

RESOLUTION NO. 762

A RESOLUTION CALLING FOR A TAX BASE ELECTION IN THE CITY OF WILSONVILLE, CLACKAMAS AND WASHINGTON COUNTIES, OREGON, AT THE PRIMARY ELECTION TO BE HELD ON MAY 15, 1990.

WHEREAS, the Wilsonville City Council has determined that an election is necessary to increase the city's tax base by the amount of five hundred one thousand, nine hundred, twenty-six dollars (\$501,926); and

WHEREAS, the purpose of the increase in the tax base is to improve police services, street maintenance, park maintenance, library services, city right-of-way maintenance and land use planning services; and

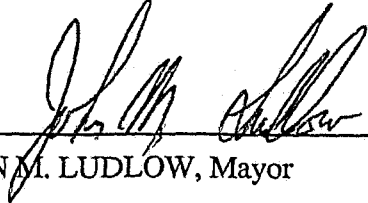
WHEREAS, the Wilsonville City Council believes that the citizens of the City of Wilsonville should have the opportunity to decide on an increased level of city services.

NOW, THEREFORE, THE CITY OF WILSONVILLE, OREGON, RESOLVES AS FOLLOWS:

- A. An election is hereby called for the purpose of submitting to the voters of the City of Wilsonville, the question of establishing a new tax base in the amount of one million, fifteen thousand, sixty-one dollars (\$1,015,061) which is an increase of five hundred one thousand, nine hundred, twenty-six dollars (\$501,926) over the tax base which will be in effect on July 1, 1990.
- B. The election hereby called shall be held in the city on the 15th day of May, 1990.
- C. The City Recorder shall cause to be delivered to the Elections Officers of Clackamas and Washington Counties the attached Notice of Measure Election not later than March 15, 1990, which is the filing deadline for ballot measures for the May 15, 1990 Primary Election. The Elections Officer shall conduct the election as required by law.

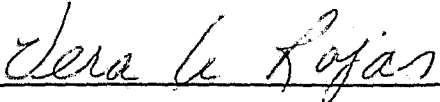
D. The City Recorder shall give notice of the election by posting notice in three public places at least two weeks prior to the election.

ADOPTED by the City Council of the City of Wilsonville at a regular meeting thereof this 5th day of March, 1990, and filed with the Wilsonville City Recorder this same date.



JOHN M. LUDLOW, Mayor

ATTEST:



VERA A. ROJAS, CMC, City Recorder

SUMMARY Of Votes:

Mayor Ludlow	<u>AYE</u>
Councilor Edwards	<u>AYE</u>
Councilor Chandler	<u>ABSENT</u>
Councilor Clarke	<u>AYE</u>
Councilor Dant	<u>AYE</u>

NOTICE OF MEASURE ELECTION

City of Wilsonville
(Name of City, County, or District)

Notice is hereby given that on Tuesday, May 15, 1990,
(Day) (Date of Election)

an election will be held in the City of Wilsonville,
(Name of City or District)

Clackamas and
Washington

County, Oregon. The polls will be open from 7:00 a.m. to 8:00

p.m. The following shall be the ballot title for the measure submitted to the
electors thereof:

CAPTION (10 Words): To Establish A New Tax Base

QUESTION (20 Words): Shall the City of Wilsonville be authorized to establish
a new \$1,015,061 tax base beginning with the fiscal year 1990-91?

*EXPLANATION: The tax base for the City of Wilsonville for the current 1989-90
fiscal year is \$484,090. This tax base will be \$513,135 in the 1990-91 fiscal
year. The proposed tax base of \$1,015,061 will be an increase of \$501,926 over
the tax base which would have been in effect on July 1, 1990. The additional
funds received by the proposed tax base will be used to increase the city police
protection, street repairs, park maintenance, library services, city right-of-
way maintenance and land use planning services.

Vera G. Rojas

Authorized signature for City, County or District

City Recorder

Title

- *1. For measure authorizing tax levy or establishing new tax base: Concise and impartial statement of not more than 150 words, explaining chief purpose of the measure and giving reasons for the measure.
- *2. For any other measure: Concise and impartial statement of not more than 85 words, summarizing the measure and its major effect. Content requirements of ORS 255.085(2) and ORS 450.905 apply to bond measure and certain sanitary authorities, respectively. Additional statement required by ORS 310.395(1) shall not be included in word count.

TAX BASE

Oregon budget law and the Oregon Constitution limit the ability of local governments and school districts to raise operating revenue from property taxes. Article XI, Section 11 of the Oregon Constitution establishes a tax limitation commonly referred to as the 6% limit. Basically, what this means is that once a tax base is established by the voters, it may increase by no more than 6% per year without approval of the voters for either a fixed term (not to exceed three years) tax levy or voter approval of a new base. Tax levies may be voted on at any of six election dates per year. Tax bases may be voted on only at the primary or general election date in those years which they are held. As a result, Wilsonville may submit for a tax base election in May or November of this year and then not again until May or November of 1992.

The following example illustrates how a tax base works mathematically:

Year 1:	Tax Base Established	\$100,000
Year 2:	6% Limitation $\$100,000 \times 1.06 =$	\$106,000
Year 3:	6% Limitation $\$106,000 \times 1.06 =$	\$112,360
Year 4:	6% Limitation $\$112,360 \times 1.06 =$	\$119,102
Year 5:	6% Limitation $\$119,102 \times 1.06 =$	\$126,248

A city may not actually levy the full amount of the tax base because there must be an allowance made for uncollected taxes. This usually runs in the range of 8 - 12% and results in a reduction of the actual amount received from property taxes. The tax base system can work in some jurisdictions under certain circumstances. Those are cities which are experiencing little or no growth with no resulting public demands for increased services. In addition to the no-growth situation, inflation must be low. Given that a city is limited to a maximum increase of 6%, it is clear that during periods of high inflation the tax base will not keep up with increased costs due to inflation. This situation was very apparent during the late 1970's and early 1980's when inflation was in the double-digit range. During this period, many local governments found that their tax bases soon became outdated.

Recently, inflation has been under control and has not posed a significant problem for tax bases. However, growth in some areas of the state, particularly in many cities in the Portland Metropolitan area, has been strong and has caused some tax bases to become outdated. This is the case in Wilsonville. Building permit activity in Wilsonville has increased dramatically in the past several years and has been setting records for the past three years. For the first seven months of the 1989-90 fiscal year, we have already set a new record in activity with over \$52 million in permit value.

BUILDING PERMIT ACTIVITY
FISCAL YEAR TOTALS

<u>Fiscal Year</u>	<u>Residential</u>	<u>Non-Residential</u>	<u>Fiscal Year Total</u>
7/82 - 6/82	\$ 619,456	\$ 2,369,200	\$ 2,988,656
7/83 - 6/84	\$ 6,275,586	\$ 2,692,511	\$ 8,968,097
7/84 - 6/85	\$ 5,296,602	\$ 5,629,674	\$10,926,276
7/85 - 6/86	\$ 4,462,068	\$ 9,053,436	\$13,515,504
7/86 - 6/87	\$14,047,384	\$12,950,569	\$26,997,953
7/87 - 6/88	\$16,391,761	\$14,180,306	\$30,572,067
7/88 - 6/89	\$28,420,040	\$ 7,776,832	\$36,196,872
7/89 - 1/90	\$25,519,256	\$26,032,848	\$51,552,104

It should be noted that residential building permit activity has been extremely strong. In the 1982-83 fiscal year it was under one million dollars and has dramatically increased to over \$51,552,104 in the 1988-89 fiscal year which just ended. Residential building permit activity has resulted in the following numbers of additional housing units in the past five fiscal years:

<u>Year</u>	<u>Multi-Family</u>	<u>Single Family</u>
84-85	0	99
85-86	70	54
86-87	340	61
87-88	267	115
88-89	391	153
Totals:	1068	482

This amounts to a total of 1550 housing units over the past five years. The housing market in Wilsonville appears to be even stronger in the near future. We estimate that approximately 1700 housing units are currently approved through the planning process and inquiries from developers of both single family and multi-family projects are extremely strong.

Industrial and office projects are also very strong and the projects being built have been very successful in attracting tenants. The Mentor Graphics World Headquarters project will be completed this year. This, in turn, will create even more demand for a wide range of housing opportunities in the community.

The only aspect of community development which has not had a high level of growth has been in the retail area. This will come when the population growth indicates that more retail opportunities can be sustained by the resident and transient population. The fact that we have had two proposals for a major commercial project in town center this past year indicates that retail growth will be strong.

In summary, Wilsonville is seeing unprecedented growth, and this growth is very likely to remain strong or even increase unless the overall economy takes a sharp downturn.

The impact of growth on a tax base is very apparent. As the population increases, more demands are made for city services. In addition, while industrial and commercial developments do not normally increase demands for services at the same level as permanent residents, they do add somewhat to the overall service demands. Some of the demands for services are apparent while others are not so apparent. For example, with increased population there is a perceived need for additional police protection. Other more measurable items of service include additional park property and maintenance, increased participation in recreation programs, growth in library circulation, etc. Other not so noticeable impacts, particularly to the general public, are how many planners and building inspectors are needed to handle the volume of permit activity, how many accounting staff are needed to handle increase purchasing, utility accounts, etc. Wilsonville has done an exceptional job of holding down the number of staff in these areas despite city growth and the resulting demands for service.

Further complicating the growth/tax base issue is Oregon's property taxation system. In most, if not all other, states the taxing districts receive additional ability to levy increased taxes due to growth. If the value of property in the community increases due to new developments, that property is added to the value and additional taxes can be levied to serve the growth. In Oregon the property is added to the total valuation, but no additional dollars can be levied above the tax base. This serves to lower the tax rate per \$1,000 of assessed valuation, but allows no additional revenue to serve the growth.

If we look at this situation in Wilsonville, the effect of it becomes abundantly clear.

<u>Year</u>	<u>Total Assessed Valuation</u>	<u>Total Property Taxes Levied</u>	<u>Tax Rate</u>
1983-1984	\$324,144,890	\$650,646	2.01
1984-1985	\$346,999,950	\$678,730	1.96
1985-1986	\$370,759,796	\$579,463	1.57
1986-1987	\$397,159,477	\$542,124	1.35
1987-1988	\$411,630,647	\$555,393	1.36
1988-1989	\$448,206,544	\$925,065	2.06
1989-1990	\$496,528,059	\$1,069,765	2.15

It is clear that the increases in assessed valuation have served to lower the city's tax rate over the years. We saw an increase in the tax rate the past two years due to the fact that we began to retire the library and park bonds last year and our two-year tax rate levy of \$.49 per \$1,000 of assessed value began this fiscal year. It is interesting to point out that even though we passed the tax rate levy of \$.49 per \$,1000, our actual rate only increased \$.09 per \$,1000 due to a large increase in assessed valuation. However, the rate should again begin declining next year due to our strong growth rate. In addition, between this year and the 1994-95 fiscal year, all of our existing water and sewer general obligation debt will be retired. We have six current issues outstanding and they retire in different years during this period. This will also serve to lower our tax rate somewhat, but the actual amounts can't be determined because a portion of that debt is retired by sewer and water connection fees.

Wilsonville is very unique in some respects. We have one of the highest assessed valuations per capita in Oregon - nearly \$100,000 per capita. Three years ago this was second only to Cannon Beach of all cities over 1,000 population in the state and nearly four times the average. Also, we have the second lowest property tax rate per \$1,000 of assessed valuation. Only Keizer was lower and that is a relatively new city providing only limited services. The average tax rate of all cities over 2,500 population two years ago was \$6.10 compared with Wilsonville's \$2.15. A straight comparison of tax rates is not completely accurate due to variances in types and levels of services provided. For example, Wilsonville is a full service city with the exception of fire department services. Many other cities in Oregon are also in a fire district, but a large number operate fire departments. There are other various special service districts which provide services within cities including library, parks, sewer, water, etc. However, even taking these variances into consideration, Wilsonville has an exceptionally low tax rate.

There are a variety of revenues which support city services. Most of these are dedicated to special or enterprise funds such as water and sewer and cannot legally be used for the general funds purposes. The general fund is the city's operating fund and supports a wide range of services including administration, finance, planning, building, library, parks and recreation, Community Center, and non-departmental. The total general fund for the 1989-90 fiscal year was \$2,072,199. This amounts to only 15.8% of the entire city budget but is often the focus of attention since it is supported in part by property taxes. Of the general fund, 31% of the total revenue comes from property taxes. Other significant revenues include franchise fees, licenses, fees and permits, and state-shared revenues. The other revenues collectively support 70% of the general fund. Many of these revenues have had moderate growth but not to the extent that they can provide a more significant contribution to the general fund than they presently do.

The types of revenues which go into the general fund vary from community to community. Wilsonville uses most of the normal non-tax revenues to support its general fund. Examples of these included hotel/motel tax, business license fees, and a variety of permit fees. Our rates on these are in the middle to upper range compared to other jurisdictions. Overall, the city has a good non-tax revenue balance, and there is no apparent new revenue source or increase in revenue that could make any substantial impact on the general fund unless there is some mysterious new revenue source that we are not aware of. The result of all of this background is that the most feasible option is to attempt to update the city's tax base to assure that the city may operate at an acceptable and efficient level.

WHAT ARE OUR NEEDS?

In attempting to establish a new tax base, it is essential that our needs be clearly defined so that the public understands them and knows what they will receive for their tax dollars. Those of us more involved in city government have a clearer understanding of our needs than does the general public, but the public has communicated their desire for increased services in some areas. Those most commonly mentioned are additional police protection, a higher level of park maintenance, more efforts towards city beautification, and increased street maintenance. The following portion of this report will detail the current status of those areas and what can be done to increase services.

POLICE PROTECTION

The city currently receives police protection through a contract with the Clackamas County Sheriff's office. This contract allows for one officer per shift on duty 24 hours per day and an overlap time bringing our total daily patrol to 30 hours per day. While we do not have a crime wave in the city, most major crime categories are on the increase. This is due primarily to the fact that we are growing rapidly and normally population growth will result in an increase in crime. The total budget for police services in the 1989-90 fiscal year budget is \$301,000.

Given the assumption that additional police protection is needed, it is necessary to decide what level is satisfactory and acceptable. Each additional officer which equals one ten-hour shift, seven days per week, each day of the year, has a cost of \$99,412.

Shifts can be designed in any number of ways such as overlapping shifts and scheduling them when there is the greatest likelihood of criminal activity. Since they would be filled by full-time, certified officers, shifts could likely not be split.

STREETS

From a physical standpoint, our street system is our most critical deficiency in city government. Our present revenue source for street maintenance is state-shared gas receipts and our temporary two-year tax rate levy which will generate \$150,000 per year. We will also be generating an estimated \$200,000 per year from the payroll tax for maintenance.

The \$150,000 generated by the two-year levy allowed us to do some minor street maintenance. But our needs go far beyond minor patching. Our streets are deteriorating and we will need significant revenues if we are to reverse this deterioration. Also, the two-year levy is only temporary, and to do any long-range financial planning for street maintenance we need a permanent source of revenue.

This problem is not unique to Wilsonville. I know of no city or county that is able to complete all of the maintenance needs of their streets due to funding limitations. Even the State of Oregon which has a six-year 1.1 billion dollar road maintenance program estimates that this amount is only one dollar out of every four dollars in maintenance needed for their system.

Wilsonville has been investigating various methods of funding street maintenance for several years. One concept has been to create a street user fee or utility to pay for maintenance. Under this system, homeowners and businesses would pay a monthly charge which would be added to their utility bills. The charge would be standard for homeowners and would be calculated for businesses based on their potential traffic impact. A proposal based on this system was discussed in public meetings six years ago and met with substantial opposition. As a result, it was not implemented. The original program was intended to raise approximately \$600,000 per year which would have made a major impact on maintenance efforts but may well have been overkill from a political and community acceptance standpoint. A few communities have established user fees for street maintenance, but they have been established at a much lower rate level than the \$600,000 program which was proposed in Wilsonville. These fees have been the subject of legal actions in some jurisdictions which at the least makes their legality questionable. Those

programs which have gone unchallenged, however, are quite successful in raising some funding to improve street maintenance. Comments were made at a hearing held in 1984 that some would support an increase in the city's tax base to help street maintenance, but they were not supportive of a user fee system. This in no way can be a conclusive study of public opinion on the issue because the subject of that meeting was a user fee not a tax base increase. Had there been a meeting on a tax base increase, it is very likely that some of those in attendance would have stated opposition to a tax base but support for a user fee.

The fact remains that we have a problem in Wilsonville with street maintenance. Our maintenance needs far outweigh our ability to finance this maintenance. The question that remains is at what level should we try to finance street maintenance. It is of virtually no use to develop an actual maintenance program if there is no way of funding it. A combination of the state-shared gasoline tax, the estimated \$200,000 per year from the transportation payroll tax, and an equal amount of permanent property tax support will enable the city to make realistic progress in our street maintenance efforts.

OTHER ISSUES

Other issues which have been brought forward on city services include park maintenance and city beautification. These services could be improved, but it is extremely difficult to quantify the level desired by the public. We have increased our park maintenance efforts in the present 1989-90 fiscal year budget by making more use of temporary part-time help during the summer season. If we are to increase our efforts in these areas, it will be necessary to increase personnel.

Other service levels in the city are currently allowing us to operate at a satisfactory level, but in many departments we may be in danger of not being able to keep up with an increasing work load. These areas primarily include the Library and Planning.

The Library Department is somewhat of a mystery. Our circulation has been increasing substantially each year ever since we began that service. It is expected to continue to grow due to population growth. Our new facility has had a major impact on circulation. We expect that our circulation will continue to grow very substantially, but at this point we don't really know how much it will be.

The Planning Department is also maintaining on the same level of staff it has had. Our problem with Planning is that the department, due to heavy development review activities, does not have time to do much long-range planning. These are projects we could or should be doing such as zoning code revisions, master planning for the Town Center area, etc. but time constraints do not allow us to work in these areas. The City Council desires an increased level of code enforcement. This will require more staff if we are to consistently enforce our codes through to prosecution where necessary. Additional staff in Planning would require tax base funding.

SUMMARY AND RECOMMENDATION

BACKGROUND:

It is apparent that increased city services are facing the City of Wilsonville. It is also apparent that in order to meet demands for increased city services, additional revenue is

necessary. Wilsonville has a good mix of non-tax revenue which eases the burden on property taxes. The Wilsonville city government has an extremely low property tax rate. We do not presently have data on combined tax rates (schools, city, county, special districts) of Wilsonville vs. other cities, but from my general knowledge, our combined tax rate is not high compared to similar jurisdictions. The city government has virtually no control over levies and tax rates of other jurisdictions, but we will need to develop comparative information prior to any election on a tax base.

There are also political and public perception ramifications to seeking a new tax base. Oregon's property tax system has been under fire for quite some time. With a taxing system which relies on property and income taxes with no sales taxes, the burden is high on property and income taxes. This has resulted in attacks on the property tax system over the years by some factions of the public. To date, strict statewide limitations on property taxes have not been successful, but it is extremely difficult to win voter approval of tax bases by all jurisdictions. It is also politically convenient for some to oppose tax base elections regardless of the facts simply for the purpose of being viewed as a politician opposed to taxes. Since this is an election year for the Wilsonville City Council, each candidate needs to be aware of the political ramifications. Since we are limited by law as to when we can hold tax base elections, there is no way to completely avoid a candidate vs. tax base issue. Regardless of these issues, criticism can occur on one hand for not doing anything to increase services as opposed to increasing taxes to solve problems. Not everyone will be pleased no matter what the decision is.

Unlike some communities, Wilsonville is in a reasonably good position when submitting a tax base question to the voters. Some communities find themselves in an operate/no operate situation. They find themselves in a position of having to pass a tax base or cutting back on police services, libraries, parks, etc. We are not in this position. We can very likely keep operating at our same level without a new tax base. By submitting a new tax base proposal, we will simply be offering Wilsonville citizens some options for increased services they have voiced concerns about.

ESTABLISHING AN AMOUNT FOR A TAX BASE:

A tax base proposal could contain any number of elements, and there are no magic amounts or levels to set for an amount. What is necessary, in my opinion, if a city government sincerely wants to pass a tax base are two important elements. First, the amount selected to submit to the voters must be realistic. We could spend far in excess of what we could realistically pass and not be wasting the taxpayers' dollars. But voters are very concerned over their tax rate and would very likely not support an extremely high increase. Secondly, the public has the right and needs to know what actual benefits they will receive from a tax base. The services offered must be clearly defined and the city government must be able to deliver those services. Cities, to be successful, need to have an extremely high level of integrity. In a tax base situation, in order to maintain and build credibility, the city must be able to explain what will be included and to deliver if the tax base election is successful.

Based on an estimated total assessed valuation of \$520,000,000 in the City of Wilsonville in the 1990-91 fiscal year, it would cost taxpayers \$.19 per \$1,000 of assessed valuation for each \$100,000 included in a tax base. With that in mind, the following items are recommended for consideration for inclusion in a tax base measure:

1. Police Services
 - A. Two additional shifts per day - 50 total hours of patrol per day

- B. Cost: \$198,925
- C. Tax Rate: \$.38 per \$1,000
- D. Rationale: Two shifts are recommended due to projected growth in the city. One shift would be an improvement in coverage, but we would very likely need to be coming back in two years for a new tax base. Two additional shifts would allow us more flexibility in scheduling and would dramatically improve police visibility in the community as a deterrent to crime.

2. Streets

- A. Use property taxes to improve street maintenance
- B. Amount: \$200,000
- C. Tax Rate: \$.38 per \$1,000
- D. Rationale: \$200,000 will not provide full maintenance needed for our street system but will accomplish some significant maintenance which currently isn't being done. The \$.38 figure may be acceptable to the public while a higher level may not. The combination of the payroll tax and the tax base may be more acceptable to the community in terms of equity.

3. Park Maintenance, Right-of-way Maintenance, and City Beautification

- A. Fund two additional (FTE) utility workers
- B. Amount: \$45,000
- C. Tax Rate: \$.09 per \$1,000
- D. Rationale: The city has been criticized by some citizens in these areas. The problem is not that these areas can't use more attention, but it simply requires more staff to do more. We have added additional right-of-way and park land to the city in recent years. This amount could be used to either fund full-time regular employees or more effectively be used for additional part-time help during the busy summer months.

4. Library Staff

- A. Fund additional staff for the library.
- B. Amount: \$25,000
- C. Tax Rate: \$.09 per \$,1000
- D. Rationale: Our library is experiencing a tremendous increase in circulation. The demand dictates that we will need to add staff and perhaps expand our hours to at least one more night open per week.

Since we are in the process of hiring a new Library Director, it should be left for him or her to help plan staffing levels. We normally try to hire part-time help in the library to keep fringe benefit costs down and have flexibility in hours.

5. Planning Department

- A. Fund one full-time Assistant Planner
- B. Amount: \$33,000
- C. Tax Rate: \$.06 per \$,1000
- D. Rationale: We have been unable to do long-range planning to any degree due to the high level of development activity in the city. In addition, one of the City Council's main goals at their recent goal-setting workshop was to increase code enforcement in the city.

The total of these recommendations amount to a cost of \$501,925 or an estimated \$.96 per \$1,000. It is important to point out that a tax base would replace the two-year tax rate levy of \$.49 per \$1,000 so the net increase in the tax rate would be an estimated \$.47 per \$1,000.

These recommendations can be adjusted in any manner the Council desires. It should attempt to reach a consensus on a proposal that the majority of the Council can strongly support. Without strong political support, we are likely wasting our time and efforts.

pw:lb