

EUGENE CITY COUNCIL AGENDA ITEM SUMMARY



Work Session: 4J and Bethel Budget Shortfall

Meeting Date: January 11, 2011
Department: Central Services
www.eugene-or.gov

Agenda Item Number: 5
Staff Contact: Sue Cutsogeorge
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ISSUE STATEMENT

This work session is for council to discuss whether to move forward with consideration of a new revenue source to assist the public schools.

BACKGROUND

As the magnitude of the budget shortfall facing the Eugene School District has become clearer in recent months, a community discussion has emerged around the possibility of the City of Eugene enacting a tax on behalf of the local public school systems.

On December 14, 2010, Mayor Piercy held a public forum on the topic to hear from concerned citizens and a citizen group has formed to explore the idea further. While the City can impose the taxes suggested by the citizen group, such efforts should be evaluated in a broader context including competing measures (both City of Eugene and other local jurisdictions), which options are viable and what the funds raised should be used for.

Attachment A includes recommendations from 4J Superintendent George Russell for a City revenue measure to help fill the school funding gap, currently estimated at \$22 million. Both the initial recommendation and the revised recommendation are included. The Superintendent calls for a City tax to fund schools beginning in FY13 (July 1, 2012), and uses as an example \$10 million per year for three years. Bethel School District is expected to also have funding shortfalls, which preliminarily range from \$4 - \$7.6 million, depending on what happens with state revenues and school funding, according to information available on Bethel's web site.

In order to present a proposal to voters at the May election, which has been suggested by school advocates, the council would need to move quickly. The deadline to place a measure on the ballot is February 15. This work session will start the conversation by asking several questions of the council. Additional discussion would be needed at a subsequent work session prior to placing the measure on the ballot.

New Revenue Options: School advocates have suggested two potential revenue sources: a restaurant tax or a personal income tax. There are several other major revenue sources that have been discussed from time to time. Attachment B includes summary material about several potential revenue sources, along with basic information about those revenue sources. It should be noted, however, that the revenue

estimates contained in Attachment B were prepared years ago and would need to be updated if the council decides to move forward with more serious consideration of any of them.

Questions for the council to discuss at the January 11 work session are:

1. Should Eugene pursue a new revenue source at this time?
2. If so, which revenue source should be pursued?
3. What is the target amount of revenue generation from that source?

If council moves forward with one of the revenue sources, examples of additional questions to be addressed at subsequent work sessions could include:

1. Should the revenue be permanent or have a sunset clause?
2. What sorts of things should be covered under the new revenue source? What sorts of things should be exempt or excluded?
3. Should the council pursue a regional revenue source with Springfield and/or Lane County?

Use of New Revenues: In addition to direction on which revenue source to pursue, the council should also provide direction on how the new revenues should be used. Questions for discussion at the January 11 work session include:

1. Should there be any limits on what schools can use the revenues for?
2. Should any City services be included in the revenue package, such as funding for the projected General Fund shortfall, Ambulance Transport fund shortfall, parks and recreation operations and maintenance, City Hall, deferred maintenance, or other high-priority City services?

Topics for discussion at a future work session could include:

1. How will the revenues be split between school districts and between school funding and City services?

Timing Issues: If the council determines to pursue a plan to place something on the May ballot, there are significant challenges in terms of timing to accomplish that goal. Questions for the council to discuss at the current work session include:

1. Should the measure be placed on the ballot, or implemented under the City's home rule authority?
2. Should there be a public opinion survey prior to placing a measure on the ballot?

Issues to be discussed at a future work session could include:

1. Should the new revenue be implemented through an ordinance or charter amendment?
2. When should the new revenue measure go into effect?

It should be noted that both 4J and Bethel school districts are currently considering placing general obligation bond measures on the May 2011 ballot. The 4J Superintendent's recommendation in Attachment A lists a measure of \$130 million to address critical needs, upgrade or replace some aging

school facilities, and shift some technology and equipment costs out of the operating budget. On the Bethel School District web site, it is noted that the school board is considering a small bond measure of about \$10 - \$12 million over a 5 - 7 year period. Attachment C includes a timeline over the next several years, with potential items to be on the ballot during that period.

Next Steps: If the council identifies a revenue source that should be pursued, staff will work on preparing materials to assist the council in discussing the additional questions listed above, along with other questions that emerge at the January 11 discussion. It is currently envisioned that a second work session would happen in late January for additional discussion, and that a measure would be placed on the ballot at the February 14 council meeting, if the council desires to place something on the May ballot.

RELATED CITY POLICIES

There are no City policies related to City support for school funding. There is a council goal of Fair, Stable and Adequate Financial Resources: A government whose on-going financial resources are based on a fair and equitable system of revenues and are adequate to maintain and deliver municipal services.

COUNCIL OPTIONS

There are several options that the council could pursue with respect to school funding. The options below have blanks for the council to fill in regarding the amount of funding desired, whether to place the measure on the ballot, and whether other City programs would be included in the measure.

1. Direct the City Manager to return with a plan [for placing a measure on the ____ ballot] to implement a Restaurant Tax to generate approximately \$__ million to assist the schools [and fund ____ City programs].
2. Direct the City Manager to return with a plan [for placing a measure on the ____ ballot] to implement a City personal income tax to generate approximately \$__ million to assist the schools [and fund ____ City programs].
3. Direct the City Manager to return with a plan [for placing a measure on the ____ ballot] to implement a City surcharge on the state personal income tax to generate approximately \$__ million to assist the schools [and fund ____ City programs].
4. Direct the City Manager to return with a plan for another type of revenue measure, at a different time.
5. Determine to not move forward with a new revenue measure at this time.

CITY MANAGER'S RECOMMENDATION

The council should determine whether to move forward with a revenue measure for schools at this time.

SUGGESTED MOTION

None.

ATTACHMENTS

- A. Eugene School District 4J, Sustainable Budget Development, Superintendent's Recommendations
- B. Summary of Revenue Options
- C. Election Sequencing Chart

FOR MORE INFORMATION

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School District 4j Superintendent's Recommendations



Eugene School District 4J

Superintendent's Preliminary Recommendations

November 3, 2010

The Eugene School District is working to develop a sustainable budget in the face of a staggering budget shortfall for 2011–12. The projected deficit next year is about \$27–38 million, a stunning 19–27% of the district's operating budget. The Eugene School Board's goal is to develop a multi-year plan that will put 4J on a sustainable financial path and continue to provide all kids with a sound education.

Superintendent George Russell presented the following sustainable budget preliminary recommendations on November 3. These recommendations are a starting point and may change over the next few months. The board plans to adopt a sustainable budget strategy in January 2011.

Our top priority is to do what's best for kids. In November and December, district leaders will gather suggestions about how to adjust these recommendations to best serve our students with the resources available to us.

Next steps, as we work toward a sustainable budget plan:

- Wednesday, Nov. 10, 7 p.m. Board work session: discuss the preliminary recommendations
4J Education Center auditorium, 200 N. Monroe
- Tuesday, Nov. 16, 6:30 or 7 p.m. Board public input session
Start time and location to be decided.
- Wednesday, Nov. 17, 7 p.m. Board meeting: public hearing on preliminary recommendations
Location to be decided

For more information about the process and 4J's financial situation, go to www.4j.lane.edu/sustainablebudget or contact the 4J Communications Office at 541-790-7737.

Superintendent's Sustainable Budget Preliminary Recommendations

1. Revenue Enhancements	\$1.2 million annual revenue
a. Bond measure for \$100-\$150 million – May 2011 Election Ballot Fund critical facility improvements, technology and new schools with funds from a bond measure. This could pay for about \$1 million of annual technology and equipment expenditures (shifting those expenses out of the operating budget) as well as upgrade school facilities. Under Oregon law, bond funds can only be spent on facilities and some equipment.	\$1 million additional revenue
b. Increase community user fees for building use by 20%.	\$20,000 additional revenue
c. Lease closed schools to charter schools and other organizations, and increase lease fees.	\$200,000 additional revenue
d. New tax for school operations – City income tax or other local tax dedicated to schools for 2012-13 and after.	Revenue yet not known
<u>Short-term or one-time funding:</u> Sell Civic Stadium, Willard and other vacant properties, putting 50% into reserves and spending 50% on school operations.	\$3 million <i>one-time revenue</i> for operations

<p>2. Fewer School/Work Days</p>	<p>\$5.7 million cost reduction</p>
<p><u>Option A: Long-term school and work year reductions</u> Reduce the school year and the work year for all staff. For non-school staff:</p> <ul style="list-style-type: none"> ▪ Reduce 12-month employees to 11-month work year. ▪ Reduce 11-month employees to 10-month work year. ▪ Reduce 10-month employees to 9-month work year. <p>School-based staff:</p> <ul style="list-style-type: none"> ▪ Reduce the work year by 10 days (6 instructional days and 4 non-instructional days). <p><u>Option B: Temporary furlough days for the short-term -\$4 million</u> Implement school year and work year reductions as temporary furlough days, hoping to restore these days when finances improve:</p> <ul style="list-style-type: none"> ▪ 12-month employees take 12 furlough days. ▪ 11-month employees take 11 furlough days. ▪ 10-month employees take 10 furlough days. ▪ 9-month employees take 9 furlough days. 	
<p>3. Reduce Staffing, Services and Programs</p>	<p>\$12.2 million cost reduction</p>
<p>a. Reduce administrative and classified staff by 10 percent (62 FTE), including restructuring and consolidating central service departments and further reducing administration.</p> <p>b. Change the student-to-teacher staffing ratio by a range of 4-6 (98 FTE):</p> <ul style="list-style-type: none"> ▪ High school – increase student-to-teacher ratio by 6. ▪ Grades 6-8 – increase student-to-teacher ratio by 5. ▪ Kindergarten- grade 5 – increase student-to-teacher ratio by 4. <p>c. Eliminate or reduce teachers on special assignment and staff development specialists. (6 FTE)</p>	<p>\$3.5 million</p> <p>\$8.2 million</p> <p>\$500,000</p>
<p>4. School Closures and Consolidations</p>	<p>\$1.2 million cost reduction</p>
<p>Close and consolidate schools. Reconfigure Adams, McCornack, Edgewood and Holt to grade K-3 schools. Reconfigure Spencer Butte, Arts and Technology Academy, Kennedy and Monroe to grade 4-8 schools. French immersion would consolidate grades K-8 in a single building, as would Spanish immersion.</p> <p><u>Churchill Region:</u></p> <p>a. Close Twin Oaks, moving K-3 students to McCornack and grade 4-5 students to Kennedy.</p> <ul style="list-style-type: none"> ▪ McCornack becomes a grade K-3 school, serving students who now attend Twin Oaks and McCornack. McCornack grades 4-5 move to Kennedy. ▪ Kennedy becomes a grade 4-8 school, serving students who now attend Twin Oaks, McCornack and Kennedy. <p>b. Close Crest Drive, moving K-3 students to Adams and grade 4-5 students to Arts and Technology Academy.</p> <ul style="list-style-type: none"> ▪ Adams becomes a grade K-3 school, serving students who now attend Crest Drive, ATA and Adams. ▪ Arts and Technology Academy becomes a grade 4-8 school, serving students who now attend Adams, Crest Drive, Family School and ATA. ATA's K-3 students move to Adams. <p>c. Close Family School. K-3 students move to Chávez and grades 4-8 merge with ATA.</p> <ul style="list-style-type: none"> ▪ Chávez becomes a grade K-3 school, serving students who now attend Chávez and Family School. 	

<p>4. School Closures and Consolidations Continued</p> <p><u>South Region:</u></p> <p>d. Close Parker, moving students to Edgewood and Spencer Butte.</p> <ul style="list-style-type: none"> ▪ Edgewood becomes a grade K-3 school, serving students who now attend Parker and Edgewood. Edgewood grades 4-5 move to Spencer Butte. ▪ Spencer Butte becomes a grade 4-8 school, serving students who now attend Parker, Edgewood and Spencer Butte. <p>e. Move Charlemagne French Immersion K-5 and 6-8 to the Parker building, creating a K-8 immersion school.</p> <p><u>Sheldon Region:</u></p> <p>f. Close Coburg, moving students to Gilham.</p> <p>g. Close Meadowlark moving K-3 students to Holt and grade 4-5 students to Monroe.</p> <ul style="list-style-type: none"> ▪ Holt becomes a grade K-3 school, serving K-3 students who now attend Meadowlark and Holt. Holt grades 4-5 move to Monroe. ▪ Monroe becomes a grade 4-8 school, serving students who now attend Meadowlark, Holt and Monroe. <p>h. Buena Vista becomes a K-8 Spanish Immersion, remaining in the Meadowlark building. Grades 6-8 move from Monroe to join K-5 there.</p> <p><u>North Region:</u></p> <p>No school closures and consolidations proposed at this time.</p>	
<p>5. Shared Services/Contracting Out</p>	<p>\$500,000 cost reduction</p>
<p>a. Transfer some services to Lane Educational Service District and determine additional services that can be provided.</p> <p>For 2012-13 and beyond:</p> <p>b. Explore service sharing options with other districts that could reduce costs.</p> <p>c. Look at contracting out some services.</p>	
<p>6. Materials, Supplies and Services</p>	<p>\$1.5 million cost reduction</p>
<p>7. School/Instruction Redesign</p>	<p>Savings to be determined.</p>
<p>a. Develop and expand on-line learning options at high schools.</p> <p>b. Expand credit by proficiency and dual credit options.</p> <p>Consider for 2012-13 and beyond:</p> <p>c. Revise the school calendar to have longer breaks during the year and shorter summer breaks and/or 4-day school weeks.</p> <p>d. Move to a program staffing model with a classroom staffing ratio and a specialist staffing allocation.</p>	

8. Non-Instructional and Student Support Programs	\$500,000 cost reduction
<ul style="list-style-type: none"> a. Reduce athletics programs and other extra-curricular offerings by 25%. b. Specialists and other student support programs will be reduced as part of other staffing and service reductions. 	
9. Reserves and One-Time Funds	\$0 - \$5.7 million revenue
<p><u>Option A:</u> Long-term strategy Use no reserves and maintain board targets.</p> <p><u>Option B:</u> Short-term strategy Use reserves in the short-term to mitigate reductions.</p> <ul style="list-style-type: none"> 2011-12: Use up to \$5.7 million from reserve funds 2012-13: Use up to \$3 million from sale of surplus property 2013-14: Achieve board targets for reserves (assumes new federal, state or local revenue to support operations) 	
10. Compensation and Benefits	\$1.5 million cost reduction
<p><u>Option A:</u> Long-term budget impact</p> <ul style="list-style-type: none"> a. Negotiate pay freeze, including no step or column increase for experience or education level b. No increase for benefits costs <p><u>Option B:</u> One-time or short-term strategy</p> <ul style="list-style-type: none"> c. Negotiate salary reduction of 5% across the board - \$4.4 million d. Eliminate half of the PERS 6% pick-up for employees - \$1.8 million 	

For more information about the process and 4J's financial situation, go to www.4j.lane.edu/sustainablebudget or contact the 4J Communications Office at 541-790-7737.



Superintendent's Revised Recommendations

December 8, 2010

Overview

The Eugene School District is working to develop a sustainable budget in the face of decreasing revenues and increasing costs that have led to a staggering budget shortfall. The Eugene School Board's goal is to put 4J on a sustainable financial path and continue to provide all kids with a sound education. The board plans to adopt a sustainable budget strategy in January 2011.

Superintendent George Russell presented his preliminary recommendations for a balanced and sustainable budget on November 3. After considering public input and other new information, the superintendent on December 8 presented revised recommendations, including some revisions of the assumptions on which the recommendations are based. Changes include:

- **Revised financial assumptions.** The target for decreasing expenses and increasing revenues has changed from \$30 million (about 20% of 4J's general fund operating budget) to \$22 million (about 15%), based on an assumption that state funding will not decrease. It will be important for 4J to retain a reasonable and prudent level of reserve funds in case actual revenues are lower.
- **Adjusting the target date and setting a course for change.** The superintendent has recommended that the school board adjust its target date for achieving a sustainable budget from 2012–13 to 2014–15. This would allow the district to set a three-year plan and put the district on a course for a sustainable budget.
- **More study on grade reconfigurations.** Instead of moving forward with a proposed grade reconfiguration for 2011–12, the superintendent's revised recommendations call for a task force to study the issue and recommend whether a school reconfiguration should be implemented in 2013–14.
- **Retaining more teachers and preserving jobs.** Public input and more detailed information about the impact on specific schools made it clear to the superintendent that the originally proposed staffing reductions were too great for 4J's schools to absorb in one year. With the lower financial target, he was able to propose a smaller decrease in staffing for 2011–12.
- **School closures and consolidations are necessary.** The recommendations have been revised to propose closing four schools in 2011–12 and one more in 2012–13. The superintendent also recommends that a task force take another look at language immersion and alternative schools in 2011–12, to consider the future of the district's remaining alternative schools as the district's enrollment grows smaller.
- **Seeking new revenue.** The revised recommendations include seeking voter approval of a \$130 million bond measure on the May 2011 ballot and exploring other options for new revenue sources.

The goal in Year One (2011–12) is:

- **50% ongoing reductions: \$11 million**
These staff reductions and other changes would be continued in following years.
- **25% reserves/one-time funds: \$5.5 million**
Use reserves to help support operations in 2011–12 and 2012–13.
- **25% compensation-related: \$5.5 million**
Employees have stepped up as we've asked them to do more with less, and we'll be asking them sacrifice even more in order to preserve services into the future.



Eugene School District 4J • Sustainable Budget Development
Superintendent’s Revised Recommendations

December 8, 2010

Reduce Staffing, Services and Programs

<p>2011–12</p> <ul style="list-style-type: none"> • Reduce administrative and classified staff by 7% – 43 FTE • Increase staffing ratio by 2 at elementary schools and 3 at middle and high school, or by 3 at elementary and 4 at middle and high school – 56–75 FTE • Eliminate or reduce teachers on special assignment and staff development specialists – 6 FTE • Cost/Savings Target: \$7.7–9.2M 	<p>2012–13</p> <ul style="list-style-type: none"> • Additional administrative and classified staff reductions of 3% or more as needed • Change staffing ratio by additional 1 or more • Cost/Savings Target: TBD 	<p>2013–14</p> <ul style="list-style-type: none"> • Additional reductions as needed • Cost/Savings Target: TBD
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Fewer School/Work Days

<p>2011–12</p> <ul style="list-style-type: none"> • 9–12 unpaid furlough days (6 fewer school days) — one per month based on work year (e.g. 9 or 10 days for school-based staff) • Cost/Savings Target: \$4M 	<p>2012–13</p> <ul style="list-style-type: none"> • Continue 9–12 furlough days (6 fewer school days) — one per month based on work year • Consider 4-day work and school weeks if necessary • Cost/Savings Target: \$4M continued 	<p>2013–14</p> <ul style="list-style-type: none"> • Continue 9–12 furlough days (6 fewer school days) — one per month based on work year • Continue 4-day work and school weeks if necessary • Cost/Savings Target: \$4M continued
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School Closures and Consolidations

<p>2011–12</p> <ul style="list-style-type: none"> • Close Coburg Elementary in 2011, move students to Gilham • Close Crest Drive in 2011, move students to Adams • Close Parker in 2011, move most students to Edgewood • Close Meadowlark program in 2011, move students to Willagillespie • Move Charlemagne K–5 program to Parker site, close Fox Hollow site • This school consolidation plan may require some boundary changes • Cost/Savings Target: \$1M 	<p>2012–13</p> <ul style="list-style-type: none"> • Close Twin Oaks in 2012 • If bond measure passes, increase capacity at McCornack to accommodate students from Twin Oaks • Cost/Savings Target: \$0.3M additional 	<p>2013–14</p> <ul style="list-style-type: none"> • Non-language alternative schools: possible closure or merger with neighborhood schools • Cost/Savings Target: TBD
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Shared Services and Contracting Out

2011–12

- Identify additional services that can be provided by Lane ESD
- Determine what current services can be transferred to Lane ESD
- **Cost/Savings Target: \$500K**

2012–13

- Explore service sharing options with other districts that could reduce costs
- Look at contracting out some services
- **Cost/Savings Target: TBD**

2013–14

- Contract out or consolidate some services with other school districts or provide through private sector
- **Cost/Savings Target: TBD**

Materials, Supplies and Services

2011–12

- 15% reduction in materials & supplies, contracted services budget
- Centralize purchasing of materials & supplies, equipment
- Reduce utilities and fuel expenses through increased efficiency
- **Cost/Savings Target: \$1.1M**

2012–13

- TBD

2013–14

- TBD

School and Instruction Redesign

2011–12

- Stakeholder Task Force to recommend reconfiguration to Supt and Board for implementation 2012–13
- Redesign instructional delivery model for secondary schools to accommodate fewer students & less resources
- **Cost/Savings Target: TBD**

2012–13

- Revise school calendar
- Shorter summer breaks
- Consider 4-day school weeks
- Implementation of reconfiguration recommendations, if any
- **Cost/Savings Target: TBD**

2013–14

- TBD

Non-Instructional and Student Support Programs

2011–12

- Reduce General Fund support for athletics programs and other extracurricular offerings by 25%
- **Cost/Savings Target: \$500K**

2012–13

- TBD

2013–14

- TBD

Reserves and One-Time Funds

2011–12

- Use up to \$5.5M reserves/one-time funds to maintain and bridge to 2012–13
- **Cost/Savings Target: \$5.5M**

2012–13

- Use up to \$3M from sales of surplus property or lease revenue
- **Cost/Savings Target: \$3 M**

2013–14

- General Fund Reserve and Contingency Fund = 90% of Board Targets
- On sustainable path for 2014–15
- **Cost/Savings Target: TBD**

Compensation and Benefits

2011–12

- Negotiate pay freeze, including no step/column increase
- Negotiate no increased benefits costs
- **GF Cost/Savings Target: \$1.5M**

2012–13

- Negotiate contract adjustments that minimize and contain ongoing costs to district
- **GF Cost/Savings Target: TBD**

2013–14

- TBD

Note: These recommendations for compensation and benefits are in addition to the salary impacts of unpaid furlough days (above)

Revenue Enhancement

2011–12

- \$130M bond measure on May 2011 ballot to address critical needs, upgrade or replace some aging school facilities, and shift some technology and equipment costs out of the operating budget (General Fund offload = \$1M)
- Increase community use fees by 20% (\$20K)
- Lease closed schools to charters/others (\$200K)
- **Revenue Target: \$1.2M GF**

2012–13

- Sell Civic, Willard, or other vacant facilities; 50% proceeds to General Fund Reserve (\$3–5M)
- Local tax to support local schools beginning in 2012–13 (e.g. \$10M for 3 years)
- **Revenue Target: \$1.2M**

2013–14

- Implementation of any new revenue sources to mitigate reductions
- **Revenue Target: TBD**

Other Options

Determine whether these options would result in actual cost-savings or more efficient operations:

- Consider early retirement incentives
- Adopt single-platform technology systems for centralized purchasing & technical support
- Minimize site-based decision making, increase centralized direction for staffing (e.g., program staffing for student support services)
- **GF Costs/Savings Target: TBD**

What's Next?

The school board will hold a final public hearing on January 5, 2011. The superintendent will present final recommendations on January 12, and the school board will take action on January 25.

Learn More

For more information about the process and 4J's financial situation, go to www.4j.lane.edu/sustainablebudget or contact the 4J Communications Office at 541-790-7737.

Summary of Revenue Options

**General Fund Revenue Alternatives
January 2011**

Note: Eugene tax yield estimates are not based on current economic data and are provided only for illustrative purposes. If selected for further review, additional economic analysis will be performed and yield estimates will be refined accordingly.

Business License Fee	
Description	A business license fee is a fee for the privilege of conducting business within the City of Eugene limits. It could be imposed on any person, partnership, corporation or similar entity doing business in the City of Eugene. The fee calculation could take several different forms: a fixed amount per business, a flat percentage of income earned in the City of Eugene, a fixed fee levied on business according to the number of its employees. It is typically paid prior to engaging in business, paid on an annual basis, and does imply a regulatory relationship.
Legal Authority & Restrictions	Oregon home rule principle does not preclude the imposition of a business license fee. The City has the legal authority under the state law to implement this fee, and there are currently no legal restrictions on the use of this source of revenue.
Precedence	<p>The City of Portland business license rate is 2.2% of the net income after allowable deductions. The annual minimum fee is \$100.00. 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; there is no minimum tax. Business income taxes are due after each tax year end.</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>
Revenue Yield & Stability	<p>Based on the 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 2007-09 recession. A flat fee of \$100 per year would generate approximately \$580,000 in business license revenue, assuming no increase in the number of businesses since 2001.</p> <p>The stability of this revenue source would presumably fluctuate with area's economic conditions.</p>

Revenue Adequacy	Based on the estimated annual yield, this revenue source would only meet a small portion of the City of Eugene General Fund needs. The fee amount would need to be raised annually to keep up with the growth in City's General Fund expenditures.
Administrative Effort	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, administration costs associated with a business license fee program would be significant. Start-up cost estimates would also need to include the cost of implementing an automated tracking system.
Timeline	A reasonable timeline for implementation of a business license program would be a minimum of 8-12 months. If a decision to impose this fee was made today, FY13 would likely be the first year in which this program would be fully implemented.
Incidence & Equity	While this fee would be paid by businesses, some portion of it would likely be passed on to the customers. The equity of this fee would largely depend on its structure. A flat fee per business would be a greater burden on smaller businesses. This fee would not be related to business profitability. It would be a deductible business expense for federal and state tax purposes.
Nexus	Businesses operating in the City of Eugene would benefit from beneficial and favorable business climate associated with adequate provision of general government services, such as police and fire protection, parks and libraries.
Consistency with Council Goals & Policies	This revenue source would be consistent with adopted City Council goals & policies.
Fairness & Political Feasibility	City Council and community acceptance of this revenue source has not been assessed. It would be reasonable to expect that this revenue source would be opposed by the business community that would be affected by the business license fees.
Sustainability Impact	This fee would not impose a burden on future generations. However, it 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.

**General Fund Revenue Alternatives
January 2011**

Note: Eugene tax yield estimates are not based on current economic data and are provided only for illustrative purposes. If selected for further review, additional economic analysis will be performed and yield estimates will be refined accordingly.

Expanded/Increased Charges for Service	
Description	These are charges to customers who purchase, use or directly benefit from a specific good or service provided by the City. The charge is usually imposed as a fee at the time and location a good or service is delivered. Some charges for service are contractual. Revenue reimburses the City for part or all costs for provision of the good or service. Business privilege licenses, fines and use permits are not considered charges for service and are not included in this discussion.
Legal Authority & Restrictions	Under Oregon's Home Rule principal, a municipality may charge for the provision of goods and services. Revenues are not restricted.
Precedence	Most cities impose a wide range of charges. The City of Eugene currently imposes charges for more than 120 specific General-funded goods and services, providing estimated revenue of about \$10.4 million for the General Fund in FY10. It is possible to establish new charges for goods and services not currently charged for.
Revenue Yield & Stability	<p>Charges may provide all but more typically yield only part of the direct cost of providing the services. Overhead costs may also be included in the cost recovery calculation for service charges.</p> <p>Fees are usually set with consideration of the impact on the customer as well as the revenue yield. Some considerations that might influence governmental pricing practices are the need to regulate demand, the desire to subsidize a certain product, administrative concerns such as the cost of collection, and the promotion of other goals.</p> <p>Consumption of some City goods and services is elastic and if charges are set too high, customer volume and eventually revenue may decline. Some fee revenues will vary with economic conditions as individual's income increases or decreases. Changes in building activity will impact revenue from charges for planning services. These concerns are taken into account by departments when fees are set or contracts are negotiated.</p> <p>Revenue yield from new charges are likely to vary by type and level.</p>
Revenue Adequacy	Revenue from expansion or increase of individual charges would be tiny compared to the overall needs. Total revenue improvement from broadly reviewing charges would likely raise more revenue, but still small compared to the anticipated funding gap. The total revenue potential cannot be estimated accurately, but would likely be inadequate to contribute much towards a sustainable budget.

Administrative Effort	To update existing individual charges, an analysis of costs, customer demand for the service, economic conditions and other considerations may or may not 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.
Timeline	Charges for service are set administratively. Adjustment of existing charges may be done within a few weeks, while establishing new charges may take several months or longer.
Incidence & Equity	Most charges for service can be avoided because the services they fund are optional to the customer. Only people who use the good or service are charged, so the incidence of payment to consumption corresponds exactly. 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.
Nexus	There is a very close nexus between the good or service and who pays; those who directly use the good or service are charged.
Consistency with Council Goals & Policies	Charges for service are generally consistent with Council goals and policies. However, City policy towards maintaining affordable charge levels may come into play to address equity concerns.
Fairness & Political Feasibility	Perception of fairness will vary depending on the good or service involved and the level of the charge. Existing City charges are seen by Council and community as a fair way to generate revenue for the particular service provided.
Sustainability Impact	There is no adverse impact on City sustainability goals.

**General Fund Revenue Alternatives
January 2011**

Note: Eugene tax yield estimates are not based on current economic data and are provided only for illustrative purposes. If selected for further review, additional economic analysis will be performed and yield estimates will be refined accordingly.

Local Option Property Tax Levy	
Description	A local option levy is a property tax that is paid by all property owners within the City limits. The City could impose a local option levy for capital projects for up to 10 years, or for other purposes for a maximum of five 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	Property taxes are used extensively by local governments across the United States. The City currently imposes a four-year local option levy, for library service improvements. The City has not proposed any capital local option levies in the past.
Revenue Yield & Stability	<p>To fund \$5,000,000 of operating costs with a five-year local option levy, the City would have to levy approximately \$5,664,000 per year. The typical single-family home with a taxable assessed value of \$158,447 would pay about \$0.49/\$1000 of AV, or \$77.67 per year over the five-year period.</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. Under Measure 50, 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>
Revenue Adequacy	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.
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 both the County and the City in the foreclosure process.

Timeline	A local option levy could be placed on the ballot in May of 2011 to be implemented in FY12.
Incidence & Equity	The tax is paid by all property owners within City limits. Property owners include business and residences. Businesses may choose to pass the tax on to their customers.
Nexus	The local option levy is a broad based tax across all property owners in the community, and non-resident property owners. Members of the community benefit from and enjoy a broad range of services provided by General Fund resources including public safety, parks, and cultural services.
Consistency with Council Goals & Policies	<p>The City Council has several financial policies stating that, to the extent possible, non-recurring resources, such as a local option levy, should be used for non-recurring expenses – not to fund ongoing services.</p> <p>Council goals also include a desire to foster affordable housing. An additional property tax levy would be contrary to that goal, as it would raise the cost of housing.</p>
Fairness & Political Feasibility	<p>The property tax is a proportional tax on the 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>The property tax is understandable to the voters (as opposed to a new form of user fee or taxes), making it politically feasible from that standpoint.</p> <p>Local option levy proposals have had mixed success in the Eugene area in recent years. There have been six local option levy proposals on the ballot from Eugene or Lane County since Measure 47 passed, and three of those have been successful. Council members have expressed dissatisfaction with heavy reliance on property taxes in various forums in recent years.</p>
Sustainability Impact	A local option levy would not create an undue burden on future generations.

**General Fund Revenue Alternatives
January 2011**

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Payroll Tax	
Description	A tax on wages and salaries earned within the City. When collected via a payroll deduction, it is commonly called a payroll tax; when collected from employer based on total payroll, it is commonly called a head tax.
Legal Authority & Restrictions	Cities in Oregon have the legal authority to impose a payroll tax under the Oregon home rule principle, as there is no preemption under the current state law. However, it is unlikely that the Oregon Department of Revenue would agree to collect this tax on behalf of the City of Eugene unless it is compelled to do so by the state legislature.
Precedence	<p>The State of Oregon collects a tax on gross payroll within the Lane Transit District 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 may not impose these taxes unless allowed by the state statute.</p> <p>Effective January 1, 2009, LTD payroll tax rate was increased to 0.65%. In 2003, Oregon legislature provided LTD with the authority to increase the rate annually until it reaches 0.7% in 2014. Certain wages, such as those paid by the federal government units and public school districts are exempt from the tax under the state law. A number of other employers, such as cities and County are exempted from this tax by an LTD ordinance.</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 payrolls. This amount would need to be reduced in order to adjust for payrolls that are likely to be exempt from this tax, such as that of federal and state agencies. A more up-to-date estimate of the amount of payroll taxes that can be collected annually is currently not available due to lack of breakdown of payroll tax collected within the LTD service area by jurisdiction.</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	The effort associated with administration, collection and enforcement of this revenue source would be born primarily by the State of Oregon and would be similar to the effort associated with collecting payroll taxes on behalf of LTD and Tri-Met by the Department of Revenue. If the City of Eugene were to collect this tax on its own, the administrative costs of doing so would be very high.
Timeline	A reasonable timeline for implementation of this revenue source cannot be estimated at this point.
Incidence & Equity	Even when established at a flat rate, this tax is often regressive in its nature, because it ignores non-wage income such as self-employment earnings, investment income, rents and dividends. This tax may affect household relocation decisions and this have a negative impact on population growth. An employer-paid option would create a disincentive for job creation.
Nexus	Citizens employed within the City of Eugene limits would benefit from adequately funded general government services, such as police and fire protection, parks and libraries. Citizens who work in the City of Eugene and live elsewhere, but use City services while within the City limits, would contribute to the City's tax base.
Consistency with Council Goals & Policies	This revenue source would not be inconsistent with adopted City Council goals and policies. It would strongly support the goal of achieving fair, stable and adequate financial resources.
Fairness & Political Feasibility	<p>Opposition to a payroll tax from both business and labor groups, as well as city residents in general, would be likely. When this tax is withheld from the wages of only non-city residents, it is sometimes called a work privilege tax; it was considered and rejected by the Eugene City Council in 2004.</p> <p>The Eugene Decisions surveys identified this revenue source as one of the three least favored taxation choices. It is likely to face opposition at the state level as well.</p>
Sustainability Impact	This revenue source would not impose an undue burden on future generations. However, it would reduce the amount of disposable income available to City residents, and may therefore have a negative impact on economic activity in the City of Eugene.

**General Fund Revenue Alternatives
January 2011**

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Personal Income Tax	
Description	A tax on income of residents of Eugene and nonresidents earning income in Eugene.
Legal Authority & Restrictions	Under Oregon’s Home Rule principle, a municipality has the authority to assess a personal income tax on residents and non-residents earning income in Eugene.
Precedence	<p>There is a personal income tax precedent in Oregon. 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> <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 but a tax was not considered in that year.</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 the Fall of 1997, City Council formed the Council Committee on Finance to review multiple revenue sources that would stabilize the General Fund after the impact of Measure 50. The committee reviewed multiple revenue sources and ultimately recommended that Council direct staff to develop an implementation plan for a business and personal income tax. Although Council took no action on the recommendation, this effort contributed to the allocation of Urban Renewal funds to the new library and the successful passage of the Parks and Open Spaces Bond Measure.</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 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>The City Council has undertaken additional alternative revenue study efforts which included considering a personal income tax in 1992, 2002 and most recently in 2007 for transportation needs.</p>

<p>Revenue Yield & Stability</p>	<p>Assuming that approximately 68% of Lane County income is earned within Eugene or by Eugene residents, a 1 percent tax on Adjusted Gross Income would generate \$51 million. Alternatively, a Eugene income tax could be levied as a percentage of the taxpayer’s state income tax liability. A Eugene surcharge of 10 percent would have raised about \$28 million for fiscal year 2007-8.</p> <p>Tax revenues would fluctuate with changes in personal income and mirror economic conditions.</p>
<p>Administrative Effort</p>	<p>There are no specific estimates of the cost of administration, collection and enforcement associated with administration of this revenue source. It is assumed in-house administration costs would be significant.</p> <p>An alternate collection possibility could be to “piggy back” on the state income tax much like municipalities do with a local sales tax with states that collect a state sales tax. The state collects the entire sales tax and remits the local share back to the municipality. The responsibility for compliance and collection then rests with the state. It is possible that a similar mechanism could be used for a local personal income tax if the State were willing to collect the local share.</p>
<p>Timeline</p>	<p>A personal income tax would most likely be referred to the ballot – the earliest opportunity to go before the voters would be in May of 2011. The City would have to establish a collection mechanism – either in house or in coordination with the Department of Revenue to establish procedures around the distribution of the tax. The earliest collections from a personal income tax would start being received would most likely be April 2013 for tax year 2012.</p>
<p>Incidence & Equity</p>	<p>All Eugene residents earning income would pay the tax regardless of employer or source location and potentially non-residents that are earning income in Eugene as well.</p> <p>Generally an income tax is designed to be progressive, but the structure of the tax can increase or decrease progressivity. This tax would mirror the progressivity of Oregon state income taxes if established as a surcharge to state income tax liability.</p>
<p>Nexus</p>	<p>A personal income tax is a general tax that would support a wide range of City services.</p>
<p>Consistency with Council Goals & Policies</p>	<p>This revenue source would be consistent with adopted City Council goals & policies.</p>
<p>Fairness & Political Feasibility</p>	<p>In the current economic environment, a personal income tax may be viewed as unfair especially given the high unemployment rate in the region. Lane County was unable to pass a personal income tax in a more stable economic environment. It is expected there would be limited Council and community support for such a measure at this time.</p>
<p>Sustainability Impact</p>	<p>A personal income tax would not impose an undue burden on future generations.</p>

**General Fund Revenue Alternatives
January 2011**

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Restaurant Tax	
Description	Tax on sales of food and non-alcoholic beverages served by restaurants in Eugene and paid by the customers based on their bill.
Legal Authority & Restrictions	Under home rule authority, Oregon cities have the power to enact a sales tax without state enabling legislation.
Precedence	<p>Currently, there are two cities in Oregon that collect this tax. The City of Yachats collects a 5.0% 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 5.0% tax on all prepared food. Currently, 80% of the tax goes towards debt payments for past upgrades to the sewage treatment plant and 20% goes for park land purchases. 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 March 1993, the City of Eugene proposed a 3.0% restaurant tax to be used as a general revenue source; the proposal failed at public vote with 60% opposed and 40% in favor.</p>
Revenue Yield & Stability	<p>Based on estimates developed for the 1993 proposed restaurant tax and assuming 4% average growth, a 1.0% restaurant tax would generate approximately \$2.8 million in 2009. If levied at 5.0% rate, this tax would raise approximately \$14 million annually. Determining how much of this amount would be paid by out-of-town visitors vs. City residents would require additional research, as this information is not immediately available.</p> <p>Revenues would fluctuate with changes in personal income and the economic environment.</p>

Administrative Effort	If patterned after Ashland’s process and the City’s Telecommunications Tax, 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 could be implemented by FY13. Although not required under the City’s home rule authority, the tax would most likely be referred to the voters for approval. Lead time would also be necessary to establish administrative and enforcement mechanisms.
Incidence & Equity	<p>Designed to be a single, proportional rate. 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.”</p> <p>A relatively large proportion of this tax would be paid by visitors, similar to the transient room tax.</p>
Nexus	This tax would be paid by both residents and non-residents of the City. Both residents and nonresidents use and benefit from a wide variety of city services including public safety, parks and cultural services.
Consistency with Council Goals & Policies	A restaurant tax would be consistent with City Council goals and policies.
Fairness & Political Feasibility	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. Opposition to this tax is likely from industry groups such as the Oregon Restaurant Association.
Sustainability Impact	A restaurant tax would not create an undue burden on future generations.

**General Fund Revenue Alternatives
January 2011**

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Utility Consumption Tax	
Description	A tax on utility services used by residents of the City; levied on the amount of consumption or established as a flat fee per account.
Legal Authority & Restrictions	Under home rule authority, Oregon cities can enact a consumption tax.
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 \$2.6 million annually.</p> <p>In March 1996, the City of Eugene proposed a 1% utility tax to fund low income housing which failed at public vote; 61% no to 39% yes.</p>
Revenue Yield & Stability	<p>If the tax were structured as a percentage surcharge on the use of electricity, natural gas, water, storm water and wastewater a rough estimate for potential yields are as follows:</p> <p>1.0% = \$2.2 million 1.5% = \$3.3 million 2.0% = \$4.5 million</p> <p>The monthly impact to the average residential user of electric, water, storm water and wastewater services is estimated below:</p> <p>1.0% = \$1.25 1.5% = \$1.87 2.0% = \$2.50</p> <p>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 the utilities to collect and remit the tax.</p> <p>An annual allocation could be set aside 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	<p>If the tax were imposed on utility companies based on gross receipts with the presumption that the tax is passed on to the customer, the on-going administrative effort would be minimal.</p> <p>An administrative fee for collecting and remitting the tax to the City would be negotiated with EWEB and NWNG. As an example, if an administrative fee of 5% of the net tax due were instituted (similar to the administrative fee in place for transient room tax) the foregone revenue would be approximately \$110,000 at the 1% tax level.</p> <p>The City has talked with EWEB in the recent past about being the billing agent for the Street Utility Fee. If both the Street Utility Fee and the Utility Consumption Tax move forward, City and EWEB staff would need to agree that both charges would be placed on the EWEB bill.</p>
Timeline	<p>This tax could be implemented by FY13. Although not required under the City’s home rule authority, the tax would most likely be referred to the voters for approval.</p>
Incidence & Equity	<p>All utility users in the city would pay. An increase would be a greater financial burden to low-income households who have little to no discretionary income.</p> <p>Additionally, 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>
Nexus	<p>An energy consumption tax would be levied across the community. The community as a whole benefits from the full range of services provided by General Fund Revenues.</p>
Consistency with Council Goals & Policies	<p>A Utility Consumption Tax would be consistent with Council goals and policies.</p>
Fairness & Political Feasibility	<p>In the current economic climate, given the unemployment rate in our region – there may not be community support or the political will to tax energy consumption in our community – particularly as this tax would have a greater impact on large businesses, low income residents or those who are out of work.</p>
Sustainability Impact	<p>A utility consumption tax would not create an undue burden on future generations. The tax could lead to reduced consumption, a sustainable practice which is a high priority value for the City.</p>

**General Fund Revenue Alternatives
January 2011**

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(XYZ) Public Service Fee	
Description	A public service utility is a defined group of related services that are generally available to and are broadly accessed by occupants of property in a city. A public service fee, otherwise known as a “utility fee”, is typically set to recover part or all of the costs of the service, and billed to persons who occupy or have use of developed property, not the owners of 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.
Legal Authority & Restrictions	Under Oregon’s Home Rule principle municipality may charge fees for services. Revenues are not restricted. In January, 2007, the Oregon Supreme Court, in <i>Knapp v. City of Jacksonville</i> , upheld the City of Jacksonville’s public service utility 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 of property.
Precedence	<p>The City of Eugene currently does not charge any public service utility fees. A utility fee for street operations and maintenance, with revenue going to the Road Fund, has been under discussion for a number of years but has not been implemented.</p> <p>Several municipalities in Oregon do charge public service utility fees for parks, street operations and maintenance, police and/or fire services.</p> <ul style="list-style-type: none"> • <u>Jacksonville</u> currently charges a utility fee of \$20 per month on the occupant of each unit of developed property. This fee provides about 50% of the funding needed for Jacksonville’s fire services. • <u>Medford</u> charges \$2.60 per single-family home per month, producing \$1 million annually for police and fire services. Medford also charges a parks utility fee of \$2.87 per month per single-family home. • <u>Newberg</u> charges \$3 per residential unit per month for public safety services. • <u>Shady Cove</u> charges a utility fee of \$15 per month per residential or non-residential unit, dedicating the revenue to police services. • Numerous Oregon cities charge utility fees for street operation and maintenance.

Revenue Yield & Stability	Yield will vary with the fee level. Public service utility fee revenue usually supplements other resources. Fees are set with consideration of the impact on the customer as well as the target revenue yield. Utility 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.
Revenue Adequacy	In FY09 in Eugene there are roughly 58,000 developed property units (53,000 residential and 5,000 non-residential units). If a flat utility fee of \$1 per month were imposed on all units and 100% collection is assumed, it would provide about \$700,000 gross revenue annually. If the fee was levied on a per-unit basis and was included on EWEB customer bills, the collection rate would be high and annual administrative costs could be in the neighborhood of \$200,000.
Administrative Effort	Most cities collect utility fees as part of a sewer, stormwater or water utility billing for a property unit. In Eugene, this would require cooperation by EWEB. If the utility 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 at about \$200,000. The City has talked with EWEB in the recent past about being the billing agent for the Street Utility Fee. If both the Street Utility Fee and the Public Service Utility Fee move forward, City and EWEB staff would need to agree that both 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.
Timeline	Because this fee would be a new, unfamiliar approach for funding General-funded services in Eugene, substantial time would be needed to allow for full review and discussion by the City Council as well as by members of the community. It would be reasonable to expect a referral of a utility fee proposal to the ballot. Additional time would be needed to determine billing, collection and enforce processes. It would likely take at least two years to implement a new public service utility fee.
Incidence & Equity	All occupants of developed property will benefit from continued availability of the public services, and all could be equitably charged the utility fee. Publicly-owned or non-profit-owned facilities including dormitories and group housing would subject to the fee. The City could negotiate what fee level is appropriate rather than applying a standard rate or these facilities could be subsidized through an exemption which would shift their share to other payers.

<p>Nexus</p>	<p>The typical basis for existing public service utility fees in Oregon is the occupancy or use of a developed property, and the fee is typically levied as a flat fee on residential and nonresidential units, or on residential units only, depending on the service funded. The cost of the funded service is distributed as a simple average among all occupied units. This basis recognizes two key points: (1) the generality of the nexus between the public service funded by the fee and the common benefits provided by the availability and broad usage of the service by occupants of developed property across the community, and (2) the lack of practical ways to base the fee on actual measured usage of the public service.</p> <p>Other possible basis for levying the fee besides the per-unit basis include floor area or street frontage of units, number or ages of occupants, type of unit, etc. But these would be arbitrary measures unrelated to actual usage of the funded service, and would not increase equity. Developing and maintaining this kind of property- specific data may be difficult and would likely have a higher administrative cost without achieving a greater degree of equity in relating the fee to individual usage of the funded service.</p>
<p>Consistency with Council Goals & Policies</p>	<p>This fee is consistent with Council goals and policies.</p>
<p>Fairness & Political Feasibility</p>	<p>The successes of cities that have implemented utility fees for public services demonstrates that such fees can be seen as fair and can be politically feasible. However, as a new idea for the City of Eugene, it is likely that substantial discussion would be required before a consensus on fairness emerges and politically feasible is determined.</p>
<p>Sustainability Impact</p>	<p>The fee would have no adverse impact on sustainability goals.</p>

Timeline

Election Sequencing

Attachment C

