



# Western Washington County Cities' Joint Legislative Meeting

Cities of Banks, Cornelius, Forest Grove, Gaston, Hillsboro, and North Plains

December 16, 2019

## No Formal Business Will Be Conducted

### Agenda

5:30 Dinner

6:15 Welcome & Introduction – Mayor Jef Dalin

League of Oregon Cities Legislative Priorities – Jim McCauley

City of Hillsboro

*Enterprise Zone and Strategic Investment Programs, Community Corrections Funding, Community Dispute Resolution Funding*

City of Banks

*Broadband Infrastructure, Infrastructure Financing and Resilience, PERS Reform/PERS Unfunded Liability Revenue*

City of Forest Grove

*Carbon Cap and Invest Program, Mental Health Investment, Permanent Supportive Housing Investment*

City of Cornelius

*Infrastructure Financing and Resilience, Safe Routes to School Match, Broadband Infrastructure*

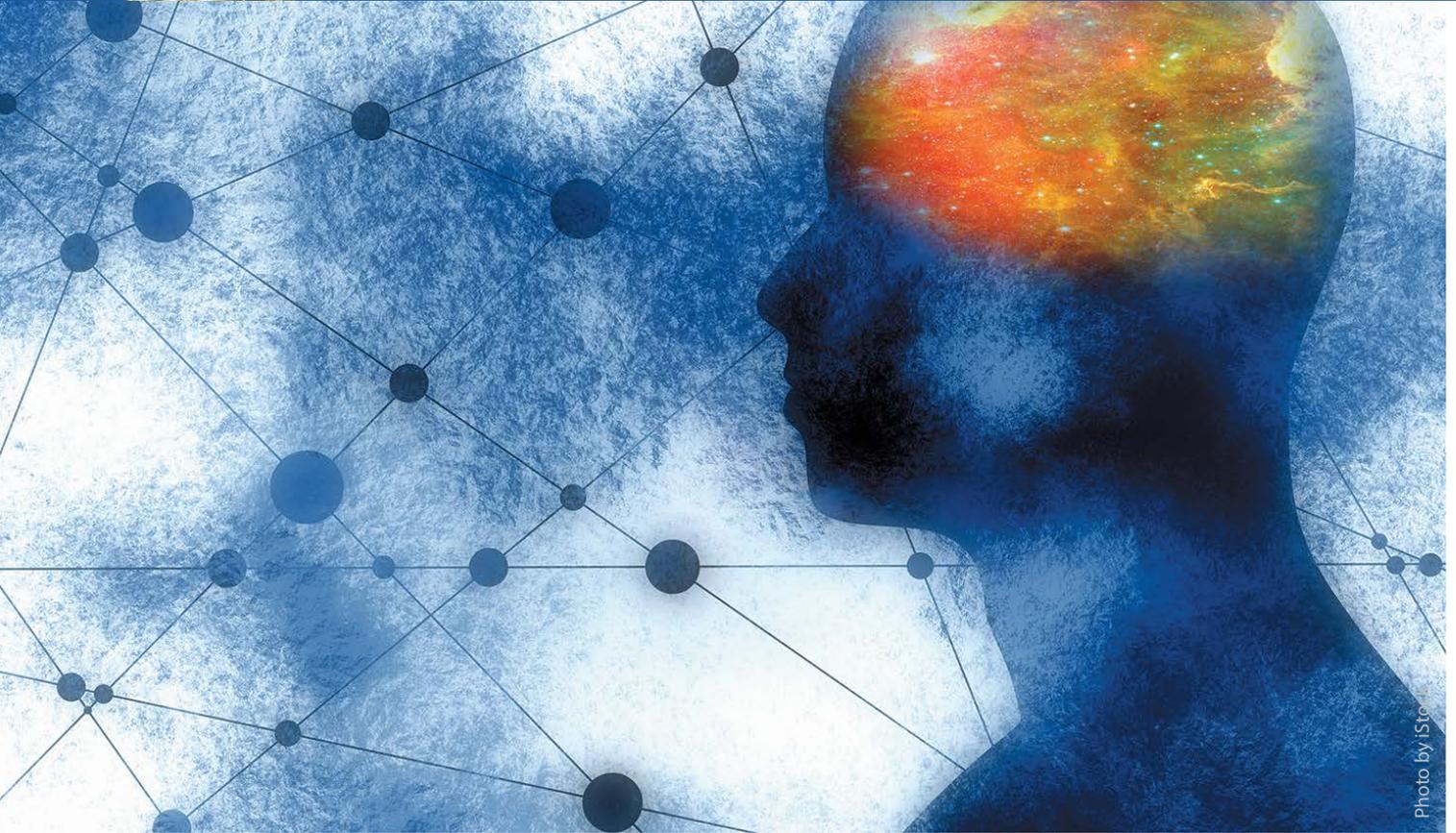
City of North Plains

*Safe Routes to School Match, PERS Reform, Mental Health Investment*

7:00 Open Discussion

7:30 Adjournment

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# 1 MENTAL HEALTH INVESTMENT

## Priority

The League will advocate for adequate resources to protect and enhance the services available to persons suffering from mental health conditions.

## Background

In 2015, the state made several strategic investments in mental health service delivery. First, the Oregon Department of Public Safety Standards and Training added two instructors to train police officers in crisis intervention. Second, rental assistance was provided to mental health clients and improvements were made to emergency care. Finally, a grant program established multi-

disciplinary proactive outreach teams that combined law enforcement with mental health professionals. These investments have helped make Oregon a more humane place for those suffering mental disorders.

## Desired Outcome

The League of Oregon Cities' minimal goal is that service levels to mental health clients not be reduced. But the League also holds an aspirational goal that Oregon expand on its existing efforts to house and treat its mentally ill citizens.



## 2 REVENUE REFORM/ COST CONTAINMENT

The League recognizes that Oregon faces fiscal challenges at both the state and local government levels. Cost increases are outpacing revenues, even in a healthy economy. Revenue reform and cost containment necessarily must go hand-in-hand. The League will insist upon the inclusion of two items in any package undertaken by the Legislature: property tax reform and PERS reform.

### Property Tax Reform

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#### Priority

The League of Oregon Cities proposes that the property tax system be constitutionally and statutorily reformed as part of the Legislature's work in 2019 on state and local tax reform and improving funding for schools. The League is not seeking property tax revenue increases from the Legislature for cities or other local government taxing districts. That must remain a local choice for local elected officials and voters, as each community across the state has different needs and revenue circumstances. Instead, the League priority is to ask the Legislature for reforms to the property tax system that would reestablish tax fairness and allow local governments to make

real tax choices again. The present caps, permanent rates and growth limits have hamstrung communities arbitrarily. The result has been more city fees, deferred maintenance, and service cuts because costs increases are outpacing revenues. The limits of Measures 5 and 50 on the property tax system simply do not allow cities to work effectively. The League will ask the Legislature for reform to allow the property tax system to work again.

The League's efforts for reform will be focused on advocating for an updated system that is marked by the following principles adopted by the LOC Board of Directors:

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## 2. REVENUE REFORM/COST CONTAINMENT

- Stability/predictability;
- Fairness/equity;
- Simplicity/clarity;
- Adequacy/sustainability;
- Voter/local option;
- Home rule is protected; and
- Competitive environment to retain/attract business.

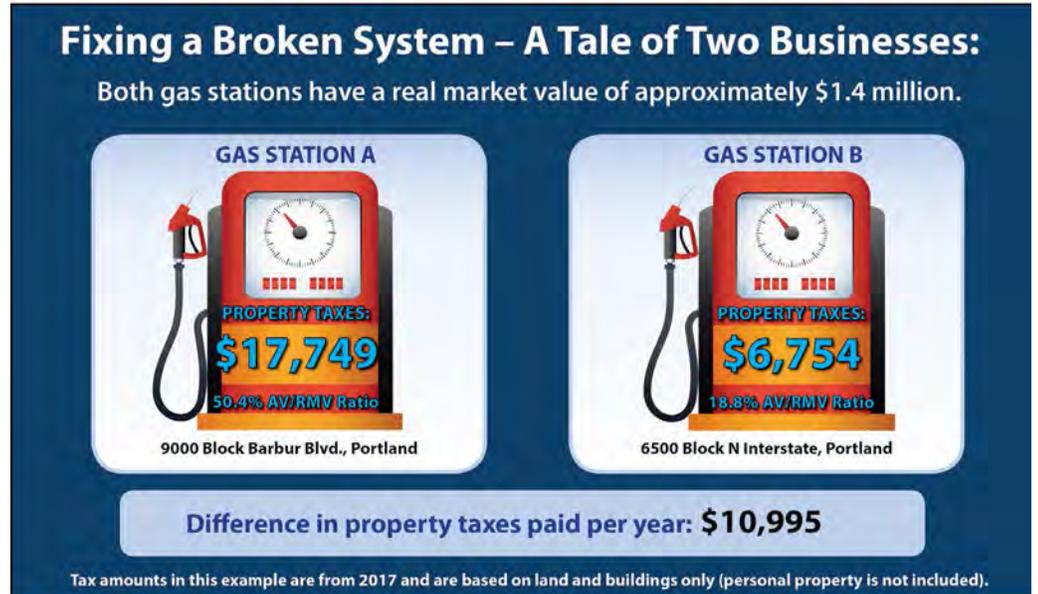
### Background

Property taxes are the largest source of revenue for cities, with \$1.39 billion collected in FY 2017-18. Property taxes play a vital role in funding capital projects and the essential services that cities provide, including police, fire, roads, parks and more. They are also a key revenue source for counties, special districts and school districts—providing approximately one-third of the state’s education budget.

Property tax revenues have been outpaced by rising costs due to the harsh limits and restrictions on the property tax system. This system is broken and in need of repair due to Measures 5 and 50, which are both now more than 20 years old. The tale of two houses (and two businesses) is the norm—this is the phenomenon of two properties with similar values having widely disparate tax bills. Compression is also the norm for a majority of taxing districts—this is the phenomenon of voters approving tax increases, but the tax bill getting reduced due to Measure 5 limits.

### Desired Outcome

The League is participating in coalitions and work groups to help draft and advocate for both comprehensive and incremental property tax reform option packages that are consistent with principles adopted by its board of directors. The League will remain flexible in



its support of all legislation that improves the system, with a focus on a property tax package that includes these elements:

- To achieve equity, a transition to a market-based property tax valuation system (RMV) rather than the present complex valuation system from Measure 50 (requires constitutional referral).
- To enhance fairness and adequacy, a system that makes various statutory changes, some of which would adjust the impact of a return to RMV. For example, the League supports a new reasonable homestead exemption (percentage of RMV with a cap) but also supports limiting or repealing various property tax exemptions that do not have a reasonable return on investment.
- To restore choice, a system that allows voters to adopt tax levies and establish tax rates outside of current limits (requires constitutional referral).

The League’s ultimate goal is a constitutional referral to voters and a companion bill that makes the statutory changes to reform the property tax system.

## PERS Reform

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### Priority

Provide employers with Public Employee Retirement System (PERS) rate relief by: sharing the cost of pensions with employees; improving earnings by achieving efficiencies in our investment system; and fully funding the Employer Incentive Fund.

### Background

Due to adverse court rulings, investment losses in 2008, and improved retiree longevity, Oregon's pension system is currently \$22 billion underfunded. As a result, employer rates are expected to increase in 2019, 2021 and possibly 2023 before leveling off and slowly decreasing over the next 20 years.

Additionally, because of the tiered nature of previous reform efforts, current employees who receive the Oregon Public Service Retirement Plan (OPSRP) will receive a reasonable pension, but not one nearly as generous as the plans received by previous generations. Reforms should take these generational inequities into account by requiring Tier I and Tier II employees who are currently working to pay greater shares of their pension costs. Currently, the only contribution an employee makes to their retirement benefit is 6 percent toward an individual account plan similar to a deferred compensation program. Requiring the 6 percent contribution, or a portion thereof, to fund the defined benefit pension would allow the employer rate to be shared with employees.

Rate relief may also be provided by continuing to modernize the state's investment system. Moving more investment officers in-house, and away from private sector firms, has improved investment earnings and reduced costs of managing the state's portfolio. This trend should continue.



In 2018, at the urging of the governor, the Legislature established the Employer Incentive Fund, which is intended to provide matching dollars to local employers for contribution to their side accounts. Oregon's PERS problems are the result of decisions made by the state, and it is therefore appropriate that the state should provide direct funding assistance to cities to correct the challenges these problems have created.

Other reform options continue to be discussed by stakeholders, including the creation of a fourth pension tier, and the potential of the state using its taxing authority to capture revenue from existing retirees who receive exorbitant pension benefits that are well in excess of their final salaries.

### Desired Outcome

The achievement of employer pension cost relief.



# 3 HOUSING & HOMELESSNESS IMPROVEMENTS

## Priority

The League will seek additional tools and resources to address statewide difficulties in developing affordable housing, and to meet the varying needs of the homeless population statewide. This includes maintaining the flexibility to address these issues in ways that work for individual cities.

## Background

Across Oregon, the price of housing is rising at a pace faster than the state's economic growth. This is particularly felt in Oregon's rural and frontier regions. Moreover, high-growth, metropolitan areas are under increasing strain to meet market demands resulting from the high rate of in-migration. The state economist has identified multiple constraints that contribute to the

inability of the construction industry to meet this need, such as a shortage in construction workers, the price of land, the number of shovel-ready lots, and the availability of financing.

Similarly, cities across the state are seeing more homelessness, representing a variety of populations including: families, youth, and those impacted by mental health issues or addiction. City employees, particularly public safety officers, are often the first contact for those experiencing homelessness, but cities do not directly provide social services or crisis housing. Instead, cities rely on private, county and state programs to provide these services.

The availability of affordable housing will address a segment of the homeless population's need. People who are displaced from a limited supply of housing are often

# LET CITIES WORK

living in cars or co-habiting with other families in single-family homes. If more affordable housing is created, these residents will have a stable place from which they can rebuild their family's security and financing. However, there are other segments of the homeless population that need more than a house they can afford. They need programs and services that provide support, social services, and job training to stay housed. Therefore, investment in affordable housing is not enough to meet their needs. Investment in the services that help people stay in housing is the only means to prevent their return to homelessness.

Cities have expressed the desire to be partners in both creating more housing and ensuring that people can stay in these homes once they are housed. However, cities also recognize that their role is as a partner and

facilitator. Cities cannot become the social service provider, nor do most have the resources to directly develop housing projects. Nevertheless, cities can work to plan for increased housing, help developers find the means to create housing, assist those that they encounter to find shelter, and bring all partners to the table to address housing and homelessness issues.

## Desired Outcome

Housing and homelessness issues defy a single answer. To assist cities in addressing these issues, the League will focus on: additional technical assistance that will help cities plan for affordable housing; a stronger partnership for long-term solutions to homelessness; and an increased state investment in housing development and services for the homeless.

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# 4 PUBLIC INFRASTRUCTURE INVESTMENTS

## Priority

The League will work during the 2019 legislative session to maximize both the amount of public infrastructure funding and the flexibility of funds available to better meet the immediate and long-term needs of cities across the state.

## Background

A key issue that most cities are facing is how to fund infrastructure improvements (including maintaining, repairing and replacing existing infrastructure and building new infrastructure to address capacity and regulatory requirements). Increasing state resources for programs that provide access to lower-rate loans and infrastructure-specific grants will help cities invest in vital infrastructure improvements. Infrastructure development impacts economic development, housing and livability. The level of funding for these programs has been inadequate compared to the needs over the last few biennia, and the funds are depleting and unsustainable without significant program modifications and reinvestments.

A 2016 LOC survey identified a need for \$7.6 billion over the next 20 years to cover water and wastewater infrastructure projects for the 120 cities who responded. A significant reinvestment in the state's Special Public Works Fund (SPWF) is needed to help meet the needs of local governments. Current funding levels are insufficient to cover the long-term needs across the state. While past legislative sessions have focused on finding resources for transportation infrastructure, the needs for water, wastewater and storm water have not been given the same attention. In addition, there is a critical need to improve upon the seismic resilience of public drinking water, publicly-owned/operated dams and storage facilities, and wastewater systems.

## Desired Outcome

It is anticipated that Business Oregon will request an additional \$85 million for the SPWF that can fund critical infrastructure projects, including seismic improvements for water systems. In addition, the League will pursue opportunities for seismic bonding capacity for public infrastructure.



## 5 RIGHT-OF-WAY & FRANCHISE FEE AUTHORITY PRESERVATION/ BROADBAND INVESTMENT

### Priority

The League will once again oppose any legislation preempting local authority to manage public right of ways and cities' ability to set rates and receive compensation for the use of these right of ways. This applies to existing technology, as well as the deployment of new small cell and 5G technology. In addition, the League will seek additional state support and funding for increased and equitable broadband infrastructure deployment, especially in rural areas, while opposing any legislative efforts restricting municipal authority to provide their own broadband services.

### Background

In its commitment to the protection of home rule and local control, the League often has to combat

legislative efforts to restrict city authority to manage local right of ways, including being compensated for that management via franchise fees and privilege taxes—this notwithstanding the fact that the court system, all the way up to the Oregon Supreme Court, has consistently found in favor of local authority in these matters.

In addition, the existence of a widely-deployed telecommunications and broadband infrastructure network throughout Oregon is critical to cities in terms of economic development, education, health and safety, and the ability of residents to be linked to their governments. Large areas of the state are either not served, or are underserved, by competitive broadband technology. Additional funding from state and federal government is critical, and would be allocated for increased or new broadband infrastructure, especially for fiber

*(continued on page 26)*



## 5. RIGHT-OF-WAY & FRANCHISE FEE AUTHORITY PRESERVATION BROADBAND INVESTMENT

connections to schools, community libraries and public safety buildings.

Finally, it is important that private internet service providers, should they choose not to serve certain areas, not be allowed to block local government efforts to provide such service within their jurisdiction.

### Desired Outcome

The League seeks to protect the status quo in terms of local authority to manage public right of ways, and further to ensure that the ability to receive just compensation from occupants of those right of ways is

maintained. With the rapid onset of new technology, local governments also must control their own destinies with respect to how and where the deployment of new small cell technology occurs.

Additional funding for broadband infrastructure deployment will bring this technology to all parts of the state, especially its more rural areas. Finally, for underserved areas where the private sector chooses not to provide services, or at least competitive services, local government must continue to have the option and the authority to provide the technology itself.



# State of Oregon

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## System Development Charges & the Cost of Development

### What are SDC's?

SDCs are typically one-time fees charged on new development, and certain types of redevelopment, to equitably recover the cost of developing new infrastructure needed as a result of growth. State legislation regulating SDCs was first enacted in 1989 through ORS 223.297 – 223.314, also known as the SDC Act. SDCs can either consist of an improvement fee or a reimbursement fee, and can only be charged for capital improvements on water, waste water, storm water, transportation and parks facilities.

### Methodology for Setting SDC Rates

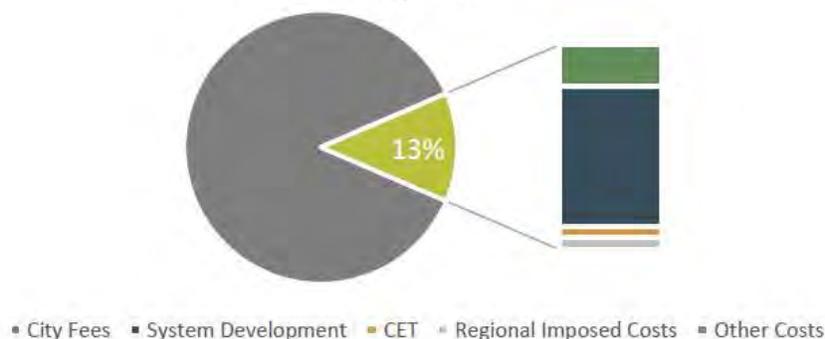
State law does not specify the method for calculating SDC rates, although standardized methodologies based on statute guidance have evolved. SDC rates vary by jurisdiction, and fee levels are typically higher in cities with larger populations.

### Impacts of SDC Waivers and Reductions

Significantly reducing or waiving SDCs has numerous financial and service level impacts, and often results in the entire community subsidizing the costs of development. For example, revenue loss due to water and sanitary sewer SDCs waivers can result in higher utility rates and charges, essentially requiring the entire customer base to finance the cost of increased infrastructure capacity needed as a result of development. Revenue loss due to waiver of parks SDCs can result in service level changes by reducing the number of parks acquired or planned for new development.

Alternatives to SDCs include local option taxes, property taxes, development exactions, tax increment financing, revenue bonds, and internal absorption. The cost burden of these alternative financing mechanism can ultimately be traced back to the community. In the long term, SDC reductions decrease a City's resources to invest in infrastructure, which can ultimately widen the funding gap for development and exacerbate intergenerational inequity.

### Government Imposed Fees Represent a Small Share of Total Costs on Housing Development Projects



*Source: Strategies for Accelerating Housing Development in Portland  
City of Portland Office of Management and Finance, 2017*