

Revenue Source: Local Option Levy

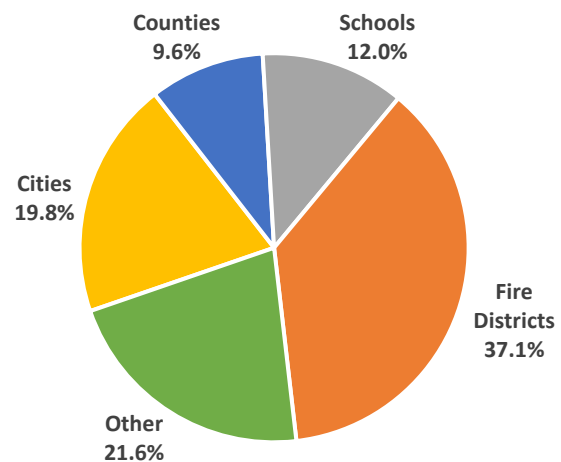
Property taxes in Oregon are divided into three main categories: permanent tax rates (limits established by each individual taxing district in 1997 on funds for general operating budgets), general obligation (GO) bond levies approved by voters to pay for specific capital construction projects, and local option levies that can be used for operating expenses or debt service payments. Measure 5 tax limitations apply to permanent and local option taxes, meaning that tax revenue is reduced (compressed) when the total governmental tax on a property's assessed value (AV) exceeds the \$10 per \$1,000 of real market value (RMV) test. When tax levies need to be reduced because of this test, local option taxes are the first levies to be compressed. The City of Salem currently has compression of \$368,900 for fiscal year 2023.

Fund / Service Area	General Fund
Strategic Initiative	Sustainable Services
Approval Body	Voters
Calculation Method	Assessed value (AV) of property
Rate	\$1.25 - \$2.00 per \$1,000 AV

A local option levy requires voter approval, and can be levied for a maximum of five years for operational expenses, or ten years for capital expenses. If Salem voters approved a local option levy, the revenue could be used only for the identified needs. Once the levy expires, voters would then need to be asked to approve a new levy to continue collecting local option taxes for an additional five years. This revenue source is the only way to generate additional property tax dollars that can be used for operating expenses. The Measure 5 tax limitations add a level of risk in how much the issuer may actually collect. Depending on market conditions or levies that are approved for other taxing jurisdictions, the revenue generation anticipated from the local option levy could be compressed.

Currently, the Oregon Department of Revenue tax data indicates there are approximately 32 cities, 16 counties, and 20 school districts that collect taxes from a local option levy, ranging from \$0.18 to \$9.02 per \$1,000 of AV. Between 2008 and 2017, 55 different cities put forward ballot measures requesting voter approval for local option levies. The above chart shows the passage and failure of those ballot measure by year. During the financial crisis and in the years following (2008-2011), voters denied over 50% of the levies. From 2015 - 2017, the approval rating increased substantially to over 76%.

Local Option Levies by Taxing District



"Other" includes the following district types: health, historic, library, parks, roads, water supply, vector control and transportation

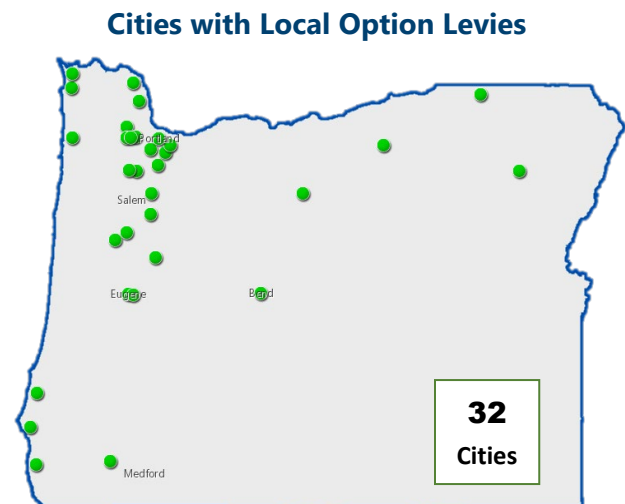
City Local Option Levy Ballot Measures



Examples of other cities in Oregon:

City	Permanent Tax Rate Levied	Local Option Tax Rate Levied	Purpose of Local Option Tax Levy
Sweet Home	1.4157	7.4700	Public Safety, Library
Banks	1.9700	2.5000	Public Safety
Grants Pass	4.1335	1.7900	Public Safety
Forest Grove	3.9600	1.9500	Fire, Police, Library, Parks
Hillsboro	3.6665	1.7200	Public Safety, Parks
Corvallis	5.1067	1.0700	Library, Aquatics, Code Enforcement, Public Safety
Stayton	3.3280	0.9000	Library, Parks, Aquatics
Bandon	0.4580	0.8455	Street Capital Projects
Portland	4.5800	0.8000	Parks
Canby	3.4886	0.4900	Aquatics
Silverton	3.6678	0.3659	Aquatics
Bend	2.8035	0.2000	Public Safety
Eugene	7.0058	0.3286	Library, Parks and Recreation
Albany	6.3984	1.1500	Public Safety

The table below demonstrates that potential revenue the City of Salem may receive if a local option levy were approved by voters at various rates per 1,000 of AV. The revenue could be used to fund general fund programs such as police, fire, parks, or library services. The revenue forecast is based on a levy imposed on all taxable properties within the City of Salem (Marion and Polk counties). Property tax collections are based on an assumed 95% collection rate, due to historic trends of discounts and delinquencies. The forecast also assumes real market value (RMV) growth of 5% and assessed value growth of 3% year over year. These assumptions are subject to market change but establish the gap between RMV and AV, which provides the potential capacity for a local option levy.



Revenue Forecast				
	FY 23	FY 24	FY 25	FY 26
Estimated Annual Revenue (\$1.25)	\$15,584,750	\$ 16,052,290	\$16,533,860	\$17,029,870
Estimated Annual Revenue (\$1.50)	\$18,594,120	\$19,151,940	\$19,726,500	\$20,318,300
Estimated Annual Revenue (\$1.75)	\$21,564,710	\$22,211,660	\$22,878,000	\$23,564,350
Estimated Annual Revenue (\$2.00)	\$24,493,820	\$25,228,630	\$25,985,500	\$26,765,060

Forecast Assumptions: This revenue forecast assumes an annual growth in consistent assessed value, along with an assumption of a discount or delinquency.