

**Multnomah County
Public Hearing
Three Year Local Option Levy for Library Operations
May 15, 2012 Primary Election**

Date: Wednesday, May 9, 2012
Time: 3:00 p.m.
Place: County Commissioner's Board Room
Multnomah Building
501 S.E. Hawthorne Blvd.
Portland, Oregon

Local Option Levy Measure

Measure 50, passed by Oregon voters in 1997 converted nearly all of taxing district's levies to permanent rates that cannot be increased, even by a vote of the people. However, the Measure did provide for temporary increases in taxing authority for districts other than school districts and allowed the Legislature to enact laws to provide the same authority for school districts. These levies are called "local option levies". Starting in 2000-01 school districts with the exception of Education Service Districts were allowed local option levies, with certain limitations. Levies can be based on a dollar amount or a tax rate. They can be for operations or for a capital project. Operating levies can be for general operating purposes or for specific uses. If the levy is for operations it is limited to no more than five years. If the levy is for a capital project is it limited to the lesser of 10 years or the useful life of the capital project.

Double Majority Standard

Another provision of Measure 50 is the "double majority" standard for approving property tax measures. Certain measures, as specified in the Constitution, are approved only if: a) at least 50 percent of registered voters eligible to vote in the election cast a ballot, or b) the election is a General Election in an even-numbered year. And of course a majority of those voting have to vote in the affirmative. The double majority standard applies to permanent tax rate measures, local option levies, bond measures and charter amendments which "permits the ad valorem property tax levy for local government pension and disability plan obligations to be increased". At the November 4, 2008 General Election voters approved Ballot Measure 56 which substantially altered the double majority standard. Under new section 11K, Article 11, the double majority does not apply to any election held in May or November.

This Measure would not be subject to the double majority standard since the election (May 15, 2012) is an election in May.



Measure 5 Compression

Local option levies must be categorized as either "general government" or "education" for purposes of testing the Measure 5 limits. This could limit taxes to be collected after Measure 5 compression for all levies under the same category. However, Measure 50 stipulates that local option levies are to be compressed first on a property by property basis and only when these levies are reduced to zero will taxing district's permanent rate levies be compressed to keep within the Measure 5 limits. It is therefore theoretically possible to receive voter approval for a local option levy, certify the levy to the county assessor and receive no revenue whatsoever. This would happen if all properties in a district were already under Measure 5 compression with no other local option levies.

District Background:

A five member salaried board governs the County. All are elected to four-year terms on non-partisan ballots: the Board Chair is elected at large and four board members are elected from districts. The Territorial Legislature established Multnomah County in 1854, five years before Oregon was granted statehood, because citizens found it inconvenient to travel to Hillsboro to conduct business. Portland was designated as the county seat.

Of the 36 counties in Oregon, Multnomah County is Oregon's smallest in area, covering 457 square miles. Despite its size, the County is home to more Oregonians than any other county. The County's estimated population was 741,925 as of July 1, 2011. Approximately 98% of the population of the County resides within the boundaries of one of six cities, 80% within the largest city in the state, Portland. Multnomah County is also home to Oregon's largest: Community College, School District, ESD, Port, Mass Transit District, Regional Government, and Urban Renewal Agency.

The County operates under a 1967 home rule charter that assigns legislative authority to the Board of County Commissioners and administrative responsibility to the Chair of the Board.

In November 2006, voters passed a five year Library Local Option Levy with a rate of \$0.8900 per \$1,000 of assessed value. This is a continuation of temporary levies to operate libraries going back over 30 years. The first year of this new levy was 2007-08; the final year is 2011-12. In November 2010, voters approved a five year local option levy for the operation of the Oregon Historical Society. The rate is \$0.0500 per \$1,000 of assessed value. The first year of this levy is 2011-12; the last is 2015-16.

Below is the General Information Chart from TSCC's 2011-12 Annual Report:

Multnomah County	2008-09	2009-10	2010-11	2011-12
Assessed Value in Billions	\$56.959	\$59.301	\$61.027	\$62.693
Real Market Value (M-5) in Billions	\$107.382	\$105.011	\$101.559	\$95.354
Property Tax Rate Extended:				
Operations	\$4.3434	\$4.3434	\$4.3434	\$4.3434
Library Local Option	\$0.8900	\$0.8900	\$0.8900	\$0.8900
Historical Society Local Option	\$0.0000	\$0.0000	\$0.0000	\$0.0500
Debt Service	\$0.1602	\$0.1692	\$0.1512	\$0.1569
Total Property Tax Rate	\$5.3936	\$5.4026	\$5.3846	\$5.4403
Measure 5 Loss	\$-11,730,667	\$-13,666,868	\$-17,977,188	\$-27,685,241
Number of Employees (FTE's)	4,570.14	4,398.51	4,540.80	4,526.51

Measure Overview:

Multnomah County is seeking an extension of an existing local option levy for library operations. The County's website notes the following:

Multnomah County Library is the oldest public library west of the Mississippi, with a history that reaches back to 1864. Today, Central Library and the other 18 neighborhood libraries that make up the library system house about 700 computer search stations for the public and a collection of two million books and other library materials.

As Oregon's largest public library, Multnomah County Library serves nearly one-fifth of the state's population with a wide variety of programs and services. Over 35,000 people use the library each day, either online or in person. More than 22.7 million items were circulated in fiscal year 2010, a new record for any library in the nation serving fewer than one million residents. That's an average of 31 items checked out or renewed for every man, woman and child in Multnomah County. (Data from fiscal year 2011, which is compiled by the library and not reflected in the report, reveals that Multnomah County Library circulation has increased again, to 23.9 million, the highest ever experienced by the library — making the most current annual circulation per person 32.8.)

The current levy, approved in November 2006, imposes \$0.8900 per \$1,000 assessed property value (89 cents) and expires after the current 2011-12 fiscal year. The proposed levy would renew the local option levy at the same \$0.8900 per \$1,000 assessed property value starting in 2012-13. However, the levy would be approved for only three years.

Estimates of property taxes to be received in each of the three years are: \$32.6 million in 2012-13, \$34.5 million in 2013-14 and \$36.5 million in 2014-15. These amounts include current year taxes as well as prior year taxes, penalties and interest.

The county is seeking only a three year levy because it is the intention of the Board of Commissioners to place a measure on the November 2012 General Election ballot to create a Library District with its own permanent tax rate limit. If approved, the Library District would go into effect for the 2013-14 fiscal year and render the County's Library Local Option Levy unnecessary.

The County has relied on temporary levies to fund library operations since 1976. Revenue from the current and prior year property taxes accounts for roughly 50% of the available resources for the county's library system, including transfers from the General Fund and beginning fund balances. Compared to revenues (resources less transfers and beginning fund balances) the local option levy makes up 90% of library revenue.

In the current 2011-12 fiscal year, all resources were budgeted to be less than the previous year as displayed in the chart below. Total resources were estimated to be \$69,221,502, \$8.2 million less than what was available to spend in the 2010-11 fiscal year.

Library Serial Levy Fund	2008-09 Actual	2009-10 Actual	2010-11 Revised	2011-12 Adopted
Beginning Fund Balance	16,782,816	20,290,968	17,342,346	15,256,276
Current Year Taxes	38,703,836	39,161,737	39,271,596	34,596,002
Prior Year Taxes	722,785	1,114,070	1,168,517	820,962
Other Revenue	4,779,510	4,350,394	4,509,821	4,102,452
GF Transfers	15,635,772	14,727,775	15,093,244	14,445,810
Total Resources	76,624,719	79,644,944	77,385,524	69,221,502

Even with passage of the local option levy, resources will not keep pace with expenditures. The County estimates that a "structural deficit" of \$13 to \$14 million per year will persist during the life of the levy between 2012-13 and 2014-15. The Board of Commissioners has committed \$10 million in one-time only funding over the three years of the levy to keep budget reductions necessary to balance the budget to 10%. Without those one-time only funds the reduction would be 20-25%.

If the local option levy fails budget reductions would be severe. A preliminary report prepared by the Library Budget Committee and Library Advisory Board's Finance Committee has detailed various options. These include cutting 300 positions (FTE) out of a total library staff of 494 FTE and closing multiple branches and reducing hours at the remaining branches. Two of the scenarios suggested closing the Main Branch in downtown Portland.

The structural deficit even with the current levy and the renewed levy, if it passes, is caused in large part by shrinking revenues from the local option levy. Two factors account for this: 1) slower growth in assessed values and 2) more Measure 5 compression. These are displayed in the chart below.

Under Measure 50, revenues from most property tax levies are directly tied to assessed values. In fact, for rate-based property tax levies if there is no Measure 5 compression the percentage increase in assessed value will result in the exact same percentage increase in property taxes imposed. The more assessed values increase, the more property tax revenue grows. However, if assessed values were to decline then property tax collections would also decline.

The growth in assessed value used for the Library Local Option Levy has declined in each of the last four year: from 4.35% in 2008-09 to 2.73% in 2011-12. The county is estimating that assessed value will grow 2.85% in 2012-13, 3.25% in 2013-14 and 3.50% in 2014-15.

The bigger concern for library revenue is Measure 5 compression. As the tax rate inside the City of Portland has increased (due to more collections for urban renewal and increases in Portland's FPD&R levy) and less "gap" between real market value (RMV) and assessed value (AV) on individual properties, there is considerably more compression losses. Between 2010-11 and 2011-12 the amount of Measure 5 Compression increased 55.41%, from \$10,847,983 to \$16,858,495. Over 32.6% of taxes extended were not able to be collected due to the limitations of Measure 5.

Fiscal Year	Assessed Value	LOL Rate	Taxes Extended	M-5 Comp Loss	Taxes Imposed	Not to be Received*	Net Revenue*
2007-08	51,051,208,377	0.8900	45,435,575	-6,122,064	39,330,727	2,072,038	37,258,689
2008-09	53,274,430,655	0.8900	47,414,243	-6,256,296	41,173,696	2,469,860	38,703,836
2009-10	55,083,427,987	0.8900	49,024,251	-7,663,797	41,381,417	2,232,155	39,149,262
2010-11	56,557,649,001	0.8900	50,336,308	-10,847,983	39,516,227	1,055,227	38,461,000
2011-12	58,102,536,478	0.8900	51,711,257	-16,858,495	34,880,470	1,883,545	32,996,925
2012-13**	59,758,458,768	0.8900	53,185,028	-19,508,268	33,676,760	1,818,545	31,858,215
2013-14**	61,700,608,678	0.8900	54,913,542	-19,181,300	35,732,242	1,929,541	33,802,701
2014-15**	63,860,129,981	0.8900	56,835,516	-19,000,113	37,835,403	2,043,112	35,792,291

* Actuals, 2007-08 thru 2010-11. Estimate of 94.5% collection, 2011-12 thru 2013-14, 94.6% in 2014-15
** Estimates from County Budget Office

The County estimates that market values will decline again in 2012-13, causing even more Measure 5 compression as the gap between market value and assessed value shrinks. Market values then begin to increase the last two years of the levy. As a consequence, Measure 5 compression is estimated to be \$19,508,268 or 36.68% of taxes extended in 2012-13. The percentage of taxes lost to compression then declines to 34.93% and 33.43% in the next two years. However, if market values fail to pull out of the three year slump, compression losses will continue to increase, reducing the amount of property taxes available to fund library services.

Tax Impact:

For every \$100,000 of assessed value, a property owner will continue to pay \$89 in property taxes, before Measure 5 compression.

The levy for Multnomah County will be categorized as a general government levy for purposes of the Measure 5 limitations. As such, there could be Measure 5 compression loss as well as additional compression loss to other taxing districts such as the County, Metro, Port of Portland, City of Portland, PDC, soil and water conservation districts and other special districts. For properties that are already under compression it is likely that many properties will not pay anything toward the local option levy. This is due to the fact that local option levies are compressed first. Only after all local option levies are compressed to zero is there compression affecting other levies (permanent tax rates, urban renewal taxes and City of Portland's FPD&R levy).

How much compression will occur on an individual property varies considerably depending on where the property is located. Inside the City of Portland the tax rate for all general government districts exceeds \$14 per \$1,000 of assessed value in most tax code areas (TCA), well above the \$10 per \$1,000 of real market value limit. Most areas outside of Portland have general government tax rates that are less than \$10. For these properties there would be no compression and therefore the property owner would pay the entire amount of the Library Local Option Levy.

A detailed analysis of a typical property's tax bill in 2011-12 reveals that for a property with an RMV of \$300,000 and an AV of \$216,000, the property owner paid \$192.24 toward the Library Local Option Levy if located inside the City of Gresham (TCA 026). Since there is no Measure 5 compression (and no urban renewal division of tax) the full rate of \$0.8900 per \$1,000 is imposed ($216,000 * .0008900 = 192.24$).

However, for that same property located in Portland (TCA 001) the owner paid only \$141.76 in support of the Library levy. Since several of Portland's urban renewal plan areas are considered "standard rate plans" and therefore receive division of tax revenue from all levies, \$17.17 of the Library Local Option Levy is divided for PDC. Another \$33.31 is lost due to Measure 5 compression.

The Gresham property paid 5.52% of the total property tax bill of \$3,481.68 toward the Library Local Option Levy. The Portland property on the other hand paid 3.05% of its \$4,643.94 property tax bill to the County for library services. The differences in taxes paid to the County's Local Option Levy are detailed on the next two pages.

City of Portland Property		Real Market Value: \$300,000		Assessed Value: \$216,000				
District / Levy Type	Tax Rate	UR Adj. Rate	Taxes Extended	Local Option Ratio	Prelim. Taxes Imposed	M-5 Comp. Ratio	Taxes Imposed	M-5 Loss
Education Districts:								
Multnomah ESD	0.4576	0.4134	89.29	N.A.	89.29	0.96676	86.33	(3)
PCC	0.2828	0.2532	54.69	N.A.	54.69	0.96676	52.87	(2)
Portland Public Schools	5.2781	4.7208	1,019.69	N.A.	1019.69	0.96676	985.80	(34)
Local Option Rates:								
PPS Local Option	1.9900	1.7958	387.89	0.86705	336.32	0.96676	325.14	(63)
Education Districts Sub-Total		7.1832	1,551.57		1,500.00		1,450.14	(101.43)
	M - 5 limit Over Limit	5.0000	1,500.00 51.57					
General Government:								
Multnomah County	4.3434	3.9219	847.13	N.A.	847.13	1.00000	847.13	0
Metro	0.0966	0.0878	18.96	N.A.	18.96	1.00000	18.96	0
Port of Portland	0.0701	0.0638	13.78	N.A.	13.78	1.00000	13.78	0
City of Portland:								
Permanent Rate	4.5770	4.1346	893.07	N.A.	893.07	1.00000	893.07	0
FPD&R Levy	2.4682	2.2299	481.66	N.A.	481.66	1.00000	481.66	0
Urban Renewal Div. of Tax	N.A.	1.8518	399.99	N.A.	399.99	1.00000	399.99	0
Urban Renewal Special Levy	0.2926	0.2926	63.20	N.A.	63.20	1.00000	63.20	0
West Multnomah SWCD	0.0732	0.0621	13.41	N.A.	13.41	1.00000	13.41	0
Local Option Rates:								
Multnomah Co. Library LO	0.8900	0.8105	175.07	0.80973	141.76	1.00000	141.76	(33.31)
Multnomah Co. Historical LO	0.0500	0.0459	9.91	0.80973	8.03	1.00000	8.03	(1.89)
City of Portland Childrens LO	0.4026	0.3669	79.25	0.80973	64.17	1.00000	64.17	(15.08)
Urban Renewal LO	N.A.	0.3135	67.72	0.80973	54.83	1.00000	54.83	(12.88)
General Government Sub-Total		14.1813	3,063.16		3,000.00		3,000.00	(63.16)
	M - 5 limit Over Limit	10.0000	3,000.00 63.16					
Exempt:								
Multnomah Co. Bonds	0.1569	0.1423	30.74	N.A.	30.74	N.A.	30.74	0.00
Metro Bonds	0.2188	0.1991	43.01	N.A.	43.01	N.A.	43.01	0.00
TriMet Bonds	0.0583	0.0534	11.53	N.A.	11.53	N.A.	11.53	0.00
City of Portland Bonds	0.2402	0.2183	47.15	N.A.	47.15	N.A.	47.15	0.00
PCC Bonds	0.3497	0.2841	61.37	N.A.	61.37	N.A.	61.37	0.00
Exempt Sub-Total		0.8972	193.80		193.80		193.80	0.00
Total Taxes Imposed and Measure 5 Compression Loss:							4,643.94	(164.59)

City of Gresham Property		Real Market Value: \$300,000						
		Assessed Value: \$216,000						
District / Levy Type	Tax Rate	UR Adj. Rate	Taxes Extended	Local Option Ratio	Prelim. Taxes Imposed	M-5 Comp. Ratio	Taxes Imposed	M-5 Loss
Education Districts:								
Multnomah ESD	0.4576	0.4454	96.21	N.A.	96.21	1.00000	96.21	0.00
Mt. Hood CC	0.4917	0.4786	103.38	N.A.	103.38	1.00000	103.38	0.00
Gresham-Barlow SD	4.5268	4.5268	977.79	N.A.	977.79	1.00000	977.79	0.00
Local Option Rates:								
N.A.	0.0000	0.0000	0.00	1.00000	0.00	1.00000	0	0.00
Education Districts Sub-Total		5.4508	1,177.37		1,177.37		1,177.37	0.00
M - 5 limit		5.0000	1,500.00					
Over Limit			-					
General Government:								
Multnomah County	4.3434	4.2271	913.05	N.A.	913.05	1.00000	913.05	0.00
Metro	0.0966	0.0941	20.33	N.A.	20.33	1.00000	20.33	0.00
Port of Portland	0.0701	0.0683	14.75	N.A.	14.75	1.00000	14.75	0.00
City of Gresham	3.6129	3.5162	759.50		759.50	1.00000	759.50	0.00
Urban Renewal Div. of Tax	N.A.	0.2544	54.95	N.A.	54.95	1.00000	54.95	0.00
East Multnomah SWCD	0.1000	0.0974	21.04	N.A.	21.04	1.00000	21.04	0.00
Local Option Rates:								
Multnomah Co. Library LO	0.8900	0.8900	192.24	1.00000	192.24	1.00000	192.24	0.00
Multnomah Co. Historical LO	0.0500	0.0500	10.80	1.00000	10.80	1.00000	10.80	0.00
Urban Renewal LO	N.A.	0.0000	0.00	1.00000	0.00	1.00000	0.00	0.00
General Government Sub-Total		9.1975	1,986.66		1,986.66		1,986.66	0.00
M - 5 limit		10.0000	3,000.00					
Over Limit			-					
Exempt:								
Multnomah Co. Bonds	0.1569	0.1527	32.98	N.A.	32.98	N.A.	32.98	0.00
Metro Bonds	0.2188	0.2153	46.50	N.A.	46.50	N.A.	46.50	0.00
TriMet Bonds	0.0583	0.0568	12.27	N.A.	12.27	N.A.	12.27	0.00
Gresham-Barlow SD Bonds	1.0458	1.0458	225.89	N.A.	225.89	N.A.	225.89	0.00
Exempt Sub-Total		1.4706	317.65		317.65		317.65	0.00
Total Taxes Imposed and Measure 5 Compression Loss:							3,481.68	0.00