

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22

ORDINANCE BILL NO. 12-23

AN ORDINANCE RELATING TO THE CREATION OF A TAX ON WAGES
EARNED; CREATING NEW PROVISIONS: SRC 39.001, 39.005, 39.010, 39.015,
39.020, 39.025, 39.030, 39.035, 39.040, AND 39.990.

The City of Salem ordains as follows:

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

Section 2. Findings. The Salem City Council finds:

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

(b) Services without a dedicated revenue source are paid for by the City’s General Fund.
The largest source of revenue in the General Fund is property taxes generated by the
City’s permanent operating rate levy. Due to Measure 5 (1990) and Measure 50 (1997)
limiting property tax growth and establishing permanent tax rates, increases in property
tax revenue have not kept pace with escalating costs and the demand for services paid for
by these revenues. Some significant costs are largely not controlled by the City; such as
escalating health care costs and state mandated PERS rates. The city’s population has
grown by more than 14 percent in the last ten years with the anticipation of 40,000 more
residents by 2045. This structural imbalance between revenues and expenses within the
General Fund has been recognized by the City, which has acted with responsible fiscal
stewardship to contain expenses within its control.

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

1 Even with cost saving measures, the City continues to use working capital, or the City's
2 savings account, to balance the budget and has for the past several years. One-time
3 federal and state funds received by the City during the Coronavirus Pandemic allowed the
4 City to continue operations the last several years. This revenue is now exhausted.

5 **(d)** Working capital is a finite resource. Continued use of working capital to balance
6 ongoing expenses at current staffing levels will cause a depletion of savings during fiscal
7 year 2026. Without additional revenue, reductions to services would be required for the
8 City to adopt a balanced fiscal year 2025 budget as required by Oregon budget law.

9 Although the City is constantly looking for opportunities to further reduce expenses and
10 make additional efficiencies, these changes are not enough to address the structural
11 imbalance.

12 **(e)** The ratio of City employees to the city's growing population has decreased, affecting
13 the City's ability to maintain services. For example, the police officer to resident ratio has
14 decreased by nearly 10% within the past 10 years, while violent crime rates have
15 increased 49% in that same period. In addition, while the population has increased 14
16 percent, the call volume for the Fire Department has increased 86 percent with no
17 increase in core staffing for each shift. There are similar issues for nearly every service
18 funded by the General Fund.

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

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

(h) The Task Force reviewed twelve revenue options for the General Fund and one for
the Transportation Services Fund. After a series of comprehensive public meetings which
covered both the City budgeted revenues and expenses throughout the fall of 2018, the

1 Task Force’s recommendation was delivered to the City Council in April 2019. Of the
2 twelve General Fund revenue options, the Task Force recommended an employee-paid
payroll tax and a city operations fee.

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

6 (j) The Coronavirus Pandemic brought a new set of challenges to the City and the
7 community. In March 2020, the threat of the pandemic resulted in widespread shutdown
8 of many businesses. Due to the unprecedented nature of the pandemic and response
9 measures, the City withdrew the payroll tax ballot measure from the March 2020 primary
10 election. Due to federal and state grant and aid programs, the City was able to continue
11 most City services and address the unsheltered crisis through providing funding for social
12 services and sheltering services through local non-profit partners. The unsheltered crisis
13 began well before the pandemic, but has expanded and became more severe over the past
14 three years. The City’s response to the crisis has resulted in 100’s of local unsheltered
15 individuals obtaining safe shelter and moving on to safe outcomes including transitional
and permanent housing and treatment for mental health and drug and alcohol addiction.
16 These services are funded almost exclusively by one-time, temporary state and federal
17 sources. Without a sustainable funding source, these services will cease and the crisis will
18 grow exponentially worse.

19 (k) The employee-paid payroll tax set forth in this ordinance bill will provide a more
20 balanced, sustainable funding source for the City, that will grow as both employment and
21 wages increase. The tax exempts minimum wage workers and will be dedicated to
22 community safety services. Only wages earned for work performed in the City of Salem
will be subject to the tax. This will capture wages for workers who commute into Salem
and benefit from the array of public services the City provides, such as streets, public
infrastructure, parks, and police, fire and emergency medical response. Under the
ordinance bill, the tax will be referred to Salem voters by July 1, 2031 and will terminate
on December 31, 2031 until the continuation is approved by Salem voters.

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

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

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

13 PASSED by the City Council this _____ day of _____, 2023.

14 ATTEST:

15
16 City Recorder

17 Approved by City Attorney: _____

18 Checked by: Josh Eggleston
19
20
21
22