



**Staff Report**

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**File #:** 24-474  
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**Date:** 11/25/2024  
**Item #:** 5.d.

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**TO:** Mayor and City Council  
**THROUGH:** Keith Stahley, City Manager  
**FROM:** Josh Eggleston, Chief Financial Officer

**SUBJECT:**

Consideration of a five-year operating levy to fund the Library, Parks, and Center 50+.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Good Governance; Natural Environment Stewardship; Safe and Healthy Community; Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community.

**SUMMARY:**

The Salem Budget Committee approved a motion directing city staff to bring information to the City Council regarding a five-year operating levy to fund the Library, Parks, and Center 50+ for the May 2025 ballot.

**ISSUE:**

Shall the City Council direct staff to prepare a scenario for the May 2025 election to fund the Salem Public Library, Parks, and the Center 50+ with a five-year operating levy for consideration at a January City Council work session?

**RECOMMENDATION:**

Authorize staff to prepare a scenario for the May 2025 election to fund the Salem Public Library, Parks, and the Center 50+ with a five-year operating levy for consideration at a January City Council work session?

**FACTS AND FINDINGS:**

**Next Steps**

January 21, 2025 - City Council work session to discuss levy rate and specific services to be funded. In February 2025, City Council may consider resolution referring the operating levy to the May 2025 election, and authorize funding for communications.

**Levy Rate**

Table 1 displays potential levy rates per thousand of assessed value (AV) and the estimated revenue for each of the next 5 fiscal years. Depending on the specific services planned to be funded with the operating levy, the levy rate selected should be able to cover the cost of the selected services throughout the term of the five-year operating levy.

Table 1

Rate Per Thousand	Estimated Revenue					Household Impact
	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	
\$ 0.55	10,218,020	10,626,741	11,051,811	11,493,883	11,953,638	\$ 128.70
\$ 0.65	11,351,058	11,805,100	12,277,304	12,768,396	13,279,132	\$ 152.10
\$ 0.75	12,479,462	12,978,640	13,497,786	14,037,698	14,599,205	\$ 175.50
\$ 0.85	13,600,956	14,144,995	14,710,794	15,299,226	15,911,195	\$ 198.90
\$ 0.95	14,718,750	15,307,500	15,919,800	16,556,592	17,218,856	\$ 222.30
\$ 1.05	15,833,237	16,466,566	17,125,229	17,810,238	18,522,648	\$ 245.70

**Service Costs**

The below service costs (Table 2) display the forecasted services cost for FY 2026 through FY 2030. These costs consider any program revenue and represent the current general revenues that are allocated to each program. The Library includes an option for enhanced services.

Table 2

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Library - Current Service	5,308,800	5,622,159	6,004,579	6,210,141	6,511,560
Library - Enhanced Services	1,200,000	1,260,000	1,323,000	1,389,150	1,458,608
Parks Maintenance	6,908,300	7,274,260	7,719,665	7,985,547	8,361,018
Parks Recreation	554,782	594,949	636,341	657,654	698,277
Center 50+	1,167,436	1,235,340	1,315,669	1,188,308	1,249,204
	<b>15,139,317</b>	<b>15,986,708</b>	<b>16,999,253</b>	<b>17,430,800</b>	<b>18,278,666</b>

**Impact to the General Fund Five-Year Forecast**

The impact to the City's General Fund Five-Year Forecast would be positive if the local option levy

covers existing services. All the costs in Table 2 (excluding Library enhancements) are currently included in the forecast. With the implementation of a local option levy, those services would be funded with a local option levy instead of general revenues. A local option levy at the amounts included in Table 1 would not eliminate the entire General Fund deficit. The balance of the deficit would have to be managed with additional revenue or reductions in spending.

### ***Election Timing - May 2025 Key Dates***

February 28, 2025 - Last day for governing body to file referral text or prepared ballot title in order to complete challenge period deadline to file notice of measure election.

March 20, 2025 - Last day to file or withdraw notice of measure election and explanatory statement with the County elections official.

### ***Election and Communication Costs***

- \$200,000 - Estimated special election cost paid to County
- \$ 78,000 - Informational mailing to all residents
- \$ 25,000 - Communication consultant support

### **BACKGROUND:**

In 2023, the City Council held multiple work sessions on continuing General Fund services and forming a Revenue Task Force. On January 22, 2024, Salem City Council approved the slate of 25 members and two alternates for the Revenue Task Force. The Task Force met seven times; considered feedback from eight focus groups, three town halls, and a statistically valid survey; and advanced recommendations to the City Council concerning revenue options to support City services funded by the General Fund. The Task Force recommendations to sustain vital City services were presented at the City Council Work Session on, July 15, 2024. A local option levy was one of the Task Force Recommendations.

### ***Local Option Levy (Operating Levy)***

A local option levy, also called an operating levy, is a special type of property tax that local governments in Oregon, like cities, counties, or school districts, can ask voters to approve. The levy is only temporary, usually lasting up to five years, and people vote on it to decide if they want to add it to their property taxes.

### ***Property Tax Compression***

In Oregon, Measure 5 and Measure 50 are laws that limit how much property tax people can be charged. These rules can create a problem called compression, which happens when those limits are reached.

Here's how it works:

- Measure 5 caps property taxes in two categories: one for schools and another for local services like police, fire, and libraries.
- Measure 50 controls how a property's taxable value grows, usually slower than its real market value.

When local governments ask voters to approve extra taxes, like local option levies for things like parks or schools, these taxes are added on top of what's already being charged. If the total taxes go over the Measure 5 limit, the government must reduce-or "compress"-the amount collected, starting with optional taxes like local option levies.

This means even if voters approve a local option levy, not all the money may be collected, which can cause funding shortfalls for important community services.

Attachments:

1. None.