City of Salem's Commercial and Residential Operations Fee: Recommendations to Augment Fee Equity

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PPPM 629: PUBLIC BUDGET ADMINISTRATION | COLLEGE OF DESIGN

UNIVERSITY OF OREGON

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SCI Sustainable Cities Institute

SCYP Sustainable City Year Program

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About SCI

The Sustainable Cities Institute (SCI) is an applied think tank focusing on sustainability and cities through applied research, teaching, and community partnerships. We work across disciplines that match the complexity of cities to address sustainability challenges, from regional planning to building design and from enhancing engagement of diverse communities to understanding the impacts on municipal budgets from disruptive technologies and many issues in between.

SCI focuses on sustainability-based research and teaching opportunities through two primary efforts:

1. Our Sustainable City Year Program (SCYP), a massively scaled university-community partnership program that matches the resources of the University with one Oregon community each year to help advance that community's sustainability goals; and

2. Our Urbanism Next Center, which focuses on how autonomous vehicles, e-commerce, and the sharing economy will impact the form and function of cities.

In all cases, we share our expertise and experiences with scholars, policymakers, community leaders, and project partners. We further extend our impact via an annual Expert-in-Residence Program, SCI China visiting scholars program, study abroad course on redesigning cities for people on bicycle, and through our co-leadership of the Educational Partnerships for Innovation in Communities Network (EPIC-N), which is transferring SCYP to universities and communities across the globe. Our work connects student passion, faculty experience, and community needs to produce innovative, tangible solutions for the creation of a sustainable society.

About SCYP

The Sustainable City Year Program (SCYP) is a yearlong partnership between SCI and a partner in Oregon, in which students and faculty in courses from across the university collaborate with a public entity on sustainability and livability projects. SCYP faculty and students work in collaboration with staff from the partner agency through a variety of studio projects and service- learning courses to provide students with real-world projects to investigate. Students bring energy, enthusiasm, and innovative approaches to difficult, persistent problems. SCYP's primary value derives from collaborations that result in on-the-ground impact and expanded conversations for a community ready to transition to a more sustainable and livable future.

About City of Salem

The City of Salem is Oregon's second largest city (179,605; 2022) and the State's capital. A diverse community, Salem has well-established neighborhoods, a family-friendly ambiance, and a small town feel, with easy access to the Willamette riverfront and nearby outdoor recreation, and a variety of cultural opportunities.

The City is known for having one of Oregon's healthiest historic downtowns, hosts an airport with passenger air service, and is centrally located in the heart of the Willamette Valley, 47 miles south of Portland and an hour from the Cascade Mountains to the east and the ocean beaches to the west.

State government is Salem's largest employer, followed by the Salem-Keizer School District and Salem Health. The City also serves as a hub for area farming communities and is a major agricultural food processing center. A plethora of higher education institutions are located in Salem, ranging from public Western Oregon University, private Willamette and Corban universities, and Chemeketa Community College.

Salem is in the midst of sustained, steady growth. As a "full-service" city, it provides residents with services such as police and fire protection, emergency services, sewage collection and treatment, garbage collection, and safe drinking water. Salem also provides planning and permitting to

help manage growth, as well as economic development to support job creation and downtown development. The City also provides 2,338 acres of parks, libraries and educational programs, housing and social services, public spaces, streetscaping, and public art.

Salem's vision is a safe, livable, and sustainable capital city, with a thriving economy and a vibrant community that is welcoming to all. The City's mission is to provide fiscally sustainable and quality services to enrich the lives of present and future residents, protect and enhance the quality of the environment and neighborhoods, and support the vitality of the economy. The City is in the midst of a variety of planning efforts that will shape its future, ranging from climate action planning and implementation, a transportation system plan update, as well as parks master planning.

This SCYP and City of Salem partnership is possible in part due to support from U.S. Senators Ron Wyden and Jeff Merkley, as well as former Congressman Peter DeFazio, who secured federal funding for SCYP through Congressionally Directed Spending. With additional funding from the City, the partnership will allow UO students and faculty to study and make recommendations on city-identified projects and issues.

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MPA - Masters of Public Administration
JD - Juris Doctor
MNM - Masters of Nonprofit Management
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Course Description

PPPM 629: PUBLIC BUDGET ADMINISTRATION

This graduate level course focuses on examining resource allocation through the municipal budget process. Course concepts include analysis of budget systems, service costing, and citizen participation in the budget process.

Executive Summary

The City of Salem implemented a City Operations Fee in 2019 to supplement revenue for its General Fund. The City was concerned, however, that the current fee structure does not adequately account for equity across commercial and residential classes. As one part of its effort to improve the equity of the fee's administration, the City sought input from Fall 2023 University of Oregon (UO) PPPM 629, Public Budget Administration students.

This report consolidates the approaches and recommendations that four student teams generated as options to augment the equity of Salem's City Operations Fee. The report begins by defining the criteria, criteria prioritization, and scoring methodology that the students used to assess their approaches. Next, it presents approaches, data sources, and fee structures for commercial and residential classes, along with each group's final recommendations.

Findings suggest that the City consider charging commercial businesses based on Car Trips per Day or Business Traits and residential properties based on Home Size or Trip Generation. Student groups found these approaches best fulfill the criteria of equity, administrative efficiency, and productivity. The City of Salem is free to use, modify, and combine the approaches and recommendations in this report as it sees fit, according to its resources and data availability.

Introduction

Measures 5 and 50 greatly limit property tax revenues across the state, prompting many cities, including Salem, to adopt fees and service charges to supplement gaps in revenue. Salem's City Operations Fee, implemented in 2019, supports declining revenue in the general fund and helps cover costs for "existing emergency, library, park maintenance, social, and other essential services" (City of Salem, n.d.). In theory, all occupants within city limits benefit, whether directly or indirectly, from city services, which justifies this method of fee collection. Occupants in this context include property owners, tenants, businesses, and other public and private institutions. See Appendix E: Current Fee Structure in Salem for a breakdown of the fee's current structure.

Because of financial and time constraints, the City initially implemented the fee using existing systems for calculation and collection. As a result, the initial fee structure led to equity concerns across customer classes. The fee for commercial and other non-residential customer classes, for example, is a ratio based on the city's streetlight fee structure. The City collects both commercial and residential fees through monthly utility bills for administrative convenience.

Going forward, the City Council aims to adjust the fee so that rates better address equity concerns across customer classes. The fact that the City is also in the process of implementing a new utility billing system will assist in this effort, because it allows additional lines for charges and discounts on utility bills, based on customer class.

In preparation for adjusting the fee, representatives from the City of Salem worked with students from the University of Oregon's (UO) Fall 2023 PPPM 629, Public Budget Administration class to determine potential options. Ultimately, the City hoped that the UO students would help generate fresh ideas that would help it to achieve its goal of greater equity in its fee structure.

This report consolidates the work of four student teams over the course of one ten-week term. The first two teams focused on commercial rate adjustments while the second two teams focused on residential rate adjustments. For both commercial and residential classes, students judged the merits of their recommendations based on six criteria: Equity, efficiency, productivity, neutrality, certainty, and convenience. See the following section, "Evaluation Criteria," for definitions of these criteria. In alignment with Salem's goals, the students emphasized equity in their recommendations. They also strongly considered administrative efficiency and potential yield.

Evaluation Criteria

Students working on this project considered the following criteria when developing their recommendations for fee adjustments to commercial and residential Operations Fee rates.

1. **Equity** evaluates who feels the burden of the proposed revenue option and seeks that the distribution of burden be fair among people or businesses in comparable circumstances or that there is a variation of tax burden across the spectrum of income.
   - Vertical Equity: Individuals with more resources have a greater ability to pay and should therefore pay a higher proportion of total revenues. The current fee structure is regressive; ideally, restructuring would make the fee proportional, or even progressive.
   - Horizontal Equity: Individuals with similar resources should pay the same amount. The current fee structure does not account for variations in wealth, income, or other resources.
2. **Efficiency** evaluates whether the revenue option is easy to implement and administer in relation to yield. The cost to administer the fee should not outweigh the benefits of revenue collection. Setting fee rates should not be excessively administratively burdensome. Students took Salem's current fee structure into consideration when thinking about what additional means would be required to adopt a new approach.
3. **Productivity** evaluates how effective and stable the proposed option is in terms of meeting the overall desired capital funds. The fee should serve as a sustainable source of revenue that will support public services. Estimated fee yield for new approaches should equal or exceed the current fee yield.
4. **Neutrality** evaluates the impact of each option in terms of community and individual decision making or resource use. The fee should not incentivize any undesirable changes in user behaviors.
5. **Certainty** evaluates the extent to which the rules of the fee are clear and evenly applied. Fee rates and charges should be clear, comprehensive, logical, and accessible.
6. **Convenience** evaluates the extent to which a fee or tax is convenient to pay. Making a fee easy to pay (e.g. so that billing dates coincide with income streams) will prevent delinquent charges, ensure stable yield, and avoid imposing an undue burden on residents (Bland, 2013).

Scoring Methodology

Student groups used slightly different scoring scales to determine how well each of their proposed approaches met the six criteria. The ratings presented below take the original group's ratings into account, but assign scores based on a standardized system to provide consistency and facilitate comparison. This report uses a Likert scale with four categories to assess the approaches: Poor, Average, Good, and Very Good.

Operations Fee: Commercial Class

This section presents the collection approaches for adjusting commercial rates of the Operations Fee.

CAR TRIPS PER DAY

(See Appendix A: Commercial Group A Final Report for more information)

Recommendation:
Base the fee structure on the number of car trips per day per 1,000 square feet of impervious surface on a commercial property. Commercial entities with more car trips per day pay per 1,000 square feet of impervious surface pay more than those with fewer. Commercial uses would be based on the use classifications outlined in the Salem Code of Ordinances Sec. 400.005.

Reasoning
More commercial car trips per day result in increased demand for and impact on municipal resources, including roads, streetlights, and public safety and emergency services. This method of fee assessment allows the City to differentiate the capacity to pay and the use of resources among various commercial entities.

Recommended Data Sources

For Salem stormwater base fee:
https://www.cityofsalem.net/community/household/water-utilities/utility-payments-and-your-utility-account/utility-rates-and-other-fees

Based on Grants Pass' operations fee:
https://www.grantspassoregon.gov/1960/How-would-this-fee-work

EDU calculations based on San Diego County's Commercial EDU Assignments:
https://www.sandiegocounty.gov/content/dam/sdc/dpw/SAN_DIEGO_COUNTY_SANITATION_DISTRICT/Rate-Billing/Commercial_EDU_Assignments.pdf

Salem stormwater accounts:
- Crystal Reports – *Non-Res Stormwater accts imp area less than 3000.pdf*
- Crystal Reports – *Non-Res Stormwater accts imp area over 3000.pdf*

Fee Structure

Classification	Monthly Fee	Daily Cost
Commercial A (≤250 trips)	$76.23	$2.54
Commercial B (251-500 trips)	$228.74	$7.63
Commercial C (501-1,000 trips)	$457.48	$15.25
Commercial D (1,001-1,500 trips)	$686.38	$22.88
Commercial E (1,501-2,000 trips)	$1,143.86	$38.13
Commercial F (2,001-3,000 trips)	$2,287.77	$76.26
Commercial G (3,001-5,000 trips)	$4,575.49	$152.52
Commercial H (≥ 5,001 trips)	$6,863.27	$228.78

TABLE 1

Fee Structure for the Car Trips per Day Approach

Source: Created by PPPM 629 Students based on Recommended Data Sources Above and Calculations

Rating

Equity – Very good

Traffic use categories offer a clear link to the strain that commercial properties and businesses place on local infrastructure. Charging more for businesses and properties that produce more traffic ensures that larger companies pay their "fair share."

Efficiency – Poor

There would be a lot of initial legwork to write formulas based on data and metrics, make decisions regarding trip generation thresholds, and justify the fee amount to commercial customers (especially those who would be charged significantly more). Further data is also necessary, potentially available from Salem's Transportation Department. Significant work would be needed to isolate larger box stores in the over-category.

Productivity – Very good

The differentiation between commercial classes capitalizes on larger businesses' ability to pay, therefore giving the potential for a significant increase in financial yield.

Neutrality – Poor

This change could potentially persuade larger box stores away from the Salem area because they do not want to have to pay the higher rate.

Certainty – Good

Although customers would need to adjust to the change in fee structure initially, they would quickly be able to understand the requirements.

Convenience – Very good

This approach is just as convenient as the current operations fee because it continues to collect through the utility bill.

HEADQUARTERS LOCATION

(See Appendix A: Commercial Group A Final Report and Appendix B: Commercial Group B Final Report for more information)

Recommendation

Base the fee structure on the location of a business's headquarters. Companies with headquarters outside of Oregon would pay the most, companies with headquarters in Oregon would pay a middle amount, and companies with headquarters, or sole locations, in Salem would pay the least (the same amount as the current fee for commercial businesses).

Reasoning

This approach would encourage local investment and generate revenue from Salem's largest businesses whose headquarters are elsewhere.

Recommended Data Sources

City employees would need to maintain an annual record of companies and their headquarter locations. This information could be collected as part of business registration or connected to any kind of licensing fee. Once commercial residents are associated with related headquarters locations, city employees can multiply the number of headquarter types by monthly fee by 12 months per year.

Fee Structure

Headquarter Location	Monthly Fee	Daily Cost
Salem	$69.55	$2.32
Oregon	$74.55	$2.49
United States	$79.55	$2.65
International	$84.55	$2.81

TABLE 2

Fee Structure for the Headquarters Location Approach

Source: Created by PPPM 629 Students based on Recommended Data Sources Above and Calculations

Rating

Equity – Good

This approach is based on the assumption that non-local entities with locations in Salem generate more revenue and are likely to benefit more from competitive advantages attributable to economies of scale and greater access to skilled labor. This means they are likely to have a greater ability to pay than local businesses. Non-local business owners benefit from the strong local governance and associated public services that the City provides, and so charging non-local businesses a higher rate ensures that they are paying their "fair share" for the benefits they are receiving.

Efficiency – Average

This method is relatively efficient because obtaining accurate information on company headquarter locations would be relatively easy to obtain.

Productivity – Good

Differentiating between headquarters locations means that, in general, larger businesses with greater ability to pay will be charged more. Because local businesses will pay the same amount, those that are not local will pay more than they did before, automatically resulting in an increase in revenue.

Neutrality – Poor

This change could potentially persuade non-local companies away from Salem because they do not want to have to pay the higher rate.

Certainty – Good

Although customers would need to adjust to the change in fee structure initially, they would quickly be able to understand the requirements.

Convenience – Very good

This approach is just as convenient as the current operations fee because it continues to collect through the utility bill.

SIZE OF LARGEST METER

The following ideas diverge from existing stormwater fee methodology for the purpose of exploring methods to augment Operations fee equity. (See Appendix A: Commercial Group A Final Report for more information)

Recommendation

Base the fee structure on the size of a utility account's largest water meter – the larger the largest water meter, the higher the rate.

Reasoning

This approach assumes that commercial establishments with larger water meters have a greater ability to pay.

Recommended Data Sources

For Salem water meter base charges:
https://wwwcityofsalem.net/community/household/water-utilities/utility-payments-and-your-utility-account/utility-rates-and-other-fees

Similar in structure to Albany:
https://www.albanyoregon.gov/cityservices/fee

Salem water meter sizes and base billed:
Crystal Reports – 12 – UA – water accts by area and meter size_add Acct Class.pdf

Fee Structure

Meter Size (inside city limits)	Monthly Fee	Daily Cost
5/8 – ¾ inches (in)	$12.90	$0.43
1 in	$18.65	$0.62
1.5 in	$31.93	$1.06
2 in	$47.85	$1.60
3 in	$90.33	$3.01
4 in	$138.11	$4.60
6 in	$270.85	$9.03
8 in	$934.53	$31.15
10 in	$1,465.47	$48.85
Meter Size (outside city limits)	**Monthly Fee**	**Daily Cost**
5/8 – ¾ inches (in)	$13.88	$0.46
1 in	$20.07	$0.67
1.5 in	$34.34	$1.14
2 in	$51.46	$1.72
3 in	$97.12	$3.24
4 in	$148.49	$4.95
6 in	$291.18	$9.71
8 in	$1,004.64	$33.49
10 in	$1,575.40	$52.51

TABLE 3

Fee Structure for the Size of Largest Meter Approach

Source: Created by PPPM 629 Students based on Recommended Data Sources Above and Calculations

Rating:

Equity – Average

The size of an establishment's water meter is an imperfect method for determining that establishment's ability to pay. Although this approach assumes that commercial establishments with larger water meters have a greater ability to pay, that is not always the case. This imperfect relationship means that some businesses with less ability to pay end up paying more than their fair share.

Efficiency – Very good

This approach is a very efficient option because the fee amount is simply a duplication of the base charge of current water service charges, and the City already collects data regarding number of accounts and account type.

Productivity – Good

This approach is more productive than Salem's current operations fee. While the current approach yields approximately $1.4M annually, the Size of Largest Water Meter approach would yield approximately $8.1M annually.

Neutrality – Average

It is unlikely that this method would significantly change businesses' behavior.

Certainty – Very good

Although customers would need to adjust to the change in fee structure initially, they would quickly be able to understand the requirements.

Convenience – Very good

This approach is just as convenient as the current operations fee because it continues to collect through the utility bill.

ADJUSTMENTS TO STORMWATER BASE FEE

The following ideas diverge from existing stormwater fee methodology for the purpose of exploring methods to augment Operations fee equity. (See Appendix B: Commercial Group B Final Report for more information)

Recommendation

Adjust Salem's current stormwater base fee so that large commercial entities (those occupying more than 10,000 square feet – a characteristic of what Salem defines as "large stormwater development projects") pay a higher amount than residential and smaller commercial properties (City of Salem, 2014). The adjustment would ensure that these larger businesses are paying their fair share, since they have a greater impact on the stormwater system than smaller units.

Reasoning

This approach assumes that that commercial establishments with larger buildings and parking lots have a greater impact on the stormwater system as well as a greater ability to pay. Implementing a higher base fee for large commercial entities will protect small businesses from increased expenditures while generating income from businesses occupying larger amounts of impervious surfaces.

Recommended Data Sources

- Updated land parcel data
- Continue using existing data available for impervious square footage calculation and storm water fee application
- ArcGIS spectral imagery analysis feature that allow cities to calculate the amount of impervious surface on a tax lot

Fee Structure

Base Rate Type	Number of Customers per Base Fee Category	Base Fee Rate (per Month)	Quantity Generated (per Month)	Quantity Generated (per Year)
Current Low End	19,250	$10.00	$192,500	$2,310,000
Current High End	19,250	$12.00	$231,000	$2,772,000
Adjusted Low End	19,000	$12.50	$237,500	$2,850,000
Adjusted High End	19,000	$15.00	$285,000	$3,420,000
NEW Commercial units >10,000 sq ft	500	$17.50	$8,750	$105,000
Total Annual Income with Adjusted Rates and New Category				$6,375,000

TABLE 4

Fee Structure for the Adjustments to Stormwater Base Fee Approach

Source: Created by PPPM 629 Students based on Recommended Data Sources Above and Calculations

Rating

Equity – Good

In terms of horizontal equity, users in similar conditions will still pay similar amounts. The adjustment of the fee simply means that each class of customer will pay slightly more than currently. In terms of vertical equity, businesses that are typically larger and occupy more square footage will be charged more than smaller businesses occupying less space.

Efficiency – Average

Although this approach uses Salem's current stormwater system as a foundation, it would require significant administrative effort to determine the fee rate for mixed-use sites.

Productivity – Good

Increasing the base rate of the fee will automatically generate more revenue in comparison to the prior rate. Also, the number of utility accounts is generally stable from year-to-year, which guarantees a consistent flow of revenue.

Neutrality – Average

It is unlikely that this method would significantly change businesses' behavior.

Certainty – Very good

Although customers would need to adjust to the change in fee structure initially, they would quickly be able to understand the requirements.

Convenience – Very good

This approach is just as convenient as the current operations fee because it continues to collect through the utility bill.

BUSINESS TRAITS FEE

(See Appendix B: Commercial Group B Final Report for more information)

Recommendation

This approach involves combining three attributes of each business in the City to generate its annual fee. The three attributes are number of employees, location of headquarters, and business square footage (interior).

1. Number of Employees: This component would be a multiplier with the larger attribute matrix to capture the additional economic impact a business has on city services from having more employees. It is similar to the idea of an employee payroll tax, with the level of tax charged as a percent of the company's total amount of wages and salaries paid to employees annually. The more employees, the higher the tax.
2. Location of Headquarters: Another component of the fee would be determined by the company's headquarter location. The fee would be the lowest for businesses headquartered within city limits, and increase in three additional tiers: headquarters within Oregon, within the United States, and international.
3. Business Square Footage (Interior): The third component of the fee depends on the size of the business's interior square footage, with larger buildings being charged more based on a tiered system.

Reasoning

Each of these business attributes offers clues about how able a business is to pay and how great of an impact it has on city services. Companies with more employees generate more wear and tear on roads, as their employees must commute to work on a daily basis. Businesses with headquarter locations outside of the City benefit from the City's services as well as from a more diverse field of skilled labor. Businesses that occupy more space also demand more of the City's resources.

Recommended Data Sources

Number of Employees

Employment information for businesses within city limits from publicly available data gathered annually by the Oregon Employment Department

Location of Headquarters

A company's location would be determined by the "Principle Office" address entered on its "Application for Authority to Transact Business – Business/ Professional" form, a public document that all companies operating in the state must file with the Secretary of State's office.

Business Square Footage (Interior)

City construction permitting records or county-level data from Marion and Polk Counties to determine the interior square footage of all businesses within city limits.

Fee Structure

Number of Employees	Employee Multiplier	Location of Headquarters	Headquarters Multiplier	Interior Sq Ft	Sq Ft Multiplier
1-9	1	Salem	1	<10,000	1
10-19	2	Oregon	5	10,000-250,000	5
20-99	3	US	10	250,001-1,000,000	10
100-499	4	International	25	1,000,001-10,000,000	15
500+	5	Interplanetary (pending future technology)	100	10,000,001+	20

TABLE 5

Fee Structure for the Business Traits Fee Approach

Source: Created by PPPM 629 Students based on Recommended Data Sources Above and Calculations

For example: A business with 10 employees, headquartered in Salem, and with a 10,000 sq ft interior area will pay $2 annually (the employee multiplier is 2, headquarters multiplier is 1, and sq ft multiplier is 1, so 1 x 1 x 2 = 2)

A business with 200 employees, headquartered internationally, and with a 10,000,000 sq ft interior area will pay $1,500 annually (the employee multiplier is 4, headquarters multiplier is 25, and sq ft multiplier is 15, so 4 x 25 x 15 = 1,500).

Rating

Equity – Very good

In terms of horizontal equity, using multiple attributes of a business to determine the fee ensures that businesses with similar profiles are charged the same and businesses with substantively different attributes will be charged differently. In terms of vertical equity, the smaller (by physical size and/or number of employees) and more local a business, the less it will pay and vice versa. Businesses with more ability to pay and more impact on city services will pay more.

Efficiency – Good

This fee contains administrative complexity due to aligning multiple variables.

Productivity – Very good

This fee can be highly productive with revenue generation based on multiple attributes. This flexibility allows the City to explore how much revenue it requires.

Neutrality – Average

The fee has several variables and can be adjusted. The lower the fee, the less impactful and less likely it is to result in changes in business behavior. The more intense the fee multipliers, the more likely that businesses may alter their behavior.

Certainty – Good
Once established, the criteria for the fee are predictable for businesses and the revenue can be set at a steady rate for Salem. Businesses are unlikely to change headquarters or building square footage very often, therefore the revenue is likely to be consistent. Changes in economic outlook, especially economic downturns, may result in layoffs and decrease output due to reducing number of employees.

Convenience – Good
Salem could continue to assess the fee through utility bills, but this would make it more difficult to assemble the necessary data upfront. Alternatively, the City could try to implement a business registration fee, which would provide the information needed more immediately but may allow some businesses to sneak by without registering

TOP RECOMMENDED COMMERCIAL COLLECTION APPROACHES

The two student teams that generated the collection approaches for commercial rates in the previous section each selected the approach that it saw as best fulfilling the criteria of equity, efficiency, and productivity.

Group A recommended the "Car Trips Per Day Fee" as the best option (see Appendix A: Commercial Group A Final Report for more information). The group assessed this approach as promoting equity more than other approaches because traffic use categories offer a clear link to the strain that commercial properties place on local infrastructure. Charging more for properties that produce more traffic ensures that larger companies do not benefit at the expense of those that do not result in as much infrastructural strain. This approach is rather inefficient because there would be a lot of initial legwork to set it up. More data is also necessary, potentially available from a Public Works reference, and significant work would be needed to isolate larger box stores in the over-category. This approach does, however, have the potential to be quite productive. The differentiation between commercial classes capitalizes on larger businesses' ability to pay, therefore giving the potential for a significant increase in financial yield than currently exists.

Group B recommended the "Business Traits Fee" as the best option (see Appendix B: Commercial Group B Final Report for more information). The group assessed this approach as promoting equity more than other approaches because it links fees to business size and capacity to
pay by basing the model on three core business characteristics (number of employees, headquarters location, and interior square footage). These attributes combined provide a far more accurate assessment of a business's ability to pay and impact on city services than any one of the attributes on its own. The three attributes together help ensure that businesses with the greatest ability to pay and the most impact on city services are paying their fair share. This approach is somewhat inefficient because the City of Salem has limited data. Although the necessary data exists online, the City lacks convenient access to it. Productivity, on the other hand, is highly favorable in this approach because it uses multipliers to assess proportional fees. The different multipliers allow the City to adjust rates as needed to achieve the desired yield for the general fund.

Operations Fee: Residential Class

This section presents the collection approaches for adjusting residential rates of the Operations Fee.

HOME SIZE

(See Appendix C: Residential Group C Final Report for more information)

Recommendation

Base the fee structure on the size of a residential unit's size and type. The rate for people in the smallest, most dense housing is lowest, while the rate for people in larger, less dense housing is highest.

Reasoning

This approach assumes that, in general, people living in larger, less dense housing have a greater impact on city services and a greater ability to pay and should therefore pay a higher fee than those living in smaller, denser housing.

Recommended Data Sources

- Total building size (in square feet) from Polk and Marion County real property reports
- Property type and number of units per property from Salem utility data

Fee Structure

Housing Type	Fee Rates			
Single-Family	<1000 ft2 $8/month	1000-1500 ft2 $9/month	1501-2000 ft2 $10/month	2001+ ft2 $12/month
Multi-Family	Avg <500 ft2 $5/month/unit	Avg 500-800 ft2 $6/month/ unit	Avg 801-1000 ft2 $7/month/unit	Avg 1001+ ft2 $8/month unit
Mobile Home / Trailer Park	$5/month per unit, regardless of ft2			
Group Living	Exempt			

TABLE 6

Fee Structure for the Home Size Approach

Source: Created by PPPM 629 Students based on Recommended Data Sources Above and Calculations

Rating

Equity – Average – Good

In general, this approach is more equitable than the current fee structure, but there are still some concerns associated with it. In terms of vertical equity, this approach assumes that more square footage is directly related to greater ability to pay. Size of the residence does not, however, directly correlate to wealth or household income, especially since it does not account for whether the property is owner- or renter-occupied. In terms of horizontal equity, households with similar square footage and housing types would pay a similar fee. This approach does not, however, account for individual unit size in multifamily structures, so all households in the same property pay the same fee regardless of actual unit size. People within the same socioeconomic bracket may pay different fees depending on the type and size of the unit.

Efficiency – Good

This approach is only slightly more administratively complex than the current rate system because it adds square footage and more housing types as variables. On a positive note, it uses data that the City already has access to with only one additional level of calculation (to calculate home square footage thresholds).

Productivity – Very good

This approach provides a sustainable source of revenue. Since the lowest rates are comparable to what Salem already charges for residential categories, it also has the potential to increase revenue because those in larger homes pay higher rates than the City currently collects.

Neutrality – Good

It is unlikely that people will significantly alter their decisions based on this relatively small monthly fee.

Certainty – Good

The fee structure is more complex than the current structure, but still clear.

Convenience – Very good

This approach is just as convenient as Salem's current system because it allows for payment through utility bills.

SIZE OF PROPERTY

(See Appendix C: Residential Group C Final Report for more information)

Recommendation

Base the fee structure on residential unit type and total lot size (in acres).

Reasoning

This approach assumes that the larger the lot size per number of residential units, the greater the home value, and therefore the household should pay more to support City services and infrastructure.

Recommended Data Sources

- Total property lot size (in acres) from Polk and Marion County real property reports
- Property type and number of units per property from Salem utility data

Fee Structure

Housing Type	Fee Rates			
Single-Family	<0.2 acres $7/month	0.2-0.39 acres $8/month	0.4-1 acres $9/month	1+ acres $11/month
Multi-Family	High Density $5/month/unit	Medium Density $6/month/ unit	Low Density $7/month/unit	
Mobile Home / Trailer Park	$5/month per unit, regardless of ft2			
Group Living	Exempt			

TABLE 7

Fee Structure for the Size of Property Approach

Source: Created by PPPM 629 Students based on Recommended Data Sources Above and Calculations

Rating

Equity – Average

In terms of vertical equity, lot size is not a strong indicator of overall property value, household income, or household occupancy, especially for multi-family structures. Therefore, the approach does not necessarily capture benefits-received principles. This approach assumes that people with larger lots have greater ability to pay regardless of whether they own the property. Size of a residence would make a greater contribution to property value, so lot size is a less equitable measure than square footage of the home. This approach is more equitable for single-family households than multi-family. In terms of horizontal equity, households with similar acreage and type would pay the same fee. However, people within the same socioeconomic bracket may pay different fees depending on the type of unit and size of property. This approach offers more horizontal equity for single-family residences than multi-family.

Efficiency – Good
This approach is more complex administratively than the current rate system because it adds total lot size as a variable. However, it uses an already-existent data set with only one additional level of calculation and quantification (to calculate lot size thresholds).

Productivity – Very good
This serves as a sustainable source of revenue. The lowest rates are comparable to what Salem already charges for residential categories. It also potentially increases revenue because those in larger homes pay higher rates than the City currently collects.

Neutrality – Good
It is unlikely that people will significantly alter their decisions based on this relatively small monthly fee.

Certainty – Good
The fee rate is clear but less intuitive than square footage, especially for multi-family units.

Convenience – Very good
This approach is just as convenient as Salem's current system because it allows for payment through utility bills.

NUMBER OF BEDROOMS

(See Appendix C: Residential Group C Final Report for more information)

Recommendation
Base the fee structure on the number of bedrooms per residential unit.

Reasoning
This approach assumes that the more bedrooms per residential unit, the more occupants per household, and therefore a higher burden on City services and infrastructure.

Recommended Data Sources
- Real property reports for Marion and Polk County
- City tax lot data

Fee Structure

Housing Type	Rate
Single-Family	Pay a set rate per bedroom
Multi-Family	Pay a set rate per bedroom per unit
Mobile Home / Trailer Park	Flat rate fee per unit, regardless of number of bedrooms
Group Living	Exempt

TABLE 8

Fee Structure for the Number of Bedrooms Approach

Source: Created by PPPM 629 Students based on Recommended Data Sources Above and Calculations

Rating

Equity – Average – Good

In terms of vertical equity, this approach assumes that residents living in homes with more bedrooms have a greater means to pay because more bedrooms often indicate more costly housing. However, bedrooms do not necessarily indicate household size so the assumption that a home with more bedrooms places more burden on public services and infrastructure may not be accurate. In terms of horizontal equity, this approach assumes that residents living in homes with the same number of bedrooms have similar means to pay this fee. It better captures the number of people in the home that might use public services, so households with the same number of bedrooms would expect to pay the same fee.

Efficiency – Poor

It would be administratively burdensome to generate the data source for assessing the fee. Once the data is compiled though, it would be simple to administer because the data comes from one source. Since the data source is generated a the county level, regularly updating the data would be more complex and require interagency collaboration to maintain.

Productivity – Good

This would serve as a sustainable source of revenue. Rates could be set accordingly to meet or exceed what the current fee structure generates.

Neutrality – Good

It is unlikely that people will significantly alter their decisions based on this relatively small monthly fee.

Certainty – Very good

The logic of this approach is clear and easy to understand.

Convenience – Very good

This approach is just as convenient as Salem's current system because it allows for payment through utility bills.

NEIGHBORHOOD DENSITY

(See Appendix D: Residential Group D Final Report for more information)

Recommendation

Base the fee structure on people per square mile and charge on a neighborhood or census block level. The fee favors a mix of housing types and less space per person.

Reasoning

This approach assumes that people living in low density neighborhoods have more disposable income and put the same amount of strain on city services (roads, water, other infrastructure) as denser neighborhoods, while serving relatively few occupants. Neighborhood density serves as a rough vertical equity proxy. This approach also assumes that low-density neighborhoods are composed of larger single-family homes on large plots of land while high-density neighborhoods have multi-family and single-family homes filled with families or adults who share a lease.

Recommended Data Sources

- Zonal census block data
- From US Census: Average household size, population, and area size

Fee Structure

	Neighborhood Density (Population/ Square Mile)	Total Accounts or Units	Monthly Fee Rate*	Annual Rate	Total Revenue
Average Density (WHOLE CITY)	3630	70,335	$12.94	$155.29	$10,9222,251
High Density (Census Block 10470006003)	6210	809	$7.56	$90.77	$73,435.14
Low Density (Census Block 10470017031)	577	482	$81.45	$977.44	$471,127.81

TABLE 9

Fee Structure for the Neighborhood Density Approach

Source: Created by PPPM 629 Students based on Recommended Data Sources Above and Calculations

Students determined the calculation of census block rates from a direct proportion equation:

$$\frac{(\textit{Average city density})}{(\textit{Census block density})} \times (\textit{Average density monthly fee rate}) = (\textit{Monthly fee rate})$$

This method led to a very high fee rate for low density blocks. The City could also find a different way to assign the monthly rates to best accomplish its goals.

Rating

Equity – Average – Good

In terms of horizontal equity, this approach assumes that low-density neighborhoods use city resources less efficiently than high-density neighborhoods. In theory, this creates a situation where people with similar incomes pay similar rates. In terms of vertical equity, the ability to estimate income based on neighborhood density is an imperfect solution. Some people with lower incomes may live in lower density neighborhoods and be susceptible to the higher fees.

Efficiency – Good

The fee will be administered as a line-item charge on monthly utility bills. This additional fee will not accrue additional print or delivery costs. This approach does, however, present administrative challenges because of the initial need to collect the data, which is likely to be expensive and time-consuming.

Productivity – Very good

Depending on the rates the City decides to set, the yield has the potential to be very high and to surpass what the current fee structure generates.

Neutrality – Good
Because the fee is relatively small in scale, it should not have an impact on the free market and cause users to move or change their housing situation.

Certainty – Average
Rates of occupation change often, and the values are based on the yearly American Community Survey data, which is generalized by block. This means that there may be a high degree of error assumed in every calculation.

Convenience – Very good
This approach is just as convenient as Salem's current system because it allows for payment through utility bills.

TRIP GENERATION FEE

(See Appendix D: Residential Group D Final Report for more information)

Recommendation
Base the fee structure on the number of vehicle trips that various types of residential properties produce. People living in housing types with higher vehicle trip generation rates should bear more of the burden since they are putting more strain on City services.

Reasoning
This approach assumes that different people living in certain kinds of dwellings accrue varying amounts of road and service usage based on distance to services and other city establishments.

Recommended Data Sources
- Trips per month based on housing type - Institute of Transportation Engineers (ITE)
- Tax base

Fee Structure

Customer Class	Total Accounts or Units	Trips Per Month	Rate Per Trip	Monthly Cost	Annual Cost	Total Revenue
Residential	40,012	286.2	$0.55	$15.74	$188.89	$7,557,946.70
Multi-Family	23,971	219.6	$0.55	$12.08	$144.94	$3,474,260.86

TABLE 10

Fee Structure for the Trip Generation Fee Approach
Source: Created by PPPM 629 Students based on Recommended Data Sources Above and Calculations

Rating

Equity – Average – Good

In terms of horizontal equity, this approach aims to categorize facility users based on street usage and subsequently similar incomes. This results in a similar fee rate across similar socioeconomic classes. The trip generation is based on averages across the entire population. In terms of vertical equity, this approach assumes that people who live in single-family homes and take additional trips have more expendable income and a greater ability to pay.

Efficiency – Very good

This fee will not accrue additional print or delivery costs. There is a small upfront fee for the data source ($1,395 for non-members), but this is a small cost in comparison to the total revenue that the fee could generate.

Productivity – Very good

Depending on the rates the City decides to set, the yield has the potential to be very high and to surpass what the current fee structure generates.

Neutrality – Good

Because the fee is relatively small in scale, it should not have an impact on the free market and cause users to change their habits.

Certainty – Very good

The data used to calculate trip generation rates will be pulled from the Institute of Transportation Engineers. The rates calculated from the ITE are reputable and accredited. The average trip rates will serve as a certain measure of applying a trip generation fee.

Convenience – Very good

This approach is just as convenient as Salem's current system because it allows for payment through utility bills.

STREET AND SIDEWALK MAINTENANCE ON BLOCK LEVEL

(See Appendix D: Residential Group D Final Report for more information)

Recommendation

Base the fee structure on neighborhood block's street and sidewalk conditions. Assess lower rates to areas that have unmaintained streets and sidewalks.

Reasoning

This approach assumes that unmaintained streets and sidewalks could serve as an indicator of historically under-resourced and lower-income blocks and that charging reduced fees in these areas, which receive fewer city resources, would promote greater equity.

Recommended Data Sources

- Department of Public Works data on conditions of Salem's streets and sidewalks
- Mapping unfulfilled street and sidewalk requests in ArcGIS could inform the equitable assessment of operations fees.
- City-wide sidewalk mapping initiative using PathVU, a sidewalk mapping technology.

Fee Structure

Sidewalk data was unavailable at the writing of this report, so student group was unable to generate a fee structure.

Rating

Equity – Average

In terms of horizontal equity, this approach aims to categorize fee rates based on the quality of street maintenance in different neighborhoods. The rate of this fee operates on the assumption that unmaintained sidewalks and streets are more prominent in underserved communities, with larger populations of low-income residents. Based on this assumption, people across similar socioeconomic classes will pay similar rates. This category loses points due to the inability to accurately gauge sidewalk and street conditions across blocks. In terms of vertical equity, the ability to measure street conditions is an estimate that does not account for all exceptions. Individuals with lower incomes may be susceptible to higher fees due to inaccurate street ratings or in the case where low-income individuals live on blocks with well-maintained streets.

Efficiency – Average

This fee will not accrue additional print or delivery costs. Gathering the data on street and sidewalk maintenance levels, and then maintaining it, however, will be time-consuming and potentially costly.

Productivity – Good

Depending on the rates the City decides to set, the yield has the potential to be very high and to surpass what the current fee structure generates.

Neutrality – Good

Because the fee is relatively small in scale, it should not have an impact on the free market and cause users to change their habits.

Certainty – Poor

It is unclear how the data will be collected and updated as street repairs happen irregularly over the extended amount of time. The calculation of this fee would be difficult.

Convenience – Good

This approach is just as convenient as Salem's current system because it allows for payment through utility bills.

TOP RECOMMENDED RESIDENTIAL COLLECTION APPROACHES

The two student teams that generated the collection approaches for residential rates in the previous section each selected the approach that it saw as best fulfilling the criteria of equity, efficiency, and productivity.

Group C recommended "Home Size" as the best option (see Appendix C: Residential Group C Final Report for more information). The group assessed this approach as promoting equity more than other approaches because, although it is an imperfect measurement, there is a strong correlation between home size, household occupancy, and household income/wealth, meaning that living in larger homes tend to be more able to pay and/or have a greater impact on city services. It also scores well in terms of efficiency because the necessary data is readily available and requires a relatively small amount of work to integrate upfront. This approach has the potential to be highly productive because the lowest rates recommended are comparable to what Salem already charges for residential categories, and therefore the potential of charging higher rates for larger homes creates the possibility of increasing yield as much as the City deems necessary.

Group D recommended the "Trip Generation Fee" as the best option (see Appendix D: Residential Group D Final Report for more information). The group assessed this approach as promoting equity more than other approaches because it ties the fee to the number of trips each type of housing generates, linking the charges to an attribute that directly relates to impact on city services and infrastructure. In terms of efficiency, this approach would require a relatively small monetary investment from the City to gain access to the ITE's data. City staff would need to put in work upfront to implement the fee, but minimal maintenance would be required after implementation. This approach has the potential to be highly productive because the City could set the rates as necessary to meet the yield it requires.

Conclusion

This report presents alternative collection methods for Salem to consider in restructuring its City Operations Fee for commercial and residential customer classes. Student teams assessed each approach using six evaluation criteria. In accordance with Salem's goals, they prioritized fee equity while also maintaining administrative efficiency, productivity, neutrality, convenience, and certainty.

Overall, the "Car Trips Per Day" and "Business Traits Fee" approaches scored highest for commercial classes. The "Home Size" and "Trip Generation Fee" approaches scored highest for residential classes.

Each approach described in this report offers advantages and disadvantages. Achieving complete equity proved difficult due to data limitations. Much of the data readily available is a proxy for ability to pay and/or level of impact on city services rather than a directly-related, foolproof indicator. Using the data currently available, however, these approaches make progress in differentiating between customer classes in a more nuanced way that generally improves equity over the current fee system.

With these factors in mind, we recommend that Salem evaluate trade-offs presented in this report and explore alternative data sources for additional options. We also recommend that the City continue to use utility bills to assess the operations fee because of its administrative efficiency.

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Appendix A: Commercial Group A Final Report

Salem Commercial Operations Fee and Alternative Suggestions

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PPPM 629: Public Budget Administration

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December 6, 2023

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Overview and Purpose of Project

In 2019, the City of Salem implemented an operations fee to support declining revenue in the general fund. Because of financial and time constraints, they decided to implement the new fee using an existing system for calculation and collection. The fee for commercial and other non-residential customer classes is a ratio based on the city's streetlight fee structure and is collection with monthly utility fees. Currently, all commercial and nonresidential entities are charged the same flat rate fee, resulting in an inherently regressive tax structure that does not consider the variations in businesses and institutions' use of resources. In its current form, this fee's greatest drawback is its lack of equity, and its greatest benefit is its efficiency and certainty.

When reflecting on this fee, the City of Salem felt most concerned that it did not equitably tax larger box stores and that it would not generate sufficient revenue in the long-term in its current form. This report will evaluate three alternative options for the City's operations fee for commercial entities and recommend a revised path forward.

Collection Approaches

Option 1: Car Trips per Day

A major goal of restructuring the city operations fee in Salem is to create a more equitable framework for charging varying types of commercial entities. With this in mind, an alternative option to assessing this fee is to base charges on the number of car trips per day per 1,000 square feet of impervious surface on the property. Evaluating the fee in this manner would differentiate the capacity to pay and the use of resources among various commercial uses. This approach was proposed to residents in Grants Pass for their own operations fee in September of 2023. Although it was ultimately not passed, Grants Pass provides a concrete example of this option for the City of Salem.

It is important to note that in Grants Pass, the proposal was to implement a utility fee. However, this report is to use the existing operations fee structure that generates unrestricted revenue for the general fund. This is because car trips per day to and from commercial entities in Salem require a wide variety of municipal resources, including roads, streetlights, and public safety and emergency services when accidents occur.

Our approach would be like that taken in Grant Pass (see Appendix A), with a few differences, namely the commercial uses, which would be based on the use classifications outlined in the Salem Code of Ordinances Sec. 400.005. The fee would be assessed based on the commercial classifications A through H with fees based on the model seen in Grant Pass, OR.

Table 1: Commercial Classification and Related Costs

Classification	Monthly Fee	Daily Cost

Commercial A (≤250 trips)	$76.23	$2.54
Commercial B (251-500 trips)	$228.74	$7.63
Commercial C (501 -1,000 trips)	$457.48	$15.25
Commercial D (1,001 – 1,500 trips)	$686.38	$22.88
Commercial E (1,501 – 2,000 trips)	$1,143.86	$38.13
Commercial F (2,001 – 3,000 trips)	$2,287.77	$76.26
Commercial G (3,001 – 5,000 trips)	$4,575.49	$152.52
Commercial H (≥ 5,001 trips)	$6,863.27	$228.78

Data needed for the City of Salem to implement this approach is as follows:

- For Salem storm water base fee: https://www.cityofsalem.net/community/household/water-utilities/utility-payments-and-your-utility-account/utility-rates-and-other-fees
- Based on Grants Pass' operations fee: https://www.grantspassoregon.gov/1960/How-would-this-fee-work
- EDU calculations based on San Diego County's Commercial EDU Assignments: https://www.sandiegocounty.gov/content/dam/sdc/dpw/SAN_DIEGO_COUNTY_SANITATION_DISTRICT/Rate-Billing/Commercial_EDU_Assignments.pdf
- Salem stormwater accounts:
    - Crystal Reports - Non-Res Stormwater accts imp area less than 3000.pdf
    - Crystal Reports - Non-Res Stormwater accts imp area over 3000.pdf

Major drawbacks to this option would be that the City of Salem only requires Class 2 and Class 3 site plan reviews to submit trip generation estimates as part of the permitting process (Code of Ordinances Sec 220.005(e)(d)). This would likely mean that trip generation estimates are available for larger commercial uses such as Walmart or Costco but may not be available for smaller businesses. Collecting this information would likely not be administratively efficient or feasible.

Option 2: Headquarter Location

Another way to capture differences in commercial business types is their headquarter locations. Salem's largest public employer is the State of Oregon government, and its largest private employer is Salem Health (City of Salem, 2023). Both are only operated in the City of Salem. Additionally, Salem has a large food production and agricultural industry that employs many people. These larger employers include Truitt Bros Inc., Norpac, Don Poncho Tortillas, and Kettle Foods Inc. There are also several large domestic and multinational employers who do not have headquarters in Salem, such as Wells Fargo, AT&T, Walmart, and AkzoNobel.

This alternative option for calculating the operations fee would be a tiered payment system based on a business's headquarter locations. Companies with headquarters outside of Oregon would pay the most, companies with headquarters in Oregon would pay a middle amount, and companies with headquarters (or sole locations) in Salem would pay the least. This

tiered system is outlined in Table 2. The amount charged per month for Salem-headquartered companies is the same as the current operations fee for commercial businesses.

Table 2: Headquarter Location Tiered Pricing

Headquarter location	Monthly fee	Daily Cost
Salem	$69.55	$2.32
Oregon	$74.55	$2.49
United States	$79.55	$2.65
International	$84.55	$2.81

To calculate annual yield, City employees would need to maintain an annual record of companies and the headquarter locations. This information could be collected as a part of business registration or connected to any kind of licensing fee. Once commercial residents are associated with a related headquarter location, City employees can multiply the number of headquarter types by the monthly fee by 12 months per year. Because moving a headquarter locations is unduly onerous for a large business, once a data set is established, it would have a low level of variability moving forward.

This approach would help encourage local investment, generate revenue from Salem's largest businesses, and remain easy to measure and collect. The greatest drawback to this option would be that it is not a neutral fee and could discourage new, outside investment in the City of Salem. However, this change in fee structure does not have a high likelihood of prompting existing commercial residence to move out of the City because the cost of moving would be much greater than the adjusted monthly fee.

Option 3: Size of Largest Meter

Another alternative approach to the current operations fee structure would be to charge a flat fee dependent on the size of the largest water meter on the account. This option has also been implemented by Albany, Oregon, to assess their operations fee. By using this approach, the City would be able to account for larger commercial entities that likely have a larger meter. Rates for this approach would be as follows:

Table 3: Size of Largest Meter Pricing

Meter Size (inside City limits)	Monthly Fee	Daily Cost
5/8 – ¾ inches (in.)	$12.90	$0.43
1 in.	$18.65	$0.62
1.5 in.	$31.93	$1.06
2 in.	$47.85	$1.60
3 in.	$90.33	$3.01
4 in.	$138.11	$4.60
6 in.	$270.85	$9.03
8 in.	$934.53	$31.15

10 in.	$1,465.47	$48.85

Meter Size (outside City limits)	**Monthly Fee**	**Daily Cost**
5/8 – ¾ inches (in.)	$13.88	$0.46
1 in.	$20.07	$0.67
1.5 in.	$34.34	$1.14
2 in.	$51.46	$1.72
3 in.	$97.12	$3.24
4 in.	$148.49	$4.95
6 in.	$291.18	$9.71
8 in.	$1,004.64	$33.49
10 in.	$1,575.40	$52.51

Data needed for the City of Salem to implement this approach is as follows:

- For Salem water meter base charges: https://www.cityofsalem.net/community/household/water-utilities/utility-payments-and-your-utility-account/utility-rates-and-other-fees
- Similar in structure to Albany: https://www.albanyoregon.gov/cityservices/fee
- Salem water meter sizes and base billed: Crystal Reports – 12 – UA – water accts by area and meter size_add Acct Class.pdf

The main drawback to this option is that multiple commercial spaces may share one central meter despite having separate utility accounts when the city's new billing system is implemented. This would result in the City not capturing all potential revenue. However, this issue could be addressed as it has in Albany by charging a flat rate fee per unit for multi-unit commercial spaces.

Evaluation Criteria

Each option stated above will be evaluated based on the following six criteria as outlined by the Government Finance Officers Association (GFOA):

Equity – Equitable taxes and fees can be levied horizontally or vertically. Vertical equity refers to distributional differences between income groups. Horizontal equity refers to intra-group differences in burdens or exposure. An optimal tax or fee structure under this prism would be both community- and benefits-based. Such an optimal tax or fee would also achieve the goal of mitigating burdens on those experiencing the worst conditions without unduly penalizing producers and employers.

Efficiency – The costs of administering or imposing the program should not exceed the revenue generated.

Neutrality – Under the relevant principles of neutrality, a tax policy will seek to minimize market interventions to the extent feasible while also expanding the base and keeping distributional rates and effects to a minimum.

Productivity – A tax or fee should provide revenue stability for forecasting and projection. Such a tax or fee should also be sufficient to meet local needs and demands.

Certainty – A tax or fee should be based on clear rules with uniform application.

Convenience – A tax or fee should be convenient to pay, with billing dates coinciding with income streams.

Evaluation of Options

Table 4: Overall Scoring of Each Proposed Option

	HQ Location	*Car Trips per Day*	*Size of Largest Meter*
Equity	8*	10*	6*
Efficiency	3	2	5
Neutrality	2	2	3
Productivity	8*	10*	8*
Certainty	4	4	5
Convenience	5	5	5
Total	**30**	**33**	**32**

Each option was reviewed based on the six GFOA criteria listed above. From there, each criterion for an option was graded on the following sliding scale: Very Bad (1), Bad (2), Average (3), Good (4), and Very Good (5). Two criteria, Equity and Productivity, were weighted by a multiplier of two* as, according to City of Salem staff, the intent of the newly proposed operations fee is to target larger box stores (Equity) and assessing them using a higher fee amount (Productivity) because of their ability to pay. The scores for each criterion of each approach were then summed to create an overall score. The higher the score, the better the option may be for implementation. In the following sections, this report will elaborate on the evaluation and scoring of each option.

Option 1: Car Trips per Day

(Score: 33/ Yield: Undetermined / Additional Data Needed (Y/N)? Yes.)

Equity The Car Trips per Day manner of operations fee – a proposed Public Safety Utility Fee for the City of Grants Pass – would be assessed on the application of commercial use (e.g., General Office; Nonprofit; Medical Office; Minor, Moderate, or High Traffic Retail) to trips generated per day, per 1,000 square feet (sq. ft.) of impervious area. Commercial Use categories can be defined by the City's discretion, making this approach highly equitable. Grants Pass has 11 Commercial Use categories, as shown in Table 8, (see Appendix B). The City of Salem could maintain these, or similar, categories. Minor, Moderate, or High Traffic Use Categories offer a clear link to the strain that certain commercial properties and businesses levy on local infrastructure, and by placing larger box stores, such as Walmart & Costco, in discretionarily defined Commercial Use categories, such as High Traffic Use, larger box stores can pay their "fair share" of the operations fee, thus, making the fee vertically equitable.

Efficiency The Car Trips per Day approach would be administratively inefficient. Initial legwork would have to be done: a formula written, based on data and metrics; a table made, and decisions regarding trip generation thresholds; as well as justifying the fee amount based on Commercial Use categories, especially to larger box stores. Formulas and tables could be adopted from the City of Grants Pass (https://www.grantspassoregon.gov/1960/How-would-this-fee-work). Further data would need to be acquired, though, most likely from Salem's Transportation department. Though Crystal Reports are already available, which distinguish nonresidential stormwater accounts between less-than- and over-3,000 sq. ft. of impervious area, greater distinctions will need to be drawn. 2,296 of 2,403 are stormwater accounts over 3,000 sq. ft. of impervious area, meaning that a lot of work will need to be done to isolate larger box stores in the over-category, thereby charging them their fair share.

Neutrality The Car Trips per Day approach would not be flat, as it is now—$69.55 for all non-residential classifications—making it less neutral, and potentially persuading larger box stores away from the Salem area. Looking to Grants Pass' 11 Commercial Use categories, as shown in Table 8 (see Appendix B), especially to those commercial classifications further into the alphabet, it is clear how disparate these fee amounts are—$2,287.77, $4,575.49, and $6863.27 for classifications F, G, and H. These are awfully high, considering that over 91% of commercial properties in Grants Pass are classified as Commercial A, meaning they'll only pay $76.23 per month. Though none of these numbers will be identical to the City of Salem's, it is evident that the fee, so long as it's equitable, cannot feasibly be neutral as well.

Productivity The Car Trips per Day approach could be highly productive, as it is relative to the fees' vertical equity and ability-to-pay principle. Looking to Grants Pass' 11 Commercial Use categories as shown in Table 8 (see Appendix B), specifically to classifications F, G, and H, yielding $2,287.77, $4,575.49, and $6863.27 per month, respectively, it is evident how productive this approach could be. These fee amounts are more per month than even the highest fee amount for the Size of Largest Meter approach—$1,465.47 per month for a 10-inch water meter. Though financial yield is undetermined, its fee amounts, as charged by the City of Grants Pass, suggest a yield greater than all proposed and alternative options.

Though productivity has much to do with yield, it also has to do with *where* the yield will be allocated. The City of Salem is attempting to compensate for declining revenue in the General Fund, in particular. Though the fee is predominantly transportation-based, and there may be debate over why transportation-based fee revenue should be allocated to the General Fund as opposed to the Transportation Services Fund, it is also true to that greater strain levied on built infrastructure implies greater traffic, which also implies greater traffic violations, traffic accidents, increased auto emissions, among other implications, which are specifically related to the City of Salem's Safe and Health Community Result Area (City of Salem Oregon, Fiscal Year 2024 Adopted Budget (2023):1), whose individual components are provided for by the General Fund (4-5).

Certainty The Car Trips per Day approach would be somewhat uncertain up front, during initial fee assessment, as Commercial Use categories be up to the direction of the City and potentially difficult to justify, especially to larger box stores. After the formula is written, the table is made, and the justifications are communicated, the approach would be very certain.

Convenience The Car Trips per Day approach would be just as convenient as the current operations fee and all proposed alternative option.

Option 2: Headquarter Location

(Score: 30/ Yield: Undetermined / Additional Data Needed (Y/N)? Yes.)

A company's location may be the best tool for achieving convenience and efficiency due to the ease with which accurate information can be obtained. While locational cues might appear neutral on their face, there is potential for businesses, particularly local ones, to experience stark disparities in revenue, despite the site of their administrative and decision-making centers. As an additional note on neutrality, there would be differential treatment based on the assumption that out-of-state entities generated a larger share of revenue and required a larger share of local government services.

Yields would be determined after the classification process had assigned properties within the rate structure set forth in Table 1. The underlying assumptions justifying the differential rates posit that non-local property owners possess a greater ability to pay. Non-local property owners benefit from strong local governance and associated public services. However, non-local property owners likely benefit from competitive advantages attributable to economies of scale and greater access to skilled labor. Lower rate structures for community residents could also be a vehicle for achieving local economic development.

Regarding collections, this approach would require using existing utility billing and property ownership records. For incorporated entities, one would look to the parent or controlling entity to determine headquarters locations. This would be to help alleviate any concerns of entities creating local ownership structures to avoid a higher rate classification. However, as with Option 1 above, the caveat may be that assigning non-arbitrary rates will likely require complex statistical modeling software that exceeds current municipal capacity.

Finally, as with Option 1 above, once any rate classifications were assigned, existing billing processes could be used easily. However, consumer education and regular reviews might be advisable. This is because of the complexity of the proposed changes, as well as changes to ownership attributable to mergers and acquisitions.

Option 3: Size of Largest Meter

(Score: 32/ Yield: $8,777,133.72 / Additional Data Needed (Y/N)? No.)

Equity 95% of water meters in Salem are 1" and below; most of the fee generation revenue comes from these accounts. That said, 95% of commercial establishments would only

fund 85% of overall yield, while 5%—potentially larger commercial establishments, such as larger box stores—would fund 15% of overall yield. A commercial establishment may have a larger water meter for any number of reasons, though. While it may be the case that a larger box store, with a greater ability to pay, has a larger water meter and, thus, a higher fee amount, it may also be the case that a more local establishment, with a lesser ability to pay, yet still possessing a larger water meter, may be charged more than their fair share, making this a potentially regressive fee. For these reasons, it was determined that the fee is average (3) as it relates to the equity criterion.

Efficiency Administratively, the Size of Largest Meter approach would be the easiest to implement of all proposed and alternative options. The fee amount is simply a duplication of the Base Charge of the current Water Service Charges, and data are already collected regarding number of accounts, and account type.

Neutrality The Size of Largest Meter approach would be more neutral than other proposed and alternative options. Though commercial establishments would be assessed higher fees based on larger water meters, the fee is inextricably linked to infrastructural strain, with no room for discretion. The higher fee amount may persuade those commercial establishments with larger water meters away from the Salem area, but if the current Water Service Charges do not do so, it is unlikely that the proposed Size of Largest Meter approach would do so, as the approach simply duplicates the Base Charge of the current Water Service Charges.

Productivity The Size of Largest Meter approach is far more productive than Salem's current operations fee. The current approach yields $1,436,323.66 annually, while the Size of Largest Meter approach would yield $8,135,292.24 inside city limits, and $641,841.48 outside city limits, totaling a new yield of $8,777,133.72 annually, as shown in Table 7, below.

Table 7: Size of Largest Meter Yield

	Inside City Limits			Outside City Limits		
Size	**Base Billed**	**Charge (2024)**	**Yield**	**Base Billed**	**Charge (2024)**	**Yield**
0.63	27,230	$ 12.90	$ 4,215,204.00	2,573	$ 13.88	$ 428,558.88
0.75	10,281	$ 12.90	$ 1,591,498.80	569	$ 13.88	$ 94,772.64
1	5,090	$ 18.65	$ 1,139,142.00	175	$ 20.07	$ 42,147.00
1.5	977	$ 31.93	$ 374,347.32	46	$ 34.34	$ 18,955.68
2	794	$ 47.85	$ 455,914.80	57	$ 51.46	$ 35,198.64
3	96	$ 90.33	$ 104,060.16	13	$ 97.12	$ 15,150.72
4	78	$ 138.11	$ 129,270.96	2	$ 148.49	$ 3,563.76
6	21	$ 270.85	$ 68,254.20	1	$ 291.18	$ 3,494.16
8	2	$ 934.53	$ 22,428.72	0	$ 1,004.64	$ -
10	2	$ 1,465.47	$ 35,171.28	0	$ 1,575.40	$ -
		Total	$ 8,135,292.24		Total	$ 641,841.48
		Current	$ 1,436,323.66		New	$ 8,777,133.72

Certainty The Size of Largest Meter approach would be very certain. It would be assessed the same way for both residential and commercial accounts, solely on largest meter size on the account, which the City of Salem already has base charges for. The only uncertainty that might be inherent in the approach is *why* the fee's being duplicated.

Convenience The Size of Largest Meter approach would be just as convenient as the current operations fee and all proposed and alternative options.

Recommendations

As seen in the Evaluation of Options table, Headquarter Location scored the lowest and Car Trips per Day scored the highest. As noted above, two criteria were weighted—Equity and Productivity—to accommodate the values of City of Salem staff. The current fee structure does not equitably charge more for larger box stores, nor does it generate sufficient revenue. Therefore, we recommend that Salem implement a new fee structure assessed via the Car Trips per Day approach. This approach ties the fee to an ability-to-pay principle, which will be more equitable for all Salem residents. Lastly, although this proposed approach closely relates to transportation fees used in other cities, this report suggests that revenue generated still go to the General Fund because Car Trips per Day amount to a burden not only on built infrastructure, but also public health and safety. Overall, the City of Salem will more equitably and productively charge their commercial residents using this proposed approach.

Appendix A

Alternative option 1: Police Reports

Financial Yield: Undetermined

Our first approach to assessing the City operations fee for commercial entities is to base the fee on the number of police interactions per entity, the idea being that larger commercial spaces would be more likely to call the police due to longer hours of operation and a greater amount of inventory. This fee would be assessed by categorizing fee schedules into ranged tiers based on the number of yearly police interactions. Each tier would be assigned a corresponding rate, with businesses requiring more frequent interaction with law enforcement paying higher rates.

Data for this option can be collected from Lexis Nexis' Community Crime Map or could be compiled by the City of Salem using available police records. However, this is also a drawback because data is not readily available to implement the fee, as both data options require additional work to collect. Additionally, it could be the case that smaller businesses report instances of crime (specifically theft) at a higher rate due to the more significant impact of theft to their business. However, we predict that longer hours of operation and more opportunities for theft in larger stores will lead to a higher police interaction rate than in smaller stores.

An additional drawback to this approach would be general crime in certain areas. A Walmart in a lower-income area of town might have more instances of theft than a Walmart in a higher-income area. This would become inequitable because the Walmart, which is arguably more needed in a low-income community, is being taxed at a higher rate.

Police calls were given poor ratings on equity, neutrality, productivity, and certainty for a number of reasons. Certainty is impacted because the number of police interactions could fluctuate by day, season, weather, labor market conditions, et cetera. Productivity is impacted because there exists a high probability that local businesses would balk at additional exposure of police interactions on properties they own, if only because of the perceived reputational harm to their brand and/or sales. Neutrality is affected because it is conceivable that smaller, independent, minority-owned businesses could require more frequent police interactions than similarly situated peers when located in high-crime areas. Finally, equity could be impacted for the same reason, though, in the aggregate, it is hypothesized that more police interactions would be associated with larger sales volumes or gross inventories.

This report uses the metric of number of police responses to non-violent crime reports for a commercial property in a calendar year. The underlying logic presumes that, in general, businesses generating larger revenues or sales volumes will more frequently utilize local public safety resources. This can be attributed to more opportunities for criminal activity, whether in terms of access to inventory, security shortages, et cetera. By adopting this metric, Salem could differentiate non-residential operations fee rates based on a given property's relative use of

local public services. Additionally, since public safety costs represent a major source of general fund outlays, this metric could allow for more effective allocative decision-making, as it would provide additional context about crime patterns and responses within the City.

According to longitudinal data from the Salem Police Department, the 15-year average for the cumulative number of all reported property crimes is 7,008 (Salem Police Department, n.d.). This equates to a per-capita average of 4,367, based on Salem's 2022 population of 179,605. The expected per-capita 15-year range for all property crimes is 3,725-4,874 (Salem Police Department, n.d.). Per-capita averages help adjust numerical rates for local population levels to better assess impacts. For a more focused perspective, from 2008-2022, burglaries, a property crime with a more direct nexus to retailers and other businesses, had a reported annual per-capita average of 542 (Salem Police Department, n.d.).

Year	Population	NIBRS Rate per 100,000	% Change from Previous Year	15-Yr Average	Expected Range	% Change from Average
2008	154,510	5,116	-	4,678	4,116 - 5,240	9%
2009	156,955	4,497	-12%	4,678	4,116 - 5,240	-4%
2010	155,100	4,307	-4%	4,678	4,116 - 5,240	-8%
2011	155,710	4,289	0%	4,678	4,116 - 5,240	-8%
2012	156,455	4,782	11%	4,678	4,116 - 5,240	2%
2013	157,770	4,758	-1%	4,678	4,116 - 5,240	2%
2014	159,265	4,823	1%	4,678	4,116 - 5,240	3%
2015	160,690	4,623	-4%	4,678	4,116 - 5,240	-1%
2016	162,060	4,571	-1%	4,678	4,116 - 5,240	-2%
2017	163,480	5,269	15%	4,678	4,116 - 5,240	13%
2018	165,265	4,890	-7%	4,678	4,116 - 5,240	5%
2019	167,395	4,813	-2%	4,678	4,116 - 5,240	3%
2020	175,535	4,552	-5%	4,678	4,116 - 5,240	-3%
2021	177,694	4,430	-3%	4,678	4,116 - 5,240	-5%
2022	179,605	4,453	1%	4,678	4,116 - 5,240	-5%

Year	Population	Total Count	% Change from Previous Year	15-Yr Average	Expected Range	% Change from Average
2008	154,510	7,904	-	7,629	6,558 - 8,700	4%
2009	156,955	7,059	-11%	7,629	6,558 - 8,700	-7%
2010	155,100	6,680	-5%	7,629	6,558 - 8,700	-12%
2011	155,710	6,678	0%	7,629	6,558 - 8,700	-12%
2012	156,455	7,482	12%	7,629	6,558 - 8,700	-2%
2013	157,770	7,506	0%	7,629	6,558 - 8,700	-2%
2014	159,265	7,681	2%	7,629	6,558 - 8,700	1%
2015	160,690	7,429	-3%	7,629	6,558 - 8,700	-3%
2016	162,060	7,407	0%	7,629	6,558 - 8,700	-3%
2017	163,480	8,614	16%	7,629	6,558 - 8,700	13%
2018	165,265	8,081	-6%	7,629	6,558 - 8,700	6%
2019	167,395	8,056	0%	7,629	6,558 - 8,700	6%
2020	175,535	7,990	-1%	7,629	6,558 - 8,700	5%
2021	177,694	7,871	-1%	7,629	6,558 - 8,700	3%
2022	179,605	7,997	2%	7,629	6,558 - 8,700	5%

This data could be used to objectively inform a proposed three-segmented fee structure, whereby non-residential properties could be assessed based on their relative demand for public safety resources. Those with the lowest frequency or intensity of use would

pay a base fee, those with intermediate needs would pay an equivalent middle-level fee, and those with the highest demand would pay the upper fee. It is likely that this structure will need to allow for some sort of iterative and regular review. This review would help avoid costly administrative and implementation hurdles by offering regulated entities an incentive for compliance. By lowering their relative demand for public safety resources, non-residential property owners could enjoy lower operations fees.

Due to the innovative nature of the proposal, calculating exact yields is difficult. Insufficient data currently exist to paint a clear forecast of future revenues. The paucity of available data makes it difficult to offer reasonable assessments for potential bases, rates, and yields.

Regarding the data collection needs of this approach, the City would need to use existing police and billing records to perform cross-tabulations. The number of police reports at a given address would be placed within the three-segmented matrix referenced in the preceding paragraph. However, the caveat might be added that setting non-arbitrary prices within the relative rate structure may require complex statistical modeling that exceeds the technical capacity of current municipal resources.

On collections, once the rate matrix has been set, pre-existing operations fee billing structures could be organically integrated into monthly utility bills. However, to increase compliance rates and reduce transitional administrative burdens, consumer education, an appeals process (regarding administrative determinations of one's rate classification), and an annual review process might be prudent. It might also be worthwhile to pursue industry-and community-specific weightings that adjust for the risk of disproportionate public safety response rates.

Alternative option 2: Number of Employees

In order to more equitably charge larger stores in Salem, the operations fee could be based on the number of employees. This would more proportionally charge larger box stores more and smaller independently owned businesses less. Currently, the City of Salem does not collect employee numbers from businesses, however, data can be collected from the US Census Bureau. Unfortunately, without their own data source, the US Census data does not connect the number of employees to specific places of business, but a general area. This is illustrated in Figure 1as a heat map with darker blue areas having higher employees and lighter blue areas having less. This may administratively make it difficult for the City of Salem to know a company's employee headcount and tax them accurately.

Alternatively, the City of Salem could be parceled out into zones depending on job concentration and each zone would pay the same fee. An estimate of fees could be as follows:

- 5-1,810 Jobs/sq. mile = $XXX per month
- 1,811-7,226 Jobs/sq. mile = $XXX per month
- 7,227-16,253 Jobs/sq. mile = $XXX per month

- 16,254-28,891 Jobs/sq. mile = $XXX per month
- 28,892-45,140 Jobs/sq. mile = $XXX per month

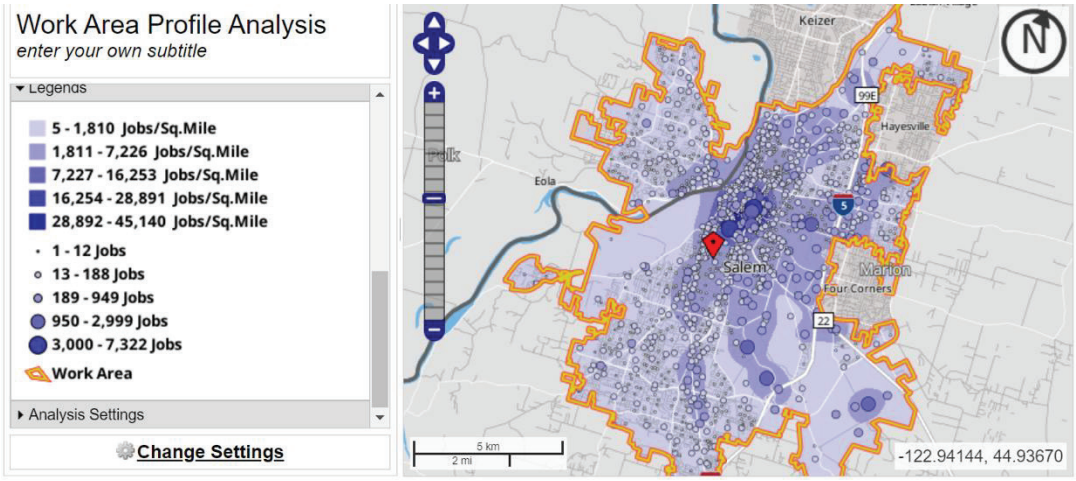

Figure 1: Heat map of Salem illustrating range of employment density

Alternative option 3: Zoning

A slightly different approach than employee count would be large business location as it relates to zones areas of Salem. Typically, large box stores are clustered in specific areas, which would help the City charge certain areas with shopping malls more. Data for this approach can be gathered by checking address of big box stores against GIS. Some examples being:

- Walmart (3025 Lancaster) = MU-1
- Walmart (5250 Commercial St. SE) = MU-3
- Walmart (1940 Turner) = IC (Ind. Comm)
- Costco – CR (Retail Commercial)
- Check grocery stores and other department stores?? (Fred Meyer, Safeway, Winco, Home Depot, etc.)
- Or could we look into Master Planned Developments

A drawback to this system could become less sustainable and convenient than other approaches because there are two parts to data collection: keeping tabs on box store locations, and tracking which zone they are in. This also could become less equitable to because it very clearly targets large stores and is less of a universal approach.

Appendix B: Grants Pass' Car Trips per Day Proposal

Table 8: Grants Pass' Proposed Public Safety Utility Fee Table

COMMERCIAL USES	Examples of Uses	Trips per area	Commercial A	Commercial B	Commercial C	Commercial D	Commercial E	Commercial F	Commercial G	Commercial H
		Trips per day per square feet (sq ft)	Up to 250 trips	251-500 trips	501-1,000 trips	1,001-1,500 trips	1,501-2,000 trips	2,001-3,000 trips	3,001-5,000 trips	Over 5,001 trips
General Office	General office, corporate office	10 trips per 1,000 sq ft	25,000 sq ft	50,000 sq ft	100,000 sq ft	150,000 sq ft	200,000 sq ft	300,000 sq ft	500,000 sq ft	More than 500,000 sq ft
Non-Profit	Offices, church, day care	6 trips per 1,000 sq ft	41,667 sq ft	83,333 sq ft	166,667 sq ft	250,000 sq ft	333,333 sq ft	500,000 sq ft	833,333 sq ft	More than 833,333 sq ft
Medical office	Medical/dental clinic	24 trips per 1,000 sq ft	10,417 sq ft	20,833 sq ft	41,667 sq ft	62,500 sq ft	83,333 sq ft	125,000 sq ft	208,300 sq ft	More than 208,300 sq ft
Hospital	Hospital	16 trips per 1,000 sq ft	15,625 sq ft	31,250 sq ft	62,500 sq ft	93,750 sq ft	125,000 sq ft	187,500 sq ft	312,500 sq ft	More than 312,500 sq ft
Minor traffic retail	Furniture, toy, whole sale market, nursery, recreational facility	6 trips per 1,000 sq ft	41,667 sq ft	83,333 sq ft	166,667 sq ft	250,000 sq ft	333,333 sq ft	500,000 sq ft	833,333 sq ft	More than 833,333 sq ft
General retail	Shopping center, home improvement, electronic, clothing, pharmacy, lumber, specialty retail, paint store	36 trips per 1,000 sq ft	6,944 sq ft	13,889 sq ft	27,778 sq ft	41,667 sq ft	55,556 sq ft	83,333 sq ft	138,889 sq ft	More than 138,889 sq ft
Moderate traffic retail	Bank, grocery, video, restaurant, convenience, movie theatre, gas station	48 trips per 1,000 sq ft	5,208 sq ft	10,417 sq ft	20,833 sq ft	31,250 sq ft	41,667 sq ft	62,500 sq ft	104,167 sq ft	More than 104,167 sq ft
High traffic retail	Fast food, drive through bank, drive through beverage	96 trips per 1,000 sq ft	2,604 sq ft	5,208 sq ft	10,417 sq ft	15,625 sq ft	20,833 sq ft	31,250 sq ft	52,083 sq ft	More than 52,083 sq ft
Automobile sales	New or used car sales, recreational vehicle sales	24 trips per 1,000 sq ft	10,417 sq ft	20,833 sq ft	41,667 sq ft	62,500 sq ft	83,333 sq ft	125,000 sq ft	208,330 sq ft	More than 208,330 sq ft
Motel, hotel	Motel, hotel	9 trips per room/unit	28 rooms	56 rooms	111 rooms	167 rooms	222 rooms	333 rooms	556 rooms	More than 556 rooms
Industrial	Heavy, light, industrial park, manufacturing, warehouse, mini-warehouse	4.5 trips per 1,000 sq ft	55,556 sq ft	111,111 sq ft	222,222 sq ft	333,333 sq ft	444,444 sq ft	666,667 sq ft	1,111,111 sq ft	More than 1,111,111 sq ft

(Source: https://www.grantspassoregon.gov/1960/How-would-this-fee-work)

Appendix C: Additional case studies

Lake Oswego Case Study

Introduction

This memo will begin with a broader picture of revenue trends in Lake Oswego and Salem, Oregon. Subsequently, this memo will provide analyses of Lake Oswego's Street Maintenance Fee (SMF). A component of this evaluative effort will include comparisons with Salem's current operations fee. These analyses will provide necessary context to help guide the City of Salem's operations fee efforts. The relevant analyses will be followed by a list of recommendations intended to help the City more effectively administer its operation fee.

The evaluative criteria for these analyses will include: equity, administration, neutrality, productivity, certainty, and convenience. Equity refers to the allocational distribution of differential effects on social groups. These differential effects can affect income groups, as well as industries or communities. Efficiency refers to the ease of a fee's administration. Neutrality references a relative lack of consumer-driven market distortions. Productivity relates to the revenue-generation potential of a fee. Certainty alludes to a fee's revenue predictability.

Revenues

The three largest revenue sources in Lake Oswego's general fund for the fiscal 2023-25 biennium are:

1. Property taxes
2. Charges for services

3. Sales and services (City of Lake Oswego, n.d.)

Before moving on, it is hard to assess the relative proportionality of Lake Oswego's SMF within the broader context of the City's operating budget. This is because the fee is part of the City's Street Fund (City of Lake Oswego, n.d.), which also receives substantial funding through motor vehicle fees administered by the State of Oregon. Additionally, the relevant fee is not part of the City's General Fund, but instead operates as part of a distinct Public Works fund (City of Lake Oswego, n.d.).

Revenue Comparisons

Salem's three largest general fund revenue sources are:

1. Property taxes
2. Intergovernmental transfers
3. Sales, fees, licenses, and permits (City of Salem, n.d.)

The City of Salem maintains property tax revenue ratios comparable to Lake Oswego's. Property taxes are estimated to comprise 50% of Salem's budgeted FY 2024 general fund revenues (City of Salem, n.d.). This is only slightly higher than Lake Oswego's 44% rate. However, Salem collects cannabis taxes, and relies more heavily on intergovernmental transfers (City of Salem, n.d.).

Street Maintenance Fee description Rate, Base, and Yield

As of July 1, 2023, Lake Oswego charges residents of single-family homes at a rate of $5.60 and those of multi-family dwellings $3.90 per month (City of Lake Oswego, n.d.-d). The City also charges larger business or industrial sites rates of $3.40, $7.60, and $28.60 per 1,000 square feet on a monthly basis, depending on their relative classification level (City of Lake Oswego, n.d.-d).

The City does not include the number of affected sites, likely because of changes in property vacancies and associated administrative challenges. Thus, the total base cannot be effectively calculated for this memo.

For yield, for FY 2006-07, Lake Oswego took in $1.13 million. The City projects that increases to the FY 2023 rates described above will contribute an additional $1.5 million to their Street Fund (City of Lake Oswego, n.d.-d).

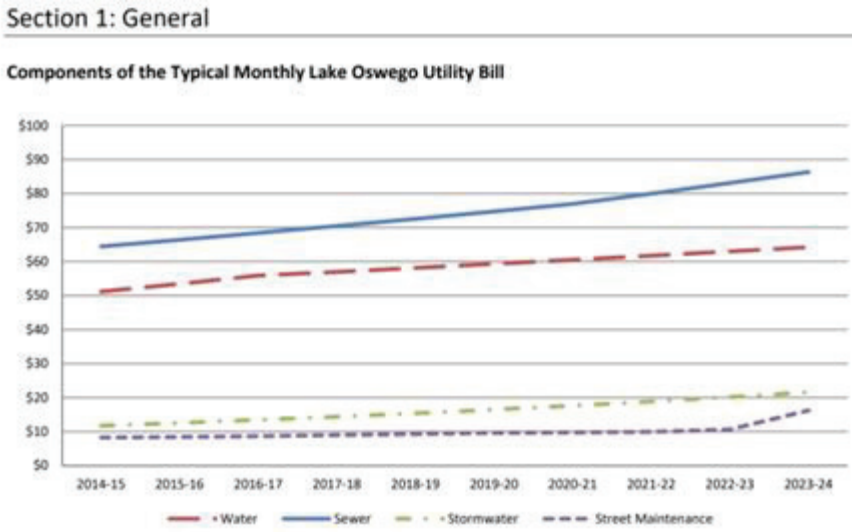

Figure 1

Restrictions

Lake Oswego's SMF is restricted by municipal code to paying for the "costs of operation, maintenance, repair, engineering, improvement, renewal, replacement and reconstruction of the city street system" (City of Lake Oswego, n.d.-c). It is important to note that the relevant limitations only apply to city streets. This excludes transportation networks maintained by other governments.

Administration

Fees are assessed based on a calculation of the relative intensity of an occupied parcel's trip generation potential. After such an assessment, fees are collected monthly through pre-existing municipal utility billing processes. Unlike other municipalities with similar fee structures, Lake Oswego does not have a dedicated administration officer to oversee the relevant collection efforts.

Classification of users

As noted above, Lake Oswego's SMF is assessed based on non-governmental user classification levels. Detached single-family residences and multi-family structures (e.g., apartment buildings) form one classification category. The second classification, non-residential, category is based on trip generation rates set by the Institute of Transportation Engineers (City of Lake Oswego, n.d.-d). These rates are based on the number of daily vehicle trips generated by each 1,000 square feet of a building space's gross floor area. Parking garages within a building are excluded from the definition of gross floor area (City of Lake Oswego, n.d.-c). Governmental structures are generally exempted from this fee (City of Lake Oswego, n.d.-c). There are also processes for exempting vacant properties from the fee.

There are three distinct non-residential groups, with the first representing the fewest trips, the second an intermediate range, and the third the most intense trip generation rates. Trip generation starts at 29 or fewer for the first group. 29 to fewer than 90 trips are represented by the second group. The third group covers any non-residential structure generating more than 90 trips per day (City of Lake Oswego, n.d.-e).

The City maintains a database of utility service users and building permit or license holders. Unique identifying data beyond the scope of municipal governance is not part of the classification process.

Approval process

Lake Oswego's SMF was created by local ordinance 2373 in 2003 (League of Oregon Cities, n.d.). The fee was not approved by local voters. The City's SMF also does not include a sunset provision. Periodic adjustments to the fee are adopted by the City Council.

Evaluation

Equity

There are two components to an equity assessment: horizontal and vertical. Horizontal equity refers to allocational differences among social groups. Vertical equity refers to allocational differences among income groups. Lake Oswego's SMF performs well on both of these equity metrics. The fee is assessed based on neutral trip-generation estimates and is uniformly applied within classification groups. Multi-family residential rates are lower than those for single-family home dwellers; people in single-family homes, even when renting, generally possess more means to pay. For non-residential rates, buildings that generate fewer trips pay considerably lower rates. While this may not necessarily correlate with a building's income-generation potential, it is explicitly linked to a given property's relative usage of city services.

Administration

The City's SMF performs well on this metric, as the public costs of implementing the program do not materially interfere with the goal of generating revenue for local transportation needs. By integrating billing into pre-existing utility billing and land use structures, the City essentially only pays to maintain the rolls and for any additional paper, printer ink, et cetera used.

Neutrality

Given Lake Oswego's relatively high utility bills and recent increases to the SMF, it is possible that non-residential property owners could relocate based on the fee. Thus, it performs poorly on neutrality.

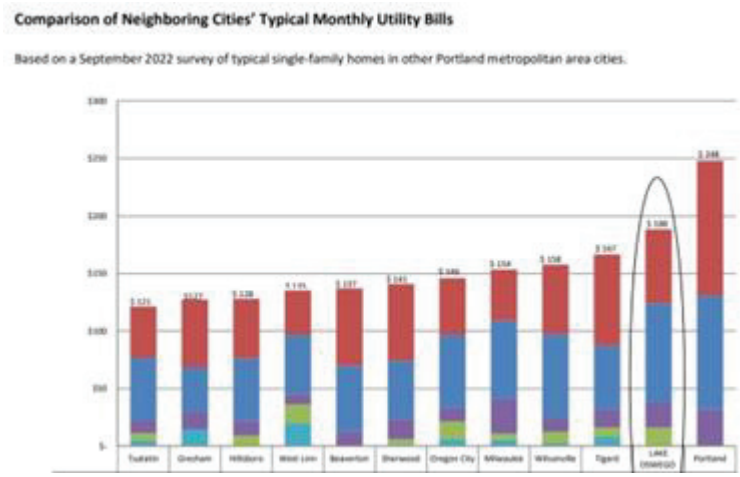

Figure 2

Productivity

The SMF performs well on this metric based on its stable revenue-generating potential.

Certainty

Lake Oswego's SMF performs well on this evaluative criterion because the rules are publicly displayed and uniformly applied based on an objective formula.

Convenience

The SMF performs well on this metric, as it is integrated into pre-existing utility billing structures. Users likely possess the ability to auto-pay their bills with a linked checking account with minimal effort.

Recommendations

Based on the information presented above, three recommendations are provided below:

1. Salem should adopt an operations fee structure based on trip generation metrics. These metrics are objective and readily adaptable to local conditions. These metrics would also alleviate any need to develop costly new assessment models. This adoption should be approved initially and then on an *ad hoc* basis by the City Council.
2. Salem should dedicate the operations fee to the provision of specific municipal services, rather than merely the general fund. While addressing deficit needs and providing operational flexibility are good things, dedicated funding can help citizen-consumers better understand and accept fees. This, in turn, could impact compliance and collection rates.
3. Salem should create a separate fund within the general fund budget specifically for the fee to assess its ongoing impact.

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Medford Case Study

The purpose of this memorandum is to gather information regarding revenue generation from the operations fee in the City of Medford – how it is administered and collected, and how it was initially authorized. It will include: (1) A revenue summary, (2) revenue comparison, (3) an operations fee summary, (4) evaluation, and (5) a recommendation about whether the fee should be considered as an adoptable model for the City of Salem.

Revenue Summary: Medford

It seemed pertinent to include revenues for Medford's total budget and General Fund, and the overall share of revenues the operations fees constitutes. Operations Fees in the City of Medford are called Utility Fees. This makes it somewhat difficult to distinguish between more familiar utility fees, such as Storm Drain, Sewer, Sewage Treatment and Sewer Collection Utility Fees. The fees described and evaluated in this memorandum are the Park, Street, and Public Safety Utility Fees, the latter of which is distinguished between Police and Fire Utility Fees.

Total Budget

The major revenue sources for the total budget are Property Taxes, supporting 25% of the total budget; Charges for Services, supporting 22% of the total budget; and Service Pay & Transfers, supporting 14% of the total budget. Utility Fees totaling $34,326,800, constitute 8.9% of City-Wide revenues – Park (0.7%), Street (4.6%), and Public Safety (3.5%).

General Fund

The major revenue sources for the General Fund (GF) are Property Taxes, supporting 56% of the General Fund; Service Pay & Transfers, supporting 13% of the General Fund; and Franchise Fees, supporting 12% of the General Fund. $2,771,600 of Street Utility Fees collected go to the general fund, constituting 1.6% of General Fund revenues.

Medford-Salem Revenue Comparison

Property taxes for the City of Salem constitute $82,628,050, or 40.1%, of the GF, which totals $206,270,670. Beyond their cash balance, constituting 18.7% of their GF, Franchise Fees and Fees for Services / Other Fees constitute the largest resources, at $21,573,020 or 10.5%, and $18,920,610 or 9.2%, respectively. The City of Salem's Operations Fee is specifically for GF solvency. A one-time increase is specified on page 5 of their budget document, but revenues derived from the fee are unspecified, though it would make the most sense for it to constitute a portion of the Fees for Services / Other Fees Resource Category.

Property tax revenue constitutes a larger portion of GF revenues for the City of Medford than the City of Salem, which is potentially why the City of Medford does not levy Utility Fees to fund their GF specifically. The City of Medford, instead, levies Utility Fees whose revenues funnel back into their designated fund. For example, the Park Utility Fee is the sole funding source for the Park Utility Fund, whose purpose is to provide "for the operation, maintenance and construction of parks, facilities, beautification, and right-of-way areas" (City of Medford, Oregon, 5-10).

Operations Fee: Medford

The rate, base and yield of Medford's Utility Fees are described, along with their use (restricted/unrestricted), and authorization.

Rate, Base & Yield

Rate for 2023-2024:
Street $6.99
Public Safety $12.49
Park $5.35

The Street Utility Fee rate declined in fiscal year (FY) 2022-2023 from $7.35 to $6.99 in FY 2023-2024. The Public Safety Utility Fee increased from $9.42 to $12.49, and the Park Utility Fee remained the same.

The fee base remains unclear. Pursuant to Medford's Municipal Code, section 4.761(1)(a), "the rate per account per month shall be the monthly fee, which is equal to the quantity x (modified average daily trips x pass-by trip factor) x the rate." This applies to "each and every legal address within the City" (4.761(1)(a)). Park and Public Safety Utility Fees are clearer – a flat rate "for each developed parcel," and "for each residential dwelling unit, business unit or tenant space existing on that parcel" (4.1011(1), 4.1111(1)). No further information was found which would help one deduce the fee base.

Overall yield can be seen in Figure 1.

Figure 1. Overall Utility Fee Yield.

Fund	Charges for Services	To GF

Public Safety				
Police Public Safety (200)	$	8,646,800.00		
Fire Public Safety (300)	$	4,977,700.00	$	-
Street Utility (500)	$	17,840,800.00	$	2,771,600.00
Park Utility (600)	$	2,861,500.00	$	-

(https://www.medfordoregon.gov/files/assets/public/v/1/finance/documents/budgets/biennial-budget-2023-2025-adopted-online-version.pdf)

Restricted/Unrestricted

Utility Fee revenues are restricted to their designated funds. A portion of the Park Utility Fee also goes to the operations and payments for the bonded debt used to finance of the Rogue X, an event center and aquatics facility. Utility Fees and their designated funds can be seen in Figure 2, and an exhaustive table of fund appropriations can be seen on page 11-2, 3 of Medford's budget document.

Figure 2. Restricted Utility Fee Revenues

Fund	**Major Revenue Source**	**Fund Restrictions**
Public Safety Police Public Safety Fire Public Safety	Public Safety Utility Fee	Funds can only be spent on law enforcement activities / fire service activities (3-18, 4-13)
Street Utility	Street Utility Fees	"Funds are limited to the operation and maintenance of City streets and related facilities (9-13)"
Park Utility	Park utility fee (5-10)	-

(https://www.medfordoregon.gov/files/assets/public/v/1/finance/documents/budgets/biennial-budget-2023-2025-adopted-online-version.pdf)

Authorization

Authorizing figures are:

- City Manager/Budget Officer
- City Council
- Municipal Code

Pursuant to Medford's Municipal Code, section 7.763(1), "the City Engineer shall determine the [Street Utility] fee for each utility account in accordance with the customer's classification." The Park and Public Safety Utility Fees don't include such details.

Both the Municipal Code and the budget document are unclear regarding fee administration, though it's the Utility Billing Services Division that collects the fee (10-20). Database- and data source-information used throughout the administrative process is also unclear.

Evaluation

Evaluative criteria include equity, efficiency/administration, neutrality, productivity, certainty, and convenience.

Equity

Score: Poor

Regressive, as the fee remains the same across disparate incomes

Vertically inequitable

Efficiency/Administration

Score: Poor

Complicated formula

Formulas vary by 'bundle' classification: Automotive, Banks, Food, Government Facilities, Health Services, Industrial, Office, Recreation, Religion-Houses of Worship, Residential, Retail, Schools; Day Care Centers, Transportation (City of Medford's Municipal Code, section 4.763, Table 4.1)

Neutrality

Score: Very Good

Levied across a broad base – "for each developed parcel," and "for each residential dwelling unit, business unit or tenant space existing on that parcel" (City of Medford's Municipal Code, section 4.1011(1), 4.1111(1))

Singular and, therefore, "flat" rate levied

Productivity

Score: Very Good.

"Sufficient funding is collected" (10-20)

Certainty

Score: Poor

Formulas for Street Utility Fees are unclear

Convenience

Score: Very Good

Bills are "rendered monthly," and "payable 15 calendar days from date of billing" (City of Medford's Municipal Code, section 4.1202.

There is an easy-to-use 'Pay My Bill' page on the City's website (https://utilitybilling.cityofmedford.org), or an auto-pay option (https://www.medfordoregon.gov/Government/Departments/Finance/Utility-Billing) in which residents can personalize a draw-date, or choose the 10th of each month.

Recommendation & Conclusion

Medford's Utility Fee is *Poor* based on the evaluative criteria of equity, efficiency/administration, and certainty. Further, fee allocations between cities are different. For the City of Medford, fee revenues are allocated to their designated funds, while the City of Salem allocates their fee revenue to their General Fund. Even if Medford's Utility Fee scored *Very Good* based on the evaluative criteria of neutrality, productivity and convenience, it would be too much of an administrative burden to adopt Medford's Street Utility Fee *formula*, let alone the entire manner of operations fee. In conclusion, it is recommended that the Budget Director look elsewhere for an operations fee model.

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Hillsboro Case Study

Background

In 2008, the Hillsboro City Council established the Transportation Utility Fee (TUF). This fund was meant to directly connect to the city government's goal of providing well-paved roads and consistent sidewalks for their community. Traditionally, the main revenue in the City of Hillsboro's transportation fund has been the state and county tax on gasoline. The city has relayed heavily on this revenue for road-way maintenance projects. However, in recent years, revenue from this tax has slowly declined due to an increase in electric vehicles and the use of alternative fuels. This decline in revenue is projected to continue. In order to bridge the growing gap between revenue from the state and county

Property Type Category	Charge per Unit
1 (Example: Manufacturing; 250,000 sq ft)	$0.27 sq ft
2 (Example: Church; 30,000 sq ft)	$0.73 sq ft
3 (Example: Specialty Retail Center; 15,000 sq ft)	$2.32 sq ft
4 (Example: Quality Restaurant; 7,000 sq ft)	$5.26 sq ft
5 (Example: Drive-in Bank; 5,000 sq ft)	$14.67 sq ft
6 (Example: Fast-food w/ Drive-through; 3,000 sq ft)	$37.50 sq ft
7 (Example: Gas Station w/ 12 fueling pumps)	$0.06 trips

Figure 1: Rate per commercial property type[25]

gas tax and the persisting upkeep for local streets and demand for bikeways, the City Council adopted the TUF in 2008, which later came into effect in 2009. The charge for this tax is included in residence utility fees and is very similar to operation fees in other cities like Salem.

Fee Basics

Rates and Structure

The TUF is based on the use of roads and the proportion of residential and non-residential roadways. Because the fee is collected from everyone in Hillsboro, including schools and government agencies, there is more revenue to improve paving throughout Hillsboro. In the 2020-2021 fiscal year, the TUF generated $3.8 million for the Pavement Management Program and $1.2 million for the Bicycle and Pedestrian Capital Improvement Program. In the 2023-2025 biennial budget, it was estimated that Hillsboro will earn 6.2% of its total revenue via transportation funds. The TUF makes up about 25% of this money and is grouped with the state and county gas tax and other transportation fees. (2023-2025 Adopted Biennial Budget, 2023)

There is a fixed rate for single-family and multi-family residential homes. Businesses, government agencies, schools, and nonprofits pay a base charge in addition to a charge based on their property type, which in most cases is calculated by the location square footage. Figures 1 and 2 illustrate the rate breakdown for residential properties and commercial properties in Hillsboro.

Residential residents are the only ones who contribute to the Bicycle and Pedestrian Capital Improvement fund. In Figure 2, the fee associated with single and multi-family homes is divided during the budgeting process; roughly a third (28%) of the tax paid goes to the bicycle and pedestrian fund, while the rest goes to general pavement maintenance. Commercial residents do not contribute to the bicycle fund; 100% of their fee goes to the Pavement Management Program (PMP).

Residence Type	Monthly Fee
Single-Family Residential $9.11	
Multi-Family Residential $8.20	

Figure 2: Rate per family home type

Fee Administration and Collection

This fee is collected through utility bills, identically to how an operating tax might be collected. As described above, the fee has a tier system typically depending on a company's square footage or whether a resident lives in a single or multi-family home. However, the City of Hillsboro also offers discount programs. The discount programs are dependent on a proven reduction in use of roadways. For residents, the plans include a motor vehicle discount for households where no one owns a vehicle, or a transit pass discount where at least one person has an annual TriMet pass. For commercial residents, there is an employer transit pass discount where the employer purchases employees annual TriMet passes, or an employer department of

environmental quality ECO program when employers have an Employee Commute Option (ECO) program.

Fee Approval and Authorization

On the Hillsboro city website and biennial budget, it is noted that the fee was created by City Council in 2008 and officially approved in 2009. There is no mention of public input, however the City has done a number of reviews on the program. In 2015, the City Council adopted a 5-year progressive increase in the TUF fee in order to clear previous backlogs of pavement maintenance. Later in 2019, the City reviewed TUF again and adopted price adjustments that went into effect in 2020. This modification was intended to make costs more equitable across the Hillsboro population (*Transportation Utility Fee, 2023).*

Analysis

Equity

This fee system ranks somewhere in the middle when it comes to equity. Although there are reduction options and fee scales, they appear to be difficult to attain, especially for low-income populations. The option of not having a car may be difficult for a family that needs to commute to work. TriMet is an encouraged option for transportation, but it is limited in its reach and may not be a feasible replacement for a car in some cases. Additionally, lower-paying position or locally owned businesses may not have an employer willing or able to pay for annual TriMet passes.

Neutrality

The TUF is consistent across Hillsboro residence and is even required for schools, government officials, and nonprofits. This ensures that Hillsboro will have a large tax base, making income more reliable. Beyond this, billing commercial residence via square footage makes this a more regressive tax.

Fee Criteria	Score
Equitable	Fair
Neutral	Good
Efficient	Excellent
Certain	Good
Convenient	Excellent
Productive	Excellent

Figure 3: TUF Score Card

Effective Administration

Costs to collect the TUF are relatively low.

Because fees are based either on household type, or commercial property size, what a resident must pay does not fluctuate much from year to year. This also means that data the City pulls from to calculate the tax does not need to be frequently updated. Additionally, because this is included in utility bills, the city does not have to worry about additional advertisement and collection of the fee.

Certainty

The levels of this tax are clearly illustrated and explained online, with multiple supporting documents to further explain the fee tiers for commercial residents. Hillsboro does a good job clearly communicating the full lifecycle of this fee, from the fee structure to what the money is spent on. The website is also available in Spanish, likely because 23.9% of the Hillsboro population identifies as Hispanic (Population & Diversity, 2021). However, supporting PDFs with more in-depth information are only available in English.

Convenient

This fee is extremely easy for residents to pay and for the City to collect because it is a part of existing utility fee mechanisms.

Productive

As mentioned above, this revenue source is reliable and productive because it is required from everyone, including resident types that often receive tax breaks. Making the fee mandatory for everyone ensures Hillsboro city government with a consistent and robust stream of revenue.

Recommendation

Overall, the Transportation Utility Fee has many strengths and seems to be providing a steady service to Hillsboro residents. It ranks well across the board on equity, neutrality, effectiveness, certainty, convenience, and productivity. The TUF's biggest drawback is that its fee structure and measurement tools appear less than equitable for the diverse Hillsboro population.

Salem should consider adopting a fee like this in addition to their current operating fee if voters are amenable. Because Salem's current fee has looser restrictions on use, it is filling gaps for more than one need across their budget. They may experience unintended setbacks if they choose to switch from their current operating fee to a narrow transportation fee like TUF. More generally, Salem can learn from the efficiency, convenience, and productivity of Hillsboro's TUF.

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Tigard, OR Case Study

This memo provides an overview of the City of Tigard's Street Maintenance Fee to better understand how the city's current fee structure could be used to inform the restructuring of the current Salem operations fee.

Street Maintenance Fee Overview

The City of Tigard implemented its street maintenance fee in 2004 through a city council ordinance to support the timely maintenance of public streets and to reduce increased costs stemming from deferred maintenance. Funds collected for the street maintenance fee are deposited into the street maintenance fee fund and restricted only for street maintenance (including engineering, evaluation, project management, and other costs related to the completion of street maintenance projects). However, the finance director is given the authority to invest a portion of the fee in accordance with state laws to generate additional revenue for the fund (15.20.040 Street Maintenance Fees Allocated to the Street Maintenance Fee Fund., n.d.).

The street maintenance fee rates were determined using the following guidelines based on the average annual cost of the city's five-year maintenance and reconstruction plan for street infrastructure (15.20.050 Determination of Street Maintenance Fee., n.d.):

- 62% of costs to maintain arterial streets are allocated to non-residential uses, with 38% allocated to residential
- 100% of costs to maintain local commercial and industrial street maintenance allocated to non-residential uses
- 50% of costs to maintain collector street maintenance allocated to residential and non-residential uses
- 100% of neighborhood street maintenance allocated to residential

The fee is billed monthly to resident and business utility accounts according to the rates detailed in Figure 1. Residents are charged on a per-unit basis, while non-residential units are charged per minimum required parking space established by the City of Tigard's Community Development Code(City of Tigard, 2023).

Figure 1

Tigard, OR Street Maintenance Fee Rates

Residential (Single and Multi-Family)	$8.52/unit
Non-Residential Rate	$2.79/minimum required parking

Source: City of Tigard, OR Fees & Charges Schedule

The current fee structure is forecasted to yield $ 3.7 million in the 2023-2024 fiscal year (Figure 2), with residents paying 69% of the overall costs and non-residential uses covering the remaining 45%(Schmidt, 2010).

Figure 2

Special Revenue Fund - Street Maintenance Fee

Street Maintenance Fee	$	3,525,800
Interest Earnings	$	188,900
Fund Total	$	3,714,700

Source: City of Tigard FY 2023-2024 Budget

Revenue Analysis

Tigard's three largest funds out of its total budget are the General Fund, Water Fund, and the Central Services Fund, which account for 57% of the city's budget. In contrast, the city's street maintenance fund accounts for only 2% of the annual budget (Appendix A). However, while this percentage seems insignificant, the street maintenance fee is forecasted to yield $3.7 million in revenue for the 2024 fiscal year (Adopted Budget FY 2023-2024, n.d.-a). The City of Salem's current operations fee, similar to T Tigard's, also accounts for 2% of the city's total budget (Appendix B). However, the revenue generated from Salem's operations fee is significantly higher at $13.5 million (Adopted Budget FY 2023-2024, n.d.-b). However, given the difference in the size of the two cities, the difference in yields is to be expected.

Fee Evaluation

To assess the feasibility of adopting Tigard's street maintenance fee structure as an alternative method of restructuring Salem's operations fee, the City must consider the criteria of equity, efficiency, neutrality, productivity, certainty, and convenience in addition to its impacts on city revenues.

The fee meets or fails to meet these criteria as follows:

- **Equity:** The current fee structure does not meet the criteria for equity. Though the fee is relatively low for residents and businesses, the flat rate for residential uses makes the tax regressive, with those making lower wages paying a higher portion of their income. For non-residential uses, the fee does try to capture the variation in

capacity of non-residential uses by using minimum parking requirements as a proxy for road uses. However, the major equity issue regarding this fee structure is the unequal burden the fee places on residents to support street maintenance (69% of overall costs). In contrast, non-residential uses, which result in more intensive use of streets by residents, employees, and visitors, only cover 45% of costs (Schmidt, 2010).

- **Efficiency:** The fee meets the criteria for efficiency; given that the fee is applied to users' monthly utility bills, there is little effort needed regarding administrative costs and labor. In addition, the City uses readily available information to assess the fees for residential and non-residential uses.
- **Productivity:** The fee meets the criteria for certainty. In 2010, the City raised fees to generate an estimated $1.8 million in revenue. Revenue forecasts for the 2023-2024 fiscal year significantly exceed this estimation, with a forecasted revenue of $3.7 million. Tigard's only concern would be potential decreases in future non-residential fee base given the elimination of minimum parking requirements.
- **Certainty:** The fee does not meet the criteria for certainty. One major issue with the structure of the street maintenance fee is that it relies on minimum parking requirements to assess the fee for non-residential uses. To meet the criteria for certainty, the rules for taxation must be clearly stated; however, recent changes to Oregon's land use laws have prompted Tigard City Council to eliminate minimum parking requirements from its development code, the aspect in which the fee assesses rates for non-residential uses. This discrepancy has gone unaddressed in the city's street maintenance fee ordinance.
- **Neutrality:** The fee meets the criteria for neutrality. Though the fee could be considered neutral for residential users, with recent changes to the city's minimum parking requirements, there is a potential incentive for non-residential users to forgo or limit needed off-street parking. However, given that parking is an important factor to customers visiting businesses (especially big-box stores), this issue is unlikely to have a significant impact.
- **Convenience:** The fee meets the criteria for convenience. The fee is applied to customers' monthly utility bills, making payment easy and predictable as it can be paid with monthly utilities with minimal effort.

Recommendations

I recommend that the City of Salem consider the structure of Tigard's street maintenance fee in restructuring the **non-residential operations fee rate** along with the following adjustments:

- Charge the fee rate based on the total number of off-street parking spaces owned or shared by non-residential payers to clarify the structure to payers considering changes to minimum parking requirements.
- Do not consider the fee structure for residents due to its regressive nature.
- Adjust rates for non-residential payers that accurately reflect their use of resources to lessen the burden on residential payers.

Appendices

Appendix A

FY 2023-2024 Budget - Summary of Funds

Fund		Total Fund Revenue	% of Budget
General Fund	$	40,558,700	27%
Gas Tax Fund		5,628,900	4%
City Gas Tax Fund		1,056,300	1%
Transient Lodging Tax Fund		837,200	1%
Electrical Inspection Fund		365,000	0%
Building Fund		3,874,200	3%
Criminal Forfeiture Fund		144,200	0%
Urban Forestry Fund		48,900	0%
Parks Utility Fund		2,806,200	2%
Bancroft Debt Service Fund		13,400	0%
General Obligation Debt Service Fund		3,093,600	2%
Facilities Capital Projects Fund		61,100	0%
Transportation Development Tax		2,472,500	2%
Underground Utility Fund		103,300	0%
Street Maintenance Fund		**3,714,800**	**2%**
Transportation SDC Fund		1,695,200	1%
Parks Capital Fund		4,170,256	3%
Parks Bond Fund		0	0%
Parks SDC Fund		1,669,100	1%
Transportation CIP Fund		892,400	1%
Sanitary Sewer Fund		5,296,200	4%
Stormwater Fund		6,446,000	4%
Water Quality/Quantity Fund		0	0%
Water Fund		30,280,900	20%
Water SDC Fund		1,701,050	1%
Water CIP Fund		0	0%
Water Debt Service Fund		97,700	0%
Central Services Fund		14,698,983	10%
Public Works Admin Fund		2,099,198	1%
Public Work Engineering Fund		3,242,497	2%
Fleet/Property Mgmt. Fund		2,417,303	2%
Insurance Fund		457,000	0%
Library Donations/Bequests		20,400	0%
Construction Excise Tax Fund		1,091,780	1%
Police Levy		2,295,600	2%
Information Technology Replacement Fund		1,892,974	1%
Facilities Replacement Fund		1,499,696	1%
Fleet/Vehicle Replacement Fund		2,245,366	2%
Transportation TNC Fund		111,000	0%
Pandemic Relief Fund		0	0%
Total Budget Revenues	$	149,098,903	100%

Source: City of Tigard FY 2023-2024 Budget

FY 2023-2024 Budget - Summary of Funds

Fund		Total Fund Revenue	% of Budget
General Fund (minus operations fee)	$	172,610,470	23%
Operations Fee		**13,573,690**	**2%**
Transportation Services Fund		20,201,970	3%
Streetlight Fund		2,507,650	0%
Airport Fund		2,545,670	0%
Community Renewal Fund		11,318,570	1%
Downtown Parking Fund		1,072,080	0%
Cultural and Tourism Fund		5,025,690	1%
Public Art Fund		72,350	0%
Tourism Promotion Area Fund		1,350,000	0%
Leasehold Fund		960,930	0%
Building & Safety Fund		8,357,330	1%
General Debt Service Fund		24,272,890	3%
Capital Improvements		157,794,450	21%
Extra Capacity Facilities Fund		56,544,110	7%
Development District Fund		10,459,140	1%
Utility Fund		139,354,630	18%
Emergency Services Fund		5,983,950	1%
Willamette Valley Community Center Fund		16,148,830	2%
Police Regional Records System Fund		273,750	0%
City Services Fund		14,266,370	2%
Self Insurance Benefits Fund		37,648,530	5%
Self Insurance Risk Fund		10,946,330	1%
Equipment Replacement Reserve Fund		26,893,590	4%
Special Revenue Fund - Trust		16,084,320	2%
Total Budget Revenues	$	756,267,290	100%

Source: City of Salem FY 2023-2024 Budget

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https://www.quora.com/Who-are-some-major-employers-around-Salem-Oregon

Appendix B: Commercial Group B Final Report

UNIVERSITY OF OREGON

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To	Josh Eggleston, Chief Financial Officer, City of Salem
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SUBJECT	**GROUP PROJECT – COMMERCIAL A**

Overview and Purpose

The intention of this memorandum is to provide strategies for the City of Salem to implement its recently adopted operations fee more equitably and effectively. For commercial properties, Salem collects the fee through utility bills, which are based on utility account classification rather than property value. The purpose of the operations fee is to generate stable revenue that will bolster the city's general fund and help finance existing emergency, library, park maintenance, social, and other essential services. For each collection approach, the methodology and data collection processes will be provided and discussed. Each strategy will be assessed based on the estimated financial yield and the degree to which each approach meets the six evaluative criteria: equity, efficiency, neutrality, productivity, certainty, and convenience. The memo will conclude with a recommendation that demonstrates administrative practicality, generates the strongest yield, and performs more equitably than Salem's current operations fee.

Collection Approaches

Approach 1: Adjustments to Stormwater Base Fee

The City of Salem's existing stormwater utility fee was approved by the city council in 2010 and implemented in 2016. The stormwater fee structure consists of a base fee and the amount of impervious surface located on a parcel, which is broken down into 3 tiers for single family residences (SFR), and a calculation for equivalent dwelling units on a commercial parcel. Seven years have passed since the implementation of the base fee and the 3-tiered rates system. The existing SFR fee structure is based on the distribution of SFR ratepayers and the total impervious area on those properties. Salem's Stormwater Information Report indicates that the existing approach has been unable to generate revenue for the City and was initially implemented to cover costs of the stormwater programs.[1, 2] An important consideration of this approach is rising inflation rates, which have decreased the value of the dollar by 41%, thus warranting an update to the original base rate to cover increasing costs.[3]

[1] City of Salem (2012, September 21). *Salem's Stormwater Utility Information Report.* https://www.cityofsalem.net/home/showpublisheddocument/570/637786393954770000.
[2] Statesman Journal (2010, December 12). *Creating Stormwater Utility Was Right Move.* Print, sec. 10C.
[3] U.S. Bureau of Labor Statistics (2023). *CPI Inflation Calculator.* https://www.bls.gov/data/inflation_calculator.htm.

This approach suggests revisiting the baseline fee to generate revenue more effectively for the City and target commercial retailers with a larger impact on the stormwater system. The existing stormwater base fee primarily benefits those who have large buildings and parking lots.[4] Besides increasing the base fee, Salem would continue to employ the current stormwater rate structure and generate revenue to supplement the city's general fund expenses.

By increasing the base rate fee and utilizing Salem's updated land parcel data and new utility account system, the impact of the fee will have a more equitable distribution on commercial businesses. The intention is to minimize the burden of the fee on small businesses by charging large commercial businesses with higher base rate fees.

The base fee rate for impermeable surfaces in commercial areas, which include multi-family properties, institutions, offices, industrial land uses, and single-family properties, varies based on the size of the property and be considered within the parameters of the direct and indirect costs.

The city's existing stormwater base fee is applied equally toward all customers and uses the direct and indirect cost of the program to calculate how much each customer would contribute. This proposal is to increase the existing range (currently $10-$12 per month) by 25% ($12.50 - $15 per month). To cover the cost of inflation for SFR units and non-SFR units under 10,000 square feet and implement a separate base fee for non-SFR units with greater than 10,000 square feet, considering how direct and indirect costs vary for various commercial retailers with larger impervious surface square footage.

The separate base fee for large non-SFR units is based on Salem's definition of large stormwater development projects of 10,000 square feet[5]. Implementing a separate base fee for these customers will protect small businesses from increased expenditures while generating income from businesses occupying larger impervious property. The fee was generated by increasing the highest range of the base rate range by an additional 25% to account for the remainder of the increase in inflation since 2010.

Salem's existing approach is supported by approaches from two other jurisdictions. In Los Angeles, a special parcel tax is implemented on the impermeable area of all commercial parcels and Raleigh, North Carolina employs a fee tier structure based on impermeable surfaces. Further details and context for these approaches can be found in Appendix A: Baseline Research.

To implement this strategy, Salem would continue to utilize the existing information and data available for impervious square footage calculation and storm water fee application. To collect further data necessary for impermeable surface variables, ArcGIS offers a spectral imagery analysis feature that allows cities to calculate the amount of impervious surface on a tax lot.

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[4] City of Salem (2012, September 21). *Salem's Stormwater Utility Information Report.* https://www.cityofsalem.net/home/showpublisheddocument/570/637786393954770000.
[5] City of Salem (2014, May). *Stormwater Design Handbook for Developers and Large Projects.* https://www.cityofsalem.net/home/showpublisheddocument/556/637786393910730000.

Approach 2: Business Traits Fee

This approach involves combining three key traits shared by all businesses. The intended effects are to maximize costs for large, non-local businesses, and maximize equity for small, local, mom & pop businesses. This fee uses the following three attributes to develop one matrix of rates:

1. Number of employees
2. Location of headquarters
3. Business square footage (interior)

The evaluation section below contains more details on how these three characteristics are combined to come up with one annual rate that is charged to each commercial entity (a rate that differs for each distinct business).

Number of Employees

This component is typically based on similar types of local taxes collected by many cities: Employee Payroll Taxes. These taxes are charged directly to employers who operate within city limits, with the level of tax charged as a percent of that company's total amount of wages and salaries paid to employees in a year. The City of Eugene's rate is 0.21%,[6] while the City of Seattle's ranges from 0.7% to 2.4% depending on the number of employees at the company.[7]

Unlike payroll taxes, this component would be a multiplier within the larger matrix to capture the additional economic impact a business has on city services from having more employees. This is important to note, as Salem residents recently rejected an employer payroll tax at the city level.[8]

The City of Salem would be able to access employment information for every business within city limits by relying on the publicly available data gathered annually by the Oregon Employment Department.[9]

Location of Headquarters

This piece is also derived from payroll taxes as described in the previous section but would instead be calculated based on the location of a commercial entities' headquarters. This enables the City to shelter local businesses from the fee while applying higher charges to companies that operate within city limits but are based outside the City, the state, and the country. A company's location would be determined by the "Principal Office" address entered on that company's "Application for Authority to Transact Business – Business/Professional" form, a public document that all companies operating in the state must file with the Secretary of State's office.[10]

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[6] City of Eugene (2023). *Employer Payroll Tax.* https://www.eugene-or.gov/4864/Employer-Payroll-Tax.
[7] City Finance (2023). *Payroll expense tax*. City of Seattle. https://www.seattle.gov/city-finance/business-taxes-and-licenses/seattle-taxes/payroll-expense-tax.
[8] Woodworth, W. (2023, November 7). *Election results: Voters reject Salem payroll tax.* Statesman Journal. https://www.statesmanjournal.com/story/news/politics/elections/2023/11/07/election-results-salem-oregon-payroll-tax/71412977007/.
[9] QualityInfo (2023). *Mid-Valley.* State of Oregon Employment Department. https://www.qualityinfo.org/mid-valley.
[10] Oregon Secretary of State LaVonne Griffin-Valade (n.d.). *Business Registration Forms.* https://sos.oregon.gov/business/Pages/business-registration-forms.aspx.

The fee could start at $1 for businesses headquartered within city limits, then increasing at three additional tiers: headquarters within Oregon (but outside of Salem); outside of Oregon, but within the United States; and outside of the United States (foreign/international). It would be forward looking to consider that the expansion of private space flight may result in future extra-planetary business operations and how to tax these.

The City of Salem would need to request that the Secretary of State's office provide the relevant application forms to determine the location of a given business; given that these forms are all made public, this should not be a particularly onerous request – though U.S. Census data does indicate that the City of Salem has a total of 3,977 employer-owned firms.[11]

Business Square Footage (Interior)

The final portion of the overall matrix is based on taxes that several cities across the country already charge to businesses based on the total interior square footage of their properties, particularly in cities with extensive commercial properties. The exact rate varies by city; more information can be found in Appendix A: Baseline Research.

The fee would be applied in tiers, beginning with under 10,000 square feet and rising as follows: 10,000 – 250,000 square feet; 250,000 to 1 million; 1 million to 10 million; and over 10 million. Salem could adjust the scale of these tiers to meet revenue needs.

The City of Salem would rely on city construction permitting records or county-level data from Marion and Polk Counties to determine the interior square footage of all businesses within city limits. These data are publicly available and easily searchable (as demonstrated in the evaluation section, below).

Approach 3: Location of Headquarters Fee

The final option would be a simplified form of Approach 2 and would focus solely on the "location of headquarters" component as previously described. This would allow Salem to implement a relatively direct and theoretically sound approach derived from employer payroll taxes already used by many municipalities. As noted above, the fee would rise based on the location of a company's headquarters as determined by business registration forms provided to the Secretary of State's office, making the categorization of businesses relatively easy.

This fee may also have the additional benefit of encouraging companies to locate headquarters in Salem to avoid the high fee, driving local economic development.[12] Though the fee is small, and thus unlikely to significantly influence business behavior, any increase in the number of businesses headquartered in Salem would be a significant boon to the region's economy.

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[11] QuickFacts (2023). *Salem city, Oregon; United States.* U.S. Census Bureau. https://www.census.gov/quickfacts/fact/table/salemcityoregon,US/PST045222.

[12] Kelly, H. (2022). *How Municipalities Can Drive Local Economic Development.* GovPilot. https://www.govpilot.com/blog/municipality-led-local-economic-development.

Evaluation of Options

The three approaches detailed in this memo will each be evaluated using six evaluative criteria, each of which are assessed on a qualitative 5-grade scale that ranges between poor, good, neutral, very good, and excellent. **The six criteria are equity (vertical and horizontal), efficiency, neutrality, productivity, certainty, and convenience.** In addition to these criteria, the estimated yield for each approach, as well as its predicted efficacy, have been provided, given that the City of Salem prioritized yield and efficacy, alongside equity, for an operations fee.

Approach 1: Adjustments to Stormwater Base Fee

Yield

The number of commercial businesses used to estimate the categories for the base fee were determined from Marion County data. The number of customers included residential and commercial properties since the base fee is currently applied to all customers. The data were sorted to include only commercial lots with >10,000 sq. ft of building area, this would indicate that the project site would have >10,000 sq. ft of impervious area when parking lots, etc. were included in the calculation.

The following calculations are based on a rate increase of 25% for the lowest and highest range of the previous base fee with the addition of a third category that evaluates commercial projects with >10,000 sq. ft of impervious surface. The additional category base rate fee is increased by an additional 25% to account for the remainder of the inflation rate since 2010.

The original base rate fee is not set up to generate revenue for the City of Salem.[13] By increasing the base rate fee by 25%, the City will be able to generate approximately $1,293,000 to bolster its general fund.

Base Rate Type	Number of Customers per Base Fee Category	Base fee rate (per month)	Quantity generated (per month)	Quantity generated (per year)
Current Low End	*19,250*	*$12.50*	*$192,500*	*$2,310,000*
Current High End	*19,250*	*$15.00*	*$231,000*	*$2,772,000*
Adjusted Low End	19,000	$12.50	$237,500	$2,850,000
Adjusted High End	19,000	$15.00	$285,000	$3,420,000
NEW Commercial projects with >10,000 sq. ft	500	$17.50	$8,750	$105,000

[13] City of Salem (2012, September 21). *Salem's Stormwater Utility Information Report.* https://www.cityofsalem.net/home/showpublisheddocument/570/637786393954770000.

Evaluation

Category	Rating	Reasoning
Equity	Very Good	*Horizontal equity:* The adjusted base fee doesn't change the current use of indirect and direct impact to determine fees, it simply increases the fee for existing users. *Vertical equity:* Businesses that are typically larger and occupy more square footage will be charged more than the latter.
Efficiency	Neutral	Though this approach uses Salem's current stormwater system as a foundation, it would require significant administrative effort to determine the fee rate for mixed-use sites.
Neutrality	Good	The fee is charged at a rate half that of the inflation rate since 2010 and applied to all customers that utilize services, which means it does not significantly interfere with the market.
Productivity	Very Good	Increasing the base rate of the fee will automatically generate more revenue in comparison to the prior rate that Salem was using. Additionally, the number of utility accounts is generally stable year-to-year, which will guarantee a consistent flow of revenue for the City.
Certainty	Excellent	The fee applies to universally all commercial businesses regardless of impervious square footage size, so applicability of the fee is certain.
Convenience	Excellent	Given that the administrative approach will remain unchanged, and the City will continue using the existing utility fee collection system, the fee will be very convenient.

Efficacy

The main challenges that arise in determining how this fee shall be administered lie in which non-residential zones the fee would be applied. Salem currently has many mixed-use sites and commercial districts which would complicate the application of a fee that differs based on the entity type. As a result, it is anticipated that there would be significant administrative burdens in the calculation and apportionment of this fee.

Approach 2: Business Traits Fee

Yield

Business Headquarters Location	Business Sq. Ft. Area[14]	Number of Employees[15]
Locally Owned, in Salem * 1	<10k Sq. Ft * 1 (#1,244)	1-9 * 1 (6,269, 71%)
Oregon Headquartered* 5	≥10-250k * 5 (#1,972)	10-19 * 2 (945, 11%)
US Headquartered * 10	>250K-1m *10 (#105)	20-99 * 3 (759, 9%)
Internationally Headquartered * 25	>1m-10m * 15 (#20)	100-499 * 4 (265, 3%)
Interplanetary Headquartered *100	>10m * 20 (#2)	500+ * 5 (559, 6%)

In other words, a business headquartered in Salem, in a 10k sq. ft. storefront, with ten employees, pays $2 per year. An internationally headquartered business with a 10m sq. ft. lot, with 200 employees, would pay $1,500 per year. This fee could also be administered with a charge per employee of $0.1-1, and thus with knowledge of employee headcounts, allow Salem to calculate the specific desired revenue.

Using the percentage of firms by size, this could generate as much as $15.8 million annually for the greater Salem metropolitan area. This estimate is based on multiple sources which do not precisely reflect Salem. The Marion County data for Salem does not include Polk County. The US census data is for the greater Salem metropolitan area and likely includes outlying areas (likely including Keizer, Or). This data should be understood as a ballpark estimate and not as an exact prediction.

Evaluation

Category	Rating	Reasoning
Equity	Excellent	*Horizontal equity:* Using multiple factors ensures that businesses with similar profiles will tend to be charged the same and businesses with substantively different attributes will be charged differently. *Vertical equity:* The more local and smaller the business by physical size or number of employees the less the business will pay and conversely the larger more distant the business the more it will pay through this fee.
Efficiency	Very Good	This fee contains administrative complexity due to aligning multiple variables. But can generate significant revenue.
Neutrality	Neutral	The fee has several variables and the ability to be adjusted. The lower the fee, the less impactful and less likely to result in changes in business behavior. The more intense the fee multipliers, the more likely that businesses may alter their behavior.

[14] Salem, Marion County (2023). *Land parcels.* Note: Supplied directly by City of Salem. Counts derived from sorting property records by lot size and multiplying by square footage.
[15] United States Census Bureau (2020). *2020 Statistics of US businesses annual data tables by establishment industry.* https://www.census.gov/data/tables/2020/econ/susb/2020-susb-annual.html.

Productivity	Excellent	This fee can be a highly productive fee with revenue generation based on multiple attributes. This allows the City to explore how much revenue they require.
Certainty	Very Good	Once established, the criteria for the fee are predictable for businesses and the revenue can be set at a steady rate for Salem. Businesses are unlikely to change headquarters or building square footage very often, therefore the revenue is likely to be consistent. Although changes in economic outlook, especially economic downturns may result in layoffs and decrease output by number of employees.
Convenience	Very Good	This fee would take work on the part of Salem to gather information, a business registration fee would be more intuitive time to simultaneously gather data and assess a fee but would be burdensome to go after businesses which do not register. A fee assessed through the utility would be easy to collect, but more difficult to assemble information up front.

Efficacy

This revenue tool has a wide variety of adaptability and latitude and in revenue generation. From year-to-year Salem can adjust the categorization (square footage, number of employees, or distance), or the multiplier effect to calibrate for sensitivities. The City could easily adjust fee components to increase revenue and equity with minor adjustments. Data for this matrix exists through business registration, building code plans, and tax records, the first year of implementation would involve some barriers getting the fee off the ground, but could be easy to maintain automatically through digitized records going forward.

Approach 3: Location of Headquarters Fee

Yield

The total financial yield for this approach would vary based on the distribution of business headquarters locations, like Approach 2. The following table describes the expected yield:

Business Ownership Proximity	Monthly Fee Rate	Number of Businesses*[16]
Locally Owned, in Salem	$3	7,214
Oregon Headquartered	$10	756
US Headquartered	$20	265
Internationally Headquartered	$35	559

**Note: In lieu of using official Oregon Secretary of State data, which was unavailable for viewing, the four categories above have all been directly correlated with number of employees (i.e., <20 equals locally owned, 20-99 equals Oregon headquartered, 100-499 equals US headquarters, and 500+ equals internationally headquartered).*

[16] United States Census Bureau (2020). *2020 Statistics of US businesses annual data tables by establishment industry.* https://www.census.gov/data/tables/2020/econ/susb/2020-susb-annual.html.

Using the table shown above, this would only generate roughly $650,000 annually for Salem. Note that as with Approach 2, this estimate is based on US census data for the greater Salem metropolitan area that likely includes outlying areas (including the City of Keizer). This data should similarly be understood as a ballpark estimate and not as an exact prediction.

Evaluation

Category	Rating	Reasoning
Equity	Good	*Horizontal equity:* Two otherwise identical businesses may not pay the same fee based on whether one is headquartered outside of Salem and not any other details of their business. *Vertical equity:* The larger the business, the more likely it is that it is based outside of Salem or Oregon and will therefore be paying a higher fee.
Efficiency	Very Good	Though there would be an initial administrative burden in setting up this fee, all the data required is publicly available.
Neutrality	Poor	This approach is interfering with the free market by punishing businesses for not being headquartered in Salem, though the fee is small enough that it should not affect behavior.
Productivity	Good	The fee generates revenue for the City, though the schedule is small enough that the total amount raised is negligible.
Certainty	Excellent	Given that the fee is attached to utility bills, entities are all but guaranteed to pay it or they face having their water and power turned off.
Convenience	Very Good	The monthly disbursement of the fee's revenues into the city budget allows for easy allocation to needed expenditures.

Efficacy

This approach would be relatively straightforward for the City of Salem to administer. City administrators would need to contact the Secretary of State's office to access the "Principal Office" addresses on all the "Application for Authority to Transact Business – Business/Professional" forms submitted by businesses operating within city limits.[17] Salem would then use this publicly available data to determine what category each commercial utility account fits into and charge them the appropriate level of fee.

[17] Oregon Secretary of State LaVonne Griffin-Valade (n.d.). *Business Registration Forms.* https://sos.oregon.gov/business/Pages/business-registration-forms.aspx.

Recommendation

Among the proposed approaches for generating municipal revenue from commercial businesses, Approach 2 (Business Traits Fee) offers the most advantageous option. This method provides the greatest financial upside due to its use of multipliers to assess proportional fees, with a potential yield reaching up to $15.8 million. Such substantial revenue generation makes Approach 2 an appealing choice for bolstering Salem's budget. **Yield, equity, and efficacy have been prioritized in this recommendation as these three criteria were ranked as the most important by the City of Salem in updating their operations fee.**

Table: Ranking Approaches for Recommendation

Rank	Yield	Equity	Efficacy
1	**Approach 2**	**Approach 2**	Approach 1
2	Approach 1	Approach 1	Approach 3
3	Approach 3	Approach 3	**Approach 2**

Of the three approaches, Approach 2 promotes equity the most by linking fees to business size and capacity to pay. Larger businesses pay more while smaller, local operations pay less. This fee system ensures that fees align with business's financial means and avoids over-burdening small and local businesses. Basing the model on company characteristics that relate to means, such as location of headquarters and number of employees, provides an inherent alignment with ability-to-pay principles. Those with greater financial capacity contribute more to Salem's revenues. The annual adjustment of multiplier rates allows adaptation to evolving conditions over time. As more business data becomes available, the model can incorporate additional variables to further customize proportional fees.

Contrary to equity and yield, Approach 2 offers the weakest efficacy due to limited data provided by the City of Salem. Confidentiality issues may also arise with select data like employment figures, however reasonable approximations can be made from public information like business headquarters' locations. Although this data exists online, the City lacks convenient access to provide for our analysis.

Ultimately, our recommendation supports Approach 2's use of flexible, multiplier-based fees assessed on business traits like size and location, the very features that make it optimal. This method of fee collection generates high revenue and equitable distribution of costs across companies, mainly based on financial capacity. The model provides an adaptable and equitable approach for cities with a lucrative means of funding municipal projects and operations.

Appendix A: Baseline Research

The following approaches illustrate how per unit and tiered stormwater fee structures apply to user fee structures, fee collection, implementation, and the amount of revenue generated in various jurisdictions.

Location: Los Angeles, California

Background: In 2018, property owners in LA County Flood Control District voted to create the Safe Clean Water Program, a program designed to clean and capture stormwater that would be lost to the ocean. Fees for the program are applied to all tax lots in the district.

Fee Mechanism: Special district tax

Fee Rate: 2.5 cents ($0.025) per square foot

Location: Raleigh, North Carolina

Background: Impervious surfaces are defined as a "hard surface on a property that does not allow rain to soak into the ground". These surfaces include roofs, buildings, garages/carports, patios, storage sheds, driveways, sidewalks, parking lots, and artificial turf. The amount of impervious surface on a property is used to calculate a stormwater fee because when rain doesn't soak into the ground, the municipality must manage where the water goes. The more impervious surfaces present, the more stormwater needs to be managed, and therefore the higher the fee.

The calculation for commercial stormwater fees that is adapted from Raleigh, NC, is based on their single-family equivalent unit (SFEU), which is calculated using the average single-family home size. Additional strategies for calculating fee rates based on impermeable surface square footage can be found in Raleigh, NC's Storm Water Utility Fee FAQs[18].

Fee Mechanism: Monthly utility bill

Fee Rate: $7.36 per SFEU

Approach: Business Square Footage Fee

Chicago: averages a commercial charge of $7.50 per square foot.[19, 20]

San Francisco: imposes a charge equal to 1% of the cost of any rented commercial space.[21]

New York City: imposes a charge equal to 6% of the value of any rented commercial space.[22] This fee does include the square footage of rented billboards but not theaters and nonprofits.

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[18] City of Raleigh. (2023). *Stormwater Utility Fee.* https://raleighnc.gov/stormwater/services/stormwater-utility-fee
[19] BOMA Chicago (2019). *Property Tax Overview*. https://www.bomachicago.org/property-tax-overview/.
[20] Cook County Assessor's Office (2023). *How commercial properties are valued.* https://www.cookcountyassessor.com/how-commercial-properties-are-valued.
[21] Treasurer & Tax Collector (n.d.). *Commercial Rents Tax (CR).* City and County of San Francisco. https://sftreasurer.org/business/taxes-fees/commercial-rents-tax-cr
[22] NYC Department of Finance (n.d.). *Commercial Rent Tax (CRT).* https://www.nyc.gov/site/finance/taxes/business-commercial-rent-tax-crt.page.

Appendix B: Alternative Approaches

As part of the research for this project, our group identified several alternative approaches to administering an operations fee. Though we ultimately decided on the three included in the main body of the paper, we wanted to share some of the additional information we gathered in pursuit of improvements to Salem's current operations fee.

Retail Delivery Fee

Currently, two separate states enforce a Retail Delivery Fee for deliveries to in-state customers. The purpose of this fee is to tax tangible personal property purchasers on goods that are mailed, shipped, or otherwise delivered by motor vehicle within the state. The difference in scale presents potential difficulties when monitoring a retail delivery fee for the City of Salem, as the boundaries for a state are often more clearly defined than a city's limits.

State of Colorado

The State of Colorado (SB 23-143) implemented a retail delivery fee on certain deliveries made to help fund transportation projects in the state. This 28-cent fee, outlined in *Table 1*, applies to deliveries made by motor vehicle that include at least one item subject to state sales or use tax. The delivery fee is charged to the customer in addition to any sales taxes owed on the purchased items and is collected by the retailer or marketplace facilitator. If an item is exempt from sales tax, then the delivery of that item would also be exempt from the delivery fee.[23]

Table 1: Colorado Retail Delivery Fee Breakdown[1]

Fee Type	FY 23-24 Annual Rates
Community Access Retail Delivery Fee	$0.0716
Clean Fleet Retail Delivery Fee	$0.0550
Clean Transit Retail Delivery Fee	$0.0311
General Retail Delivery Fee	$0.0870
Bridge and Tunnel Retail Delivery Fee	$0.0073
Air Pollution Mitigation Retail Delivery Fee	$0.0073
Total Retail Delivery Fee	**$0.28**

In addition, qualified businesses are exempt from collecting and remitting the delivery fee if their total retail sales within Colorado are less than $500,000 annually. The fee does not apply when the customer picks up the items directly from the retailer's location, when items are delivered outside of the state, on wholesale sales to licensed retailers for resale, or when deliveries are made entirely without a motor vehicle.

The purpose of this fee is to help fund transportation infrastructure projects within Colorado. By charging on frequent deliveries made by motor vehicle within the City, the fee aims to offset some of the wear and tear on roads caused by delivery traffic. The retailers and marketplaces facilitating these deliveries are responsible for collecting and remitting the fee to the state.

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[23] Colorado Department of Revenue—Taxation Division. (n.d.). *About the Retail Delivery Fee.* https://tax.colorado.gov/retail-delivery-fee.

State of Minnesota

The State of Minnesota passed legislation in May 2023 that implements a 50-cent retail delivery fee starting on July 1, 2024. This fee applies to taxable retail purchases over $100 that are delivered within Minnesota. It is charged to the retailer or marketplace facilitating the delivery for each applicable transaction.

The 50-cent fee is higher than Colorado's 27-cent delivery fee, but less than the 75 cents originally proposed in the Minnesota House. It applies to deliveries of tangible personal property like prewritten software, but not specified digital products delivered electronically or when customers pick up items at a retailer's location.[24]

Retailers pass the fee to customers separately on receipts, just as the Colorado fee entails. However, small businesses making under $1 million in annual Minnesota retail sales are exempt. Other exemptions include food, medical items, and motor vehicle deliveries that require a permit.

The delivery fee aims to offset the impacts of retail deliveries on Minnesota's transportation system. By charging retailers and marketplaces facilitating the deliveries, the fee apportions some of the responsibility for road maintenance to those generating more traffic through deliveries. Retailers making qualified deliveries must now factor the 50-cent per transaction fee into their business costs.

Evaluation

Yield

Anticipating the potential revenue stream from this approach is nearly impossible as it accounts for every package delivered annually within the city limits of Salem. It would be incredibly difficult to estimate what the yield may be given that the scale is entirely different than the case study of Colorado given that Minnesota has yet to implement the retail delivery fee.

Equity

Category	Rating	Reasoning
Horizontal Equity	Good	Businesses earning a certain amount in sales are exempt from the fee along with their customers.
Vertical Equity	Good	Businesses are charged the same flat fee rate past the threshold within the city limits. Businesses then charge customers with same per package rate.
Social Equity	Neutral	Social factors are not specified for this fee.
Financial Burden	Good	The fee does not account for business size beyond the threshold. Simply passes fee to purchaser per package (pay-as-you-use).

[24] PricewaterhouseCoopers. (2023, May). *Minnesota enacts retail delivery fee, effective July 1, 2024*. https://www.pwc.com/us/en/services/tax/library/minnesota-enacts-retail-delivery-fee-effective-july-1-2024.html.

Efficacy

Strictly administering the retail delivery fee to customers purchasing goods within the Salem city limits provides a series of potential challenges. However, as the case study of Colorado outlines, it establishes an additional revenue source for road transportation projects in which businesses are utilizing to deliver their goods. As the fee is administered on a item-by-item basis, it utilizes a pay-as-you-use principle that adequately charges residents and businesses of Salem per item they purchase. By using a flat rate, any complications regarding package size or weight are eliminated as the determining factor is that they are being delivered by a motor vehicle.

Additionally, the City will receive revenues directly from the businesses as it is their duty to collect the fees from the customers. Placing the burden on the businesses to collect the fees from customers ensures the City will collect their funds. This also removes potential issues regarding the delivery services (USPS, FedEx, UPS, Amazon).

Appendix C: Case Studies

Case Study: Parks and Recreation Fee

Location: West Linn, Oregon
Fee Mechanism: Processed through monthly utility bill
Fee Rate: Flat rate $21.23/month
Fee Base: 9,887 households
Fee Yield: ~$2.4 million per year
Fee Approval: Council approved

Recommendations:

1. Develop website or similarly accessible public notice to explain specific results of the fee, projects undertaken, and benefits resulting from the fee.
2. Establish fees on a results area basis, rather than general operations so that residents know that to cut a fee is to cut specific services.
3. Offer equitable reduced payment options. West Linn grants the City Manager discretion to reduce or waive fees on an individual basis. West Linn also uses an application to reduce fees by 50% if residents can demonstrate they are within 185% of the Federal poverty line. A broader range of reduction options would be more equitable.
4. Spread out fee adjustment schedule. If there are multiple fees being assessed which may be updated annually, time their adjustments to not arrive all in the same months, spread out changes throughout the year.

Case Study: Recreation Fee

Location: Scottsdale, Arizona
Fee Mechanism: Assessed through operation of recreation facility
Fee Rate: $7-25/hour, $250/event, $1,300/day
Fee Base: users of aquatic center and recreation facilities
Fee Yield: ~$8.25 million per year
Fee Approval: Council approved

Recommendations:

1. Apply recreation fee through agreements with the fairgrounds. Application of the fee could generate revenue through the sale of sporting event tickets, parking, and concessions.

Case Study: Pavement Maintenance Utility Fee

Location: Oregon City, Oregon
Fee Mechanism: Processed through monthly utility bill
Fee Rate: Single-family $15.53, multi-family $10.90, non-residential $.266/sqft. & use type
Fee Base: Unspecified, split between generation types
Fee Yield: ~$2.7 million per year
Fee Approval: City commission approved

Recommendations:

1. Categorize system users based on an equitable share of use.
2. Use gradual phasing-in of user fees to decrease financial stress on citizens.

Case Study: Transportation Utility Fee

Location: Newberg, Oregon
Fee Mechanism: Assessed along with the property tax as a fee
Fee Rate: flat rate of $5.4/month
Fee Base: ~19,624 households
Fee Yield: ~$1.27 million per year
Fee Approval: Council approved

Recommendations:

1. Adopt a transportation fee. Can be used to cover the FTE staffing costs.
2. Recommending not assessing through property tax, but rather through utility fees.

Case Study: EMS Support Fee

Location: Cascade Locks, Oregon
Fee Mechanism: Assessed through utility bills
Fee Rate: $6 or $8/utility account, location dependent
Fee Base: Unspecified; applied to all households and businesses within EMS service area
Fee Yield: $69,000
Fee Approval: Council approved; reapproved by public vote

Recommendations:

1. Consider charging a similar fee to users of EMS services to address any shortfalls in funding for EMS operations.

Note on different numbers for the presentation

In reviewing data for our final draft there was an error in the total estimated yield for Approach 2. The previous estimate from earlier drafts and in the presentation was $174 million, this incorrectly included multiplying two variables with competing counts of business. The correct maximum yield is $15.8 million. Apologies for this error.

Appendix C: Residential Group C Final Report

Recommendations To Improve Equity of Salem's Residential Operations Fee

Rosemary Betros, Jenna Bryant, Elena Coleman, Emily Severeid, Nadya Barba Ramirez

Sustainable City Year Program 2023

Public Budget Administration (PPPM 629)

Executive Summary

The goal of this report is to provide the City of Salem with more equitable options for collecting an operations fee. We begin with an introduction to the current model, methodology for analyzing our recommendations, our three different recommendations, and finally, our final recommendation for the City of Salem. In the end, we recommend the City adopt *Approach 1: Home Size*. This recommendation ranks highest in both vertical and horizontal equity, and overall in all categories. The City of Salem should feel free to use our recommendations, modify, and combine as they see fit according to its resources and data availability.

Introduction

Measures 5 and 50 greatly limit property tax revenues across the state, prompting many cities, including Salem, to adopt fees and service charges to supplement gaps in revenue. The City Operations fee, implemented in 2019, supports "existing emergency, library, park maintenance, social, and other essential services" (City of Salem, n.d.-b). The City collects this flat fee through customer utility bills for administrative convenience. Any occupant within city limits is presumed to benefit, directly or indirectly, from city services, justifying this method of fee collection. Occupants in this context include property owners, tenants, businesses, and other public and private institutions. See Appendix A: Current Fee Structure in Salem for a breakdown of the fee's current structure.

When Salem created the City Operations Fee, rates were established somewhat arbitrarily – for instance, commercial rates were set based on the City's streetlight fee. The City Council and Budget Office both feel that rates could be altered to better address concerns of equity across customer classes. The City is in the process of implementing a new utility billing system, presenting an opportunity to redesign the fee structure. This new billing system will allow additional lines for charges or discounts, creating further potential for a more equitable structure.

This paper will focus solely on residential classes, making recommendations for the distribution of the fee across single- and multi-family units, with an emphasis on administrative efficiency, yield potential, and both horizontal and vertical equity principles. We present three possible approaches that the City could adopt to redesign its residential fee structure. Each approach is assessed using a rating system designed by our team, based on common evaluation criteria measures (described further in the *Methodology* section).

Methodology

In this section, we describe our methodology for developing an evaluation framework to assess the proposed collection approaches. We use seven criteria to rate performance, as defined below.

Evaluation Criteria Definitions:

- **Vertical equity:** Individuals with *more* resources have a greater ability to pay and should therefore pay a higher proportion of total revenues. The current fee structure is *regressive*; ideally, restructuring would make the fee proportional or even progressive.
- **Horizontal equity:** Individuals with *similar* resources should pay the same amount. The current fee structure does not account for variations in wealth, income, or other resources.
- **Efficiency:** The cost to administer the fee should not outweigh the benefits of revenue collection. Setting fee rates should not be excessively administratively burdensome. We take Salem's current fee structure into consideration when thinking about what additional means would be required to adopt a new approach.
- **Productivity:** The fee should serve as a sustainable source of revenue that will support public services. Estimated fee yield for new approaches should equal or exceed the current fee yield.

- **Neutrality:** The fee should not incentivize any undesirable changes in resident behaviors.
- **Certainty:** Fee rates and charges should be clear, comprehensive, logical, and accessible.
- **Convenience:** The fee should be easy to pay; this will prevent delinquent charges, ensure stable yield, and avoid imposing an undue burden on residents.

Scoring Methodology

To inform our final recommendation, we evaluate each approach in terms of its performance across seven criteria, as defined above. For each approach presented in this report, we include a "scorecard" that assesses the approach's performance across these criteria. *Base* ratings are assigned using a sliding scale between one and five, with "1" denoting very poor performance and "5" denoting excellent performance.

We recognize that some criteria take higher priority than others; based on the perceived goals of City Council and the Salem Budget Office, we place greater emphasis on vertical and horizontal equity, administrative efficiency, and productivity (yield). Therefore, these criteria receive a *weighted* rating to indicate higher priority. Our final scores reflect weighted ratings, not base ratings.

Table *1*: Criteria Evaluation Weighting System

Criterion	Priority Level	Weighted Rating Calculations
Vertical Equity	**High	Base rating is multiplied by 2.
Horizontal Equity	**High	Base rating is multiplied by 2.
Efficiency	*Medium	Base rating is multiplied by 1.5.
Productivity	*Medium	Base rating is multiplied by 1.5.
Neutrality	Low	Base rating is multiplied by 1 (remains unchanged).
Certainty	Low	Base rating is multiplied by 1 (remains unchanged).
Convenience	Low	Base rating is multiplied by 1 (remains unchanged).

Source: Created by authors

A "low" priority level does not imply that neutrality, certainty, and convenience are not valued—merely that they are of secondary importance relative to concerns of equity, efficiency, and productivity. By performing the calculations outlined in Table 1, we determine weighted ratings for each criterion, then sum these ratings to produce a final score for each approach. These scores heavily influence our recommendations. That said, we wish to emphasize that these assessments (and our associated weighting system) are somewhat subjective, based on our shared understanding of public budgeting principles and Salem's priorities. The Budget Office may assess criteria differently due to additional information or greater administrative expertise.

COLLECTION APPROACHES

Our team considered numerous approaches with a range of different data sources. In this memo, we outline three different collection approaches, with an additional discount option approach. Many of the data sources we considered to create a more equitable fee structure do not exist at the parcel level. See Additional Approaches & Data Sources Consideredfor more information about other data sources we considered.

The current fee structure only differentiates residential fees by single- and multi-family housing types (see Appendix AAppendix A: Current Fee Structure in Salem). To improve equity measures, we chose to break out the housing types into four categories: single-family, multi-family, mobile home/trailer parks, and

group living. Grants Pass and Milwaukie, Oregon break down housing types in a similar fashion for their transportation utility fee and SAFE Fee, respectively (see Appendix D: Case Studies).

Collection Approach 1: Home Size

Under the Home Size approach, the rate for people in the smallest, most dense housing is lowest, while the rate for people in larger, less dense housing is highest.

Required Data: Total building size (in square feet) from Polk and Marion County real property reports. Property type and number of units per property from Salem Utility data.

Fee structure: In our first collection approach, residents pay a fee based on their dwelling unit's type and size. For single-family homes, each unit falls into a size category with its own fee rate based on the unit's square footage. For multi-family homes, we propose dividing the total square footage of the building by the number of dwelling units in the building to arrive at an estimate of the size of the building's average unit. For mobile homes and trailer parks, we propose that each dwelling unit pay a flat fee of $5. We exempted group living situations because they provide a social service. Table 2 shows the fee structure for this approach. See Appendix B: Assumptions for the assumptions we used to inform the fee structure.

Table *2*: Collection Approach 1 Fee Structure

Housing Type	Fee Rates			
Single-Family	<1000 ft^2 $8/month	1000-1500 ft^2 $9/month	1501-2000 ft^2 $10/month	2001+ ft^2 $12/month
Multi-Family	Avg <500 ft^2 $5/month/unit	Avg 500-800 ft^2 $6/month/ unit	Avg 801-1000 ft^2 $7/month/unit	Avg 1001+ ft^2 $8/month unit
Mobile Home Trailer Park	$5/month per unit, regardless of ft^2			
Group Living	Exempt			

Evaluation of Approach 1

This section presents an analysis of *Collection Approach 1* using our evaluation framework.

Table *3*: Evaluation Scorecard for Collection Approach 1

Criterion	Base Rating	Weighted Rating	Assessment
Vertical Equity	3.5	7	This approach assumes that more square footage is directly related to greater ability to pay. Size of the residence does not directly correlate to wealth or household income, especially since it doesn't account for whether the property is owner- or renter-occupied.
Horizontal Equity	3	6	Households with similar square footage and housing types would pay a similar fee. The approach does not account for individual unit size in multifamily structures, so all households in the same property pay the same fee regardless of actual unit size. People within the same socioeconomic bracket may pay different fees depending on the type and size of the unit.

Efficiency	4	6	This approach is more administratively complex than the current rate system because it adds square footage and more housing types as variables. However, it uses data that the City already has access to with only one additional level of calculation (to calculate home square footage thresholds). It would therefore be only slightly more administratively complex than Salem's current fee structure.
Productivity	5	7.5	This approach provides a sustainable source of revenue. Since the lowest rates are comparable to what Salem already charged for residential categories, it also has the potential to increase revenue because those in larger homes pay higher rates than the City currently collects.
Neutrality	4	4	It is unlikely that people will significantly alter their decisions based on this relatively small monthly fee.
Convenience	5	5	This approach is just as convenient as Salem's current system.
Certainty	4.5	4.5	The fee structure is more complex than the current structure, but still clear.
Final Score[1]	**29 / 35**	**40 / 50**	

Collection Approach 2: Size of Property

Our second approach is to calculate a fee based on residential unit type and *total lot size* (in acres), rather than dwelling unit square footage. Approach 2 assumes that the larger the lot size per number of residential units, the greater the home value, and therefore the more a household should pay to support City services and infrastructure.

Required Data: Total property lot size (in acres) from Polk and Marion County real property reports. Property type and number of units per property from Salem Utility data.

Fee Structure: For single-family detached residences, the operations fee rate is calculated based on set acre thresholds. See Collection Approach 2: Property Size for how we determined these thresholds.

For multi-family units and condos, the operations fee would be calculated based on the total lot size, divided by the number of units on that property. Therefore, multi-family structures with greater density (more units/acre) would pay a lesser fee. We don't have access to the City's utility data on the number of units per property, so we did not set the acre thresholds for non-single-family housing types. We categorized each threshold as low, medium, and high density, leaving the City to determine thresholds should it decide to pursue this collection approach. Because multifamily units and mobile homes tend to be renter-occupied or lower cost (compared to single-family homes), we chose lower fees for those types. The fees for mobile homes are a set rate per unit regardless of lot size because individual mobile home lots tend to be small and are determined by the owner of the park rather than the residents.

Table *4*: Collection Approach 2 Fee Structure

Housing Type	Fee Rate			
Single-Family	<0.2 acres $7/month	0.2-0.39 Acres $8/month	0.4-1 acres $9/month	1+ Acres $11/month
Multi-family & Condos *(Acreage/# Units)*	High Density $5/month/unit	Medium Density $6/month/unit	Low Density $7/month/unit	

Mobile Home Trailer Parks	$5/month/unit, regardless of lot size	
Group Living	Exempt	

Evaluation of Approach 2

This section presents an analysis of *Collection Approach 2* using our evaluation framework. Because we did not have access to the required data, we were unable to calculate the potential yield for this approach.

Table *5*: Evaluation Scorecard for Collection Approach 2

Criterion	Base Rating	Weighted Rating	Assessment
Vertical Equity	3	6	Lot size is not a strong indicator of overall property value, household income, or household occupancy, especially for multi-family structures. Therefore, the approach doesn't necessarily capture benefits-received principles. This approach assumes that people with larger lots have greater ability to pay regardless of whether they own the property. Size of a residence would make a greater contribution to property value, so lot size is a less equitable measure than square footage of the home. This approach is more equitable for single-family households than multifamily.
Horizontal Equity	3	6	Households with similar acreage and type would pay the same fee. However, people within the same socioeconomic bracket may pay different fees depending on the type of unit and size of property. This approach offers more horizontal equity for single-family residences than multi-family.
Efficiency	4	6	This approach is more complex administratively than the current rate system because it adds total lot size as a variable. However, it utilizes an already-existent data set with only one additional level of calculation and quantification (to calculate lot size thresholds). It would be equivalent administratively to approach 1.
Productivity	5	7.5	This serves as a sustainable source of revenue. The lowest rates are comparable to what Salem already charges for residential categories, it also potentially increases revenue because those in larger homes pay higher rates than the City currently collects.
Neutrality	4	4	We don't foresee this fee affecting people's behavior in a significant way.
Certainty	4	4	The fee rate is clear but less intuitive than square footage, especially for multi-family units.
Convenience	5	5	Just as convenient as the current system.
Final Score	**28 / 35**	**38.5 / 50**	

Collection Approach 3: Number of Bedrooms

Our third collection approach relies on joining city tax lot data with the real property reports from Polk and Marion Counties to determine the number of bedrooms per residential unit.

Required Data: Marion and Polk County real property reports and City tax lot data.

Fee Structure: By joining tax lot data with the real property reports from the counties, the City could identify the number of bedrooms per residential unit. The City would then base the operations fee rate on the number of bedrooms, with separate rates for single and multi-family residences (higher rates for single-family than multi-family). Because we didn't have access to this data, we were unable to calculate potential fee rates.

Because the City doesn't have data on household sizes (number of occupants per residence), this approach uses the number of bedrooms as a proxy for household size. This assumes that the more bedrooms, the more occupants per household, and therefore a higher burden on city services. More occupants per household may also reflect a greater ability to pay.

Table *6*: Collection Approach 3 Rate Structure

Type of Residence	Rate
Single-Family	Pay a set rate per bedroom
Multi-Family	Pay a set rate per bedroom per unit[1]
Mobile Home Trailer Park	Flat rate fee/unit, regardless of number of bedrooms
Group Living	Exempt

Evaluation of Collection Approach 3

This section presents an analysis of Collection Approach 2 using our evaluation framework. Because we did not have access to the required data, we were unable to calculate the potential yield for this approach.

Table *7*: Evaluation Scorecard of Collection Approach 3

Criterion	Base Rating	Weighted Rating	Assessment
Vertical Equity	3.5	7	This approach assumes that residents living in homes with more bedrooms have a greater means to pay because more bedrooms often indicate more costly housing. However, bedrooms do not necessarily indicate household size so the assumption that a home with more bedrooms places more burden on public services and infrastructure may not be accurate.
Horizontal Equity	3.5	7	This approach assumes that residents living in homes with the same number of bedrooms have similar means to pay this fee. It better captures the number of people in the home that might utilize public services, so households with the same number of bedrooms would expect to pay the same fee.
Efficiency	2*	3	It would be administratively burdensome to generate the data source for assessing the fee. Once the data is compiled, it would be simple to administer because the data comes from one source. Since the data source is generated at the county level, regularly updating the data would be more complex and require inter-agency collaboration to maintain.

[1] Calculated as the Fee Assessed on Multi-family Residences = 1-bedroom unit(s)*rate +2-bedroom unit(s)*rate+…N-bedroom units*rate

Productivity	4*	6	This would serve as a sustainable source of revenue. Rates could be set accordingly to meet or exceed the current fee structure.
Neutrality	4	4	We don't foresee this fee affecting people's behavior in a significant way.
Convenience	5	5	Continuing to assess the operations fee in the utility bill is good for convenience because residents are used to it being there, and it's a bill they budget to pay on a regular basis, so the burden on the residents is very low.
Certainty	5	5	The logic of this approach is very clear and easy to understand.
Final Score[2]	**27 / 35**	**37 / 50**	

Optional Add-On: Discounts

A consideration that centers equity in the collection of this fee is to continue offering discounts to low-income residents. We recommend adopting an opt-in discount option for low-income households. Offering these discounts would rely on data and approval from third-party verification using public benefits receipts and/or approval documents.

Residents would apply for the discount through the third-party vendor that the City currently uses for utility discounts. Discounts would be available to residents who receive public benefits such as TANF, SNAP, reduced school lunches, and other similar social service programs.

If the above structure would not be feasible under the current administrative relationship between Salem and the third-party vendor, another option would be to apply a discount to rental households through third-party verification. Residents would send their lease agreement for verification of their renter status.

Evaluation of Discounts

Table *8*: Evaluation Scorecard for Discount Option

Criterion	Base Rating	Weighted Rating	Assessment
Vertical Equity	5	10	Offering a discount to low-income residents would improve vertical equity because it would place a lesser cost burden on those households. Therefore, it better ensures that those with greater ability to pay, pay more.
Horizontal Equity	3	6	Offering a discount to low-income residents would not have a significant impact on horizontal equity.
Efficiency	2	3	The administration of the discount would be somewhat burdensome to both residents and the City because it requires third-party verification. Additional documentation and paperwork place a higher burden on residents for a relatively minimal discount. It requires ongoing collaboration between

[2] Note that final scores have a maximum possible value of 35 points (unweighted) or 50 points (weighted) – i.e., if all criteria received a "5" rating, the approach would receive 35 (50) points.

			the third-party vendor and the City for updating the data to assess the fee.
Productivity	N/A	N/A	Productivity of a discount is not applicable to total yield of this fee.
Neutrality	4	4	Offering a discount would not likely lead to changes in behavior on the consumption of utilities.
Convenience	2	2	As noted above, there is a higher burden on low-income residents to have to apply for this discount, which lowers its score for convenience. The perceived benefit might not be worth the cost of applying for it.
Certainty	3	3	The discount is relatively simple to explain but may be confusing to describe the application/approval process through the third-party verifier. The logic of the discount is clear, though households may not think the benefit outweighs the cost.
Final Score[3]	**17 / 35**	**28 / 50**	

APPROACH COMPARISON

We copied the weighted scores from each approach into an overall scorecard (see Table 9). Based on the weighted scores, *Collection Approach 1* rated the highest, with an overall score of 40. *Collection Approach 2* rated second highest, with a score of 38.5, and *Collection Approach 3* rated the lowest, with a score of 34.5.

Table *9*: Final Weighted Scorecard for All Approaches

	Approach 1	Approach 2	Approach 3
Vertical Equity	7	6	7
Horizontal Equity	6	6	7
Efficiency	6	6	3
Productivity	7.5	7.5	6
Neutrality	4	4	4
Convenience	5	5	5
Certainty	4.5	4	5
Total Score	**40**	**38.5**	**37**

EVALUATION OF EQUITY MEASURES

Home size (*Collection Approach 1*) and number of bedrooms (*Collection Approach 3*) scored highest on vertical equity. Square footage and number of bedrooms serve as better proxies for household occupancy, thus better accounting for benefits-based principles. The size of the home (whether measured by number of bedrooms or square footage) better accounts for household income/wealth because, generally, larger units cost more, suggesting a greater ability to pay. However, we cannot assume that the size of the home necessarily determines property value or that it indicates household income or wealth, especially if the unit is renter-occupied.

[3] Note that final scores have a maximum possible value of 35 points (unweighted) or 50 points (weighted) – i.e., if all criteria received a "5" rating, the approach would receive 35 (50) points.

Number of bedrooms (*Collection Approach 3*) scored highest on horizontal equity because households with the same number of bedrooms would expect to pay the same amount. The number of bedrooms better indicates the potential household size and occupancy, and thus better accounts for the use of city services. However, the number of bedrooms alone does not directly relate to the number of occupants or the size or value of the home.

None of the three approaches received a score greater than 3.5 on equity measures, demonstrating the limitations of the available data sets. Square footage, lot size, and number of bedrooms serve only as proxies for other household information (such as household income, occupancy, and property value) that would better account for the household's ability to pay and burden on city services. See Additional Approaches & Data Sources Considered for additional data sources we considered that might better account for equity measures. All these approaches improve equity measures compared to the current fee structure.

RECOMMENDATIONS

We recommend adopting Approach 1 – Home Size, which assesses the operations fee based on residential type and square footage. This approach scored highest in our evaluation criteria because it both improves equity measures and minimizes administrative burden while ensuring fee productivity.

To improve equity outcomes, we recommend pairing Approach 1 with the discount option. The discount option would reduce fee rates to low-income residents, thus easing the cost burden on those households and improving equity measures. Implementing the discount approach would increase the administrative burden on the City since it requires collaboration with a third party to implement. It also places a higher burden on residents to qualify for the fee, but it still offers lower rates to those that qualify.

Finally, we recommend that the City continue using utility bills to assess the operations fee because it supports administrative efficiency.

CONCLUSION

This document presents three alternative collection methods for Salem to consider in restructuring its City Operations Fee for residential properties. We assessed each approach using an evaluation framework that prioritizes improving fee equity while also maintaining administrative efficiency, productivity, neutrality, convenience, and certainty.

Achieving equity proved difficult due to available datasets. None of the recommendations scored perfectly in the equity category -- square footage, acreage, and number of bedrooms are merely a proxy for the household occupancy, home value, ability to pay, and/or level of impact on city services. Data on household income and number of people living in each dwelling unit would provide a stronger basis for charging equitably. Using available data, however, each of the three approaches differentiates between residential properties in a more nuanced way that improves equity measures from the current fee system.

Overall, our team determined *Approach 1: Home Size*, using residential type and square footage, to be the best option for the City. This approach scores relatively well in the equity categories and could be coupled with the discount option to further promote equity outcomes. The City could also adjust the fees associated with each class to meet the necessary yield while not burdening those who are less able to pay. Finally, we recommend that the City continue to use utility bills to assess the operations fee because of its administrative efficiency.

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Appendix A: Current Fee Structure in Salem

Table *10*: Current City Operations Fee Structure

Customer Class	Monthly Charge	Rate Ratio to Residential	Percent of Total Revenues[4]
Single-family residential	$8.00 per *account* per month	1	54.4%
Multi-family residential	$6.40 per *unit* per month	0.80	26.1%
Commercial, Industrial, Institutional, & Public	$38.56 per *account* per month	4.82	19.5%

Source: Created by author based on Code of Ordinances Chapter 40 (City of Salem, n.d.-a)

Current exemptions exist for single-family residential customers only. These exemptions must be approved through Salem's Utility Rate Relief Program and are applied through a third-party agency.

[4] Revenues calculated using data provided by the City of Salem

APPENDIX B: ASSUMPTIONS

Assumptions for Evaluation Criteria

- Salem prefers to work with the data sources already available to improve administrative efficiency.
- Equity (horizontal and vertical) is the City's priority, followed by administrative efficiency and productivity, and then neutrality, certainty, and convenience

Assumptions for All Approaches:

- Salem based its current charges ($8 for single-family and $6.80 for multi-family) on the idea that those amounts are affordable for all residents. We used these numbers as a guide to set the rates for the smallest square footage ranges.
- Including additional housing types to include mobile home/trailer park and group living improves equity measures from the current structure because it better differentiates between living situations that may be influence by other household social equity factors (e.g. household wealth/income).
- Single-family households should pay higher rates than other housing types because:
    - Single-family homes are more likely to be owner-occupied and have a higher household income than those in other housing types.
    - Single-family homes often have yards, driveways, and other structures that may have a greater impact on city services. They also are more likely to have more than one car per household.
    - Larger single-family homes may be more likely to have higher occupancy, which means there may be more people benefiting from city services on the property.
- Households living in multi-family households should pay less than those in single-family
    - They often do not have individual yards or driveways, and if they do, those features are usually smaller. These factors suggest that multi-family homes have less of an impact on city services than single-family homes.
    - People living in multi-family homes also are more likely to be renters with a lower household income and are therefore somewhat "less able to pay."
- Those who are "more able to pay" tend to live in larger, less dense housing types.
- People living in mobile homes and trailer parks should pay less than those in single- or multi-family homes. In general, people living in these units are least likely to be able to pay when compared to people in single- or multi-family situations.
- People living in group living situations should be exempted. Group living properties are often owned and operated by nonprofit organizations or organizations supporting specific populations. Those organizations have a meaningful social impact and therefore should receive a benefit of not paying an additional fee

Collection Approach 1: Home Size

- The median square footage of a single-family home in Salem is 1,736 square feet (Realtor.com, 2023).
- The median square footage of units in a multifamily home is 883 square feet (RentCafe, 2023).

Collection Approach 2: Property Size

- Same assumptions as *Collection Approach 1*.
- The larger the lot size for single-family homes, the more costly it is to own or rent the property, which indicates greater ability to pay.

- The higher density,

Methods for Developing Fee Structure:

Using Marion County tax lot data, we created a pivot table to understand the lot size distribution of different property classes in Salem. The analysis of this data is presented in **Table** 11. We set the single-family acreage thresholds based on Property class type 101 (residential improved, less than 1 acre), which accounts for 93% of all properties (see **Table** 11).

We did not have access to Salem's utility data for the number of units per property for multifamily structures. Therefore, we could not calculate acreage thresholds for non-single-family housing types. Instead, we set thresholds based on high, medium, and low density.

The Marion County tax lot data is complicated in the way it separates property classes, so it is unclear where different property types are classified. For example, there is a separate multifamily property class that only includes properties with five or more units (class 707), but there is no separate designation for multifamily properties with less than 5 units. This could create additional administrative challenges for the City should it decide on this collection approach. However, without the expert knowledge of someone who regularly uses these data sets in Salem, it is hard for us to fully understand the potential complexity (or simplicity) of this approach.

Table *11*: Data Used to Define Collection Approach 2 Thresholds

Cla	Property Class Definition2	Count	Percent	Max	Min	Average	Standard Dev
100	RES land only, <1acre	2	0.0%	0.48	0.24	0.36	0.17
101	RES improved, <1acre	32886	92.9%	1.00	0.01	0.19	0.10
102	RES Condo	662	1.9%	0.00	0.00	0.00	0.00
109	RES improved manufactured, <1acres	205	0.6%	1.00	0.06	0.22	0.19
121	RES improved, commerical	375	1.1%	3.43	0.05	0.18	0.20
129	Res improved manu, commerical	2	0.0%	0.16	0.12	0.14	0.03
161	Manufactured, subdivision improved	312	0.9%	0.29	0.09	0.14	0.03
490	Tract land only, >1	1	0.0%	15.41	15.41	15.41	#DIV/0!
491	Tract improved, >1	248	0.7%	38.03	0.21	3.22	3.78
499	Tract improved manufactured, >1	10	0.0%	10.01	1.07	2.66	2.72
701	Multifamily, improved, 5+ units	588	1.7%	15.26	0.01	1.22	1.91
707	Multifamily, mobile home parks	91	0.3%	63.89	0.09	4.70	10.30
781	special assessed, restricted multiunit	6	0.0%	12.15	0.00	2.64	4.69

Source: Marion County Property Tax Lot Data – Property Class and Acres

Collection Approach 3: Number of Bedrooms

- The more bedrooms per household, the more costly it is to buy or rent. Therefore, the number of bedrooms per household indicates greater ability to pay.
- More bedrooms indicates greater likelihood of larger household occupancy, therefore greater impact on city services

Appendix C: Additional Approaches & Data Sources Considered

We brainstormed many different collection approaches to create a more equitable fee structure for the residential operations fee. The following are some of the data sets we considered for assessing the fee, but do not currently exist or are not available to the City on the tax lot/household level:

- **Based on Property Value:** any data based on property value would turn into a tax, so we avoided any option that would initiate a tax rather than a fee.
- **Household Occupancy (number of residents per household):** This data would allow the City to better assess the burden on city services and therefore allow for a more benefits-received fee structure.
- **Household Income:** Basing the fee structure off of household income data would be the best metric for ensuring vertical equity because low-income residents would pay less while those with greater ability to pay, would pay more.
- **Owner- vs. Renter-Occupied:** Utilizing an approach based on occupancy would be a proxy for household income and wealth since homeowners tend to have greater wealth or income than renters. The City could consider gathering this data for individual properties and incorporate it into the fee structure.

APPENDIX D: CASE STUDIES

In preparation for this project, we compiled case studies for other jurisdictions that use similar fees to support public services. These case studies were useful reference points as we began brainstorming our collection approaches for the City of Salem's City Operations Fee. Ultimately, we found it difficult to identify existing city fees that could serve as inspiration for the collection approaches described in this report. However, we have included our case studies below for Salem's reference.

The case studies included in this appendix are as follows:

- City of Grants Pass Transportation Utility Fee
- City of Silverton Street Maintenance Fee
- City of Milwaukie Operations Fee
- City of Corvallis Operations Fee
- City of Ashland Transportation Utility Fee

Case Study: City of Grants Pass, Oregon

To: Rebecca Lewis, Budget Director
From: Elena Coleman, Budget Analyst
Date: 11/13/23
RE: Transportation Utility Fee Analysis – Grants Pass

This memo provides a detailed overview and analysis of the Transportation Utility Fee in Grants Pass. I first compare Grants Pass and Salem based on their major revenue sources of the general fund and transportation programs. I conclude with my analysis of the transportation utility fee using budget indicators (equity, neutrality, convenience, etc.) and offer recommendations on how Salem might consider restructuring its operations fee.

Comparison of Grants Pass and Salem Revenue Sources

I first compare the major revenue sources of the operations and transportation program budgets in Grants Pass and Salem. I also provide the total share of revenues constituted by the transportation utility fee and operations fee. Overall, the major operations revenues between the two cities are similar, but the transportation programs are funded very differently.

Revenue Sources in Grants Pass

The top three revenue sources for the Grants Pass general fund are:

1. Property Taxes
2. Franchise Fees/Utility ROW Tax
3. Grants/Intergovernmental Funds

The transportation utility fee revenue accounts for 2% of the total operations budget in Grants Pass (see Table 13 in the Appendix). It is important to note that the transportation utility fee revenue goes directly to the transportation program, not to the general fund like it is in Salem. Therefore, I calculated the fee as a total portion of the operations budget rather than just the general fund.

The fee accounts for 28% of the City's Transportation Program resources. State gasoline tax accounts for 71% of the transportation revenue and the remaining 1% comes from system development charges (City of Grants Pass, 2023, p. 23).

Revenue Sources Comparison to Salem

The top three revenue sources for Salem's general fund (not including internal funds/transfers) are:

1. Property taxes
2. Franchise fees – for all utilities (electric, telephone, natural gas, refuse, cable TV, and water)
3. Sales, fees, licenses, and permits

The Operations Fee revenue goes to the general fund, and accounts for 8% of total general fund resources (see Table 14 in the Appendix). The City of Salem does not clearly publish its overall operating revenues, so this statistic cannot be compared directly to that of Grants Pass's transportation utility fee. Also, since the operations fee revenue goes to the general fund, I cannot compare its share of the transportation program resources.

While Salem and Grants Pass are similar in their general fund revenues, their transportation programs are funded differently. The Salem Transportation Program is funded primarily through state and federal highway revenue. However, the City also uses revenue from internal funds, system development charges, and a streetlight fee, which can only be used to install or improve streetlights.

It is important to note that Salem and Grants Pass are vastly different sized cities and therefore Salem's budget is substantially larger. For example, the total revenue for Salem's transportation department is $43 million compared to Grants Pass's, which is around $19 million (City of Grants Pass, 2023, p. 38; City of Salem, Oregon, 2022, p. 217). The revenue generated by the operations fee in Salem generates nearly $6.8 million more than the Grants Pass transportation utility fee (see Table 15 in the Appendix).

Overview of the Transportation Utility Fee

The Grants Pass City Council authorized the Transportation Utility Fee in 2002 through a City Ordinance (City of Grants Pass, 2005). No public process or vote was required. Interestingly, in 2019, the City held a special election for voters to implement a per gallon motor vehicle fuel tax to replace the Transportation fee. Residents voted down the proposed tax, so the transportation utility fee remains in effect (City of Grants Pass, 2019).

Revenues from the transportation utility fee are restricted to transportation program uses and are not part of the City's General Fund. Activities within the transportation program jurisdiction include: street maintenance and lighting, safety improvements, customer services, operations, and capital construction projects (City of Grants Pass, 2023, p. 170).

Yield, Rates, and Operations

The transportation utility fee yielded a total of $1,175,500 for the transportation program in 2023, accounting for 27% of total transportation revenue ((City of Grants Pass, 2023, p. 23; League of Oregon Cities, 2008, p. 23)). The fee was actually the 5th highest revenue source in the City not including starting capital and internal transfers (City of Grants Pass, 2023, p. 49).

Rates for the fee are differentiated by residential and commercial properties. See Table 12 for the rates by property type. For residential types, rates are based on the category of use (single family, multifamily, etc.) and number of units per building. For commercial, rates are set by the city's commercial/industrial types classified as A through H. Those classifications are based on trip generation, category of use, and building size (League of Oregon Cities, 2008, p. 43). No additional property or household data is used to assess the fee.

Table *12*: Transportation Utility Fee Rates

Property Category	Monthy Rate	
Residential		
Elder Care Facilities (per bed)	$	1.07
Condos, Mobile Home Parks (per unit)	$	2.13
Single Family	$	4.25
Major Home Occupation	$	4.25
Multi-family (per living unit)	$	2.83
Commercial/Industrial		
A	$	14.19
B	$	42.58
C	$	85.16
D	$	127.77
E	$	212.93
F	$	425.87
G	$	851.73
E	$	1,277.60

Source: City of Grants Pass, Comprehensive Fee Schedule, 2023.

The City collects the fee through monthly utility bills, appearing as its own line-item. Account holders can make their utility bill payments online, through the mail, or in-person (*Payments | Grants Pass, OR - Official Website*, n.d.).

Analysis of Budget Indicators

In this section, I offer my analysis of how the City of Grants Pass Transportation Utility fee rates on the public budgeting criteria of equity, efficiency, neutrality, productivity, certainty, and convenience.

Equity

Poor (Residential) - Residents living in the same type of property (single or multifamily) pay the same fee regardless of property value, property size, household income, or other demographics, which presents significant vertical equity issues. Differentiating by unit type (e.g. multifamily, mobile home, single family) offers some horizontal equity since households with comparable home types will pay the same fee. However, the fee structure merges together a large diversity of different home sizes, values, and circumstances, making the fee more burdensome on lower income families (making the fee somewhat regressive). Further, the differentiation by unit type does not indicate the number of vehicles per household, which would certainly place more strain on road infrastructure.

Fair (Commercial) - The commercial classifications are somewhat more equitable because they are based on square footage and trip generation as well as use. Similar types and sizes of business would expect to pay the same amount (more horizontal equity). However, this rate structure does not account for revenue generation differences between businesses or their impacts on the community as a whole. It is also unclear how trip generation is accounted for within the commercial classifications, so basing the fee more on trip generation might lend to more equity in the fee structure.

Administrative Efficiency

Great - Since the fee is assessed through the well-established utility billing system, it has a low administrative burden. Because the fee structure is simple and doesn't require additional data beyond what is already collected about properties, there is no additional administration burden to implement the fee.

Neutrality

Good (Residential) - Since the fees are relatively low ($51 per year per single family household) and are a part of the utility bill system already in place, the fee is very unlikely to impact someone's decision to relocate.

Fair/Good (Commercial) - Some of the higher commercial/industrial classifications pay a much higher fee (see Table 12). This might impact how large businesses make decisions about whether to locate their business within the jurisdiction. It could potentially cause neutrality concerns if nearby cities had much lower commercial utility or tax rates. However, 91% of businesses in Grants Pass fall within the A category, so the small $14 fee is very unlikely to cause neutrality concerns (*Frequently Asked Questions | Grants Pass, OR - Official Website*, n.d.).

Productivity

Good - The fee produces sufficient and stable revenue for the Grants Pass transportation department. The City can rely on this revenue being consistent from year to year, and the fee is highly productive compared to the cost of administering it.

Certainty

Great - The fee is assessed as a flat amount and by property type with a clearly stated free structure, which makes it clearly understood and evenly applied. Residents and businesses will know what to expect on their utility bill payments each month.

Convenience

Great - Since the fee is charged as part of the current utility billing system, it is easy for residents and businesses to pay. The monthly billing process also generates regular monthly revenue for the City to use towards transportation projects.

Recommendations

Based on my analysis of Grants Pass Transportation Utility Fee, I offer recommendations for how Salem might consider restructuring its operations fee. The context for Salem operations fee is somewhat different in Salem since it goes to the general fund, rather than the transportation fund. Therefore, Salem will want to structure its fee differently from Grants Pass since the revenue is not transportation-focused. For example, having a fee based off trips generated makes sense for transportation funding, but may not be as relevant to general fund revenues.

My recommendations for Salem's operations fee:

1. Change the residential structure of the fee to include mobile home, condos, and other residential types. This would contribute to a somewhat better horizontal equity. Additional variables such as square footage, property value, number of household members, or household income would also contribute to a more equitable fee structure. However, some of those data sets may not exist or would be very administratively burdensome.
2. Change the commercial structure of the fee to include more specific information about commercial properties, such as total square footage, number of employees, trips generated, total revenues, etc. Since larger businesses place more burden on city's services and infrastructure, this could improve vertical equity challenges.
3. Consider implementing a "mission-driven" or "local-owned" designation (to pay lower fee rates) for businesses that contribute to City goals and community values. Different types of businesses place different burdens on City services and infrastructure, so this could be an incentive for the business to support broader community development.
4. Continue using utility bills to collect and administer the fee – this minimizes administrative time and costs and contributes to efficiency, productivity, and certainty of the fee.

Conclusion

The use of utility-type fees to augment public budget resources is becoming more common for cities. Salem's operations fee is a significant source of revenue for the general fund, representing approximately 8% of general fund revenue. The Grants Pass transportation utility fee is structured similarly to the Salem operations fee, using a flat rate structure differentiated by different types of both residential and commercial properties. While these fees generate significant revenue for both cities, I recommend that Salem consider a restructuring of its operations fee to increase horizontal and vertical equity in its pay structure. A more equitable structure may involve using different or new data sets, which could impact the administrative burden on the City. I recommend further analysis of different rate structures to better understand their impact administratively and on the overall revenue yield. I believe the SCYP student projects will result in some thoughtful and unique recommendations for considering a more equitable operations fee structure in Salem.

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Appendices

Table *13*: Calculation of Transportation Utility Fee Revenue as Share of Total Operations Resources in Grants Pass

Source	Amount	% Total Ops budge
Total Revenue (operations)	75,295,884	
Transp utility fee revenue	$ 1,175,500	2%

Source: (City of Grants Pass, 2023)

Table *14*: Calculation of Operations Fee Revenue as a Share of Total General Fund Resources in Salem

Resource	Amount	% Resources
Total GF Resources	103,835,845	
Operations Fee	7,932,390	8%

Source: (City of Salem, Oregon, 2022)

Table *15*: Difference in Revenue Between Salem's Operations Fee and Grants Pass Transp Utility Fee

City	Fee Name	Revenue
Grants Pass	Transp utility fee	$1,175,500.00
Salem	Operations Fee	$7,932,390.00
	Difference	$6,756,890.00

Source: (City of Grants Pass, 2023, p. 175; City of Salem, Oregon, 2022, p. 320)

Case Study: City of Silverton, Oregon

To	City of Salem Budget Director
From	Rosemary Betros
Date	November 12, 2023
SUBJECT	City of Silverton Street Maintenance Fee Case Study

Introduction

This memorandum presents a study of Silverton, Oregon's Street Maintenance Fee (SMF). In this document I provide an overview of how and why Silverton authorized the fee's creation and how the City administers and collects it. I consider how much revenue the SMF generates compared to Silverton and Salem's top revenue sources as well as to Salem's Operations Fee (OF). I also analyze how well the SMF performs in terms of equity, neutrality, productivity, certainty, and convenience and offer recommendations for how Salem might apply lessons learned from the SMF to the OF. My findings indicate that although the SMF plays a somewhat different role than Salem's OF, it provides a reliable revenue stream for the City and has valuable elements for Salem to consider.

Background Information on Silverton's SMF

This section provides an overview of how and why Silverton created the SMF, how the City administers and collects the fee, and information on the SMF's rate, base, and yield.

Authorization of the SMF

Silverton's city council instituted the SMF in 2013 through city ordinance (Silverton Municipal Code, 2023). The city council adjusts the rate annually through resolutions, the most recent being City Council Resolution 23-11 (Silverton Municipal Code, 2023). The City bases the adjustment on the West Region Consumer Price Index (CPI) annual average (Resolution 23-11, 2023, pg. 11). The city manager, with input from the finance director and public works director, has the power to interpret and make changes to the ordinance. Citizens do not vote on fee adjustments (Silverton Municipal Code, 2023).

The SMF as a Special Revenue Fund

The SMF feeds into a special revenue fund, which means that its revenues are restricted for a specific purpose (Silverton Budget, 2023, pg. 88). In this case, the specific purpose is street maintenance, which both directly and indirectly benefits people who use the city's streets. The revenues pay for planning, management, construction, preservation, maintenance, and alteration costs of streets that the City owns or controls (Resolution 23-11, 2023, pg. 11).

Administration and Collection of the SMF

The city collects the SMF through the monthly water and sanitary sewer utility bill of the person responsible for each billing unit on developed property within the City. A billing unit is any structure, or unit within a structure, that someone could occupy as residential or nonresidential property. For example, each separate dwelling unit in a multifamily residential property and each distinct business in a shopping center counts as an individual billing unit. In many cases, the City is able to track billing units because the responsible parties must fill out an application including what kind of unit they live or work in to receive utility services. To collect the SMF from properties that do not use city utility services, the city sends a separate monthly SMF bill to the person responsible for that property. The City does not specify the data

source it uses to track responsible parties not using city utility services, but it is likely that it tracks their addresses through some form of database. The SMF payment is due on the same date as utility payments. In the event of delinquent SMF payments, the City has the authority to terminate water and/or sewer services to the responsible party (Silverton Municipal Code, 2023).

As of August 7, 2023, Silverton's monthly SMF rate is $11.27 per billing unit (Resolution 23-11, 2023, pg. 12). The City charges businesses an additional $250 per year for the SMF as part of the business license fee (Resolution 23-11, 2023, pg. 7). The City manages approximately 3,600 utility billing accounts which constitute a significant portion of the base for the charge (*Utility Billing*, n.d.). It is unclear how many properties do not use city utility services and are therefore not included in that number. It is also unclear how the 3600 accounts break down between residential and commercial units. Table 1 shows how the fee applies to billing units of various types. Through the SMF, the City earned a yield of $611,306 in fees and permits last year (Silverton Budget, 2023, pg. 89).

Table 1: Silverton SMF Charges by Billing Unit Type

Type of Billing Unit	SMF Charge Formula
Single Family Residential Developed Property (including accessory dwelling units)	$11.27 x (1 Unit)
Multifamily Residential Unit	$11.27 x (# of Dwelling Units in Building)
Multi-tenant Commercial or Industrial Properties	$11.27 x (# of Distinct Businesses in Building)
Motel, Hotel, B&B, or Resort	$11.27 x (1 Unit)
Institutional Uses (including churches, schools, hospitals)	$11.27 x (1 Campus)

Source: City of Silverton Resolution 23-11

Analysis

This section identifies Silverton and Salem's top revenue sources and how each city's respective operations fee compares to the top sources and to each other. It also rates the effectiveness of the SMF based on how well it fulfills the criteria of equity, efficiency, neutrality, productivity, certainty, and convenience.

How Does the SMF Compare as a Revenue Generator?

Silverton's three largest revenue sources, from largest to smallest, are interfund transfers (12.2%), Sewer Fund fees and permits (5.3%), and property taxes (4.7%). These three sources combined constitute 22.2% of the city's total income. The SMF generates a comparatively small, but significant, portion of revenue for the total budget (0.8%).

Salem's top revenue sources, from largest to smallest, are property taxes (9.1%), interfund transfers (2.8%), and franchise fees (2.4%), which, combined, make up 14.3% of the city's total income. Similar to Silverton's SMF, Salem's OF constitutes a relatively small, but significant, percentage of the revenue for the city's total budget (1.5%). The revenues that Silverton's top three sources generate make up a larger portion of the budget than do Salem's top three sources (by about eight percentage points).

See Tables 2 and 3 for more information. Table 2 compares Silverton and Salem's top three revenue sources as percentages of the total budget both with and without beginning fund balances (BFB). Table 3 compares Silverton's SMF and Salem's OF as percentages of the total budget both with and without BFBs.

Table 2: Silverton and Salem's Top Three Revenue Sources as Percentages of Total Budget

Silverton Top Three Revenues			Salem Top Three Revenues		
Revenue Source	*% of Budget w/ BFB*	*% of Budget w/o BFB*	*Revenue Source*	*% of Budget w/ BFB*	*% of Budget w/o BFB*
Interfund Transfers	12.2	32.8	Property Tax	9.1	16.0
Sewer Fees & Permits	5.3	14.3	Interfund Transfers	2.8	5.0
Property Tax	4.7	12.6	Franchise Fees	2.4	4.2
Total	22.2	59.7	Total	14.3	25.2

Source: City of Silverton Budget (2023), City of Salem Budget (2023)

Table 3: Silverton's SMF and Salem's OF as Percentage of Total Budget

Silverton SMF			Salem OF		
Revenue Source	*% of Budget w/ BFB*	*% of Budget w/o BFB*	*Revenue Source*	*% of Budget w/ BFB*	*% of Budget w/o BFB*
SMF	0.8	2.2	OF	1.5	2.6

Source: City of Silverton Budget (2023), City of Salem Budget (2023)

Salem's OF makes up almost twice as much of the city's total budget as Silverton's SMF. Considering the different purposes of the two funds, this difference makes sense. Silverton's SMF is a special revenue fund specifically for costs associated with city owned and controlled streets. Salem, on the other hand, uses the OF to "fund a combination of existing and new services" to fill a "structural deficit" in the General Fund resulting from the loss of one-time federal funding. In other words, the SMF provides funds for a more distinct, narrow and finite purpose, while the OF provides funds to cover a shortfall in General Fund revenues for a wider range of city services (Salem Budget, 2023, pg. 5).

How Well Does SMF Perform?

Equity: The SMF does performs poorly in terms of equity. First, the fee is regressive – because everyone pays the same rate, the effective burden of the fee decreases as income increases. This regressivity also makes the fee vertically inequitable – the rate remains the same regardless of a responsible party's income. People living in accessory dwelling units (ADUs), for example, pay the same charge as people living in single family homes. On a positive note, although businesses pay the same monthly fee, they also must pay an additional $250 annually. Additionally, the SMF seems to be horizontally equitable because people and businesses in comparable circumstances pay the same fee, and the City does not offer the option to apply for discounts.

Efficiency: The SMF is relatively efficient because it piggybacks on the utility bill that responsible parties already receive on a monthly basis. It also follows the same bill pay schedule as the utility charges, which means the City does not have to track another schedule. The single rate of $11.27 makes it easy for citizens to understand, and therefore likely reduces the amount of calls and questions City Hall receives in relation to the fee. One complicating factor is that not all people required to pay the SMF use city utilities, meaning that the City must go out of its way to track and send a separate SMF bill to that address.

Neutrality: The SMF does not produce completely neutral outcomes. Because the fee is the same regardless of the class of the billing unit, citizens may aim to occupy as much space as possible for the $11.27 charge when deciding where to live or set up a business. If Silverton is interested in promoting greater density, having the same charge for all types of properties may work against that goal.

Productivity: At 0.8% of the total budget, the SMF seems to be productive enough to serve Silverton's needs for street upkeep. The fact that the charge adjusts annually based on CPI also contributes to its productivity because it can keep up with inflation.

Certainty: The SMF performs very well under the certainty criterion because it is easy to understand. Every billing unit owes $11.27 per month – there is no variation for citizens to consider based on type or size of the billing unit. The only aspect they need to understand is how their properties fit into the city's definition of a billing unit, which the city clearly defines in Resolution 23-11.

Convenience: The SMF rates very well in terms of convenience. Citizens pay the fee in 12 manageable monthly installments, which aligns with monthly paychecks. They can easily pay the fee as part of the utility payment that they would have submitted anyway. The city also provides several payment options. Citizens can either submit their payments online, through the mail, or in person.

RECOMMENDATIONS

Despite similarities between how each city administers and collects its respective fees, there are distinctions to acknowledge when considering how Salem might improve or maintain efficiency and effectiveness of its OF. First, implementing annual increases in the OF rate based on a measure like CPI could help Salem grow revenues over time. It could also be useful to do more research to determine how Silverton keeps track of and charges citizens who do not use city utilities – perhaps Salem could implement a similar procedure. Some aspects of Silverton's SMF that I would not recommend pursuing are the use of a single rate for all categories of billing units and the lack of discounts. As discussed previously, these factors introduce equity concerns. Salem representatives clearly stated that the city aspires to even greater levels of equity than the OF's current rate structure provides (the OF rate changes based on residential and commercial characteristics of a property) and, therefore, adopting Silverton's single rate and lack of discounts would be a step back in that criterion (SCYP Project Brief, 2023).

CONCLUSION

This memorandum provided background on Silverton's SMF and how its revenues compare to Salem's OF and other revenue sources in both Silverton and Salem. I analyzed how the SMF scores in measures of equity, neutrality, productivity, certainty, and convenience, and made recommendations for how Salem can use this information to adjust or maintain the structure and administration of its current OF. Although the method of charging and collecting the SMF and OF are similar, it is useful to consider the unique elements of the SMF and how applying them in Salem could impact the effectiveness and efficiency of the OF.

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CASE STUDY: CITY OF MILWAUKIE, OREGON

To	City of Salem Budget Director
From	Emily Severeid
Date	November 12, 2023
SUBJECT	City of Milwaukie Operations Fee Case Study

INTRODUCTION

The purpose of this memo is to examine how the City of Milwaukie operations fee is structured in detail. Using the information gathered about the structuring of this document, this memo will conclude with recommendations on how the Milwaukie operations fee structure could be effectively adopted in the City of Salem.

This memo will analyze Milwaukie's operations fee by reviewing what share of city revenue this fee constitutes, the rate, base, and yield of the fee, whether fee revenues are restricted in anyway, how often it is administered and collected, how Milwaukie categorizes users, and how the fee was authorized. This information will provide comprehensive details on Milwaukie's operations fee, and gainfully inform the recommendations that conclude this memo.

BACKGROUND

This section will provide overview information about the City of Milwaukie operations fee, known as the SAFE Fee and the City of Salem City Operations Fee.

City of Milwaukie Operations Fee Overview

The City of Milwaukie's (Milwaukie) total budget provides high-level information about the resources and requirements belonging to the City. Table 1, below, highlights the three largest revenue sources as stated in Milwaukie's Transportation Fund in the Adopted Budget for the 2023 – 2024 Biennium.

Table 1: Largest Revenue Sources in Milwaukie's Transportation Fund[5] ($100 = $100,000)

Revenue Source	Amount	Percent of Total Resources
Proceeds from Issuance of Debt	$21,000	46%
State Gas Tax	$3,128	7%
SAFE Fee	$2,568	6%

In Milwaukie's Total Budget, the Fees and Charges resource amount is the highest revenue source, equal to 25% of all resources. However, it is through observation of the Transportation Fund that gives the breakdown of the operations fee. Milwaukie's transportation utility fee is called the SAFE fee, and is only detailed in the Transportation Fund section of the Adopted Budget for the 2023 – 2024 Biennium. The SAFE fee equates to over $255,000, which is roughly 5.7% of the overall resources in the Transportation Fund (City of Milwaukie, 2022). While this information of the exact amounts collected on the SAFE fee

[5] City of Milwaukie Finance Department. *Adopted Budget 2023 – 2024 Biennium*, July 2022, pg. 153. https://www.milwaukieoregon.gov/sites/default/files/fileattachments/finance/page/45921/milwaukie_bn23-24_adopted_budget.pdf

is readily available in the Transportation Fund, it is based on simple calculations that we can know that the SAFE fee is equal to roughly 5.2% of the Fees and Charges resource in the Total Budget.

City of Salem Operations Fee Comparison

In contrast to Milwaukie, the City of Salem (Salem) does provide the specific amount of fees collected through the City Operations Fee in the General Fund. This is because the Salem fee is a general operations fee that contributes to the total resources of the General Fund. This fee equates to over half of all resources collected from sales, fees, licenses, and permits and approximately four percent of total resources in the General Fund (City of Salem, 2023). Table 2, below, shows the top three revenue sources in the sales, fees, licenses, and permits category of FY 2023 in Salem's Adopted City Budget Book.

Table 2: City of Salem Sales, Fees, Licenses, and Permits Top Three Resources[6]

Revenue Source	Amount	Percent of Total Resources
City Operations Fee	$7,932,390	4%
Fire Protection	$1,113,490	0.5%
Fire Safety Permits	$1,030,140	0.5%

Due to these fees having different purposes, it's somewhat difficult to compare them evenly. The nature of these fees differs depending on what area of governmental operations it supports, but it serves a similar purpose of existing to support a specific fund in the city's budget. Additionally, the proportionate resource it provides to each city's budget varies based on the purpose and rate of the fees themselves.

Milwaukie SAFE Fee Analysis

This section will provide a comprehensive analysis of Milwaukie's SAFE Fee, which is one of three program fees that support the Transportation Fund. The Safe Access for Everyone (SAFE) program "provides for capital needs of pedestrian and bicycle infrastructure and is a dedicated funding source to implement the Public Right-of-Way ADA Transition Plan and Bicycle and Pedestrian Accessibility Plan" (City of Milwaukie, 2022, pg. 151). This program began in 2017 and will construct infrastructure across 40% of the city's roadways over the next 25 years and is funded through a monthly user fee (City of Milwaukie, 2022).

The fee is collected as part of the city's utility bill, and the amount collected is based on the type of property and the way it is used. Below, Table 3 outlines the residential monthly application of this fee as stated on the SAFE Program webpage on the City of Milwaukie's website. This same information is outlined in the 2023 – 2024 Consolidated Fee Schedule, though neither outline the base of this fee.

Table 3: Milwaukie's SAFE Residential Fee Structure[7]

Type of Use	SAFE Fee (Cost Per Unit)	Unit
Single Family Residential	$6.39	Per Dwelling Unit
Apartment or Condo/ADU	$5.12	Per Dwelling Unit
Low-Rise Apartment		
High-Rise Apartment		
Residential Condo/Townhouse		
Low-Rise Residential Condo/Townhouse		

[6] City of Salem Department of Budget and Finance. *Adopted City Budget Book FY 2024*. July 2023. https://www.cityofsalem.net/home/showpublisheddocument/20447/638277759209470000

[7] City of Milwaukie SAFE Program. *SAFE/Street Commercial Fee*. 2022. https://www.milwaukieoregon.gov/commercialfee

High-Rise Residential Condo/Townhouse		
Recreational Home		
Public Multi-Family Residential		
Nursing Home	$2.52	Per Bed
Mobile Home Park	$2.52	Per Dwelling Unit
Senior Adult Housing (Attached & Detached)	$2.52	Per Dwelling Unit
Low-Income	EXEMPT	

Since information on the base of the SAFE Fee is difficult to find, it's unclear how Milwaukie categorizes the users to apply the fee to. However, because the fee is collected as part of the monthly utility bill, it could be assumed that they are charging the person who pays the utility bill, which includes water, sewer, stormwater, and street maintenance. Additionally, it's important to note that low-income housing and residents are not required to pay this fee in their monthly utility bill.

The final point this section is intended to analyze the SAFE fee around is how it was authorized. To try and find this information, I searched for relevant terms in Milwaukie's municipal code, city charter, on their website, and on the local newspaper's website. Unfortunately, I was not able to find information about this fee's adoption.

Milwaukie SAFE Fee Evaluation

This section will provide an evaluation of Milwaukie's SAFE program fee that's charged to users through their monthly utility bill. The evaluation criteria used will be equity, efficiency, neutrality, productivity, certainty, and convenience. These criteria serve as comprehensive analytical measures that an assessed fee or tax can be evaluated on, to understand how the fee serves the City with or without harming residents. Table 4, below, provides this evaluation of the Milwaukie SAFE fee.

Table 4: Milwaukie SAFE Fee Evaluation

	Evaluation
Equity	Excellent, because it provides users of various income levels to pay this fee based on their property type and usage, therefore paying within their means.
Efficiency	Neutral, since it was difficult to find some information about this fee, it's hard to say whether it's good or bad as far as administration efficiency.
Neutrality	Good, because it's built into monthly utility bills, users are unlikely to change their usage based on this fee alone.
Productivity	Good, because it supports approximately 5% of the Transportation Fund and helps bolster the funding for the SAFE program.
Certainty	Excellent, because the rates are all clearly stated in the budget, on the SAFE program website, and in the Consolidated Fee Schedule.
Convenience	Excellent, because it's built into monthly utility bills, it's easy for users to pay.

Recommendations

This section will provide recommendations to the City of Salem for consideration of adopting a utility fee that resembles the Milwaukie SAFE Fee. The recommendations are outlined below.

1. Provide clear, concise, and consistent information about the fee's structure on the city's website, in the budget document, and any other relevant sources of information.
2. Create a fee structure that acknowledges the difference between horizontal and vertical equity and implement a fee that reflects the need for attention to these differences.

3. Utilize the convenience of assessing the fee in the utility bill, because it's collected monthly, so users are prepared to pay the fee with each billing cycle.

Conclusion

The City of Milwaukie assesses a fee in the monthly utility bill that supports the SAFE program. This fee is restricted for use on capital needs of pedestrian and bicycle infrastructure and the implementation of the Public Right-of-Way ADA Transition Plan, which focus on making a more accessible city for residents and visitors alike. Based on the information in this memo, several recommendations can be utilized by the City of Salem if preparing to adopt a similar fee on user utility bills. These recommendations include focusing on equity, clarity of information on fee structure, and a strong focus on convenience to assuage any concerns the public has about the fee. In conclusion, this fee structure seems manageable for the City of Salem to reproduce in their own jurisdiction.

References

City of Milwaukie Department of Finance. *Adopted Budget 2023 – 2024 Biennium*. July 2022. https://www.milwaukieoregon.gov/sites/default/files/fileattachments/finance/page/45921/milwaukie_bn23-24_adopted_budget.pdf

City of Milwaukie SAFE Program. *SAFE/Street Commercial Fee*. 2022. https://www.milwaukieoregon.gov/commercialfee

City of Salem Department of Budget and Finance. *Adopted City Budget Book FY 2024*. July 2023. https://www.cityofsalem.net/home/showpublisheddocument/20447/638277759209470000

Case Study: City of Corvallis, Oregon

To: The City of Salem
Cc: Rebecca Lewis, PPPM 629: Public Budget Administration, University of Oregon
From: Jenna Bryant, MPA Candidate
Re: **Operations Fee Assessment: City of Corvallis Case Study**
Date: November 12, 2023

Executive Summary

This memorandum analyzes the Corvallis City Transit Operations Fee for the purpose of informing the redesign of Salem's own Operations Fee. The fee performs well in terms of horizontal equity, neutrality, productivity, efficiency, and convenience; moderately in terms of certainty; and somewhat poorly in terms of vertical equity. Ultimately, the fee closely resembles Salem's current Operations Fee, but benefits from having a well-defined rate-setting system.

Revenue Source Comparisons

Corvallis and Salem share similar General Fund revenue structures. In *Figure 1*, I outline the top three revenue sources and their respective shares of General Fund total revenues. Like Salem, Corvallis derives about half of its General Fund revenues from property taxes alone.

Figure 1: Largest Revenue Sources within General Fund for FY 2024 Adopted Budgets

Corvallis	
Revenue Type	**Share of GF**
Property Taxes	52%
Licenses, Fees, and Permits	17%
Charges for Service	11%

Salem	
Revenue Type	**Share of GF**
Property Taxes	50%
Sales, Fees, Licenses and Permits	25%
Internal and Intergovernmental Transfers	18%

Source: Created by author

The Transit Operations Fee

The Transit Operations Fee was passed by City Ordinance on December 20, 2010, for the purpose of providing "a stable source of funds for the administration, operation, and maintenance of the Corvallis Transit System."[8] The fee went into effect in February of 2011, the same year that the City moved to a fareless transit system. Unlike Salem's City Operations Fee, which supports a variety of essential public services, Corvallis' Transit Operations Fee is specifically designated to support public transit provision for residents. Historically, the City relied on property tax revenues to fund bus services;[9] implementing the Transit Operations Fee created a source of dedicated revenue for the Transit Fund, so that it no longer needed to compete with other departments for General Fund revenues. The fee is based on the "direct and

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[8] City of Corvallis, OR. (n.d.). *Code of ordinances, Title 3; Utilities/public rights-of-way.* Ord. 2010-31 § 1, 12/20/2010.
[9] City of Corvallis, OR. (n.d.). *Corvallis transit system*. Retrieved on November 7, 2023 from https://www.corvallisoregon.gov/cts/page/cts-fundingfares.

indirect use of or benefit derived from the use of the transit system."[10] The fee generated roughly $1.04 million in FY 2021-2022.[11]

Fee Administration

The fee is administered to four customer groups, or classes: **a) single family residential, b) multi-family residential, c) group residential,** and **d) non-residential**. For all customer bases, the fee is determined based on "the use of the site served by a utility account and the amount of vehicular traffic generated by the site."[12] For non-residential customers, the fee is calculated based on gross square footage of all combined structures on-site. See Appendix B for definitions of each customer class. Current rates are set as follows:

Figure 2: Current Transit Operations Fee Rates

Customer Class	Current Rate
Single-family residential	**$4.72** per unit per month
Multi-family residential	**$3.26** per unit per month
Group residential	**$0.493** per trip
Non-residential	**$0.074** per trip

The fee is calculated each January based on the average annual cost of a gallon of unleaded gasoline.[13] Unlike other city fees, which require formal City Council resolution to implement rate changes, the fee is updated automatically, without Council action. Between 2022 and 2023, the **fee increased by 40%,** or $1.36 for single-family residential customers.[14]

For group residential and non-residential customers, the "per trip" rate is calculated by first dividing the average cost of a gallon of gasoline by the number of trips generated by a single-family residence; this rate is then used to determine how many trips a property generates on average based on its class.[15] This method relies on the Institute of Transportation Engineers' (ITE) trip manual, a nationwide planning tool, to calculate these trip averages. (In other words, the City does not track *actual* trips taken by individual households.) The City Engineer uses the ITE trip manual to assess the category of use and the associated amount of vehicular travel that applies to individual customers. For instance, commercial businesses that draw many customers to their site generate a high number of daily "trips," and therefore pay a much higher Transit Operations Fee than a single-family home.

Like Salem's Operations Fee, the Transit Operations Fee uses **utility billing accounts** as payment vehicles. The fee is billed and collected monthly on Corvallis City Service bills, which also include

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[10] City of Corvallis, *Code of ordinances, Section 3.08*.
[11] City of Corvallis, OR. (2023, January). *Frequently asked questions on the…Transit Operations Fee.* *https://archives.corvallisoregon.gov/public/ElectronicFile.aspx?dbid=0&docid=3293640*.
[12] City of Corvallis, *Code of ordinances, Section 3.08.0.50.*
[13] City of Corvallis, OR. (n.d.). *City service fees 2023 rate adjustment*. https://www.corvallisoregon.gov/cm/page/city-service-fees-2023-rate-adjustment.
[14] City of Corvallis, *City service fees.*
[15] City of Corvallis, *Frequently asked questions.*

charges for water, wastewater, and stormwater.[16] Government utility accounts and any accounts subject to property tax exemptions must still pay the operations fee, including Oregon State University.

Because the fee rate is calculated automatically, opportunities for public input are limited. When the City Council discusses annual utility rate adjustments in December, they advertise an opportunity for public comment through the local paper and the City's government-access television station. Community members are also welcome to review reports and background material in the Public Library or City Hall. However, these methods seem designed to elicit feedback from only the most civically engaged of residents.

Fee Evaluation

Here, I evaluate the Transit Operations Fee based on its performance across multiple criteria, which informs my final recommendations. Overall, the fee performs very well by measures of horizontal equity, neutrality, efficiency, and convenience, but lacks certainty and vertical equity.

Vertical Equity: Poor / Moderate

There is a relative absence of vertical equity here; the fee does not differentiate between levels of personal wealth. All single-family units are charged the same rate regardless of personal wealth, income, or property value, in part to prevent the fee from resembling a tax. Multi-family customers are charged a lower rate, perhaps with the idea that multi-family dwellings would consist of renters, who tend to have fewer assets than homeowners, *ceteris paribus.* Commercial customers pay more than residential customers. However, the fee is, by and large, proportional, not regressive, with no adjustments made specifically for lower-income households.

Though the fee supports a specific service, it doesn't adhere to benefits-received principles; residents are charged regardless of whether they use public transit. However, if increasing public transit usage is socially desirable, then the fee's structure is preferable to charging transit fares – particularly given that lower-income residents may be more reliant on transit services.

Horizontal Equity: Very Good

As a measure of *horizontal* equity, the fee performs very well; all customers within individual classes pay the same rate. Non-residential sites are charged based on the estimated traffic that they generate, meaning that larger entities, like big-box stores or Oregon State University, would pay a share proportionate to their traffic.

Neutrality: Very Good

The fee is so small as a share of utility charges that it seems unlikely to alter any personal behaviors. By design, having the fee on consumer utility bills probably makes it more palatable to residents, and the fee's structure prevents it from looking like a tax. If anything, one would hope that maintaining the city's transit system, and using this fee to keep transit service fareless, would incentivize more residents to make use of public transit, which is socially desirable. More public transit use decreases air pollution from personal vehicles, reduces traffic, and causes less wear-and-tear to public roads. Good public transit networks also make commuting, shopping, and using public services more accessible to residents who may not own a personal vehicle.

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[16] City of Corvallis, *Code of ordinances, Section 3.06*.

Efficiency: Very Good

Because the fee is administered and collected through customer utility bills, it is a highly efficient source of revenue. Given that the fee is based on average gas costs, it must be recalculated annually, but the quasi-automatic nature of these calculations means that the fee can be updated without formal action from the City Council. I could not access information about the database used to calculate fee charges for individual customers; it is possible that determining per-trip rates for group residential and non-residential customers may be administratively burdensome.

Productivity: Very Good

The fee generates a stable, reliable source of dedicated revenues to support transit operations. It has replaced roughly $400,000 in property taxes revenue that would support the Transit Fund each year; that revenue can now be used for other public services, such as Fire or Library.[17]

Use of public transit increased by 38% in the year after transit was made fareless.[18] While the fee doesn't capture commuters and non-residents, who can still ride public transit at no cost, it does capture otherwise-tax-exempt entities, such as government and university facilities.

Certainty: Moderate / Good

The fee's existence is well-justified, and the customer group classification is intuitive. Determining fee rates by average gas prices and ITE manual standards prevents rate-setting from appearing arbitrary. The City could take more pains to explain how per-trip rates are set – this information was initially difficult to find, but it is publicly available. Making this information more accessible would improve public transparency.

Convenience: Excellent

The fee is conveniently bundled with other utility charges, making it very easy for customers to make payments. Because the fee is issued monthly, annual costs are spread out, rather than exacting infrequent lump sum payments from residents.

Recommendation

Overall, the fee appears to be an efficient and effective means of funding Corvallis public transit. Salem should consider, however, that fees of this type often perform poorly along vertical equity dimensions – discounts for lower-income residents should be discussed, even if they will impose additional administrative burdens. Salem should explore ways to make its own Operations Fee rates less arbitrary and more progressive in design. Salem should also ensure that any fee it adopts be well-documented on the city's website to maximize certainty and public transparency.

To mitigate existing concerns that Salem's fee does not differentiate between small and large commercial or industrial customers, the City might mimic Corvallis's approach by charging non-residential customers at a rate proportionate to their consumption of public services, such as infrastructure (i.e., traffic generation, per the ITE manual) or utility usage.

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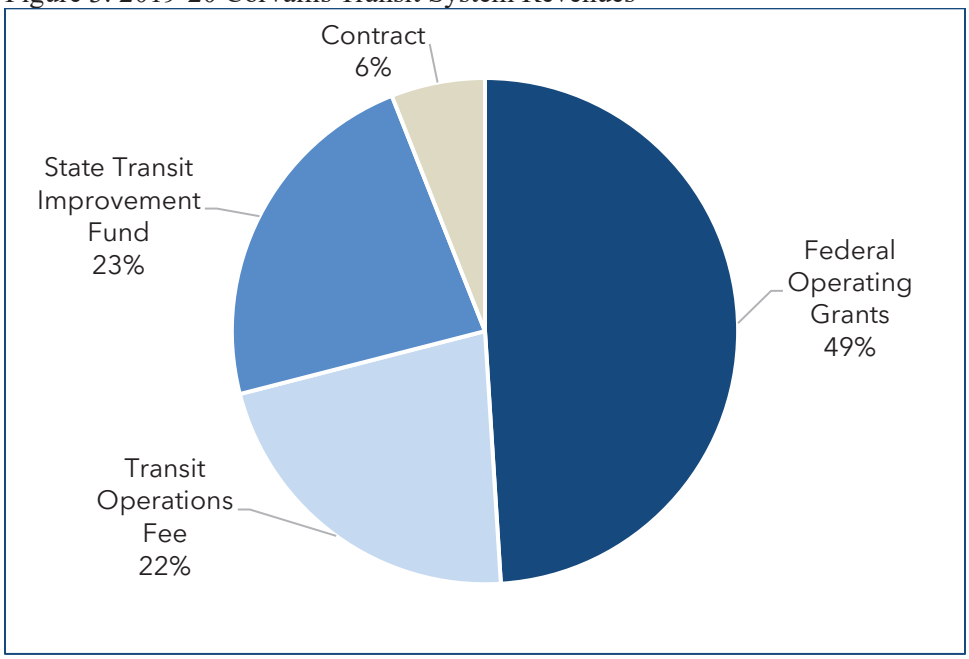
[17] City of Corvallis, *Frequently asked questions.*
[18] City of Corvallis, *Corvallis transit system*.

APPENDIX A

Figure 3: 2019-20 Corvallis Transit System Revenues



Source: City of Corvallis, (n.d.). Corvallis Transit System.
Chart made by author using data from the above source.

Figure 3 depicts the share of total Transit System revenues collected by revenue type, based on the city's most up-to-date website information. The Transit Operations Fee accounts for a substantial portion of revenues.

APPENDIX B

Definitions

The four customer classes, by which Transit Operations Fee rates are charged, are defined as:

- **Single-family residential:** Sites designated for occupancy by one family; includes houses, detached townhouses, condominiums, and zero lot-line units.
- **Multi-family residential:** Sites designated for domestic occupancy, served by one water meter, with two or more dwelling units – includes "quads."
- **Group residential:** Dormitories, fraternities, sororities, cooperatives; structures used for residency, with shared common bathroom and kitchen areas – doesn't include hotels.
- **Non-residential:** Sites not used for *personal* domestic occupancy; includes industrial and commercial sites, hotels, motels, and assisted living facilities.

References

City of Corvallis, OR. (n.d.). *2023-2024 adopted budget.* https://archives.corvallisoregon.gov/public/ElectronicFile.aspx?dbid=0&docid=3823333.

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CASE STUDY: CITY OF ASHLAND, OREGON

To	City of Salem Budget Director
From	Nadya Barba-Ramirez
Date	November 12, 2023
SUBJECT	City of Ashland Transportation Utility Fee

INTRODUCTION

This is a case study that analyzes the City of Ashland's transportation utility fee. I recommend the City of Salem adopt such a fee, with minor changes such as the distribution of the fee amongst residential and commercial dwellings.

TOTAL BUDGET: THREE LARGEST SOURCES OF REVENUE

The City of Ashland's three largest sources of revenue contributing to the general fund are:

1. Charges for Services (31% residential, 13% commercial and industrial)
2. Debt Revenue
3. Taxes (54% Property Taxes, 15% electric utility user tax, 13% food and beverage tax)

(Ashland Finance and budget visualization).

This breakdown shows that Ashland heavily relies on charges for services, however this is not unique to Ashland. Most cities, including Salem, rely on charges for services/fees as a large portion of their revenues.

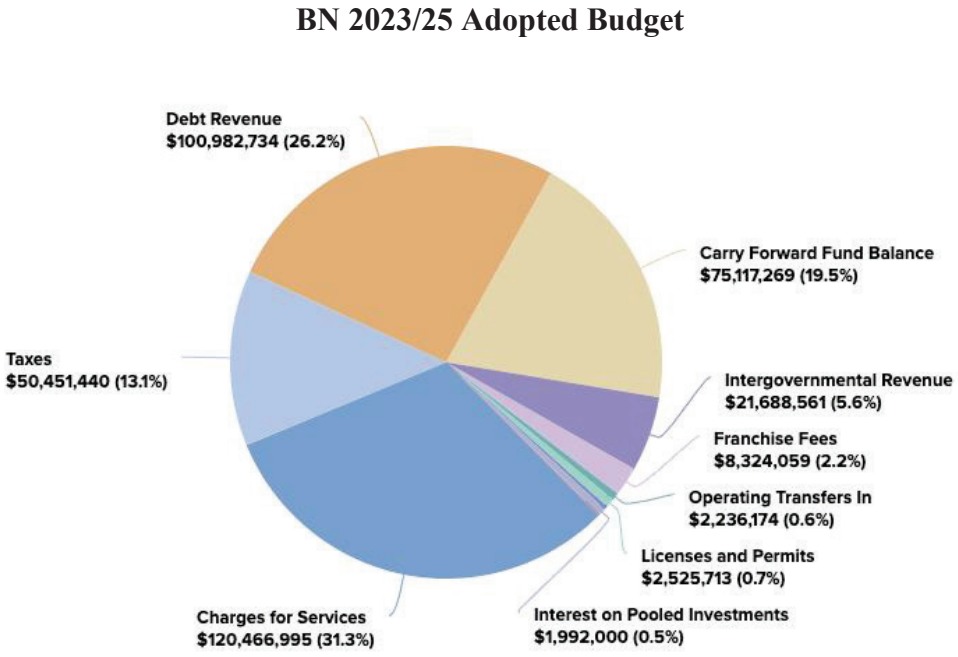

Exhibit 1: 2023-25 Biennial Budget – Adopted

Revenue in Ashland Versus Salem

In comparison, Salem's three largest revenue sources are cash balances, taxes, and fees for services. This is very similar to that of Ashland, just in different amounts (2024 Salem Adopted Budget). The two cities have similar revenue sources overall, making Ashland an effective comparison for Salem. Should Salem choose to adopt any Ashland City budget policies, their similar budgets facilitate this.

Ashland Transportation Utility Fee Overview

- Yield: The transportation utility fee yields $3.36 million biennially.
- Dedicated: The transportation utility fee revenue in Ashland is dedicated to the Street Fund. These revenues are used for the operation, administration, and maintenance of the Ashland transportation network. It also manages the construction of pedestrian-dedicated areas, handicap access, and bicycle facilities.
- Administration and collection: The fee is billed along with the monthly utility bill.
- Authorization: The transportation utility fee was authorized by the City Council and encoded in the Ashland City Municipal Code (Ashland Municipal Code).
- Database of utility users: There is no publicly available database, however, there is a fee schedule according to dwelling type:

Figure 2: Transportation Utility Fee Schedule

EXHIBIT A

CITY OF ASHLAND

City of Ashland, Oregon

TRANSPORTATION UTILITY FEE SCHEDULE

A Transportation Utility is created for the purpose of providing funds for the maintenance of local streets under the jurisdiction of the City of Ashland. All transportation utility fees shall be collected and provided in accordance with Chapter 4.26 of the Ashland Municipal Code.

Billing: The fee shall be billed and collected with the monthly utility bill.

Transportation Utility Fee:

		2.07% increase	
	July 2019	July 2021	Unit
Single Family	$9.37	$9.56	per month
Multiple Family	$7.14	$7.28	per month per unit
Retail Store	$1.26	$1.28	per month per 100 SF
Wholesale Use	$0.71	$0.72	per month per 100 SF
Office Use	$0.84	$0.85	per month per 100 SF
Medical / Dental Use	$1.12	$1.14	per month per 100 SF
Service Use	$1.12	$1.14	per month per 100 SF
Restaurant / Bar Use	$3.34	$3.40	per month per 100 SF
Manufacturing Use	$0.71	$0.72	per month per 100 SF
Warehousing Use	$0.41	$0.41	per month per 100 SF
Hotel / Motel Use	$3.34	$3.40	per month per guest room
Institutional and all other accounts not classified above; including nursing homes and retirement homes.	$3.34	$3.40	per month per required parking spaces as specified in Chapter 18.92 of the Ashland Municipal Code.
Churches and places of worship	exempt	exempt	

Users within the downtown Overlay District shall be charged on the same basis as elsewhere within the City. The minimum fee per month for any commercial account is:

	July 2019	July 2021	Unit
Commercial	$9.37	$9.56	per month

Discounts applying to low income elderly persons for water, sewer and electric utility fees shall also apply to transportation utility fees. 4.26.110.

Source: City of Ashland Street User Fees (www.ashland.or.us/Files/Reso_2021-10_Transportation_Fee.pdf)

EVALUATION

- Equity: Ashland's transportation utility fee is not very equitable. Single family households pay more than many retail spaces, by a large amount. This puts the strain of this fee on families rather than businesses. Customers for these businesses use the same roads as the individuals who live in the City. In fact, businesses bring people into the City.
- Efficiency: This fee is billed alongside the monthly utility bill, which makes this an efficient fee.
- Neutrality: This fee is quite neutral. It does not affect the actions of individuals. People will still use streets, sidewalks, and trails regardless.
- Productivity: This fee enhances the productivity of the upkeep of Ashland's transportation sector.
- Certain: It is a very certain fee. As long as the monthly utility bill gets paid, this will get paid.
- Convenient: This fee is very convenient for the City of Ashland because it provides revenue for a resource that will always be needed, and it is charged in a manner that is very certain and consistent.

RECOMMENDATION

I recommend for the City of Salem to adopt the transportation utility fee. However, I would shift the burden to be spread out more evenly between residential and commercial dwellings. In addition, this fee will provide a consistent source of transportation infrastructure for the City of Salem.

SOURCES

2024 Salem Adopted Budget. (2023). https://www.cityofsalem.net/home/showpublisheddocument/20447/638277759209470000

Ch. 4.26 transportation utility fee. Ashland Municipal Code. (n.d.). https://ashland.municipal.codes/AMC/4.26

Ashland Finance and budget visualization. OpenGov. (n.d.). https://ashlandor.opengov.com/transparency/#/70674/accountType=revenues&embed=n&breakdown=types&currentYearAmount=cumulative&currentYearPeriod=years&graph=stacked&legendSort=desc&proration=true&saved_view=null&selection=66619724B3CEDE6FD1662957965D8025&projections=null&projectionType=null&highlighting=null&highlightingVariance=null&year=2025&selectedDataSetIndex=null&fiscal_start=earliest&fiscal_end=latest

Appendix D: Residential Group D Final Report

To: **Salem Director of Finance**

From: **Suzannah Burke, Morgan Driggs, Annie Price, Josh Pugh**

Date: **December 6, 2023**

Re: **Residential Operations Fee Recommendations**

Overview and Purpose of Project

The City of Salem is seeking recommendations on how to administer an operations fee to generate revenue for their general fund. The operations fee, albeit efficient in bolstering funds, raises concerns of equity when determining how to administer the fee. The operation fee is intended to supplement a shortfall of revenues and is included as a flat rate charge on the monthly utility bill. Currently in Salem, single family residential units are charged at a rate of $14.43 a month, $11.54 for multi- family residential units, and $69.55 for commercial and industrial units[1].

As PPPM Graduate students at the University of Oregon, we were tasked by the City of Salem to review and analyze operations fees from other jurisdictions and provide recommendations and best practices to administer the fee in their own City. We will reference operations fees administered by the City of Veneta, Gresham, Corvallis, Wilsonville, and Tomahawk, WI, further detailed in Appendix C. After our analysis of operations fees from these jurisdictions, we will recommend three possible approaches to collect the fee in Salem based on the following criteria:

- Equitability (Horizonal/Vertical)
- Efficiency
- Neutrality
- Productivity
- Certainty
- Convenience

[1] Woodworth, Whitney. "Here's Why Your Salem Utility Bill Will Go up in August." Statesman Journal, June 14, 2023. https://www.statesmanjournal.com/story/news/local/2023/06/14/salem-oregon-raising-utility-fees-utility-bill-operations-fee-increase/70322052007/.

Collection Approaches

Neighborhood Density

To get to density we propose that the City of Salem uses a rate based on people per square-mile and charge on a neighborhood level due to the available data. The data will come from zonal census block data. The City would apply the charge on a neighborhood or census block scale. At census level we could get average household size, people, and area size.

The neighborhood density approach is a good horizontal equity proxy because low-density neighborhoods are likely using more government resources due to roads, water, and other infrastructure that serve few occupants, while high density neighborhoods use a similar amount of infrastructure but serve many occupants. Neighborhood density is a rough vertical equity proxy as we recognize income can change radically from neighbor to neighbor, but the fee favors a mix of housing types and less space per person, which are in-line with the city's comprehensive goal *H 4.1 Mixed use*: "The development of housing should be encouraged in mixed use areas to increase access to jobs and services and promote walkable, complete neighborhoods."[2]

This method assumes that people who live in larger spaces or neighborhoods with less occupancy have more disposable income. We consider availability of unoccupied space proportional to cost of rent or value of buildings. We assume that low-density neighborhoods (more square-milage per person) are composed of larger single-family homes on large plots of land, while high-density neighborhoods (fewer square-milage per person) have single-family homes filled with families or adults who share a lease and multifamily buildings.

An average rate would be $12.94 per account per month if every census block had the same density of 3,630 people per square milage.[3] This rate would create a yield of $10.9 million dollars, which is the proportion of the operations fee $13 million revenue from residential accounts.[4] The fee should be applied to the accounts by census block of Salem with variation of the rate proportional to the variation of the density of the census block from this standard.

[2] *Salem Area Comprehensive Plan*. City of Salem Oregon, Aug. 2022.
[3] "Census Profile: Salem, OR." *Census Reporter*, http://censusreporter.org/profiles/16000US4164900-salem-or/. Accessed 19 Nov. 2023.
[4] *City of Salem Oregon Fiscal Year 2024 Adopted Budget. Budget. Pg. 328*

Table 1: Examples of calculations for fee rate by neighborhood density:[5,6]

	Neighborhood Density (Pop per sq. mile)	Total Accounts/Units	Monthly Rate	Annual Rate	Total Revenue
Average denisty (WHOLE CITY)	3629.764065	70,335	$12.94	$155.29	$10,922,251
High density (census block 410470006003)	6209.6000000	809	$7.56	$90.77	$73,435.14
Low density (census block 410470017031)	576.6700000	482	$81.45	$977.44	$471,127.81

This calculation of census block rates was a direct proportion equation:

$$\frac{(Average\ city\ density)}{(Census\ block\ density)} \cdot (Average\ city\ fee\ rate) = (Census\ block\ fee\ rate)$$

This kind of direct proportionality led to a very high fee rate for low density blocks. We suggest a more creative mathematical approach than this calculation. More calculations of the rate and sources can be found in Appendix B.

Trip Generation Fee

A second approach to designing the City Operations Fee could be based on trip generation. Trip generation for residential properties can be characterized as the number of vehicle trips that various types of residential properties produce. Vehicle trips are physical trips using a motor vehicle, typically a car, from the property to somewhere else in town. For example, going from your house to the grocery store would count as one trip, and then going from the grocery store back to your house would count as two. This method of assessing rates is based on the idea that different types of dwellings accrue different amounts of road usage as well as service usage based on distance to services and other city establishments. Individuals who use the roads more, higher trip generation rates and vehicle trips, should bear more of the burden since they are benefitting from the roads more and using more city resources. Trip generation is not an arbitrary measure, rather it is researched and calculated by the Institute of Transportation Engineers (ITE). See Appendix A for information on the ITE and data source.

This method of design assumes that individuals in single-family homes take more trips around town due to various factors. This is supported by Mukherjee and Raghuram Kadali when they state, “Travel behavior is largely influenced by the socio-economic attributes of the traveler, which mainly include household size, vehicle ownership, and income.”[7] Single-family homeowners typically have larger houses by square feet, more personal vehicles, and a higher

[5] “Census Profile: Salem, OR.” *Census Reporter*, http://censusreporter.org/profiles/16000US4164900-salem-or/. Accessed 19 Nov. 2023.
[6] *2020 Census Block Groups*. https://geohub.oregon.gov/datasets/oregon-geo::2020-census-block-groups/explore. Accessed 19 Nov. 2023.
[7] Mukherjee, Jaideep, and B. Raghuram Kadali. “A Comprehensive Review of Trip Generation Models Based on Land Use Characteristics.” Transportation Research Part D: Transport and Environment 109 (August 1, 2022): 103340. https://doi.org/10.1016/j.trd.2022.103340.

amount of income, leading to more trips per day and a greater usage of city roads and resources. As a result, they should bear more of a burden of the tax compared to multifamily residences.

In terms of estimating what the yield could potentially look like,

Table 2 below outlines the total revenue that would be produced using a tax rate of $0.055 per mile and a tax base according to numbers provided by Salem from 2020. See Appendix B for a detailed description of how these numbers were calculated.

Table 2: Projected Revenue Generation using the Trip Generation Method

Customer Class	Total Accounts/ Units	Trips Per Month	Trip Rate	Monthly Rate	Annual Rate	Total Revenue	Target Total Revenue
Residential	40,012	286.2	$ 0.055	$ 15.74	$ 188.89	$ 7,557,946.70	$ 7,383,510.33
Multi-Family	23,971	219.6	$ 0.055	$ 12.08	$ 144.94	$ 3,474,260.86	$ 3,538,741.28

Source: City of Salem Class Presentation, 2023-24 City of Salem Adopted Budget

As shown in Table 2 above, this method of structuring the fee would result in similar target revenue numbers that were determined based on the 2020 percentage share of total fee revenue for residential and multi-family properties. Not only does it result in similar numbers, but there is also slightly greater vertical equity as single-family properties, who typically have greater incomes, would be assessed more and as a result, raise more money overall. Furthermore, the City of Salem has room to tweak the per trip fee, currently at $0.055, to hit different revenue goals that they have. They could slightly increase or decrease the per trip fee to increase or decrease total revenues while also keeping in mind equity concerns.

Street/Sidewalk Maintenance on Block Level

Another option to explore is to assess the operations fee rates based on a neighborhood block's street and sidewalk conditions. Salem could assess lower rates to areas that have unmaintained streets and sidewalks as they could serve as indicators of historically under-resourced and lower-income blocks. There may be many reasons for missing and unmaintained sidewalks, but they could serve as an indicator of historically under-resourced and lower-income blocks when paired with street conditions. Charging a reduced rate in these areas, which receive fewer city resources, would promote greater equity.

In Salem, there are two different methods of sidewalk maintenance for Salem's 929 miles of sidewalk[8]. The City maintains sidewalks constructed prior to September 1, 1992, until the

[8] City of Salem, "Fiscal Years 2024-2028 Adopted Five-Year Capital Improvement Plan," 2023, 54, https://www.cityofsalem.net/home/showpublisheddocument/19420/638300252573700000.

condition of the sidewalk meets acceptable city standards. Once the sidewalk conditions meet city standards, the responsibility for repairs transfers to the owner of the adjacent property (unless the sidewalk abuts a city, county, state, or federal government property). The City also repairs sidewalks when a city-owned tree causes damage to the sidewalk. Salem maintains all corner curb ramps throughout the city[9].

According to an article in the Salem Reporter from just last month, there are over 1,780 unfulfilled sidewalk repair requests. Ward 1, where downtown is located, has the most outstanding service requests but has also had the most repairs. Ward 7, located in southwest Salem, has had the lowest number of repairs (only 19% of repair requests were completed)[10]. The City should assess the income level of these wards and the resources the City spends on them. Considering the high number of outstanding repair requests and low fulfillment rate in these two wards, exploring a lower operations fee in these areas is advisable.

Salem operates and maintains over 1,567 miles of streets. Maintenance includes "asphalt pavement repairs, maintenance overlay paving, concrete repairs, surface sealing for preventative maintenance, traffic signal operations, pavement markings and striping, traffic sign installation and maintenance, street sweeping, debris and leaf removal, right-of-way mowing, and snow and ice response"[11]. According to the Salem Reporter, pothole repairs happen within days of a maintenance request to Public Works. In 2022 Public Works received 270 pothole repair requests and the repairs were typically completed the next business day. Repaving and larger wait for optimal conditions in the summer months[12]. A $300 million community improvement bond, approved in 2022, supports a ten-year plan that includes street upgrades and sidewalk construction and repair, which account for over half of the bond's distribution. The idea for the projects the bond will fund came from public testimony and community outreach through planning projects, city boards and commissions, neighborhood associations, other organizations, and community members.

I was unable to find any information on the current condition of Salem's streets and whether certain blocks have worse street conditions. We requested this information from Salem but were not provided it at the time of this writing. Public Works should have this information, but it is not publicly available. There was a previous bond that was approved in 2008 and ended in 2017. With the new bond approved last year, there are many street maintenance projects planned. An article from the Salem Reporter in 2021 revealed that over half of respondents to a community satisfaction survey were unsatisfied with the city's street and sidewalk maintenance. However, the article highlighted the various possible reasons for the

[9] City of Salem, "Salem, Oregon – Code of Ordinances," November 20, 2023, Section 78.154, https://library.municode.com/or/salem/codes/code_of_ordinances?nodeId=PTIICOOR_TITVIIPESTPUWA_CH78SI_S78.154SIREDUABOWCI.
[10] Abbey McDonald, "Salem plans the next decade of sidewalk repairs," Salem Reporter, October 23, 2023, https://www.salemreporter.com/2023/10/23/salem-plans-the-next-decade-of-sidewalk-repairs/.
[11] City of Salem, "Fiscal Years 2024-2028 Adopted Five-Year Capital Improvement Plan," 2023, 54, https://www.cityofsalem.net/home/showpublisheddocument/19420/638300252573700000.
[12] Abbey McDonald, "Salem will spend millions fixing roads this summer. Here's how it works," Salem Reporter, June 28, 2023, https://www.salemreporter.com/2023/06/28/salem-will-spend-millions-fixing-roads-this-summer-heres-how-it-works/.

dissatisfaction and showed that Salem actually spent more on street repairs that year than in previous years[13].

To ensure an equitable operations fee, the operations fee rates could differ based on block street and sidewalk conditions. Blocks with sidewalks and streets in poor condition/unmaintained are receiving fewer city resources and therefore should pay a lower operations fee rate. Analyzing Public Works data on street conditions and mapping the 1,780 unfulfilled sidewalk repair requests through GIS could inform the equitable assessment of operations fees. While this approach may pose administrative challenges, creating a public-facing ArcGIS online map for sidewalk repair requests could streamline the process, aid in budget analysis, and enhance public engagement.

Additionally, the City of Salem could explore a city-wide sidewalk mapping initiative using PathVU, a sidewalk mapping technology. The City of Bend recently undertook a sidewalk mapping project using this technology. This technology accurately maps sidewalk dimensions, condition, proximity to buildings, and slope to within 1/8 of an inch, with data integration into Google Earth for visual representation. Such a mapping project could provide valuable insights into the city's sidewalk infrastructure.

Evaluation of Approaches

Table 3: Evaluation of Values

Values:	Neighborhood Density	Trip Generation	Neighborhood Block Maintenance
Horizontal Equity	**Very Good**	**Good**	**Good**
Vertical Equity	**Good**	**Very Good**	**Good**
Neutrality	**Good**	**Good**	**Good**
Efficiency	**Very good**	**Very Good**	**Good**
Productivity	**Excellent**	**Very Good/ Excellent**	**Very Good**
Certainty	**Good**	**Excellent**	**Poor**
Convenience	**Very Good**	**Very Good**	**Very Good**
TOTAL	Good/Very Good	Very Good	**Good**

The rating scale used in Table 4 was a Likert scale ranging from Poor, Good, Very Good, and Excellent. Poor indicates almost complete lack of the value, while Excellent indicates a wholistic and realistic completion of the value. See Appendix C for a detailed explanation of the seven evaluative criteria highlighted in Table 4 above and in the explanations below

[13] Saphara Harrell, "Despite spending increase, survey finds Salem residents less satisfied with city street, sidewalk maintenance," Salem Reporter, October 15, 2021, https://www.salemreporter.com/2021/10/15/despite-spending-increase-survey-finds-salem-residents-less-satisfied-with-city-street-sidewalk-maintenance/.

Neighborhood Density Evaluation

Horizontal Equity- Very Good

The Neighborhood Density Fee would assume that low-density neighborhoods are likely using more government resources due to roads and infrastructure that serve less people, while high density neighborhoods use a similar amount of infrastructure but across many occupants. Allowing for a situation where people across similar incomes would be paying similar rates.

Vertical Equity- Good

The ability to measure income based on neighborhood density is an estimate but does not account for all exceptions. Individuals with lower incomes may live in lower density populations and be susceptible to the higher fees. The Horizontal Equity is ultimately, good, but loses points due to these expectations.

Neutrality- Good

Because the fee is relatively small in scale, it should not have an impact on the free market and cause users to move or change their housing situation.

Efficiency- Very Good

The fee will be administered as a line-item charge on the monthly utility bill that is distributed to all residents. This additional fee will not accrue additional print, or delivery cost, and is already anticipated by residents each month. This criteria loses value due to the expensive, initial startup cost to collect the data.

Productivity- Excellent

Depending on the set rate of the fee, the productivity could be very good or excellent. The payment of the fee is mandatory and ensures that the residents utilities remain in use. Residents are highly incentivized to pay the fee in full and on time.

Certainty- Okay

Rates of occupation change often, and the values are based on the yearly American Community Survey data, which is a generalization by block. This requires a high amount of assumption into every calculation, although is more accurate than a flat rate.

Convenience- Very Good

The fee will be administered through the previously existing monthly utility bill. Entities are incentivized to pay the utility bill in order to continue the utilization of services. The fee can be paid through a several different platforms including virtually, in person, and via mail, making it highly accessible and convenient to pay. This criteria loses point due to the arrival time of the utility bill and whether or not it is consistent with each residents personal income stream.

Trip Generation Fee (TGF) Evaluation

Horizontal Equity- Good

The TGF aims to categorize facility users based on street usage and subsequently similar incomes. This results in a similar fee rate across similar socioeconomic classes. The trip generation is based on averages

across the entire population, resulting in good horizonal equity.

Vertical Equity- Very Good

The Trip Generation Fee assumes that people who live in single family homes, and take additional trips have more expendable income and a greater ability to pay a larger portion of the fee, therefor, the TGF has very good vertical equity

Neutrality- Good

Because the fee is relatively small in scale, it should not have an impact on the free market and cause users to change their transportation habits.

Efficiency- Excellent

The TGF will be administered as a line-item charge on the monthly utility bill that is distributed to all residents. This is the current method of collection for the City Operations Fee and is also familiar to residents. This additional fee will not accrue additional print, or delivery cost, and is already anticipated by residents each month. Although there is a small upfront fee for the data source, $1,395 for non-members, this is extremely small in comparison to the total revenue that is predicted to be generated, which is a little over $11 million.

Productivity- Very Good/Excellent

Depending on the set rate of the fee, the TGF's productivity could be very good or excellent. The payment of the TGF is mandatory and ensures that the residents utilities remain in use. Residents are highly incentivized to pay the fee in full and on time.

Certainty - Excellent

The data used to calculate the trip generation rates will be pulled from the Institute of Transportation Engineers. The rates calculated from the ITE are reputable and accredited. The average trip rates will serve as a certain measure of applying a trip generation fee. This criteria loses value due to the expensive, initial startup cost to collect the data.

Convenience – Very Good

The TGF will be administered through the previously existing monthly utility bill. Entities are incentivized to pay the utility bill to continue the utilization of services. The fee can be paid through several different platforms including virtually, in person, and via mail, making it highly accessible and convenient to pay. This criteria loses point due to the arrival time of the utility bill and whether or not it is consistent with each residents personal income stream.

Block Maintenance Evaluation

Horizontal Equity- Good

The block fee aims to categorize fee rates based on the quality of street maintenance in different neighborhoods. The rate of this fee operates on the assumption that unmaintained sidewalks and streets are more prominent in underserved communities, with larger proportions of low-income residents. Based on this assumption, the block maintenance fee has good horizontal equity, meaning that people across similar socioeconomic classes will pay similar rates. This category loses

points due to the inability to accurately gauge sidewalk and street conditions across blocks.

Vertical Equity- Good

The ability to measure street conditions is an estimate that does not account for all exceptions. Individuals with lower incomes may be susceptible to higher fees due to inaccurate street ratings or in the case where low-income individuals live on blocks with well-maintained streets. The horizontal equity is good but loses points in the case of these expectations.

Neutrality- Good

Because the fee is relatively small in scale, it should not have an impact on the free market and cause users to move or change their housing situation.

Efficiency- Good

The fee will be administered as a line-item charge on the monthly utility bill that is distributed to all residents. This additional fee will not accrue additional print, or delivery costs, and is already anticipated by residents each month. This criterion loses value due to the expensive, initial startup cost to collect the data.

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Productivity- Very Good

Depending on the set rate of the fee, the block maintenance fee's productivity could be very good or excellent. The payment of the fee is mandatory and ensures continued use of utility services. Residents are highly incentivized to pay the fee in full and on time.

Certainty- Poor

It is unclear how the data will be collected and updated as street repairs happen irregularly over an extended amount of time. The calculation of this fee would be concurrent and difficult.

Convenience- Very Good

The fee will be administered through the previously established monthly utility bill. Entities are incentivized to pay the utility bill to continue the utilization of services. The fee can be paid through several different platforms including virtually, in person, and via mail, making it highly accessible and convenient to pay. The criterion loses points in the case that the arrival time of the utility bill is not consistent with each resident's personal income stream

Recommendations

Fee Approach Recommendation

We recommend the City of Salem use the Trip Generation Fee. This approach has strong vertical and horizontal equity and efficiency and is an indicator of services provided by the City, such as road infrastructure, public safety, and land use.

We suggest that this method is applied as a multiplier of other fee calculations, such as a density- based approach or tax lot square footage to avoid conflicts over a transportation-based fee funding the city's general fund.

Future Data Source Recommendations

It would be preferable to calculate density on a site-by-site determination using square footage of an account-holding site- whether that be a single-family residence, a single apartment, or an entire apartment building- and divide the footage of the unit by the data on bedrooms per the same unit to calculate and charge based on footage/bedroom. The City of Salem would need to access or create usable data sources on square footage per property and number of bedrooms per property to calculate density.

Another potential data source for orienting the operations fee could be Home Energy Rating System (HERS) program, which would help accomplish goal 12 *Climate Change* and *Natural Hazards parts* cc.15 and 1.6 of the Salem comprehensive plan and Statewide Planning Goal 13: Energy Conservation.

Conclusion

In conclusion, our analysis reviewed three potential ways Salem could collect and administer an operations fee: the neighborhood density method, the trip generations fee (TGF), and the Street Block maintenance fee. Each approach offers different advantages and disadvantages. The neighborhood density method shows promising horizontal and vertical equity; however, the data collection of occupancy rates faces uncertainty due to frequent exceptions where low-income individuals live in low density areas and vice versa. The TGF method also has strong vertical and horizontal equity and efficiency, however, the cost for the collection of the initial data may be a deterrent for implementation. The Street Block Maintenance Fee may address equity concerns, but there is no current data to measure the conditions of the sidewalks and roads in Salem. We recommend Salem evaluate the trade-offs and explore alternative data sources for more precise calculations. The successful implementation of an equitable operations fee in Salem, Oregon will require staff to go beyond the most efficient methods of collection. The investment in new data and high initial cost will have lasting effects on the wellbeing of residents and financial security of the City.

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Appendix A: ITE Information

ITE is a global membership organization comprised of workers and individuals in the transportation industry. The ITE "advances transportation knowledge and practices for the benefit of society."[14] One program and service they provide is their creation of the Trip Generation Manual. Currently on its 11th edition (TripGen11), this report details research and summarizes estimates for average trips per unit for various building types such as single-family homes, multifamily homes, hotels, schools, parks, and more. This manual has been widely used across the public and private sectors and is a credible and reliable source. The only downside with this data source is that it would require a financial commitment upfront. To obtain the manual digitally or in-print, ITE charges $895 for members and $1,395 for non-members[15].

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Appendix B: Assumptions/Calculations

Neighborhood Density Calculations

Calculations of average density fee rate:

Density
177,490 people per 48.9 miles = 3629.76 people/mile

Monthly rate

70,335 housing units totaling $10.9 million = $155.29 annual fee / account,

$155.29 annual fee / 12 = $12.94 monthly fee.

Source: "Census Profile: Salem, OR." *Census Reporter*, http://censusreporter.org/profiles/16000US4164900-salem-or/. Accessed 19 Nov. 2023.

Calculation of high-density fee rate:
Monthly rate
Average density / high density (3629.76/6209.6) = (0.58) * average rate ($12.95) = **$7.56** monthly rate

Source: *2020 Census Block Groups*. https://geohub.oregon.gov/datasets/oregon-geo::2020-census-block-groups/explore. Accessed 19 Nov. 2023.

Calculation of low-density fee rate:

Monthly rate

Average density / low density (629.76/576.67) = (6.29) * average rate ($12.95) = **$81.45**monthly rate

Source: *2020 Census Block Groups*. https://geohub.oregon.gov/datasets/oregon-geo::2020-census-block-groups/explore. Accessed 19 Nov. 2023.

Trip Generation Calculations

Breaking down the individual columns and data within the table above, total accounts/units were calculated based on City of Salem data from 2020. One could assume that these numbers have fluctuated since then, but it is unclear exactly what the numbers are now, so 2020 numbers were used in its place. Trips per month were calculated from the 10th edition of the Trip General Manual from the ITE group, and for single-family residences, the number of trips

per day was 9.54 which is 286.2 monthly[16]. The Manual has different data for multi-family based on how many levels there are in the building, so the low rise number was used which was 7.32 trips per day which is 219.6 monthly[17]. A $0.055 fee rate per trip was used which was multiplied by 30 days to get the monthly rate, and then 12 months to get the annual rate. Finally, the annual rate was multiplied by the number of accounts to get total revenue projected. The last column, Target Total Revenue, was calculated to get a level of revenue to aim for from this new design. This numbers were identified by calculating the 2020 percentage share of total revenue that single-family and multi-family properties generated which was then applied to the 2023 total revenue[18]. When redesigning the fee, it is imperative to at least reach these numbers in order to keep in line with what was occurring historically. However, the goal should be to eclipse these numbers in order to generate more revenue and fill in detrimental funding gaps.

Sources:

Institute of Transportation Engineers. “Trip Generation Manual, 10th Edition,” 2017

Budget Committee. “Adopted City Budget Book FY 2024.” City of Salem, 338, July 2023.

[16] Institute of Transportation Engineers. “Trip Generation Manual, 10th Edition,” 2017
[17] Institute of Transportation Engineers. “Trip Generation Manual, 10th Edition,” 2017
[18] Budget Committee. “Adopted City Budget Book FY 2024.” City of Salem, 336, July 2023.

Appendix C: Evaluative Criteria Definitions

Horizontal Equity

The distribution among persons or businesses in comparable circumstances

Vertical Equity

The variation in tax burden across a spectrum of incomes, that is, entities with a greater ability to pay bear a larger burden than those with lesser ability.

Neutrality

Neutrality is the degree to which the tax affects the free market or the way an individual or community would otherwise decide or use resources.

Efficiency

Efficiency evaluates how costly and difficult the tax is to collect. Administration should be feasible and efficient, and administration costs should not be out of proportion to revenue.

Productivity (yield)

A tax should produce sufficient, stable revenue to meet locally desired levels of expenditure.

Certainty

Certainty measures the degree to which the tax can be easily calculated. The rules of taxation should be clearly stated and evenly applied.

Convenience

Convenience measures how well the timing of fee collection aligns with budgeting for both the government and receiving entities. A tax should be convenient to pay, with billing dates that coincide with income streams.

Appendix D: Case Study Jurisdiction Memos

City of Veneta Case Study – City Operations Fees

As the Budget Analyst for the City of Salem, I was asked to analyze how a neighboring municipality administers an operations fee in order to generate additional revenue. The following memo outlines key features of the City of Veneta's Operations Fees for the 2022-2023 fiscal year including information regarding:

1. The top revenue sources of the General Fund for both The City of Veneta and Salem
2. A description of Veneta's two operation fees
3. An evaluation of Veneta's operation fees using the following criteria: equity, efficiency, neutrality, productivity, certainty, and convenience

The final section of this document includes my own recommendation on whether or not the City of Salem should implement an operations fee using the same model as the City of Veneta.

Comparing Revenues

To provide context for the City of Salem's need for an Operations Fee, I compared the two City's top revenue sources. For the purpose of this memo, I will be referencing each City's General Fund. In 2022, the City of Veneta's approved general budget was $1,304,700 and the City of Salem's was $192,174,740.

In 2022, the largest source of revenue for the City of Veneta's General Fund came from ARPA Grant Funding ($714,500). This is unsurprising, considering that the municipality was heavily impacted by the COVID-19 pandemic. A final ARPA payment is budgeted for Fiscal Year 2022-2023. The second largest source of revenue in their General Fund was earned through the collection of property taxes ($300,100) listed as "Taxes estimated to be received" in the General Fund. Trailing behind property taxes and ARPA funding was the State's Liquor tax ($97,000). These are all expected and commonly relied upon sources of funding for local governments[19].

The City's of Veneta and Salem both rely heavily on property taxes as a major source of revenue for their General Fund, however Salem's property taxes account for a significantly larger portion of their total resources (40.47%) compared to Veneta (13.06%). The remaining major sources of revenue for the City of Salem include Support Service Charges ($9,251,620) and the City Operations Fee ($7,401,000). Salem's Operation Fee consists of about 3.8% of the total

[19] City of Veneta. (2021). *City of Veneta Adopted Budget Including Urban Renewal Agency 2022-2023.* https://www.venetaoregon.gov/ArchiveCenter/ViewFile/Item/71.

resources in the General Fund[20]. Veneta has two Operations Fees and they are not included in the General Fund, but directly allocated to the Transportation and Public Safety funds. If Veneta's Operations Fees were compared to their General Fund, the fees would consist of 6% and 7% of the total revenue sources respectively.

Table 1 - Five Largest Revenue Sources for the City of Veneta 2022 - General Fund[21]
Note: Includes Beginning Fund Balance of $813,750.

Line Item	Funding	Percent of Total Resources
ARPA Grant Funding	$714,500	17.5%
Property Taxes	$300,100	13.1%
State Liquor Tax	$97,000	7.5%

Table 2 - Five Largest Revenue Sources for the City of Salem 2022 - General Fund[22]

Line Item	Funding	Percent of Total Resources
Property Taxes	$77,968,070	40.6%
Support Services Charge	$9,251,620	4.8%
City Operations Fee	$7,401,000	3.9%

Veneta Operations Fee

The City of Veneta administers two types of Operations Fees on their monthly utility bill:

1. Public Safety Fee
2. Street Utility Fee

Both fees are flat rate charges that are depicted as a line item charge on the utility bill.

Public Safety Fee[23]

Public Safety in Veneta has historically been funded through property taxes, taking up over 50% of the revenue generated through the taxes. The City of Veneta has tried different strategies to increase revenue for the Public Safety Fund including funneling funds raised by Camp Zumwalt, a City sponsored event during the Oregon Country Fair, as well as using the City marijuana sales

[20] City of Salem (2023, July 1). *Fiscal Year 2024: Adopted Budget*. https://www.cityofsalem.net/home/showpublisheddocument/20447/638277759209470000.
[21] City of Veneta. (2021). *City of Veneta Adopted Budget Including Urban Renewal Agency 2022-2023.* https://www.venetaoregon.gov/ArchiveCenter/ViewFile/Item/71.
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taxes in 2016, and State marijuana sales taxes in 2017 as revenue streams for the Public Safety Fund. In order to create a more sustainable fund for consistent use of emergency services, the City Council adopted a Public Safety fee in July of 2021 to combat the shortfall of revenue dedicated to public safety. The Public Safety Fee is a $4.00 flat rate fee that is depicted as a line item charge on the monthly utility bill. It is the same for both residential and commercial entities. Overall, the Public Safety Fee produces $85,200 annually, accounting for 16% of the total law enforcement fund and 7% of the total general fund.

Street Utility Fee[24]

In April of 2016, the Veneta City Council voted to adopt the use of a Street Utility Fee (formerly known as the Transportation Utility Fee, or TUF). In 2016, the fee was administered as a flat rate of $3 for residential and $6 for commercial entities and appears as a line item charge on monthly utility bills. The Street Utility Fee is transferred directly to the Street Fund and is intended to be spent on street maintenance and repairs. The Street Utility fee produces $78,200 of revenue annually and consists of 11% of the total street fund. The Street Utility Fee has increased at a rate of 2% over the past five years, reaching $3.25 and $6.49 in 2021.
The City of Veneta does not have a database that categorizes their utility users. Instead, the City relies on their zoning maps to determine whether a property is considered residential or commercial. Because the City is small in size with a population of less than 6,000, exceptions are often made for non commercial properties built in commercial zones and vice versa.

Analysis

The following table includes my evaluation of Veneta's Operation fee based on the following criteria: equity, efficiency, neutrality, productivity, certainty, and convenience.

Table 3. Grading of Veneta's Operation Fee

Evaluative Criteria	Grade	Notes
Equity	Poor	The flat rate fee does not consider the burden that falls on low income households.
Neutrality	Very Good	The fee is small in scale and will not have a great impact on the free market.
Efficiency	Very Good	The flat rate charge and addition to the utility bill make it easy to administer.

[24] City of Veneta. (2016, May). *City News: Transportation Utility Fee - Moving Forward.* https://www.venetaoregon.gov/Archive/ViewFile/Item/174.

Productivity	Excellent	Entities cannot opt out of paying utility bills or switch to an alternative provider.
Certainty	Excellent	The flat rate is certain and easy to calculate.
Convenience	Excellent	The fee is administered through a utility bill that was previously existing, and entities are incentivized to pay the utility bill in order to continue the utilization of services.

Recommendations

Based on my analysis of Veneta's Operation's fee, I would not recommend that the City of Salem incorporate Veneta's Operations Fee model. The biggest limitation of the City of Veneta's Operations Fee is that funds generated through the fee must be spent solely on public safety and street maintenance. The City of Salem does not face this restraint with their current operations fee; however it only generates 3.85% of their total resources. If the City of Salem implements a Public Safety and Transportation Fee, they would no longer have the ability to allocate funds from their General Fund to these services that require immediate attention.

References:

City of Salem (2023, July 1). Fiscal Year 2024: Adopted Budget. https://www.cityofsalem.net/home/showpublisheddocument/20447/638277759209470000.

City of Veneta. (2021). City of Veneta Adopted Budget Including Urban Renewal Agency 2022-2023. https://www.venetaoregon.gov/ArchiveCenter/ViewFile/Item/71.

City of Veneta. (2016, May). City News: Transportation Utility Fee - Moving Forward. https://www.venetaoregon.gov/Archive/ViewFile/Item/174.

City of Veneta. (n.d.). Public Safety Fee. https://www.venetaoregon.gov/232/Public-Safety-Fee.

Wilsonville, Oregon Case Study- Road Maintenance Fee

Introduction

As Salem's Budget Analyst, I have conducted a comprehensive analysis of the road maintenance fee structure in the City of Wilsonville and its potential implications for Salem. The focus of this analysis is to examine the revenue sources, specifically the road maintenance fee, and evaluate its equity, efficiency, and overall effectiveness. Based on these findings, I will provide recommendations for the potential implementation of an operations fee in the City of Salem.

Revenue

Revenue makeup for Wilsonville and Salem differ dramatically, due in part to the difference in size of the two cities and the difference in their economies. The three largest contributors to Wilsonville's general fund are property taxes, intergovernmental revenue, and interfund/agency loan repayments. In Salem, the three largest revenue contributors to the general fund are taxes; sales, fees, licenses, and permits; and internal and intergovernmental transfers.

In the 2022-2023 Wilsonville budget, property taxes comprised 20% of the operating budget, intergovernmental revenue made up 15%, and interfund/agency loan repayments comprised 10%[25]. Intergovernmental revenue is comprised of state and county shared revenues, grants, and the city's allocation of the Clackamas County Library District Levy. The revenues shared by the state include funds from sumptuary excise taxes on alcoholic beverages and cigarettes[26]. Interfund transfers come from the Stormwater and Water Operating Funds and from funds for services provided by other departments within the City. Agency loan repayments originate from interagency agreements.

Compared to Wilsonville, in Salem's 2024 budget property taxes account for a much larger portion, 40%, of the operating budget, franchise fees comprise 10.5%, and fees for services/other fees make up 9.2%[27]. The only mention of how property taxes are allocated is for fire protection[28] at 0.6%, otherwise, they are only mentioned as a funding source for the general fund.

Franchise fees are comprised of electric, telecommunications, natural gas, refuse, cable TV, and stormwater/wastewater/water franchise fees. Fees for services include fees for community events, parks reservations, library, towing, document sales, fire protection, security services, ambulance, code compliance cost recovery, site plan review, dwelling plan review, design review, planning fees, annexation fees, land development fees, natural resources application

[25] City of Wilsonville, "City of Wilsonville, Oregon: Adopted Budget FY 2023-24," 28.
[26] City of Wilsonville, "City of Wilsonville, Oregon: Adopted Budget FY 2023-24," 57.
[27] City of Salem, "City of Salem: Fiscal Year 2024 Adopted Budget," 263.
[28] City of Salem, "City of Salem: Fiscal Year 2024 Adopted Budget," 329.

fees, pre-application fees, zoning fees, lien search fees, senior center fees, recreation fees, softball program fees, and a city operations fee[29].

Road Maintenance Fee

The City of Wilsonville assesses a road maintenance utility fee that is charged on city utility bills. The fee is paid by Wilsonville's utility customers however, although I conducted thorough research, I was unable to determine what database is used to categorize utility users. The road maintenance utility fee brought in $2,192,850 in revenue to the 2022-2023 budget[30]. This is 10% of the general fund's program revenues or 0.7% of the entire 2022-2023 budget[31].

The road maintenance utility fee is used to fund slurry seals, overlays, and road reconstruction[32]. This fee is assessed at $10.90 for single-family residential properties and $7.08 for multifamily properties. That rate is then multiplied by the number of dwelling units on the property to accurately assess the fee for the number of dwelling units. For non-residential properties, the fee is based on the number of "trips per the Institute of Transportation Engineers Manual divided by 9.45 trips to determine the rate group and then multiplied by the residential rate[33]." The Institute of Transportation Engineers Manual (ITE Manual) states that a single-family residence generates 9.45 trips per day[34]. The billing rate methodology is based on the revenue required to complete a 5-year CIP (capital improvement program) to maintain city streets above the pavement condition index rating of 65. This billing methodology is determined from the ITE Manual's approximation of trips generated[35].

The road maintenance utility fee was authorized by city council and the public in 1997-1998. City council determined that road maintenance was a priority need and the mayor appointed a task force of business and community representatives to determine how to create a road maintenance program and funding source. The task force had five work sessions and proposed a fee and system that maintained streets to a pavement condition index rating of 65-75[36] (pavement condition index measures pavement distress on a scale of 1-100 where higher values mean better pavement condition). In 2016 the city manager appointed a task force of business and community representatives to restructure the road maintenance program. The task force had five work sessions in 2016 and proposed the city maintain streets to at minimum a pavement condition index rating of 65. The task force also proposed "a methodology to categorize user classifications and to fairly apportion fees for such user classification for the purposes of a safe, functioning street system through a regulated road maintenance

[29] City of Salem, "City of Salem: Fiscal Year 2024 Adopted Budget," 329-330.
[30] City of Wilsonville, "City of Wilsonville, Oregon: Adopted Budget FY 2023-24," 63.
[31] City of Wilsonville, "City of Wilsonville, Oregon: Adopted Budget FY 2023-24," 23 and 53.
[32] City of Wilsonville, "City of Wilsonville, Oregon: Adopted Budget FY 2023-24," 63.
[33] City of Wilsonville, "Utility Rates," Rates & Fees, accessed November 7, 2023, https://www.wilsonvillelibrary.org/sites/default/files/fileattachments/utility_billing/page/2961/back_of_bill_-_11.1.2023.pdf.
[34] City of Wilsonville, "Resolution No. 2612," 1.
[35] City of Wilsonville, "Resolution No. 2612," 2-3.
[36] City of Wilsonville, "Ordinance No. 484," 1-7.

program[37]." Wilsonville's city council agreed and passed City Ordinance No. 803 to base the road maintenance utility fee on the number of trips. Every five years the City reconvenes a task force to review the road maintenance program and fees to ascertain the sustainability of the program and provide any recommendations to modify the program[38]. The Road Maintenance Program is overseen by Wilsonville's engineering program[39].

Evaluation

Here I will evaluate the road maintenance fee based on its horizontal and vertical equity, neutrality, efficiency, productivity, certainty, and convenience.

Table 4: Fee Evaluation

Values:	Road Maintenance Fee
Horizontal Equity	Very Good
Vertical Equity	Good/Poor
Neutrality	Good
Efficiency	Good
Productivity	Good
Certainty	Excellent
Convenience	Excellent

I rated the fee's horizontal equity as very good due to the variation in rates for single-family, multi-family, and non-residential properties since this means community members in similar circumstances are treated equally. My assessment of vertical equity is rated good/poor because the variation in rates is not based on income, but the rate is lower for multi-family housing which makes it more affordable for those living in multi-family housing, who tend to be lower than those in single-family residences. I consider neutrality to be good since the fee likely would not cause a property owner to reduce the number of daily vehicle trips to and from their property. The fee is based on the use of the property and the ITE Manual's designation of vehicle trips per day. If a non-residential property generates many daily vehicle trips for its business, the business owner is unlikely to reduce the number of vehicle trips to pay a lower fee on their utility bill since that would also correlate with a loss of business.

In my evaluation, I also rated efficiency as good because the administrative cost is low since the fee is charged on utility bills. Productivity also received a good rating because the funds created from the fee are keeping pace with the road maintenance expenditures[40]. I find the certainty of the road maintenance fee to be excellent because the rules of the fee, its creation, and its application are clearly stated in city Ordinance No. 803[41]. Lastly, I rated the convenience of the

[37] City of Wilsonville, "Ordinance No. 803," 1.
[38] City of Wilsonville, "Ordinance No. 803," 1-5.
[39] City of Wilsonville, "City of Wilsonville, Oregon: Adopted Budget FY 2023-24," 63.
[40] City of Wilsonville, "Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022," 114.
[41] City of Wilsonville, "Ordinance No. 803," 1-5.

fee as excellent due to its ease of payment with the city's utility bill. Overall, based on the criteria I evaluated, the road maintenance fee rates well. I believe this fee's billing methodology could serve as an example for Salem's operations fee.

Recommendations

Drawing from Wilsonville's road maintenance fee, Salem could benefit from a citizen and business-involved task force, ensuring equitability. A quantifiable metric, such as vehicle trips per day, could enhance transparency and ease of assessment. Published documentation, as exemplified by Wilsonville's utility rates document, would enhance public understanding.

In conclusion, the road maintenance fee in Wilsonville serves as a valuable model for evaluating and potentially implementing as an operations fee in Salem. The success of Wilsonville's fee lies in its equity, efficiency, and transparency, offering valuable insights for Salem's considerations.

City of Tomahawk, Wisconsin Case Study– Transportation Utility Fee

The City of Tomahawk, Wisconsin is a small town located in Central-Northern Wisconsin with a population of 3,820 (City of Tomahawk, 2023). Although this is significantly less than the population of Salem, their potential design and implementation of their Transportation Utility Fee (TUF) is unique and can potentially be utilized by Salem when considering how to reinvent their City Operations Fee. Still in the process of being approved by the City and city council, the TUF is structured as having a Base Fee and then a Usage Fee (Insert source). The regular Base Fee would be identical for every account no matter their classification in order to cover the cost of the fee (SOURCE). The Usage Rate portion would be proportional to the number of trips generated by each classification of property which aims to place the burden of the fee on the individuals who utilize the roads more (SOURCE). The City of Tomahawk's reasoning was "A property that generates more trips generates more usage on the roads, and would have a higher Usage Fee, resulting in a higher Transportation Utility Fee" (City of Tomahawk, 2023). Although slightly different from Salem's fee since this is more restrictive, the unique structure of Tomahawk's fee could be implemented by Salem.

Gresham, Oregon Case Study– Police, Fire, and Parks Fee

Executive Summary

The purpose of this memo is to provide an in-depth analysis of the Police, Fire, and Parks (PFP) fee in the City of Gresham, Oregon, and to provide recommendations on whether or not Salem should be interested in and contemplate implementing a related fee in their jurisdiction. The following topics will be discussed surrounding this PFP fee and Salem:

- Gresham's General Fund Revenues and PFP Fee Percentage
- Gresham and Salem Revenue Comparison
- PFP Fee Analysis
- Evaluation of the PFP Fee Across Different Criteria
- Recommendations for Salem

Introduction/Background

With increasing demand for services, reduction in revenues, inflation, citizen opinion on certain taxes, and other factors, local governments have had to become creative to fill gaps in budgets. One way this is achieved is through an operations fee. Gresham and Salem are two cities who have implemented these sort of fees. Gresham utilizes a Police, Fire, and Parks (PFP) fee which is a flat $15 fee placed on all utility bills[42], while Salem utilizes a City Operations Fee which has a base rate for single-family homes and then ratios for other classifications and is also attached to the monthly utility bills[43]. Although both effective, there are stark differences between the two fees which leads to various revenue impacts and evaluation differences.

Gresham's General Fund Revenues and PFP Fee Percentage

Not considering Beginning Balance, the City of Gresham's **top three revenue sources** within the General Fund for 2023 – 2024 from most to least include[44]:

- Taxes (Property, Transient Lodging, and Marijuana)
- Intergovernmental
- Utility License Fees

The City of Gresham is expecting to bring in **$92,709,754[45]** in revenues (without adding Beginning Balance) within the General Fund for FY23-24. The PFP fee is estimated to raise **$7,800,000[46]** in revenues for FY23-24. As shown in Appendix A, the PFP fee comprises **8.41%[47]** of the General Fund revenues. Appendix A highlights all of the revenue categories and the percentage of the overall general fund revenues that they each encompass.

[42] "Police, Fire and Parks Fee | City of Gresham," 2023. https://greshamoregon.gov/Police-Fire-and-Parks-Fee/#FrequentlyAskedQuestions.
[43] "Utility Rates and Other Fees | Salem, Oregon." Accessed November 8, 2023. https://www.cityofsalem.net/community/household/water-utilities/utility-payments-and-your-utility-account/utility-rates-and-other-fees.
[44] DiNucci, Dina, Janine Gladfelter, Jerry Hinton, Vince Jones-Dixon, Eddy Morales, Sue Piazza, Travis Stovall, et al. "City of Gresham Adopted Budget for Fiscal Year 2023/24," n.d., 1–320.
[45] DiNucci, Dina, et al. "Gresham Adopted Budget" 115.
[46] DiNucci, Dina, et al. "Gresham Adopted Budget" 50.
[47] DiNucci, Dina, et al. "Gresham Adopted Budget" 1–320.

Gresham and Salem Revenue Comparison

A comparative analysis of revenues between Salem and Gresham **reveals significant differences** in types and yields of revenues. This is to be expected however due to the fact that Salem is the capital of Oregon, has broader and a higher quantity of services, and has a population that is about 1.5 times larger (a little over 60,000 more residents)[48]. Overall, Salem is expecting to bring in **$167,785,610** (minus beginning balance) in General Fund revenues for the 2024 fiscal year[49]. This is **1.8 times larger** than what Gresham is estimating to raise within their General Fund which is a significant difference in revenues between the two cities. Salem has a similar top three as Gresham in terms of General Fund resources with Salem's being from most to least[50]:

- Property Taxes
- Franchise Fees
- Sales, Fees, Licenses, and Permits

Table one below breaks down the monetary values of similar revenues for Gresham and Salem as well as how many times larger Salem's revenue yield is over Gresham's.

Table 1: Gresham and Salem General Fund Revenue Comparative Analysis

Revenue Source	Gresham	Salem	Salem vs Gresham Revenue Size (x amount larger)
Property Tax	$ 35,472,000	$ 84,007,940	2.37
Marijuana Tax	$ 690,000	$ 1,656,000	2.40
Franchise Fees	$ 20,453,000	$ 21,573,020	1.05
Licenses and Permits	$ 451,000	$ 2,074,860	4.60
Internal Service Charges	$ 1,209,754	$ 19,548,930	16.16
Operations Fees (PFP - Gresham and City Operations - Salem)	$ 7,800,000	$ 13,573,690	1.74
State Shared Revenue	$ 4,045,000	$ 7,990,340	1.98
Interfund Transfers	$ 3,275,000	$ 4,274,060	1.31

Source: Adopted City Budget Book FY 2024 – Salem, Fiscal Year 2023-24 Adopted Budget – Gresham

As outlined above in Table 1, of the eight revenue categories chosen for analysis, Gresham did not have one that was bigger than Salem's. The only revenue source that came fairly close was Franchise Fees. Half of Salem's revenue streams were at least double what their counterparts in Gresham were, and three-quarters were 1.74 times larger or above, further emphasizing the vast differences in revenue generation between the two cities. As mentioned earlier, this was to be expected due to population size, service types, and that Salem is the capital, which makes it hard to evenly compare the operations fees between the two cities. In terms of the operations fees, each are similar in their percentage of the budget they comprise with Gresham's fee comprising 8.41% and Salem's fee comprising 8.09% of the General Fund revenues. Although smaller than Gresham's, Salem's overall budget is significantly larger than Gresham's which accounts for why the percentage for Salem is smaller. It would be expected

[48] Oregon Demographics. "Oregon Cities by Population." Accessed November 8, 2023. https://www.oregon-demographics.com/cities_by_population.

[49] Budget Committee. "Adopted City Budget Book FY 2024." City of Salem, 338, July 2023.

[50] Budget Committee, "Budget Book FY 2024," 336 - 338

that Salem's fee makes up a larger portion due to their greater population numbers, but Gresham makes up for this by charging a higher base rate.

PFP Fee Analysis

- Rate, Base, Yield
    - Rate: $15 per single utility account – $15 per unit for multifamily properties[51].
    - Base: According to Ann Travers, City of Gresham employee, there are approximately 24,500 utility accounts in the City of Gresham[52]. Multifamily complexes typically have one utility account but are charged per unit.
    - Yield: Estimated revenues for the fee are $7,800,000[53].
- Funding Purpose
    - The PFP fee is not a general city operations fee like other municipalities have. The PFP fee in Gresham has specific, restricted uses as **95% of the revenue is allocated to fire and police** while the remaining **5% is allocated to parks[54]**.
- Administration and Collection
    - The PFP fee is administered and collected through the monthly utility bill as a separate line-item charge in order to lower administrative costs and burdens for the government. The fee is collected by the government when the utility bill is paid.
- Database and Data Sources
    - According to Ann Travers, the data points that were pivotal in implementing the fee were already recorded in their database when the adoption of the fee occurred[55]. The important data points that the City has about utility accounts include the classification of the property (Commercial, Single-Family, Multifamily, etc.), and the number of units per location (Ex: 2 for duplex or 100 for a 100 unit complex)[56]. The City of Gresham employs Cayenta, which is a utility billing software. The data source for this information is likely from building permits and building plans.
- Authorization
    - The PFP fee in the City of Gresham was first authorized in 2012 by a Gresham City Council ordinance. Public input on the fee was utilized as Gresham organized numerous town hall meetings to hear the public's opinion on the issue. The City Council and local government staff took these comments into consideration and revised the original plan before unanimously voting to approve it[57]. Since then, it has continued to be extended and modified over the years, increasing from the original $7.50 charge to now $15 charge.

[51] "Police, Fire and Parks Fee | City of Gresham," 2023
[52] Travers, Ann. Police, Fire, and Parks Fee Questions, November 8, 2023.
[53] DiNucci, Dina, et al. "Gresham Adopted Budget" 50.
[54] "Police, Fire and Parks Fee | City of Gresham," 2023.
[55] Travers, Ann. Police, Fire, and Parks Fee Questions, November 8, 2023
[56] Travers, Ann. Police, Fire, and Parks Fee Questions, November 8, 2023
[57] Sara Hottman, The Oregonian. "Gresham Citywide Fee Wins Unanimous Approval; Takes Effect February 1." OregonLive, December 5, 2012. https://www.oregonlive.com/gresham/2012/12/gresham_citywide_fee_wins_unan.html.

Evaluation of the PFP Fee Across Different Criteria

The Police, Fire, and Parks fee performs **well** when analyzed using various evaluative criteria. A Likert Scale ranking system was used, utilizing the options of Poor, Good, Very Good, and Excellent. Below is an in-depth analysis utilizing six different criteria and the ranking system and Appendix B provides a brief summary analysis of the section:

- **Equity - Poor**
    - When considering horizontal equity, the PFP fee can be considered equitable since everyone at the same income or property classification level is paying the same amount for the fee. However, it performs poorly when analyzing it using a vertical equity lens because it is regressive since it is a flat fee and individuals with lower incomes are bearing more of the tax burden and paying a greater share of their income to this tax compared with higher income individuals. For example, a Gresham resident who brings in $10,000 would be paying 0.15% of their income to this tax while a resident bringing in $20,000 would only be paying 0.08% of their income to this tax.
- **Efficiency/Administration – Very Good**
    - The PFP fee in Gresham is administered alongside the rest of the utilities for residents on the monthly utility bill[58]. This helps to cut costs by being able to reduce the number of bills and invoices needed to be prepared, printed (or emailed), and delivered, which helps to save money and streamline the collection process[59].
- **Neutrality - Good**
    - There are many factors that play into the neutrality evaluation, but overall, the fee can be considered good in this area. The fee itself could cause some individuals to make the choice not to move to Gresham in order to avoid the fee and live somewhere that does not have the fee, thus affecting economic growth and private decision-making. However, the design of the fee as a small flat rate, and an addition to the monthly utility bill for ease and convenience, helps reduce the potential of swaying individuals decision-making.
- **Productivity – Very Good**
    - The PFP fee performs very good when it comes to productivity, which evaluates the fee based on its ability to raise revenue to fill in necessary gaps in funding or cover a certain amount of expenses that are needed. Gresham's fee is expected to raise $7.8 million which helps to cover police, fire, and parks staff positions and services, ensuring that these services do not need to be cut. When breaking down the individual General Fund Revenues, the PFP fee is the fourth largest source of revenue, highlighting its effectiveness at producing money[60].
- **Certainty - Excellent**
    - In terms of certainty, the PFP fee can be classified as excellent since it is a flat $15 fee for everyone no matter the classification of property, number of units, or income. It is also tacked onto the utility bill which makes it clear for the payer.

[58] "Police, Fire and Parks Fee | City of Gresham," 2023
[59] "Police, Fire and Parks Fee | City of Gresham," 2023
[60] DiNucci, Dina, et al. "Gresham Adopted Budget" 1–320.

This reduces the confusion with the tax in terms of assessment and rate and is applied to all utility bills and not just some over others.

- **Convenience – Very Good**
    - The PFP fee can be considered very good in terms of convenience due to the fact that it is added to the monthly utility bill which is administered at the same time every month and offers flexible payment sites such as the ability to pay online. Where this fee could lose value would be if the utility bill arrives irregularly and/or arrives at times that are not consistent with individual income streams, but generally this fee can be considered very convenient.

Recommendations

After a comprehensive review of Gresham's PFP fee from an operations, income generation, and various evaluative criteria standpoint, it is recommended that Salem should **NOT** implement an operations fee like Gresham's PFP fee. This recommendation is based on the following conclusions:

- A flat fee for all property types does not maximize the amount of revenue that could be generated since commercial and other properties could be taxed more since they generate a greater amount of revenue compared to a majority of residential properties.
- A flat fee designed like this does worse in an equity lens compared to Salem where they have a base rate and increased or decreased ratios depending on property classification, which does do not much better in terms of equity but still does slightly better and can raise higher revenues.
- The PFP fee is too severely restricted to just police, fire, and parks services when there could be other essential services that need additional funding. The City of Salem's fee is not restricted and is utilized for a variety of sources including library, park maintenance, emergency, social, and other services[61].
- Though Gresham's fee does well overall across the various evaluative criteria as shown above in Table two, the City of Salem's would do the same if not slightly better in all of the areas.

The only portions of Gresham's PFP fee that may be beneficial to implement would be the higher rate for single-family residential properties and, as a result, increased rates for the other classification types. This would help to raise a larger amount of money for Salem to fill critical gaps in funding. Also, Salem could consider applying a vacancy discount for properties that are classified as multifamily as Gresham does (currently at 4.1%[62]) since many times all of the units of these buildings are not filled.

Summary/Conclusion

In conclusion, the PFP fee in Gresham should **NOT** be implemented by the City of Salem. Unlike the Gresham fee, the Salem Operations Fee varies based on property classification thus increasing and maximizing revenue generation, is less restricted and can be used for a wider

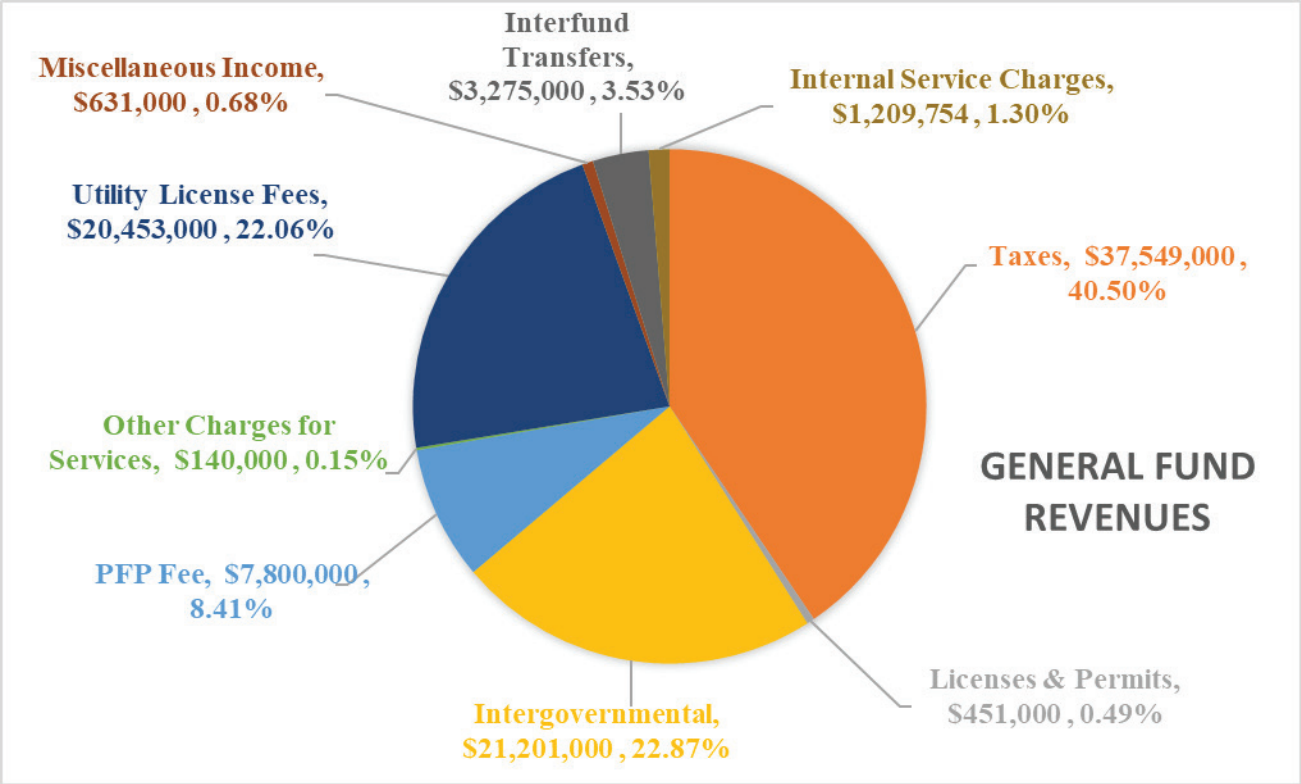
[61] "Utility Rates and Other Fees | Salem, Oregon." Accessed November 8, 2023

[62] "Police, Fire and Parks Fee | City of Gresham," 2023

variety of services, does slightly better when considering equity, is also charged to the monthly utility bill for convenience, and is beginning to be at a similar base level as Gresham's.

Appendix A

Figure 1. City of Gresham General Fund Revenues for FY23-24



Source: Fiscal Year 2023-24 Adopted Budget – Gresham

Appendix B

Table 2. PFP Fee Summary Evaluation Across Criteria

Police, Fire, and Parks (PFP) Fee	
Equity	Poor
Efficiency/Administration	Very Good
Neutrality	Good
Productivity	Very Good
Certainty	Excellent
Convenience	Very Good

Sources:

City of Salem. "Adopted City Budget Book FY 2024." Budget Committee, July 2023.

DiNucci, Dina, Janine Gladfelter, Jerry Hinton, Vince Jones-Dixon, Eddy Morales, Sue Piazza, Travis Stovall, et al. “City of Gresham Adopted Budget for Fiscal Year 2023/24,” n.d., 1–320.

Oregon Demographics. “Oregon Cities by Population.” Accessed November 8, 2023. https://www.oregon-demographics.com/cities_by_population.

“Police, Fire and Parks Fee | City of Gresham,” 2023. https://greshamoregon.gov/Police-Fire-and-Parks-Fee/#FrequentlyAskedQuestions.

Sara Hottman, The Oregonian. “Gresham Citywide Fee Wins Unanimous Approval; Takes Effect February 1.” OregonLive, December 5, 2012. https://www.oregonlive.com/gresham/2012/12/gresham_citywide_fee_wins_unan.html .

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Corvallis, Oregon Case Study- Transit Operations Fee

Purpose

This memo is a case study of the use of a transit operation fee in Corvallis, Oregon. This fee acts as an operations fee proxy, relevant to the operations fee reform the City of Salem, Oregon is considering. I will analyze this fee in Corvallis and produce recommendations on the structure, logistics, and yield that are useful to Salem's operation fee.

Context

Shortfalls in local budgets due to property tax reform often leaves Oregon cities in need for creative ways to pay for government services. The City of Salem long has had an operations fee, administered on utility bills, to help pay for parks and public safety. Salem is now considering reform to include more equity.

Information on Corvallis Fee

Corvallis revenue sources

The City of Corvallis had a revenue total of $94.4 million in their general fund in the approved 2023-2024 budget[63]. The three largest sources of revenue fund in the General fund

- Property taxes = $37.2 million (39.8%)
- Licenses, fees, permits = $12.1 million (13%)
- Charges for service = $8.1 million (8.6%)

Salem revenue sources

The City of Salem had a revenue total of $206.2 million in their general fund in the approved 2023 budget[64]. The three largest sources of revenue fund in the General fund are:

- Property taxes = $84 million (40.7%)
- Licenses, fees, permits = $13 million (6.6%)
- Support Services Charge: $11 million (5.5%)

Comparison of the two revenue sources

Overall, the top three revenue sources for both cities are very similar in rank and impact.

63 CITY OF CORVALLIS OREGON 2023-2024 ADOPTED BUDGET. Budget. Pg. 126
64 City of Salem Oregon Fiscal Year 2024 Adopted Budget. Budget. Pg. 328

Property taxes are very similar. Salem makes almost twice as much in revenue every year (Salem has three times the population of Corvallis, 180,00 versus 60,000 people), and the property taxes are proportional.

The operations fee for Salem, which is a sub-revenue of the larger Sales, Fees, Licenses and Permits section, makes half (in percentage) of the portion of Corvallis Fees, Licenses and Permits section (which was not itemized out as Salem's section was) in total revenue (6.6% vs 13%). With a more direct comparison, Salem's entire Fees, Permits, Licenses section makes $21.1 million, which is 10.2% of total general fund revenue. This category still makes less proportionally of Salem's total budget than Corvallis's, although is still similar in impact. The transit operations fee that I analyze in this memo specifically goes into a specific special-use fund for transit services only, rather than a general fund.

Salem's Support Services Charge makes less of the total general fund (proportionally) than Corvallis (5.5% vs 8.6%), but Corvallis has a revenue account with less itemized sources, so the Corvallis charges for service may contain more than one fee. Still, the impact is similar.

Fee Rate, Base, and Yield

The fee is a Transit Operation Fee – Allocated to the Transit Fund under Corvallis Municipal Code Chapter 3.08 Transit Operations Fee; these fees provide funding for the administration, operation, and maintenance of the Corvallis Transit System.

The rate is:

- Single family residential, $0.287 per trip (monthly fee of $2.75).
- Multi-family residential, $0.287 per trip (monthly fee of $1.90 per dwelling unit).
- Group residential, $0.287 per trip.
- Non-residential (includes, but is not limited to, industrial and commercial sites, assisted living facilities, and hotels), $0.043 per trip.

The rate is multiplied by the average number of vehicle trips generated by a site, as determined by reference to the manual entitled, Trip Generation, published by the Institute of Transportation Engineers (ITE).[65]

Based on the complexity of the trip generator manual and the discretion of the director to update or change the rates, it was too uncertain for me to determine base from available barriers.

The yield in 2023 was indicated as $1,082,500.[66]

[65] *Chapter 3.08 - TRANSIT OPERATIONS FEE | Code of Ordinances | Corvallis, OR | Municode Library*. https://library.municode.com/or/corvallis/codes/code_of_ordinances?nodeId=TIT3UTPURI-W_CH3.08TROPFE_S3.08.080SE. Accessed 10 Nov. 2023.

[66] *CITY OF CORVALLIS OREGON 2023-2024 ADOPTED BUDGET*. Budget. Pg. 97

Fee Collection[67]

The Transit Operations Fee for each utility account based on the vehicular traffic generated by the site use is the most appropriate method to provide one source of the funds necessary for transit system administration, operation, and maintenance.

The system uses four user types and the trip generation data averaged for each type:

- Single family residential.
- Multi-family residential.
- Group residential.
- Non-residential.

For non-residential sites, the data is gross square footage of the site structures based on data from tax lot information and site plans.

The City of Corvallis uses the data sources on user type classification, meaning they have a record of each site's classification, the average trip generation per user type from the Trip Generation Manual from the Institute of Transportation Engineers, and data on square footage per site.

Fee Administration[68]

The transportation maintenance fee, transit operations fee, sidewalk maintenance fee, urban forest management fee, police service fee, and fire service fee are all administered on a single monthly City Services bill. Fee rates are calculated by the City separately but combined on a single bill to facilitate processing.

Authorization of Fee

According to Corvallis Municipal Code Section 3.080.010, the City Council determined the necessity of the fee. The City Council also determined that the fee for each utility account would be based on the vehicular traffic generated by the site.[69]

Evaluation of Corvallis Transit Fee

Horizontal Equity	**Good**

[67] *Chapter 3.08 - TRANSIT OPERATIONS FEE | Code of Ordinances | Corvallis, OR | Municode Library*. https://library.municode.com/or/corvallis/codes/code_of_ordinances?nodeId=TIT3UTPURI-W_CH3.08TROPFE_S3.08.080SE. Accessed 10 Nov. 2023.
[68] Ord. 2022-31 , § 1(Exh. A), 12/05/2022; Ord. 2010-30 § 1, 12/20/2010)
[69] *Chapter 3.08 - TRANSIT OPERATIONS FEE | Code of Ordinances | Corvallis, OR | Municode Library*. https://library.municode.com/or/corvallis/codes/code_of_ordinances?nodeId=TIT3UTPURI-W_CH3.08TROPFE_S3.08.080SE. Accessed 10 Nov. 2023.

Vertical Equity	**Okay**
Neutrality	**Good**
Efficiency	**Okay**
Productivity	**Okay**
Certainty	**Poor**
Convenience	**Poor**

The calculation of average use of the transit system and the resulting responsibility for fees is more inclined toward horizontal equity. The averages per user type and monthly dues based on the calculation of trips x fee rates seems to be very similar to a flat rate fee on single family vs multifamily and is not much better in terms of equity than Salem's current operations fee model. The neutrality is based on averages and won't inspire any specific person to use or not use the transit system more, and so is deemed inclined toward neutrality. The fee, if applied to a general fund versus a transit fund at a higher rate, may inspire a change toward multifamily structures, and be less neutral.

The productivity and efficiency seems middling. Based on Corvallis's dependance on many fees to make up a big(ger) portion of their budget than Salem, the productivity seems just enough to cover basic costs of the transit system itself, instead of generating income for multiple services. It essentially is acting like an enterprise fee in this way. The efficiency of such generation based on the poor certainty and convenience seems low. The changing nature of gas prices and it's role in the calculation of the rates, as well as the multi-step calculation that has to be checked by the director and can be appealed by household, the certainty and convenience are quite poor.

Recommendations

1. Salem should implement a calculation-based use of services model multiplied by a close income proxy like in Corvallis to accurately proxy equity.
2. Salem should not use data from the trip generation model, which is not quite an accurate model for general government services use. Transportation, while an impactful and broad-use package of government services, is not as general as an operations fee.
3. Salem needs a model that generates as much money as it's current operations fee does, thus the model should be understandable and not as complex as this calculation model.
4. Acquiring an alternative data set such as Home Energy Rating System would model more applicably density and energy use. This system is ore appropriate for climate goals, density, and easy application as the operations fees is on utility bills.

Sources

Chapter 3.08 - TRANSIT OPERATIONS FEE | Code of Ordinances | Corvallis, OR | Municode Library.

CITY OF CORVALLIS OREGON 2023-2024 ADOPTED BUDGET. Budget.

City of Salem Oregon Fiscal Year2024 Adopted Budget. Budget.

"Trip Generation Appendices." *Institute of Transportation Engineers*, https://www.ite.org/tripgenappendices/. Accessed 10 Nov. 2023

Appendix E: Current Fee Structure in Salem

Table E.1: Current Fee Structure in Salem

Customer Class	Total Accounts/Units	Rate Ratio to Residential	Monthly Rate	Annual Rate	Total Revenue
Residential	40,012	1.00	$8.00	$96.00	$3,841,152
Multi-Family	23,971	0.80	$6.40	$76.00	$1,840,973
Commercial	2,839	4.82	$38.56	$462.72	$1,313,662
Public	116	4.82	$38.56	$462.72	$53,676
Industrial	18	4.82	$38.56	$462.72	$8,329
Institutional	8	4.82	$38.56	$462.72	$3,702
Total	66,964				**$7,061,493**

Source: City of Salem

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