likely take several years.
Who Pays	Corporations conducting business or deriving income from within the City of Eugene would pay the tax.
Fairness & Indirect Implications	Although a corporate income tax is imposed on net income there is likely to be an indirect impact on the prices of goods and services because some or all of the cost of the tax would then be passed on in the wholesale or retail sale of goods and services, to be paid by the consumer.
Sustainability Impact	<p>A corporate income tax could discourage new businesses from establishing residence in Eugene, and could also encourage existing businesses to move to a lower tax city. This would result in an overall loss in taxes for the City.</p> <p>An increase in the price of goods or services as a pass-through to consumers would negatively impact low-income residents.</p>
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – A low rate would generate a significant amount of revenue. Can be structured to be somewhat progressive. Could potentially piggyback on state tax for more streamlined administration.</p> <p>Cons – Would be difficult and costly to enact and administer. Would target certain type of businesses (c-corporations) and provide a disincentive to forming them. Businesses that are able may choose to move outside city limits to avoid the tax.</p> <p>Political Feasibility – If implemented with other taxes/fees that apply to business owners it could be onerous and costly for that segment of the population. Business community would likely aggressively oppose this tax.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

E-Cigarette Tax	
Description	<p>This would be a tax based on sales or use of e-cigarettes and other personal vaporizers and vaporizer liquids. A personal vaporizer is a pocket-sized, battery-powered device for turning liquid into vapor, utilizing an atomizer. It converts e-liquid into a vapor that is inhaled and is meant to act as a simulant and substitute for tobacco smoking.</p> <p>Vaporizers and supplies are available in vapor shops in Eugene and Springfield, and are also readily available for purchase online. The tax could be applied at point of sale, or could be applied to gross value of the taxed sales. Online sales could not be taxed by the City. Revenue would be available to the General Fund.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a tax on admissions by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative petition or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p> <p>Currently, federal and Oregon law does not regulate sale or use of these devices. The Oregon Legislative Assembly has recently considered, but has not passed, legislation to limit access to personal vaporizers by minors and to regulate their use in public areas, similar to regulation of conventional tobacco use. Future legislation that regulates vaporizers might preempt the City's ability to tax vaporizer sales.</p>
Precedence	<p>A number of states and local governments have regulated sales of vaporizers to minors and several have restricted use of vaporizers in public spaces.</p> <p>As of December, 2013 only Minnesota has put in place a specific state tax policy for e-cigarettes, a decision reached in 2012. The products are subject to a 95% tax on the wholesale cost of the product. At least 30 other states are expected to consider vaporizer taxes of some kind this year.</p>
Revenue Yield & Stability	<p>Revenue yield would depend on the level of the tax and the vaporizer sales activity occurring within Eugene. Currently only two vapor shops are located in Eugene. Vaporizers and supplies may be available at other shops, and can readily be purchased online. Number and values of vaporizer sales within Eugene are not known at this time.</p> <p>If the City tax rate were high, consumers could avoid the tax by going to vaporizer shops in Springfield. The ready online availability of vaporizers and supplies will likely reduce the potential tax revenue.</p> <p>There is a possibility that the Oregon State Legislature may tax and regulate vaporizers, and could preempt local taxes on these items.</p>

Administrative Effort	Implementation, collection and administration of the tax by the City would likely require one or two FTE, depending on the number of shops that sell vaporizers and supplies. Businesses selling taxed items would have the administrative responsibility to collect and remit the tax to the City.
Timeline	This tax could likely be implemented within one year.
Who Pays	Consumers of vaporizers would pay a tax applied at point of sale. If the tax were applied to gross value of taxed sales, the business would be liable for payment and would likely pass on some or all of the tax to the customer in prices.
Fairness & Indirect Implications	A tax on sales of vaporizers and supplies would be considered regressive because it would not be related to ability to pay. Vaporizers are promoted as a more healthful alternative to smoking because they do not produce ash and other harmful particulates. Increasing the cost of vaporizers may have the effect of discouraging use of vaporizers, indirectly contributing to continued smoking by consumers.
Sustainability Impact	Social inequity would not be increased. Economic activity could be marginally decreased. If vaporizers were discouraged as an alternative to smoking due to increased costs of the tax, public health may be negatively impacted.
MTC Task Force Recommendation	Not included in Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – May be a growing market that could be captured before the State preempts local taxes with their own legislation. Could potentially support positive public health outcomes.</p> <p>Cons – May not initially constitute a significant amount of revenue, and those revenues may be outpaced by the cost of administration. Taxing a commodity that is easily purchased in surrounding areas or online could reduce the potential revenue.</p> <p>Political Feasibility – City would need to act quickly before a local tax is preempted by the State.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Heavy Vehicle Tax	
Description	<p>A heavy vehicle tax could be levied on vehicles over a certain weight and registered to an individual or business within the city. Since most heavy vehicles are used by business, the tax would be implemented as a business license tax, and payment of the tax would be a condition of doing business within Eugene.</p> <p>Studies have shown that although fuel consumption increases with size and weight, it does not increase proportionately with cost responsibility for damage done to roads by heavy vehicles. Above 26,000 lbs. the overall weight and axle loads become important factors in apportioning cost responsibility for damage to roads. For this reason the State of Oregon applies a weight-mile tax to heavy vehicles, while exempting these vehicles from the state motor vehicle fuel tax.</p> <p>The City of Eugene has imposed a local motor vehicle fuel tax since 2003. However heavy vehicles over 26,000 lbs. are exempt from the state fuel tax and are also eligible for an 80% refund for the local fuel tax. In addition there are vehicles below 26,000 lbs. that impose a heavier burden on city streets than passenger autos.</p> <p>The heavy vehicle business license tax rate would be proportional to the vehicle's weight & axle configuration. Mileage would probably not be a practical factor in determining the local tax. Heavy vehicles would be grouped into classes. Each class would have an assigned tax rate reflecting proportionate shares of estimated costs of the local transportation system they impose less the estimated local fuel tax revenue they contribute.</p> <p>The purpose of the heavy vehicle business license tax would be to impose a share of cost responsibility for local streets to heavy vehicles to recover revenue towards costs of damage such vehicles cause to the City's transportation system.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a heavy vehicle business license tax by ordinance without state enabling legislation. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would have to be dedicated to streets under Article IX of Oregon's Constitution.</p> <p><i>Revenue from a heavy vehicle tax would be subject to Article IX of the Oregon Constitution requiring that it be spent within the street right-of-ways. It may be possible to use the revenue for alternative mode activities within street right-of-ways, but it could not be used to plug the General Fund budget gap.</i></p>

Precedence	<p>The City has imposed a local motor vehicle fuel tax within Eugene. However, vehicles of over 26,000 lbs. are eligible for an 80% refund on the local fuel tax, as well as exemption from the state fuel tax.</p> <p>The U.S. Department of Transportation imposes a heavy vehicle use tax (HVUT) on heavy vehicles operating on public highways at registered gross weights equal to or exceeding 55,000 pounds. Vehicles between 55,000 and 75,000 lbs. pay \$100 plus \$22 per 1,000 pounds over 55,000 lbs. Vehicles over 75,000 lbs. pay \$550.</p> <p>An initial search has not identified any other municipalities with a heavy vehicle tax.</p> <p>State taxes based on weight or weight-mileage of heavy vehicles are common. The State of Oregon implements a weight-mile tax on heavy trucks, while exempting them from state fuel taxes.</p>
Revenue Yield & Stability	Additional direction and information is needed to estimate revenue.
Administrative Effort	A heavy vehicle business license tax could impose a substantial administrative burden. The program would require reporting by the taxpayer, use of Department of Motor Vehicles, PUC and ODOT data for administration, audit and enforcement purposes. It may be difficult to identify and license parties located outside the city that regularly conduct business in Eugene. A field capability will probably be needed. The program could be fairly expensive to administer, depending on its complexity.
Timeline	This tax would take a longer period of time to implement, at least one or more years depending on the necessary level of administration.
Who Pays	Businesses with registered heavy vehicles would pay.
Fairness & Indirect Implications	Any party conducting business in Eugene would be subject to the license requirement and tax. Heavy vehicles are operated primarily by businesses. Only heavy vehicles over a certain weight would be subject to the tax.
Sustainability Impact	If the tax were set too high business could begin using multiple smaller vehicles as a part of their fleet, thus increase fuel usage and trips made to conduct business at the same level.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Could be used to compensate for road damage inflicted by heavy vehicles.</p> <p>Cons – It may be possible to use the revenue for alternative mode activities within street right-of-ways, but it could not be used to plug the General Fund budget gap.</p> <p>Political Feasibility – Not discussed because this tax would not benefit the General Fund.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Local Option Property Tax Levy	
Description	A local option levy is a temporary property tax that is paid by all owners of taxable property within the City limits. The City could impose a local option levy for General Fund services for a maximum of five years or for capital projects for up to 10 years.
Legal Authority & Restrictions	New or additional property taxes must be approved by a majority of the people voting in a primary or general election.
Precedence	<p>The City has had three local option levies for the libraries. The first in November 1998 was a four-year serial option levy to raise \$8,760,000. The measure passed with 63.3% voting yes. In May 2002 another four-year local option levy was proposed and passed by 56% of the vote. This levy raised \$19,600,000 over the four-year period. The last City of Eugene four-year local option levy for the library was placed on the November 2006 ballot. This measure passed with 52.1% of the vote and raised \$10,750,000 over four years.</p> <p>In November 2008 4J proposed to renew a five-year local option levy to generate \$75,000,000 over the course of the levy through FY15. This passed with 63.7% voting in the affirmative.</p> <p>In May 2013 Lane County proposed a local option tax levy to fund jail beds and youth offender services. Over the five year period this levy is expected to raise \$79,459,479. The measure passed with 57% voting in the affirmative.</p>
Revenue Yield & Stability	<p>To fund \$3 million of operating costs with a five-year local option levy, a tax rate of about \$0.25 to \$0.30/\$1000 of AV would be needed, which would mean the typical homeowner would pay approximately \$50 per year.</p> <p>Local option levies are subject to the \$10/\$1000 of real market value tax rate cap for all general governments under Measure 5 which amended the Oregon constitution. Local option levies are the first to be reduced in the event of tax rate compression. This means that if the combined total levies for the overlapping general governments exceed the Measure 5 cap, any local option levies would be proportionally reduced until the tax rate limit is satisfied.</p>
Administrative Effort	Property taxes are administered by the County. The County prepares the tax bills, collects the funds, and remits the appropriate amount to the City on a regular basis. Enforcement is performed by the County in the foreclosure process.
Timeline	The deadline to place the measure on the ballot for the May 2014 election is February 10, and revenue could be collected starting in FY15. To be placed on the ballot for the November 2014 election the deadline is July 30, and revenue could be collected starting in FY16.

Who Pays	The tax is paid by all owners of taxable property within City limits. Property owners include business and residences. Businesses may choose to pass the tax on to their customers.
Fairness & Indirect Implications	<p>The property tax is a proportional tax on the assessed value of real and personal property for both businesses and residences. It does not take into account the ability of the taxpayer to pay the tax. There are numerous exemptions from the property tax designed to promote a variety of policy goals, including some designed to lessen the impact on low-income owners and tenants.</p> <p>A local option levy is not necessarily a long-term solution as future funding would be contingent upon voters renewing the levy in future years to continue the revenue stream.</p>
Sustainability Impact	An additional property tax levy could affect how affordable housing is in the community.
MTC Task Force Recommendation	Local option levy is not recommended because by statute the funding is limited to 5 years for operating purposes. The revenue from the levy is not ongoing and should not be used to pay for ongoing expenses.
Budget Committee Revenue Team Comments	<p>Pros – Could generate significant revenue if approved by voters. Limited duration may make this option more palatable to voters. City could demonstrate progress on program/service before asking voters to renew the levy. Could be used as a bridge to establishing a special district.</p> <p>Cons – Would not provide ongoing, sustainable revenue source because of the possibility of defeat at each election. Could result in Measure 5 tax rate compression issues depending on the amount, with subsequent loss of some revenue.</p> <p>Political Feasibility – Generally considered feasible because of community familiarity with property taxes as a General Fund revenue source and the short duration would provide City with the opportunity to establish public trust. More politically feasible if it is a service or program that is well-supported by the public.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Luxury Tax	
Description	<p>A luxury tax is a sales or excise tax that would be applied to the price of specific luxury goods or services. Luxury goods generally are products that are not considered essential and are purchased by very wealthy consumers. The tax has been typically applied to particular classes of luxury goods such as expensive vehicles, jewelry, airplanes, boats, etc.</p>
Legal Authority & Restrictions	<p>Under Oregon’s constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city’s boundaries. The City Council may implement a tax on admissions by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative petition or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p> <p>A luxury tax levied on motor vehicles might fall within the Oregon Constitution’s requirement that revenue from a tax levied on the “ownership” of a motor vehicle must be dedicated to roads. Additional legal research would be required. Real estate transfer taxes are prohibited at the local level in Oregon.</p>
Precedence	<p>In the United States there do not appear to be many local, state or federal luxury taxes. In 2011, Connecticut enacted a luxury tax in lieu of the sales tax on certain items: (1) motor vehicles exceeding \$50,000; (2) vessels exceeding \$100,000; (3) jewelry (real or imitation) exceeding \$5,000, and (4) clothing, footwear, handbags, luggage, wallets, umbrellas, or watches with a sales price exceeding \$1,000. The rate was initially 7% on all of these goods, but in 2013 the rate on luxury yachts was reduced to the same rate as the general sales tax (6.35%) due to the negative impact on the boating industry in the state. Some states have a real estate transfer tax rate that increases for higher value properties, such as New Jersey and New York. Other luxury taxes have been considered, but not enacted, such as consideration in Washington State recently.</p> <p>In November 1991, The United States Congress enacted a luxury tax that has since been repealed. This tax was levied on material goods such as watches, expensive furs, boats, yachts, private jet planes, jewelry and expensive cars. Congress enacted a 10 percent luxury surcharge tax on boats over \$100,000, cars over \$30,000, aircraft over \$250,000, and furs and jewelry over \$10,000. The federal government estimated that it would raise \$9 billion in revenues over the following five-year period. However, only two years after its imposition, in August 1993, the Congress decided to limit application of the tax. The revenues generated were disappointing and it also negatively impacted the incomes of the sellers of the luxury items. However the luxury automobiles tax was still active for the next 13 years until that was also repealed.</p> <p>Mexico levies a luxury tax on several items. Australia has levied the tax on luxury cars with a maximum tax rate of 33%. Hungary levied a luxury tax on yachts and cars whose value exceeded \$150,000.</p>

Revenue Yield & Stability	Revenue would depend on the sales values of the goods to which the tax would apply. Tax revenues would fluctuate with general economic conditions. Depending on the tax rate, a luxury tax could encourage some wealthy consumers to easily avoid the tax by purchasing luxury goods outside city limits. Alternatively consumers could purchase lower cost untaxed goods rather than higher cost taxed goods.
Administrative Effort	Implementation, administration and collection of the tax may require additional FTE, depending upon the structure of the tax.
Timeline	It could take from one to two years to fully implement.
Who Pays	The tax would be paid by the relatively few purchasers of the taxed luxury goods. Since the taxed goods would be expensive the purchasers would likely be wealthy households and businesses. The luxury tax would be relatively progressive because low-income and middle-income households would not normally purchase luxury goods, while wealthy consumers would be subject to the tax.
Fairness & Indirect Implications	It is likely that only wealthy households and businesses would pay the tax. The tax would have a negative effect on economic activity insofar that sellers of luxury goods would be discouraged from conducting business within the city.
Sustainability Impact	Social inequity would not be increased. Economic activity could be marginally decreased. There would be no burden passed on to future generations.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros –Would be paid by individuals perceived to have the most disposable income.</p> <p>Cons – Administration would be difficult whether it was structured as point-of-sale tax or ongoing personal property tax. Point-of-sale may risk driving purchases of expensive items to other cities without such a tax. Difficult to generate revenue because tax can be easily avoided by people with the capacity to purchase luxury goods. Taxes on motor vehicles must be used for road-related purposes.</p> <p>Political Feasibility – This was attempted at a federal level and did not generate significant revenue and was repealed within a few years of implementation.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Motor Vehicle Rental Tax	
Description	A tax imposed on people renting a motor vehicle from a commercial establishment within the city of Eugene. The two most common methods of rate calculation are a percentage of gross rental fee or a flat per day fee. Rates vary significantly among jurisdictions with percentages ranging from 1%-17% and flat fees ranging from \$2-\$4 per day.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a motor vehicle rental tax by ordinance without state enabling legislation. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund. Further legal analysis is needed to assess the legality of taxing rental companies at the Eugene Airport but the City may need to annex the Airport to enact the tax at that location.
Precedence	<p>The City has not previously enacted a motor vehicle rental tax.</p> <p>Lane County levies a car rental tax of 10% of the gross rental fee on all motor vehicles obtained from a commercial establishment in Lane County. The County's definition of a motor vehicle excludes vehicles designed and used primarily for the transportation of property (e.g. U-Haul moving vans) or vehicles rented for more than 30 days. Between FY04 and FY13 annual gross revenues ranged from approximately \$1.1 million to \$1.35 million. Revenues appeared to be significantly impacted by the recession in FY09-FY10. This funding has historically been dedicated to County Parks and the County General Fund.</p> <p>The City of Eugene Airport has imposed a Customer Facility Charge on car rental agencies operating at the Eugene Airport Location. The charge is \$2/day per car rented. The revenue is dedicated to financing improvements to facilities at the airport and is not available for General Fund services. The Customer Facility Charge generated approximately \$400,000 to \$500,000 annually over the past three years.</p> <p>It is estimated that 38 states and over 80 local governments impose a vehicle rental tax. Uses are varied and include construction of stadiums/arenas, transportation, education, arts/tourism and general fund activities. Multnomah County currently impose a tax equal to 10% of the gross rental fee charged by the commercial company for the rental. Multnomah County directs all funds received to the County General Fund.</p>

Revenue Yield & Stability	<p>The yield would vary dependent on the rate charged. In FY2006 approximately \$1.2 million in vehicle rental tax receipts were generated in Lane County. Two of the rental companies have facilities in Springfield and/or Cottage Grove and the split between Eugene and all others is unknown. Further information would be needed to accurately project revenues, including the legality of taxing businesses at the Eugene Airport.</p> <p>The revenue history for the past ten years shows this to be a stable revenue source, although this revenue could fluctuate somewhat with economic conditions, as people may travel less during a slowdown of the economy.</p>
Administrative Effort	Lane County currently collects the county-wide car rental tax quarterly. The City could ask the county to collect the additional City share and remit the funds to the City quarterly. The County currently deducts an administration fee from revenues before distributing funds to County Parks and the County General Fund. A similar fee could be deducted from the City of Eugene's portion before distribution.
Timeline	Because a mechanism already exists for collection of this fee within Lane County, this fee might be relatively simple to implement, if an intergovernmental agreement can be reached with Lane County for collection.
Who Pays	People/businesses who rent motor vehicles from rental companies located in Eugene.
Fairness & Indirect Implications	This tax would primarily be borne by non-residents, however some local residents rent vehicles such as when their car breaks down and they rent a vehicle for the time period their car is in the shop.
Sustainability Impact	<p>If the rate were increased high enough, there might be incentive for those renting vehicles (particularly those rentals not from the Airport or Amtrak station) to rent vehicles in Springfield.</p> <p>A high tax has the potential to dissuade some visitors from renting a vehicle and could perhaps encourage a higher use of alternative transportation methods.</p>
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Could possibly be broadly structured to not only include passenger vehicle rentals but moving vans to capture a larger market. Lane County and the Airport already charge a fee on passenger vehicle rentals. The majority of tax revenue would come from non-residents visiting the city.</p> <p>Cons – Would likely not include revenue from vehicles rented at the Airport because it is outside city limits at this time.</p> <p>Political Feasibility – Due to the established precedents this tax is feasible.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Paper Bag Fee	
Description	A paper bag fee was established by City Council by ordinance in October 2012. This option would direct some or all of the vendor paper bag revenue pass-through to the City.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may direct the paper bag fee to the City by ordinance. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>In July 2013 the City of Boulder, CO implemented a \$0.10 for every plastic or paper bag used at the checkout. \$0.04 is kept by the retailer and the remainder is sent to the city for administrative costs associated with developing and implementing the fee, providing reusable bags to the community, community educational efforts about disposable bag impacts, and related programs. At the time of implementation it was estimated that the city used 33 million checkout bags per year. The ban does not apply to restaurants, bulk or produce bags, newspaper bags, or any other kind of food packaging bags.</p> <p>In 2008 Seattle enacted an ordinance for a plastic bag tax of \$0.20 per bag. Stores with annual gross sales of under \$1,000,000 could keep all of the fees they collected to cover their costs. Other stores could keep 25% of the fees they collected, and would send the remainder to the City to support garbage reduction and recycling programs. The stores would get a business-tax deduction for the fees they collected. The bag tax was subsequently referred to the August 2009 ballot where the measure was defeated with 53% voting against it.</p> <p>Beginning in January 2010, all Washington D.C. businesses selling food or alcohol are required to charge a minimum \$0.05 for each disposable paper or plastic carryout bag. The businesses retains one cent (or two cents if it offers a rebate when customers bring their own bag), and the remaining three or four cents is submitted to the D.C. government and placed in The Anacostia River Clean Up and Protection Fund.</p>
Revenue Yield & Stability	Original estimates showed that prior to implementation of the plastic bag ban, Eugene used an estimated 67 million single-use plastic carryout bags each year and paper bag use was unknown. Further analysis is required to determine total paper bag use in Eugene if this option is selected for consideration.
Administrative Effort	There is no estimate for the cost of administration (including tracking), collection and enforcement efforts associated with this potential revenue source.

Timeline	If this option is selected for further action, revenue analysis and program scoping would require 3 months. Upon adoption of an ordinance, a reasonable timeline for implementation of collection of a paper bag fee would be 12-18 months to provide adequate time for Eugene businesses to change current operations.
Who Pays	Retailers that currently collect the fee as a cost pass-through would share some, or all, of the fee with the City.
Fairness & Indirect Implications	Currently the fee applies to all businesses. It is possible to structure it to exempt small local businesses based on square footage or sales revenues.
Sustainability Impact	<p>The fee for paper bags has previously been established in Eugene, and unless a decision was made to increase this fee, shoppers would not notice a change in program structure.</p> <p>Retailers would experience increased administration costs associated with tracking the purchases and remitting the required portion to the City.</p> <p>If the current fee is increased it could increase the number of reusable shopping bags and further decrease one-time use bags.</p>
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Existing ordinance in place that would only require an amendment to enact the change. Would not be a new fee to citizens, just a redirection of funds. Could expand application to plastic bags.</p> <p>Cons – Will be an unknown administrative burden to retailers and City will need to establish administrative process for collection and enforcement. Should be a diminishing revenue source as more shoppers adopt reusable bags. Opening ordinance for amendment could jeopardize entire program.</p> <p>Political Feasibility – May be some consumer pushback depending on where funds are directed. A clear nexus between the fee and its use may encourage support, such as parks maintenance and to a possible lesser degree the sustainability program.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Parking Tax	
Description	A parking tax is usually structured as an excise tax associated with the rental or leasing of parking spaces. It could alternatively be structured as a type of business privilege or gross receipts tax levied on businesses that provide parking to employees, customers or participants, and on industrial or fleet parking.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council could establish the tax by ordinance. It could also be placed on the ballot by citizen initiative, or referred to the ballot by Council or by a successful citizen referendum petition. Revenue would be available for General Fund services.
Precedence	<p>Parking taxes are currently in effect in at least 49 cities across the United States. The rates for parking taxes can vary considerably. As of 2014 parking taxes based on parking revenue ranged widely, from 6-40%.</p> <p>The City of San Francisco imposes a 25% tax on all commercial, off-street, non-residential parking. Miami has a 15% tax, Los Angeles' tax is \$5.07 per \$1,000 gross receipts and Pittsburg imposes a 40% tax. Chicago imposes a 20% tax for daily parking on weekends and 20% on weekday and long-term parking.</p> <p>In the state of Washington, the City of Bremerton imposes a 15% rate on commercial operators, while Bainbridge Island's rate of 30% applies to both private and public parking. The City of Seattle enacted a tax on commercial parking operators in 2006. The tax rate is 12.5%, added to the fee drivers pay to park in Seattle's commercial parking lots. Drivers pay the tax when they park but it is the responsibility of the business to charge and collect the tax. The business is liable for the tax whether or not it is collected.</p> <p>The City of Salem has had a Downtown Parking District since 1976 to provide funding for economic promotion and public parking within Salem's downtown core. The District is supported by tax assessments on all for-profit businesses of a proportionate share of the costs of the District, calculated on type of business, square footage and associated customer parking demand. Annual assessments currently range from \$200 for small offices to \$43,000 for the largest department store.</p> <p>The City of Eugene has used this revenue source in the past. In 1973 a measure was passed authorizing establishment of a Downtown Development District, including public parking and transportation and the power to tax in the district. This district is no longer in existence. From 1977 to 1986 voters approved several measures to levy a Downtown Free Parking District tax.</p> <p>The Eugene Budget Committee Citizen Subcommittee considered a parking tax as an option for funding transportation system needs in 2001, but decided not to pursue this option.</p>

Revenue Yield & Stability	<p>Parking taxes are usually a tax rate applied to the parking revenues generated by the owner or operator, or paid by the parking patron. Other less common approaches include a flat fee per space or transaction, or a tiered rate system based on parking location, type of parking and/or length of use. The tax could be based only on commercial parking or on all parking. This could include parking at office buildings, residences, on-street parking, and so on.</p> <p>Operation of the City of Eugene's parking system generates about \$4.3 million in revenue per year. Adding a parking tax of 10% would generate \$430,000, assuming there was no drop in parking demand as a result of the increased cost. There are no estimates available for the revenues generated by other commercial parking operators, such as Diamond Parking.</p> <p>In 2006 a parking needs assessment of only the Eugene downtown area was done. At that time the study identified about 15,250 spaces in the downtown area, of which approximately 5,000 were on and off-street publicly-owned spaces. The remaining approximately 10,000 are presumed to be free or paid commercial parking. If public parking was excluded and the owners/operators of these downtown commercial spaces were taxed \$60 annually per space then the tax would produce about \$600,000 revenue annually.</p> <p>As part of a 2007 study of transportation funding options, City staff estimated an approximate number of parking spaces citywide. Total parking spaces were estimated at 250,000, of which approximately 100,000 were nonresidential (estimate generated from impervious surface data) and 150,000 were residential (estimate generated from number of residential units). Beyond these approximate numbers no further information is currently available on citywide parking spaces.</p>
Administrative Effort	<p>Administration of this tax will require parking owners or operators to maintain reliable records of their parking revenues or their parking transaction activities, depending on the method of taxation. Under reporting of taxable activity is a difficulty faced by governments that have adopted a parking tax.</p> <p>The administration of a parking tax would fall on the various parties affected by the tax. For the City, operating costs would include the salaries of additional employees needed to collect, monitor, and enforce the tax. These costs would depend on the specifics of the tax structure and payment periods. Parking operators, building owners, and employers who charge their employees for parking, would bear costs for recordkeeping and remitting the tax. These costs could be passed onto customers.</p>
Timeline	The tax could be implemented within 12-18 months.

Who Pays	<p>A parking tax can be structured to be paid by the owners or operators of parking facilities, or by the direct users of the parking spaces. Taxes paid by owners or operators of parking facilities may be passed on to the direct users of the parking, depending on the economics of the parking market in the area.</p> <p>A parking tax would be paid by anyone who parks in the facilities that are subject to the tax. It is likely that non-residents would pay a significant share of the parking tax because about one-half of people employed in Eugene are commuters. If a parking tax were structured to capture revenue from all free and commercial spaces, then it would be paid by all businesses and residences. The City would probably not be able to levy this tax on parking provided by the federal or state government.</p>
Fairness & Indirect Implications	<p>The tax would increase the cost of parking in Eugene, which may have the effect of encouraging consumers to travel to neighboring cities that have lower parking costs. Studies in other cities have indicated that a 10% increase in parking costs could reduce parking demand by 2-4%, as a result of consumers using other forms of transportation, consolidating trips, or driving elsewhere for goods or services.</p>
Sustainability Impact	<p>A parking tax is considered regressive because it is not based on the income of a parking patron. Parking patrons that have no reasonable alternative to parking downtown for lower wage jobs or to access necessary shopping or services could bear a significant financial burden. If a parking tax were levied on all parking, including free parking associated with rental housing, lower income citizens would bear an additional significant financial burden.</p> <p>A parking tax could be seen as a way to encourage the use of alternate modes. For instance, the City of San Francisco's parking tax was implemented in the 1970's as part of an overall strategy to discourage the use of private automobiles. On the other hand, a parking tax could encourage suburban sprawl. If a parking tax is levied only on commercial spaces that generate parking revenue, the effect could be to encourage businesses to locate in outlying areas where parking is free.</p>
MTC Task Force Recommendation	<p>Not included in the Meeting the Challenge report.</p>

Budget Committee Revenue Team Comments	<p>Pros – Would provide a method for generating revenue from large events throughout Eugene. May generate some revenue from non-residents benefitting from City services. Could help to offset losses experienced by the City for providing parking. Could be structured in many different ways. Could apply to free or paid parking, public or private spaces, on-street or structured parking. May encourage development of sites downtown rather than keeping them for parking.</p> <p>Cons – May be unable to limit the tax to just downtown parking. Would likely not apply to universities, schools or other public agencies. Could be difficult to administer. A higher cost of parking could have a negative economic impact on some businesses, especially downtown. Some conflict of interest where code requires the provision of parking by businesses and then City taxes them on this requirement.</p> <p>Political Feasibility – Taxing residential parking would likely result in broad opposition. Business would likely oppose tax on non-residential parking.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Payroll Tax	
Description	<p>Payroll taxes are levied when employers pay employees their wages and salaries earned within the taxing jurisdiction. The tax can be applied to self-employed people as well as those employed by others.</p> <p>The tax can take the form of a flat fee per employee or a tax rate applied to gross earnings paid by an employer within the taxing jurisdiction. It can be levied on the employer based on the employee's wages, or the employee as a deduction from an employee's wages. In the latter case this tax would not be the same as a local income tax, which would tax all income after adjustments under applicable income tax laws. The tax revenue would be available to the General Fund.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a payroll tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or through a successful referendum petition.</p>
Precedence	<p>Many countries levy national payroll taxes of various kinds. In the United States we are familiar with income, Social Security, Medicare and unemployment taxes. All U.S. states also collect a range of payroll taxes, as do a number of cities nationwide.</p> <p>While there are no payroll taxes to generally support city or county services in Oregon, there are payroll taxes being collected under state law for the specific purpose of funding local mass transit. The State of Oregon collects a transit tax on gross payroll within the Lane Transit District (LTD) in Eugene/Springfield area and the Tri-County Metropolitan Transit District (Tri-Met) in the Portland area to provide partial funding for those districts. Transit districts do not have the home rule authority and so may not impose these taxes unless specifically allowed by the state statute.</p> <p>In 2003, Oregon legislature provided LTD with the authority to increase the rate annually until it reaches 0.7% in 2014. On January 1, 2013, the rate increased to .0069 (\$6.90 per \$1,000) of the wages paid by an employer and the net earnings from self-employment for services performed within the Lane Transit District boundary. Certain wages, such as those paid by the federal government units and public school districts are exempt from the transit tax under the state law. A number of other employers, including cities and the county and non-profits, are exempted from the transit tax by an LTD ordinance. While the University of Oregon is exempt from the LTD tax, the State provides payments to LTD in lieu of the tax. State in-lieu payments would not be available to the City if it imposes a payroll tax however.</p>

Revenue Yield & Stability	<p>According to an analysis completed in 2001, a 1% payroll tax in Eugene would raise an estimated \$29.6 million per year if applied to all gross payrolls. Legal review is needed to determine if there are payrolls that are likely to be exempt from a City payroll tax, including federal and state agencies and non-profits. Exclusions will reduce estimated yield.</p> <p>The most efficient way for the City to implement a payroll tax would be to use the same mechanism as the existing Lane Transit District payroll tax, imposed under state statutes and collected by the Oregon Department of Revenue. The current LTD tax rate is .0069 (\$6.90 per \$1,000) applied to districtwide subject gross payroll of about \$4 billion. This will produce over \$27 million in revenue for Lane Transit District in FY14. It is reasonable to assume that 40% to 60% of the subject payroll occurs within City of Eugene boundaries. Based on this rough estimate a City payroll tax at the rate of .001 (\$1 per \$1000) would gross between \$1.6 million and \$2.4 million annually. Further analysis will be needed to provide a more accurate revenue estimate.</p> <p>The amount of revenue collected is likely to mirror employment and wage trends and therefore correlate strongly with the current economic conditions in the area.</p>
Administrative Effort	<p>It may be possible to reach agreement with the State Department of Revenue to “piggyback” a local tax on the existing LTD payroll tax. If agreement can be reached collection would be done by the State Department of Revenue under agreement with the City. It is likely that the State would require compensation for administrative and collection costs. If the City of Eugene were to collect this tax on its own, the administrative and collection costs of doing so would be very high.</p>
Timeline	<p>Negotiations with the Department of Revenue could be time-consuming. Implementation would likely take two or more years, depending on the structure and means of administering and collecting the tax.</p>
Who Pays	<p>Depending on the structure of the tax, either employers or employees would be liable for the tax for wages or salaries paid within the City.</p>
Fairness & Indirect Implications	<p>In many or most instances a payroll tax paid by the employer would be passed on either to the employee through downward pressure on wages and salaries or to the consumer in the price of goods and services. If structured as a flat fee per employee the tax would be somewhat regressive. Structuring the tax as a rate applied to wages and salaries would provide a more progressive effect. More analysis would be needed to determine if the tax could be applied to public agencies and non-profit organizations. Employee-paid payroll tax is deductible by on state and federal income taxes.</p>
Sustainability Impact	<p>If the tax is passed from employer onto the employee this will be equivalent to a pay reduction in an economy that has seen stagnant or lower wages in the recession. Current living wage jobs could fall under that level as a result of a pass-through tax.</p>
MTC Task Force Recommendation	<p>The payroll tax was reviewed and was “not recommended” in the Meeting the Challenge report.</p>

Budget Committee Revenue Team Comments	<p>Pros – Ability to generate a significant amount of revenue when applying a small tax rate. Could be structured to apply to either the employer or the employee. Method for collection is already in place through LTD tax.</p> <p>Cons – Universities, schools and other public agencies and non-profits would likely be exempt. Employees making minimum wage may be impacted by even a small tax rate.</p> <p>Political Feasibility – The LTD payroll tax is generally considered unpopular but has established precedence for this type of tax in the area. Might be considered unfair because universities, schools, other public agencies and non-profits would likely be exempt.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Personal Income Tax	
Description	A tax on income of residents of Eugene.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a personal income tax on residents by ordinance. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>In November 1985 there was an income tax measure on the Eugene ballot. It failed 89% to 11%.</p> <p>In the summer of 1994 the City Club of Eugene issued a report suggesting the City Council consider a personal income tax.</p> <p>A personal income tax on incomes above \$100,000 to fund public safety services was considered and rejected by City Council in July of 1996.</p> <p>In 1997, the Council Committee on Finance reviewed multiple revenue sources that would stabilize the General Fund after the impact of Measure 50. The committee recommended that Council direct staff to develop an implementation plan for a business and personal income tax. Council took no action on the recommendation.</p> <p>In November of 1999, Lane County proposed an 8% income tax surcharge to support public safety needs. The measure failed, 74% no 26% yes; in Eugene it failed 68% no to 32% yes.</p> <p>In May of 2007, Lane County proposed a 1.1% income tax measure to support public safety needs. It failed 71.1% to 28.9% in Lane County.</p> <p>In January 2010 two statewide tax measures were passed by voters, one of which raised tax rates on income above \$125,000 to fund education, health care, public safety and other services.</p> <p>In a May 2011 special election, Eugene's Measure 20-182 proposed a temporary City income tax for schools. 62% voted against the measure.</p> <p>In 2003 Multnomah County passed a three-year temporary personal income tax on County residents to fund public schools, healthcare, senior services and public safety. The tax raised about \$128 million per year.</p>

Revenue Yield & Stability	<p>In 2011, Eugene's Temporary City Income Tax for Schools was structured with tiered rates applied to Oregon Taxable Income: incomes below \$22,000 were not taxed; between \$22,001 and \$35,000 had a rate of 0.35%; between \$35,001 and \$50,000 had a rate of 0.47%; between \$50,001 and \$75,000 had a rate of 0.75%; and income above \$75,000 had a rate of 1.2%. These rates were for joint incomes and single filer income levels were half of the joint levels. It was estimated that this would generate a net amount of \$16.8 million per year, after subtracting tax avoidance and evasion, exemptions and administration.</p> <p>Tax revenues would fluctuate with changes in personal income and mirror economic conditions.</p>
Administrative Effort	<p>For the 2011 Temporary City Income Tax for Schools, Eugene staff entered into discussions with the City of Portland Revenue Bureau about possible collections of this tax. Portland collected the Multnomah County income tax, as well as Portland's Business License Tax and Art Tax. In addition to a contract for tax collection, additional City staff would be needed to manage the program.</p> <p>The cost to administer a local income tax would be substantial. Compliance would be affected by whether employers would be required to withhold taxes. For Eugene's 2011 tax, employers would not have been required to withhold.</p>
Timeline	<p>This tax would take a longer period of time to implement, approximately one year. The City would have to establish a collection mechanism, either in house or through contract with another entity like the Portland Revenue Bureau, to establish procedures around the distribution of the tax. There would also need to be a significant information campaign to educate Eugene residents about their responsibilities for paying the tax.</p>
Who Pays	<p>Eugene's proposed 2011 income tax for schools applied to all Eugene residents.</p>
Fairness & Indirect Implications	<p>A personal income tax may be viewed as unfair especially given the high unemployment rate in the region since the recession. Lane County was unable to pass a personal income tax in a more stable economic environment. The tax could be structured to provide exemptions for low-income households, however this would increase the rate needed to generate a particular dollar amount and increase the associated administration costs.</p>
Sustainability Impact	<p>Generally an income tax is designed to be progressive, but the structure of the tax can increase or decrease progressivity.</p>
MTC Task Force Recommendation	<p>The Task Force agreed that the Personal Income Tax was the best, most fair tax to pay for a broad range of General Fund services, but it is politically unfeasible at the current time. Measure 66 which raises the personal income taxes State-wide and was on the ballot in January 2010 was the reason for not considering the tax any further.</p>

<p>Budget Committee Revenue Team Comments</p>	<p>Pros – Could generate a significant amount of revenue.</p> <p>Cons – May negatively impact the City’s economic prosperity initiatives. Would likely face significant, aggressive political opposition. Implementation may be difficult and costs of administration would likely be high.</p> <p>Political Feasibility – Generally determined to not be politically feasible, especially given the failure of the City’s 2011 ballot measure to fund schools.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Red Light Cameras	
Description	<p>A citation for violation of ORS 811.265 (Driver failure to obey traffic control device) may be issued on the basis of photographs from a camera taken without the presence of a police officer.</p> <p>This Photo Red Light option is presented as a means to generate revenue. It should be noted that EPD enforces traffic laws for public safety, not for the purpose of generating revenue.</p>
Legal Authority & Restrictions	<p>If a city chooses to operate a camera that complies ORS 810.434 (Photo red light), a citation for violation of ORS 811.265 (Driver failure to obey traffic control device) may be issued on the basis of photographs from a camera taken without the presence of a police officer if certain conditions are met.</p> <p>ORS 810.434 Photo red light requires:</p> <p>(1) Any city may, at its own cost, operate cameras designed to photograph drivers who violate ORS 811.265 (Driver failure to obey traffic control device) by failing to obey a traffic control device.</p> <p>(2) Cameras operated under this section may be mounted on street lights or put in other suitable places.</p> <p>(3) A city that chooses to operate a camera shall:</p> <p style="padding-left: 40px;">(a) Provide a public information campaign to inform local drivers about the use of cameras before citations are actually issued; and</p> <p style="padding-left: 40px;">(b) Once each biennium, conduct a process and outcome evaluation for the purposes of subsection (4) of this section that includes:</p> <p style="padding-left: 80px;">(A) The effect of the use of cameras on traffic safety;</p> <p style="padding-left: 80px;">(B) The degree of public acceptance of the use of cameras; and</p> <p style="padding-left: 80px;">(C) The process of administration of the use of cameras.</p> <p>(4) By March 1 of each odd-numbered year, each city that operates a camera under this section shall present to the Legislative Assembly the process and outcome evaluation conducted by the city under subsection (3) of this section. [1999 c.851 §1; 1999 c.1051 §327; 2001 c.474 §1; subsection (5) of 2001 Edition enacted as 2001 c.474 §3; 2003 c.14 §491; 2003 c.339 §1; 2005 c.686 §1; 2007 c.640 §1; 2011 c.545 §65]</p> <p>Revenue generated from the Photo Red Light could be used for the General Fund, net of any one-time or ongoing operational expenses.</p>

Precedence	<p>Beaverton, Medford, Salem and Portland all utilize Photo Red Light Cameras as allowed by ORS 810.434. Based on information from other communities, there appear to be a few key elements related to the implementation of a photo red light program.</p> <p>The primary purpose of the project is to increase the level of compliance with red light (stop) signals which may reduce the incidence of collisions directly related to red light violations. This affects the location, and therefore the traffic volume, anticipated under the program. Prior to actual implementation of a camera system, staff would conduct traffic surveys at intersections where historically high levels of red-light running have occurred. Based on the long-term experience of other communities, collisions directly related to red light violations are reduced only in the intersections where the systems are installed. Eugene has more than 700 traffic crashes annually on our streets. Photo red light systems installed in four intersections may reduce traffic collisions by roughly ten to fifteen. However, it's important to note that collisions at signalized intersections may be caused by a variety of factors that a camera system will not affect, so there is no guarantee that a camera system will be an effective strategy to improve overall traffic safety.</p> <p>A camera system may augment, but should not replace, any part of the City's current traffic enforcement efforts. Camera systems may be an effective deterrent to red-light running but do not necessarily effect other driving habits/actions. For example, recent targeted enforcement efforts have shown that contact with an officer often produces several additional beneficial outcomes by improving community safety through DUII enforcement, impounding vehicles from drivers without insurance or who are driving with a suspended license, etc. Staff recommends that resources currently devoted to traffic enforcement or any other public safety activity should not be diverted to this effort.</p> <p>Revenue generation should not be a goal of the system. Other jurisdictions have experienced significant public criticism in part due to the perception of implementing red light cameras in order to generate funds.</p>
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Revenue Yield & Stability	<p>In 2010, EPD contacted the cities of Beaverton, Medford, Salem and Portland regarding their Photo Red light Programs. Staff from Portland stated that the use of Photo Red Light was used to prevent and reduce accidents—not to generate revenue.</p> <p>According to Portland’s biennial report submitted to the 2011 Legislature, the program’s net revenue since its inception in 2002 is a net loss of \$47,000. In 2010 Beaverton’s data shows that the program has a cumulative net loss of \$425,000 since 2001. Medford’s 2010 data indicated that from FY08-09 they were averaging approximately \$30,000 in revenues although they were not charging program time for a coordinator, sergeant, and officer because this program is only a portion of their assignments. Salem’s 2010 data indicated that after subtracting vendor costs, annual revenue is approximately \$225,000-\$250,000, however this does not include costs associated with the Traffic Sergeant or any non-volunteer hours required to review the citations before they are issued. The data from Beaverton, Medford and Salem does not appear to include any FTE costs from the Prosecutor’s office who will generally experience increased caseloads and records requests associated with the alleged violations.</p> <p>When Photo Red Light was initially explored by Eugene in 2002 and 2004, estimates showed a negative impact to the General Fund. Similar programs in other cities have shown that drivers become aware of red light cameras and change their driving behavior which reduces revenue generated from this type of program and that these programs are put in place to promote public safety. It is unknown if this program would generate any net revenue or incur ongoing liability.</p>
Administrative Effort	<p>There are currently no specific estimates of the cost of administration, additional FTE, vendor contracts, and collection associated with this revenue source. Start-up cost estimates including the identification and survey of intersections would also need to be included. Additionally it is estimated that FTE may need to be added to both the City’s Municipal Court and the Prosecutor’s Office to process the additional citations that the program would create.</p>
Timeline	<p>If funding were available for the initial start-up costs, a pilot program would take about a year to implement.</p>
Who Pays	<p>The individual violating ORS 811.265: Driver failure to obey traffic control device. This could be both residents and non-residents of the city.</p>
Fairness & Indirect Implications	<p>The issuance of citations would directly affect only those violating traffic laws in intersections where the system is installed.</p> <p>Some states have forbidden photo red light systems when they were viewed as a means to unfairly generate revenue.</p>
Sustainability Impact	<p>A higher rate of compliance with red light signals may reduce collisions directly related to red light violations, possibly enhancing public safety.</p> <p>Opponents of photo red light programs frequently cite privacy concerns and scope creep (using the cameras for anything other than red light traffic infractions) as arguments against implementation.</p>

MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Could lead to positive changes in driving habits and compliance with traffic regulations.</p> <p>Cons – Revenue is not apparent and may be a net loss when accounting for all personnel required administering the program.</p> <p>Political Feasibility – Concerns about privacy could result in public resistance over implementation of such a program. May be feasible to promote not as a revenue option but as a benefit to public safety and traffic regulation adherence.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Restaurant Tax	
Description	Tax on sales of food and non-alcoholic beverages served by restaurants in Eugene. The tax is typically applied as a rate and paid by customers on their restaurant bill.
Legal Authority & Restrictions	Under Oregon’s constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city’s boundaries. The City Council may implement a restaurant tax by ordinance without state enabling legislation. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>Currently, there are two cities in Oregon that collect this tax. The City of Yachats collects a 5% tax that applies to most prepared foods and dispensed beverages, not including alcoholic beverages. Yachats City Council voted 4-1 in favor of the tax on November 6, 2006; collection of this tax started in July of 2007. Tax proceeds are dedicated to debt payments on the wastewater treatment plant. The ordinance that imposed the tax does not have a sunset clause, and contains a provision allowing the City Council to increase the tax rate in the future after a public hearing.</p> <p>The City of Ashland collects a 5% tax on all prepared food. One percent is used to purchase open spaces for parks and four percent is used to offset the costs associated with the building of the new wastewater treatment plant. The tax was to sunset in 2010. On November 3, 2009, Ashland voters voted to extend the 5% tax to 2030, 58.8% to 41.2% in favor. One of the factors in this vote was that the wastewater rates would have gone up by 55% had the tax not been renewed.</p> <p>In February 2011, Cottage Grove City Manager proposed for the ballot a 3% restaurant tax for continuing the operation of the aquatic center which previously had been funded by the owner, South Lane School District. This proposal was an alternative to creating a separate tax district to fund pool operations. The proposal was for a 3% tax on all prepared food and (non-alcoholic) beverages. The proposed tax did not apply to grocery items - only restaurant, deli or foods prepared for possible immediate consumption. Cottage Grove City Council voted 6-1 against placing the proposal on the May 2011 ballot.</p> <p>In March 1993, the City of Eugene proposed a 3% restaurant tax to be used as a general revenue source; the proposal failed at public vote with 60% opposed and 40% in favor.</p> <p>In major cities that have a “meals tax” it is in addition to sales tax – the combined taxes on meals range from 5% to almost 11%. The meals tax rates alone range up to 5.5% with the average being just over 2%.</p>

Revenue Yield & Stability	Revenues would fluctuate with changes in personal income and the economic environment. The 2007 Economic Census reports \$309,133,000 in restaurant sales in the City of Eugene. The Bureau of Labor Statistics reports that between 2007 and 2012 consumers spent approximately 0.4% more on food away from home. If levied at a 1% rate, this tax would raise approximately \$3.1 million annually before administration costs. If levied at a 5% rate, this tax would raise approximately \$15.5 million annually before administration costs.
Administrative Effort	If patterned after Ashland's process, businesses would remit the tax quarterly to the City. After the initial registration of all eligible businesses, staff time would be required to post payments, work with business owners and enforce the tax uniformly. Dedicated staff would be needed to perform this function. An effort will need to be made to clearly identify foods and beverages that are subject to this tax to make compliance easier for local businesses. A portion of the proceeds may be retained by the restaurants to help defray the costs associated with collections and remittance activities.
Timeline	This tax would take a longer period of time to implement, possibly one year or more. Lead time would be necessary to establish administrative and enforcement mechanisms.
Who Pays	Determining how much of this amount would be paid by out-of-town visitors vs. City residents would require additional research, as this data is not readily available.
Fairness & Indirect Implications	<p>In the current economic environment, an additional tax on food and beverages may be seen as unfair by some segments of the local community, including businesses and those representing low-income populations. One way to possibly address this concern is to exempt fast food.</p> <p>Although it is possible that some consumers may choose to go outside of city limits to avoid the tax, a small tax is unlikely to significantly impact local restaurant revenues, similar to the implementation of the gas tax.</p>
Sustainability Impact	In the political campaign of 1992-93, it was argued that this tax is regressive because low income households spend a high proportion of their income on "fast food". However, according to the Economic Research Service/USDA, "The wealthiest households tend to spend a greater share of their food budget on eating away from home than the least wealthy households: 47% versus 36% in 2008 – almost double the share of low-income households."
MTC Task Force Recommendation	The Task Force recommended a 5% Restaurant Tax.

Budget Committee Revenue Team Comments	<p>Pros – Could generate a significant amount of revenue. Two Oregon cities have established this tax. Could be structured to provide exemptions and a small tax rate. A portion of revenues could be dedicated to assisting restaurants with implementation and administration costs.</p> <p>Cons – Targeting one specific industry may be seen as unfair. May result in some lost business for Eugene restaurants. Restaurant margins may be too slim to absorb administration costs.</p> <p>Political Feasibility – Would be aggressively opposed by the Oregon Restaurant & Lodging Association (ORLA) and has previously been rejected by voters. Tax is a “dining out” tax or “prepared foods” tax and should be represented as such.</p>
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**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Sales Tax	
Description	<p>A retail sales tax is an excise tax levied on a range of goods and services at the point of final sale to an end-user or consumer. It can be imposed as a general sales tax applying to a broad range of goods and services. It can also be made quite narrow and selective in the range of goods and services subject to the tax. The tax can be structured to apply to leases and rentals as well as sales.</p> <p>It is usually levied only on sales of tangible personal property (goods). Services, real estate and financial instruments such as stocks and bonds are not tangible personal property and are usually exempt, although some jurisdictions do include specific categories of services as taxable services.</p> <p>Purchases of goods and services by households are generally retail sales and are taxable. Purchases by businesses are also taxable if consumed by the business, and goods consumed by business such as machinery and equipment (which wear out or are consumed slowly) and supplies that are used up in the production process but do not become part of the final product, are also retail sales. Wholesale sales are not taxable because those sales are not made to final consumers. Remote sales, such as purchases of goods over the internet, cannot be taxed unless the vendor has a physical location within the taxing jurisdiction.</p> <p>Typical exemptions from sales taxes include food for human consumption, prescription medicines, utilities, gasoline, animals and feed for animals, agricultural supplies, and items that become a component of goods manufactured for later retail sale. It is typically structured as a tax rate applied to the value of the sale. Different rates may be applied to specific categories of goods and services.</p>
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a retail sales tax by ordinance. Alternatively, the tax may be placed on a ballot by the Council or by referendum petition. Revenue would be unrestricted and available to the General Fund.</p> <p>State law prevents local retail sales taxes on alcohol and tobacco products and real estate transactions. Local taxes on motor vehicle fuel, real estate transactions and transient lodging are restricted. Internet sales from remote vendors are not subject to a local sales tax under federal court decisions.</p>

Precedence	<p>Forty-five states impose general sales taxes that apply to the sale or lease of most goods and some services, and most states also levy selective sales taxes on the sale or lease of particular goods or services. Many cities and counties across the nation have local sales taxes.</p> <p>The definition of retail sales and what goods and services are taxable vary among the taxing jurisdictions. Nearly all jurisdictions provide numerous categories of goods and services that are exempt from sales tax, or taxed at reduced rates. The purchase of goods for further manufacture or for resale is uniformly exempt from sales tax. Most jurisdictions exempt food sold in grocery stores, prescription medications, and many agricultural supplies.</p> <p>Oregon has no general retail sales taxes, but a number of selective retail sales taxes are in place. The State and a number of cities and counties, including Eugene, charge a tax on transient lodging. Ashland and Yachats have city retail sales taxes on restaurant meals.</p> <p>In Oregon, state taxes on tobacco and alcohol as well as state and local taxes on motor vehicle fuel are collected at the wholesale or distributor level. While these are excise taxes they are not retail sales taxes.</p>
Revenue Yield & Stability	<p>Revenue would depend on the structure and rates of the tax, and the range of goods and services to which the tax would apply. Tax revenues would fluctuate with general economic conditions. Changes in consumer spending may occur due to tax-avoidance behavior. Local sales tax is sensitive to interjurisdictional competition. Previous studies estimate that a 1 percent rate differential in local sales tax leads to a 3 to 7 percent decrease in retail sales.</p>
Administrative Effort	<p>Because there is no existing infrastructure in Oregon to collect a general sales tax, the effort to implement, administer and collect a local general retail sales tax would certainly be high, requiring several FTE to implement, administer, collect and enforce.</p>
Timeline	<p>Implementation would likely take several years.</p>
Who Pays	<p>This will depend on the structure and coverage of the tax. A general retail sales tax could apply to a broad range of consumers, while a more selective retail sales tax could apply to a much smaller number of consumers.</p>
Fairness & Indirect Implications	<p>A broad, general retail sales tax is regressive because lower income households typically spend a much larger percentage of their available income on goods and services subject to the tax, while households with higher incomes spend a smaller percentage of their available income on taxed goods and services. Typical exemptions for food for human consumption, prescription medicines, utilities and similar essential goods and services mitigates, but does not eliminate, the regressivity of a general sales tax.</p> <p>Selective, targeted retail sales taxes can be much less regressive, in particular when applies to goods and services that are non-essential or luxury purchases.</p>

Sustainability Impact	<p>Lower income households will experience a larger negative impact if a sales tax is enacted.</p> <p>Businesses may experience a significant increase in costs associated with administration of a tax that is generally not applied in Oregon</p>
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Could generate significant revenue.</p> <p>Cons – Would require significant administrative effort and would take a significant period of time to implement. A broad sales tax is regressive.</p> <p>Political Feasibility – Oregon voters have a long history of rejecting sales tax proposals.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Solid Waste Collection Fee	
Description	A surcharge on solid waste haulers using a percentage increase across account types. <i>If the purpose of this fee is to pay for the added damage that heavy garbage trucks place on Eugene's streets, then the revenue from the fee would go into the Road Fund and would not provide any relief for the General Fund shortfall.</i>
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a solid waste collection fee by ordinance without state enabling legislation. Alternatively, the fee may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	In 2007, a Council Subcommittee on transportation funding recommended charging road fees to heavy vehicles operating within the City. In 2008, the City Manager presented options to the City Council, including this surcharge. After several discussions and public hearings by both the City Council and the Budget Committee in 2009, the Eugene City Council voted not to adopt an ordinance which would have established a 5% surcharge on solid waste fee collection to generate an estimated \$900,000 for the operations and maintenance of city streets.
Revenue Yield & Stability	Based upon customer information submitted by haulers in the 2013 rate review and using the current rate structure, the equivalent of a 2.5% rate increase across all account types would generate approximately \$355,000 per year. For the average residential customer (a 32 gallon can collected once per week), the monthly increase would be \$0.51 if this cost were passed through to the customer.
Administrative Effort	<p>The City currently sets the solid waste rate structure used by haulers operating within City limits. The City sets rates to ensure the largest hauler achieves a target profit level of 11%. Any significant increases through a tax or fee would increase expenses and reduce hauler profit thereby requiring a rate increase.</p> <p>An alternative might be to have the haulers bill the same fee on their monthly statements as a "City fee" and remit the funds to the City. The haulers would have increased administrative costs associated with this added billing function and it is possible that rates might have to be raised to keep haulers at the target profit level.</p> <p>Both alternatives would require additional administrative oversight to ensure revenues received aligned with yearly customer counts and amounts collected.</p>
Timeline	Because there is already a collection mechanism in place, this option would take less time to implement than some other new revenue types.

Who Pays	Haulers would be responsible for collecting and remitting the fee to the City; however, citizens would pay either in the form of a direct line item on their bill or through increased rates.
Fairness & Indirect Implications	As the fee would be assessed on Eugene customer accounts, only city of Eugene residents would be assessed the fee. Both commercial and residential customers would be assessed the same percentage increase. Any significant increase would essentially raise rates, and have a financial impact on all citizens regardless of income levels.
Sustainability Impact	If customers perceive rates to be too high, they might haul their own garbage or illegally dump garbage creating additional disposal costs and potential environmental hazards.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – The administrative mechanism for collection currently exists so this would be relatively easy and inexpensive to implement.</p> <p>Cons – Fee singles out one industry, and this industry is not the only one that stresses infrastructure. If this is a fee to compensate for damage to roads, revenue would not be usable for General Fund.</p> <p>Political Feasibility – At this time Lane County is also considering raising tipping fee which may lead to difficulty in implementing City's fee at the same time or shortly thereafter.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Special Districts	
Description	<p>Special districts are governmental entities that provide a single service or a group of services within a delineated local service area. Oregon state law authorizes formation of many different special districts for particular purposes. Each special district has services, formation requirements, governance structure, revenue authority, and other powers and limitations described in the Oregon statutes, usually in a “principal Act” for each type of district.</p> <p>Some types of special districts may provide urban services that may also be provided by a city, such as fire protection or park services. However, a special district and a city may not provide the same services to the same territory.</p>
Legal Authority & Restrictions	<p>The formation process for most types of special districts is covered in ORS Chapter 198 – “Special Districts Generally”. Some types have additional requirements for formation that are found in the district’s principal Act. Applicable law also addresses annexation to an existing special district. Formation of or annexation to a special district requires voter approval.</p> <p>Each type of district’s principal Act describes its governing structure, service areas, revenue authority and debt authority. Most kinds of districts are operated under a separate elected governing board. Many, but not all, special districts can levy property taxes with voter approval, and some may charge fees or assessments for services. Special districts are subject to Oregon Constitutional property tax limitations.</p> <p>A new special district could be established within a city, or city territory could be annexed to an existing special district, if the applicable urban land use plan permits it. The adopted Metropolitan Plan of the City of Eugene currently restricts the use of special districts within the city. The Metro Plan would first need to be amended if a special district were to be established.</p> <p>If permitted by the Metro Plan, special districts could be considered to provide fire, emergency medical, park & recreation, or library services now provided by the City of Eugene.</p> <p>In the case of formation of a new special district a vote would need to be held on the establishment of the district, election of a governing board and a separate vote would be needed to approve a permanent property tax rate to support the district’s services.</p> <p>If annexation to an existing district were proposed a vote would be required on the annexation question, but the existing governing board and permanent rate of the district would automatically apply to the annexed territory if the voters approve the proposal.</p> <p>With either a new district or annexation to an existing district the City would need to terminate or transfer to the special district all current City services that would be provided by the district within the City’s territory.</p>

Precedence	<p>Special districts have a long history and are found throughout Oregon. Most districts provide services in rural or unincorporated urban areas but, as long as there is no duplication of services, special districts may also provide services within city boundaries.</p> <p>Several dozen districts currently provide services in areas of Lane County. Within the Eugene-Springfield metropolitan area special districts currently provide fire protection, ambulance services, library, and park & recreation services.</p>
Revenue Yield & Stability	<p>Each special district is granted particular revenue and debt authority by its principal Act. Some types of districts can charge fees or collect assessments for services. Many types are authorized to establish a permanent property tax rate and levy local option property tax levies with voter approval. Property tax revenue yield depends on the tax rate and the taxable assessed value of property within the district.</p> <p>The following lists a number of districts within the Eugene-Springfield urban area, with their current tax rates per \$1,000 of assessed value as of FY14.</p> <ul style="list-style-type: none"> • Willamalane Park & Recreation District: 1.9720 permanent. • River Road Park District: 3.0559 permanent / 0.4700 local option. • Santa Clara Rural Fire Protection District: 1.0439 permanent / 0.6000 local option. • River Road Water District: 1.9694 permanent. • Lane Rural Fire/Rescue: 2.1174 permanent. • Willakenzie Rural Fire Protection District: 3.0669 permanent. • Lane Library District: 0.5900 permanent. <p>Special districts are subject to property tax limitations under the Oregon Constitution, including compression of property tax revenue under certain conditions. Districts providing general governmental services, such as fire protection or park services share the general government property tax cap of \$10 per \$1,000 of real market value, along with cities and counties.</p> <p>When a special district is formed within a city or a city's territory is annexed to a special district, the city's existing permanent tax rate does not change.</p>
Administrative Effort	<p>A very high and sustained level of effort would be required to establish a new special district within the city of Eugene or to annex city territory to an existing special district.</p>
Timeline	<p>The formation process for a special district within city of Eugene would likely take at least two years. First the Metro Plan would need to be amended, which could take a year or more. The process of district formation or annexation could then take an additional year or more. The question would finally need to go to the ballot for voter approval.</p>
Who Pays	<p>After formation or annexation, owners of taxable property would be liable for district property taxes as well as city property taxes. A district may also be able to charge fees or assessments for services provided.</p>

Fairness & Indirect Implications	A special district is established and levies property taxes only with the approval of its voters. If a district serves territory within a city there may be increased likelihood of tax compression, which would reduce property tax revenue to both district and the city. The addition of a new governing board supporting specific services within the city could result in conflicting services priorities and less coordination of urban services overall.
Sustainability Impact	Establishment of a special district could provide urban services that are important for urban quality of life, that otherwise could not be funded by a city. The additional property taxes levied by a district would increase the overall tax load within the city, and could be a burden to households with limited income. Increased taxes could have a negative impact on economic investment within the city. There would not likely be an increased burden transferred onto future generations however.
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Popular services provided by the City (e.g. parks, recreation, library) may stand a higher chance of being accepted as a special district. Could possibly annex to an existing special district.</p> <p>Cons – Would take 3-5 years to implement due to the necessity of amending the current metro plan. Could result in Measure 5 tax rate compression issues depending on the amount, with subsequent loss of some revenue. Voter approval of district formation as well as ability to tax would be required.</p> <p>Political Feasibility – More politically feasible if it is a service or program that is well-supported by the public.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Transient Room Tax	
Description	A transient room tax (TRT) is levied as a rate applied to the cost of rentals of temporary lodging. The tax is collected from hospitality providers (hotels, motels, lodges, bed & breakfasts) and RV parks and campgrounds, including private, city, county, and state. Federal parks are exempt.
Legal Authority & Restrictions	<p>Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council could increase the fee by ordinance. It could also be increased by citizen initiative, referral to the ballot by Council or by a successful citizen referendum petition.</p> <p>State law requires that 100% of the revenue from the City's current 4.5% tax must continue to go to tourism promotion and tourism-related facilities; it cannot be diverted to other purposes.</p>
Precedence	<p>The City currently imposes a 4.5% tax under the authority of the City's Transient Room Tax Ordinance on all overnight stays in the City, including hotels and motels, campgrounds, retreat centers, RV parks, bed and breakfasts, and vacation rentals. The tax is collected by the lodging operator, who retains a collection fee of 5% of the amount collected and remits the balance to the city. City Code directs that all the revenue is placed in the Cultural Services Fund, which accounts for operation of the Hult Center, Community Events, Public Art and Cuthbert Amphitheater.</p> <p>Lane County also levies a transient room tax as does the State, making the current total tax rate within Eugene 10.5%.</p>
Revenue Yield & Stability	<p>The amount of taxes currently available for any given period, approximately \$1.6 million annually, varies with the lodging occupancy rate. State law requires that 100% of the revenue from the current 4.5% tax must continue to go to tourism promotion and tourism-related facilities; it cannot be diverted to other purposes.</p> <p>While all revenue from the current TRT must continue to go to the Cultural Services Fund, state law permits an increase in the tax rate to generate additional revenue of which at least 70% shall be used for tourism promotion or tourism-related facilities, while a maximum of 30% may be used for city operations not directly related to tourism. An increase in the Transient Room Tax and assignment of increased revenues could be accomplished by ordinance; a vote would not be required. City Code would also need to be amended if part of the increased revenue were to be directed to city operations not directly related to tourism.</p> <p>An increase in the tax rate from 4.5% to 5.5% could net about \$355,000 in revenue in a typical year. A maximum of 30% or about \$105,000 would be available for city services unrelated to tourism promotion or tourism-related facilities. A minimum of 70% or about \$250,000 would have to be used for tourism promotion or tourism-related facilities.</p>
Administrative Effort	An increase in the tax rate would require little additional administrative effort or costs.

Timeline	An increase could be accomplished within a few months.
Who Pays	Since the room tax is primarily paid by visitors and not city residents, an increase may be more widely accepted by the community than would alternative tax proposals that primarily tax residents.
Fairness & Indirect Implications	<p>An increase to the City rate would make the total tax within Eugene the highest of any city within Lane County. Lodging and other hospitality businesses have generally opposed increasing the tax or using the TRT revenue for other than tourism-related industries.</p> <p>Any increase in the tax rate would result in higher costs to persons renting lodging within the City. Depending on the size of any rate increase, this could make Eugene lodging less competitive and cause some visitors to obtain lodging outside the City. City revenue may not increase if our largest tourism related events and conventions go to more affordable cities. A possible negative economic effect may extend to our restaurants, retail stores, and small businesses throughout Eugene.</p>
Sustainability Impact	<p>An increase in room rates would disproportionately affect those without stable housing or in transition.</p> <p>The bulk of the tax would be paid by non-residents.</p>
MTC Task Force Recommendation	Not included in the Meeting the Challenge report.
Budget Committee Revenue Team Comments	<p>Pros – Good method for capturing revenue from non-residents. Would increase funding to promote tourism and cultural services. Cost of administration would be small because the collection mechanisms already exist.</p> <p>Cons – Would only generate a small amount of revenue for the General Fund. An increase could make Eugene’s the highest rate in the state.</p> <p>Political Feasibility – May be opposed by Travel Lane County and others representing the travel industry.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

Utility Consumption Tax	
Description	A tax on consumers for use of utility services; levied on the amount consumed or established as a flat fee per account. Utility services include electricity, natural gas, water, stormwater and/or wastewater.
Legal Authority & Restrictions	Under Oregon's constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city's boundaries. The City Council may implement a utility consumption tax by ordinance without state enabling legislation. Alternatively, the tax may be placed on a ballot by the Council, by citizen initiative or by referendum petition. Revenue would be unrestricted and available to the General Fund.
Precedence	<p>The City of Ashland imposes an Electric Utility User Tax. The tax is designed as a surcharge of 25% on monthly energy use. This tax generates revenue to fund general City services such as Police, Fire, Planning, Building and Senior Programs, offsetting property taxes. This tax generates approximately \$2.8 million annually. Ashland has a municipally-owned electric utility.</p> <p>In March 1996, the City of Eugene proposed a 1% utility consumption tax to fund low income housing which failed at public vote; 61% no to 39% yes. That tax would have dedicated 10% of the proceeds for low-income energy assistance programs.</p>
Revenue Yield & Stability	<p>If the tax were structured as a surcharge on the use of electricity, natural gas, water, storm water and wastewater a rough estimate for potential yield (numbers from 2010 analysis) was about \$2.2 million for every 1% surcharge. The monthly impact to the average residential user of electric, gas, water, storm water and wastewater services (numbers from 2010 analysis) was about \$1.25 for every 1% surcharge. Impact to commercial users is not provided as commercial consumption varies greatly by business. Residential consumption accounts for approximately 60% of the electric retail revenue collected by EWEB.</p> <p>A portion of the tax revenue would be needed to offset administrative costs for utilities to collect and remit the tax. An annual allocation could be set to help mitigate the financial impacts of the tax on low-income households. Implementation of these items would reduce the yield estimates given.</p>
Administrative Effort	Utility service providers (City, EWEB, NWNG) would be responsible for collection of the tax. An administrative fee for collecting and remitting the tax to the City could be negotiated with EWEB and NWNG. As an example, if an administrative fee of 5% of the tax were instituted, the foregone revenue would be approximately \$110,000 at the 1% tax level.
Timeline	This tax would take a longer period of time to implement, possibly a year or more, due to the negotiations and coordination with the utility providers who would collect the tax.

Who Pays	All consumers of the subject utilities in the city would pay.
Fairness & Indirect Implications	This tax would have a greater impact on large businesses, low income residents or those who are out of work. The tax could be structured to provide relief for low-income households but this would increase the rate and the administrative costs associated with the collection.
Sustainability Impact	<p>When the tax is established as a percent of consumption, large utility users are affected more than other users in the community. Developing a program to rebate some portion of the tax to large users could mitigate creating a barrier to economic development.</p> <p>The tax could lead to reduced consumption, a sustainable practice which is a high priority value for the City.</p> <p>An increase would be a greater financial burden to low-income households who have little to no discretionary income.</p>
MTC Task Force Recommendation	As an alternative to the Restaurant Tax, a Utility Consumption Tax of 1.5% that would net \$2 million annually after administrative costs and adjustments for low income and high volume users was recommended by the Task Force.
Budget Committee Revenue Team Comments	<p>Pros – Cost of administration would be small because the collection mechanisms already exist. Could be matched with another small revenue as a package of options to implement.</p> <p>Cons – This would be a regressive tax. Public agencies would be exempt from paying.</p> <p>Political Feasibility – Utility fees are consistently rising and consumers are sensitive to price increases so this option may not receive the necessary votes to implement.</p>

**General Fund Revenue Alternatives
Budget Committee Revenue Team – Winter 2014**

User Fees & Service Charges	
Description	<p>A user fee or service charge is paid by those who use and benefit from a specific public good, service or facility, as a condition for receiving or using it. A fee or charge is usually based on a share of the cost of the good, service or facility that is used. The revenue generated is retained by the fund within which the good, service or facility is budgeted and is used to defray some or all of the costs.</p> <p>The terms user fee and service charge are frequently used interchangeably, but “user fee” generally refers to payment for specific, discrete and time-limited admissions, events or services, usually imposed at the time and location the good or service is delivered or the facility is used. In comparison, the term “service charge” often refers to payment for multiple uses of goods, services or facility usage accruing over a period of time. Service charges may occur under a contractual arrangement, while user fees typically do not.</p>
Legal Authority & Restrictions	<p>Under Oregon’s constitutional home rule powers the Eugene City Charter grants the City Council broad authority over matters within the city’s boundaries. The Council may impose user fees and charges for services or facility use, and has delegated responsibility to the City Manager to administer user fees and charges for service consistent with the Eugene City Code.</p>
Precedence	<p>Most cities impose a range of user fees and service charges. The City of Eugene currently imposes fees and charges for more than 120 specific General-funded goods and services, with budgeted revenue of about \$9.7 million for the General Fund in FY14. It is possible to establish new charges for goods and services not currently charged for.</p>

Revenue Yield & Stability	<p>The City's user fees and service charges are adjusted periodically to recover increased costs of the good, service or facility. General Fund fees may provide all but more typically yield only part of the direct cost and overhead costs. Fees are usually set with consideration of the impact on the customer as well as the revenue yield. Some considerations that influence fee levels are a possible need to regulate demand for a good or service, a desire to subsidize a certain good or service, administrative concerns such as the cost of collection, the promotion of other goals. If fees are set too high, customer volume and eventually revenue may decline. If the fees are too low then not enough of the costs will be recovered to support the good or service. Fee revenues will vary with economic conditions, as the local economy fluctuates and households' disposable income increases or decreases. These concerns are usually taken into account when fees are set or contracts are negotiated.</p> <p>Revenue from new fees or increase of existing fees would be small compared to the General Fund budget gap. Many of the user fees and charges are routinely increased for inflationary cost increases so there would not be any additional gap-filling potential for those items. A number of fees and charges, such as fire and police charges, are billed out at cost, so they cannot be increased beyond the cost of providing the services.</p> <p>In the FY15 discussions with the Budget Committee, recreation user fees and charges, which total about \$2.8 million, are already slated for increases as part of the FY15 budget strategy.</p>
Administrative Effort	<p>Administrative effort for new or increased fees would be moderate. If a fee increase is considered then an analysis of costs, customer demand for the service, economic conditions and other considerations may be necessary. Development of new charges for service may require more substantial administrative effort. Once set or adjusted, charges are relatively simple to impose and collect at the time and place of delivery of the good or service.</p>
Timeline	<p>Charges for service are set administratively by the City Manager. Adjustment of existing charges may be done within a few weeks, while establishing new charges may take several months or longer.</p>
Who Pays	<p>User fees are only paid by users; nonusers do not have to pay the fee. On the other hand, increasing or expanding fees may exclude some lower-income households from accessing some goods or services. Equity can be a concern if charges are set so high that some people cannot afford to pay, even though they desire the service. City policy towards maintaining affordable charge levels may come into play to address equity concerns. Fees or charges for service can be avoided if the services they fund are optional to the customer. If fees are set too high, then fee revenue may suffer and the good or service may require greater subsidization from taxpayers as a whole.</p>
Fairness & Indirect Implications	<p>Perception of fairness will vary depending on the good or service involved and the level of the charge. Existing City charges are generally seen by Council and community as a fair way to generate revenue for the particular service provided.</p>

Sustainability Impact	<p>An increase in fees could have a larger negative impact on low income households or families that participate in City activities, making the events cost-prohibitive for those that the events may generally target.</p> <p>Raising user fees and charges could have a negative impact on the Council Goal of encouraging accessible, thriving recreation and culture, where arts and outdoors are integral to our social and economic well-being and are available to all.</p>
MTC Task Force Recommendation	The Task Force recommended reviewing existing fees for services regularly and making predictable, periodic adjustments to reflect the increased cost of the good or service.
Budget Committee Revenue Team Comments.	<p>Pros – Cost of administration would be small because collection mechanisms already exist.</p> <p>Cons – May not be a source of significant revenue because staff has consistently analyzed and implemented fee and charge increases where viable.</p> <p>Political Feasibility – When a clear nexus appears between the revenue source and program it may be seen as more palatable to implement increases. Recreation user fee increases are a part of the City Manager’s proposed FY15 Budget Strategies accepted by the Budget Committee.</p>

Revenues Brainstormed But Not Considered

CILT on Stormwater and Wastewater – In 2009, City Council approved an ordinance allowing the use of stormwater and wastewater funds for Road Fund purposes. The idea of a right-of-way payment or CILT on stormwater and wastewater came out of a recommendation from the City Manager in 2008. The two City utilities now pay 6% of their gross user fees to the Road Fund.

Increase in EWEB CILT – The EWEB General Manager and the Eugene City Manager reached an agreement with regard to changing the CILT payments prior to detailed discussion by the Revenue Team on this topic; therefore, no additional Revenue Team consideration was needed.

Increase Toxics Right to Know Fee to Cover Hazmat Team – Use of this fee is defined under the City's charter. Changing the fee to cover additional costs outside of the TRTK program would require a charter amendment, approved by Eugene voters.

Library User Fee – Charging a user fee for residents to use library services would require that the City undergo a “disestablishment process” to designate the library as a non-State sanctioned library (similar to Alvadore, Blue River, Dexter and the River Road/Santa Clara Volunteer libraries in Lane County). The implications of operating as a non-sanctioned library would be the loss of access to significant services and funding, such as inter-library loans, statewide database services, and state and federal grants. Those losses would far outweigh any revenue that could be gained from charging a library user fee.

Medical Marijuana: Product Sales Tax or Dispensary Fee or Tax – Current state statute places broad restrictions on local regulation of agricultural seed or products of agriculture seeds, which would include marijuana. Local taxes or fees are a form of regulation and are likely encompassed under the statutes that prohibit local laws or measures that regulate activities such as growth, distribution, marketing, and transportation. Additional legal research would be needed on this idea.

Sin Taxes – Taxes on alcohol and cigarettes. Local taxes for these items are prohibited by State law.

Sponsorships or Advertising – This has been considered by staff in the past, but because of First Amendment rights around free speech, the idea has been deemed not feasible. The City would likely want to be able to refuse advertising that was not in alignment with its goals and mission, but under the Constitution, this would not be possible.

Voter-Approved Redistribution of Bond Funds – This is possible, if City Council were to refer a measure to the ballot. Funds may only be used for capital purposes in accordance with State law, and would not be available for General Fund operating purposes.

Title: Increase Transient Room Tax

Description: The city currently imposes a 4.5% tax under the authority of the City's Transient Room Tax Ordinance on all overnight stays in the city, including hotels and motels, campgrounds, retreat centers, RV parks, bed and breakfasts, and vacation rentals. The tax is collected by the lodging operator, who retains a collection fee of 5% of the amount collected and remits the balance to the city. City Code directs that all the revenue is placed in the Cultural Services Fund, which accounts for operation of the Hult Center, Community Events, Public Art and Cuthbert Amphitheater.

The amount of tax dollars available for any given period, approximately \$2,800,000 annually, varies with the lodging occupancy rate. State law requires that 100% of the revenue from the City's current 4.5% tax must continue to go to tourism promotion and tourism-related facilities; it cannot be diverted to other purposes.

How could this idea help solve a budget gap? While all revenue from the current City Transient Room Tax must continue to go to the Cultural Services Fund, state law permits an increase in the tax rate to generate additional revenue of which at least 70% shall be used for tourism promotion or tourism-related facilities, while a maximum of 30% may be used for city operations not directly related to tourism. An increase in the Transient Room Tax and assignment of increased revenues could be accomplished by ordinance; a vote would not be required. City Code would also need to be amended if part of the increased revenue were to be directed to city operations not directly related to tourism.

What are some potential benefits? An increase in the tax rate from 4.5% to 5.5% could net about \$616,000 in revenue in a typical year. A maximum of 30% or about \$185,000 would be available for city services unrelated to tourism promotion or tourism-related facilities. A minimum of 70% or about \$431,000 would have to be used for tourism promotion or tourism-related facilities.

Since the room tax is primarily paid by visitors and not city residents, an increase may be more widely accepted by the community than would alternative tax proposals that primarily tax residents.

What are some drawbacks? Lane County also levies a transient room tax as does the State, making the current total tax rate within Eugene 11.3%. Eugene's total transient room tax is the highest of any city within Lane County.

Lodging and other hospitality businesses have generally opposed increasing the tax or using the Transient Room Tax revenue for other than tourism-related industries. An ordinance adopted by Council increasing the tax could be subject to referendum by voters.

What are longer-term or indirect implications from this idea? Any increase in the tax rate would result in higher costs to persons renting lodging within the city. Depending on the size of any rate increase, this could make Eugene lodging less competitive and cause some visitors to obtain lodging outside the City. City revenue may not increase if our largest tourism related events and conventions go to more affordable cities. A possible negative economic effect may extend to our restaurants, retail stores, and small businesses throughout Eugene.

August 10, 2017

Parks and Recreation Special District as a Revenue Option

November 1, 2017

In recent years, discussion regarding the formation of a special district to provide parks and recreation services in Eugene has generated some community interest. In accordance with that interest, and as part of their charge to identify sustainable revenue sources, the City Council Subcommittee for Parks and Recreation Security and Maintenance Funding took a closer look at special districts. Whether or not a special district would result in a sustainable revenue source for Parks and Recreation services is a complicated question. One must first understand some of the mechanics of the Oregon tax system.

Compression

Property tax Measure 5 was enacted by voters in 1990 and established a property tax rate “cap”. Compression occurs when the total taxes collected (including special districts) bump up against the cap, triggering a mandatory reduction in property tax revenue. In order to get a sense of what would happen if a Parks and Recreation special district permanent tax rate were added to City of Eugene tax bills, two different entities, the Lane County Assessment and Taxation (A&T) office and ECO Northwest, completed compression analyses.

The analyses of both Lane County A&T and ECO Northwest found that compression begins to occur with the addition of a tax rate of more than \$1/\$1000 and the impact grows as the new permanent tax rate gets larger. This would result in reductions of existing voter approved levies, including the Eugene Library levy, the Lane County Public Safety levy and the Lane County 4-H/Extension levy. The City of Eugene and Lane County permanent tax rates could also be affected depending on the amount of a new special district permanent tax rate and in times of recession when property values are depressed.

For a full explanation of the analysis, see:

- *Examples of the Impact on Compression from Extending a Parks District Permanent Tax Rate Inside the City of Eugene Boundaries, 9/26/2017*
- *Implications of Potential New Parks And Recreation District On Existing Taxing Districts, ECO Northwest memo from May 10, 2017*

Governance and Financial Considerations

A special district is an independent, special-purpose governmental unit that exists separately from other local governments and has substantial administrative and fiscal independence. Given that a Parks and Recreation special district would be a new form of governance in Eugene, there are additional factors to consider. The following table contains a comparison of a multi-purpose government (i.e. City of Eugene) and a single-purpose special district (i.e. Parks and Recreation District). Both governance and financial considerations are addressed, including the issue of compression as explained previously.

1

	Multi-purpose government	Single-purpose special district	Impact to Community from New Special District
Governance	Single set of elected officials and administrators for multiple services is less expensive and offers more efficient coordination between services.	ORS requires separate elected board for special districts.	Overall cost of providing services is increased due to duplicate administration required for two separate government bodies (i.e. Human Resources, Fleet, Technical Services, Risk Services, Payroll and Finance). Current efficiencies of shared equipment and staff with other City services would also be reduced (i.e. Public Works Maintenance, Facilities, EPD).
	Elected officials and administrators of a multi-purpose government have many needs and services competing for their time and attention.	A single-purpose oversight body can be focused on parks and recreation service delivery.	Community members may be more satisfied with the attention to issues specific to parks and recreation.
Financial	Cannot enact a permanent increase in property tax revenue.	Allows for creation of a new permanent property tax rate, or application of an existing permanent rate through annexation.	A new permanent tax rate would result in taxes going up for most taxpayers.
	Multi-purpose government allows for coordinated taxation and maximum flexibility to fund all services. Potential for competition between departments for resources from a single budget.	A special district taxing authority is single-purposed and reduces flexibility to coordinate taxation in support of all services. Does not compete with other departments for resources.	Adding a tax rate to Eugene tax bills for a new district could cause revenue loss to important community services, such as the library, public safety and 4-H, which rely on local option levies to fund portions of their services. Could also reduce City and County General Fund revenues, which could affect other important services at both governments.
	More diverse revenue sources can be tapped to pay for added services, but more potential for swings due to economic cycles.	More stable revenue base through economic swings, but less opportunity to adopt new sources to pay for added services.	Future opportunity to expand service level growth could be limited or there may be demand from community members for the City to pick up more services if the district cannot keep up with rising costs and service level growth.

Additional Variables

Variables that would need to be explored if a special district were seriously considered may have additional government and financial impacts. These factors include:

- Whether the City Council would transfer funding that is currently allocated to park and recreation services to the special district, or if those funds would be reprogrammed for other uses?
- Would existing parks and recreation service levels be maintained?
- What would happen to existing assets? Would ownership of park and recreation properties and facilities (as well as their maintenance and liabilities) be transferred to the special district?
- Would City employees become special district employees? Would employee total compensation costs increase, decrease or remain the same?
- How would outstanding City bonds for parks be addressed?

September 26, 2017

**Examples of the Impact on Compression from Extending a
Parks District Permanent Tax Rate
Inside the City of Eugene Boundaries**

The mechanics of the Oregon tax system are complex, and it is not easy to intuitively understand the potential impacts of adding an item onto the tax bill. In order to get a better sense of what would happen if a parks district permanent tax rate were added to City of Eugene tax bills, the Lane County Assessment and Taxation (A&T) office was requested to complete an analysis.

It should be noted that the analysis represents a rough estimate of two potential scenarios out of many possible configurations that could be considered or implemented. The purpose of these examples is to show a range of potential outcomes on all of the tax line items for the City and County.

Example Scenarios

Two scenarios were posed to A&T. The assumptions used in the analysis were:

- A new permanent tax rate of either \$1.50/\$1000 or \$3.0559/\$1000 would be applied within the boundaries of the City of Eugene.
- Nothing would change within the boundaries of the River Road Parks District (it would continue to levy its \$3.0559/\$1000 permanent rate and a local option levy).

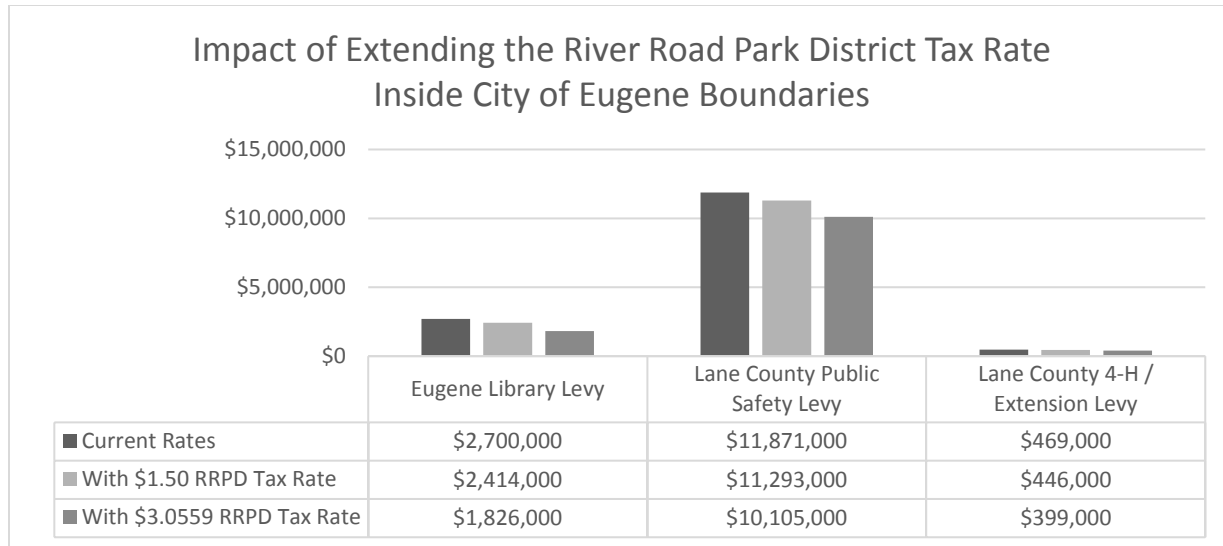
A&T simulated the methodology used to levy taxes, which is done on a property-by-property basis for all 50,000+ accounts.

Possible Impacts

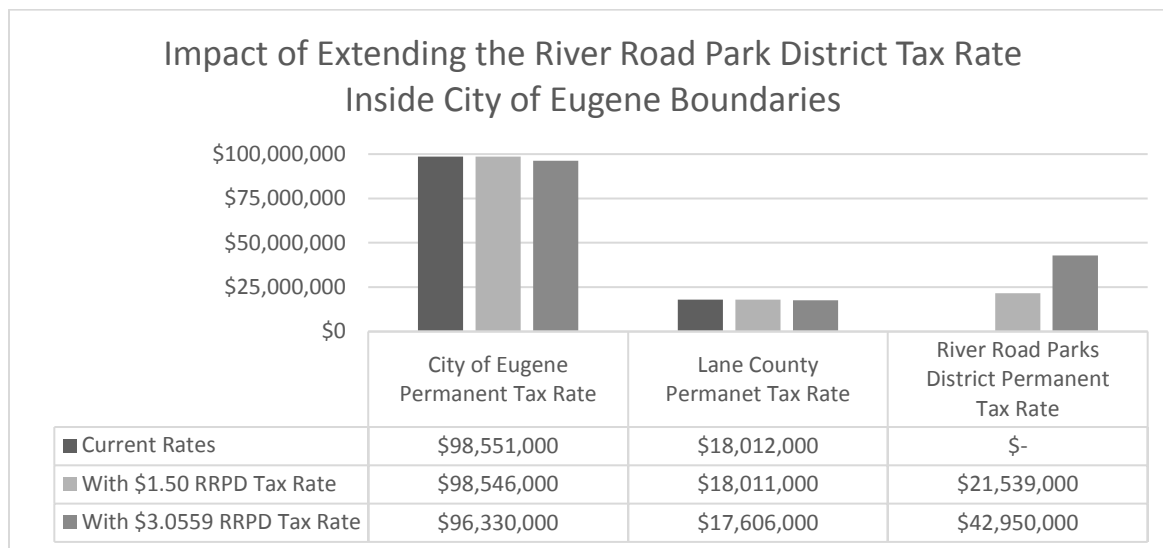
The impact for adding a new parks and recreation permanent tax rate within the City of Eugene would affect only those taxes included in the “General Government” category, which are the City of Eugene, the Eugene Library Levy, Lane County, the Lane County Public Safety Levy, the Lane County 4-H / Extension Levy and any new park and recreation district levy. The dynamics of the urban renewal division of tax calculations are too complex to model in these simplified examples, so those impacts are not included in the results. Education taxes and general obligation bond taxes are not affected by adding a new permanent tax in the General Government category for a park and recreation district.

Estimated Results

The graphs on the follow page show the approximate amount of gross taxes to be collected (not including the impact of the early payment discount or any delinquencies or adjustments). The first graph shows the impact on General Government local option levies from adding a new permanent tax rate in the same category. As would be expected, all of the local option levies lose revenue from the addition of a tax rate that is above \$1/\$1000, and the impact grows as the new permanent tax rate gets larger. With a \$1.50 new tax rate added, there is a total loss in the collective local option levies of nearly \$900,000, as shown in the graph., and compression in local option levies grows to \$2.7 million with a new tax rate of \$3.0559 added



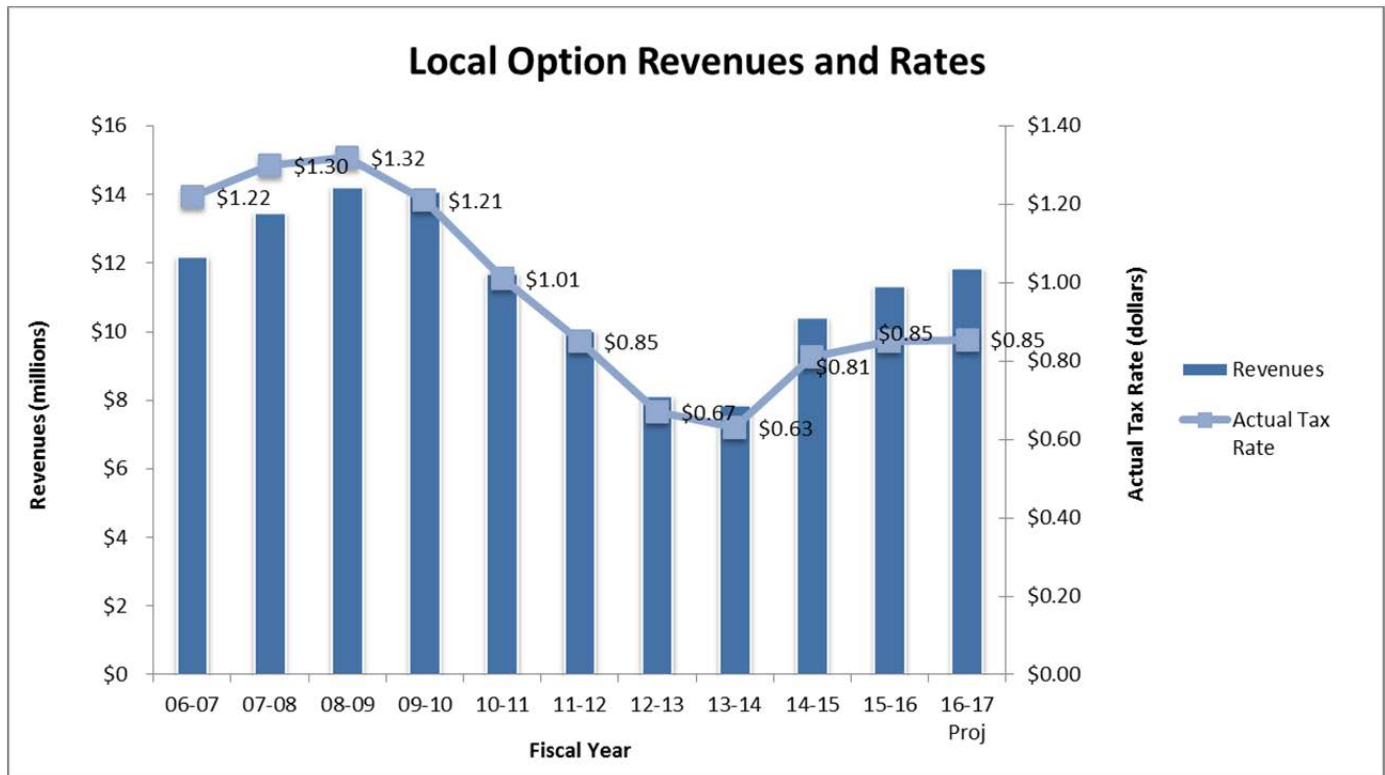
The second graph shows the impact on the General Government permanent tax rates from adding a new permanent tax rate in the same category. Permanent tax rates are affected by compression after the local option levies are eliminated from a property's tax bill. This will occur for certain properties that have a smaller amount of "room under the cap". The collective loss to permanent tax rates from adding a \$1.50 tax rate for a parks and recreation district is negligible, but at a rate of \$3.0559, the loss to the City's and County's general fund property tax receipts would total \$2.6 million. Combined compression losses for both local option levies and permanent tax rates would be approximately \$5.3 million with a new permanent tax rate of \$3.0559 added to the General Government category.



Additional Factors to Consider

This analysis shows a rough estimate of the impact from adding a new permanent tax rate in the current relatively strong economic environment. The impact will change over time, depending on the relationship of assessed value to real market value by individual property. This dynamic is unpredictable and results in difficulty for estimating property tax revenues, as has been experienced by School District 4J over the years. The attached information from the District's May 2017 forecast document shows the volatility of revenue in a compression environment.

Local Option Revenue



In May 2000, District voters approved a five-year local option levy of \$1.50 / \$1,000 of assessed property value. Since the passage of Measure 5 in 1990, this was the first opportunity for District voters to increase school operating funds above the state funding formula. Voters renewed the local option for another five years in November 2004, 2008, and 2014.

The stability of this revenue source is largely dependent on the real market value of each property in the District increasing by at least the same rate as the assessed value (which is limited to a 3% increase per year up to the real market value). In a slower economy, real market value may increase at a slower rate than assessed value or fall. This condition was evident from 2011 to 2014, as tax revenues fell from a high of \$14.2 million in 2009 to \$7.9 million in 2014. Since then revenues have increased each year and are projected to reach \$11.8 million in 2017 as home values continue to recover.

When the gap between real market value and assessed value is not sufficient to generate the full \$1.50 tax rate, a property is said to be “in compression” and the taxes paid are only a part of the tax rate imposed. On one end, if assessed value and real market value is the same for a particular property, no taxes are due. On the other end, if the assessed value is far enough below the real market value, the full \$1.50 rate is due. Most taxpayers are paying less than the full rate. Since 2006, the average “actual rate” received by the District has been as low as \$0.63 in 2014 and as high as \$1.32 in 2009. Beginning in 2010, falling real market values drove the actual rate down for five consecutive years. The past two years have shown increases and currently is projected to stay steady at \$0.85 in 2017.

The local option calculation requires that compression be calculated for each property separately and it is therefore difficult to predict the effect of compression on District revenue.



DATE: May 10, 2017
 TO: City of Eugene
 FROM: ECONorthwest (Lorelei Juntunen and Ali Danko)
 SUBJECT: IMPLICATIONS OF POTENTIAL NEW PARKS AND RECREATION DISTRICT ON EXISTING TAXING DISTRICTS

The City of Eugene asked ECONorthwest to produce this memorandum to provide input and discussion regarding: (1) how a new hypothetical parks district could affect revenue streams for existing intersecting taxing districts and their local option levies, and (2) the potential implications of a new district for local funding priorities.

Key Term Definitions:

Local Service District:

Independent government organization, authorized under Oregon law to provide specific service. Common examples are library districts, parks districts, and fire districts.

Taxing District:

For the purposes of this report, all government entities that impose a permanent rate.

Permanent Rate:

The tax rate imposed by a taxing district.

Local Option Levy:

Temporary tax rates that must be voter approved. Most taxing districts are allowed to impose levies. Operating levies and special levies to finance specific projects are examples.

Consolidated Rate:

In each tax code area, the sum of all property tax rates imposed by all overlapping taxing districts.

Local service districts (often referred to as *special districts*, and called special districts throughout this memorandum) are independent governmental organizations, authorized under Oregon law to provide a specific set of public services, such as fire protection, library services, or parks and recreation services. Special districts are typically employed when a separate public body is beneficial to ensuring focused policy attention, and when a steady stream of dedicated revenues is needed to ensure that those services are predictably provided. However, in Oregon, limitations on the total amount of revenue collected from property taxes can mean that a newly-formed special district could reduce revenues to existing taxing districts. The revenues from their collective *permanent rates* and *levies* cannot exceed the limits set in State law. These fiscal interactions are the focus of this memorandum.

The new district discussed here is entirely conceptual: there is no specific plan to form a new district that ECONorthwest can evaluate at this time. Based on input from City staff, we have assumed that the hypothetical district's boundary is contiguous with Eugene's Urban Growth Boundary (UGB). The proposed permanent rate for the new district is unknown. We assume that no new local option levies or special districts are currently proposed that could have contemporaneous fiscal impacts.

Summary

Because of the complexities of Oregon's property taxation system, in some situations, adding new taxing districts does not reliably result in net new revenue for local government operations. This occurs because of *compression*, or a mandatory reduction of property tax revenues to comply with state law when certain thresholds are exceeded. When compression occurs, it results in a de facto reprioritization of public priorities and funding to accommodate the new district: a redistribution of the same, limited revenue pie in a greater number of slices.

The key question explored in this memorandum, which is a very preliminary look at these fiscal issues, is whether a new district increases the risk of compression, and thereby the risk of revenue losses to the existing taxing districts and their local option levies to accommodate the new district.

Adding a new district will increase the risk of compression, but that the risk varies greatly by location within Eugene's UGB and by market cycle. The risk is greatest in declining real estate markets, and in areas that already have relatively high tax rates. Local option levies are most at risk because they are reduced first through compression, before permanent rates are affected. Bonds are never affected.

To begin to understand the potential magnitude of impact, we considered a hypothetical property with a value of \$300,000 and a relatively high tax rate of about 11.0 per \$1000 of assessed value (an approximation of a high-end consolidated rate in the Eugene UGB¹). We found that compression losses would total an average of about \$350 per year in a declining market even if the new parks district had a fairly humble permanent rate of 1.6 per \$1000 of assessed value. This is a worst case scenario (properties with lower tax rates would experience no compression in this same scenario), but, in a declining market, one that would be replicated across other properties in the City's UGB. The cumulative impact would require more analysis to understand, but could be substantial, especially for existing local option levies (which include Lane County Public Safety, Lane County 4-H/Extension, City of Eugene Library, River Road Park and Recreation District, Santa Clara RFPD, and Goshen RFPD).

When compression occurs, the result is reduced ability for existing taxing districts to reliably receive revenues from local option levies and, in some extreme cases, from their permanent rates. Even if the risk of compression from a new parks district is limited, a new district would use available 'headroom' under statutory limits that would then no longer be available for other districts or local option levies in the future, reducing overall flexibility in public funding. A new special district would also have its own elected leadership and government bureaucracies associated with it, which creates an additional layer of staffing and decision-making that can be inefficient.

In some cases, this additional decision-making and funding focus is necessary and beneficial, and is the reason for forming a new district. In Eugene, the impacts to other districts (which, depending on rates and market scenario, could be negative) must be carefully weighed against the potential benefits of increased focus.

¹ The highest rate is actually over 14.0 per \$1000 of AV, but these appear to be outliers that are not applied to any actual assessed value for tax collection purposes.

Context for Special District Revenue Collections

Key Term Definitions

Real Market Value:

Open market transaction price for a property. Changes with real estate cycles.

Maximum Assessed Value:

One measure of property value for taxation purposes, calculated based on formulas set in State statutes.

Assessed Value:

The value to which property tax rates are applied. Equal to the lesser of real market value and maximum assessed value

Measure 5 limits:

Constitutional limits on revenue collection from an individual property. No property may pay more than \$15 per \$1000 of its real market value (\$5 for education, \$10 for general government).

Compression:

Occurs when taxes on an individual property exceed Measure 5 limits. Components of the consolidated rate are “compressed” reducing revenues.

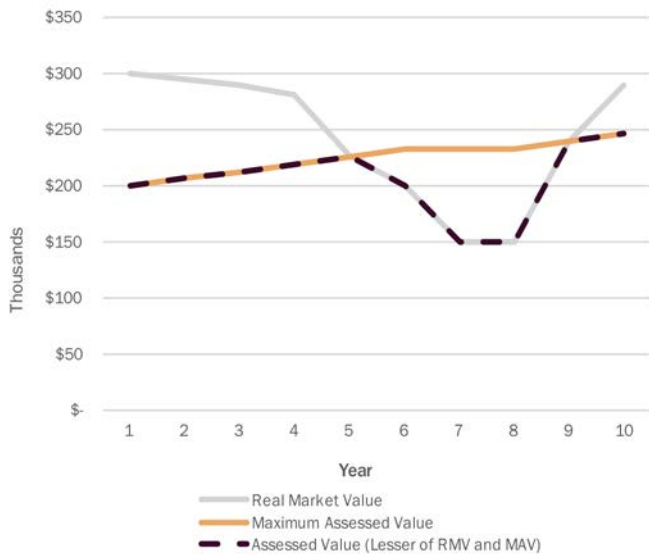
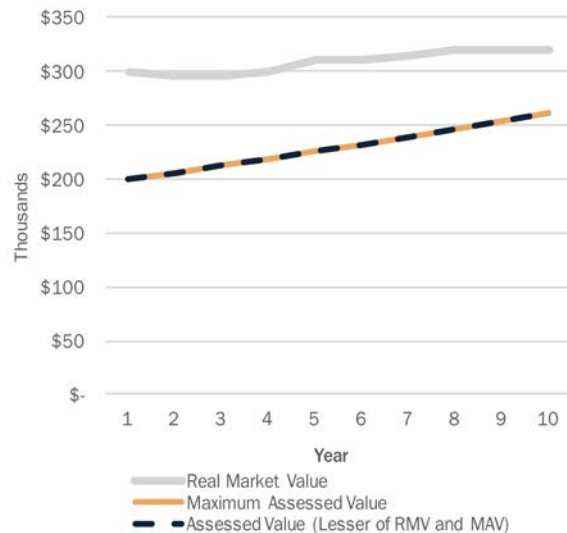
Several interacting limitations on property tax revenue apply to special districts. These statutory rules mean that the formation of a new special district may, in certain circumstances, limit the revenue collections of other, existing taxing districts and levies. At the same time, the combination of permanent rates and levies imposed by existing taxing districts can limit the revenue generation potential of the new special district itself.

To understand these interactions, we must begin with an overview of the property taxation system in Oregon.

Oregon’s property tax system distinguishes between the *real market value*, *maximum assessed value*, the *assessed value* of property. County assessors calculate each of these each year, as each play a role in determining the revenue that taxing districts receive from the rates they charge. Real market value is the price that a property would sell for in a transaction between two impartial parties (a sale price). The maximum assessed value is calculated formulaically, and grows according to statutory rules.² The assessed value of a property is equal to the lesser of the two values: real market value or maximum assessed value. Assessed value is the value to which property tax rates are applied to collect taxes.

Exhibits 1 and 2 show the interaction between real market value, maximum assessed value, and assessed value in two hypothetical market scenarios (one with declining home values, and one with growing home values). In the declining market, the assessed value of the home drops below the maximum assessed value, resulting in revenue losses to all taxing districts. This loss is distinct from what is known as *compression* loss, which is described next. However, it does have fiscal implications for all taxing districts in declining markets. Because the tax rates are applied to lower overall assessed values, total revenues to all districts are lower.

² The State established the maximum assessed value for each property in Fiscal Year End (FYE) 1998, with the initial value equal to 10% less than the FYE 1996 real market value. In most situations, the maximum assessed value increases by 3% each year, unless an exception event occurs, such as the expiration of property tax benefits, a change in zoning and subsequent change in land use, or (most commonly) new development or redevelopment occurs. The maximum assessed value for new development or redevelopment is determined through calculation of a ratio of the real market value to assessed value for similar properties (this ratio is called the *changed property ratio*).

Exhibit 1: RMV, MAV, and AV in a declining market for a hypothetical \$300,000 home**Exhibit 2: RMV, MAV, and AV in a growing market for a hypothetical \$300,000 home**

Oregon's legal framework places additional limitations on property tax revenue collections, beyond the interactions described above. It is these further limitations that create fiscal challenges for new special district formation. In 1991, Oregon voters approved Ballot Measure 5, which amended the Oregon Constitution to establish an upper limit on the amount of property taxes that the assessor can collect from each individual property. These limitations are **\$5 per \$1,000 of real market value for education** and **\$10 per \$1,000 of real market value for general government purposes**, for a total of \$15 per \$1,000 of real market value.³ These tax rate limitations are calculated based on real market value, whereas tax rates apply to assessed value. When the taxes on an individual property exceed the tax rate limitations, the amount of taxes imposed is reduced, resulting in *compression* losses for the impacted taxing districts.

A hypothetical new parks taxing district would impose a new *permanent tax rate*, which would become a new component of the *consolidated rate* (or combined tax rates for all overlapping taxing districts) imposed on each individual property. The revenues collected from that property would equal the consolidated rate per \$1,000 of the property's assessed value. A new parks district's permanent rate would be measured against the general government portion of the Measure 5 limits, which, again, are applied to the real market value (not the assessed value) of the property.

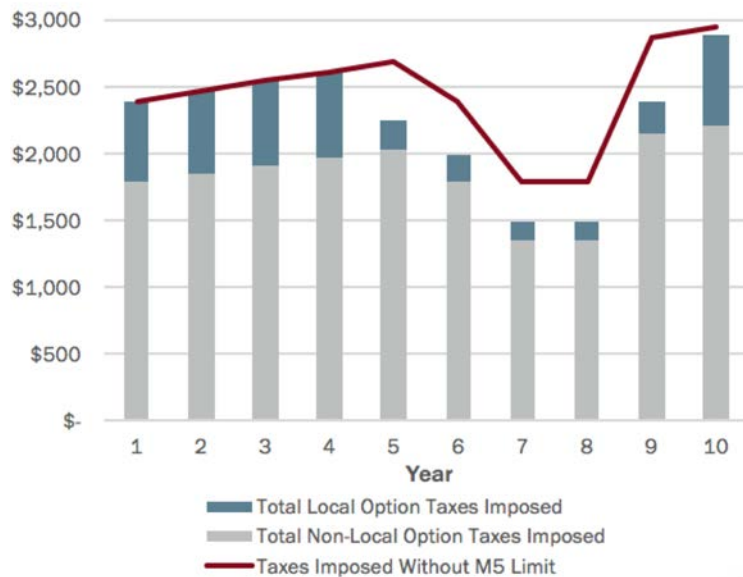
So, for any individual property, if the revenues collected for general government (based on the property's assessed value) exceed the limit of \$10 per \$1,000 of real market value for the property, the revenues for all overlapping general government taxing districts are compressed. If a new parks district increases the consolidated rate such that this limit is reached as a result of

³ General obligation bond rates are excluded from these tax rate limitations.

the new district, all general government districts would experience a proportionate reduction in revenue *from that property*. Schools would not be affected by a new parks assessment.

Exhibit 3 illustrates compression losses from revenues the same hypothetical \$300,000 home shown in Exhibit 1, in a declining market. The red line shows what revenues would be collected before Measure 5 limits are imposed, and the bars show the revenues that are actually imposed as a result of Measure 5 limits. The difference is compression loss. For the sake of illustration,

Exhibit 3. Illustration of compression impacts in a declining market, for a hypothetical \$300,000 home



Source: ECONorthwest

we use a declining real market value scenario, in which real market values are falling and assume example tax rates⁴ which, when applied to the real market value, would exceed the Measure 5 limits for general government permanent rates. In this example, local option levies are affected, but permanent rates are not.

Therefore, in some cases, adding new taxing districts and permanent rates to the consolidated rate does not reliably result in net new revenue to local government operations. Instead, it

results in a de facto reprioritization of public priorities and funding to accommodate the new district: a redistribution of the same, limited revenue pie in a greater number of slices.

Calculating the amount of compression losses is complicated, because it requires an assessment of the interaction between changing real market values (which fluctuate with real estate markets) and maximum assessed values (which grow and change formulaically). A new taxing district might result in compression some years on some properties, and in other years may not.

However, in general, if the consolidated rate remains below the Measure 5 limits even with a new taxing district added, and real market values are growing more quickly than assessed values, the danger of compression is very low.

⁴ \$3 per \$1000 of AV for general government local option levies, and \$9 per \$1000 of AV

Details: Potential Impacts in Eugene

Exhibit 4. General Government tax rates and local option levies inside of the City of Eugene's UGB, FYE 2017

Overlapping General Government Districts	Permanent Rate	Local Option	Total
Bailey Spencer RFPD	\$ 2.3930		\$ 2.3930
City of Eugene	\$ 6.8683	\$ 0.1880	\$ 7.0563
Eugene Urban Renewal Downtown	\$ 0.1685		\$ 0.1685
Eugene Urban Renewal Riverfront	\$ 0.1580		\$ 0.1580
Emerald People's Utility District	\$ -		\$ -
Eugene RFPD No. 1	\$ 2.5417		\$ 2.5417
Eugene Riverfront and Research Park Plan Area	\$ -		\$ -
Junction City Water Cont Dist	\$ 0.2523		\$ 0.2523
Lane County	\$ 1.2793	\$ 0.3950	\$ 1.6743
Lane Rural Fire/Rescue Dist	\$ 2.1174		\$ 2.1174
River Road Park & Rec District	\$ 3.0559	\$ 0.4700	\$ 3.5259
River Road Water District	\$ 1.9694		\$ 1.9694
Santa Clara RFPD	\$ 1.0439	\$ 0.4500	\$ 1.4939
Santa Clara Water District	\$ -		\$ -
J Goshen RFPD	\$ 1.7196	\$ 0.5000	\$ 2.2196
Willakenzie RFPD	\$ 3.0669		\$ 3.0669
Willamalane Park & Rec Dist	\$ 2.0074		\$ 2.0074
Zumwalt RFPD	\$ 2.3419		\$ 2.3419

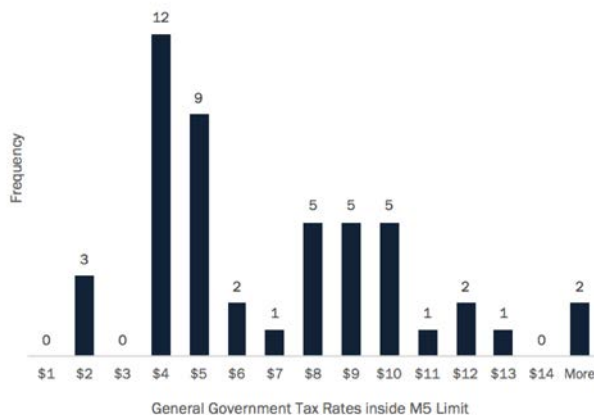
Source: Lane County Assessor, FYE 2017

Given the complexities of Oregon's property taxation system, the key fiscal question is: will the permanent rate and levies associated with the new district increase the likelihood of compression, and result in losses for taxing districts?

We start with a look at the existing consolidated tax rates in Eugene. There are 49 tax code areas, or geographies with unique combinations of the overlapping taxing districts that are categorized as general government⁵ inside of the Eugene UGB. These are shown in Exhibit 4.

The consolidated rates applied to properties inside of the UGB vary greatly depending on which tax code area each property is in, and therefore which combination of general

Exhibit 5. Distribution of general government rates for tax code areas in the City of Eugene UGB, FYE 2017



government rates apply. Consolidated rates range from 1.6743 to 14.5274 per \$1000 of AV. The distribution is shown in Exhibit 5.

Some properties within the Eugene UGB are *already* experiencing compression, even in the current expanding market with growing real market values. The current losses are relatively small for general government (up to a maximum of \$70 across one entire tax code area) and most tax code areas experienced no losses in FY15-16.⁶ However, the fact that any losses are occurring at all in the current market suggests that the upper end of this rate

⁵ This Exhibit and the remainder of this analysis focuses only on general government tax rates (rather than education tax rates) as a parks district would affect only the general government taxing districts and levies with potential compression losses. School districts and local options would not be affected by a new parks district.

⁶ Lane County Assessor, 2017

distribution is brushing against the maximums allowed under Measure 5, and that a declining market will certainly lead to increasing compression losses for more properties.

To explore how much “headroom” there might be above this rate before compression occurs, we created a few simple scenarios linked to the hypothetical \$300,000 home and the market scenarios described in Exhibits 1 – 2 on previous pages, and the weighted average permanent and local option rates for all tax code areas in Eugene.⁷ We found that the maximum rate that a parks and recreation district could charge in the declining real market value scenario (which is more subject to compression losses) is about **\$1.62 per \$1000 of AV**, and in the improving market scenario, is about **\$3.88 per \$1000 of AV** for this example property. While many other factors would need to be considered to understand compression risks, using this lower rate and a poor market scenario might be one way to think of a ‘safe’ rate. It appears to be possible under Measure 5 limits without causing significant compression even in a rapidly declining market.⁸

Exhibit 6. Compression from one property with and without a hypothetical new parks district, declining market scenario

Year	Compression Without Parks and Rec District		Compression with Parks and Rec District	
	Local Option	Non-Local Option	Local Option	Non-Local Option
1	\$ -	\$ -	\$ -	\$ -
2	\$ -	\$ -	\$ -	\$ -
3	\$ -	\$ -	\$ -	\$ -
4	\$ -	\$ -	\$ (87.15)	\$ -
5	\$ -	\$ -	\$ (132.98)	\$ (589.77)
6	\$ -	\$ -	\$ (118.15)	\$ (524.00)
7	\$ -	\$ -	\$ (88.61)	\$ (393.00)
8	\$ -	\$ -	\$ (88.61)	\$ (393.00)
9	\$ -	\$ -	\$ (141.08)	\$ (625.68)
10	\$ -	\$ -	\$ (145.31)	\$ (204.20)
Average			\$ (80.19)	\$ (272.97)
				\$ (353.16)

Source: ECONorthwest.

Notes: Table assumes a version of a ‘worst case’ scenario. Declining market assumptions described in Exhibit 1. Uses among highest existing tax rates for local option levies and permanent rates.

This rate, however, is not risk free, and adding it to the consolidated rates inside the UGB may result in compression in some areas. As is evident in Exhibit 6, many tax code areas in the City’s UGB have higher rates than the weighted average rate (about 7.8 per \$1000). Adding a new parks and recreation district with a rate of 1.62 per \$1000 to tax code areas with higher consolidated rates leads (say, 11.0 per \$1000, one of the higher rates in the UGB) to compression losses ranging up to an average of \$353 per year (depending on market scenario) from that one

⁷ To arrive at a reasonable assumption for a ‘common’ consolidated general government rate across all tax code areas, we weight the average by the portion of total assessed value in all 49 tax code areas: 7.7926 for permanent rates and .5908 per \$1000 of AV for local option levies. Six tax codes were omitted because their assessed value was not reported.

⁸ Additional analysis would be necessary if a district is formed to evaluate the impacts of rates, with special consideration given to determination of realistic declining market scenarios. This is a quick look at one hypothetical property, and cannot account for the full range of market conditions.

hypothetical property (see Exhibit 6). Because local option levies are compressed first, they are hardest hit. Currently, local option levies within the City's UGB include:

- City of Eugene Library local option levy
- Lane County Public Safety local option levy
- Lane County 4-H/Extension local option levy
- River Road Park and Recreation District local option levy
- Santa Clara Rural Fire Protection District local option levy
- Goshen Rural Fire Protection District local option levy

From a certain perspective, this is an unlikely worst case scenario (properties with lower tax rates would experience no compression in this same scenario), but, in a declining market, it is one that could be replicated across other properties in the City's UGB. The cumulative impact would require more analysis to understand, but could be substantial, especially for existing local option levies.

Implications

Based on this preliminary analysis, increased compression risk associated with forming a new parks district is a possible outcome. When compression occurs, the result is reduced ability for existing taxing districts to reliably receive revenues from local option levies and, in some cases from their permanent rates. This situation also reduces flexibility for existing taxing districts to add future local option levies or increase their permanent rates when needed. Even if the risk of compression from a new parks district is limited, a new district would use available 'headroom' under statutory limits that would then no longer be available for other districts or local option levies in the future, reducing overall flexibility in public funding. A new special district would also have its own elected leadership and government bureaucracies associated with it, which creates an additional layer of staffing and decision-making that can be inefficient.

Is the relatively low rate that preliminarily appears to be possible under Measure 5 headroom sufficient to effectively support a new parks district? Is the relative risk of compression losses to other taxing districts worth the potential losses? Might that available headroom under Measure 5 limits be needed for other future priorities? These are the policy questions relevant to fiscal decision-making. Others include:

- How important is it that Eugene have a stable stream of revenue for parks, relative to all of the other public services funded through our taxation system? Is it worth the administrative overhead and potential risk of compression?
- What is an appropriate permanent rate for a new district to be viable as a funding source? How much does this add to existing consolidated rates? In other words, how big is the risk of compression given the actual funding needs?

-
- What is the outlook for future real estate market changes that might affect real market values?

In some cases, additional decision-making and funding focus that comes with a new district is necessary and beneficial, and is the main reason for forming a new district. In Eugene, the impacts to other districts now and in the future must be carefully weighed against the potential benefits of increased focus.

Date: August 18, 2017

Analysis of Creating an Endowment to Pay \$2.3 Million of Park & Recreation Security & Maintenance Funding

The Council Subcommittee on Parks and Recreation Security & Maintenance Funding is examining ways to pay for the estimated \$2.3 million of costs for the current funding gap. One idea is to create an endowment that could sustainably fund those costs over the long term. It was suggested that the endowment could be funded through sale of underutilized City property, or through fundraising efforts by the Parks Foundation.

The amount of endowment needed to fund \$2.3 million of ongoing costs would vary, depending on the earnings rate of the endowment. If the City were to set up the endowment, it would invest the proceeds with the City's pooled investment account, which is governed by Oregon Revised Statutes. The City's portfolio is currently earning 1.15%, up from the FY17 average rate of 1%. The average over the past 10 years has been 1.03%.

A private foundation, such as the Parks Foundation, could place the endowment in different types of investments and earn a market rate of return. For instance, the Oregon Community Foundation reported in 2016 that their 10 year rate of return was 4.1%.

In order to generate \$2.3 million of ongoing funding for parks and recreation, an endowment would have to be created with the following amounts, depending on the investment returns expected:

Amount Invested to Generate \$2.3 million Annually	Earnings Rate
\$115.0 million	2%
\$57.5 million	4%
\$38.3 million	6%
\$28.8 million	8%
\$23.0 million	10%

These numbers do not take into account the cost of administering the endowment, which would reduce the amount available for program expenses.

Parks Foundations - Oregon Sample

8/25/2017

	Willamalane PF	Bend PF	Tualatin Hills PF	Portland PF
Types of Projects Fundraised for:				
Land acquisition	(past)	(past)	no	no
Park facilities / amenities	yes- skatepark, playgrounds	yes- skatepark, shelters, playgrounds	yes- adaptive playground	yes- multiple playgrounds, spray plays, sports courts
Park renovation	yes - Lively Park	yes -Bend Hero's Plaza	yes (past parks)	yes - current - Cully Park / Brooklyn Park
Trail improvement /signage	yes - way finding	yes- Deschutes River Trail, way finding	yes (past)	way finding
Park maintenance	no	no	no	yes - 10 years Sellwood Park w/ partner funding
Recreation scholarships	yes- low income youth	low income youth, inclusion, seniors,	Access For All Program - disabilities, income, age	low income families, inclusion
Program sponsorship	yes- Bike Safety	yes- Youth Sports	yes- Inclusion programs	yes - after school and free summertime parks programs
Major Capital Projects	not recent	yes- Farewell Bend (\$533k)	yes- "Champions Too" Sports Field ADA (\$1.5m)	yes - Burnside Footbridge (\$2.5m), Cully Park, Chapman
Partnership Projects	yes (past)	Youth Sports Fund	Partnered for "Champions Too" Field	major corporate donations / multiple partner projects
Parks O&M Endowment Fund	no	no	no	no
Rec Scholarship Endowment Fund	no	yes	no	yes
Fiscal Agents	yes	yes	yes	yes
Grant Program	no	no	no	yes - Nancy Hebb Freeman Trust
Annual Fundraising	\$20k - \$30k or project specific	\$200k - \$250k or project specific	project specific	\$1.2m in 2016

Laurelwood Golf Course

What is the service?

Laurelwood Golf Course is a regulation nine-hole facility owned by the City of Eugene and privately operated by contract. The course is located on a 92 acre parcel which includes 50 developed acres with the clubhouse and course. The remainder of the parcel is managed as a natural resource area.

A three-level, 7,111 square foot building serves the golfer and general community. The main level is used as a pub, rental facility and clubhouse food service. This facility includes a kitchen and bar area as well as a dance floor. Included in the lower level are a small pro shop area, snack bar and eating area, club storage and club repair areas. There are two maintenance buildings that are used for supplies, equipment and cart storage. There is also an on-course, seasonal, restroom, and a 60-stall landscaped parking lot.

How does the service support City Council and Community goals?

The City of Eugene Parks, Recreation and Open Space Comprehensive Plan sets a framework and vision for “strengthening our community by preserving and enhancing our parks and open space system and providing diverse recreational experiences.” The City recognizes that Laurelwood Golf Course is an integral part of the overall parks and open space system and is a valued recreational resource for this community.

How does this service support key community concepts, such as social equity, economic prosperity and environmental sustainability?

The presence of a municipal golf course in Eugene attracts travelers and may increase the perceived quality of life for those considering moving to Eugene. To the extent that Laurelwood helps to attract travelers and in-migrants it benefits the local economy. The course requires public funds for operation and maintenance so it competes for dollars that could provide other local services such as libraries, social services, fire and police.

As an undeveloped open space, the golf course provides habitat for many birds and other wildlife and the trees and shrubs reduce pollutants in the air and shade the site, reducing local air temperatures. The site contributes more ecosystem services (stormwater treatment, shading, air quality improvement, wildlife habitat, etc.) in its vegetated state than it would if it were developed with streets and housing.

The golf course is open to everyone and available for recreational use by golfers, walkers, dog walkers, runners, birdwatchers, and other active and passive recreation enthusiasts.

Anyone can use the extensive path system and enjoy the site as long as they don't interfere with golf play. The site is most accessible to neighbors and those who have access to a car.

Estimated Fiscal Impacts

The ongoing savings from selling the golf course would total approximately \$232,000 annually. As the facility has aging infrastructure in need of repair or replacement, the annual cost to the City may increase or vary year to year. There would be one-time money from the sale of the property. There would be no FTE impacts associated with selling this asset.



A G E N D A

City Council Subcommittee Parks and Recreation Security and Maintenance Funding

**Wednesday, August 16, 2017
Noon to 1:30 p.m.**

**Eugene Public Library, 100 West 10th Avenue
Bascom/Tykeson Room, 1st Floor**

Time	Item	Presenters
12:00 to 12:15	Welcome and Introductions	Craig Carnagey
12:15 to 12:30	Review of Subcommittee Charge	Carolyn Burke
12:30 to 1:00	Service Gaps and Funding Needs	Craig Carnagey, Craig Smith, Scott Milovich, Carolyn Burke
1:00 to 1:15	Introduce Funding Option Resources	Sue Cutsogeorge
1:15 to 1:30	Committee Questions and Information Requests	Carolyn Burke

Subsequent Meetings

Date	Time	Location
Wednesday, August 30	11:30 AM to 1:00 PM	Bascom/Tykeson Room
Wednesday, September 6	11:30 AM to 1:00 PM	Bascom/Tykeson Room

Membership:

Mike Clark, City Councilor
 Greg Evans, City Councilor
 Chris Pryor, City Councilor
 Claire Syrett, City Councilor
 Scott Sanders, Eugene Parks Foundation
 Hugh Prichard, Parks & Recreation System Plan Advisory Group

City Council Subcommittee - Parks and Recreation Security and Maintenance Funding

8.16.17 | 12-1:30pm | Bascom/Tykeson Room, Eugene Public Library

Committee Members: City Councilor Mike Clark, City Councilor Claire Syrett, City Councilor Greg Evans, City Councilor Chris Pryor, Parks and Recreation Advisory Group member- Hugh Prichard, Eugene Parks Foundation Chair- Scott Sanders

City Staff: Carolyn Burke, Craig Carnagey, Sue Cutsogorge, Kelly Darnell, Renee Grube, Nathan Reynolds, Scott Milovich, Craig Smith

Meeting Kickoff

Craig Carnagey, Parks and Open Space Division Manager, provided some background around the charge of the subcommittee and the current state of Eugene parks: an acquisition bond in 2006 resulted in the doubling of park land but there was not a corresponding increase in maintenance funding; over the same period there has been a decline in general fund revenue, higher maintenance costs as park system is growing older, and park usage has increased. Currently, 9 million adults visit Eugene parks annually. Additionally, there has been a huge spike in illicit activities in parks that have been requiring maintenance funds to address.

The parks department proactively sought strategies to address these issues – they have re-organized to find efficiencies, increased volunteers, sought donations, collaborated with EPD, and applied for grants to gain additional funding. However, even with these strategies in place, the recent parks condition assessment gave the system a C-grade overall. In community surveys, the community wants to see improved parks and recreation facilities and a reduction in illicit activities.

Introductions

Craig asked the subcommittee members to introduce themselves. Carolyn Burke, Parks Planning Manager, was introduced as the meeting facilitator. She provided an overview of the meeting purpose: the meeting is a chance to share information and talk about revenue options to address security and maintenance for Eugene parks. The subcommittee is charged with exploring funding mechanisms, discussing how to maximize the use of SDCs, and finding ways to keep pace with a growing park system. The subcommittee will take their findings back to City Council in the fall for further discussion and deliberation. Carolyn asked staff to introduce themselves.

Staff Introductions: Carolyn Burke, leading parks and recreation system planning effort; Kelly Darnell, Outreach Manager for parks; Craig Carnagey; Nate Reynolds, EPD parks programs; Sue Cutsogorge, revenue bonds expert; Renee Grube – Director of LCRS; Craig Smith, Recreation Division Manager; Scott Milovich, Parks Operations Manager.

Carolyn also checked in with members of the audience: Elena Domingo, CMO; Rawson Baylor-Pino, CMO; David Sonnichsen, Whilamut CPC member; and Lori Kieveth, PDD.

Following introductions, Mike Clark asked if it would be helpful for the group to clarify worst outcomes, best outcomes, and help set expectations for the meetings.

Worst Outcomes

- Greg Evans identified his worst outcome as spending the next three meetings working through these issues and falling short of addressing the end goal, which is to address the issues and funding gaps for parks operations and maintenance.
- Hugh Prichard passed on sharing a worst outcome.
- Scott Sanders pointed out that his idea of a worst outcome would be going through this exercise and finding no viable options to address the issues at hand.
- Mike Clark highlighted a worst outcome as a twofold issues: one, that the quality of parks would continue to deteriorate because of a lack of viable solutions; and two, that our outcome fails to generate enough public support to move forward – the result being a Parks District being created because of lack of a better solution.
- Chris Pryor discussed a worst outcome revolving around lack of clarity and lack of certainty. He is concerned that a lack of clarity or certainty could lead to confusion over what to convey to the public.

Best Outcomes

- Greg Evans described his best outcome as coming up with a strategy and set of funding options that the majority of our community and City Council could embrace and that moves us forward for a long-term strategy that gets us to what our goals are: funding the operations and maintenance of our park system in a way that is long-term and sustainable.
- Hugh Prichard described a best outcome as clarity - that we have choices that lead us where we want to get.
- Scott Sanders discussed a best outcome that included sufficient funding for the present as well as funding that grows with inflation and population growth for the future.
- Mike Clark pointed out that his best outcome was similar to what had already been stated, but he also thought it should include innovative solutions and doing something outside of the box of solution sets that we already use.
- Chris Pryor's best outcome would be a clear picture of what the City would like to achieve along with the solution and path for moving forward.

Carolyn Burke provided an overview of the subcommittee process: there are 3 meetings scheduled, each 1.5 hours in length. The subcommittee has 4.5 hours total together to reach best outcomes. The length of time allotted for this topic means that the group needs to be concise in explaining what their questions and concerns are, but also needs to ensure that all issues are discussed and out on the table. At the second meeting, the group will dig into funding options based on the work that has already been done to identify service gaps and funding needs. The final meeting will be steered by the first two to summarize findings.

Carolyn brought the subcommittee's attention to the memo "Parks and Recreation Service and Funding Gap" from Craig Carnagey dated August 15, 2017 (included in meeting materials), which provides an overview of the funding challenges and helps to define the problem. When describing the information included in the memo, Carolyn discussed addressing the challenge of funding for maintenance and operations of existing park system and the ability to grow the City's system. She

pointed out that the City's park system has doubled in size over the last two decades and the City has carried out significant capital investments in the system based on 1998 and 2006 bonds, while not addressing the funding for maintenance of these new assets.

Funding

She then discussed what happens if the City does not solve the funding problem: the City cannot grow the system and cannot develop 17 neighborhood and community park sites around the community; the City cannot add new recreation facilities; and the City cannot adequately maintain its current park lands and areas. For example, there is currently 1,000 acres of natural land that does not have public access and some of the habitat qualities are diminishing. Additionally, on the developed side of parks, infrastructure continues to crumble because the City cannot do preventative maintenance on playgrounds, restrooms, ornamental vegetation, etc.

Hugh Prichard wanted to clarify to the group that the park system as a whole did not double. The City purchased land, but has not necessarily developed it, so it may be misleading to say that the park system doubled. Carolyn agreed that the acreage doubled and that the City is stewards of the land, but most has not been developed. Adding context to this discussion, Chris Pryor described the City Council's discussion surrounding the 2006 bond. The original bond proposal included half of the funding for acquisition and half for maintenance. The City Council decided to change the bond to fund entirely acquisition in order to keep land secure and out of private ownership and development.

Safety

Carolyn Burke highlighted the next challenge to address as safety in parks. The illegal camping, drug use, and other crimes in parks have gotten to the point where people are not using certain parts of the park system, including Washington Jefferson Park, downtown parks, and parks near the river. Although there have been some wonderful changes recently, the City needs to address ways to sustain these changes. If the safety issues are not resolved, then the park system will continue to lose value. For example, the public has asked for more access to the Willamette River and, currently, it is not safe to use the small trails that go down to the river. There are also concerns for the City staff cleaning up these areas and over the environmental degradation that is occurring in these areas.

Greg Evans pointed out that the City Council heard from the Oregon Track Club about safety issues in Alton Baker Park on Pre's Trail, but this concern is just the tip of the iceberg. He highlighted that safety issues are also common in neighborhood parks as well. For instance, he's had a number of calls from different people who live near Gilbert Park regarding confrontations where homeowners feel they may have to defend themselves if people come on to their property. He is concerned that there may come a time when there are confrontations in parks that result in things the City does not want to happen. Chris Pryor echoed that this type of confrontation has already happened at the River Road Parks and Recreation District Park in the River Road area where some kids were shot by a neighbor.

Carolyn commented that it is a good point raised by Councilor Evans that parks impact the surrounding neighborhoods. Greg Evans reiterated that neighbors surrounding parks with illicit activities are becoming fed up. Hugh Prichard pointed out that providing security is not part of a parks function and they may need to be rolled into discussions that part of broader solutions to these complex issues. Carolyn agreed and mentioned that there is a partnership between the Eugene Police Department and

City parks. In addition to neighbors experiencing unsafe situations, Greg Evans also mentioned the safety concerns of the City maintenance staff in parks. For instance, he remembers a City employee being confronted with an ax in a City park when he came onto City Council 4-5 years ago.

Mike Clark wanted to echo the comments of what had already been shared. He said that the City has seen an increase in the misuse of parks. He wants to enable the best park system that makes the best use of park lands that the City has already acquired. He agrees that issues of public safety should not fall on the parks department.

Claire Syrett arrived at 12:35pm.

Chris Pryor pointed out that in addition to the safety piece, there is nuisance component, including broken benches, facilities that are not maintained, etc. People evaluate the City based on how good the parks look, so the nuisance component need to be part of the safety discussion as well.

Potential Solutions and Activities

Carolyn thought it would be a good time to delve into the memo again and look at the table presented on page three. The table presents proposed solutions and activities to address the issues of park safety and park maintenance.

Craig Carnagey began discussing the park safety section of the table which focuses on illicit activity response. Illicit activity responses include illegal camp clean up, graffiti removal, and fixing vandalism. For graffiti removal, park staff can only respond quickly to hate graffiti and the address other graffiti as time permits. For vandalism, such as broken toilets and drinking fountains, the annual cost of addressing these issues include \$200,000 of contracted work with Lane County clean-up crews. This is 4-5 days a week of exclusively cleaning up park areas that the City's daily crews are not able to handle. Park staff would like to see additional resources for graffiti removal and finding a way to budget for vandalism maintenance projects.

Mike Clark asked about the role of Huckleberry Patrol (Huckleberry Patrol is a bike-based volunteer group that typically patrols downtown areas/businesses covering up graffiti) in this? Craig Carnagey relayed that Parks is collaborating with EPD and advocating for two new dedicated police officers to patrol parks year-round. Additionally, there is the Park Ambassador program, which is a three-year pilot program, and the park ambassadors are helping to address nuisance issues and create a good-will presence in parks.

Kelly Darnell provided more detail about the benefits of the park ambassador program. Park ambassadors create a welcoming presence, remind park users of the park rules, working with homeless camps, and connect people with social services; they also proactively identify illicit activities and are the eyes and ears of the City's park system. For the first two years of the program, there were two ambassadors. This summer, there are four ambassadors and the EPD bike patrol team that are making our parks safer; however, in the fall, these seasonal safety programs disappear. One major challenge of the seasonal aspect of the park ambassador program is hiring new people each year. Parks would like to see more continuity with this program, particularly, because of the large training investment made in park ambassadors.

Claire Syrett offered apologies for arriving to the meeting late. She agrees that graffiti removal is important in regards to perceptions of safety in parks. She was curious how the routes and/or locations of park ambassadors are determined. Craig Carnagey responded that for the first two years of the pilot park ambassador program the City focused on the riverfront with its two ambassadors. This year, the program has grown to four ambassadors and the City is able to send them to different parks, but the main concentration is still the riverfront and urban parks.

Mike Clark shared concerns that in his 11 years of service on City Council, there have been numerous occasions where the Budget Committee and City Council have added EPD officers to monitor downtown and parks; however, over the course of time, these officers are reassigned to other areas that require more immediate attention.

Craig Carnagey replied that it is his understanding that the proposed two EPD officers for Parks moving forward would be aligned with Parks and that they would receive their assignments from park staff. Mike Clark pointed out that the dedication of two EPD officer to parks needs additional clarity to ensure the officers are solely dedicated to parks. Nathan Reynolds, a Lieutenant in EPD, commented that this year, there has been more of a task force approach to coordinate schedules, priorities, etc., in an effort to better collaborate between EPD and the Parks Department. If the park officers are funded with parks funding, similar to airport and downtown EPD officers, there would have to be critical emergencies to pull them off parks. With two dedicated EPD officers to parks, they would be committed to this work, and an interdepartmental memorandum of understanding may be a good solution.

Hugh Prichard asked if the seasonal nature of the current park ambassador and EPD patrol programs were operational or budgetary. Craig Carnagey responded that it is budgetary. The pilot program is 6 months a year and that is all that has been allocated to the program thus far. Renee Grube added that for FY18, downtown safety efforts have been granted a one-time allocation of \$500,000. Hugh added that the issue of public safety is complex and we've been here many times before with the downtown as an example. We need to make a sustained effort. He does not believe this is a parks function because it is actually about the police.

Kelly Darnell agreed that the police are a huge part of it, but she believes that the safety successes in parks are related to both the police presence and the park ambassador program. Nate Reynolds supported Kelly's statement by pointing out that the park ambassadors are reducing the workload of EPD. Additionally, they are providing an increased level of comfort to citizens in the community because some citizens feel more comfortable talking to park ambassadors than police officers.

Carolyn Burke reminded the subcommittee that they still needed to discuss the park maintenance items, so she turned the meeting over to Scott Milovich to give an overview of potential solutions and activities for park maintenance.

Scott Milovich provided context for the park maintenance issues based on developments from the 1998 and 2006 bond measures. In the 1998 bond measure many parks were built out and in the 2006 bond measure park land was increased. In 2008, there were 35 park maintenance workers; today, there are 29 park maintenance workers. In 2011, there was a reorganization effort to be more efficient with parks maintenance where the City moved away from some industry standards (grass mowed every 7-10 days, trash emptied daily, etc.) because it was not able to maintain operations at that level. The new focus was on being "safe, clean, and green" and "doing everything we can with what we've got."

In FY15, the Park Maintenance lost two positions and a series of equipment. Scott mentioned that only the busiest parks get a daily visit, other parks will get visits every week or every 10 days. The team is constantly adjusting their schedules to address needs as they come up and decide where resources are needed most. In FY15 Parks closed three restrooms due to budget reductions (includes: Sladden Park which is currently being maintained by volunteers from Opportunity Village, Hendricks Park, and Sheldon Sports Park) and the City would like to get those restrooms open again. There is also a lot of demand for portable restrooms and other restrooms to be open seasonally.

Scott continued to provide contextual information on park maintenance issues. For trash and litter pick-up, parks maintenance staff would like to service neighborhood parks every day in the summer, however, some parks take longer than they should and the office is operating on a reduced schedule. There become health and safety issues as the longer time between trash pickups creates heavier trash that may become wet or rotten. For mowing, currently the City is mowing on a 10-14 day cycle and would like to get closer to the industry standard of 7-10 days. Currently, there is not a program for maintaining park trees, but the City would like to get a program started. For landscaped beds, the City is moving towards turf because it is easier to maintain. The standard used to be that there should be minimal weeds and everything should be pruned. Now, the standard is if it's not interfering with the sidewalk and that weeds are not dominant, then the area is fine. For infrastructure maintenance (lighting, irrigation, concrete surfaces), the office is able to address most projects, including pressure-washing and small repairs. However, the team would like to move towards a system of addressing these needs quarterly instead of semi-annually. Lighting is also a park safety issue. Additional weekend and after-hour maintenance would be beneficial. When parks are being rented on weekends, it would be better to have park staff to do check-ins. He summarized that what they would like to do with park maintenance is to hold the assets steady and increase the investments.

When discussing natural areas, Scott pointed out that the enormous expansion in 2006 has resulted in some challenges. Currently, there is 40 miles of soft-surface trails (hiking, walking, running) throughout park properties. In order to maintain these trails properly, the City should be striving to resurface 3 miles of trails per year. Currently, the City is resurfacing less than .25 miles per year.

Summarizing the primary issues with park maintenance, Scott pointed out the following:

- Trash and litter pick-up – these are high target areas and we'd like to be moving through these areas on a more cyclical basis.
- Right now our vegetation maintenance is spotty – and if we were able to move through these areas on a cycle we'd be able to better address; native tree and shrub planting is something else we'd like to do.
- Hazard tree abatement – we only look for stuff that is going to affect an adjacent property or a trail; we'd like to be more proactive; and get ahead of a problem instead of addressing them when they are about to happen
- Wild-fire abatement (as we get grant money, we've been able to do) – we'd like to do this on a more systematic basis
- Infrastructure (access roads, gates, etc) – we are only addressing these if there are problems; we'd like to address these more routinely and systematically
- Overall, the City would like to be more systematic and less crisis-response oriented.

Carolyn Burke pointed out that the funding covered in the memo table would address the most critical issues for park maintenance and funding, but it would not cover some programs that the community has requested: community gardens, ornamental garden maintenance, portable toilets, and preventative tree maintenance. As an aside, Carolyn mentioned that the City's urban forestry crew is funded through transportation fees so they only work in the right of way, while there are thousands of trees in our natural areas and parks that are getting no preventative maintenance.

Carolyn also highlighted the category of future developed park maintenance within the memo table. Future developed park maintenance – City staff put in \$550,000 to meet the most critical growth needs: development of these 5 park sites. This scenario of \$2.3 million corresponds with the "Maintain-It" scenario from the funding options pamphlet. The use of SDCs will be discussed in more detail at the following meeting on August 30.

Craig Smith, Recreation Services Director, gave a brief overview of the recreation funding environment that will be discussed in more detail at the following meeting on August 30. Currently, recreation has 6 active community centers, 3 pools, and 6 other special use facilities. As they are aging, there is currently an \$8 million maintenance gap in funding. In order to address these aging facilities, the Parks System Plan has identified 6 facilities (2 pools and 4 community centers) that would receive \$35 million in capital funds to address deferred maintenance and to more actively program these facilities. On top of these expenses, there would need to be another \$750,000 to \$1 million for annual operations.

Craig Smith also pointed out that the City is committed to serving the community equitably, so there is an identified need to build two multi-purpose community centers in areas that don't currently have a community center, that would cost \$25 million and \$34 million. The anticipated annual operation and maintenance (O & M) cost for these facilities is around \$1 million to an additional \$2 million a year. Craig also referenced the 11 sport turf fields throughout the community that fall short of the 9-16 fields identified as community needs.

Chris Pryor asked about the impact of Civic Stadium on this need. Craig Smith responded that Civic Stadium and the new YMCA facility have an impact on how the City plans for recreational projects in South Eugene.

At the close of the meeting, Sue Cutsogeorge, Finance Director, mentioned that she would send out an email with revenue ideas in preparation for the next meeting on August 30. She encouraged the subcommittee members to send additional revenue ideas to her via email.

Greg Evans said he had an interest in entertainment/admissions tax. Mike Clark stated that he would be interested in what a partnership with the Parks Foundation would look like, along with information on the benefits of collaborating with a non-profit. He is also interested in discussing ways to increase potential revenue streams from underutilized assets. For example, he asked if we should own and operate a golf course when we cannot keep our parks safe.

The meeting ended at 1:30pm.



A G E N D A

City Council Subcommittee Parks and Recreation Security and Maintenance Funding

Wednesday, August 30, 2017
11:30 a.m. to 1:00 p.m.

Eugene Public Library, 100 West 10th Avenue
Bascom/Tykeson Room, 1st Floor

Time	Item	Presenters
11:30 to 11:40	Agenda Review	Carolyn Burke
11:40 to 11:50	System Development Charge Overview	Carolyn Burke
11:50 to 12:40	Funding Option Overview (pared-down list)	Sue Cutsogeorge
12:40 to 12:50	Funding Need Overview (current and future)	Carolyn Burke
12:50 to 1:00	Committee Questions and Information Requests/ Next Steps	Carolyn Burke/ Committee Members

Meeting Series

Date	Time	Location
Wednesday, August 16	Noon to 1:30 PM	Bascom/Tykeson Room (completed)
Wednesday, August 30	11:30 AM to 1:00 PM	Bascom/Tykeson Room
Wednesday, September 6	11:30 AM to 1:00 PM	Bascom/Tykeson Room

Membership:

Mike Clark, City Councilor
 Greg Evans, City Councilor
 Chris Pryor, City Councilor
 Claire Syrett, City Councilor
 Scott Sanders, Eugene Parks Foundation
 Hugh Prichard, Parks & Recreation System Plan Advisory Group

City Council Subcommittee - Parks and Recreation Security and Maintenance Funding

8.30.17 | 11:30am-1pm | Bascom/Tykeson Room, Eugene Public Library

Attendees: City Councilor Mike Clark, City Councilor Chris Pryor, Scott Sanders – Eugene Parks Foundation, Hugh Prichard – Parks & Recreation System Plan Advisory Group

Subcommittee members not present: Councilor Greg Evans, Councilor Claire Syrett

City Staff: Carolyn Burke, Craig Carnagey, Sue Cutsogeorge, Renee Grube, Scott Milovich, Craig Smith

System Development Charge (SDC) Funds Overview

Carolyn Burke opened the meeting and provided an overview of the agenda. She then directed the committee's attention to the "System Development Charge (SDC) Fund for Parks and Recreation" handout provided in the meeting materials. Carolyn briefly described an overview of the handout and then pointed out that there are two different types of SDCs. Reimbursement funds, which can be used flexibly to rehabilitate existing facilities, are programmed and put to use every year. Improvement funds, which can be used for new facilities that expand the capacity of the existing system, make up a much larger component of the unobligated funds and have been harder to use because there are not corresponding funds to maintain the improvements. Carolyn then highlighted the current balance of unobligated funds which totals \$8 million. She also pointed out that there is an adopted project list from the 2006 park master plan that identifies which projects are eligible for these funds.

Scott Sanders asked about the collection of funds through SDCs and whether or not the reimbursement and improvement funds came from different charges. Carolyn responded that the developers receive a Parks and Rec, specific, SDC charge based on what they're developing. Then the Parks department uses a methodology to determine how the funds should be spent. The methodology looks at the department's current assets and the different types of services it provides (such as natural areas, community parks, neighborhood parks, etc.) and then determines which parts of the system are already built out to meet future population needs—these resources require reimbursement funds—and which parts still need funding for future growth—these resources require improvement funds.

Mike Clark inquired if the committee could get additional information from Kathryn Brotherton regarding any potential issues for charging developers SDCs and then not spending the funds. Carolyn responded that it is her understanding that there is not an issue since there are still plans to use the funds in the future. Committee members and staff agreed that the use of the funds was an important obligation. Chris Pryor added that the idea of "intention" is important here and that the committee needs to get as much money dedicated to maintenance as possible. Carolyn relayed to the group that once the Parks and Rec System plan is adopted, there will be a new SDC methodology based around the new project list.

Carolyn then directed the group's attention to the table containing five identified park development projects within the "System Development Charge (SDC) Fund for Parks and Recreation" handout. If the Parks department is able to obtain the \$2.3 million of funding needed, these five park sites would be

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developed in areas of need. The table contains different funding estimates including: estimated construction costs, the eligible SDC improvement funding, and the remaining capital needed to fund the projects. Carolyn discussed that, in the past, the Parks department has used bond funds to match the SDC improvement funds, and they have used reimbursement funds to match the improvement side of SDC funds. She provided the example of Santa Clara Community Park, which could use SDC reimbursement funds, grants, general fund dollars or other sources to match SDC improvement funds. When SDC reimbursement and general funds are used to for new projects, however, there is less money to improve the existing system.

The Parks Division would be pleased to be able to leverage some of the existing SDC dollars, but there is still the challenge of the remaining match needed. In order to utilize the entire balance of \$6.7 million in SDC improvement funds, it would require a lot of matching funds.

Mike Clark asked for more information on how SDCs put aside from MUPTE projects would play into neighborhood parks and recreation developments. Carolyn responded that it would be a new process for the Parks Division and would not affect the current fund balance.

Funding Options Overview

Sue Cutsogeorge, Finance Director, provided an overview of different funding options that correspond with the email she sent out on August 22, 2017, titled "Council subcommittee – revenue options." After touching upon the items listed in the email, she asked the committee for input on any potential options not listed in the email.

Mike Clark wanted to include a discussion of leveraging the Parks Foundation for an endowment and using the University of Oregon as a partner in this type of endeavor. He talked about the advantages of partnering with UO endowment management professionals to provide insight and advice to grow a park-related endowment fund. Sue Cutsogeorge pointed out that there was some preliminary information on private endowments provided in the meeting materials, including a survey on what other Parks Foundations are doing across the state.

Scott Sanders mentioned that he liked the idea of a Parks Foundation endowment, but does not believe it a full solution, and, instead, is a partial solution. Mike Clark agreed with Scott and pointed out that he believes there is an audience that would be very interesting in contributing to an endowment for parks. He referenced people living in Eugene who do not have a connection to the University and want to leave a legacy within the City.

Chris Pryor asked the group to consider two important concepts during this discussion: stability and nexus. For stability, he referenced how an endowment is a means to convert a one-time payment into something more stable. He agreed that it is not a total solution, but that it is a solution that can work in tandem with other solutions. For the nexus piece, he pointed out that whatever funding source is used needs to have a reasonable service connection with parks. There needs to be a connection, or nexus, between the money being raised and the ways in which it is spent. Carolyn Burke mentioned that City staff could bring some of this information to City Council.

Scott Sanders highlighted the need to discuss the infrastructure to support this idea. He mentioned the need for up-front resources to build the endowment entity and pointed out that the Eugene Parks

Foundation does not currently have the infrastructure to do so. Mike Clark reiterated UO as a possible partner in this effort and believes that creating the structure enables greater opportunity.

Craig Smith pointed out a number of examples where partnerships between private and/or public partners and municipal parks exist. For example, Portland Parks has created unique relationships with different partners, including Nike, to understand what things they are interested in and find a connection with how to best utilize that interest and subsequent funding.

Scott Sanders cautioned the group about making overzealous estimations for what an endowment could provide in the short term. He discussed how it may take 10 years to get to the point where an endowment could provide the revenue needed for Parks' operations and maintenance.

Renee Grube highlighted the Library Foundation as a local example for comparison. She discussed how the Library Foundation has a much easier time with its capital side (partners contribute \$500,000 annually), but that the volunteers also play a large role in keeping the organization running.

Scott Sanders asked Sue Cutsogeorge about the six funding options highlighted in the "Council subcommittee – revenue options" email and inquired why those funding options were bolded? After it was confirmed that those six items were recommended for consideration by the Trust for Public Land, Scott asked about the inclusion of the special district as an option?

Special District Discussion

The group began to discuss the positive and negative aspects of creating a special district for City park lands. Mike Clark started the discussion by asserting his belief that it is a terrible idea to create a park district. He has witnessed a number of issues with Lane County's special district (related to lack of options when it comes to revenue problems) and he believes a special district limits local government's ability to manage local services. Chris Pryor added to the discussion that it would be helpful for City Council to have information on the pros, cons, and relevant data of special districts related to the formations of new bureaucracy, wages and benefits, voter support, etc. Craig Carney pointed out that there was an EcoNorthwest report titled "Implications of Potential New Parks and Recreation District on Existing Taxing Districts" included in the meeting materials for the first subcommittee meeting on August 16, 2017, that provides a high-level overview of the topic. He also added that there have been discussions from people in the River Road area of petitioning to get this topic on the ballot in May 2018.

Mike Clark discussed the River Road petition and mentioned that one reason he believes this petition is taking place is because the residents of that area perceive the City as not having a long-term commitment to parks. He believes the creation of an endowment would indicate a long-term commitment. Scott Sanders mentioned that it was not surprising that the push for a special district would come from underserved areas. He liked the idea of providing City Council with pros, cons, and relevant data and also mentioned that not all special park districts are separate from the City, using Urban Renewal as and the City Council acting as the Urban Renewal Agency, as an example. Craig Carnagey pointed out that Seattle recently passed a similar model to the one described by Scott. Hugh Prichard added that he hears positive things from fellow citizens about special districts, so it would be helpful to put some information together to help the public understand if the City does not move forward with this option.

Sue Cutsogeorge mentioned that staff could put together a one-page summary of pros and cons of the special district (and other funding options) and then the subcommittee could edit the document. She then asked if there was any additional items the group wanted to discuss that was either listed on the email list or not listed on the list. Mike Clark asked for additional information on how SDCs can be used, particularly when it comes to a private foundation and potential endowment.

Laurelwood Golf Course Discussion

The subcommittee and staff then began to discuss the Laurelwood Golf Course. Sue pointed out to the subcommittee that there is a handout titled “Laurelwood Golf Course” in the meeting material. Committee members shared a number of ideas and discussion points related to Laurelwood Golf Course:

- Mike Clark mentioned that it would be helpful to know the value of the different sections of the property – the developed and undeveloped sections of the land.
- Hugh Prichard inquired how much it costs to run the golf course versus other City parks.
- Mike Clark wanted to know if there was any data on visitation to the golf course as compared to other City parks.

Chris Pryor summarized the discussions that had taken place thus far. He referenced three conversations that had taken place—Special District pros/cons, Laurelwood Golf Course (value of parcel(s), selling property, long term lease, etc.), and discussion of SDCs—and pointed out that it would be challenging to address all of these things in only one additional meeting.

The committee members agreed to postpone the next meeting until a later date and they also agreed to potentially schedule another meeting, meaning the committee would meet a total of four times instead of three.

Funding Options Recap

In an effort to provide more direction about the funding sources, Carolyn asked Sue to list off the funding options that were in her email discussed earlier. The options include:

- A monthly service fee
- Local option tax levy
- Marijuana tax
- Restaurant tax
- Increase in transient room tax
- Sugary beverage tax
- Special Districts
- Amusement/entertainment tax
- Private Foundation/partnership with UO
- Golf course/underutilized assets

Mike Clark pointed out that some of these options may have a negative impact on Eugene since Springfield is so close and may take advantage of Eugene’s taxes or restrictions. Scott Sanders mentioned that the utility fee may be easy to collect, but that people do not appear to be receptive to it. Sue Cutsogeorge responded that the City currently does not have a vehicle to collect it. Sue

mentioned that City staff have more information on the Marijuana tax, but that it's early in the process so it's difficult to know how much revenue that will bring in. Chris Pryor recalled that the Marijuana tax has three possible spending areas and one is Parks Security.

The committee agreed that each issue alone was not going to solve the overall problem. The committee also discussed the issue of funding needing to have a nexus with the revenue source.

Carolyn mentioned that City staff could create a matrix that looks at available funding sources and creates a nexus connection as well. She also mentioned bringing back information on what it would take to create the structure of the endowment, information surrounding Laurelwood Golf Course, and information on park districts.

Sue also mentioned that City staff would try to get the additional County Assessor's work that Mike Clark referenced in earlier discussions.

Carolyn pointed out that there was one final discussion item for the subcommittee to consider, which is addressed in the handout "Potential Phasing of Current and Future O&M Costs" provided in the meeting materials. Carolyn described the information on the handout and highlighted the current total need of \$2.3 million. She relayed that a question came up about illicit activity response – wouldn't the response go down over time? She described that ideally the illicit activity goes away over time, but City staff did not want to program those costs as decreasing before it is clear that they will decrease.

Mike Clark brought up the potential discussion of using physical components and landscape design to solve specific problems within the parks. Carolyn mentioned that park staff are looking at physical changes to help address certain problems. Renee Grube mentioned that the physical changes are only one component of the downtown approach. This approach includes: safety, programming, environmental changes, and maintenance.

Carolyn refocused the discussion on the "Potential Phasing of Current and Future O&M Costs" handout. She described the document as a preliminary analysis of what O&M funding would look like in the coming years under various funding scenarios. She mentioned that the City has a problem now that we're trying to solve and also look for ways to accommodate future growth.



A G E N D A

City Council Subcommittee Parks and Recreation Security and Maintenance Funding

Tuesday, September 26, 2017
5:30 p.m. to 7:00 p.m.

Eugene Public Library, 100 West 10th Avenue
Singer Room, 2nd Floor

Time	Item	Presenters
5:30 to 5:40	Agenda Review	Carolyn Burke
5:40 to 6:20	Funding Alternative Evaluation Matrix	Sue Cutsogeorge
6:20 to 6:50	Requested Supplemental Information -Special Districts -Laurelwood Golf Course	Sue Cutsogeorge/ Carolyn Burke
6:50 to 7:00	Committee Questions and Information Requests/ Next Steps	Carolyn Burke

Meeting Series

#	Date	Time	Location
1	Wednesday, August 16	Noon to 1:30 PM	Bascom/Tykeson Room (completed)
2	Wednesday, August 30	11:30 AM to 1:00 PM	Bascom/Tykeson Room (completed)
3	Wednesday, September 26	5:30 AM to 7:00 PM	Singer Room
4	TBD		

Membership:

Mike Clark, City Councilor
Greg Evans, City Councilor
Chris Pryor, City Councilor
Claire Syrett, City Councilor
Scott Sanders, Eugene Parks Foundation
Hugh Prichard, Parks & Recreation System Plan Advisory Group

City Council Subcommittee - Parks and Recreation Security and Maintenance Funding

9.26.17 | 5:30-7pm | Singer Room, Eugene Public Library

Attendees: City Councilor Claire Syrett, City Councilor Chris Pryor, Scott Sanders – Eugene Parks Foundation, Hugh Prichard – Parks & Recreation System Plan Advisory Group

Subcommittee members not present: Councilor Mike Clark, Councilor Greg Evans

City Staff: Carolyn Burke, Craig Carnagey, Sue Cutsogeorge, Renee Grube, Scott Milovich, Sarah Medary, Kristie Hammitt

Carolyn Burke opened the meeting and provided an overview of the agenda. This is the 3rd meeting of the subcommittee and a 4th and final meeting will be scheduled soon. At this meeting, the plan is to review information requested at the last meeting and identify other outstanding information needs. During the final meeting, subcommittee will decide what information they intend to bring to City Council for a larger discussion. The tentative Work Session date is November 13 to have that discussion. Consultants are also planning to attend this meeting and provide polling information data. The poll drafting itself is nearing completion and it will be fielded in October.

Sue Cutsogeorge explained the matrix that was put together as an explanation of the nexus for each revenue option. Some information is subjective, but it was a way to summarize and present the information in an easy to review format. The matrix shows revenue options down the side, the first page has the short list with TPL recommendations and additional revenue options that have been talked about are included on the second page. Across the top are the criteria. If there is a revenue estimate, it's included. If not, we categorized them as either high, medium, or low. Some are gross numbers and some are net of administrative costs, others we don't know. Green box means -yes meets criteria. Yellow is neutral. The criteria is whether it would be hard, easy, etc. to administer. The chart looks at administrative effort and revenue stability and reliability, 3 TBL dimensions, business climate, environment, and what the effect would be on other Council goals. Are these the right criteria that should be included when Council takes a look at this? Are there other items or criteria you want to talk more about?

Scott Sanders brought up the conversation around marijuana tax and creating nexus with safety and clean-up and health. Councilor Syrett also asked about designating part of marijuana funds to go towards park security, and commented that at least some portion of the revenue we are seeking should be funded by marijuana tax. We would need the total revenue projections from marijuana tax before having the conversation about how much of it should go towards parks security. There doesn't need to necessarily be a nexus with marijuana tax, the 3% can be allocated as Council sees fit.

Councilor Pryor talked about how there would be no single solution to finding a revenue stream, and suggested that the solution would have to be collectively put together from four or five different places 1

to get us where we want to be. There are all kinds of possibilities when you're creating a combination solution from a series of small things.

Hugh Prichard talked about the reliability and stability of an endowment vs. a one-time cash sale of a property. He asked if there were other surplus properties available. Carolyn spoke about the rough value estimate for the undeveloped portion of Laurelwood Golf Course, known as the "Back 9" as well as a rough estimate that included the entire golf course.

Councilor Syrett brought up the sugary beverage tax. She said that Multnomah County is also looking to impose this tax, but is not sure how far along they are. When she worked on childhood obesity prevention, work groups were looking at this possibility. If it were to be referred to voters, it would probably fail. It's an idea that may not be realized in the immediate future. It does have the nexus to health and promoting healthy activities and directing that revenue into a system that helps families with that. Scott Sanders had concerns that the state has already gone from 5 to 10 cents on bottle deposits and then to add an additional tax onto sugar beverages might be too high for the average person. Carolyn referenced the matrix and the 1 cent per ounce number and said that it was a common rate for municipalities that have enacted this tax. Councilor Pryor talked about the options – could be $\frac{1}{4}$ or $\frac{1}{2}$ cent an ounce instead.

Renee talked about the options and which ones might require a vote vs. some that can be done administratively and that this might be helpful information to include in the matrix. Sue said that the only thing that requires voter approval is anything related to property tax. Councilor Syrett wondered whether the City could increase the transient room tax or whether that was regulated by the state. Renee answered that we have local authority to increase the transient room tax. Sue said that the important information is that you can't take every dollar from increase and put it towards whatever you want –. Renee also mentioned that you might want to think about the consistency between Springfield and Eugene and the desire to try and keep the transient room tax increasing at the same rate, like they are now. Councilor Syrett said she wasn't sure if it was worth it to raise the transient tax for the amount of revenue it would generate.

Councilor Pryor brought up admissions fees and whether we can raise them or charge additional use fees. Renee said that there are patron user fees for the Hult Center that everyone pays that go towards maintaining facilities, ticketing fees, and cost of performance. Pryor said that if you increase recreation program fees somewhere between 1-5 percent on activities in parks and rec facilities that moves you a little further up the scale. Renee said that we are doing that now, it has been a strategy during the recession. As you continue to increase - you are balancing access and affordability. These fees have remained at the increased levels since we raised them during the recession.

Sue mentioned that amusement tax is applied by other jurisdictions in a variety of ways. We need more direction in order to make any kind of revenue estimate for that. It was mentioned that the University is exempt from an Admission fee because we cannot tax a higher government body (the State). Councilor Syrett said that Alton Baker is an integral part of getting people to the stadium and wonders if there is any way to subject a tax or collect a fee from the University– maybe a small surcharge in ticket price

that goes toward infrastructure, bike path, bridges, etc. Sue said this would have to be voluntary. Sarah and Craig said that overall, the University does contribute to park safety and maintenance. UP police officers patrol bike paths and partnerships are formed to help clean areas. Councilor Syrett agreed that the University gives great net benefit to the city and they obviously do a lot, the community is at an advantage that the university stadium isn't surround by parking lots – but maybe there's an opportunity to start a conversation. Maybe start with the impacts that Alton Baker experiences directly.

Councilor Pryor asked Scott and Hugh what stood out to them on the matrix, as business people. Hugh said he liked the idea of red light cameras. Councilor Pryor mentioned that they have been discussed before and as a revenue generating opportunity, they don't really fly – but they may as a safety issue. Scott said that, like Councilor Pryor has said, the funding will have to come from a multitude of things – no silver bullet here.

Councilor Pryor then asked Scott and Hugh what seemed like the least attractive option on the chart. They answered the transient room tax, not enough money to make it worthwhile. Can see the benefit of an admissions amusement/entertainment tax. Like the idea of an endowment, but it's a long term thing.

Councilor Syrett said that the one thing not on the matrix, but related to an endowment, is "community sponsorships" of a playground, water feature, or other park amenity. Though this might not be a huge revenue generator, it could help fill in pieces and be tangible way for people to support a local park. Craig talked about our current adopt a park program. The problem with this is that people pay for something once and now it has to be maintained; it is not an ongoing revenue.

Councilor Pryor brought up the notion of creating a park local improvement district. It would put the obligation on people around the park to get the park improved. The City would pay some proportion but the residents around would also pay a portion. We do it all the time with streets, not sure what additional complications there may be. This would be for construction, not for maintenance of parks.

Sue went back to admissions taxes and how they could be imposed on movie tickets, sporting events, being a member of a club or subscription fee, electronically delivered information, music, tradeshow, craft shows, electronic bingo, bowling, darts, etc. You can take a lot of different approaches on how to do it.

Sarah asked if state law would allow the City to have some kind of local lottery. Such as a "Eugene Raffle." Sue said she would look into it, but doubted that would be an option. Councilor Syrett voiced her concerns that many lower income folks participate in lottery games and that it would act as a hidden regressive tax.

Carolyn stepped in and noticed that there hadn't been much discussion about a parks and rec service fee. Councilor Syrett said it was something that Council should discuss, assuming that it will be part of the polling conducted. It's something that should be seriously considered, but possibly dialed back and coupled with other strategies. Councilor Pryor thought that a monthly fee might be appropriate for nuisance issues and that people are willing to pay a dollar for one issue, but not another.

Councilor Syrett discussed the difference between a local option property tax levy and a service fee – a service fee that is properly named, framed, and discussed is going to have more likely success than a property tax levy. Councilor Pryor said that fees are a new kind of thing, more unusual than a tax levy which people are familiar with and can decide whether to support – not “afraid” of this mechanism. Fee is scarier – understood poorly and people vote no. Councilor Syrett’s concern is that property owners feel like everything falls on them to deal with/pay for.

Renee talked about the baggage behind naming something a “service fee.” It could be a safety and maintenance fee. Councilor Pryor said what if it was 1 dollar a month, 12 dollars a year to increase safety and maintenance in all parks. Scott was concerned that if it’s a dollar this year, what will it be next year? Is there a mechanism to control rate increases?

Hugh discussed non-profit fundraising. He touched on the generosity of the community and that half of the people make more than medium income. Would there be an opportunity for a foundation? Pryor said it would take people and money to do it and run a campaign. Carolyn asked if this would be different from an endowment. Scott’s concern was that it would take a lot of resources to get going. For the first several years, you’re going to be putting in more resources than you’re getting – so it’s a long-term play. Councilor Pryor mentioned that people are attracted to the idea of longevity of an endowment – continuing to give for years. Knowing it will take resources and time, but could possibly be seeded with surplus property sale and establish something that could work.

Craig voiced concerns about establishing an endowment based on funding maintenance – this doesn’t currently exist in most other communities. Councilor Pryor said it would be how you package it and create a balance – may not be the only thing in the endowment. Renee talked about the positive experience with the Eugene Public Library Foundation. After their capital campaign was done, they struggled with sustaining operations but have moved into a model generating money for operations – shifting resources and being creative.

Carolyn provided requested information about the value of Laurelwood Golf Course and surrounding lands. Russ Royer, retired property manager, had researched some comparable sales back in 2010 and 2013, somewhat outdated but the only data we have. These figures should be considered rough value indicators and are in no way an appraisal. An appraisal is needed to fully understand the land value and would be complex to put together considering topography, transportation and utilities, and improvements of the existing golf course. Based on comparables from 2010 and 2013, the back 9, 27 undeveloped acres, the value is around \$1.3-1.8 million. The entire gold course would range from \$4.6-6 million if sold as unrestricted highest best use, not as a golf course. Carolyn said that a long-term lease or selling as a golf course is challenging because it does not operate in the black. We have short-term lease now that saves us money on maintenance costs. It would be hard to find a buyer for the golf course to be operated as a golf course. The cost to maintain the golf course as a park would be very high.

Carolyn then steered the conversation to the topic of special districts. Sue said that there are many pros and cons to special districts. There has been lots of information gathered over the years, but the

subcommittee had asked for a one page summary. She grouped the factors into three categories – governance, financial, and services. What would happen with multipurpose government providing the service or, a special district providing the service, and what would impact be to city if parks and rec district provided those services? The first model around governance, the Seattle model for City Council to also serve as the Board of the special district – is not in the model allowed in Oregon. A Parks and Rec Special District would require an elected board of three or five members – elected at large or by zones.

Councilor Pryor said that as far as a parks a rec district goes, it should be emphasized that you're duplicating administrative structure, going from one government to two with double staffing and everything. It's not cheap to do this. Under a financial aspect, the argument is that you're not going to be able to take money out of Eugene and just put it in a special district – there's no dollar for dollar removal. You'd have increased costs and may have significant rate increase to Eugene bills. It wouldn't be a net wash with Eugene's rate going down and district going-up, people would end up paying more.

Sue spoke to this and said that that we have a permanent tax rate that the City can levy that cannot be permanently lowered. If a special district was created, City Council could choose to lower the rate levied in any given year, but the allowable tax rate would stay the same. The community may not trust that if a tax rate went up for a district and City Council made a decision to lower the city's rate, there's no way to guarantee the tax rate would stay down.

Councilor Syrett said she was not a fan of the idea of a special district. She thought Councilor Pryor has good suggestions for a clearer draft of the matrix. She believes that funding our parks and rec is a fundamental purpose of the city government and shouldn't necessarily pass it off to another group of elected officials. Councilor Pryor mentioned that special districts have worked well in many Oregon cities, but they were established a long time ago. If a new district was formed, it would assume responsibility for a significant amount of aging infrastructure – starting off with old pools, parks, equipment. A district would also have fewer options to explore to pay for things and will cost more. Craig Carnagey talked about how sharing equipment and a maintenance yard with other City departments is invaluable and would not be the case for a parks district.

Sarah Medary wondered if even though the upfront costs would be high, if over the long-term it would cost less. Councilor Syrett mentioned that parks district employees would likely be non-union and with the City they get good wages and benefits and it's unclear that this foundation would be part of a new parks district. Councilor Pryor talked about some of the difficulties Willamalane had staffing their after school programs with both school district and Willamalane employees because the Willamalane salaries were lower.

Scott Sanders gave some pros to having a special district, for example, knowing that available money isn't going to be diverted somewhere else. Pro-district people say that is the biggest thing, that it removes some of the political aspects of the decision-making. Pryor said that the million dollar question is how much people are willing to pay for a dedicated parks program.

Sue presented information based on analysis prepared by the Lane County Tax Assessor's office. She asked them to look at the impacts from extending a new permanent tax rate for a parks district within

Eugene's boundaries. The material presents just two different scenarios, (though there could be many). If a park district permanent tax rate were levied across City of Eugene boundaries, a tax rate of \$1.50 would raise \$21 million and a rate of \$3 would raise \$42 million.

Determining the impacts from this change is not easy because of Measure 5 and tax rate limits. If there were a new permanent tax rate of \$1.50 added to the tax bill, the City's library levy would lose \$300,000 a year, Lane County's public safety levy would lose \$600,000, and the Lane County extension service would lose \$20,000. With a new \$3 permanent tax rate added to the bill, the impact would be even larger, with library levy losses at \$900,000 per year. If the tax rate raises high enough, the City and County General Funds could also be affected. With a new permanent tax rate of \$1.50 there would be a negligible impact, but with a new special district levy of \$3, combined losses to local option levies and general funds would be \$5.3 million. These analyses assume that the City would still levy its \$7 tax rate, but that would be a decision the City Council would make each year at budget time.

This analysis shows the impact on revenue from a tax rate that is above \$10 per \$1000 of real market value in a strong economic environment. Estimating property tax revenue is very difficult, and is affected by overall economic activity. School District 4J has had a local option levy of \$1.50 per \$1000 since 2000. The tax revenue they have received has varied from a low of \$0.63 to a high of \$1.32, which is considerably less than \$1.50 due to Measure 5 compression. It becomes very difficult to manage a service when revenues are affected so significantly as property values change.

Carolyn then switched to a topic that had not yet been talked about, working with the UO foundation. Renee said that Craig had spoken with Paul Winehold about getting together to talk about what we can learn from them. Councilor Clark is also invited to the meeting, he also previously met with the VP of advancement. Scott Sanders thinks there is an opportunity to learn from the UO Foundation, but at the end of the day we'd likely be competing for the same dollars.

Carolyn wrapped up with saying that during the fourth and final meeting, the committee will determine how this information gets presented to City Council. Hugh asked if information would be presented with a point of view or without a recommendation. Carolyn said that the committee was not tasked with providing a recommendation. The committee can provide analysis and report back on what they've learned, some high level pros and cons, and which options are more feasible than others.



A G E N D A

City Council Subcommittee Parks and Recreation Security and Maintenance Funding

Friday, Oct 26, 2017
12:00 p.m. to 1:30 p.m.

Eugene Public Library, 100 West 10th Avenue
Singer Room, 2nd Floor

Time	Item	Presenters
12:00 to 12:10	Agenda Review	Carolyn Burke
12:10 to 1:00	Draft Subcommittee Report	Carolyn Burke
1:00 to 1:15	Special District Memo Update	Carolyn Burke/ Sue Cutsogorge
1:15 to 1:30	Committee Questions/ Next Steps	Carolyn Burke/ Committee Members

Meeting Series

Date	Time	Location
Wednesday, August 16	Noon to 1:30 PM	Bascom/Tykeson Room (completed)
Wednesday, August 30	11:30 AM to 1:00 PM	Bascom/Tykeson Room
Wednesday, September 6	11:30 AM to 1:00 PM	Bascom/Tykeson Room

Membership:

Mike Clark, City Councilor
 Greg Evans, City Councilor
 Chris Pryor, City Councilor
 Claire Syrett, City Councilor
 Scott Sanders, Eugene Parks Foundation
 Hugh Prichard, Parks & Recreation System Plan Advisory Group

City Council Subcommittee - Parks and Recreation Security and Maintenance Funding

10.27.17 | 12-1:30pm | Singer Room, Eugene Public Library

Attendees: City Councilor Mike Clark, City Councilor Greg Evans, City Councilor Chris Pryor, Scott Sanders – Eugene Parks Foundation, Hugh Prichard – Parks & Recreation System Plan Advisory Group

Subcommittee members not present: City Councilor Claire Syrett

City Staff: Carolyn Burke, Craig Carnagey, Sue Cutsogeorge, Renee Grube, Scott Milovich, Sarah Medary, Kristie Hammitt, Lieutenant Reynolds

Introduction

Carolyn Burke opened the meeting by looking at the Draft Subcommittee Report drafted in preparation for the Council update later this month. The report summarizes the subcommittee conversation into a 3 page text summary that includes the full matrix of revenue options and the criteria for the matrix. The funding gap number has been updated, the number has been changed to \$2.4 million to accurately reflect the full need of expenses including park ambassador and dedicated EPD officers for parks (up from \$2.3 million).

Hugh asked if there was a consensus on the funding gap number and solutions, wondering whether the real controversy is where that money comes from. Councilor Pryor answered that there hasn't been much dispute about the solutions because there hasn't really been a larger conversation about it. Councilor Clark said there hasn't been much dispute in what we ought to do, but there may be some unease on different parts and there may be councilors who want to consider that separately. Clark said that the subcommittee's charge was to look at a broad range of things that might get to a solution that provides the quality of life piece in parks that we would all prefer. Our narrative assumes the "public safety" aspect as a given.

Scott asked if the number given was just the baseline number and Carolyn answered yes. This doesn't provide for growth of the parks and recreation system beyond development of approximately five park sites.

Special District Memo Update

Councilor Clark asked if the dollar amount when compression results is a net number – does it count if we go to a special district and we're no longer going to spend money as the City of Eugene? If we eliminate the parks department, does that also eliminate the compression problem? Sue answered that this doesn't assume any change regarding the City's current tax rate. This assumes that the City continues to levy its full permanent rate. In current city budget – parks and recreation services is around \$1.7, but that doesn't include capital or other host of things that support the system. It wouldn't necessarily be sustained in a new governance model. There are many policy choices that would affect the calculations.

Scott said that in looking at the pros and cons of a special district, our analysis is too skewed to the cons. It's not going to be a dollar for dollar exchange, but there is going to be some transfer and we need to show that. There needs to be an even-handed view. Clark agreed that it was important to have

thorough and complete data in order for Council to have a conversation around the creation of a parks district.

Councilor Pryor suggested keeping the information on the sheet, but labeling it as “highest impact scenario” and then list the series of variables that could impact this. The City is not required to reduce its permanent tax rate. The Council may choose to spend less money, but it is not required to – it’s a variable. There is no law that says Council would have to reduce the tax amount. Second variable is that there is no dollar-for-dollar exchange for Public Works Parks and what a new district would be doing. Other variables include that Council as a matter of policy might decide to reduce funding because of new district creation and then in the future they could raise it again. It’s a question of certainty – if a district is created, there’s no certainty that rate would stay the same. The scenario could change. The variables are so variable that we don’t have any other number to come up with – this is the highest impact. Proponents of creating a new district argue/assume that City will reduce tax rate dollar-for-dollar.

Sue said that according to state law, the City cannot reduce its permanent tax rate. There is no way for the City to influence the property tax system. You can undercollect, but the rate doesn’t change.

Hugh brought the conversation back to talking about the chart and asked if the group was happy with the information. Carolyn acknowledged that the group had jumped topics and touched on the special district memo first.

Councilor Evans talked about the other issues of service that need to be rendered if a special district was created. The issue of public safety continues to go up and currently our police department handles that. Would a special district contract with the City for public safety services? Just one of the many moving parts. Councilor Clark asked if there is a dramatic difference in internally charged public safety rates vs. externally contracted public safety rates. The answer was that costs are substantially higher externally. Sue said that an annual contract is dependent on overhead rates.

Carolyn said that this was captured under “impact to community,” highlighting that the creation of a special district would result in the overall costs of administration being duplicated by 2 separate entities.

Sarah asked who would own the property if a special district was created. Would the City own and the district operate? Would we transfer the property to them? Would the fact that many parks are bought with federal money make the issue even more complicated? Sue said that the ownership could be worked out through an MOU. Renee agreed that there are methods and ways to get these things worked out, but that they are very complicated.

Sue added that that many of the cost implications depend on how each of the variables get worked out. Clark added that we don’t know the exact number because it involved “x” number of steps to get there—we’ve drafted high and low numbers with a general framework.

Sue reminded the group that there are multiple different versions of documents with this information – there is a 200 page version, a 20 page version, a 5 page version, and now a 1 page version of what it would mean to create a parks district, this is the short version.

Scott said that he was happy with the report and the matrix and the green and red crosses that demonstrate how each funding alternative meets criteria. Regarding the special district memo, he suggested pros that could be added to special district governance – an oversight body in a single purpose district is less distracted and more in control of what to do with dollars, they aren't being pulled in different directions. Really, this could be seen as a pro or a con. Thinking about the coordination of services is another factor. The Parks Foundation meets with other community entities including Kidsports and school districts, etc. Having one entity to coordinate all of these interactions could be positive. Councilor Pryor said that there are fundamental negotiations between parks and school districts, and other community entities. The 3 part basic negotiation is always there and may not improve with a special district. Renee said that the collaboration piece could be looked at from both sides. Currently, the City funds Kidsports and community partners, like boys and girls club. A special district may or may not continue to do so.

Hugh added that there is a current belief that parks and rec services could be delivered cheaper in a similar way by another entity. Scott said that he didn't think it would be cheaper, but that the other aspect is the governance – not having to compete with other priorities coming from the City, that's a concern from people in underserved areas. Councilor Pryor touched on the fact that a park district may pay employees less than the City does.

Councilor Clark posed a hypothetical: If someone's daughter went to a neighborhood park with a rickety jungle gym and she falls and breaks her arm and the parent sues for defective park property, we're currently self-insured. How would a district compensate for this situation? The answer was that a district could also self-insure or sign up for coverage through a Special District Association.

Councilor Evans talked about how Lane County is struggling with parks and River Road is struggling because their tax base is restricting. They are looking at what a larger or different configuration of their special district would look like. What if this were a conglomeration with Lane County parks, City of Eugene, and River Road District? Would size and other considerations be factored in in terms of efficient delivery of services and deal with some of our compression issues around that?

Sue said that because Lane County has a larger tax base, you can spread the cost over that tax base and the cost may go down, but you're probably also increasing the number of facilities to manage over a large geographic area, so it's hard to say how it would all play out. Pryor said that there would be so much complexity with trying to have a huge amount of municipalities involved in the conversation. If the entity is small enough, you can absorb but with large additions, you are also taking on all of the additional capacity.

Draft Subcommittee Report

Carolyn said they would update the Special District information sheet and send out for review before presented to Council. She then steered the conversation toward the Draft Subcommittee Report and made sure people were comfortable with the pros and cons listed for each category.

Councilor Clark was not comfortable with the sale of property from the golf course being deemed "unpopular." Others chimed in that maybe it should say unpopular with neighbors? He wasn't sure how accurate that was. Suggested framing it in a different way – that we have doubled the amount of park land in the last 20 years and this is a move of a different kind – move to decrease public space and land,

changing the trajectory. He was wanting to label the move in a different way. Scott said that maybe it would be labeled as “underutilized park sale,” not just any park sale. He wondered if there was any benefit of giving the specific example of selling the Laurelwood Golf Course?

Hugh talked about 2 separate categories 1) the sale of park property and 2) is it economical to manage? What you’re losing by selling property is giving up future potential. Pryor asked whether there were other underutilized properties and if this could maybe be a category. Clark said that it has never been talked about in the context of parks, only in the budget – it could allow for one time monies to be used for an endowment fund. Scott said that he feared the distraction of naming Laurelwood. By giving up this land, you’re giving up future development on underutilized property.

Hugh asked if there should be an additional category for contracting out the management of facilities such as pool upkeep. Sarah said that that wouldn’t be a funding source, it’s a savings.

Council Pryor said that privatizing recreation doesn’t usually work out.

Carolyn said that the privatization of parks is not included in the matrix because it’s not a funding source. She asked if there were any other thoughts about the pros and cons on the revenue options chart. In the 11x17 Matrix, Carolyn proposed adding a new column that reads “sustainable revenue” in addition to the original column that reads “fair, stable, and adequate resource”. The two are similar, but not the same. For example, a parks and rec fee would be “sustainable” because it is ongoing and wouldn’t have to be approved by the voters every 5 years as is the case with a levy. However, the park and rec fee might not be as “stable” because there is no built in enforcement of the collection mechanism as there is with property tax. This additional column would differentiate between the sustainability of the source vs. the stability.

Scott had a question about the second column, “revenue raising capability” – he said this made it sound like a one-time thing, should maybe be labeled as annual revenue raising capability to be clear that it is ongoing.

Committee Questions/Next Steps

Carolyn asked about the 1 page index of the appendix and if everyone was okay with how the information is presented to bring to Council. The idea is that this report would be presented and the complete body of work would be attached as an appendix in PDF form. She asked if there was anything anyone thought needed to be a part of the report itself that is not already there – anything that might need more visibility.

What is currently included is the scope, service, and funding gap materials, revenue option reports, special district materials, private endowment materials, and meeting minutes. Carolyn asked if the special district piece should be elevated to the report itself and the members answered that no, it could be kept in the appendix.

Carolyn explained that during the November 13th City Council Work Session, part of the time will be devoted to the consultants with the results of the polling they have conducted and the other half will be dedicated to the work of the subcommittee.

Councilor Clark said that the topic may not need as much introduction as usual, because half of the Council has been involved in the detailed process. Councilor Pryor agreed that a quick summary piece

and a power point left up on the screen with information might help facilitate the conversation. Everyone agreed that they would like Scott and Hugh to attend the Council update.

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Work Session: Introduction to HB 3115

Meeting Date: February 27, 2023
Department: City Attorney's Office
www.eugene-or.gov

Agenda Item Number: 2
Staff Contact: Kathryn Brotherton
Contact Telephone Number: 541-682-5344

ISSUE STATEMENT

This work session is to provide the Council a brief introduction to HB 3115 prior to the March 8 work session, when the Council will have an opportunity to discuss potential changes to the City Code.

BACKGROUND

The path to House Bill (HB) 3115 started in 2018 with the 9th Circuit's decision in *Martin v. Boise*. The court in *Martin* held that the 8th Amendment to the United States Constitution prohibits governments from criminally penalizing an individual for sitting, sleeping, or lying outside on public property when the individual is unable to obtain shelter. Judge Berzon, the author of *Martin v. Boise*, stated in her concurrence to the denial of rehearing in *en banc* that the narrow scope of *Martin* could be summarized as follows: "On the merits, the opinion holds only that municipal ordinances that criminalize sleeping, sitting, or lying in all public spaces, when no alternative sleeping space is available, violate the Eighth Amendment. Nothing in the opinion reaches beyond criminalizing the biologically essential need to sleep when there is no available shelter." While the court in *Martin* largely focused on what a government cannot do, the decision does state that "an ordinance prohibiting sitting, lying, or sleeping outside at particular times or in particular locations might well be constitutionally permissible."

In the 2022 case of *Johnson v. Grants Pass*, the 9th Circuit expanded on its decision in *Martin*, stating that their decision in the *Grants Pass* case "reaches beyond *Martin* slightly." In *Grants Pass* the Court repeated its decision in *Martin*, stating that "[a]s in *Martin*, we hold simply that it is 'unconstitutional to [punish] sleeping *somewhere* in public if one has nowhere else to do so.'" The *Grants Pass* decision then slightly expands the holding in *Martin*, stating that "'sleeping' in the context of *Martin* includes sleeping with rudimentary forms of protection from the elements, and that *Martin* applies to civil citations where, as here, the civil and criminal punishments are closely intertwined." The Court clarified that its decision "does not address a regime of purely civil infractions, nor does it prohibit the City from attempting other solutions to the homelessness issue."

HB 3115, now codified as ORS 195.530, was passed by the Oregon Legislature and signed into law by Governor Brown in June 2021. HB 3115 provides that local governments have until July 1, 2023 to comply with the requirements of the bill. This means that if there are any changes that must be made to City Code in order to comply with HB 3115, those changes must be effective by June 30, 2023.

HB 3115 states: “Any city or county law that regulates the acts of sitting, lying, sleeping or keeping warm and dry outdoors on public property that is open to the public must be objectively reasonable as to time, place and manner with regards to persons experiencing homelessness.” The bill defines “keeping warm and dry” to mean “using measures necessary for an individual to survive outdoors given the environmental condition” but specifically excludes “using any measure that involves fire or flame.”

The City does not have any laws regulating the act of sitting, lying, or sleeping. The City does, however, prohibit the establishment of a campsite on all publicly owned property (EC 4.815(3)), defining campsite as: “[A]ny place where any bedding, sleeping bag, or other material used for bedding purposes, or any stove or fire is placed, established or maintained for the purpose of maintaining a temporary place to live, whether or not such place incorporates the use of any tent, lean-to, shack, or any other structure, or any vehicle or part thereof.”

At the March 8 work session, the Council will have an opportunity to discuss potential changes to EC 4.815(3) to more closely align that code provision with HB 3115, as well as other potential code changes that would, among other things, codify the City’s dawn-to-dawn program and address environmental hazards caused by leaking recreational vehicles.

COUNCIL OPTIONS

This work session is informational, and no action is requested at this time.

ATTACHMENTS

A. HB 3115

FOR MORE INFORMATION

Staff Contact: Kathryn Brotherton

Telephone: 541-682-5344

Staff E-Mail: KBrotherton@Eugene-or.gov

81st OREGON LEGISLATIVE ASSEMBLY--2021 Regular Session

Enrolled House Bill 3115

Sponsored by Representative KOTEK; Representatives DEXTER, MARSH, MCLAIN, POWER,
REYNOLDS, WILDE, Senators DEMBROW, MANNING JR, RILEY

CHAPTER

AN ACT

Relating to the regulation of public property with respect to persons experiencing homelessness; and declaring an emergency.

Be It Enacted by the People of the State of Oregon:

SECTION 1. (1) As used in this section:

(a) “City or county law” does not include policies developed pursuant to ORS 203.077 or 203.079.

(b)(A) “Keeping warm and dry” means using measures necessary for an individual to survive outdoors given the environmental conditions.

(B) “Keeping warm and dry” does not include using any measure that involves fire or flame.

(c) “Public property” has the meaning given that term in ORS 131.705.

(2) Any city or county law that regulates the acts of sitting, lying, sleeping or keeping warm and dry outdoors on public property that is open to the public must be objectively reasonable as to time, place and manner with regards to persons experiencing homelessness.

(3) It is an affirmative defense to a charge of violating a city or county law described in subsection (2) of this section that the law is not objectively reasonable.

(4) A person experiencing homelessness may bring suit for injunctive or declaratory relief to challenge the objective reasonableness of a city or county law described in subsection (2) of this section. The action must be brought in the circuit court of the county that enacted the law or of the county in which the city that enacted the law is located.

(5) For purposes of subsections (2) and (3) of this section, reasonableness shall be determined based on the totality of the circumstances, including, but not limited to, the impact of the law on persons experiencing homelessness.

(6) In any suit brought pursuant to subsection (4) of this section, the court, in its discretion, may award reasonable attorney fees to a prevailing plaintiff if the plaintiff:

(a) Was not seeking to vindicate an interest unique to the plaintiff; and

(b) At least 90 days before the action was filed, provided written notice to the governing body of the city or county that enacted the law being challenged of an intent to bring the action and the notice provided the governing body with actual notice of the basis upon which the plaintiff intends to challenge the law.

(7) Nothing in this section creates a private right of action for monetary damages for any person.

SECTION 2. Section 1 of this 2021 Act becomes operative on July 1, 2023.

SECTION 3. This 2021 Act being necessary for the immediate preservation of the public peace, health and safety, an emergency is declared to exist, and this 2021 Act takes effect on its passage.

Passed by House April 15, 2021

.....
Timothy G. Sekerak, Chief Clerk of House

.....
Tina Kotek, Speaker of House

Passed by Senate June 9, 2021

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Peter Courtney, President of Senate

Received by Governor:

.....M.,....., 2021

Approved:

.....M.,....., 2021

.....
Kate Brown, Governor

Filed in Office of Secretary of State:

.....M.,....., 2021

.....
Shemia Fagan, Secretary of State