

1 **ORDINANCE BILL NO. 11-19**

2 AN ORDINANCE RELATING TO THE CREATION OF A TAX ON WAGES
3 EARNED; CREATING NEW PROVISIONS: SRC 39.001, 39.005, 39.010, 39.015,
4 39.020, 39.025, 39.030, AND 39.035

5 *The City of Salem ordains as follows:*

6 **Section 1.** The Salem Revised Code is hereby amended as set forth in Exhibit A,
7 attached hereto and by reference incorporated herein.

8 **Section 2. Findings.** The Salem City Council finds:

9 **(a)** The City of Salem is a full service City, supporting residents and the greater
10 community through a range of services, including police, fire, library, parks, recreation,
11 public facilities, planning and code enforcement services. Community members rely on
12 and expect the City of Salem to provide these services to maintain a city that is safe,
13 welcoming, and livable.

14 **(b)** Services without a dedicated revenue source are paid for by the City’s General Fund.
15 The largest revenue in the General Fund is property taxes generated by the City’s
16 permanent rate levy. Due to Measure 5 (1990) and Measure 50 (1997) limiting property
17 tax growth and establishing permanent tax rates, increases in property tax revenue have
18 not kept pace with escalating costs and the demand for services paid for by these
19 revenues. Some significant costs are largely not controlled by the City; such as escalating
20 health costs and state mandated PERS rates. The City’s population has grown by more
21 than nine percent in the last ten years with the anticipation of 60,000 more residents by
22 2035. This structural imbalance between revenues and expenses within the General Fund
 has been recognized by the City, which has acted with responsible fiscal stewardship to
 contain expenses within its control.

(c) The City has implemented a number of cost-saving measures, including; consolidating
 staffing; utilizing technology to automate processes and reduce paper and other costs,
 saving energy, enhanced utilization of volunteers; performing more work within the City
 with less reliance on consultant services; and many other measures. Through the recent
 recession, the City was faced with decisions on how to balance the budget and in doing
 so eliminated or reduced General Fund services. Some examples include closing two fire
 stations, and reducing library hours, recreation services and support to neighborhoods.

1 Even with cost saving measures, the City continues to use working capital, or the City's
2 savings account, to balance the budget and has for the past several years.

3 **(d)** Working capital is a finite resource. Continued use of working capital to balance
4 ongoing expenses at the current staffing level will cause a depletion of savings during
5 fiscal year 2023. Without additional revenue, reductions to services would be required for
6 the City to adopt a balanced fiscal year 2022 budget as required by Oregon budget law.
7 Although the City is constantly looking for opportunities to further trim expenses and
8 make additional efficiencies, these changes are not enough.

9 **(e)** The ratio of City employees to the city's growing population has decreased, affecting
10 the City's ability to maintain services. For example, there is an 8 percent lower police
11 officer to resident ratio than ten years ago and within that time period, crime rates have
12 increased 22 percent. Additionally, while park land has grown by 25 percent and miles of
13 walkways and trails have increased by 68 percent, parks maintenance personnel has
14 increased by only 8 percent (or three positions). There are similar issues for nearly every
15 service funded by the General Fund.

16 **(f)** Recognizing the need for new revenue in order to maintain a structurally balanced
17 budget, the City of Salem's Budget Committee in the spring of 2018 recommended that
18 City Council begin exploring new revenue options to support the General Fund. As a
19 result, the Sustainable Services Revenue Task Force (Task Force) was created.

20 **(g)** The Task Force was comprised of Salem residents from the following groups: Salem
21 City Council, Salem Budget Committee, Home Builders Association of Marion and Polk
22 Counties, Latino Business Alliance Board, Oregon Marshallese Community, Salem 350,
Salem Electric, Salem Fire Foundation, Salem Parks and Recreation Board, Salem Police
Foundation, Salem Economic Development Corporation Executive Board and Straub
Environmental Center.

(h) The Task Force reviewed twelve revenue options for the General Fund and one for
the Transportation Services Fund. After a series of comprehensive public meetings which
covered both the City budgeted revenues and expenses throughout the fall of 2018, the
Task Force's recommendation was delivered to the City Council in April 2019. Of the
twelve General Fund revenue options, the Task Force recommended an employee-based
payroll tax and a city operating fee.

1 (i) The City Council received the Task Force recommendation and made modifications
2 to address concerns surrounding low-wage earners. Through this ordinance, the City
3 Council is maintaining essential City services residents depend on while also fulfilling
4 the obligation to ensure the fiscal health of the City both today and in the future.

4 **Section 3. Codification.** In preparing this ordinance for publication and distribution, the
5 City Recorder shall not alter the sense, meaning, effect or substance of this ordinance, but
6 within such limitations, may:

- 6 (a) Renumber sections and parts of sections of the ordinance;
- 7 (b) Rearrange sections;
- 8 (c) Change reference numbers to agree with renumbered chapters, sections or other
9 parts;
- 9 (d) Delete references to repealed sections;
- 10 (e) Substitute the proper subsection, section or chapter, or other division numbers;
- 10 (f) Change capitalization and spelling for the purpose of uniformity;
- 11 (g) Add headings for purposes of grouping like sections together for ease of
12 reference; and
- 13 (h) Correct manifest clerical, grammatical or typographical errors.

13 **Section 4. Severability.** Each section of this ordinance, and any part thereof, is
14 severable, and if any part of this ordinance is held invalid by a court of competent
15 jurisdiction, the remainder of this ordinance shall remain in full force and effect.

16 PASSED by the City Council this _____ day of _____, 2019.

17 ATTEST:

18
19 City Recorder

20 Approved by City Attorney: _____

21 Checked by: Robert Barron