



**CORVALLIS  
CITY COUNCIL WORK SESSION  
AGENDA**

**July 5, 2011  
7:00 pm**

**Downtown Fire Station  
400 NW Harrison Boulevard**

**COUNCIL ACTION**

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**I. ROLL CALL**

**II. UNFINISHED BUSINESS**

**A. Council Goal on Sustainable City Budget**

1. Priority Ranking Exercise (to be distributed)
2. Revenue Matrix
3. Core Services
4. Exit Interview Statistics

**B. Discussion/Next Steps**

**III. ADJOURNMENT**

For the hearing impaired, a sign language interpreter can be provided with 48 hours' notice prior to the meeting. Please call 541-766-6901 or the Oregon Communications Relay Service at 7-1-1 to arrange for TTY services.

**A LARGE PRINT AGENDA CAN BE AVAILABLE BY CALLING 766-6901**

*A Community That Honors Diversity*

## MEMORANDUM

June 27, 2011

TO: Mayor and City Council

FROM: Nancy Brewer, Finance Director *NB*

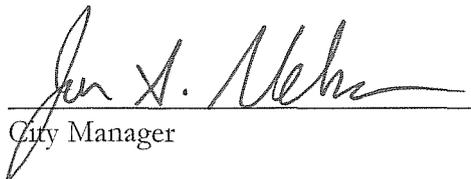
SUBJECT: **Revenue Alternatives**

As requested at the June 13, 2011 work session, I am forwarding the last update (2008) of the Revenue Alternatives Matrix for the Council discussion on July 5. While I believe that most of the alternatives listed are still available, staff have not done any reviews/updates to see if the intervening legislative session have preempted any of these alternatives.

In addition to these revenue alternatives, City Councilors have recently indicated an interest in the following possible revenue sources, including:

1. Fire Protection Fee – see document (attached).
2. Fire Med for all – pay for all or most of ambulance service by levying “fire Med” like fee (\$50) on all properties for ambulance insurance. Payers of the fee will receive ambulance service for a co-pay like fee instead of the full cost fee.
3. Fee or tax on students to pay for resource demand impact of OSU on Corvallis. Revenue used to pay for CPD and housing services.  
Alternatives:
  - Annual per student fee (\$50)
  - Tax as a % of tuition
  - \$ per bed @ OSU and perhaps hospital
4. Sell bottled Corvallis water – take advantage of a marketable asset.
5. Alcoholic beverage bottle fee – used to offset policing costs of dealing with over-indulgence.
6. Fuel tax – follow example of Eugene, Springfield, and Newport (14 cities and 2 counties). This would fund street work – is it limited to that use?
7. Cell Telephone Excise tax
8. Parking district fees - revenue only goes to parking fund
9. Medical Marijuana Dispensary Licensing

Review & Concur:

  
\_\_\_\_\_  
City Manager

# Fire Protection Fee Proposal

Draft 4 – June 13, 2011

From Councilor Traber

## Current Situation:

In the most recently revised FY 10-11 budget, the Fire Department has an overall operating expenditure budget of \$10.3M, which is funded by \$6.8M (66%) of property tax revenues. For the proposed 11-12 budget, these numbers are \$11.4M and \$7.8M (68%) respectively. These property tax revenues primarily fund the fire protection functions of CFD within Corvallis; the other revenues fund such things as ambulance services and fire protection in the rural fire district.

Fire protection is focused on protecting and saving structures and the people that use them. Thus it seems, at first review, appropriate that fire protection be funded out of property tax revenues. A flaw in this current funding structure is that a large proportion of the structures in Corvallis protected by CFD do not generate property tax revenue to fund that protection. These properties are exempted from property tax as either non-profit organization or as government organizations. Examples of large exempt structures are all of the OSU campus and Samaritan Health Services; smaller but perhaps significant properties are churches and schools (e.g., 509J). An estimate of the missing property tax revenues from OSU was made in the early 1990's – \$800K/yr. A more recent estimate is in the Revenue Alternatives document from Jan 2010 - \$1.46M.

## Proposal Background:

A critical goal of any funding situation is that the revenue or source of funds match as closely as possible the use of those funds. Another way of stating this is that members of the community pay for the services they use in a transaction they recognize. The current practice of funding public safety with property tax revenues does reflect the use of funds generated from the residential and commercial properties to pay for their protection.

The exception for both police and fire protection services is that OSU does not fund either. For police, OSU contracts with the state to use state police; for fire, OSU gets protection it does not pay for. Perhaps looking at the problem slightly differently leads to a new approach.

The concept is to have fire protection for all structures and to have the revenue to fund that protection come from all structures. If we look then at a common attribute for all structures we can construct a new method to fund fire protection. All (or most) structures have water meters; leading to a question of whether one can construct a **fair** water meter fee that funds fire protection.

A fair fee would accomplish the following things:

- Fully replace property tax funding for fire protection
- Have a minimal impact on those already paying property taxes to fund fire protection. That is, the new fire fee would cost the same as the share of their property tax payment that can be attributed to fire protection.

### Fire Protection Fee Proposal

1. Establish a utility fee for fire protection. An initial tentative fee structure is in Table 1.
2. Reduce the city’s property tax rate by \$1.68 per \$1000 assessed value. This figure is based on the FY10-11 property tax funding for CFD. Past fire levies totaled \$1.53/\$1000 ASV(to be verified).
3. Alternatively: allow property tax payers to credit their fire protection fee against their property tax bill as a tax rebate/refund.

<b>Table 1 – Tentative Fire Protection Fee</b>			
<b>Meter Type</b>	<b>Number</b>	<b>Monthly Fee</b>	<b>Annual Fee</b>
Single Family Residence	14922	\$23	\$276
Multi-family Residence	1290	\$92	\$1,104
Other Domestic	77	\$92	\$1,104
Commercial Customers			
.75 in. meter	510	\$23	\$276
1.0 & 1.5 in. meter	413	\$92	\$1,104
All others (2 to 10 in.)	239	\$230	\$2,760

### Reasonableness Test

To verify the basic reasonableness of this proposal, I reviewed the two criteria: 1) was there substantial revenue creation and 2) was the change essentially fair for existing payers.

- New revenue: The new fee structure would generate \$30,383/mo or \$366K/yr. from OSU meters; checking other exempt properties remains to be done.
- Fairness: Roughly, CFD consumes about \$1.65 of the city’s tax rate. Thus the offsets are:
  - Residential average ASV \$180 - \$23/mo tax reduction
  - Commercial – sampling of actual properties by meter size results with reductions approximately offsetting new fee:
    - ¾ in – reduce pty tax ranges from \$62 to \$256/yr
    - 1 & 1.5 in – reductions range \$577 - \$1478
    - All others – reductions average \$2537
  - NOTE – use of Proposal Para. 3. above will create exact offsets to the fees for property owners who apply for the tax rebate/refund.

## Other Issues, Comments & Questions

1. For some multi-tenant properties with meters per tenant, this will move the direct payments from the owner to the renter.
2. RISK – property tax is not reduced to offset new fire protection fee. Will cause citizen distrust. Can city reduce fee without impact on its permanent tax rate?
3. Which currently exempt owners should we continue to exempt, if any – small non-profits and churches?
4. This meter approach is regressive by its flatness with few tiers. Perhaps the scaling ought to be by square footage of the property. Or consider water usage itself as the unit for the fee.
5. Are there groups for whom the fee will exceed their property tax? For example, mobile home owners?
6. Payment or credit processes ought to provide for low end home owners not being able to afford monthly payments and property tax before receiving a credit credit.
7. This proposes a wholesale replacement of property tax for CFD with a fire protection fee. Perhaps a simpler approach would be to apply a fee only to property tax exempt properties.

## Next Steps

1. Review with selected individuals for comments and suggested revisions – Doug VanPelt, Councilors, Mayor & City Manager.
2. Introduce at the 6/13 City Council work session.
3. Assign as a staff work item to finalize rate structure and analyze impact further. Some topics to work are:
  - Update the OSU ASV and property tax estimate
  - Identify additional revenue from other exempt properties
  - Examine the property tax rebate/refund vs. the “reduce the tax rate” approaches to offset the new fee. Do either look more like an “ad valorem” tax?
4. Choose method to implement; two approaches?
  - a. Council passes fee with reduction commitment. Possible voter petition to overturn.
  - b. Council refers it to the voters for approval. Perhaps required?

## REVENUE ALTERNATIVES

Type of Tax/Fee	Description	Projected Revenue	Administration – Equity – Precedence	Legal Restrictions/Other	February 2008 Status
City Utilities Franchise Fee	<p>City imposed franchise fee on City Utilities for public right of way use.</p> <p>Revenue: Unrestricted; currently in the General Fund.</p>	<p>Using projected operating revenue from charges for service for FY 06-07, and a rate of 5% of metered revenues, franchise fee revenue from the City's utilities is projected to be \$370,980 from Water; \$389,050 from Wastewater; and \$84,910 from Storm Water for a total of \$844,940, or about \$168,990 per percentage point..</p>	<p><u>Administration:</u> Local  <u>Equity:</u> Capture additional revenues from non-taxpaying entities such as OSU and non-profit entities which requires City services.  <u>Precedent:</u> This is a common practice in Oregon cities. Cities imposing franchise fees on public utilities above 5% include Portland (which has had a City utility rate of 7.5%, but is in the process of decreasing the rate to 5%), Pendleton ( 7%), and .Oregon City (6%).</p>	<p>None.</p>	<p>The City Council adopted and implemented a 5% franchise fee on January 1, 2002.</p> <p>The Franchise Fee rate could be increased to provide additional revenue. However, it would require an increase in rates for the utilities.</p>
Non-City Utilities Franchise Fees	<p>City imposed franchise fee on non-City owned utilities (Pacific Power, Qwest, Comcast etc.) for their use of the publicly owned right-of-way.</p> <p>Revenue: Unrestricted.</p>	<p>All utilities that use the City's right-of-way currently have franchise agreements. Most have a rate of 5% of gross revenue.; Qwest has a 7% rate of only local exchange. If the rate was increased to 7% for all other utilities, revenues would increase by around \$1.3 million annually.</p>	<p><u>Administration:</u> Local  <u>Equity:</u> Would cause utility rates to increase. Would capture additional revenue from non-taxpaying entities such as OSU and non-profit entities which require City services.  <u>Precedent:</u> Medford is currently negotiating to increase rates on non-City owned utilities from 5% to 6% or 7% and has already increased PP&amp;L to 7%. Pendleton charges all utilities a 5% franchise fee.</p>	<p>Negotiations with utilities as franchise agreements come up for renewal means that this would not be an immediate increase in revenue.. The corresponding increase will show as an additional line item charge on the utility bill.</p>	<p>No action has been taken to increase the rate yet.</p>

Type of Tax/Fee	Description	Projected Revenue	Administration – Equity – Precedence	Legal Restrictions/Other	February 2008 Status
Community Development Fee	A rate times the real market value of new construction. Communities charging this fee use the revenue to support the Planning Department.  Revenue: Unrestricted.	With an average of \$100 million per year in new construction, a 1.5% CD Fee would raise \$1.5 million annually.	<u>Administration:</u> Local. <u>Equity:</u> <u>Precedent:</u> Jackson County, and Ashland both have this fee, and Medford is considering it.	The 2007 legislature authorized schools to create a construction excise tax, and placed a ban on cities implementing this kind of fee for 10 years.	No action taken.
City Services Fee	A fee assessed on the City's utility bill, like the utility charge, or the Transportation Maintenance Fee (TMF). The fee is set based on a series of criteria that usually means different types of properties will pay different amounts each month.  Revenue: Restricted only as much as the City's legislation authorizing the fee.	It would depend on how the fee was established. The TMF, set at \$1.36 per month for single family customers with varying rates for commercial properties raises around \$400,000 annually.	<u>Administration:</u> Local. <u>Equity:</u> The level of progressivity would be tied to the method used to establish the fee and tie the fee to the service used. Entities that do not pay property tax would pay the City services fee. <u>Precedent:</u> There are several communities that have a fee on their monthly utility bill for specific services (i.e., Tigard has a transportation maintenance fee similar to Corvallis').	No legal restrictions that staff is currently aware of.	The City implemented the TMF on July 1, 2006.

Type of Tax/Fee	Description	Projected Revenue	Administration – Equity – Precedence	Legal Restrictions/Other	February 2008 Status
City Services Bill Surcharge	<p>A surcharge is a set amount charged per month for each utility customer.</p> <p>Revenue: Restricted only as much as the City's legislation authorizing the fee.</p>	<p>The City currently has around 15,500 utility customers. A fee of \$0.60 per month would raise \$9,300 per month or around \$111,600 for a year.</p>	<p><u>Administration:</u> Local.</p> <p><u>Equity:</u> This would likely be a more regressive tax since it is not related to a usage based mechanism, and would not assess a multiple dwelling unit with a single monthly bill differently than a single family home.</p> <p>Entities that do not pay the property tax would pay the surcharge.</p> <p><u>Precedent:</u> There are several communities that have a fee on their monthly utility bill for specific services (i.e., Newberg's Fire Vehicle Fee which charges \$1.50 per month per EDU; Medford charges \$2.87 per unit per month for Parks Development (used to pay for bonds currently) and \$2.60 per unit for public safety per month used to hire 5 firefighters and 5 police officers).</p>	<p>There are no legal restrictions staff is currently aware of.</p>	<p>No action has been taken on this alternative.</p>
Sale of City Assets	<p>The City has substantial land holdings with significant value. The recent Watershed Stewardship Plan adoption process included public testimony advocating consideration of asset sale and resulting investment cash flow.</p>	<p>Using the Watershed as an example, a \$60 million asset sale earning 4% would yield \$2.4 million a year.</p>	<p><u>Administration:</u> Local</p> <p><u>Equity:</u> Since this alternative does not cost individuals, it may be the most equitable from the taxpayer's perspective. However, supporters of the City's land assets may feel that this is not an equitable solution.</p> <p><u>Precedent</u> Other cities have sold assets for a wide variety of purposes.</p>	<p>Additional research on the sale of City assets would be required. Charter and federal restrictions may apply.</p>	<p>No action.</p>

Type of Tax/Fee	Description	Projected Revenue	Administration – Equity – Precedence	Legal Restrictions/Other	February 2008 Status
PILOT (Payment in Lieu of Taxes)	<p>Payment made by charitable and non-profit agencies (property tax exempt) to local taxing authorities. It may include state reimbursement to local municipalities with extensive holdings of publicly owned property.</p> <p>A PILOT can be a fee which is assessed based on the insured value of real property and then applied, similar to a tax rate, to the City service received (fire and/or police protection).</p>	<p>OSU is the largest tax exempt property in Corvallis, with an estimated insurance value over \$700 million. If OSU paid for Fire protection, using the FY 06-07 proportion of the City's levy that went to Fire (\$1.6736 per \$1,000 of value), the revenue would be around \$1.2 million.</p>	<p><u>Administration:</u> Local. This could be implemented voluntarily by State agencies, but that is unlikely to occur since most state agencies in Corvallis have previously been approached for PILOT payments.</p> <p><u>Equity:</u> Any "in lieu of tax" should be based on factors such as the size and value of the property and the amount of City service provided to that property.</p> <p><u>Precedent:</u> None in Oregon except for Transit services in Lane County. Common in other states.</p>	<p>Nothing in State law currently prohibits state institutions from paying PILOTS, but the institutions themselves have not made these payments based on their priorities and ability to receive corresponding funds from the legislature.</p>	<p>Legislation proposed at the 2001 legislature providing for a PILOT to fund transit failed.</p>
Local Option Property Tax Levy	<p>The City may increase property taxes for operating costs if a majority of the electors approve the levy.</p>	<p>Using the current assessed value, a local option levy would produce:</p> <p>Tax rate \$0.50/\$1,000 = levy of \$1,806,510  Tax rate \$1.00/\$1,000 = levy of \$3,613,016  Tax rate \$1.50/\$1,000 = levy of \$5,419,525</p> <p>Approximately 2.5% of the levy would be projected as lost through discounts; another 3% would be identified as uncollectible each year. Following the first year, an additional amount of revenue would be collected from prior year delinquent taxes.</p>	<p><u>Administration:</u> Benton County</p> <p><u>Equity:</u> Property taxes are generally regressive and do not take into account people's ability to pay. As the total tax rate increases, properties with a RMV/AV ratio over 82% will pay less than the full amount. Industrial property usually has a RMV/AV ratio of 100%, so when the total taxes paid equals \$10 per \$1,000 of real market value these parcels will not pay any additional tax, shifting more of the burden for a local option levy to residential tax payers.</p> <p><u>Precedent:</u> A number of communities statewide have had local option levies approved.</p>	<p>The election must be held at either a general election (Nov, even numbered years) or must meet the 50% voter turn-out requirement.</p> <p>The max length of a levy would be five years, but a four-year levy would work better for meeting future renewal general election dates.</p>	<p>The City Council placed a local option levy of \$0.585 on the November 2002 ballot. To fund a variety of services. The levy failed 8,410 to 9,167.</p>

Type of Tax/Fee	Description	Projected Revenue	Administration – Equity – Precedence	Legal Restrictions/Other	February 2008 Status
Special District	<p>A special district could be created under ORS 198 (plus other chapters depending on the district) to provide for a set of local services.</p> <p>In the last several years, the City has explored a Transit District and a Law Enforcement District. There is currently a Library Service District and the City contracts to provide services to the Corvallis Rural Fire Protection District. Potential services to be considered for a separate district are Parks and Recreation and Ambulance.</p> <p>A Special District would have to be established with a specific border which can be different than the City's border.</p> <p>Revenue: Restricted</p>	<p>There are several alternative revenues special districts could pursue, depending on formation. Major sources of revenue could include ad valorem and payroll taxes, vehicle registration fees, (for Transit) grants, and charges for service.</p> <p>A \$.50 tax rate on the City's Assessed Value would create a revenue stream of around \$1.8 million beginning in FY 08-09.</p> <p>A \$0.50 tax rate on a district that shared boundaries with the Library District would create a revenue of around \$2.9 million beginning in FY 08-09.</p> <p>See Payroll Taxes (below) for projections on revenues.</p>	<p><u>Administration:</u> If a property tax levy was approved, administration would be as with all other property taxes. Income or payroll taxes would most likely be administered by the Department of Revenue. A new district would require a governing body.</p> <p><u>Equity:</u> This would charge all residents of the district the same property tax or income tax rate, regardless of use of the system. Property taxes are generally considered to be regressive. Income taxes are generally progressive.</p> <p><u>Precedent:</u> Transit, Parks &amp; Recreation, and Library districts are common in Oregon.</p>	<p>An election may be required to form the district and identify the "board" in charge of the district. For some districts, the Board would be separately elected; for other district types the County Board of Commissioners is the Board.</p> <p>The property tax rate would be subject to the \$10 per \$1,000 M5 limit for non-school govts in each County the District is part of.</p>	<p>No districting discussions are currently underway.</p>

Type of Tax/Fee	Description	Projected Revenue	Administration – Equity – Precedence	Legal Restrictions/Other	February 2008 Status
Business/ Corporate Income Tax	<p>A flat or graduated tax based on business <u>net</u> income earned within the City. Alternatively, tax could apply to corporations only.</p> <p>Revenue: Unrestricted</p>	<p>Staff is currently unable to obtain statistics for a revenue calculation. State agencies do not track corporate or business income by location.</p>	<p><u>Administration:</u> Local or State Dept of Revenue  <u>Equity:</u> Reasonably fair tax, applied only to net profits, unlike property or gross receipts taxes. Depending on structure and exclusions allowed, it can be progressive, proportional or regressive.  <u>Precedents:</u> Multnomah County and City of Portland use a business license tax based on net income.</p>	<p>Needs further research to determine if there are any legal prohibitions.</p>	<p>No action.</p>
Business License Fee	<p>An annual fee imposed on a business for the privilege of operating within the City. Usually a set dollar amount per business, but alternatives include a per-employee fee, or a net income base.</p> <p>Revenue: Unrestricted</p>	<p>The City has 1,600 businesses currently in operation, based on utility billing records, which does not include home based businesses. A Business License fee of \$100 per business would produce an estimated \$160,000 annually.</p> <p>Total employment in Benton County in January 2007 was 38,620. Assuming that employment follows general population split trends, staff estimates approximately 76% of the County wide employment statistic is employed in Corvallis for a total of 29,351. A Business License fee of \$10 per employee would produce \$293,510 annually.</p>	<p><u>Administration:</u> Local.; additional staff support would be necessary, as would a database system of some kind.  <u>Equity:</u> Would shift tax burden partially back to businesses, is a deductible business expense, not based on, or related to, <i>business profitability</i>. Also allows the City to charge itinerant merchants.  <u>Precedent:</u> Lake Oswego and Tigard both use a business tax based on number of employees.</p>	<p>ORS 696.365 exempts real estate sales persons and associate brokers.</p> <p>A Business License fee which is based on net or gross income may be restricted for corporations.</p>	<p>The Downtown/ Economic Vitality Plan Committee (DEVPIK) discussed a BLF as an alternative for funding economic development. A work group, headed by the Chamber, is working on this issue, including how the fee would be set, collected, and expended.</p>

Type of Tax/Fee	Description	Projected Revenue	Administration – Equity – Precedence	Legal Restrictions/Other	February 2008 Status
Personal Income Tax	<p>A tax on earned and unearned income received by residents of Corvallis and non-residents earning income in Corvallis.</p> <p>Revenue: Unrestricted</p>	<p>Per capita personal income in Benton County in 2004 was \$33,988 (OR. Employment Dept). Assuming a conservative 2% increase in per capita income, an adjusted rate for 2007 would be \$36,790. With a population of 53,165, an estimate of personal income in 2007 would be \$1.955 billion. A .25% personal income tax would return around \$4.75 million annually.</p>	<p><u>Administration</u>: Probably contracted for a fee with State Dept of Revenue</p> <p><u>Equity</u>: Generally designed to be progressive (especially if established as surcharge to state income tax), but structure of tax can increase or decrease progressivity.</p> <p><u>Precedent</u>: None in Oregon..</p>	<p>Research is needed to determine whether or not this tax falls outside of the Home Rule Doctrine.</p> <p>Further research is also needed to get to a better revenue estimate.</p>	<p>The City has taken no action on this issue. However, Benton County placed a local income tax on the ballot in September, 2003 to fund schools. The measure was projected to produce around \$9 million annually. It failed.</p>

Type of Tax/Fee	Description	Projected Revenue	Administration – Equity – Precedence	Legal Restrictions/Other	February 2008 Status
Payroll Tax/Head Tax	<p>A tax on wages and salaries earned within the City. When collected via payroll deduction, commonly called a payroll tax; when collected from employer based on total number of people on payroll often called head tax.</p> <p>Revenue: Unrestricted</p>	<p>No specific revenue estimates are available. Ballpark estimates can be made using some older statistics and some analytical techniques. For example, in 1997 the total Payroll in Benton County was \$1,126,300,000. Estimating around 75% of the employment is in the City of Corvallis, total payroll in Corvallis would be around \$844 million. A 1% payroll tax would result in \$8.4 million annually.</p> <p>To obtain a more accurate revenue estimate we will need to know the proportion of Benton County employment which is based within the City limits of Corvallis.</p>	<p><u>Administration:</u> Probably by State Dept of Revenue, with the City paying the collection costs.</p> <p><u>Equity:</u> A payroll tax is assessed against the employer based on the total wages/ salaries they pay. This could be regressive for small companies which pay high wages.</p> <p><u>Precedent:</u> Used by transit districts in Eugene and Portland. This tax is often called a commuter tax and is used to fund the services and infrastructure that are necessary when a large proportion of the working population lives elsewhere. Transportation service and infrastructure are most often funded via a payroll tax.</p>	<p>If the tax is based upon number of individuals employed or some formula which factors in the number of employees, the tax would be considered a head tax which is prohibited by Art. IX Sec 1a of the Ore. Constitution.</p>	<p>Council did not discuss this revenue alternative in detail.</p> <p>Updated figures:</p> <p>Benton County payroll in 2002 = \$1,254,285,000. If Corvallis is 75% = \$940,713,750, so a 1% payroll tax would return \$9.4 million annually.</p>

Type of Tax/Fee	Description	Projected Revenue	Administration – Equity – Precedence	Legal Restrictions/Other	February 2008 Status
Transient Lodging Tax Increase	<p>Currently a 9% tax is charged on the rent of a hotel/motel/B&amp;B room. FY 06-07 audited revenues totaled \$1,002,657.</p> <p>Revenue: Restricted</p>	<p>Based on FY 2006 audited figures, a 1 percentage point increase in the current rate would result in an estimated \$83,550 in additional tax revenue (net of collections costs withheld by property owners).</p> <p>Revenue the City could use for direct City operations would be restricted by ORS 320.350 to 30% or roughly \$25,065. 70% of the proceeds from the additional tax would be required to be expended on tourism promotion.</p>	<p><u>Administration:</u> Local and most likely no additional City administrative costs. Any change in rate would require the City to allow property owners to keep 5% of the amount collected for their administrative costs.</p> <p><u>Equity:</u> Taxes the service users, mainly people from out of town who use City Services but do not pay for them. May place Corvallis at a competitive disadvantage.</p> <p><u>Precedent:</u> Used widely in Oregon</p>	<p>9% may be approaching the upper limit of the tax because it decreases the competitiveness of hotel/motels with those outside the city. Portland's tax is 11.5%. In the last survey the City did, most Mid-Valley cities were at 9%.</p>	<p>The DEVPIC looked at this alternative in-depth, but decided not to pursue it since the additional revenue to the City is so small, and the limitations on the 70% of additional revenue to be expended on tourism would not be available for most of the DEVPIC funded programs.</p>
Restaurant or Meal Tax	<p>Tax on sales of food and non-alcoholic beverages by restaurants in Corvallis paid by the customer. Alternatively, could be paid by a restaurant based on gross receipts.</p> <p>Revenue: Unrestricted</p>	<p>No information is available at this time.</p>	<p><u>Administration:</u> Local</p> <p><u>Equity:</u> Proportional and not necessarily based on the ability to pay. Restaurants in Corvallis may be placed at a disadvantage compared to those outside the city. Tax is paid by tourists, residents and non-residents.</p> <p><u>Precedent:</u> Ashland, Oregon. has one; Medford has looked at one but faced stiff opposition from the Restaurant industry and did not pursue this revenue alternative.</p>	<p>A meal tax cannot be imposed on alcoholic beverages.</p>	<p>DEVPIC looked at this alternative also, but with fairly stiff opposition from the restaurant industry, decided not to pursue this.</p>

Type of Tax/Fee	Description	Projected Revenue	Administration – Equity – Precedence	Legal Restrictions/Other	February 2008 Status
General Sales Tax	A tax on the retail sale of goods and services (usually a percentage), to be collected at the point of sale.  Revenue: Unrestricted	No information is available at this time.	<u>Administration:</u> Local or possibly with State Dept of Revenue. Since there is no current sales tax anywhere in Oregon, administration is likely to be complex and costly. <u>Equity:</u> Technically proportional (all payers pay the same rate), but somewhat regressive depending on exclusions. Everyone pays, including tourists. May capture some of the “underground economy”. <u>Precedent:</u> None in Oregon	Preliminary research indicates no specific legal prohibition. In fact, bills introduced in the Oregon Legislature to authorize a statewide sales tax have included provisions to prohibit local governments from having a general sales tax (i.e., 1999's failed HB 2900).	No action.
Gross Receipts Tax	An excise tax on the privilege of engaging in business and is measured by gross income, gross proceeds of sales, or the value of products resulting from activities conducted within the jurisdiction.  Revenue: Unrestricted	No information is available at this time.	<u>Administration:</u> Local or possibly with State Dept of Revenue. <u>Equity:</u> Depending on structure and exclusions allowed, can be progressive, proportional or regressive. <u>Precedent:</u> None in Oregon. Used in Washington State and it varies by type of business.	It is kin to an income tax and needs further research to determine whether or not this would be legal.	No action.
Real Estate Transfer Tax	Tax imposed when real property changes ownership; a fixed small percentage of the value of the property.  Revenue: Unrestricted	n/a	<u>Administration:</u> Possible collection by title companies or by Benton County. <u>Equity:</u> Proportional tax imposed only on property transfer. <u>Precedent:</u> Washington County	ORS 306.812 specifically prohibits local governments from establishing a real estate transfer tax unless it was in place by March, 1997, or if the tax is to fund certain County functions.	No action.

Type of Tax/Fee	Description	Projected Revenue	Administration – Equity – Precedence	Legal Restrictions/Other	February 2008 Status
Entertainment or Admissions Tax	<p>An excise tax on the sales price of admission to an event or performance, video tape rentals and purchases of movie tickets. Alternatively, could be a gross receipts tax on companies providing entertainment services.</p> <p>Revenue: Unrestricted</p>	<p>It is unclear what the administrative costs would be. It is unlikely that an entertainment tax would produce adequate revenue to offset the costs of administration unless the tax was set prohibitively high, or OSU agreed to participate, substantially increasing revenue.</p>	<p><u>Administration:</u> Local <u>Equity:</u> Taxes non-essential services, not based on ability to pay and would be paid by tourists, residents and non-residents who use City services. Movie theaters and video rental stores may be placed at a disadvantage with similar businesses outside of Corvallis. May reduce access for youth, elderly &amp; low-income. <u>Precedent:</u> Hult Center imposes \$1 per ticket. Salem has implemented an entertainment tax on movies, theatres, etc.</p>	<p>Could be a problem with taxing athletic events at OSU since it is a State Institution. If it were not taxed and local businesses were, there could be problems with differential taxation.</p> <p>If OSU was not exempt, football would likely be the highest single revenue producer.</p>	<p>In 2003 the City Council directed staff to develop more information on this alternative. Revenue estimates at the time were between \$287,000 and \$387,000. This was before Carmike theaters opened and OSU expanded Reeser Stadium.</p> <p>Preliminary Council discussion had proceeds funding non-City services such as festivals and other entertainment venues. No action was taken.</p> <p>The DEVPIC examined this revenue alternative in 2007. Preliminary rev projections could be anywhere from \$0.5 M to \$2M, depending on number of tickets sold. OSU has explicitly stated that they would not participate unless they received a proportion of the proceeds to fund their needs, including debt.</p>

# MEMORANDUM

June 24, 2011

TO: Mayor and City Council

FROM: Nancy Brewer, Finance Director *NB*

SUBJECT: Core Services Discussion

## I. Issue

At the June 13, 2011 Council work session, the Council stated a desire to review Core services provided by the City. This report attempts to identify alternatives for the Council to frame that discussion.

## II. Background

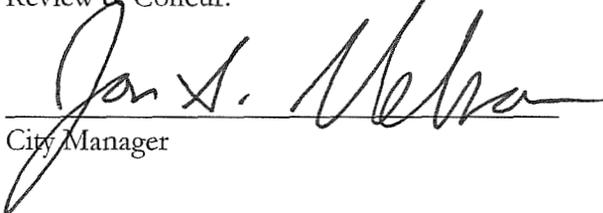
The City has reviewed services many times in the past. These reviews have had several different names -- Core Services, Service Evaluation Tools, etc. They have all had some common themes for the information provided. These data points are offered here for the Council to begin conversation and advise staff what they want to see about different service areas:

- What services will be considered in this review? In the past, some of the discussions have included all services, from all funding sources. Others have focused on a single funding source (i.e., property tax funded services; street funded services).
- How will “services” be categorized? By Department, Division, or program area?
- What data does the Council want to know about each service area? Past reviews have included:
  - A summary of the service
  - Staffing levels
  - Funding sources
  - Annual expenditure budget
  - Pending issues/work not being done
  - Legal requirements
  - Partnerships in existence to provide the service
  - Other entities that could provide the service locally
  - Customers served
  - Advisory Board/Commission input
  - Performance measures, including comparator data where it exists
  - Efficiencies already in place
- What format would the Council like to have for presentations?
  - Written narrative in advance of a meeting with each Department Director?
  - PowerPoint presentations from each Director?
  - Presentations from advisory Board/Commission members?

**III. Requested Action**

Review this information and provide feedback to frame a Core Services review.

Review & Concur:

  
\_\_\_\_\_  
City Manager

**HUMAN  
RESOURCES****MEMORANDUM**

**To:** Mayor and City Council  
**From:** Ellen Volmert, Assistant City Manager  
Linda Weaver, HR Manager  
**Subject:** Exit Interview Statistics  
**Date** June 30, 2011

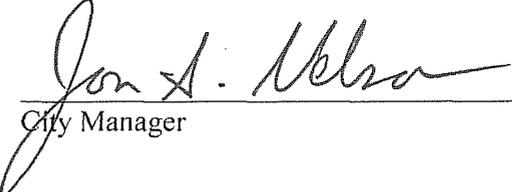
Human Resources conducts an exit interview process with terminating employees. As part of that process employees are provided required COBRA and benefits information, but in addition the interview is used to obtain valuable feedback regarding the terminating employee's experience with City employment. Below is an analysis of the 5 year period by fiscal year, including fy 10/11 back to 6/7.

Fiscal Year	Total Terminations	Promotion Higher wage	Retire	Voluntary Other	Probation Term	Layoff	Non Voluntary Other
10/11	27	9	9	5	3	0	1
9/10	38	11	15	4	4	0	4
8/9	21	4	6	3	4	2	2
7/8	31	10	10	6	4	0	1
6/7	37	9	18	5	2	1	2
Total	154	27.92%	37.66%	14.93%	11.04%	1.95%	6.5%

**Discussion:**

During the 5 year fiscal period 10/11 back to 6/7 there were 154 terminations.  
24.68% of the employees left for promotional, other positions, and/or higher wages with other employers.  
37.66% of the employees retired from City service.  
14.93% of the employees voluntarily left for personal reasons such as moving, or other life style changes.  
11.04% of the employees terminated during the probationary period.  
1.95% of the employees were terminated due to layoff.  
6.5% of the employees were involuntarily terminated for cause, medical disability, or death.

**Review and Concur:**

  
\_\_\_\_\_  
City Manager

## PRIORITY RANKING EXERCISE

July 1, 2011

To help us frame the budget discussion for the July 5 work session, please rank each of the following potential priorities in terms of your personal preference (with 1 being the highest priority/preference).

	Potential Priorities	Ranking (1 highest priority/ preference)						
		1	2	3	4	5	6	7
1	Re-build Council Reserves (per current policy guidelines)		1		2	2	1	1
2	Enhance revenue by implementing the top priority(ies) selected from the matrix	4			1	2		
3	Reduce expenses through service consolidation (with the county, Albany, etc.)	1	3	1	1		1	
4	Enhance revenue by more actively pursuing economic development strategies as recommended by the EDC later this year		1	3			2	
5	Reduce expenses by outsourcing appropriate services to a local non-profit or other organization	1	2		1		1	1
6	Reduce expenses through service reductions	1		2		1	3	
7	Other (please specify)			1	1			

*1 = NA*

*1 = NA*

Comments –

- 2 – Especially revenue sources resulting in lower property taxes (MOB)
- 6 – Reduce expenses through STRATEGIC service reductions (MOB)
- 7 – **Review of compensation and benefit policy (MOB)**
- 7 – **Enhance revenue or reduce cost of services through increased fees for service (BT)**

*7/2/11 - From Councilor Hirsch /ice*

The Citizen's have spoken. They are willing to pay for services. I think we should determine how the election is statistically relevant, and if we can draw conclusions from the way citizens voted and the Survey, to help determine what kinds of revenue enhancements would be acceptable to the voters. How does the survey compare to actual levy vote?

We are hiring a City Manager, who will be an expert at staffing, city services, and operating budgets for a City government. We are not experts at where to best look for efficiencies/inefficiencies in the city's budget and services. Except for maybe Hal. Or maybe Biff. So at this time, we should only be looking at revenue possibilities, and then having a serious discussion as to the community's tolerance at their implementation, and of course the Council's tolerance to introduce and support them.

We should wait for the person whose job it will be to sign off on the city budget - and the ultimate authority on departmental budgets too - to consider "containment", and especially where to look for cuts in service.

Revenue options; not cuts! And BTW, does cost "Containment" necessarily mean "Reduction?" Unless we had staff suggesting where there is fat, or inefficiencies, or additional reduction possibilities - which is obviously unlikely at this time - until the new City Manager has had a chance to have a good look, we should wait. Although, getting the unions to consider sustainable health plan options, or other compromises is certainly reasonable to consider, at this time, or anytime. Go Ellen.

Lastly, please remember that we do not have an excess problem, or serious inefficiencies, or a wasteful spending problem; we have a prop. 5, 47, 50 problem. Nancy Brewer projected an additional \$10 million in this year's general fund alone, and what, like \$63 million additional for the last ten years? We must make this case to the citizens, and maybe even invest in a LOC, or referendum effort to deal with this unsustainable problem.

The anti-tax conservative vocal MINORITY in our community should not be given more credence than they deserve regardless of how much bitter angry inflammatory accusatory vitriol they spew!

In conclusion: let's wait to look at services until we hire a new city manager; let's be creative, think outside the box, and look at revenue solutions; and get usable data to help determine what kinds of solutions the community supports.