

**CITY OF CORVALLIS COUNCIL/CORVALLIS SCHOOL DISTRICT 509J  
JOINT WORK SESSION MINUTES**

**March 3, 2003**

The joint work session of the City Council of the City of Corvallis, Oregon, and Corvallis School District 509J (509J) was called to order at 7:02 pm on March 3, 2003, in the Downtown Fire Station, 400 NW Harrison Boulevard, Corvallis, Oregon, with Mayor Berg presiding.

**I. CALL TO ORDER AND INTRODUCTIONS**

**Council:**

*Present:* Mayor Berg, Councilors Gándara, McRoberts, Wershow, Brauner, Empol, Grosch, Zimbrick, Roach

*Absent:* Councilor Griffiths (excused)

**School District:**

*Present:* Board Members Baldwin, Demarest, Gabel, Gelser, O'Malley; Superintendent Ford; Assistant Superintendent Corbell; School District Business Manager Rodeman; Assistant to Superintendent Holmes; Student Representatives Campi, Grill

*Absent:* Board Members Johnson, Miller

**II. CURRENT ISSUES**

**A. Corvallis School District 509J**

Superintendent Ford reviewed Corvallis School District 509J's (509J) efforts the past four years to redirect 509J into the future. He reviewed and explained the goals established from those efforts (learning for all students, customer service, creativity and innovation, and aligning district systems). He reviewed the barriers and challenges facing 509J, particularly the estimated \$5 million to \$7 million funding gap for next school year. He reviewed 509J's efforts to address the anticipated funding shortfall.

**B. City of Corvallis**

City Manager Nelson said property tax-supported City services represent less than one-third of the City's \$100 million budget. The current budget includes \$28 million to \$29 million for property tax-supported services (police, fire, parks and recreation, library, long-range planning, and transit); housing, utilities, development services, and reserve foundation funds for the Majestic Theatre and the Library comprise the remainder of the budget. Property tax-supported services will be impacted by service reductions. Without the taxing limitations imposed by State Measures 47 and 50, the City would have another \$3 million per year in property tax resources today, versus five years ago; the City has lost over \$12 million since implementation of State Measures 47 and 50. He reviewed the current Council goals. The City cut approximately \$500,000 in services this fiscal year; services in Tiers 2 and below on the Prioritized Services List will be reduced during the next fiscal year; this represents over \$2.5 million of the budget, or ten percent of the services traditionally provided to the community. He reviewed the City's

financial forecast through Fiscal Year 2009-2010. The Budget Commission is attempting to reduce services during the next two years to provide City officials time to evaluate financial strategies that will provide \$1.7 million per year in additional revenues to continue services. The \$1.7 million will not restore reduced services; it will maintain retained services. City revenues are increasing at 1.5 percent per year, while expenses are increasing at six percent per year. City governments statewide are not pursuing tax reform at the level of public and higher education.

Corvallis is not yet up to the State Measure 5 \$10 limit. The 1.5 percent is the average rate at which property taxes are increasing when balanced against accelerated depreciation schedules. The six-percent cost increase is fueled by energy costs, the Public Employee Retirement System, and insurance. The City is required to participate in binding arbitration with public safety unions, which sets employee pay standards when collective bargaining is not successful. The community is growing, but the property tax rate was capped by state measures. Corvallis has not reached the taxing limit imposed by State Measure 5, but it is constrained by the impacts of State Measures 47 and 50. The community is committed to caring for children in and out of school.

III. IDENTIFICATION OF MUTUAL AREAS OF INTEREST

Meeting participants discussed several aspects of funding options, which are highlighted in Attachment A.

IV. NEXT STEPS

A committee, comprised of two Council members, two School Board members, and appropriate staff members from each entity, will be established to research identified questions and issues and to formulate recommendations. The committee will talk with the community citizen group that has already conducted research. Recommendations will be presented to the Council and the School Board during early-April. The committee will meet before and after spring break, and the Council and School Board will meet together during early-April. The two entities will jointly lobby the State Legislature.

V. OTHER

VI. ADJOURNMENT

The work session was adjourned at 9:05 pm.

APPROVED:

ATTEST:

MAYOR

CITY RECORDER

**City Council/School District Board  
Joint Work Session Discussion Notes  
March 3, 2003**

**1. *What do we want generated revenue to purchase?***

**City**

1. Library services
2. Parks and Recreation, Osborn Aquatic Center, sports field maintenance
3. School Resource Officers (SROs)
4. Adequate fire protection
5. Transit service
6. Neighborhood empowerment programs
7. Valley Interagency Narcotics Team (VALIANT)
8. Basic core services
9. Children-oriented festivals

**School District**

1. Retaining/increasing teachers/smaller classes
2. More councilors
3. Physical education, music, art, and media specialists for elementary students
4. School Resource Officers (SROs)
5. Super Time for Academics, Art, Recreation, and Sports (STAARS)/after-school enrichment activities
6. After-school athletics and activities
7. Text books
8. New community partnership infrastructure
9. Outdoor school
10. High school career center
11. Transportation B bus routes beyond the basics, inter-school transportation
12. Professional development training needs

**2. *Concerns***

**City**

1. Social services funding reductions (Dial-A-Bus; Court Appointed Special Advocates [CASA]; Community Outreach, Inc. [COI])
2. Fire response time (standard is four minutes; City is currently at six minutes; closing a fire station will increase response time to eight to nine minutes; Station 3 is the busiest in town)

**School District**

1. Current class size is 32.5 students (ideal, "quality education model" recommended class size is 24 students)
2. Total teacher/student ratio

### 3. Funding Options

<b>Options</b>	<b>Positive Aspects</b>	<b>Negative Aspects</b>
1. Restaurant and entertainment tax	<ul style="list-style-type: none"> <li>\$ Not limited to how used</li> <li>\$ Would need five to ten percent to generate meaningful revenue</li> <li>\$ Those who can afford the expenditures will pay</li> </ul>	<ul style="list-style-type: none"> <li>\$ Forces one business element to collect tax</li> <li>\$ People can go out of town to avoid tax</li> </ul>
2. Personal income tax	<ul style="list-style-type: none"> <li>\$ Not limited to how used</li> <li>\$ Does not rely on businesses to collect</li> <li>\$ Can be added to state collection mechanism</li> <li>\$ Options regarding who is taxed (whether they live, work, or both in the community)</li> </ul>	<ul style="list-style-type: none"> <li>\$ Adds to existing tax burden</li> <li>\$ Unclear whether local community can impose income tax</li> </ul>
3. Payroll tax	<ul style="list-style-type: none"> <li>\$ Not limited to how used</li> <li>\$ Based upon who is working here</li> <li>\$ Collected and paid by businesses</li> <li>\$ Could be added to Department of Revenue collections</li> </ul>	<ul style="list-style-type: none"> <li>\$ Major employers would be taxed, some of which are already suffering (including City and School District)</li> </ul>
4. Property tax		<ul style="list-style-type: none"> <li>\$ Be careful regarding \$10 limit</li> <li>\$ Limited how it can be used (how much can support schools)</li> <li>\$ Limit to how much more City can impose in taxes with impacting City</li> </ul>

#### Ranking

<b>Options</b>	<b>Revenue Generation</b>	<b>Taxing Impact</b>
1. Income tax	\$ Most revenue	\$ Those who work and/or live in community
2. Payroll tax	\$ Second-most revenue	\$ Businesses
3. Restaurant, beverage, and entertainment tax	\$ Third-most revenue	\$ Businesses
4. Property tax	\$ Least revenue	\$ Property owners

### 4. Considerations

- \$ What would be involved in increasing the local maximum possible property tax rate?
- \$ What would voters most likely approve?
- \$ What would the State government most likely remove?
- \$ What amount of revenue would be generated?
- \$ Who would pay the tax?
- \$ The City shares the \$10 tax limit with Benton County and all other taxing districts within the County.

- \$ Do the City and School District want to relieve the State Legislature of the responsibility of funding schools?
- \$ The State may limit the School District from spending more on schools than other communities spend.
- \$ The State set permanent tax rate for all school district (designed to reach \$5-per-1,000 cap); if the new permanent tax rate is increased, the State would be relieved of some of the burden of funding schools; this can affect whether the School District can seek a local option levy.
- \$ How do the Council and the School Board build a community consensus regarding the appropriate action to take?
- \$ Form a joint City/School District legislative committee.
- \$ The community's response to State Measure 28 indicates what voters are willing to support.
- \$ Pursue restoring local funding control.
- \$ Six months are needed to process a measure for election.
- \$ If pursue a November election, the result would affect the following fiscal year.
- \$ Long-term sustainability is a priority.
- \$ What will work for the long term, and what will preserve flexibility during uncertain times?
- \$ Stay true to the prioritization level.
- \$ Community needs and the context of the community.
- \$ What is the fairest way to tax citizens?
- \$ Major employers are being hit hardest regarding pay cuts and layoffs.
- \$ Property values do not reflect property owners' abilities to pay property taxes.
- \$ Personal incomes are decreasing, so property values do not equate with personal income to pay for goods and services.
- \$ Should people who live in the community and benefit from services be taxed, or should people who work in the community be taxed?
- \$ Does State law preclude the City from imposing a local income tax?
- \$ Obtain data for other communities where food, beverage, and entertainment taxes were instituted.
- \$ There is strong community support for services to youth; a funding package involving City and School District services should have a strong focus on youth.
- \$ Which options require voter approval?
- \$ Restrictions regarding how funds could be used.
- \$ What are the administrative costs for each funding mechanism, and what would be the net revenue to the taxing entities?
- \$ A legal challenge could delay implementation.
- \$ Should funding options be county-wide, rather than city-wide, since the School District exceeds the City Limits? (16 percent of School District students are outside the City Limits)
- \$ The property tax option is the most "tried and true" option but also has the most negative aspects and impacts the City's tax base for services.
- \$ Governance structure.

## 5. *Other Thoughts*

- \$ Correcting the taxing mechanism should come from the State level, but something should be done locally.
- \$ Continue lobbying the State Legislature.
- \$ Continue dialogue with State Representatives and Legislature.
- \$ Community members are taking actions to support school children.
- \$ If a message is sent, it must be unified by the City and the School District.
- \$ To address problems, look to the community as a whole.

- \$ There is an urgency regarding school funding.
- \$ The City targeted two years of budget stabilization until pursuing another levy.
- \$ From the School District's perspective, the November 2003 election is a desired target.
- \$ An income tax is more equitable B those people who are better able to pay are taxed.
- \$ There is a great deal of transient activity in Corvallis, with people coming for games and then leaving; these are taxing opportunities.
- \$ People in the community are being "tapped," and wages are being reduced; wages are being reduced, so the amount of income that can be taxed is being reduced.
- \$ The City and the School District should support each other's youth-oriented ballot measure funding pursuits.
- \$ A payroll tax will hurt small businesses, which are already struggling.
- \$ Coordinate with the citizen group already working toward funding alternatives.