

MINUTES

Joint City/School District Sub-Committee Meeting #1
For purpose of Exploring Local Taxing Options to Support Schools and Youth

Meeting Location: Corvallis School District 509J Central Office
1555 SW 35th Street
Corvallis, OR 97333

City Representatives Present

Jon Nelson, City Manager
Nancy Brewer, Finance Director
Jim Brewer, City Attorney

City Council Members Present

Hal Brauner
Justin Roach

School Board Members Present

Cyrel Gable, Chair
Robert Johnson

School District Staff Present

Jim Ford, Superintendent
Kathy Rodeman, Business Services Director

I. CALL TO ORDER AND ROLL CALL

City Manager Nelson facilitated the meeting, which began at 9:35 a.m. The recorder took note of those present.

II. PROPOSED LOCAL EDUCATION TAX STRUCTURES IN PORTLAND AND MULTNOMAH COUNTY

Nancy Brewer, Jim Brewer and Kathy Rodeman provided information to the group on their findings regarding Portland and Multnomah County's proposed taxes to support education.

A. CITY OF PORTLAND TAX, IN PART TO SUPPORT EDUCATION

The City of Portland is planning on implementing a business license fee. As that is not the route this group was pursuing, Ms. Brewer did not elaborate orally on this venture but shared with the group a written memo she had addressed to City Manager Nelson, which briefly provided more information on this option. (Memo dated March 14, 2003 filed as Supplemental Item #XIII-3 in the official 2002-03 Board Minutes.)

B. MULTOMAH COUNTY TAX, IN PART TO SUPPORT EDUCATION

Multnomah County considered a commuter tax as well as an employer tax but abandoned both due to concerns regarding taxation without representation and the cost of implementation could be more than the expected gain. (Further information can be found in a memo dated March 13, 2003 to City Manager Nelson from Jim Brewer filed as Supplemental Item #XIII-4 in the Official 2003-03 Board Minutes.) Multnomah County is planning on moving forward with a May ballot to approve a 1.25% personal income tax, expecting to raise about \$128 million. (Multnomah County's charter allows them to implement a personal income tax; the City of Portland's charter does not.) The tax would have these features and considerations:

- The tax would be assessed only to those who live in Multnomah County (versus including those who also work there but live outside the county).
- The tax would be paid once a year with the State income taxes.
- Four to seven percent would be charged annually to collect the tax which would include \$1-\$2 million for software reprogramming, though the fee is still in negotiation.
- If the State makes claim to the money, say based on equalization, the tax could be structured to be obsolete, in part or as a whole.
- Implementation of the tax is not likely until after the 2003-tax year due to the time needed for software changes, creating revised forms, and Department of Revenue training.

III. TYPES OF LOCAL TAX CONSIDERATIONS

A. PERSONAL INCOME TAX OPTION

Considering local adoption of a tax levy similar to Multnomah County's the following items were noted:

- Two sunset clauses could be included: one for the time period the tax would be levied, say three years; one regarding dissolution should the legislature provide additional funding.
- Benton County or the City of Corvallis could levy a similar tax though the school district cannot.
- If Corvallis or Benton County were to use the same software, they would pay Multnomah County a fee, helping to recoup their costs.
- A few years ago the Department of Revenue did not have data broken down by cities, but through the county level, though they said they were considering the task as more cities were requesting the information. Due to this, it would be hard to determine the revenue that could be raised if a city tax were levied versus a county.
- If the tax were based on city residency, the approximately 16% of students who attend Corvallis schools but live outside the city limits would have to be considered. The school district serves a 60,000-count population area while the City serves 50,000.
- A September 2003 ballot was offered as an initial timeframe though consideration would be given to timing regarding other government levies that may be proposed.

B. PROPERTY TAX OPTION

Considering a local tax based on property, Ms. Brewer noted there is about \$3.50 available per thousand dollars of property value remaining for taxation though more and more properties are reaching compression. If the properties were levied a tax at that level it would not be fully realized; \$2.00 would realize about 70% due to the number of properties reaching compression. The City also needs additional funding so if this levy based on education and youth were to pass the result would be fewer funds available to the City in the form of potential property tax revenues.

C. RESTAURANT/ENTERTAINMENT TAX OPTION

Review of a possible restaurant/entertainment tax was commenced with the following points made:

- Local research estimates a 5% tax would generate \$6 million. This does not include Oregon State University athletics, which may be untaxable, or alcohol. The City of Ashland's 5% restaurant/entertainment tax, which covered 120 establishments, yielded \$1.6 million, so the difference in revenue ratios would need to be researched. Southwestern Oregon State College was not included, nor expenses related to alcohol.
- A large portion of the City of Ashland's 1993 levy was earmarked for wastewater treatment improvements, which benefited restaurants and lodging, assisting in its passage.
- Local service organizations are adverse to the tax.
- The Salem city council passed a restaurant tax resolution, which has been challenged and stalled.
- Comments have been received that all stakeholders should be charged equally.

D. PAYROLL TAX OPTION

This option was not pursued in depth, as those present felt a personal income tax would reach the same monies in a more direct, efficient method.

IV. BENEFICIARIES OF PROPOSED LOCAL TAX**A. CITY OF CORVALLIS PORTION**

Initial City items named to benefit from this proposed youth/education oriented tax would be youth safety including building conditions, Osborn Aquatic Center, school resource officers and possibly core community services.

B. SCHOOL DISTRICT PORTION

If the funds raised could only be used outside of the core curriculum, then using the City of Eugene's definition, the funds could be used to support items such as athletics, activities, fields, school libraries, music, arts, drama, foreign language, health services, safety, and volunteer coordinators.

C. BENTON COUNTY INVOLVEMENT

As the proposed tax could well be based at the county level it was agreed to include a county commissioner in the group's next meeting.

Youth organizations have lost about \$500,000 of county support. There is a citizen's group who, in support of those organizations and youth, is considering putting forth a ballot item, further underscoring the need for county involvement in this discussion.

V. SUMMATION

The group agreed to abandon further exploration of the restaurant/entertainment and payroll tax options.

For the next meeting, scheduled April 1, the group would discuss further refinement of the personal income tax including sunset clauses and equalization, coordination with future revenues, and percentage of funding to city, county, and school district. The goal at the conclusion of the meeting would be a recommendation to the City Council, County Commission, and School Board.

VI. ADJOURNMENT

The meeting adjourned at 10:58 a.m.

Attested to by:

Kathy Rodeman, Business Services Director

Prepared by Jolene Shute

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