METRO

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Memorandum

DATE: May 7, 1992

TO: Jennifer Sims, Director of Finance and Management Information

FROM: CS Christopher Scherer, Financial Planning Manager

RE: Charter Committee -- Finance Alternative Proposal

As requested, I have examined the captioned "proposal" from the Charter Committee. I have paid particular attention to item 4 and the accompanying restrictions.

4a. Any of these taxes passed in a given fiscal year cannot raise per capita gross revenues more than 6 percent.

First, whether the limitation on revenue growth is calculated on a per capita basis or on the revenue base, the effect is the same. To use the example included in the Finance Alternative Proposal, for revenues of $210,738,728, six percent per capita growth results in an increase from $194.00 per capita to $205.64 per capita, on a population base of 1,086,282. The total dollar increase would be $12,644,324. Six percent of $210,738,728 is $12,644,324.

The real question is what amount comprises "gross revenues." The example seems to indicate that the Committee considers our total budgeted resources to be gross revenues. In this case, a 6% increase results in new revenue amounts (over $12 million) that would quite significant by Metro standards.

Gross revenue is more typically interpreted as "earned revenue" or budgeted resources less interfund transfers and fund balance. This amount in the FY 1992-93 Proposed Budget is $123,216,411. Six percent of this amount is $7,392,984, still a significant figure.

Other interpretations of gross revenue might include total budget resources less interfund transfers, fund balance, and taxes received. This amount in the FY 1992-93 Proposed Budget is $105,068,481. Six percent of this amount is $6,304,108.

4b. Revenues of these taxes must be dedicated to functions of the government, not to overhead costs.

This must be much further defined. What does dedicated mean? Used primarily for? Used exclusively for? Intended for? What's overhead? It could certainly be argued that "functions of the government" include the need to account for its finances, maintain adequate legal representation and repair its computers. Do reasonably allocated administrative costs constitute overhead?

4c. Before adoption of any of these taxes, consultation would be required with citizens, business and local government.

I'm sure someone else has asked what consultation means. All Metro ordinances are subject to a public hearing at which citizens, business and local government are free to and often testify. Is this consultation? What evidence would we need to indicate that we have consulted?

* * * * *

Please let me know it you need anything else.

FINANCE ALTERNATE PROPOSAL

1. The regional governing body may continue to impose revenue-raising devices currently imposed by Metro.

2. The regional governing body may enact all revenue-raising devices currently permitted for Metro's use by Oregon statutes.

3. Imposition of the following types of taxes will require voter approval: personal income tax, business income tax, payroll tax other than as now imposed by Tri-met, property tax and sales tax.

4. Any other revenue-raising or financing device may be authorized by council ordinance, with a 90-day delay to allow for referendum to the people, <u>and with the following restrictions:</u>

   a. Revenues of these taxes must be dedicated to functions of the government, not to overhead costs.

   b. Before adoption of any of these taxes, consultation would be required with a Metro-appointed committee consisting of citizens, business and local government representatives of the region.

compared to which FY, each yr

   c. Any of these taxes passed in a given fiscal year cannot raise gross revenues of the organization by more than 6 percent. Otherwise, voter approval is required.

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   c-1 Any of these taxes passed in a given fiscal year cannot raise per capita gross revenues by more than 6 percent. Otherwise, voter approval is required. define same as c.

   c-2 In the first fiscal year after charter adoption, Metro's $210 million in gross revenues, for '92-93, will serve as a <u>base year cap</u> for any new tax enacted by ordinance. Six percent of that cap--$12.6 million--will be converted to allow $12.60 per capita revenues to be derived from these new taxes. In the following years, revenues from any new tax enacted by ordinance may increase annually by 6 percent on a per capita basis, which will allow for both population and cost of living increases. Any revenue to be derived beyond that amount would require voter approval.

   c-3 In the first fiscal year after charter adoption, Metro's $210 million in gross revenues, for '92-93, will serve as a base year cap for any new or <u>current</u> tax that has been enacted by ordinance. Six percent of that cap--$12.6 million--will be converted to allow $12.60 per capita revenues to be derived from these taxes. In the following years, revenues from any new and current tax enacted by ordinance may increase annually by 6 percent on a per capita basis, which will allow for both population and cost-of-living increases. Any revenue revenue to be derived beyond that amount would require voter approval.

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6% ... VT

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   a. Any of these taxes passed in a given fiscal year cannot raise per capita gross revenues more than 6 percent. Otherwise, voter approval is required. *For instance, in the proposed '92-93 budget, revenue is expected to be $210,738,728, which is about $194 per person living within Metro. Any taxes passed by ordinance could not raise the per capita revenue more than 6 percent, or $11.64, or to not more than $205.64 per capita.*

   need to define

   b. Revenues of these taxes must be dedicated to functions of the government, not to overhead costs.

   c. Before adoption of any of these taxes, consultation would be required with citizens, business and local government.

McKeever's notes from May 5 meeting on Metro Finance

- Put a cap on Metro revenues which can be raised via niche taxes short of a vote of the people - either:

  Option 1 (probably not preferred): 6% of gross revenues (details to be same as current statute)

  Option 2 (probably preferred): Establish a per capita number, tied approximately to the amount METRO is currently authorized to collect under the excise tax statute (probably in the neighborhood of $6 to $7/head)

- Dedicate the revenues to the authorized functions of the district (as opposed to general services and overhead, which will be paid through a traditional cost allocation plan)

- Establish a 6% annual allowed increase, with anything above the 6% required to go to a vote of the people

- Require consultation with some group of citizens, businesses and local governments prior to the imposition of the tax(es). Options include RPAC or some special committee formed expressly for this purpose.

- Outstanding issue (not resolved): consider, for political advantage, prohibiting certain unpopular taxes such as property (for operations) and sales, unless the charter is amended.