

CITY OF LINCOLN CITY

LINCOLN CITY COUNCIL

WORK SESSION MEETING AGENDA

AUGUST 16, 2021 5:30 PM

5:30 PM - The **Lincoln City Council** will hold a **Work Session** via **Zoom**. The meeting will be broadcast live in the **Council Chambers, 801 SW Highway 101 - 3rd Floor, Lincoln City, OR 97367**.

The meeting location is accessible to persons with disabilities. A request for an interpreter for the hearing impaired, for a hearing-impaired device, or for other accommodations for persons with disabilities, should be made at least 48 hours in advance of the meeting to the City Recorder, 541-996-1203.

This meeting is a work session only and generally does not include public comment. Citizens present in the Council Chambers will be required to wear a face covering.

1. **CALL TO ORDER**
2. **DISCUSSION ITEMS**
 - A. Discussion on Options for Revenue Sources
3. **ADJOURNMENT**

Council Communication

Revenue Discission

Meeting Date:	August 16, 2021	Primary Staff Contact:	Debbie Bridges
Department:	Finance	E-Mail:	dbridges@lincolncity.org
Secondary Dept:		Secondary Contacts:	
Approval:	Lila Bradley	Estimated Time:	1 hr

Additional Revenue Options

The need for additional revenue in certain funds was noted and discussed during the budget committee meetings for the FY2021-22 budget. The budget committee did forward a recommendation that City Council look at additional funding options, in particular for the Parks and Recreation fund and for the Street fund. The General fund also has long term funding concerns, but if its revenue can be protected (as opposed to being transferred out to other funds) the need for funding is not as critical in the near future.

One aspect to consider in increasing revenues is who is affected by those new revenue sources; city residents only, or city residents and the visitors who use the City's infrastructure.

Another point to keep in mind is that any new fee or fee increase will at a minimum require opportunity for public comment.

LEGAL NOTE:

ORS 294.160 Opportunity for public comment on new fee or fee increase. (1)

The governing body of a city, county or other unit of local government shall provide an opportunity for interested persons to comment on the enactment of any ordinance or resolution prescribing a new fee or a fee increase or an increase in the rate or other manner in which the amount of a fee is determined or calculated.

(2) Where a local government exercises authority to assume the responsibility for a program delivered by the state, the local government shall provide an opportunity to comment on the difference between the fee amount charged by the state for such service and the proposed local fee for the service.

The following revenue options are listed in no particular order.

Add a Prepared Food Tax

Use of Revenue: Unrestricted

City Council could look at an ordinance and /or referral for a prepared foods and beverage tax. While the City's home rule provisions and state law do not require that this be referred to the voters, both Yachats and Ashland implemented this through a vote of the citizens.

A recent report done by the City of Newport estimates that a 5% food and beverage tax would generate \$2 million dollars for the City of Newport.

The City of Yachats has a 5% tax on prepared food and collects about \$400,000 from the tax.

A study by Oregon Travel Impact estimated 2019 Food Service Revenue of \$77 million from overnight tourism. A 5% food and beverage tax on this amount of revenue would generate \$3,850,000 annually for the City.

Add Gas Tax

Use of Revenue: Street Funding

An ordinance and voter approval is required to enact a gas tax.

The City of Newport currently has a 1 cent per gallon gas tax for seven months of the year, and a 3 cent gas tax for the other five months of the year. In calendar year 2019, Newport collected \$183,386 in gas tax revenue.

If the gas tax had been 3 cents for all 12 months, the gas tax revenue collected would have been \$287,896.

Any monies received from a gas tax would need to be used for Streets only. Please see Appendix 1 for further information.

Add Street Lighting Fee

Use of Revenue: Street Funding

The City's FY2021-22 budget includes \$200,000 for street lighting. This is in the Street Operations fund, which is almost entirely funded by TRT revenues. If a street lighting fee were added to utility bills, it would free up \$200,000 that could be used on other

street capital projects. The fee could be implemented by an ordinance and/or resolution of the City Council.

If the \$200,000 were allocated evenly to all water bills, it would be about \$2.60 per month.

If the \$200,000 were allocated by meter size and in/out of city limits, as our water base charge is allocated, it would be about the following per month:

WATER BASE - IN 5/8" SINGLE FAM	\$2.19
WATER BASE - IN 5/8"	\$2.10
WATER BASE - IN 1"	\$3.87
WATER BASE - IN 1.5"	\$7.42
WATER BASE - IN 2"	\$12.73
WATER BASE - IN 3"	\$25.14
WATER BASE - IN 4"	\$44.63
WATER BASE- OUT 5/8" SINGLE FAM	\$3.04
WATER BASE - OUT 1"	\$8.21
WATER BASE - OUT 2"	\$26.99
WATER BASE - OUT 5/8"	\$3.04

There may be other ways to more fairly allocate this cost to the properties benefited.

Add Public Safety Fee

Use of Revenue: Fund public safety (Police)

This would be similar to adding a street lighting fee and would be a fee on the utility bill, except that it would fund Police rather than Streets. The fee could be implemented by ordinance and/or resolution of the City Council.

There may be other ways to more fairly allocate this cost to the properties benefited.

Increase VRD Permit Fee

Use of Revenue: Fund VRD Code Enforcement

The current annual VRD license fee is \$100. The City currently has about 550 licensed VRDs. The increase could be implemented by a resolution of the City Council.

Currently the City has one Code Enforcement Officer in the Police department, and another position in Planning which was added as a VRD enforcement position but is currently doing some planning and some VRD enforcement.

If the City Council wanted the position in Planning to be 100% VRD enforcement and funded by the VRD license fee, the current license fee would increase from \$100 to about \$250. This would add about \$82,500 in revenue to the general fund per year.

If the City wanted to fund another position for VRD enforcement, the increase in fees would be about another \$150 to \$175, depending on what the job duties would entail.

A very rough estimate of the cost for Dispatch time spent on VRD enforcement is approximately \$2,150 a year. If City Council wanted to fund this through the VRD license fee, the fee would need to increase about \$3.90.

Increase Transient Room Tax

Use of Revenue: Per ORS, 70% for Tourism Promotion or Tourism Facilities, 30% unrestricted

Lincoln City's TRT rate is currently 9.5%. Budgeted TRT revenue for FY2021-22 totals \$7,339,820. An increase in the tax rate may be done by the City Council enacting an Ordinance change and/or Ordinance with referral to the voters.

Following are additional revenues that would be received by increasing the TRT tax from 9.5% to:

Revised TRT Rate	Additional TRT Revenue	Restricted for Tourism	Unrestricted
10.00%	\$386,306	\$270,414	\$115,892
10.50%	\$772,613	\$540,829	\$231,784
11.00%	\$1,158,919	\$811,243	\$347,676
11.50%	\$1,545,225	\$1,081,658	\$463,568
12.00%	\$1,931,532	\$1,352,072	\$579,459

The City of Newport's FY2021-22 budget includes an increase in their transient room tax rate, raising the rate from 9.5% to 12%. Other Coastal TRT rates are:

- Astoria 11.0%
- Cannon Beach 8.0%

Seaside	10.0%
Waldport	10.0%
Tillamook	10.0%
Florence	9.0%
Coos Bay	9.5%
Lincoln County	10.0%
Tillamook County	10.0%

Franchise Fees for Water / Sewer service

The City could look at establishing a franchise fee for the Water and Street funds to pay to the General fund. Currently we do make a transfer from Water / Sewer funds to General fund for operational support (like admin, finance, attorney, HR, etc), but we do not "charge" a franchise fee.

Water annual budgeted operating revenue totals \$ 3,944,959, and the Sewer annual budgeted operating revenue totals \$4,584,534. A 3% franchise fee would generate \$255,885 in additional revenue for the General fund. This option would however decrease funds available for Water and Sewer operations and capital.

SDCs

Staff is planning to issue an RFP in the near future to look at revising SDC fees. SDC fees are a great way to keep up on infrastructure as new growth happens; however SDCs can't be used to add to our level of service.

Villages at Cascade Head (a/k/a/ "Sitka Woods")

The City has two active Exclusive Negotiating Agreements with development partners on the Villages property.

Marijuana Tax

At the present time we are limited by State law at 3%, which is what we are currently collecting.

Appendix 1: Additional information on a Gas Tax

Portion of - Sample Gas Tax Revenue Ordinance from the League of Oregon Cities

Section 26. Use of Tax Revenues.

- A. The city manager or designee shall be responsible for the disposition of the revenue from the tax imposed by this ordinance in the manner provided by this section.
- B. For the purposes of this section, “net revenue” means the revenue from the tax imposed by this ordinance remaining after providing for the cost of administrating the motor vehicle fuel tax to motor vehicle fuel dealers and any refunds and credits authorized herein. The program administration costs of revenue collection and accounting activities shall not exceed ten and one-half percent (10.5%) for the first year and ten percent (10%) thereafter, of annual tax revenues.
- C. The net revenue shall be used only for the activities related to the construction, reconstruction, improvement, repair, and maintenance of public highways, roads and streets within the city which are subject to city control.

Section 27. Administration. The city manager or designee is responsible for administrating this ordinance. In addition, the city manager or designee may enter into an agreement with the Oregon Department of Transportation as an authorized agent for the implementation of certain sections of this ordinance.

Section 28. Voter Referral. This ordinance shall be referred to the electors of the city of [insert your city] at the [insert appropriate date] election. A copy of the ballot measure for this referral is attached hereto and by this reference incorporated herein.

Section 29. When Tax Shall Take Effect. Excepting section 28 relating to voter referral, the taxation imposed by this ordinance shall commence [insert appropriate date after election on referral], upon approval of a majority of the electors of the City of [insert your city name] at the election of [insert date of election].

Section 30. Severability. If any portion of this ordinance is for any reason held invalid or unconstitutional by a court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision and such holding shall not affect the validity of any remaining portions of this ordinance.

Appendix A: List of Local Motor Vehicle Fuel Taxes (as of April 1, 2020).

City	Tax Rate per Gallon	Administrator
Astoria	\$0.03	Administered by ODOT FTG
Brookings	\$0.02	Self-Administered

Canby	\$0.03	Administered by ODOT FTG
Coburg	\$0.06	Administered by ODOT FTG
Coquille	\$0.03	Administered by ODOT FTG
Cottage Grove	\$0.03	Administered by ODOT FTG
Dundee	\$0.02	Self-Administered
Eugene	\$0.05	Administered by ODOT FTG
Happy Valley	\$0.02	Self-Administered
Hood River	\$0.03	Administered by ODOT FTG
Milwaukie	\$0.02	Administered by ODOT FTG
Newport	\$0.03 (June 1 st – Oct 31 st) \$0.01 (Nov 1 st – May 31 st)	Administered by ODOT FTG
Oakridge	\$0.03	Self-Administered
Portland	\$0.10	Administered by ODOT FTG
Reedsport	\$0.03 (May 1 st 0 Oct 31 st) \$0.00 (Nov 1 st – Apr 30 th)	Administered by ODOT FTG
Sandy	\$0.02	Self-Administered
Scappoose	\$0.03	Self-Administered
Silverton	\$0.02	Self-Administered
Sisters	\$0.03	Self-Administered
Springfield	\$0.03	Administered by ODOT FTG
Stayton	\$0.03	Self-Administered
The Dalles	\$0.03	Self-Administered
Tigard	\$0.03	Administered by ODOT FTG
Tillamook	\$0.015	Self-Administered
Troutdale	\$0.03	Administered by ODOT FTG
Veneta	\$0.03	Administered by ODOT FTG
Warrenton	\$0.03	Administered by ODOT FTG
Woodburn	\$0.01	Administered by ODOT FTG