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Information Report on "Three Year Tax Levy to Continue Street Lighting" (Municipal Measure No. 51)

City Club of Portland (Portland, Or.)

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Information Report on
"THREE YEAR TAX LEVY TO CONTINUE STREET LIGHTING"
(Municipal Measure No. 51)

Question: "Shall the City continue to levy a tax for street lighting after the existing tax levy expires this June?"

Purpose: "This measure would direct the City to continue to levy taxes to maintain the current level of street and neighborhood lighting. The tax rate would be $.50 per $1,000 of assessed valuation and could not be changed without a vote of the people. The levy would expire in three years. It is estimated that this serial levy would raise $5,773,495 during the 1985-86 fiscal year, $5,946,850 during the 1986-87 fiscal year, and $6,125,210 during the 1987-88 fiscal year. This levy is outside the limitation provided by the Oregon State Constitution."

I. INTRODUCTION

Your Committee was asked to study and prepare an information report on the ballot measure for a three-year tax levy, continuing street lighting, to appear on the ballot at the municipal election May 21, 1985. The Council voted unanimously in March, 1985 to submit the special tax levy measure to City voters. Proceeds of the levy would be placed in a special fund to be designated "City of Portland Street Lighting Fund" and expended for one or more of the following purposes: The purchase or contract for electric energy for street lighting purposes; the maintenance and repair of existing and new lighting systems on public ways within the City; the purchase or lease, installation and operation of new or additional lighting systems; the modernization, construction and renovation, or extension of existing lighting systems, and the maintenance, repair and purchase of energy; and other expenses connected with provision of street lighting in the City of Portland.

II. BACKGROUND

Since 1954, three special ten-year levies for street lighting have been passed. However, the latest of these levies will expire on June 30, 1985. State law no longer allows ten-year serial levies; the maximum length of a serial levy is now three years.

In November 1984, a ballot measure was submitted to voters that would have charged property owners a fee, rather than a property tax, to support the street-lighting system. The measure failed (92,000, no - 69,000, yes votes).

The current ballot measure has been placed on the May 21 ballot requesting a three-year levy of $.50 per thousand dollars of assessed valuation. This levy is based upon a fixed rate. A fixed rate does not change over the length of the levy, regardless of the changes in assessed valuation.

City officials say when the service area is expanding, as expected when new areas are annexed, the fixed rate levy means new areas joining Portland will pay the same rate as current residents. This levy is an increase of five cents per thousand over the average cost of the last levy, an increase
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Two recent polls have shown Portlanders to be almost evenly divided on the issue of legalizing prostitution. A call-in poll conducted by KATU TV elicited 14,400 responses. 49.6% of the respondents supported some form of legalized prostitution in Oregon, and 50.4% were opposed. A survey commissioned by The Oregonian and performed by Columbia Research Center in early April, found 49.6% of respondents approving and 50.4% opposing the legalization of prostitution in certain areas of the city.

SALES TAX
BALLOT MEASURE STUDY
CHAIR ANNOUNCED

Charles F. Hinkle, Attorney with Stoel, Rives, Boley, Fraser and Wyse, has agreed to chair the committee which will evaluate the sales tax package referred to the voters for the September 17, 1985 ballot. The study will be the third in the Club's ongoing analysis of taxation in Oregon. The first of these reports, Oregon's Tax System, was published in March 1984 and recommended a broad-based retail sales tax. The second report, entitled Model Sales Tax and published in February 1985, recommended specific features to be included in any sales tax package referred by the legislature. The committee now being formed will assess the degree of congruence between the legislature's package and the Club's model sales tax.

Hinkle has City Club research experience dating back to 1978, having served on three committees studying property tax reduction. He served on the Research Board from 1980 through 1983, serving as first vice president and chair in 1982-1983. In 1984, Hinkle chaired a committee studying the legislature's sales tax package. The committee was disbanded, however, when the measure was ruled unconstitutional.

Members who wish to serve on this committee should volunteer by contacting Mimi Bushman at the City Club office (228-7231). Potential committee members are advised that volunteers will be screened for conflict of interest and should expect to spend at least two hours per week during the study.
made necessary by the increased costs of electricity and maintenance, and by inflation. However, because the current rate has declined to $0.28 per thousand, passage of the levy will boost the rate by $0.22 per thousand.

In the past, the City leased most of the lighting system, which consists of 39,000 light fixtures, from Portland General Electric Co., contracting for maintenance as well as energy. Over the last ten years, the City has purchased the system but still contracts with PGE for maintenance. The City claims savings of $1 million per year from owning instead of renting the system.

Other projects to reduce operating costs include converting from mercury vapor to high pressure sodium vapor lighting, which requires fewer kilowatts of energy to produce the same amount of light. Approximately one-half of the system has been converted. Conversions reduce long-term operating costs and were funded in the past not from the levy but from energy conservation funds received from the Bonneville Power Administration.

Some essential lighting will have to be continued even if the measure is defeated by the voters, at the expense of other services funded by the City's General Fund. However, defeat of the levy may mean that some street lighting will have to be cut off. Preparing for that possibility, the City has developed this priority classification of the lighting system:

1. Non-intersection residential lights - representing 20% of system.
2. Non-intersection arterial lights - 27% of system.
3. Intersection residential lights - 40% of system.
4. Intersection arterial lights - 13% of system.

Turning off lights does not eliminate all utility costs. Charges for maintenance and circuits still will be billed to the city. There will be a turn-off fee, and when money for lighting is again available, a turn-on fee.

The City says there is enough money in the street lighting fund to continue operations for only 10 more months after expiration of the levy.

III. ARGUMENTS IN FAVOR

1. Street lighting is a priority public service that deserves stable funding secured by a multi-year tax levy. The public will benefit by having increased traffic safety and a safer, well-lit environment.

2. Street lighting contributes to a liveable downtown and residential neighborhood.

3. Good street lighting contributes to economic development - business will only locate where there is adequate street lighting.

4. The City's General fund is already strained to provide basic governmental services, as evidenced by the recent layoff of police and fire fighters, and cannot absorb the additional costs of the expiring serial levy.

5. A fixed-rate serial levy is the fairest way to deal with anticipated annexations to the City system.
6. Passage of the levy will enable the addition of new energy-efficient fixtures to underserved neighborhoods.

7. City officials believe the estimated dollar amount in the ballot measure would not limit the fixed rate assessment.

IV. ARGUMENTS IN OPPOSITION

1. Street lighting is a basic government service that should be provided from the City's general revenues already available. It should compete with other City services for funding priority.

2. The proposed three year serial levy, based upon a fixed $.50 per thousand dollars of assessed valuation, beginning with 1985-86, does not impose a sufficient dollar limitation on expenditures.

3. The City should institute a utility billing type of payment plan so that all users pay proportionately to the service each receives. The proposed tax, based on value, exempts non-profit agencies, governments and other tax-exempt entities from paying a share of these costs.

4. Property taxes already are too high and should be considered for reduction when possible.

5. Under a fixed rate levy, if the assessed value of the City declines, revenue will also decline, leaving the City short of funds to operate the lighting system.

6. The dollar amount stated in the ballot title may limit the amount the City can collect in the next three years, even if there are large areas of annexation.

Respectfully submitted,

Duane Kline
Dale MacHaffie
Ann Hoffstetter, Chairman
FOR THE GOVERNMENT & TAXATION STANDING COMMITTEE

Approved by the Research Board on May 9, 1985 and by the Board of Governors on May 13, 1985 for publication and distribution to the membership. Because this report carries no conclusions or recommendations, no official action is required of the membership.