

**INFORMATION FROM REGIONAL GOVERNANCE COMMITTEE
TO CHARTER COMMITTEE
REGARDING FINANCING FOR A REGIONAL GOVERNMENT**

January 16, 1992

The appropriate financial structure for a government is very dependent on the functions and structure of that government. The following opinions about appropriate financing for a regional government are based on the premises that the functions it initially delivers are roughly similar to those delivered by Metro today, and that the governance structure provides a true partnership for local government involvement in decision-making. If the final version of the Charter varies from either of these premises then our recommendations for financing would likely also change.

GENERAL PRINCIPLES

The way in which the regional government raises and spends money should adhere to the following general principles:

- Appropriate funding for a regional government should be directly related to the functions it provides.
- The potential funding sources of the regional government should be flexible enough to change as its functions change over time.
- Voters should be required to authorize taxes and other discretionary funding sources. This does not include user fees.
- Once a function and a source to fund that function are established, the revenue should be as stable as possible.
- Funding for regional functions should not compete with funding for basic public services provided at the local level. In the post Measure 5 era this means the regional government should not use property taxes for operating expenses beyond those property taxes already in use.
- The funding mechanism for functions of the regional government should be as clear and understandable to the public as possible. The public should know when it pays a fee or a tax what the money will be used to fund.
- Decisions about budgets and revenue sources should be made in an open process which is easily accessible to the public.
- Some formal oversight structure which include local governments and citizens with expertise in financial matters should be required in the budget development process. The regional government should be required to prepare a cost plan to allocate overhead costs. RPAC would provide the oversight function for local governments.
- Independent financial and performance audits should be conducted.
- In any case in which user fees are collected on behalf of the regional government by local governments the Regional Policy Advisory Committee (RPAC) should provide the oversight function of reviewing and advising on the rates.

FUNDING FOR SPECIFIC FUNCTIONS

Costs for general planning, service delivery and overhead of the regional government should be financed as follows:

Planning and Coordination

Some or all of the following revenue sources may be appropriate:

- Continue use of the excise tax on regional government functions. RGC is exploring the merits of sunseting the excise tax in 5 years in hopes that a more suitable, permanent funding source could be identified by then. RGC is analyzing whether such a clause would be consistent with how local governments operate and whether it would be appropriate to replace some or all of the revenues from the excise tax with increases in the per capita tax on local government. The excise tax should have a limit (e.g., 6%) placed on the allowed annual increase in total revenues.
- More permanent revenue sources could include any of the following:
 - User fees from a service which the regional government is delivering. However, the fees would be strictly limited to planning for that service (e.g., solid waste fees would only pay for solid waste planning) and some guidelines would need to be established to limit the amount of money which could be devoted to planning.
 - Local government per capita assessment (tax) consistent with provisions in current state statute.
 - Any general tax except property (e.g., sales, income) which is approved by a vote of the people.

Service Delivery

Some or all of the following revenue sources may be appropriate:

- First choice is user fees when this is possible and they can raise sufficient revenue to pay the full cost.
- Second choice is a general tax (sales, income) which is approved by a vote of the people.

Examples of how these principles might be applied include:

- Solid Waste Facilities - funded entirely through user fees
- Zoo - funded through user fees plus voter approved taxes (property, sales, income, excise)
- Other Regional Facilities - funded through user fees, hotel/motel tax, voter approved taxes

Overhead

- All overhead should be paid by allocating costs reasonably proportionate to planning and service delivery functions. A general revenue source such as the existing excise tax should not by itself be used to pay for overhead.

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