



## CITY OF BEND

February 3, 2016

### City of Bend Property Tax Testimony

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Property taxes comprise 65% of the City of Bend's core General Fund revenues which are used to support police, fire/EMS and street maintenance operations. In addition to these essential services, General Fund revenues also provide partial funding for the regional transit system, consultant work required to expand the Urban Growth Boundary, as well as accessibility infrastructure improvements.

The City of Bend serves a population of over 81,000 with a permanent rate of \$2.80 that was established by Measure 50. This is considerably lower than other cities with similar populations and services provided. This low rate restricts our ability to maintain or expand the services our citizens expect without seeking additional revenue sources. Bend voters approved a \$0.20 five year local option operating levy for the Fire Department in May 2014, and will be asked to approve a 5 cent local fuel tax in March 2016 special election.

Prior to the recession, Bend had one of the highest levels of development activity and residential building permit activity in the nation. Due to the calculation of Assessed Value (AV) for new construction that was established by Measure 50, there is often disparity in the AV (and property tax revenues received by local governments) between new and existing homes with similar lot size, square footage, and Real Market Value (RMV). Citizens are receiving the same City services but the owner of the newer home is often paying less for those services. For example, there are 2 homes within the city limits with similar lot sizes, square footage, and number of bedrooms and bathrooms that were built 7 years apart. The older home has TAV of \$329,230 and paid \$5,025 in property taxes this fiscal year. The newer home has a slightly higher RMV, but lower TAV at \$250,340 and only paid \$3,820 in property taxes. This often creates confusion among citizens, who don't understand Oregon's property tax structure and think new homes are assessed based on their Real Market Value or sales price, and assume that the owner of the newer home is paying more in property taxes based on the value and age of the home. The Measure 50 calculation also constrains cities such as Bend that have

experienced significant development activity and are serving a growing community with limited increases in tax revenues.

The City of Bend has been fortunate that the growth in development activity and new construction contributed to an increase in tax revenues, even during most years of the recession. However the 3% growth limit on AV for existing properties does not keep pace with increasing costs. As noted earlier, property taxes comprise the majority of General Fund revenues which support police and fire operations whose largest costs are staffing (personnel costs represent 76% of the police department budget and 71% of the fire department budget). Annual cost of living adjustments, health insurance, and PERS costs for existing staff are increasing at a faster rate than 3%. After public safety, the largest use of General Fund revenue is street maintenance. Over the last 10 years, material costs used to repair Bend's streets have increased 292%. Existing revenues from City property taxes and the highway apportionment allocation received from the State have not kept pace, resulting in an \$80 million backlog of deferred maintenance. As a result, Bend is asking voters to approve a 5 cent local fuel tax to provide additional funding for street maintenance, as property tax revenues are not sufficient to address the deteriorating condition of our streets.

The 3% growth limit in AV also resulted in volatility to property owners after the recession when the economy and home prices rebounded. At one point during the recession, 20% of properties in Bend had RMV less than AV, which meant individual property owners experienced large increases in property tax assessments when their home prices recovered. Most property owners think their taxes can only go up 3% per year but many saw double digit increases as RMV starting creeping back up to pre-recession levels.

The City of Bend is supportive of a comprehensive property tax reform package that will continue to provide predictability and limit the volatility of revenues for both the public and city, while providing local government with the ability to generate revenues that keep pace with increasing costs and the service levels expected by citizens in each community.



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