



Memorandum

Date: May 2, 2017
To: Budget Committee Members
From: Twylla Miller, Budget & Analysis Manger (AIC), (541) 682-8417
Subject: May 3rd Budget Committee Meeting Materials

Attached are the following materials for your meeting tomorrow evening:

- Agenda for May 3, 2017 Budget Committee meeting
- Minutes from the March 15, 2017 meeting
- Minutes from the April 26, 2017 meeting
- Memo: Information Requests

Hard copies of these items will be provided to Budget Committee members at the meeting. A direct link to these and other Budget Committee meeting materials can be found here: www.eugene-or.gov/2517/Budget-Meeting-Materials.

Please review the draft minutes from the 3/15/17 and 4/26/17 Budget Committee meetings. If you have any edits to these minutes, please send them to Jenna Boyd electronically at Jenna.l.boyd@ci.eugene.or.us prior to the meeting on Wednesday and she will compile a list of changes for the committee's review and approval.

We look forward to seeing you on Wednesday. If you have questions about the packet or the meeting, know that you will not be attending the meeting, need to attend via teleconference or need other help, please call me at (541) 682-8417.

A G E N D A
EUGENE BUDGET COMMITTEE
Wednesday, May 3, 2017
Bascom Tykeson Room, Eugene Public Library
100 West 10th Avenue, 5:30 p.m. – 8:30 p.m.



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|-------------------------|--|
| 5:30 – 6:15 p.m. | I. Public Comment |
| 6:15 – 6:20 p.m. | II. Minutes Approval
Scott Nowicki, Acting Budget Committee Chair |
| 6:20 – 7:10 p.m. | III. Comcast Settlement Discussion
Sue Cutsogeorge, Finance Director |
| 7:10 – 7:20 p.m. | IV. Break |
| 7:20 – 8:20 p.m. | V. Ambulance Capacity
Joe Zaludek, Fire Chief |
| 8:20 – 8:30 p.m. | VI. Next Steps
Scott Nowicki, Acting Budget Committee Chair |
| 8:30 p.m. | Adjourn |

5/10/17 – 2021 World Championship Update, Urban Renewal Agency Budget Deliberation; Initial Discussion of Intended Motions

5/24/17 – City/URA Budgets Deliberation & Recommendations

November 2017, Service Profile Meetings

- Culture & Recreation Services
- Public Safety Services

The City of Eugene is committed to access for all participants. All events are held in wheelchair accessible rooms. For individuals who are hearing impaired, an interpreter, note taker or FM assistive listening system (if available) can be provided with three business days' notice prior to the event. Materials can be made available in alternate formats if requested in advance and are available on the City's website at www.eugene-or.gov/budget. To arrange for services or for more information about the session, please contact the Finance Division at (541) 682-5512.

MINUTES

**Eugene Budget Committee
Bascom-Tykeson Room, 100 West 10th Avenue
Eugene, OR 97401**

**March 15, 2017
5:30 p.m.**

Committee Members Present: City Council Members Mike Clark, Emily Semple, Claire Syrett (*via conference phone*), Alan Zelenka; Budget Committee Citizen Members Ken Beeson, Chelsea Clinton (Chair), Garrett Dunlavey (*via conference phone*), Jill Fetherstonhaugh, Jon Jasper, Shaun Londahl, Scott Nowicki (Vice Chair), Josh Skov

Committee Members Absent: City Council Members Greg Evans, George Poling, Chris Pryor, Betty Taylor

Guest: Mayor Lucy Vinis

CALL TO ORDER

Chair Clinton called the meeting to order at 5:30 p.m.

I. PUBLIC COMMENT

As no members of the public signed up for public comment, Chair Clinton turned the meeting over to the mayor for an announcement.

Mayor Vinis announced Councilor Poling's resignation from the City Council effective April 10. Mayor Vinis noted his lengthy commitment to and thanked him for his public service.

II. MINUTES APPROVAL

The Budget Committee received past meeting minutes for review and approval. The minutes pending approval were for the following meeting: March 9, 2017.

MOTION AND VOTE: Mr. Beeson, seconded by Councilor Clark, moved to approve the minutes as described above. PASSED 11:0.

III. SAFE COMMUNITY

Chief Pete Kerns, Police, spoke about community safety in Eugene, the police department's role and current investments in public safety. Kristie Hammitt, Central Services Executive Director, discussed the Community Justice Initiative Vision, reviewing system challenges, Community Court and steps moving forward.

The Budget Committee asked questions related to the information presented.

IV. DOWNTOWN UPDATE

Sarah Medary, Assistant City Manager, introduced the presentation by providing some historical context related to Eugene's downtown. Nan Laurence, Senior Planner, spoke about the Project for Public Spaces work downtown, such as Winter Days, and the various ideas that have emerged as a result.

Councilor Zelenka arrived at 6:51 p.m.

Jeff Perry, Facility Management Division Manager, and Captain Sam Kamkar, Police, discussed the upcoming plans they have for the spring and summer in downtown and nearby parks.

The Budget Committee discussed the presentations and inquired about the specific plans for the downtown area.

Mr. Dunlavey left (*via conference phone*) at 7:36 p.m.

V. BREAK

Chair Clinton called for the Committee to be in recess for a break at 7:58 p.m.

Chair Clinton called the meeting back to order at 8:09 p.m.

VI. EMERGENCY PREPAREDNESS UPDATE

Myrnie Daut, Risk Services Director, and Kevin Holman, Emergency Management Program Manager, gave an update on the Emergency Preparedness program including an overview of the planning, training and exercises, community outreach, community partnerships and emergency mitigation work.

Mr. Nowicki left at 8:12 p.m.

Mr. Nowicki returned at 8:15 p.m.

MOTION AND VOTE: Councilor Zelenka, seconded by Ms. Fetherstonhaugh, moved to extend the meeting by fifteen minutes. PASSED 11:0.

Staff wrapped up their presentation and opened the floor for questions.

The Budget Committee discussed the presentation and asked specific questions related to the City's emergency preparedness work.

MOTION: Councilor Clark, no second, moved to extend the meeting by 15 minutes.

MOTION: Mr. Skov, no second, moved to extend the meeting by 13 minutes.

VII. NEXT STEPS

Chair Clinton reminded the Budget Committee of their next meeting on April 26th, at which the City Manager will present the proposed budget.

ADJOURN

The meeting adjourned at 8:48 p.m.

Respectfully submitted,

Jenna Boyd
Program Coordinator, Finance Division

MINUTES

**Eugene Budget Committee
Bascom-Tykeson Room, 100 West 10th Avenue
Eugene, OR 97401**

**April 26, 2017
5:30 p.m.**

Committee Members Present: City Council Members Mike Clark, Greg Evans, Chris Pryor, Emily Semple, Betty Taylor, Alan Zelenka; Budget Committee Citizen Members Ken Beeson, Garrett Dunlavey, Jill Fetherstonhaugh, Jon Jasper, Shaun Londahl, Scott Nowicki (Acting Chair), Josh Skov

Committee Members Absent: City Council Member Claire Syrett

Guest: Mayor Lucy Vinis

CALL TO ORDER

Acting Chair Nowicki called the meeting to order at 5:31 p.m.

I. CITY MANAGER'S FY18 PROPOSED BUDGET

City Manager Jon Ruiz presented the FY18 Proposed Budget, highlighting key financial management policies and reviewing the current status of the City's funds, while looking towards the future.

Councilor Evans arrived at 5:34 p.m.

Mr. Dunlavey arrived at 5:39 p.m.

Twylla Miller, Budget and Analysis Manager (AIC), outlined the new additions to the FY18 Proposed Budget document and this year's meeting schedule based on Budget Committee feedback. Ms. Miller summarized the City's forecasting methods and how different components affect the forecast, showing projections for some of the more high-profile variables such as property taxes, retirement costs and inflation. Ms. Miller also presented the strategy for balancing the estimated gap of \$3 million over the FY18 through FY20 period by making \$1 million of ongoing reductions in each of the next three fiscal years.

City Manager Ruiz continued the presentation with an overview of the various changes in the FY18 Proposed Budget, as well as a recommendation for how to use the Comcast settlement funds. City Manager Ruiz concluded his discussion by walking the Committee members through the Unfunded Needs Assessment, which replaces the Multi-Year Financial Plan.

II. BUDGET COMMITTEE DISCUSSION

Acting Chair Nowicki invited each Budget Committee member to provide three minutes of comments or feedback on the FY18 Proposed Budget in a round robin format. After each of the Committee members present had the opportunity to speak, Acting Chair Nowicki opened the queue for questions and further discussion.

Budget Committee members discussed potential motions and issues.

Following Budget Committee discussion, City Attorney Glenn Klein spoke briefly reminding the Budget Committee of Oregon Public Meetings Law and the importance of avoiding unintentional violations by contacting Committee members outside of public meetings. He advised Committee members to submit any intended motions for Budget Committee consideration to Ms. Miller, and she could compile and send those back out to the Committee.

Budget Committee members asked some clarifying questions pertaining to the City Attorney's recommendations as well as the process for proposing motions for the FY18 budget cycle.

III. NEXT STEPS

Acting Chair Nowicki noted the next meeting of the Budget Committee on Wednesday, May 3, at which the remaining Comcast revenues will be discussed. Acting Chair Nowicki also reminded the Budget Committee members that they will not be entertaining motions until the May 10 meeting.

ADJOURN

The meeting adjourned at 7:28 p.m.

Respectfully submitted,

Jenna Boyd
Program Coordinator, Finance Division

Memorandum

Date: May 2, 2017

To: Budget Committee

From: Twylla Miller, Budget & Analysis Manager (AIC)

Subject: Information Requests

This memo includes responses to unanswered questions from the April 26, 2017 Budget Committee meeting.

#	Date Requested	BC Member	Question/Information Request	Department
1	4/26/2017	Semple	Is the Comcast settlement (one-time dollars) being used for ongoing items?	CS

On Supplemental Budget #1, the City Council transferred \$16.5 million of the total Comcast settlement funds into the Reserve for Revenue Shortfall. Those dollars remain in the reserve as part of the FY18 Proposed Budget.

The total Comcast settlement was \$18.75 million. On supplemental budget #1, City Council approved a number of items that were allocated according to prior direction from the City Council and Budget Committee. Other items, totaling \$1.7 million, were allocated for one-time funding for City Council priority plans and initiatives. None of the Comcast settlement funds were allocated in the FY17 supplemental budget for ongoing costs. In addition to the supplemental budget allocations, there are several one-time allocations in the FY18 Proposed Budget.

Below is a grouping of the FY17 supplemental budget and FY18 proposed budget one-time funding items. Some of the items have been funded on a one-time basis in both FY17 and FY18, some were funded on a one-time basis in FY17 and ongoing in FY18, and some of the items are funded only in either FY17 or FY18 on a one-time basis.

Funded as a one-time expenditure in FY17 with ongoing funding proposed in FY18:

- Police Auditor Community Engagement Position
- Assistant City Manager & Executive Director Positions

Funded as a one-time expenditure in FY17 with another one-time expenditure proposed in FY18:

- Downtown & Urban Parks
- Envision Eugene Legal Support

The remaining FY17 supplemental budget items were funded on a one-time basis in FY17. Some items were truly one-time with no additional funding needed such as the CLASS recreation system replacement (recreation program software) and others are items on the UNA list which require ongoing funding but were funded on a one-time basis this year, such as the Growth Monitoring Program Development (UNA #94) and Climate Recovery Ordinance Communications & Department Plans (UNA # 6 – CRO City Organization Implementation). This approach starts additional work in these areas and if we are unable to secure ongoing funding for these items as work progresses, the work can be scaled back with minimum impact to staffing levels or related long-term commitments.

The FY17 Supplemental Budget one time funding requests are shown below.

FY17 Supplemental Budget #1: One-Time Funding Requests

Deposit to Reserve for Revenue Shortfall	\$16,560,000
Transfer to the General Capital Projects Fund	900,000
Budget Committee Motion: Human Services Commission	125,000
Budget Committee Motion: Rest Stops Contribution	25,000
Downtown and Urban Parks Improvements	500,000
Transfer for Coordinated Downtown Development Initiative	150,000
CLASS Registration System Replacement	188,000
Envision Eugene Legal Support	176,795
Community Court Program	150,000
River Road/Santa Clara Neighborhood Plan	100,000
Funding for 0.5 FTE - Assistant City Manager	90,000
Funding for 0.5 FTE - PDD Executive Director	76,000
Lindholm Center Expanded Hours	75,000
Growth Monitoring Program Development	75,000
Fire Special Teams Training	50,000
Climate Recovery Ordinance Communications & Department Plans	50,000
Car Camping Program Support	50,000
Willamette to Willamette Project	50,000
Police Auditor Community Engagement Position Increase	12,500
Total One-Time Funding Requests:	\$19,403,295

The FY18 one-time funding items are: Downtown and Urban Parks Improvements (\$500,000; also funded one-time in FY17); Body Worn Cameras (\$250,000; also funded one-time in the FY17 Adopted Budget (grant match)); Envision Eugene Legal Services (\$181,000; also funded one-time in FY17); and Greenhill Contract Increase (\$100,000).

2	4/26/2017	Semple	Why are one-time items being funded out of the General Fund?	CS
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The General Fund represents the discretionary funding for the City; funds that aren't restricted by statute or Council policy for a specific purpose. There are a number of one-time items related to services in the General Fund that are being funded out of one-time resources in the General Fund.

Over the past several years the City has supported programs in stages or through implementation of pilot programs which allows the City to implement strategies and evaluate effectiveness prior to the obligation of ongoing funding. This approach also allows progress to be made on important community goals without making long-term funding commitments during periods of fiscal constraint.

3	4/26/2017	Semple	What are the three areas Council identified for use of Local Marijuana Tax funding? Why are we funding administration fees from this source?	CS
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In September 2016, the City Council identified the following areas for use of local marijuana tax funds: community courts, Human Services Commission in such a way as the City has done in the past to ensure services delivered with this money be delivered to the City of Eugene, and parks safety & security.

The Oregon Department of Revenue (DOR) is providing tax collection and other administrative duties for the City of Eugene related to the local marijuana tax. There is a cost for DOR to provide this service for the City which is estimated to be \$20K ongoing. The net proceeds received from the local marijuana tax will be used to provide the services identified by the City Council.

4	4/26/2017	Taylor	Are the URA staff additions new employees or current staff?	PDD
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The City Council approved a plan amendment in June 2016 in order to build upon the existing momentum of revitalization occurring in the downtown area which included the additional staffing to manage projects such as High-speed fiber, Farmers' Market, Park Blocks and Open Spaces, and redevelopment of the former LCC Downtown Center. Without the plan amendment, FTE would have been reduced. The staffing plan for Urban Renewal projects and financial management is under development, and it is anticipated that at least 1.5 of the FTE will be new employees.

5	4/26/2017	Taylor	How much revenue is foregone by property tax exemptions?	CS
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The chart below sets out the annual General Fund revenue impact from various property tax exemptions, by category. These are estimates based on data from the Lane County Assessor's Office for the current year, FY17.

Exemption Type	Annual General Fund Impact¹	Percentage of Total
Federal, State, County, and Local Government Property	\$12,900,000	59%
School Districts	2,800,000	13%
Charitable Organizations	2,500,000	11%
Religious Property	1,400,000	6%
Multi-Unit Property Tax Exemption (MUPTE)	900,000	4%
Housing Authority Property	400,000	2%
Low-Income Rental Housing Property Tax Exemption (LIRHPTE)	400,000	2%
Enterprise Zone	300,000	1%
Veteran	200,000	1%
Other ²	200,000	1%
Total	\$22,000,000	100%

Notes:

1. Calculation based on tax year 2016-17 exempted assessed value and tax rate; collection rate of 94.5% is assumed.
2. Includes miscellaneous exemptions such as cemeteries, fraternal organizations, and alternative energy systems.

6	4/26/2017	Londahl	Please elaborate on your approach to forecasting the marijuana tax revenue. Looking at 2016 statewide sales (\$240 MM) and then applying that per capita for Eugene would yield about \$420,000 in tax revenue to Eugene. If you base it on a "per shop" basis the number would grow to \$540,000.	CS
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The City expects to begin receiving state shared marijuana tax revenue in August. The City reviewed marijuana tax revenue estimates provided by the League of Oregon Cities (LOC) in early March. The LOC statewide revenue sharing figures are estimates for all Oregon cities, not specific estimates for Eugene. The LOC estimates rely on assumptions from the Department of Administrative Services. As such, they were provided to Oregon cities with a degree of caution, and according to LOC, "Due to the uncertainties both in actual revenues and the distribution formula, cities are encouraged to budget cautiously and watch for updates." LOC also notes, "Because the sale and taxation of recreational marijuana products is so new and the start-up costs have been difficult to project, the numbers are constantly changing." For these reasons, Finance staff and the Executive Team have agreed to budget cautiously.

The revenue sharing formula under current law is 10% for cities, with the distribution being based on the number of licenses issued by the Oregon Liquor and Control Commission (OLCC) in the previous year for premises located in each city, after administrative and enforcement expenses are deducted. The share will be based on the number of licenses for premises located in Eugene compared to the total issued by the OLCC for all premises in the state. One-half of the 10% will be based on the number of producer, processor and wholesale licenses issued, and one-half of the 10% will be based on the number of retailer licenses. The City's share of these license programs is constantly in flux as new establishments are being added throughout the state regularly. LOC notes, "The formula is difficult to apply (OLCC license applications have addresses but do not note whether a license is for premises within city limits)." Additionally, LOC is pushing for a legislative change to use a per capita distribution formula as is the case with other state shared revenues.

The attached update from the LOC in March notes that the state shared revenues for cities from marijuana taxes are estimated at \$5,675,000. If this were distributed on the basis of Eugene's share of population within the cities in Oregon (which it will not be, as described above), Eugene's share would be about \$335,000. However, the revenue sharing formula is NOT a per capita formula but is rather a more complicated formula based on licenses for retail locations, producers, processors and wholesalers. As noted in the attachment, the Oregon Department of Administrative Services, which is the body that produced the state-wide tax estimates cautions, "these numbers are their best estimates; tax revenues may come in stronger or weaker than expected. The Legislature may take actions that increase or decrease the amount that cities eventually receive by changing the tax, changing the statutory distribution formula, or approving more (or fewer) expenditures to administer the tax." Based on cautionary advice from the State and the League of Oregon cities about relying on the state-wide revenue estimates, as well as the uncertainty around exactly how the revenues will be distributed to cities, staff has put forward a conservative estimate in the FY18 budget of \$100,000 for this revenue. We will, of course, be monitoring these revenues as they come in, and will adjust future revenue estimates based on more solid data, as well as the results of whatever decisions come out of the current legislative session.

7	4/26/2017	Londahl	I appreciate the "City Focus" section, and wonder if in future budgets (or this one even) would it be possible to show an aggregate estimate of city spend towards each area of focus. Similar to the department spending summary shown on page 56.	CS
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In progress.

8	4/26/2017	Londahl	Beyond employee wellness initiatives, what other areas are reviewed by the city to continue to manage these expenses? For instance, adjustments in coverage, administration service costs, etc....	CS
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The City employs a variety of techniques to mitigate health care costs, including negotiating changes in coverage and employee contributions through collective bargaining and pursuing administrative cost reductions. For example, regarding administrative costs, when the City went out to bid for third party administrative services for the medical plans, as part of that process we hired an actuary to evaluate the cost/savings of the proposers' hospital, provider and pharmacy contracts; we regularly evaluate the City's self-insured retention for medical claims, which is currently \$250.00 per claim, in order to optimize the cost/benefit of our stop loss insurance.

9	4/26/2017	Londahl	There is \$11.5 million budgeted in Capital Outlay. It is broken out by department in the proposed budget, but would it be possible to see how that amount breaks down by expense category (Computer Equipment, Software, etc...)?	CS
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Capital outlay is a departmental expenditure and includes items that generally have a useful life of one or more years such as machinery, land, furniture, equipment or buildings. The capital outlay categories in the FY18 Proposed Budget are as follows:

FY18 CAPITAL OUTLAY (all funds)

Category	\$ Millions *
Motorized vehicles and modifications	\$9.0
Wastewater major rehabilitation and equipment replacement	\$1.3
Electronic, A/V, & Communication	\$0.5
Other/Miscellaneous	\$0.4
Software	\$0.2
Land	\$0.1
TOTAL	\$11.6

10	4/26/2017	Londahl	Can you please share how the city calculates the cost/benefit of overtime vs. additional staff?	EPD/Fire
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In Progress.

11	4/26/2017	Skov	UNA #94 - Growth Monitoring, why is this not included in the budget?	PDD
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The growth monitoring data base funding of \$75,000 was approved and budgeted as part of SB1 in FY17, the current fiscal year. Any unspent funds from this year will be carried over to next year, FY18. The SB1 funds for growth monitoring were to help support technical assistance for development of the growth monitoring database, which is in progress. Ongoing funding for operating the growth monitoring program has not been identified outside of current General Fund levels for the Metro and Community Planning team (long range).

12	4/26/2017	Skov	Would like staff information on tradeoffs related to ambulance additions (ALS/BLS combination/tradeoff).	Fire
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To be addressed as part of the Ambulance Capacity presentation at the May 3, 2017 BC Meeting.

2017 State Shared Revenues

Per Capita State Shared Revenues for Cities

Per capita distributions for revenue sources are calculated based on certified population statistics from Portland State University's Center for Population Research. Population estimates compiled each July are typically certified on January 1 of the following year, and thereafter begin to govern the distributions. See page 2 for certified population estimates.

	Liquor Revenues (Cities, 20% Share)	Cigarette Tax Revenues	9-1-1 Tax Revenues	Highway Fund Revenues (Gas Tax)
2015-16 Estimates (2016 SSR Report)	\$14.46	\$1.28	Not Available ¹	\$57.15
2015-16 Actuals	\$14.16	\$1.30	\$5.14	\$58.35
2016-17 Estimates	\$16.08	\$1.26	\$5.47	\$58.47
2017-18 Estimates	\$17.15	\$1.20	\$5.66	\$57.61
2018-19 Estimates	\$17.65	\$1.15	\$5.84	\$57.38

¹ Last year's League report did not provide an estimate for 2015-16 revenues as there had been significant legislative changes to the 9-1-1 tax (imposing the tax on prepaid wireless products), and the Office of Emergency Management (OEM) did not provide estimates. The OEM provides quarterly actual distribution statements to the League but again has not provided projections for future fiscal years. Thus, the League is now using the statements to provide the above 9-1-1 tax actuals and make its own projected estimates to assist cities. We encourage cities to continue to budget conservatively.

Formula-Based State Shared Revenues for Cities

State marijuana taxes and a portion of liquor revenues have distributions based on formulas rather than city population. The estimates for the total share for all cities is provided in the following table to allow cities to see trends and assist cities in their individual computations.

	Liquor Revenues (Cities, 14% Share)	Marijuana Tax Revenues²
2015-16 Estimates (2016 SSR Report)	\$28,452,000	\$0
2015-16 Actuals	\$27,814,601	\$1,430,000 ³
2016-17 Estimates	\$31,940,000	\$5,640,000
2017-18 Estimates	\$34,475,000	\$5,675,000
2018-19 Estimates	\$35,882,000	\$5,825,000

² Projections are based on the revenue projections utilized by DAS in preparing the December 2016 governor's recommended budget. The estimated administrative costs have been deducted.

³ Number is an estimate of the tax distributions based on the actual 2015-16 sales receipts and estimated administrative cost deductions. The distribution is projected to occur in 2017 and has not actually been distributed.

MARIJUANA TAX REVENUES



2016-2017 Disbursement Based on License Formula
 2017-2018 Disbursement Based on License Formula

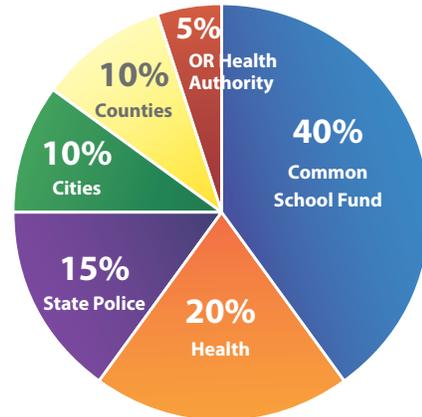
Total State Marijuana Tax Receipts

2016 Total State Actual Receipts ¹	
February	\$2,484,170
March	\$4,358,754
April	\$3,735,111
May	\$4,339,440
June	\$5,735,508
July	\$5,533,949
August	\$7,345,281
September	\$6,679,585
October	\$7,831,157
November	\$6,463,877
December	\$5,647,600



¹ These are not the city distribution amounts but the total state receipts. See total estimated city distributions on page 3.

Distribution of State Marijuana Tax Revenues



Revenue Projections: Last year, the state was projecting state marijuana tax revenues would rise steadily over time, but the start-up costs of state regulation, testing, accounting and enforcement would largely offset the tax revenues for the first year. Actual tax revenues have been higher than projected, as gross sales have been holding at more than \$5.5 million each month since June. Still, the monthly tax revenues have been up and down. Costs for marijuana regulation and administration have also been less than projected. Because the sale and taxation of recreational marijuana products is so new and the start-up costs have been difficult to project, the numbers are constantly changing. Actual receipts are significantly higher than the Legislature’s 2015 and 2016 projections.

At the time of this report, the most current numbers available to the League were provided by the Oregon Department of Administrative Services (DAS). The following DAS projections were used to formulate the governor’s recommended budget that was released in December 2016, and provided the numbers used in the League’s table estimates:

- DAS re-estimated the 2015-17 biennium at \$83.3 million in total state marijuana taxes with \$20.6 million in FY 2015-16 and \$62.7 million in FY 2016-17. DAS projections assume \$12.6 million in administrative costs for the 2015-17 biennium, leaving \$70.6 million available for distribution. The 10 percent share to cities is thus estimated at \$7.1 million. This

amount should be distributed in 2017-19 in addition to the amounts collected in 2017-19 and distributed in 2017-19.

- For FY 2017-18, DAS is projecting \$57.8 million in total tax revenues, and for FY 2018-19, \$59.3 million. DAS projections assume \$2.1 million in administrative costs for the 2017-19 biennium. Thus, the 10 percent share to cities is estimated at \$11.5 million.

DAS cautions that these numbers are their best estimates; tax revenues may come in stronger or weaker than expected. The Legislature may take actions that increase or decrease the amount that cities eventually receive by changing the tax, changing the statutory distribution formula, or approving more (or fewer) expenditures to administer the tax.

MARIJUANA STATE SHARED REVENUE AT A GLANCE

Revenue Sources	State retail sales tax on all recreational marijuana products
Tax Rates	<p>Early Sales Tax Rate: 25% for state retail tax on recreational marijuana sold (January 4 - September 30, 2016)</p> <p>Note: Sales on recreational marijuana edibles and concentrates began on June 2, 2016</p> <p>Regular Sales Tax Rate: 17% for state retail tax on recreational marijuana (starting October 1, 2016)</p>
Agency Administration of Revenues	DOR Collection; plan is for DAS to make payments to cities
Distribution Calculation	<p>Cities are to receive 10% of the state tax revenues:</p> <ul style="list-style-type: none"> • Pre-July 1, 2017: distribution will be per capita after administrative and enforcement expenses are deducted (no longer planned). • Post-July 1, 2017: distribution will be based on the number of licenses issued by the OLCC in the previous year for premises located in each city, after administrative and enforcement expenses are deducted. The share will be based on the number of licenses for premises located in the city compared to the total issued by the OLCC for all premises in the state. <ul style="list-style-type: none"> ○ One-half of the 10% will be based on the number of producer, processor and wholesale licenses issued. ○ One-half of the 10% will be based on the number of retailer licenses issued.
Payment Schedule	Quarterly
Requirements	To receive a state revenue share, the OLCC must have issued one or more licenses in the previous year for premises located in a city. In addition, a city may not adopt an ordinance that prohibits the establishment of a premises for which a license is required under state law for a recreational marijuana producer, processor, wholesaler, or retailer. A city may also not adopt an ordinance prohibiting a medical marijuana grow site nor a medical marijuana facility.
Use of Revenue Restrictions	The statutory reason provided for distribution to cities is to assist local law enforcement in their duties.
Local Tax Preemption	Partially. Local governments may not impose more than a 3% tax on the production, processing or sale of recreational marijuana by a retail licensee. (ORS 475B.345)
Key Statutes	ORS 475B.700-.710, .760; Or Laws Ch. 1, sec. 44

Payment Timing: To date, the state has not distributed the city share of marijuana tax revenues. Because the Legislature provided that state agencies (the Oregon Liquor Control Commission and the Oregon Health Authority) can borrow from the state's Liquor Revenue Fund until June 30, 2017 for marijuana-related expenses, the Oregon Department of Revenue asserts that it cannot make distributions until after that date. The accounting of the liquor and marijuana funds will be completed thereafter in July 2017, and the plan is to distribute revenues to cities beginning in early August. The first payment will be large, as it will include revenues from receipts from January 2016 (when taxes began) through the first quarter of 2017. Thereafter, payments will be quarterly, and likely smaller.

Distribution Formula: The state no longer plans to utilize the temporary per capita distribution method for cities. That formula was only for distributions prior to July 1, 2017. Since the

distributions are not planned to begin until August, the state plans to use the complicated statutory distribution formula that is based on marijuana licenses issued by the Oregon Liquor Control Commission (OLCC) in the preceding calendar year. That formula does not take into account volume, or even whether a location ever operated or is operating at the time of the tax revenue distribution. The formula is difficult to apply (OLCC license applications have addresses but do not note whether a license is for premises within city limits), and seems both inequitable and arbitrary in many respects. Thus, the League is pursuing legislation that would use a per capita distribution formula or a modified per capita formula for the state-shared revenue distribution. The League's goal is to push for legislation that takes effect before August 2017. Due to the uncertainties both in actual revenues and the distribution formula, cities are encouraged to budget cautiously and watch for updates.