



STAFF REPORT

Meeting Date: February 4, 2025
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Reviewed: Gloria Butsch, Finance Director
Ashley Wigod, City Attorney's Office
Department: City Administrator's Office
Subject: Options for Revenue to Refer for Voter Approval
Type of Item: Proposed Ordinance

Purpose

To review options for additional revenue to fill gap in budget for FY 26-27; timeline to refer for voter approval at the May 19, 2025 election.

Background

After a review of the year-to-date budget and projected expenditures, the City projects a budget shortfall of \$150,000 by the end of FY 25-26, and if so, it will require a supplemental budget to reduce expenditures through the end of the year.

In addition, early forecasts for FY 26-27 General Fund available revenue are estimated to have a shortfall if services are to remain the same.

The estimated General Fund shortfall to maintain the existing level of services reflects lower revenue projections, cost pressures, and a relatively low permanent tax rate compared to other Oregon cities. Additionally, over the past several years, the City has used one-time revenue sources to fill budget gaps and maintain current service levels, but those one-time revenue sources are not available in future years.

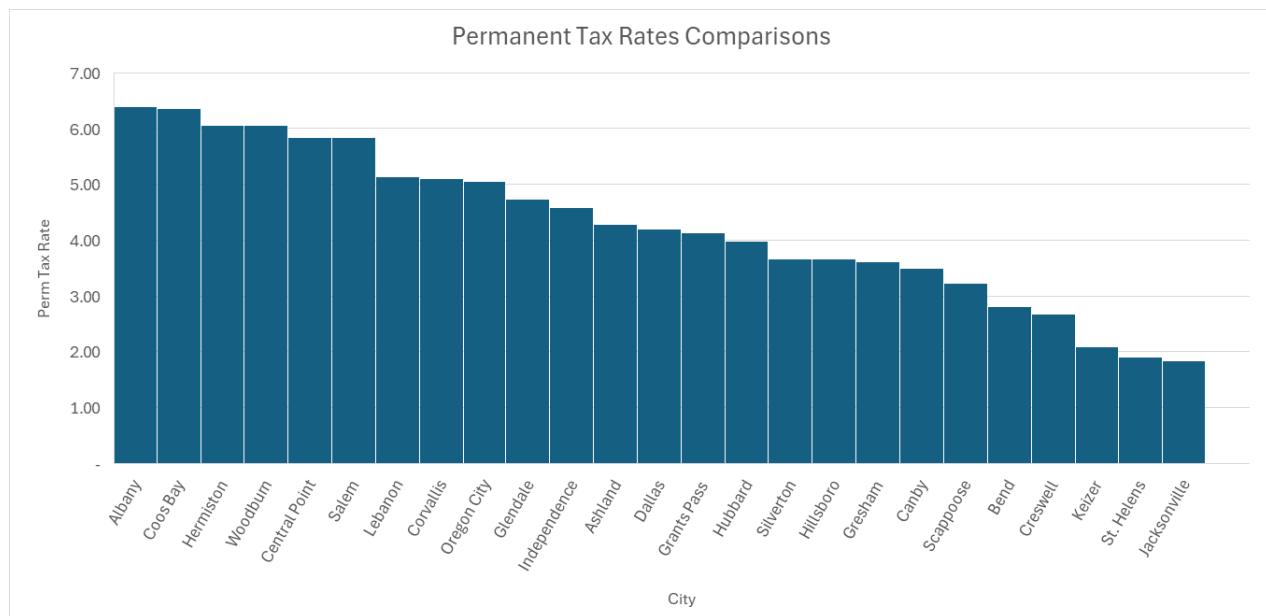
Both revenue and expenditure assumptions will continue to be refined as the budget process progresses. The full impact will be clearer as budget scenarios are developed and more analysis is released.

Revenue Increase Required to Maintain Existing Service Level

To maintain the same or similar level of services in FY 26-27, the City will need to increase revenue. Two options to increase revenue include 1) Municipal Services fee charged on utility bills or 2) a Local Option Property Tax Levy charged to property owners, both of which require voter approval.

Comparison of St. Helens' Permanent Tax Rate and other Oregon Cities

Below is a sample of Oregon cities and their permanent tax rates. The chart does not include local option tax levies that many of the below cities have in addition to their permanent tax rates.



City	Permanent Tax Rate
Albany	6.40
Ashland	4.29
Bend	2.80
Canby	3.49
Central Point	5.83
Coos Bay	6.36
Creswell	2.67
Corvallis	5.11
Dallas	4.20
Glendale	4.74
Grants Pass	4.13
Gresham	3.61
Hermiston	6.06
Hillsboro	3.67
Hubbard	3.98
Independence	4.59
Jacksonville	1.84
Keizer	2.08
Lebanon	5.14
Oregon City	5.06
Salem	5.83
Scappoose	3.23
Silverton	3.67
St. Helens	1.91
Woodburn	6.05

Options and Timelines

1. Municipal Services Fee Referred for Voter Approval.

In September, City Council adopted SHMC Chapter 13.32, which requires all new Municipal Services Fees unrelated to the cost of utility services to obtain voter approval and that the fee:

- Specify the maximum amount of the rate or fee
- Include an expiration date unless reauthorized by voters, and
- State the specific purpose for the fee to be used.

The City could adopt and refer for voter approval a municipal services fee, which would be used to maintain existing general fund staffing, programs and services in police, library, parks, recreation, community development, administration and municipal court.

A municipal services fee applies to Equivalent Dwelling Units (EDU) that receive utility service. “Equivalent dwelling unit (EDU)” are defined as the number of living units, office spaces or connections to a single meter. Examples include, but are not limited to, a single-family residence is one EDU, a duplex with one meter is two EDUs, an apartment complex EDU is per total the number of apartment units, RV park EDU is per hook-up. (SHMC 13.02.010(6)).

To generate the annual revenue needed to continue similar or existing services and fill the budget gap, the following municipal services fee is required:

\$ 24 per EDU / month

- Generates an estimated \$146,496.00/month, \$1,757,952.00 annually in FY 26-27
- Creates a 10% reserve

OR

\$ 35.30 per EDU / month

- Generates an estimated \$215,441/month, \$2,585,292 annually in FY 26-27
- Creates a 20% reserve

Revenue from a municipal services fee is collected on an ongoing monthly basis and is not subject to Measure 5 property tax compression, which reduces the amount of revenue the City may ultimately receive.

Timeline to make it onto Ballot for May 19, 2026, Election, for voter decision

Timeline Option 1

- By February 12, 2026, adopt first reading of Ordinance
- By February 26, 2026 (14 days later), adopt second reading of ordinance.
- Ordinance filed with the County Election Official by February 27, 2026

Timeline Option 2 – requires unanimous vote

- Notice of Ordinance 7 days in advance of meeting
- February 21, 2026 – Adopt Ordinance at regular Council meeting on February 21, 2026
- Ordinance filed with the County Election Official by February 27, 2026

2. Local Option Property Tax Levy referred for Voter Approval. A local option levy is a temporary, voter-approved property tax (for up to 5 years) that is allowed to be expended for specific operational services. A local option levy could be proposed to maintain existing general fund staffing, programs and services in police, library, parks, recreation, community development, administration and municipal court.

\$1.49 per \$1,000 assessed market value

- Generates \$1,760,423 annually in FY 26-27
- Creates a 10% reserve
- Proposed as a 5-year local option levy and to expire in 2031

Revenue from a local option property tax is assessed on July 1, 2026, and collected in November. The local option levy is subject to Measure 5 and 50 property tax compression, which reduces the amount of revenue the City may ultimately receive.

Timeline to make it onto Ballot for May 19, 2026, Election, for voter decision

- February 21, 2026 - Adopt by Resolution for Local Option Levy
- By February 27, 2025 – File resolution with the County Election Official

3. Variations on Option 1 and 2

There are other variations of options 1 and 2 which may be helpful to consider. However, these options are slightly more complicated and may cause confusion or a suboptimal outcome.

- Referring both a Municipal Services Fee and a Local Option levy on the ballot for voters to select which revenue source is preferred. If both options received a majority of the vote, the option with the most votes would be adopted. We are confirming with the County Elections Official whether this option is feasible. We are concerned that this approach may cause voter confusion and voter concern that the City is attempting to double the charges on the residents, when in fact the City intends to only implement the result that gains the most votes.
- Referring half of the amount of proposed Municipal Services Fee and half of the amount of the proposed Local Option levy. Passing both options would generate 100% of the required revenue. Passing only one option would generate only 50%. We are concerned that this approach may cause voter confusion and in the event of a successful vote on only one option, the City will continue to have a budget shortfall.

Questions for Council Discussion / Feedback

1. Does the City Council desire to adopt a local option levy or municipal services fee to be referred to the voters?
2. If so, which of the above options is preferred?
3. If a municipal services fee, what is the expiration date on the municipal services fee?
4. What are City Councils' perspectives on the variations on Options 1 and 2?