

# City of Gresham



## Service Restoration Taskforce Recommendations



# Service Restoration Taskforce

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December 17th, 2008

Mayor, Council Members of Gresham,

Good governance requires a transparent and well-reasoned evaluation of city services. The 2007 Long Term Financial Plan analysis demonstrates that the city is unable to continue to provide the present level of service and expenditure cuts would only degrade the quality of services provided. New revenues are needed. In the absence of new revenue sources, reductions to General Fund services will be necessary.

Based on the recommendations of the Long Term Financial Plan, Mayor Shane Bemis formed the Service Restoration Taskforce and appointed to it members of the Finance Committee and citizens of Gresham. The charge of the taskforce was to examine the gap-closing strategies from the Long Term Financial Plan and prioritize them for implementation. Through a series of six meetings starting in May 2008, the taskforce researched, discussed, and weighed all of the options presented by the Long Term Financial Plan. It also looked at the services being delivered and brainstormed alternative options to address the structural financing problem.

The taskforce took the original strategies from the 2007 Long Term Financial Plan and looked at the options that had not been implemented to date, and focused its energies on the strategies the City controlled. Seventeen strategies were initially discussed and debated, which were narrowed down to seven for further research, examination, and prioritization.

Current economic and policy conditions have changed greatly since the initial plan came forward. Implementing any tax, fee, or rate increase during these trying times would be very difficult. However, the options presented address long-term structural deficits and would take some time to implement even in the best of times. The time to begin to plan and strategize for future implementation during better economic times is now.

The options not brought forward for consideration are still viable. However, some of them had little impact, some had a longer timeline than the one to two year window being studied, or some were considered too onerous. In addition the taskforce strongly urges the Council to move forward working for change on several of the options that are controlled by the state, such as adjusting the 911 tax, liquor tax, and gas tax to cover the cost to the city of providing mandated services. The taskforce would also urge that the City continue to rigorously examine its expenditures to find efficiencies and cost-savings.

This proposal outlines the final prioritization of the taskforce, presented in order of priority, as well as a detailed summary of issues that the taskforce considered for each option. This is only a summary of the material covered by the taskforce. In total, the taskforce met for more than fourteen hours and covered a large amount of material presented by staff. Many of the recommendations are difficult and the taskforce had spirited debate over the benefits and negative impacts to citizens. The taskforce was not unanimous in its support for all of the measures as many of the option presented are difficult and have a significant financial impact on Gresham's citizens. The taskforce respectfully submits the report, which reflects the consensus of the group, for consideration by the Council.

Sincerely,

Richard Anderson

Doug Walker

John Andersen

Roger McDowell

Dave Shields

Mary Helen Simonson

Roylene Connors

Sue Ruonala

Special thanks to Councilor Paul Warr-King, Councilor Mike Bennett, Finance and Management Services staff and other city staff for their time, work and participation in facilitating the taskforce.

# Taskforce Recommendations

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## Summary of Taskforce Recommendations:

### RECOMMENDED:

**1. General Obligation Bond:** The taskforce recommends the Council bundle projects from the unfunded capital list and refer a bond to the voters. The taskforce emphasizes a focus on capital that aids in on-going operations, such as police, fire, facilities and information technology.

**2. Restaurant or Prepared Foods Tax:** The taskforce recommends that the Council select services and projects to fund from a Prepared Foods tax and when the economic climate permits, refer this measure to the voters. The taskforce strongly recommends that the selection of services focus on increasing services for the business community.

**3. Transportation Utility Fee:** The taskforce recommends the Council set the Transportation Utility Fee at a level that halts the deterioration of Gresham's transportation infrastructure in line with the next "State of the Streets" report prepared by the Department of Environmental Services.

**4. Information Technology Fee:** The taskforce recommends that Council direct staff to compile a list of all core information technology hardware, software and licensing and charge staff to bring forward a rate and proposal to distribute the costs of the core infrastructure equitably. The taskforce recommends that the Council, upon review, accept a proposal and periodically review the methodology to ensure the costs of the program are being distributed fairly.

**5. Parks District:** The taskforce recommends that the Council reach out to neighboring jurisdictions and collectively form a working committee to set up public meetings, examine area boundaries, review service levels, conduct an economic feasibility study, and refer to affected cities' governing bodies a resolution to refer a regional parks district to the voters.

### NOT RECOMMENDED:

**6. Increase Hotel/Motel tax:** The taskforce does not recommend that the Council increase this rate for the purpose of funding General Fund services at this time. This does not include raising this tax to fund tourism related activities, such as the Visitor's Center.

**7. Local Fuels Tax:** The taskforce does not recommend that the Council implement a local fuels tax at this time. Gresham has an abnormally low number of gas stations for a city of its size, making this option not viable.

### Additional Recommendations:

- The taskforce strongly urges the Council to move forward working for change on several of the options that are controlled by the state, such as adjusting the 911 tax, liquor tax, and gas tax to cover the cost to the city of providing mandated services.
- The taskforce urges the City to continue to rigorously examine its expenditures to find efficiencies and cost-savings, as well as continue to prioritize services annually. Increasing revenues is only part of the solution for ensuring lasting financial sustainability for basic government services.

# Taskforce Recommendations

**1. General Obligation Bond:** Voter approved General Obligation (GO) bonds are issued to fund capital improvements. The ability to repay the bonds comes from a specific property tax levy (not the city's \$3.61 permanent rate). The tax rate is determined by the amount of money needed to make annual debt payments.

As discussed in the debt analysis section of the Long Term Financial Plan, the city will be retiring its current General Obligation Bond in FY2008-09. Passing a new bond would allow for capital needs to be funded from a designated revenue source and for the revenue source to be tied to the useful life of the asset. With the passage of a General Obligation bond, capital maintenance would not need to come from the General Fund operating budget.

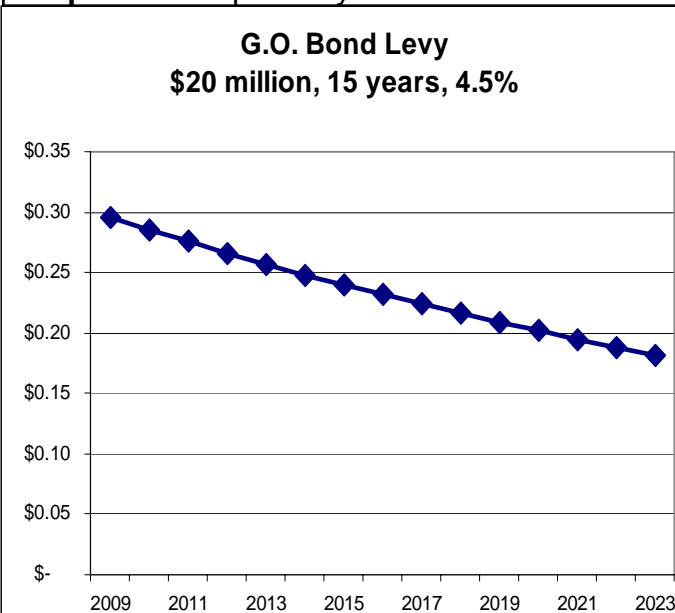
**Net Benefit:** Examining the current Capital Improvement Plan and Unfunded Capital projects for general government services, a vast number of projects from all areas could be funded through General Obligation Bonds. The focus of this report, however, is on the on-going operations for general government.

The Transportation, Parks and Trails, and Footpaths categories mainly deal with expanding existing service levels. While this is laudable, from a financial standpoint it is already difficult to maintain current infrastructure for both Transportation and Parks without a revenue source to cover operating expenditure and maintenance. Adding additional facilities without funding the upkeep of existing capital is not prudent.

|                        |                       |
|------------------------|-----------------------|
| Transportation         | \$ 164,007,000        |
| Parks and Trails       | \$ 110,006,000        |
| Footpaths              | \$ 12,806,000         |
| Police                 | \$ 1,450,000          |
| Fire                   | \$ 5,980,000          |
| Information Technology | \$ 976,000            |
| Facilities and Fleet   | \$ 2,104,000          |
| <b>TOTAL</b>           | <b>\$ 297,329,000</b> |

An example of unfunded capital by category is included on Page 11 of this report.

**Graph 1: Example Levy Rate**



Currently, capital purchases for Police and Fire are paid as part of operating expenditures, either through direct purchase, lease agreements, or one-time grants. Funding new capital purchases would lower operating expenses for Police and Fire, allowing more resources for patrol and operations instead of equipment and capital replacement. If the cost of these purchases were spread over a 5 year period, it would cost roughly \$1,500,000 per year. Either this cost would be absorbed by the operating budgets of the departments, or equipment would not get replaced leading to services supported by that equipment being discontinued. Some equipment, like fire engines, could continue to be used past its useful life. However, as the equipment becomes older it is less effective and more expensive to maintain and repair. Funding capital through a G.O. bond takes pressure off of the operating budget to fund capital needs.

Note: A 4.5% rate was used based on a composite of four General Obligation bond issuances in July of 2008. The bond market has experienced change and volatility since then. Interest rates have been lowered by the Federal Reserve and the market for bond and security insurance has fluctuated wildly. This would be a cause for concern if a bond were being issued today. By the time the city issues a new bond, the bond insurance market (or another market mechanism) should correct and many of the issues cities currently issuing bonds face will be remedied.

# Taskforce Recommendations

**Difficulty:** In 1988, the voters authorized \$10.2 million in bonds. Recent experience indicates the passage of local bond measures is difficult. None of the East County property tax measures, either levy or bond, passed in the November 4, 2008 election. As long as the economy remains in a slow or negative growth period, passage of additional property tax authority will be difficult. Selecting specific capital items is important for a successful bond and selecting essential services areas like police and fire makes passage more likely.

**Time to Benefit:** Recent passage of Ballot Measure 56 gives local governments more flexibility regarding when to submit bond and levy measures to the public that have a realistic chance of passing. The difficulty of the current economic climate and the ability of citizens to directly absorb higher tax bills necessitates a thorough education campaign for proposed capital items. At least a year would be needed for the selection and crafting of such a measure. The benefits of such a measure would be spread over the life of the bond, anywhere from ten to twenty years.

**Recommendation:** The current bond expires in FY2008-09 and the City has a real and quantifiable capital need. Action on this item is the highest priority of the Service Restoration Taskforce. The taskforce recommends the Council bundle projects off the unfunded capital list and refer a bond to voters.

**2. Restaurant or Prepared Foods Tax:** Oregon law stipulates it is within the discretion of a city to enact a prepared foods tax. The structure of such a tax can vary but is typically a set percentage of gross sales. This tax would not be the first tax of its kind in Oregon. Two cities currently have a restaurant tax; Ashland and Yachats. In both cases the cities are destination communities. Also, in both cases, the tax funded specific capital infrastructure projects, such as wastewater plants.

Ashland was the first city in Oregon to pass a restaurant tax in 1993. Since then they have raised the rate once, to its current 5% rate, but have tried and failed to move it past this threshold. The tax paid for upgrades to the wastewater treatment plant and purchase of open space and is due to sunset in 2010. There have been many studies on the impact of the tax on businesses in Ashland. The National and Oregon Restaurant Associations have issued studies and campaigned against every attempt to enact such a tax. Government agencies and cities have issued studies while attempting to enact this as a revenue enhancement.

**Net Benefit:** Passage would provide a new, relatively stable revenue source. Collection costs on this type of tax are low, since most businesses are set up to track sales data and almost all business financial software and hardware is set up to account for a sales tax due to its prevalence throughout the country. Examining Table 2 indicates this could potentially generate multiple millions of dollars annually in revenue. Given the scope of the structural deficit that Gresham is facing, this is one of the few options that could significantly impact the on-going operating revenues of the city.

| Gross Receipt Estimate Dec. 31, 2007 |                         |
|--------------------------------------|-------------------------|
| Full Service -                       | \$ 67.2 million         |
| Limited Service -                    | \$ 67.3 million         |
| Catering -                           | \$ 7.7 million          |
| <b>TOTAL</b>                         | <b>\$ 142.2 million</b> |

|         |                |
|---------|----------------|
| 1% Rate | \$ 1.4 million |
| 3% Rate | \$ 4.3 million |
| 5% Rate | \$ 7.1 million |

Note: Gross receipts data gathered from 2007 Economic Census data by NAICS code. Accuracy of this method was tested against Ashland data. Census data shows they should anticipate \$1.88 million in revenue for calendar year ending on December 31, 2007. Ashland's budget, ending June 30, 2008, indicates they expect to receive \$2.0 million in revenue.

# Taskforce Recommendations

**Difficulty:** Across Oregon the implementation of a restaurant tax has come up many times and rarely been successful. Recently, attempts in Medford and Grants Pass failed overwhelmingly at the ballot. Salem implemented a gross receipts tax, which was overturned in the next election by ousting the supporters of the tax from office. During the debate on these measures questions of equity and fairness have arisen as to why one industry is being singled out. Both the National and Oregon Restaurant Associations have campaigned against the enactment of this tax in every jurisdiction it has been attempted. Without full and unanimous support from elected officials and community leaders, passage of such a tax would likely fail.

**Time to Benefit:** One to two years for a campaign and ballot. While such a tax does not have to be referred to the voters (in almost every instance it has not) it has been challenged and placed on a ballot. Yachats had this happen and survived the referral in May of 2007. Therefore, it is almost certain that such a measure would have to go through an election before implementation would be allowed. If passed, there would be an annual benefit to the General Fund.

**Recommendation:** The difficulty factor on this is high. The financial impact of such a tax, however, is one of the few remaining options to offset the continued degradation of services currently funded by property taxes. The taskforce recommends that the Council select services and projects to fund from a Prepared Foods tax and when the economic climate permits, refer this measure to the voters.

**3. Transportation Utility Fee:** A Transportation Utility Fee (TUF) would be added to customers' utility bills. The revenue generated is earmarked to maintain or improve existing city streets conditions only. Currently, the City has adopted the methodology for assessing a TUF on utility customers but has not enacted a rate, effectively levying a TUF of zero. Fee enactment provides a stable funding source for Transportation, allowing it to meet its financial obligations and service standards.

The programmatic information and much of the financial information is laid out in the April 2008 "State of the Streets" report put together by the Department of Environmental Services. The city is current not keeping up with maintenance needs for current roads leading to a growing backlog of deferred maintenance. Based on the roads condition, the cost of not maintaining the roads will balloon over the next five years as maintenance shifts from crack sealing to complete overlays. To maintain current road conditions requires spending an additional \$4 million annually. An additional \$2 million would have to be spent to achieve Council's stated goal of a PCI index of 75. Further technical details can be found in the previously mentioned report, available from the Department of Environmental Services.

The taskforce recommends that, if implemented, steps be taken to lessen the impact on elderly and low-income customers. Several cities, like Lake Oswego and Milwaukie, have provisions for this in their ordinances. The City of Gresham already has a similar program place for utility bills assistance.

**Net Benefit:** A Transportation Utility Fee provides the Transportation Fund with a financially sustainable revenue source and eliminates the risk that the General Fund would have to subsidize the Transportation Fund in the future. Table 3 illustrates the cost to an average household for different levels of service. Option A includes \$1 million for a streetlight program, which is currently funded from the utility license fees. Including streetlights in a TUF would allow the utility license fees to stay in the General Fund and pay for general government services. This cost also includes costs for administrative services, like payroll, accounting, workers compensation insurance, etc. An average household would pay

|          | Revenue Generated | Streetlights Expenditures | Annual Road Maintenance | Average Cost per Household |
|----------|-------------------|---------------------------|-------------------------|----------------------------|
| Option A | \$ 5,700,000      | \$ 1,000,000              | \$ 4,000,000            | \$ 5.84                    |
| Option B | \$ 4,560,000      | \$ 1,000,000              | \$ 3,000,000            | \$ 4.68                    |
| Option C | \$ 3,420,000      | \$ 1,000,000              | \$ 2,000,000            | \$ 3.51                    |
| Option D | \$ 2,280,000      | \$ 1,000,000              | \$ 1,000,000            | \$ 2.34                    |

\$5.84 per month. Residential units would pay 52% of the cost of a TUF, with commercial and industrial paying 48% of the costs.

# Taskforce Recommendations

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**Difficulty:** The authority for this strategy is already in place, but is currently set at zero. Council would have to adopt a new fee resolution. Staff has completed the studies for the fee structure and billing and collection system. These studies and the costs to implement would need to be updated when the next “State of the Streets” report is released, with Council approving any changes.

The chief difficulty in implementing this is the public’s reaction to a new fee, especially in view of the harsh economic times. There are also fairness and equity issues with this method, and though these can partially be mitigated through adjusting the assessment methodology, they can never be fully accounted for. One taskforce member, Sue Ruonala (also a member of the Wastewater Cost of Service Analysis Project), does not feel that this method of assessment fairly distributes the costs of maintenance based on usage. She also has expressed a strong concern that citizens, especially elderly and lower income, lack the ability to pay. This is compounded by Gresham’s utility rates having increased at more than the rate of inflation for several years, leading to Gresham having some of the highest water / wastewater bills in the metro area.

**Time to Benefit:** Implementation on this action takes nine to twelve months. The time reflects Council action, implementation of the billing system and public education.

**Recommendation:** High financial benefit and drastically improved services make this a high recommendation. Based on the bleak outlook for the condition of Gresham’s roads, the taskforce recommends the Council set the Transportation Utility Fee at a level that halts the deterioration of Gresham’s transportation infrastructure in line with the next “State of the Streets” report prepared by the Department of Environmental Services. It should be noted that 19 cities throughout the state currently have a TUF in place. Increasingly, cities are turning to this method to fund transportation maintenance costs as 13 of the 19 cities have implemented a TUF within the last ten years. Increasingly, citizens are realizing that the state or federal government will not adequately fund street maintenance and it must be done at the local level.

**4. Information Technology Fee:** For many city services the cost of replacing desktop computers and information machines is built into operating budgets. Funds are paid annually to the Equipment Replacement Fund. These city services use the city’s core information technology infrastructure, but there is no mechanism to fund the future replacement of the servers, switches, hubs, application software and other equipment that allow the city to function. This equipment is placed on the unfunded capital list, and when an essential component breaks hopefully the city can purchase its replacement. This creates a very sporadic and uncertain expense for operating departments, who have to squeeze the money out of their existing budget to fund core services.

The City of Gresham currently assesses a technology fee on permits to recover the implementation costs of the HTE permit system, which was installed less than two years ago. This option proposes to assess a fee on all transactions generated by individual citizens to fund core information technology. Some city services cannot be billed directly to customers, such as police, fire, or parks services. Other services such as permits, inspections, utility connections, document requests, and utility billing are billed to customers at their request or through the normal course of operating a business.

The proposed information technology fee would not have these services paying for all of the cost of replacement of core infrastructure, but a portion. The taskforce discussed the easiest and most equitable way of allocating this charge. For the current technology fee on permits the methodology for assessing the fee was changed from a tiered system to a set rate. The change occurred because it was time-consuming and burdensome for the staff to calculate and assess the fee on different levels of permits and was causing customer frustration over the confusion and onerous methodology. Based on this experience and the desire to keep it simple, the taskforce proposes a percentage rate on all transactions to pay for a portion of the information technology infrastructure. Cost allocation should be based on percentage of operating revenues.

**Net Benefit:** An information technology fee defrays the costs of capital equipment replacement and



# Taskforce Recommendations

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investment in new hardware and software applications. Currently, the Information Technology Department is taking an inventory of equipment and applications to establish the value of current software and hardware. Over the last year the department has identified many items and moved them to the unfunded capital list. It is also compiling a list of on-going licensing costs and classifying them. The five year unfunded capital list for IT is \$927,000. On-going maintenance costs for core technology are currently at \$158,200 per year. This list needs additional systems added, most notably the phone system, which the department is pricing and identifying. Preliminary conversations with the department on this put the annual cost of core infrastructure in the \$600,000 to \$700,000 range.

Revenues city-wide for FY2007-08 totaled ~\$124,000,000. Charges for services accounted for 11.1% of this, and utility billing payments accounted for 21.2%. For each area to pay a proportional cost of the annual cost of core infrastructure would result in a surcharge or rate of roughly 0.5% on all transactions for both areas.

**Difficulty:** Creating a fee that pays for services provided by system application and technology infrastructure would only require Council action. The collection system is already in place. However, general public acceptance may increase the difficulty depending on what rate is set and because the impact from the technology is less direct and transparent.

Including the utility bills in this increases the difficulty. The taskforce discussed the merits of including utility billing in an information technology fee. Utility customers are already paying for this equipment through internal service charges or direct billing, but ultimately the cost is already being paid through customers' monthly utility payments. Separating the core information technology cost adds transparency for customers and is more efficient since the costs flow directly from the customer to the Information Technology department. To remain consistent, if the city is going to separate these costs in all its other charges for services it should separate them for utility bills as well.

**Time to Benefit:** Twelve to eighteen months. This timeline allows for a full inventory and costing of core infrastructure to be performed, for an education campaign to inform customers of impending changes, and for testing of the collection system.

**Recommendation:** It is vital to adequately fund technology to serve Gresham's citizens. The taskforce recommends that Council direct staff to compile a list of all core information technology hardware, software and licensing and task staff to bring forward a proposal to distribute the costs of the core infrastructure equitably. The taskforce recommends that the Council, upon review, accept a proposal and periodically review the methodology to ensure the costs of the program are being distributed fairly.

**5. Parks District:** This option proposes a strategy for establishing a Regional Parks District which could potentially include the other three East County cities or any other neighboring jurisdictions. Parks and recreation service levels in Gresham over the last ten to fifteen years have declined. Ten years ago, Gresham spent more on parks than it does today without accounting for inflation or considering the demands that population gains have generated. In real dollar terms, Gresham's spending per person on parks has declined almost 50% in the last decade. Today, it stretches the department's budget to just maintain the properties and equipment that currently exists.

Continuing to allow parks services to gradually decline is not a responsible long-term strategy. Forming an independent parks district would allow for voters to decide what level of parks and recreation service they desire. Expanding the district beyond Gresham would allow for economies of scale and a broader and more stable tax base. In Oregon, three parks districts currently exist; Tualatin Hills, Willamalane and Chehalem. Staff has inquired of each district about how they formed, what obstacles they faced and what they would recommend. All stated that it is much easier to start with as large a service area as possible to realize the greatest economies of scale. Tualatin Hills has expanded service areas several time and would have been better financially and organizationally if they had formed with their current service area instead of in a piecemeal fashion. All stressed outreach to the community and getting community support for a district before forming.

# Taskforce Recommendations

**Net Benefit:** Reduces General Fund operating expenditure costs by 7% (\$2.8 million). Depending on the level of service set for the district, it could also provide better parks and recreation service and expand park facilities. If regional, economies of scale would provide overall savings. Citizens would also achieve a greater degree of transparency and control over money spent for parks. Initially, Gresham would have to transfer equipment, staff, and facilities to the district and would probably provide initial financial support. At a minimum, it would either reduce expenses in the General Fund or return service levels to be comparable with other cities in the region.

The financial impact of implementing a parks district is varied depending on service levels and service area of the district. For comparison purposes, if a parks district was formed with current service levels just for Gresham, the district would have a permanent rate of \$0.47 per \$1,000 of taxable assessed value. The taskforce also considered a proposal from staff that would provide a higher level of service comparable to other metro area jurisdictions, which would result in a rate of \$0.85. It is likely that the permanent rate for a regional district would fall somewhere in this range. Table 4 compares these scenarios. One of the steps in forming a district is to perform an economic feasibility study to determine exactly what this rate would need to be given a certain service level.

**Difficulty:** This option would require a significant investment of elected official and staff time to collaborate with neighboring jurisdictions and form a district. There are numerous details that would need to be worked out. Additionally, it will be essential to have public outreach and public meetings to provide the level of service that citizens desire. A referral to the voters would be necessary to establish a district and determine its permanent rate.

**Time to Benefit:** This is a long term solution to the parks problem and will take two to three years before any benefits, either financial or in service levels, are realized.

**Recommendation:** The high degree of difficulty and longer time to benefit makes this option less pressing than others. However, it is a long term solution to the City's parks funding dilemma. Therefore, the taskforce recommends that the Council reach out to neighboring jurisdictions and collectively form a working committee to set up public meetings, examine area boundaries, review service levels, conduct an economic feasibility study, and refer back to affected cities' governing bodies a resolution to refer a regional parks district to the voters.

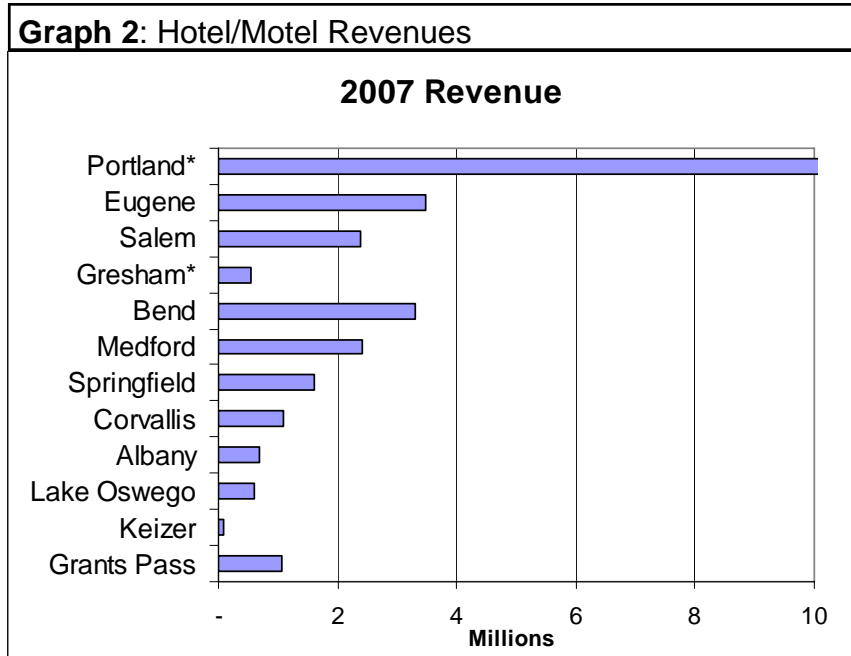
|                          | Gresham<br>Current Services | Example of<br>Enhanced Services |
|--------------------------|-----------------------------|---------------------------------|
| Staffing                 | \$ 1,500,000                | \$ 2,400,000                    |
| Materials and Services   | \$ 590,000                  | \$ 1,030,000                    |
| Internal Service Charges | \$ 660,000                  | \$ 790,000                      |
| Capital Maintenance      | \$ 85,000                   | \$ 785,000                      |
| <b>Total:</b>            | <b>\$ 2,835,000</b>         | <b>\$ 5,005,000</b>             |
| Employees                | 14                          | 26                              |
| Permanent Rate           | \$ 0.45                     | \$ 0.85                         |

# Taskforce Recommendations

**6. Increase Hotel/Motel tax:** The City currently assesses a tax on hotel and motel occupancy. This is collected by the establishment and remitted to the City on a monthly or quarterly basis. Oregon state law specifies that 70% of any increase in this tax be spent on a tourism related promotion or facility which demonstrates substantial purpose of supporting tourism or tourists.

**Net Benefit:** The current rate of 6% generates \$500,000 annually. An increase in this rate would have to be significant to impact the General Fund. Doubling the rate to 12% would only generate an additional half million dollars annually. Of that, only \$150,000 would be available for general government service not related to tourism.

Increasing the rate would increase revenues, but would negatively impact the hotel industry. Another approach to increase this revenue would be to promote tourism and economic development policies to increase the volume of travelers visiting and staying in Gresham. Graph 2 illustrates that Gresham has low revenue compared to other cities with similar rates, even cities smaller in size.



**Difficulty:** Increasing this rate would only require Council action, as the collection system is already in place. However, a large increase in rates would probably be met by significant resistance from the hotel industry.

Table 5 compares Gresham’s rate to similar cities. However, Portland and Gresham also have to consider that Multnomah County levies it own 5.5% hotel/motel tax and the other cities in this table are in counties which do not have hotel/motel tax. This raises the effective tax rate for hotels and motels in Gresham to 11.5%. Note that Washington county cities do not levy any hotel/motel tax and instead, Washington County levies a 9% tax countywide.

| City        | Rate |
|-------------|------|
| Portland*   | 6.0% |
| Eugene      | 9.5% |
| Salem       | 9.0% |
| Gresham*    | 6.0% |
| Bend        | 9.0% |
| Medford     | 8.0% |
| Springfield | 9.5% |
| Corvallis   | 9.0% |
| Albany      | 9.0% |
| Lake Oswego | 4.0% |
| Keizer      | 6.0% |
| Grants Pass | 9.0% |

**Time to Benefit:** Less than 3 months to implement

**Recommendation:** Based on the restrictions on how revenue can be spent from a rate increase and the already high combined rate for Gresham hotels, the taskforce does not recommend that the Council increase this rate at this time or for the purpose of funding General Fund services. Promoting tourism and economic development to increase hotel/motel occupancy in Gresham would be a better approach to pursue initially to raise revenues from this source.

# Taskforce Recommendations

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**7. Local Fuels Tax:** Currently the State of Oregon collects this tax based on gallons sold and distributes part of the tax revenue to cities and counties based on population and vehicle miles traveled. The last time the State increased this tax was in 1991. The rate has not kept pace with the cost of maintaining existing roads and constructing new roads, and there is no indication the legislature will raise the state fuels tax anytime soon.

Cities have the option of enacting a local fuels tax however. Currently seventeen cities in Oregon have a fuel tax that ranges from \$0.01 to \$0.05 per gallon. Of those, twelve have been passed in the last five years. As with the Transportation Utility Fee, cities have been forced to use local mechanisms to pay for transportation maintenance. Between the local fuels tax and the TUF, thirty-six Oregon cities have a designated method of paying for maintaining roads. There are pros and cons to each method, but after extensive discussions the taskforce has ranked the Transportation Utility Fee higher than a local fuels tax.

**Net Benefit:** The financial numbers for the fuels tax do not pencil for Gresham. Gresham's city limits include only a small part of Interstate 84. Gresham is not a destination community like areas on the coast, or a pass through community like Eugene and Springfield. This means that most of the tax is paid by local residents. The largest financial obstacle is the low number of gas stations within Gresham city limits. Twenty-four fueling stations were identified within the city limits in a preliminary survey. Eugene has sixty four, while The Dalles, with a population of 12,520, has ten. Due to a quirk of fate, many gas stations are only a few blocks outside the city limits to the west and north.

Using two separate estimation methods, miles driven and gallons purchased, a \$0.03 per gallon tax would result in only \$1,000,000 of revenue. To generate enough revenue to maintain current road conditions, the rate per gallon would have to be set at \$0.17 per gallon. The taskforce feels this rate is prohibitive.

**Difficulty:** Campaigns for new taxes in Gresham have usually been met with resistance. Additionally the majority of the cities who have enacted a fuels tax are clustered around the coast or the Eugene / Springfield area. Only two cities in the Portland metro area have a fuels tax, Woodburn and Milwaukie. This would make it much more difficult to enact since it would be easy to avoid the tax by traveling to a neighboring jurisdiction. Unless the region moves to enact a fuels tax as a group, this will remain an impediment.

**Time to Benefit:** One to two years for a campaign, voter referral and collection system implementation.

**Recommendation:** Based on the information presented, the taskforce does not recommend that the Council implement a local fuels tax at this time.

# Taskforce Recommendations

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## Summary of Other Options Considered:

**Not included in Final Prioritization** (no particular prioritization order):

Sales Tax - Implementing a sales tax would be a major undertaking. Its prudent to attempt other measures before a sales tax, which likely would involve forgoing property taxes.

Streetlight District - Transportation Utility Fee (TUF) with streetlights included was viewed as more favorable option. Still a possibility if not included in a TUF.

Parks Fee - Rather than add a parks fee to city utility bills, it was deemed more prudent in the long run to spin off parks and recreation services into a stand alone regional district.

Fire Inspection Fees - Judged too small of a fiscal impact to make the cut, still an option.

Real Estate Title Transfer Tax - An untested idea in Oregon. More conventional options should be explored first.

Title/Car Registration Tax - An option that funds road maintenance. Dropped for two other measures, due to difficulty of revenue sharing criteria, e.g. Sellwood Bridge, if enacted.

“Wheel” Tax - An option that funds road maintenance. Dropped for two other measures due to unconventional nature and potential enforcement and collection issues.

Planning Fees - Currently planning receives 19% of its revenue from the General Fund, while spending rough 40% of its staff time on General Fund projects.

Cultural Events Pass - Create an all-access pass in conjunction with other community organizations to cultural events hosted at local government venues. Judged too small of a fiscal impact at this time.

Fine Structure - Ensure fine structure is fully capturing costs. Judged too small of a fiscal impact to make the cut.

Local Option Levy - Put on the ballot for November 4th, 2008 and was narrowly defeated.

**Non-City Controlled** (no particular prioritization order):

State 911 Tax - Increasing the 911 tax on phone lines to fully cover costs of providing service. Fee has not increased from \$0.75 since 1995.

State Liquor Tax - Increasing state liquor taxes to fully cover costs to communities for responding to incidents involving alcohol, e.g. DUII, domestic disturbances, et cetera.

State Gas Tax - The last increase in the state fuels tax was in 1991. It has not kept up with increases in road maintenance costs.

Property Tax Structure Reform - Property taxes fund fewer services each year. Status quo leads to financial insolvency for basic general government services.

# Taskforce Recommendations

**Table 1: Project Examples**

| <b>Transportation Examples</b>               |               |
|--|---------------|
| Street Surfacing Improvements                | \$ 14,763,000 |
| Signal Optimization Phase III                | \$ 4,674,000  |
| 223rd at Stark TIF                           | \$ 1,314,000  |
| 181st at I-84 Intersection                   | \$ 4,845,000  |
| <b>Parks and Trails Examples</b>             |               |
| Sports Park Development                      | \$ 10,445,000 |
| Gresham/Fairview Trail                       | \$ 3,375,000  |
| Main City Park Renovation                    | \$ 7,581,000  |
| Southwest Neighborhood Park Acquisition      | \$ 5,160,000  |
| <b>Footpaths Examples</b>                    |               |
| 181st Street Pedestrian to MAX TIF           | \$ 710,000    |
| Division St., 174th Ave. to Wallula Ave.     | \$ 160,000    |
| <b>Police Examples</b>                       |               |
| Police Communicatons equipment               | \$ 1,200,000  |
| Incident Command Vehicle                     | \$ 250,000    |
| <b>Fire Examples</b>                         |               |
| Thermal Imaging Device - UASI Grant          | \$ 9,000      |
| Portable Radios - SHSP Supplement (20)       | \$ 60,000     |
| Breathing Apparatus - CBRNE compliant        | \$ 100,000    |
| Engine/Fire Pumper ( #192, Station 71)       | \$ 500,000    |
| <b>Information Technology Examples</b>       |               |
| Level 3 switches/routers (10 @ 2400)         | \$ 24,000     |
| Police/Oracle server                         | \$ 7,000      |
| Telephone System Upgrade                     | \$ 100,000    |
| CheckPoint Firewall - external firewall      | \$ 30,000     |
| <b>Facilities and Fleet Examples</b>         |               |
| Fleet Shop Brake Lathe                       | \$ 10,000     |
| Station 73 Emergency Generator               | \$ 15,000     |
| Station 74 HVAC Unit                         | \$ 10,000     |
| Downtown Parking Lots Slurry Seal & Striping | \$ 65,000     |