

**VENETA CITY COUNCIL
AGENDA ITEM SUMMARY**

TITLE/TOPIC: PROPOSED PUBLIC SAFETY FEE POLICY OPTIONS

Meeting Date: May 24, 2021
Department: Administration

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ISSUE STATEMENT

Does the City Council want to create a monthly public safety fee to help fund city police services?

BACKGROUND

Of the many services that the City of Veneta provides its citizens through property taxes, police 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. Police services receive the lion's share of city property taxes—typically between 50% and 55% over the last ten years.

However, property taxes alone haven't been enough to pay for police services. 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. By 2015, the City started directing some Zumwalt Campground fees to the police 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 next two years in an effort to stabilize the eroding emergency reserve, the City directed two more revenue streams to the police services budget: City marijuana sales taxes in 2016, and State marijuana sales taxes in 2017. Meanwhile, internet franchise fee revenues dropped by half. The Law Enforcement Fund's emergency reserve is now \$197,000 below what it should be to meet the City's reserves policy.

The City's police 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 secure police services 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 police services funding sustainable.

PUBLIC SAFETY FEE

In 2020 the City wanted 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.

However, as discussed above, the need for a public safety fee exists even without the added expense of a school resource deputy.

To calculate a public safety fee, staff would ask City Council to set a target revenue amount each year and then divide that amount by the number of utility accounts on an annual basis.

Target Revenue Amount

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

- Stop Using the Emergency Reserve and Rebuild It (+ \$50,000)
Based on the analysis in Attachment 1, approximately \$50,000/year would allow the City to stop drawing down Law Enforcement Fund reserves and restore over five years the Ending Fund Balance to the recommended policy level of four months plus \$100,000.
- 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 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 the revenue trend.
- Replace Declining Internet Franchise Fee Revenues with All City Marijuana Sales Tax Revenues (- \$20,000)
Telecommunications (Internet) Franchise Fee revenue decreased 50% since 2014 and is currently around \$25,000. The Law Enforcement Fund and Park and Recreation Fund currently share equally the City Marijuana Sales Tax revenue pursuant to Veneta Municipal Code Section 3.40.080. While requiring a change to the Veneta Municipal Code, this would boost Law Enforcement Fund revenue by roughly \$20,000/year more than the current Telecommunications Franchise Fee revenue. See Attachment 2 for revenue trends.

The Telecommunications Franchise Fee revenue could be added to all the other Right-of-Way franchise fee revenues that go to the Street Fund. This would help the City meet its street maintenance program target budget. See Attachment 3 for details.

- Stop Transferring In Zumwalt Campground Fee revenue (+ \$10,000)
The proposed budget for Fiscal Year 2021-22 anticipates that due to the pandemic the Zumwalt Fund will be too low to allow a \$10,000 transfer to the Law Enforcement Fund as has happened since 2016.

Minimum 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 1,776 active utility accounts as of April 2021, results in a \$3.99 minimum monthly public safety fee.

Those living outside the city limits would not be affected.

Target Revenue Amount	\$	85,000	divided by
Number of City Utility Accounts		1,776	
	\$	47.86	divided by
# of Monthly City Utility Bills/Year		12	
Minimum Monthly Public Safety Fee	\$	3.99	

Six years ago, the City enacted a similar monthly utility fee. The process to create and enact the fee, including a public hearing and the adoption of an ordinance and two resolutions, took roughly four months in 2016. In 2016, the City Council enacted a Transportation Utility Fee to maintain City streets in a pro-active, cost-effective manner. That fee applies to structures within the city and is collected through the monthly City utility bills. The current residential fee is \$3.00/month.

If the City Council decides to create a monthly public safety fee to support city police services, staff would begin the process by drafting a proposed ordinance for First Reading at the Council's June 14th regular council meeting. We anticipate the process to take up to four months based on the past experience with the Transportation Utility Fee.

CITY ADMINISTRATOR'S RECOMMENDATION

Have the City Council discuss whether a monthly public safety fee will provide a more sustainable revenues for needed city police services, and if so what that targeted additional revenue amount should be.

CITY COUNCIL OPTIONS

Council decisions can not be made during a Council Work Session. The City Council may by consensus provide direction to staff:

1. To generate a public safety fee ordinance based on the information provided.
2. To research additional factors before engaging in work on a public safety fee.
3. To not proceed with a public safety fee at this time.

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. 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

	AUDITED AMOUNTS by Fiscal Year (FY)						BUDGETED / ESTIMATED AMOUNTS (eFY)				
	FY 09-10	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	eFY 20-21	eFY 21-22	eFY 22-23	eFY 23-24	eFY 24-25
Ending Fund Balance	\$ 422,509	\$ 271,251	\$ 204,399	\$ 193,045	\$ 238,463	\$ 279,697	\$ 248,810	\$ 210,457	\$ 218,666	\$ 244,852	\$ 289,363
Target Ending Fund Balance	\$ 333,796	\$ 381,329	\$ 388,274	\$ 389,521	\$ 394,778	\$ 402,728	\$ 408,670	\$ 407,210	\$ 410,282	\$ 413,384	\$ 416,520
Roughly \$100k gap in last 6 years: (\$14.5k annual gap growth rate)		\$110k gap						\$197k gap			
If the other revenue streams that currently flow into the Law Enforcement Fund stay the same, the City could recover the Ending Fund Balance gap at a rate of \$50k/yr:											
								\$ 260,457	\$ 310,457	\$ 360,457	\$ 410,457

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

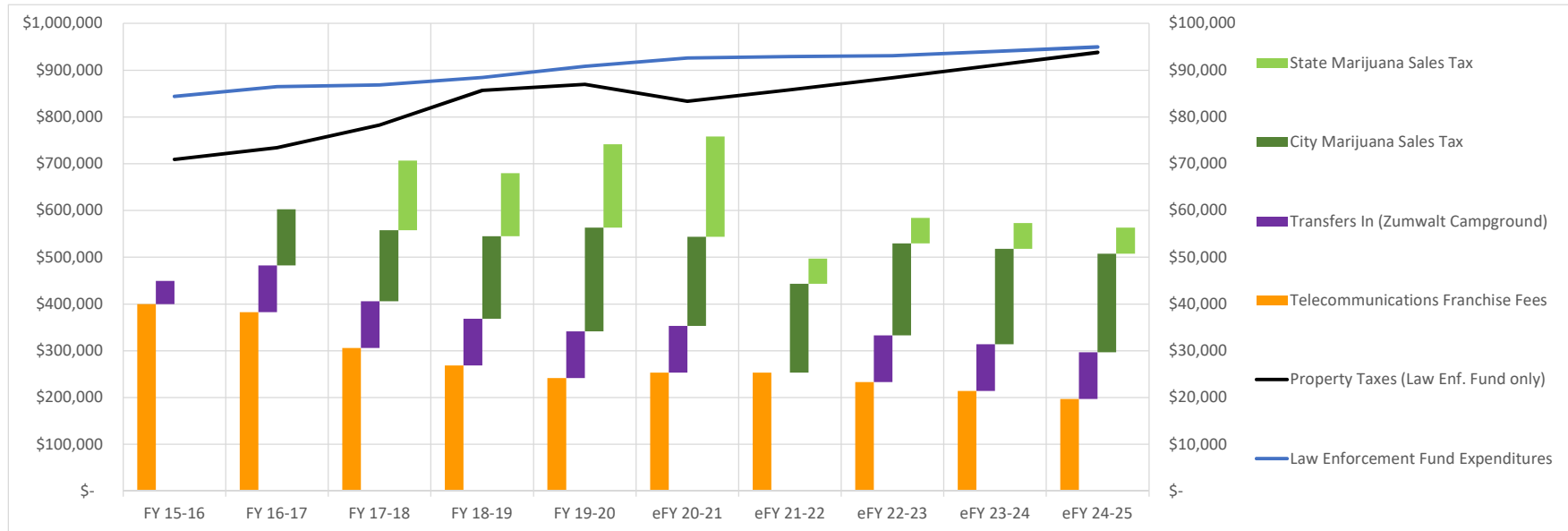
Attachment 2



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



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>	<u>eFY 22-23</u>	<u>eFY 23-24</u>	<u>eFY 24-25</u>
\$ 44,968	\$ 60,274	\$ 70,691	\$ 67,963	\$ 74,167	\$ 75,818	\$ 49,723	\$ 58,420	\$ 57,302	\$ 56,357

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

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

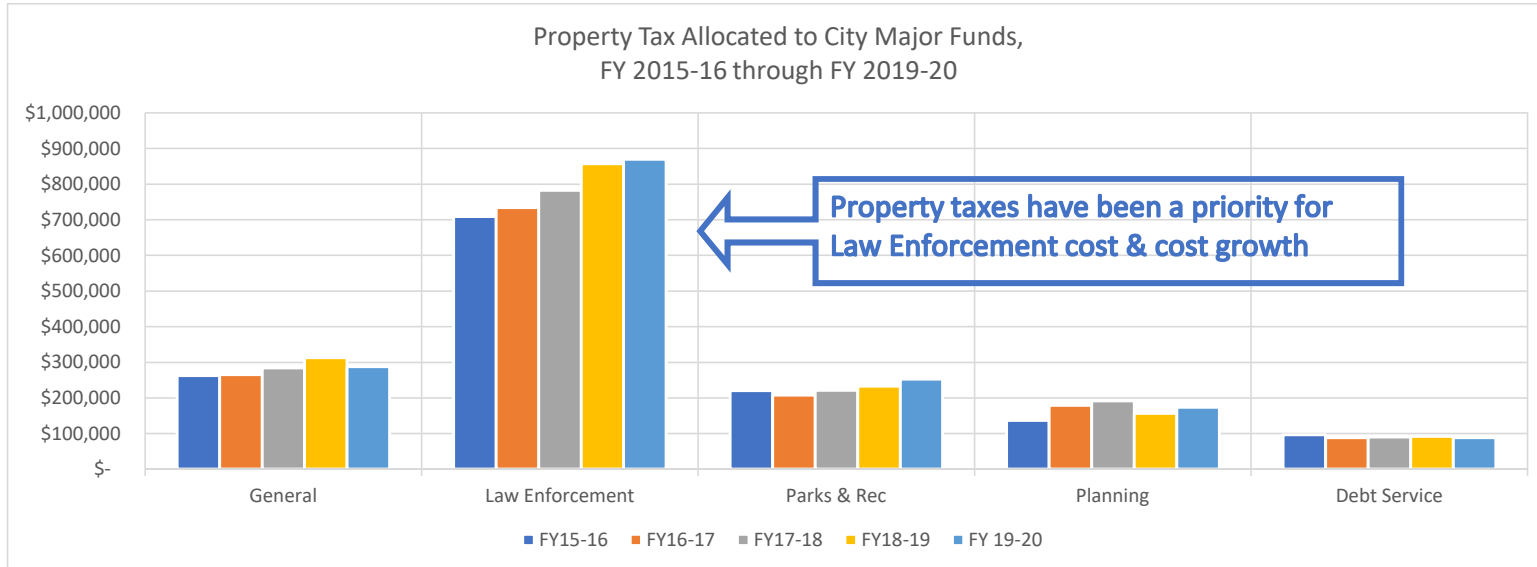
Attachment 3

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)