



REQUEST FOR COUNCIL ACTION

Title: Renewal of Library Services Operating Levy

Preferred Agenda: August 11, 2020

Submitted By: Brandon Neish, Finance Director

Reviewed By: Ray Towry, City Manager

Type of Action: Resolution X Motion ____ Roll Call ____ Other ____

Relevant Code/Policy: ORS 280.060 – Levy of local option taxes outside constitutional limitation

Towards Council Goal: Goal 2.3: Invest in long-term staff stability & training
Goal 3.2: Improve community safety, Police, Community Design, etc.

Attachments: Resolution No. 23 for 2020
Resolution No. 23 for 2020 (track changes)
Resolution No. 19 for 2015

Purpose of this RCA:

To review Resolution No. 23 for 2020 and determine if a renewal of the Library Services operating levy should be referred to voters.

Background/Context:

In 1986, the citizens of the City of Sweet Home voted to enact a temporary levy to fund library services. This levy has been renewed by the voters each time it has been on the ballot. In 1996, Oregon voters approved Measure 47 which was amended in 1997 by the Oregon Legislature to ensure the intent of Measure 47 was protected and could be implemented appropriately. This became Measure 50. Measure 50 established a permanent rate for all existing taxing districts in the State of Oregon, less 10%. Communities with existing tax levies saw these levy amounts rolled into the existing “permanent” rate to establish the new permanent rate. At the time of passage in 1997, Sweet Home had a “permanent” rate of \$1.4157 per 1,000 real market value (RMV) and two, temporary levies. Unfortunately, those temporary levies were expiring and their replacements were higher and for another taxing period. As a result, the expiring levies were not included in the new permanent rate calculation and the City was left with its extremely low permanent rate of \$1.4157 per 1,000 assessed value (AV). Furthermore, without action from Oregon voters, the Measures could not be amended (an attempt in 2000 to fix the issue failed at the voters box).

In 2015, voters in Sweet Home approved the current levy rate. The levy approval included an increase of \$.32 per 1,000 AV for the Library Services operating levy. The new rate generated \$1.5 million for fiscal years 2017 through 2020 and is projected to generate \$400k for the current fiscal year, 2021. The Library Services operating levy was proposed to the City Council with an increase in a bid to keep taxpayer money in Sweet Home fighting compression.

From its peak in 2017, compression rates have dropped from a high of 38.2% to 19%. As the housing market inevitably levels off, the City expects that the compression rate will increase. Additionally, Linn County's local option levy for public safety services, slated to renew in 2022 if approved by voters in November, will add to the compression as the County has asked voters to approve a \$.25 increase in their rate to \$3.08 per 1,000 AV. The estimated impact to the City's Library due to this increase is approximately \$11,000 in lost revenue annually.

To meet the City's goals, continue providing the same level of service and given the current economic climate, staff is proposing to ask voters to renew the five-year local option levy with no change in the rate. At \$1.17 per 1,000 AV, the City projects this would generate \$2.4 million in revenue for the Library over the life of the levy. If the levy rates were reduced to their 2015 rates, the City would expect to generate approximately 15% less than the current rate for total revenue of \$2 million. To make up the additional revenue, the City would need to attempt to find additional resources to fund operations (which could include a general fund contribution) and/or reduce expenses to balance the budget. The loss of funds could be greater depending on compression changes and how much money would go to other taxing districts as a result of the City's rate change.

Should the City Council opt to leave the Library Services operating levy at its current rate, property owners would see increases in property tax payments only associated with the annual 3% increase in assessed valuation pursuant to Measure 50. In fact, as compression edges upward, property owners would **likely** see a decrease in their City taxes so they remain below the established tax caps of Measure 5.

The Challenge/Problem:

Does the City Council feel a local option tax levy is the best method to fund the Library's operations and wish to refer a renewal to voters?

Stakeholders:

- City of Sweet Home voters – Voters in the City of Sweet Home make up a large majority of the property owners in town. The decision of whether to renew the Library Services operation levy directly impacts their property taxes annually as well as the services they receive from the City, in this case, through the Library.
- Sweet Home City Council – The City Council is elected to make policy decisions on behalf of the 9,000+ residents within city limits and adopt a budget under Oregon Local Budget Law. The levy provides nearly \$450k annually to operate the Library which the Council oversees spending authorizations for.
- City of Sweet Home Library – Without the \$450k in revenue generated by the levy, the Library and the City would need to find alternative resources to fund the department's operations or reduce expenditures to continue operations.

Issues and Financial Impacts:

The Library's operating budget for 2021 is \$480k (including contingency). The Library operation levy generates 94% of the total resources needed to operate the department. In fiscal year 2022 when this renewal would take effect, expenditures are estimated to be \$500k with costs rising an average of 4.3% annually.

Elements of a Stable Solution:

A decision on resources to cover Library expenditures annually would provide a stable solution.

Options:

1. Do Nothing – The City Council could decide to not take action on Resolution No. 23 for 2020. The current Library Services operating levy would expire on June 30, 2021 and there would be no funding available from a local option levy to fund the Library for the 2022 fiscal year which begins on July 1, 2021.
2. Move to approve Resolution No. 23 for 2020 – The Resolution maintains the current operating levy rate of \$1.17 per \$1,000 assessed value and refers the local option levy to voters to decide.
3. Move to amend and approve Resolution No. 23 for 2020 with a revised rate – The City Council could opt to revise the rates proposed in Resolution No. 23 for 2020 before adopting the resolution.
4. Direct staff to prepare another proposal based on forecasts and specific limits for compression. The City Council could direct staff to recalculate the rates to mitigate an increase in compression rates over the five-year levy. Based on timing restrictions for getting a local option levy into the general election, a special session of the Council would be necessary.

Recommendation:

Staff recommends option 2, move to approve Resolution No. 23 for 2020. The Library provides many valuable services impacting the wellbeing of the community. Having been supported by the community since 1986, staff believes this is the best proposal balancing the needs of citizens, businesses and the City.