

M E M O R A N D U M

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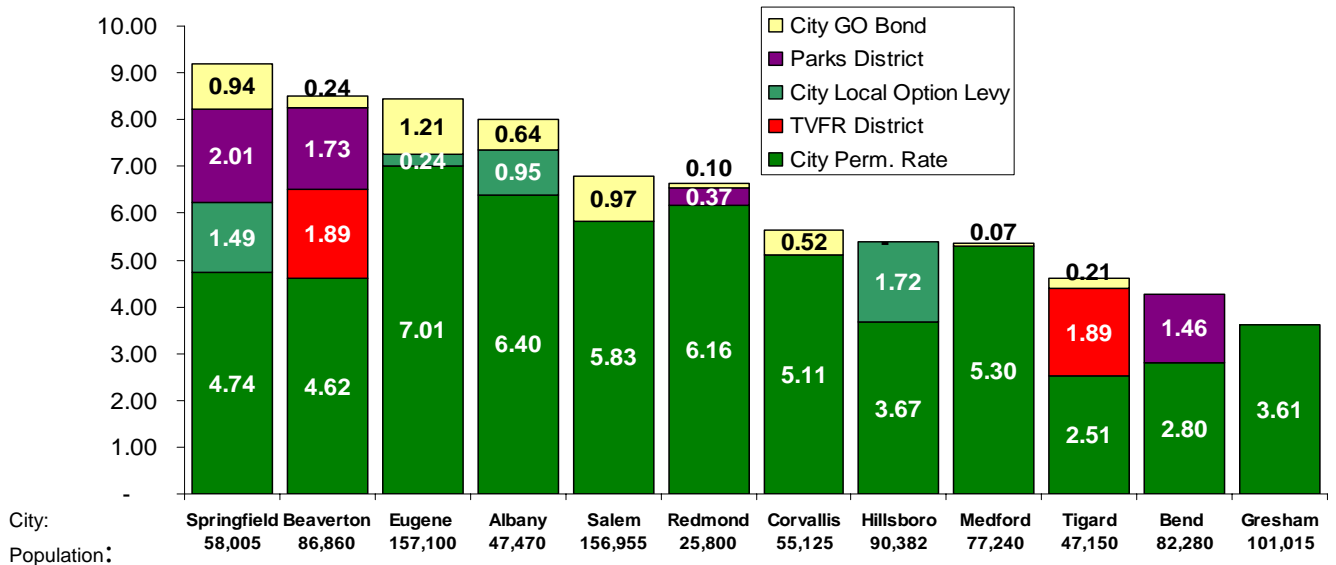
TO: CITY COUNCIL
 FROM: SONIA ANDREWS, FINANCE DIRECTOR
 SUBJECT: COMPARISON OF CITY TAXES
 DATE: FEBRUARY 23, 2010
 CC: ERIC KING

Executive Summary

This City of Bend's permanent tax rate of \$2.8035 is the lowest amongst our peer cities. This memo explores the financial implications of this property tax rate, taking into account average and total assessed values, other tax revenues and total population served by each city selected for comparison.

Given the comparison information provided here and the anticipated slower pace of revenue growth over the next 5 years, the City will face on-going budget challenges to limit expenditures to available resources. With no new or additional revenues, budget reductions will result in a deterioration of City services.

Chart1 - Property Tax Rates



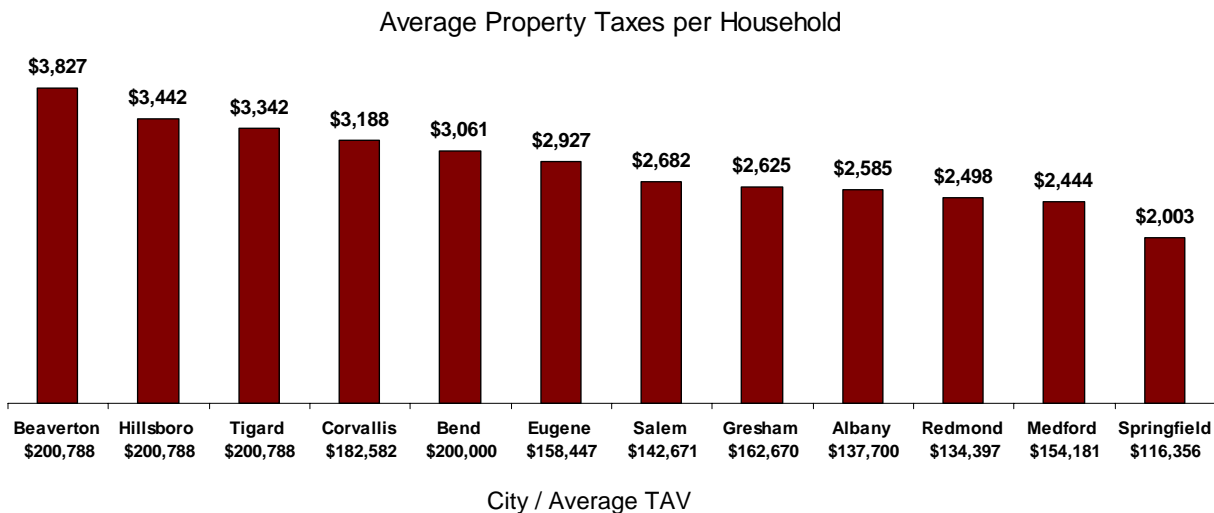
Explanation of Chart 1:

The above chart is a simple comparison of the following property tax rates for each city:

1. City permanent rate (established with passage of Measure 50 in 1998)
2. City local option levy rate as approved by voters
3. Tualatin Valley Fire & Rescue (TVFR) District rate (includes the district's permanent rate, local option levy rate and GO bond rate) – this rate is included with Beaverton and Tigard as these 2 cities do not provide Fire/EMS services. All the other cities in the peer group provide Fire/EMS services through their permanent rates and local option levies.
4. Separate Parks District rate (includes district's permanent rate and any district GO bond rates) – All the cities in the comparison above, except for Beaverton, Springfield, and Bend, operate parks and/or library through their permanent rate. For comparison purposes, the property tax rates of the separate parks districts are included.

The simple comparison in Chart 1 does not take into account average assessed value, other property taxes paid and services provided by each city. To make a more apples-to-apples comparison, we started with the following Chart 2 which compares the average property taxes assessed on a household in each city.

Chart 2 – FY09-10 Average Property Taxes



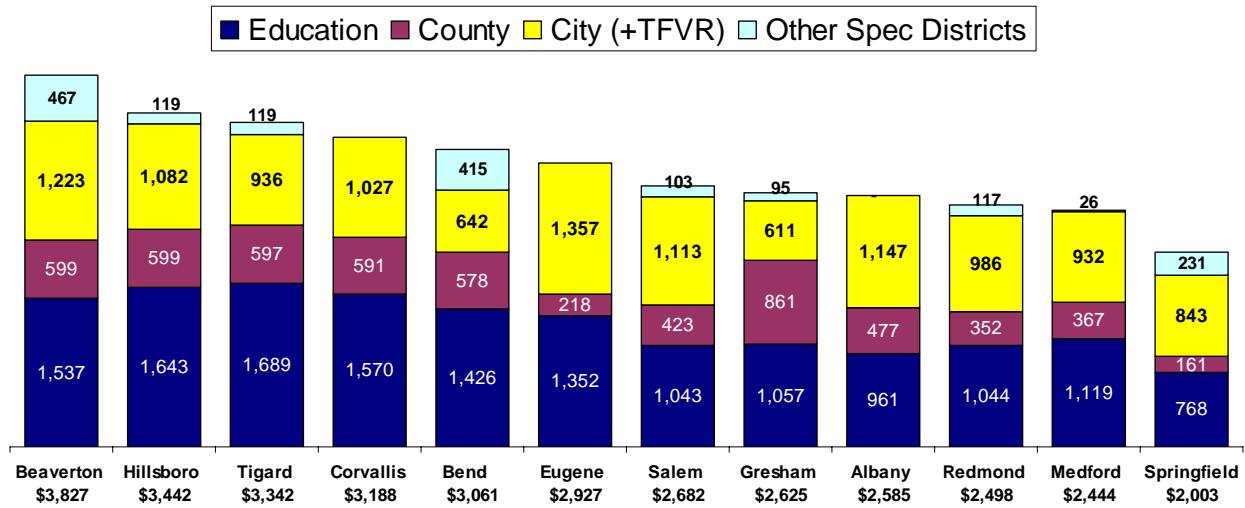
Explanation of Chart 2:

The average property taxes represent the property taxes assessed in FY09-10 on a house with an average tax assessed value (TAV) in each city. The average property taxes are calculated by taking the total FY09-10 property tax rate (after compression) multiplied by the average TAV. Example: Property tax rate (after compression) for a house in City of Bend = 15.3052 per \$1000 TAV x Average TAV of \$200,000.

	Average TAV	FY09-10 Property Tax Rate (after compression)	Average Property Taxes
Beaverton	200,788	19.057	\$3,827
Hillsboro	200,788	17.144	\$3,442
Tigard	200,788	16.642	\$3,342
Corvallis	182,582	17.462	\$3,188
Bend	200,000	15.305	\$3,061
Eugene	158,447	18.471	\$2,927
Salem	142,671	18.799	\$2,682
Gresham	162,670	16.134	\$2,625
Albany	137,700	18.775	\$2,585
Redmond	134,397	18.590	\$2,498
Medford	154,181	15.854	\$2,444
Springfield	116,356	17.212	\$2,003

The comparison in Chart 2 shows that average property taxes assessed for a household in Bend is lower than 4 of the cities in our peer group because of a lower property tax rate but is higher than 7 of the cities in our peer group because of the higher average assessed value in Bend.

Chart 3 – Break Down of Average Property Taxes



City / Average Property Taxes

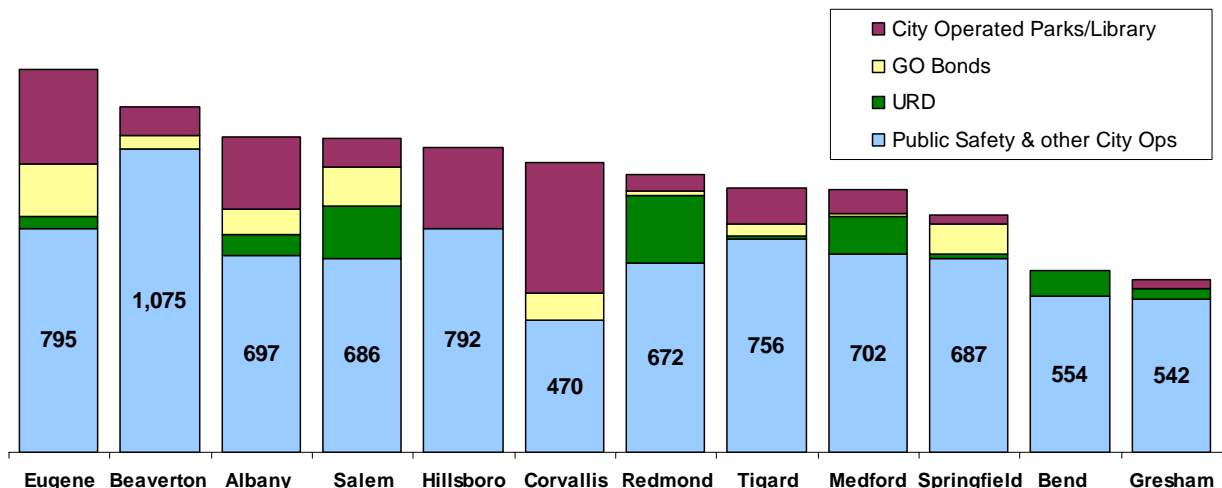
Explanation of Chart 3:

Chart 3 breaks down the average property taxes into the following components to show the portion of property taxes an average household pays towards the different government services:

1. Education Districts – average property taxes assessed for school districts, community college and education service districts
2. County Operated Services – average property taxes assessed for county services, county local options and county bonds. Eg fairground bonds, 911, sheriff and other county districts
3. City Operated Services (+TVFR) – average property taxes assessed for City services (including TVFR property taxes for Beaverton and Tigard). City services include public safety, street maintenance, City operated parks and/or library services and other City operations
4. Other Special Districts – average property taxes assessed for other independent districts (mainly Parks & Rec, Metro, Transit Districts)

When the average property tax is dissected into the separate government services, the comparison shows that the City of Bend collects less property taxes than majority of its peer cities for city services such as public safety and street maintenance.

Chart 4 – Break Down of Average Property Taxes for City Services



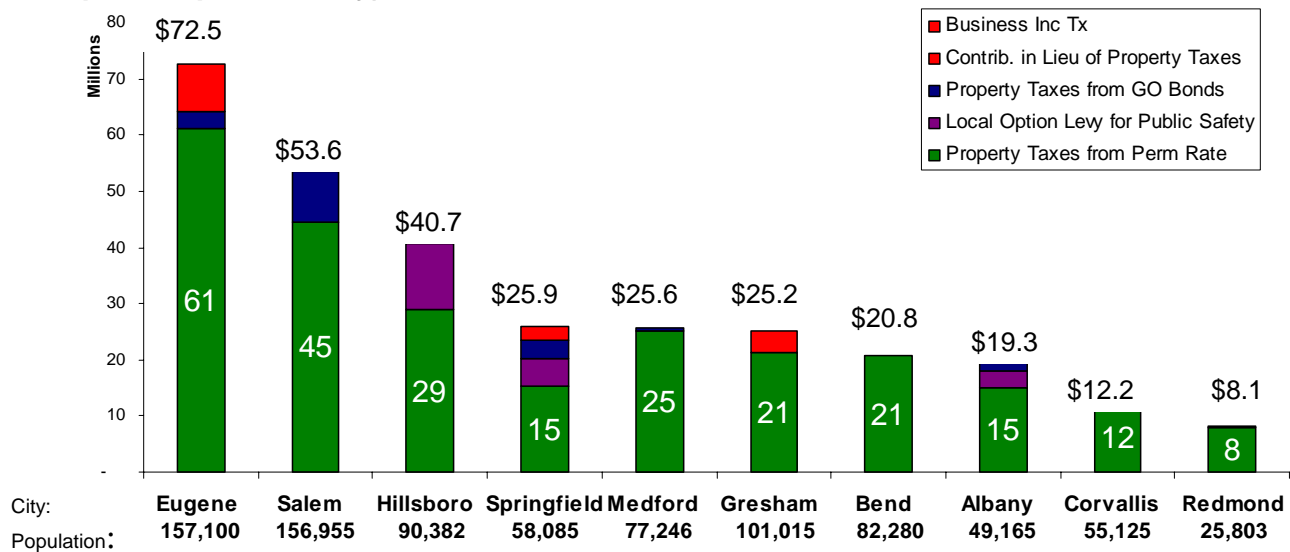
Explanation of Chart 4:

A further break down of property taxes for city services into the following components show that the City of Bend collects only an average of \$554 from a household for city services such as public safety and street maintenance.

1. Public Safety and other City Operations – average property taxes per household for public safety, street maintenance, municipal court, code enforcement, community and economic development etc. Excludes property taxes for city operated parks and/or library.
2. Urban Renewal Districts (URD) – average property taxes per household for urban renewal activities
3. General Obligation (GO) Bonds – average property taxes for voter approved GO bonds
4. City Operated Parks/Library – estimated average property taxes allocated to city operated parks and/or library services. The amount was estimated based on information obtained from the respective city’s FY09-10 budget.

	Public Safety & other City Ops	URD	GO Bonds	City Operated Parks/Library	Total
Eugene	\$ 795	\$ 39	\$ 187	\$ 336	\$ 1,357
Beaverton	1,075	-	49	99	1,223
Albany	697	77	89	255	1,117
Salem	686	189	139	100	1,113
Hillsboro	792	-	-	290	1,082
Corvallis	470	-	95	462	1,027
Redmond	672	238	14	62	986
Tigard	756	12	43	126	936
Medford	702	131	11	88	932
Springfield	687	13	110	33	843
Bend	554	89	-	-	642
Gresham	542	37	-	32	611

Chart 5 – Comparison of Tax Revenues for City Services (excludes tax revenues for city operated parks/library)



Explanation of Chart 5:

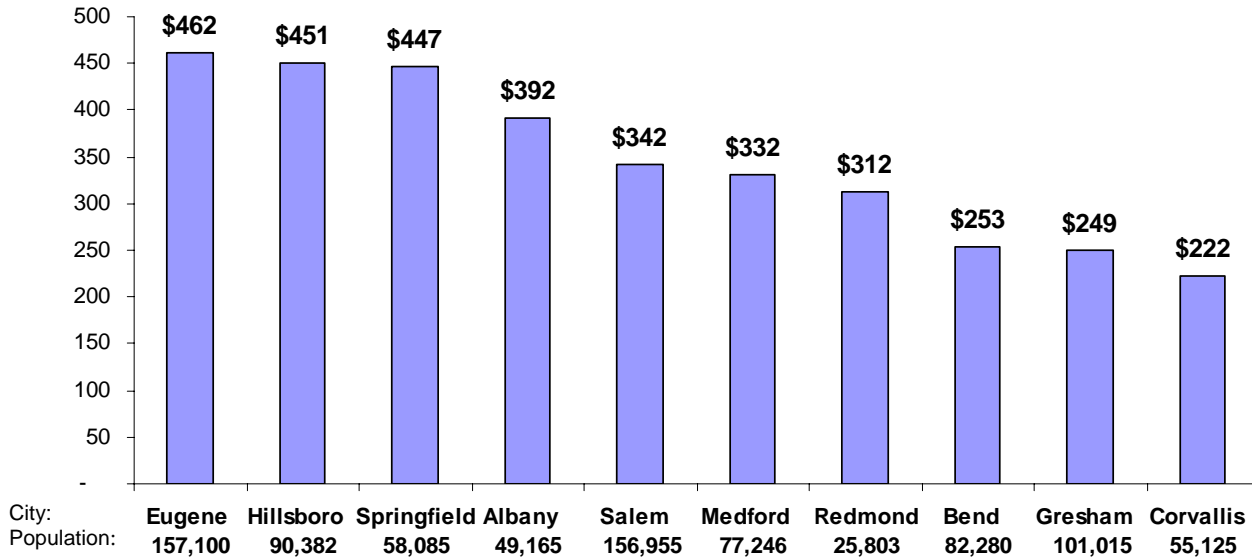
The above chart includes the following tax revenues for each City. Note that motel taxes, franchise fees, state shared revenues, gas taxes and other general government revenues are not included as this comparison focuses on property taxes. Also Beaverton and Tigard are excluded as the tax revenues from TVFR for these 2 cities were not available.

1. Property taxes from permanent rate – FY09-10 budgeted tax revenues from city’s permanent tax rate
2. Local Option Levy for Public Safety – FY09-10 budgeted tax revenues from local option levies for public safety. Local option levies for parks/library are not included
3. Property Taxes from GO Bonds – FY09-10 budgeted tax revenues from GO bonds for public safety and streets (excludes GO bonds for parks/library)
4. Contribution in-lieu of property taxes – FY09-10 budgeted revenues from contributions in-lieu of property taxes. Eg. For Eugene and Springfield, the water and electric boards do not pay property taxes so they contribute approximately \$10 million to the City in-lieu of property taxes. Other contributions in-lieu of property taxes would include contributions from private businesses in economic development zones where property taxes are deferred.
5. Business Income Tax – Gresham collects a Multnomah business income tax of approximately \$4 million.

Excluding Parks & Library

City	Population	Property Taxes from Perm Rate	Local Option Levy for Public Safety	Property Taxes from GO Bonds	Contrib. in Lieu of Property Taxes	Business Inc Tx	Total	Tax Revenues per Capita
Eugene	157,100	61,119,493	-	3,075,000	8,323,587	-	72,518,081	462
Salem	156,955	44,633,479	-	8,998,000	-	-	53,631,479	342
Hillsboro	90,382	28,891,424	11,835,041	-	-	-	40,726,465	451
Medford	77,246	25,187,000	-	428,500	-	-	25,615,500	332
Gresham	101,015	21,238,620	-	-	-	3,964,542	25,203,163	249
Springfield	58,085	15,201,561	5,034,800	3,281,939	2,422,139	-	25,940,439	447
Bend	82,280	20,850,000	-	-	-	-	20,850,000	253
Albany	49,165	15,144,500	2,763,400	1,366,200	-	-	19,274,100	392
Corvallis	55,125	12,217,700	-	-	-	-	12,217,700	222
Redmond	25,803	7,893,366	-	166,500	-	-	8,059,866	312

Chart 6 – Comparison of Tax Revenues per Capita



The above chart shows tax revenues per capita. Tax revenues include property taxes for city services, contribution in-lieu of property taxes and the business income tax collected by Gresham and exclude estimated tax revenues allocated for parks and/or library services, motel taxes, franchise fees and other general government revenues.

The City of Bend has one of the lower tax revenues per capita among this peer group.

Note that some cities may also have local gas taxes, transportation utility fees and public safety utility fees that supplement their tax revenues per capita.