

VENETA CITY COUNCIL AGENDA ITEM SUMMARY

TITLE/TOPIC: PROPOSED PUBLIC SAFETY FEE POLICY

Meeting Date: June 14, 2021
Department: Administration

Staff Contact: Matt Michel
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ISSUE STATEMENT

Should the City Council create a monthly public safety fee to help fund city public safety services?

BACKGROUND

Of the many services that the City of Veneta provides its citizens through property taxes, public safety services is the one most likely to come to mind. However, city property taxes also pay for parks, city administration, community planning, and some construction debt. Public safety services receive the lion's share of city property taxes—generally fluctuating between 52% and 59% over the last ten years. As public safety services command more property tax revenue, other city services receive less property tax support.

Additionally, property taxes alone haven't been enough to pay for public safety services over the last eleven years. In 2009, the City started directing all of its internet franchise fee revenues into the police services budget, as well as using money from the Law Enforcement Fund's Ending Fund Balance—the emergency reserve.

In 2015, the City started directing Zumwalt Campground fees to the public safety services budget. Additionally, the emergency reserve had declined roughly \$150,000 to a Fiscal Year 2015-16 Ending Fund Balance of \$271,251, an amount \$110,000 below the City's ending fund balance reserve policy of having four months of operating expenses plus \$100,000.

Over the subsequent two years the City directed two more revenue streams to the public safety services budget: City marijuana sales taxes in 2016, and State marijuana sales taxes in 2017. This helped to stabilize the eroding emergency reserve. Meanwhile, internet franchise fee revenues dropped by half from over \$50,000 to roughly \$25,000. The Law Enforcement Fund's emergency reserve is now \$197,000 below what it should be to meet the City's reserves policy—nearly double the deficit from six years ago. See Attachment 1 for this Ending Fund Balance trend.

The City's public safety services funding strategy is not sustainable in the face of diminishing fee revenue and the consistent use of emergency reserves. A more stable funding source is needed to stabilize public safety service funding for the future. A public safety fee as part of the City's monthly utility bill could provide that stability and make the City's public safety services funding sustainable.

PUBLIC SAFETY FEE

In 2020 the City agreed to partner with the Fern Ridge School District (FRSD) to fund a school resource deputy. Enacting a new public safety fee was the City's preferred method of paying the City's share of the cost. However, the FRSD re-prioritized their spending with the pandemic and has now postponed the school resource deputy position.

As discussed above, the need for a public safety fee exists even without the still potential added expense of a school resource deputy. Current public safety services funding is not sustainable.

Ordinance No. 562 - An Ordinance Adopting a Public Safety Fee

City Council held a work session on May 24, 2021 to review the potential need for a public safety fee. Consensus was to have staff prepare an ordinance to create a public safety fee using the format and function of the City's Transportation Utility Fee ordinance adopted 2016.

Key elements of Ordinance No. 562 include:

- Sunset Clause: No sunset clause. Council will review the Public Safety Fee annually.
- Methodology: A flat rate for Residential and Non-Residential units.
- Jurisdiction: The fee applies to Developed Property within City limits.
- Use of Revenue: To stabilize public safety funding in the Law Enforcement Fund.
- Rate Reduction: Allow low income reduction consistent with current utility billing practice (25% reduction to low income households).
- Exemptions and Waivers: Exempt units owned or occupied by local, state and federal governments.
- Fund Distribution: Payments will be applied first to interest and penalties, second to the public safety fees, third to transportation utility fees, fourth to storm water drainage fees, fifth to sanitary sewer service utilities, and last to water utilities.
- Collection and Enforcement: Methods used by the City for collection will comply with Measure 5.
- Responsible Party Determination: The ordinance defines the responsible party as the person who by occupancy or contractual arrangement are responsible to pay for utility and other services provided to a Residential or Non-Residential Unit.
- Appeal: Ordinance includes appeal language, as required to comply with Measure 5.

Process for Creating and Enacting a Public Safety Fee

The process to create and enact the Public Safety Fee includes a public hearing and the adoption of an ordinance creating the fee, and subsequently, adoption of a resolution setting the fee. The First Reading of Ordinance No. 562 to enact a public safety fee will occur at the Council's June 14, 2021 regular meeting. Staff has tentatively scheduled a Second Reading of the Ordinance on Monday, July 12, 2021.

The resolution to set the fee amount could be presented to Council as part of the Monday, August 9, 2021 agenda. Staff is recommending that if a public safety fee is created, and a fee amount set, that the City begin billing on the January 2022 bill cycle.

Target Revenue Amount

A target revenue amount needs to address the two unsustainable elements of the current funding strategy:

1. the Law Enforcement Fund's Ending Fund Balance—its "rainy-day" fund—is not meeting the City's rainy-day savings policy target.
2. The trend to use more than half of property tax revenues to pay for public safety services.

See Attachment 1 for trends and forecasts of property tax allocation and Ending Fund Balances.

To calculate a public safety fee, the City Council accepted staff's recommendation at a May 24, 2021 work session to set an annual \$85,000 target revenue amount to be divided by the number of utility accounts on a monthly basis. The Target Revenue Amount analysis below shows how staff arrived at the recommended \$85,000 annual amount.

The proposed actions below could address the unsustainable elements of the City's current funding strategy for public safety services.

- Back-Fill the Measure 110 Impact on the Shared State Marijuana Sales Tax (+ \$15,000)
The League of Oregon Cities forecasts that each city will lose roughly 75% of the shared State Marijuana Sales Tax revenue that it previously received. For Veneta, that is approximately \$15,000 of lost revenue. **See Attachment 2** for this revenue trend.
- Stop Transferring In Zumwalt Campground Fee Revenue (+ \$10,000)
For the sixth year in a row, the proposed budget for Fiscal Year 2021-22 includes a \$10,000 transfer from the Zumwalt Fund to the Law Enforcement Fund. After two years of no camping fee revenue as a result of the Oregon Country Fair not occurring, the Zumwalt Fund can not sustain many more additional transfers. Again, **see Attachment 2** for this revenue trend.
- Replace Declining Telecommunications (Internet) Franchise Fee Revenues with Public Safety Fee (+ \$30,000)
Telecommunications (Internet) Franchise Fee revenue decreased 50% since 2014 and is budgeted to be around \$30,000 next fiscal year. **See Attachment 2** includes this revenue trend. A public safety fee would be a more stable funding source than the franchise fee and more reliable than transfers-in from the Zumwalt Fund. **See Attachment 4** for a funding stream replacement snapshot.

Telecommunications Franchise Fee revenue could be added to all of the City's other right-of-way franchise fee revenues that typically support the Street Fund. This would help the City meet its Street Maintenance Program target budget. **See Attachment 5** for details on the Street Fund and street maintenance program annual cost.
- Stop Using the Emergency Reserve and Rebuild It with Public Safety Fee (+ \$30,000)
Based on the analysis in Attachment 3, approximately \$30,000/year would allow the City to stop drawing down Law Enforcement Fund reserves and restore over two years the Ending Fund Balance to the recommended policy level of four months plus \$100,000. It would also stabilize the percentage of property tax flowing to public safety services at 50%. **See Attachment 3** for the impacts of a Public Safety Fee.

Additionally, the Law Enforcement Fund and Park Fund currently share equally the City Marijuana Sales Tax total revenue of around \$40,000. While requiring a change to the Veneta Municipal Code, amending the Code to direct all City Marijuana Sales Tax funds to the Law Enforcement Fund could boost public safety funding by roughly \$10,000/year more than the current Telecommunications Franchise Fee revenue. To hold the Park Fund harmless, the Zumwalt Fund monies no longer being transferred to the Law Enforcement Fund could be transferred to the Park Fund.

Proposed Monthly Public Safety Fee

Taken together, the four measures listed above and detailed in the attachments, amount to an \$85,000 target revenue amount.

Dividing that \$85,000 target amount among the 1,773 active utility accounts as of May 2021, results in a \$4.00 (rounded) proposed monthly public safety fee.

Target Revenue Amount	\$ 85,000 divided by
Number of City Utility Accounts	<u>1,773</u>
	\$ 47.94 divided by
# of Monthly City Utility Bills/Year	<u>12</u>
Minimum Monthly Public Safety Fee	\$ 3.99

This proposed fee amount is not part of Ordinance No. 562 and would only be addressed if the fee is created. That said, considering a potential fee amount is a factor in balancing the need for the services that the fee would support and the fee's impact on the citizens.

CITY COUNCIL OPTIONS

1. Adopt Ordinance No. 562.
2. Direct Staff to bring forward changes to Ordinance No. 562 proposed by City Council.
3. Take no action on creating a public safety fee at this time.

CITY ADMINISTRATOR'S RECOMMENDATION

Adopt Ordinance No. 562.

RECOMMENDED MOTION

"I make a motion to adopt Ordinance No. 562, An Ordinance Adopting a Public Safety Fee for the City of Veneta for First Reading only, by title only."

ATTACHMENTS

1. City's Rainy-Day Savings Policy is Not Being Met
2. Some Revenue Streams That Flow to the Law Enforcement Fund Are Decreasing
3. Meeting City's Rainy-Day Savings Policy and Stabilizing Property Tax Percentage
4. Public Safety Fee Replaces Other Revenue Streams for Stable Funding
5. Funding for Other Council Priorities is Being Squeezed By Law Enforcement Cost

CITY'S RAINY-DAY SAVINGS POLICY IS NOT BEING MET



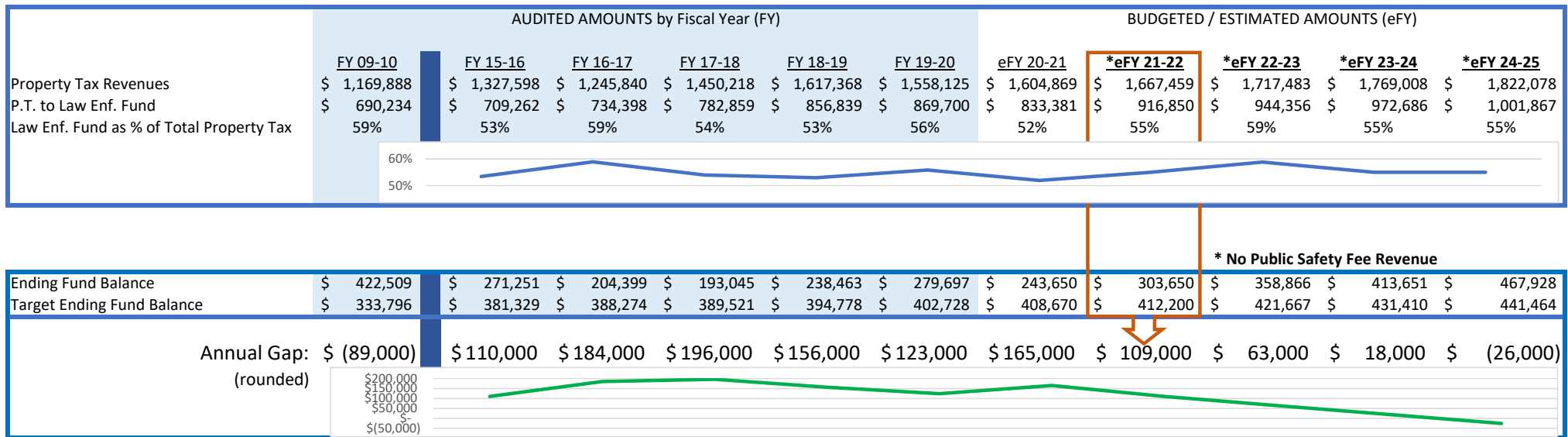
In FY 2009-10, City first started using revenue other than property taxes to pay for law enforcement



City Council's "Ending Fund Balance" (Rainy-Day savings) Policy: 4 months operating expenditures + \$100k



In FY 2015-16, City moved to 4.0 FTE Deputies and 0.5 FTE Sergeant



This assumes that the other revenue streams that currently flow into the Law Enforcement Fund stay the same, and at least 55% of property taxes.

However, the other revenue streams that currently flow into the Law Enforcement Fund ARE NOT staying the same...

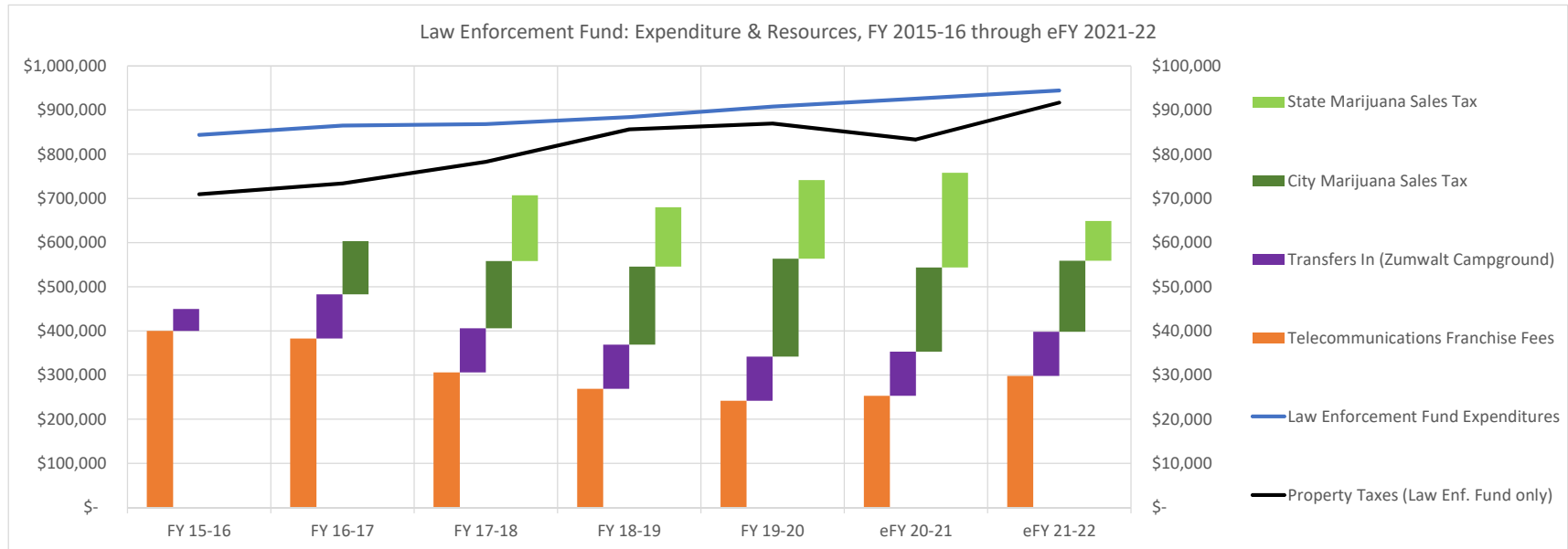
SOME REVENUE STREAMS THAT FLOW TO THE LAW ENFORCEMENT FUND ARE DECREASING



Veneta's allocation of State-shared Marijuana Sales Tax will decrease 75% due to Ballot Measure 110 (2020)



Telecommunications Franchise Fees have decreased 50% since 2014



The City annually diverts \$45k to \$75k of revenue streams other than property taxes to meet Law Enforcement Fund expenditures:

<u>FY 15-16</u>	<u>FY 16-17</u>	<u>FY 17-18</u>	<u>FY 18-19</u>	<u>FY 19-20</u>	<u>eFY 20-21</u>	<u>eFY 21-22</u>
\$ 44,968	\$ 60,274	\$ 70,691	\$ 67,963	\$ 74,167	\$ 75,818	\$ 64,850

However, diverting revenue to the Law Enforcement Fund takes resources away from other City priorities...

MEETING CITY'S RAINY-DAY SAVINGS POLICY and STABILIZING PROPERTY TAX PERCENTAGE



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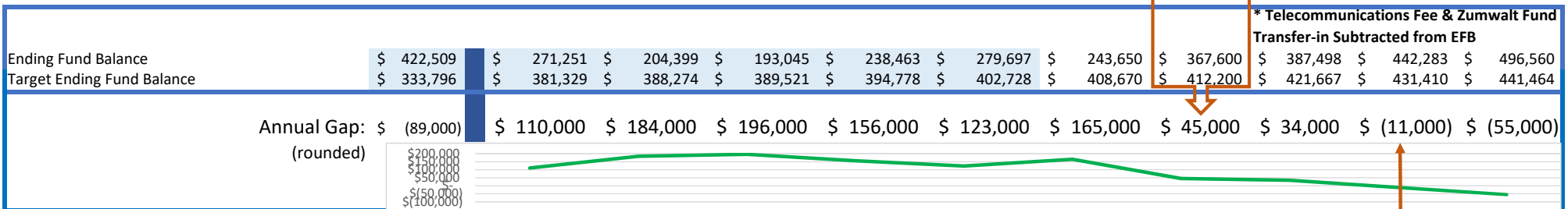
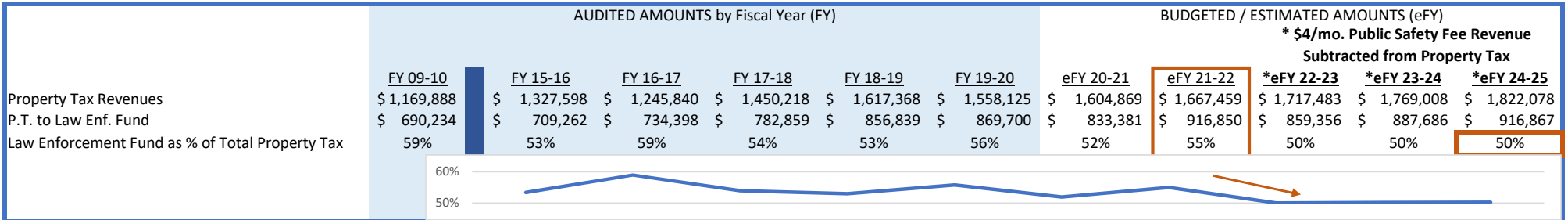
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Adopting a \$4/month Public Safety Fee to target \$85k in fee revenue could:

- stabilize the Law Enforcement Fund's Ending Fund Balance gap, and
- stabilize the percentage of property taxes supporting public safety services.



In two years, when the Ending Fund Balance has met the target policy amount, the fee could be adjusted each year to maintain the target policy amount.

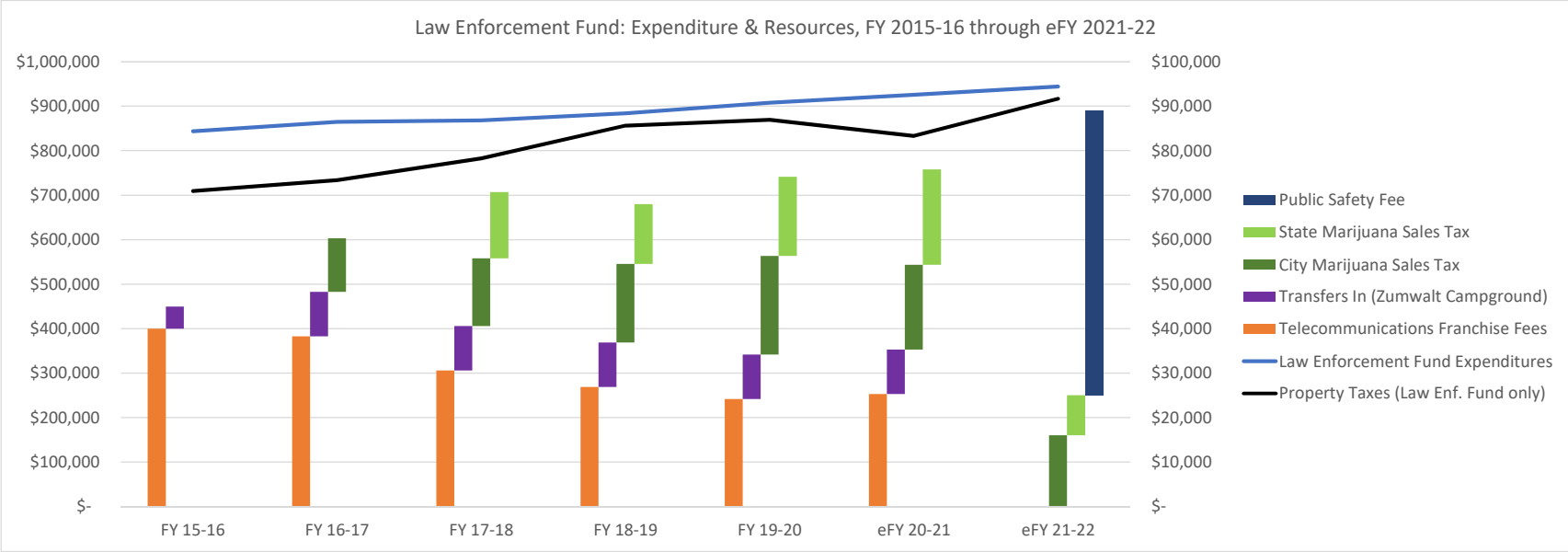
PUBLIC SAFETY FEE REPLACES OTHER REVENUE STREAMS FOR STABLE FUNDING



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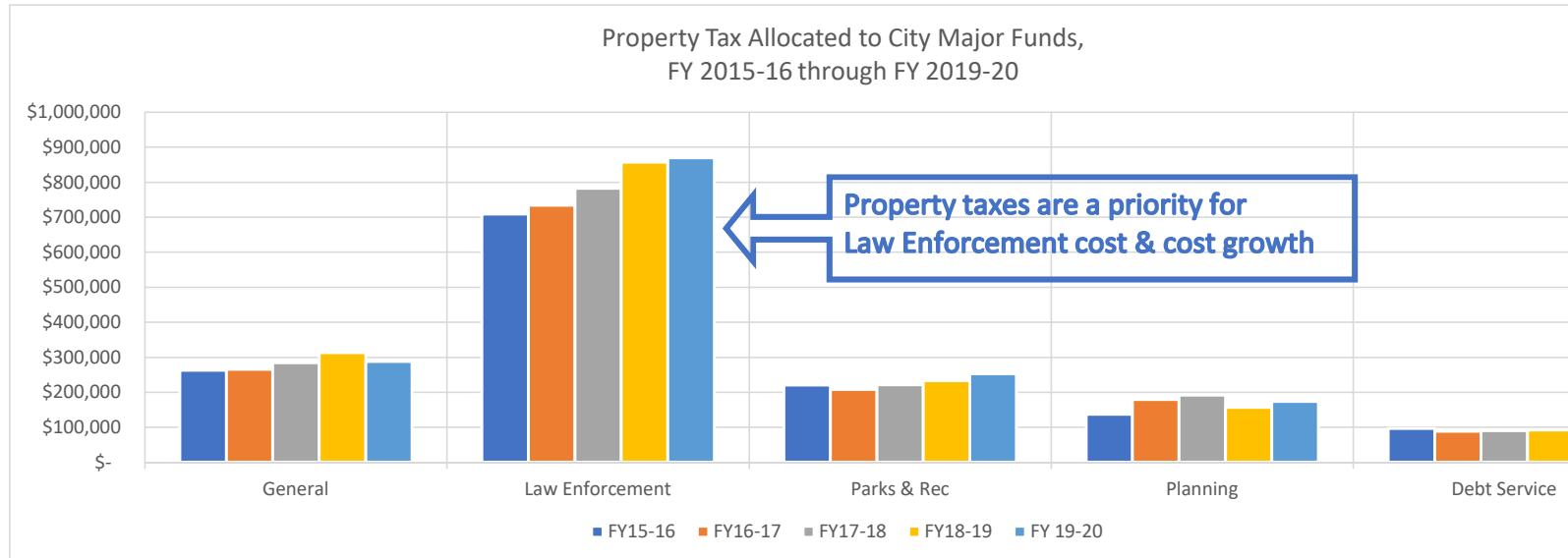
FUNDING FOR OTHER COUNCIL PRIORITIES IS BEING SQUEEZED BY LAW ENFORCEMENT COST

PARKS & RECREATION

For every additional \$1 in property tax the Law Enforcement Fund receives, the Parks & Recreation Fund receives 36 cents

Parks & Recreation Fund shares revenues with Law Enforcement Fund from two resources:

- 1) City Marijuana Sales Tax
- 2) Zumwalt Campground



STREETS

All franchise fees (utilities using the public right-of-way) flow to the Street Fund:

- Emerald PUD
- Lane Electric
- Telephone Co.
- Cable Co.
- Garbage Co.

...except for telecommunications (Internet), which is diverted to the Law Enforcement Fund (roughly \$25k)

Pattern of using \$150k from savings (reserves) to help fund the City's Street Maintenance program is NOT SUSTAINABLE

City's Street Maintenance program outlines a budget-constrained average \$400k in annual maintenance through 2024

Transportation Utility (Street) Fee rate has stayed \$3/mo (Residential) since starting in January 2017 (Revenue is \$77k/yr)