



THE CITY OF
ALLAS
REGON

TAX & FEE
PEER COMPARISON



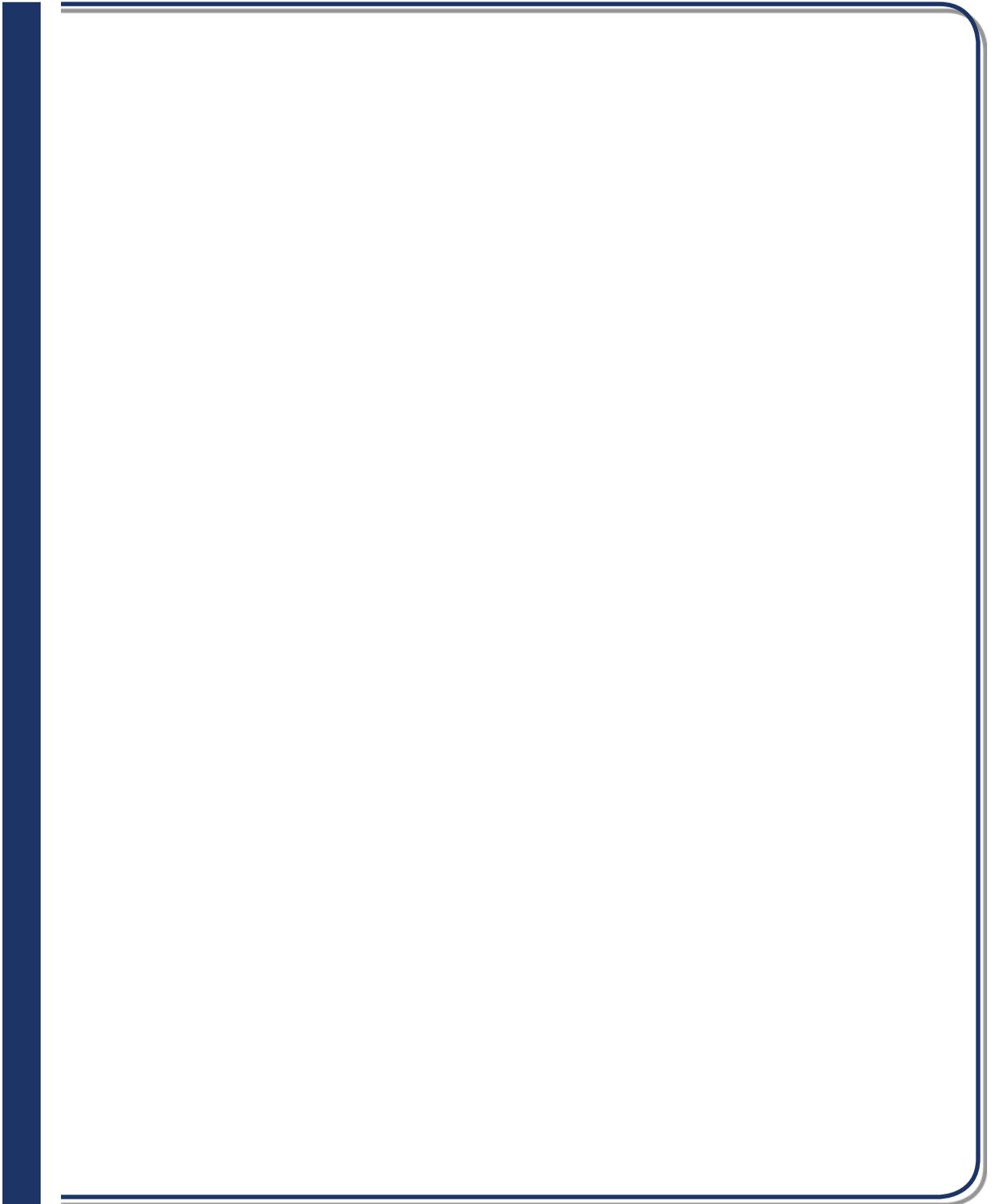


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Purpose Statement

The purpose of this document is to provide residents, businesses, and other interested parties with a simple comparison between the City of Dallas and similar cities in the Willamette Valley on the basis of the annual taxes, the services provided by each city, utilities costs, and showing what the average household could expect to pay for most of its expenses across different cities. This document was assembled to address the following questions:

1. Which cities in the Willamette Valley are most similar to the City of Dallas?
2. What are the differences among similar cities in terms of real market and assessed values, and what does this mean for residents and future residents of the City of Dallas?
3. What are the average tax rates across comparable cities?
4. How much should an average household expect to pay in each comparable city based on tax rates and expected assessed value?
5. How much can the average household expect to pay for local government services annually in each of the similar cities compared to the City of Dallas?
6. On average how much should a household expect to pay for utilities annually in each of the similar cities?
7. How do each of the cities compare in terms of the number of services offered directly by their respective municipal governments?

Background Information

Home Rule Authority for Cities

Oregon is a somewhat unique state for cities. It is one of only eight states with home rule provisions for cities amended into its constitution, the other states being: Alaska, Iowa, Massachusetts, Montana, Nevada, New Jersey, and Ohio. In home rule states, cities are allowed much more autonomy in determining their structure, goals, which services to provide and how they are provided. This means that cities are much more diverse and competitive in states with home rule protections.

The home rule amendments to the Oregon Constitution, passed by the voters in 1906, were unique compared with the many amendments passed in other states. One hundred years later, the extent and meaning of this amendment is still being debated. However, a century of home rule has enabled a growing diversity of cities in terms of how they work and the services that they provide. Thus, in order to compare cities it is necessary to look at their unique structure, finances, and the services they provide.

How Were Similar Cities Selected

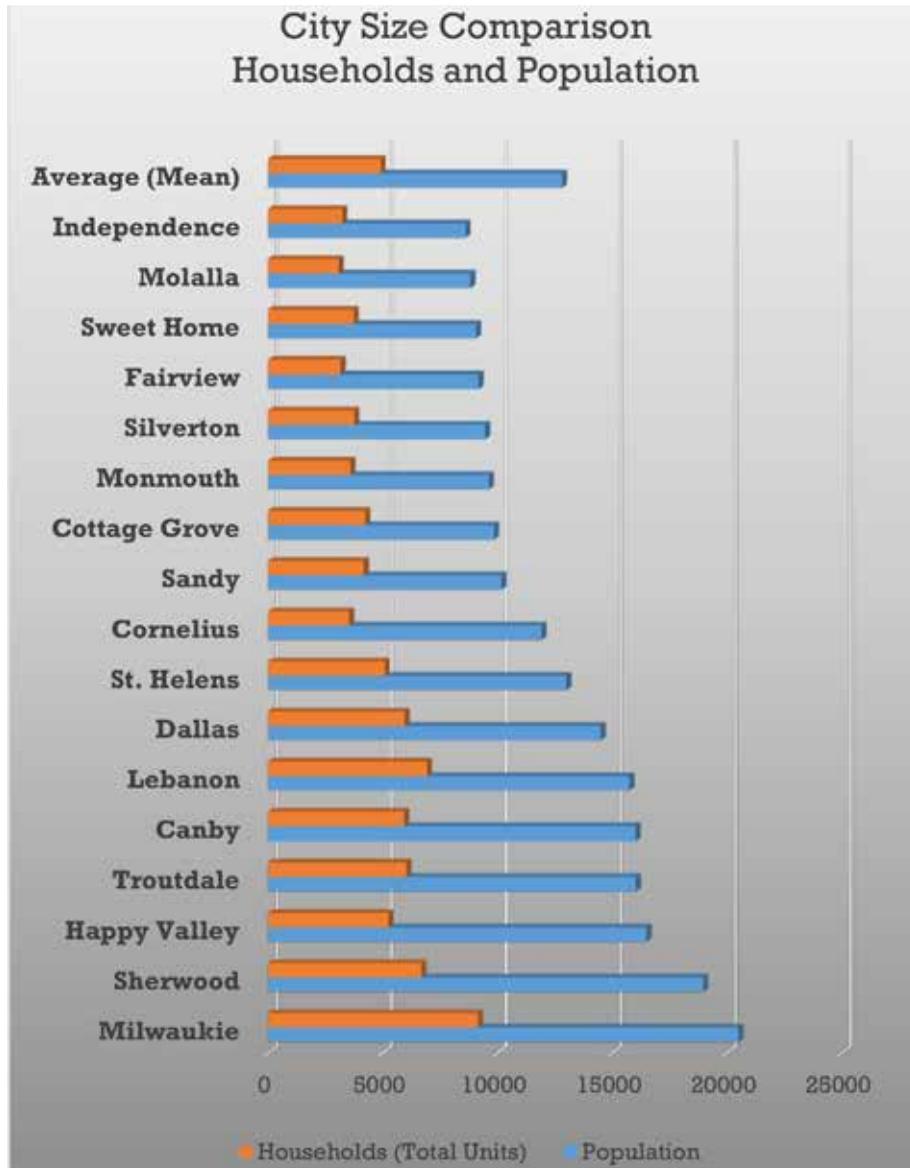
There are a number of factors to consider when selecting cities to make comparisons. In this document cities were selected based on two factors: location and size. All of the cities selected are located within the Willamette Valley or the greater Portland metropolitan area. The list of cities was then narrowed based on their population being within six thousand, above or below, that of the City of Dallas at the beginning of the 2014 fiscal year, which was roughly 14,500. In all, 17 cities were selected for comparison (see Table of Characteristics for list). All of the data used in making the comparisons that follow were taken from the 2014-15 fiscal year.

Cities within Metro

Some of the cities selected are within the jurisdiction of Metro, which is a regional government with its own elected president and council. Metro encompasses 25 cities and 3 counties in Oregon and was created to manage growth, infrastructure, and development. Being part of Metro entails adherence to regional planning and regulation established by the regional government. The cities included in this comparison that are part of Metro are: Cornelius, Fairview, Happy Valley, Milwaukie, Sherwood, and Troutdale.

Getting more services for less in Dallas

With the fifth lowest property prices, the lowest tax rates, the lowest expected average annual taxes assessed, while being in the top two for number of services provided directly by the city, Dallas is the most efficient city in the comparison group in terms of our citizens getting more for what they pay.



Differences in Real Market & Assessed Values

In Oregon, property taxes pay for most of the local government services available to residents. The amount of property tax charged is based on two things:

- 1) the assessed value (AV) of a home and property, which gets multiplied by
- 2) the amount of taxes that each taxing district is authorized to raise as a tax rate per \$1000 of assessed value.

The Oregon Constitution places limits on both of these factors as a result of two significant measures effecting property taxing districts in the state, Measure 5 and Measure 50. Property is taxed based on its AV. A property's AV is lower than its real market value (RMV). A property's RMV is the amount it would sell for as of January 1st, the assessment date, of a given tax year.

Measure 5

Measure 5 introduced limits, starting in 1991-92, on the taxes paid by individual properties. Tax limits of \$5 per \$1,000 RMV for school taxes and \$10 per \$1,000 RMV for general government taxes were introduced and apply only to taxes levied, not bonds. If either the school or general government taxes exceeded its limit, then each corresponding taxing district had its tax rate reduced proportionately until the tax limit was reached. This reduction in taxes to the limits is called "compression."

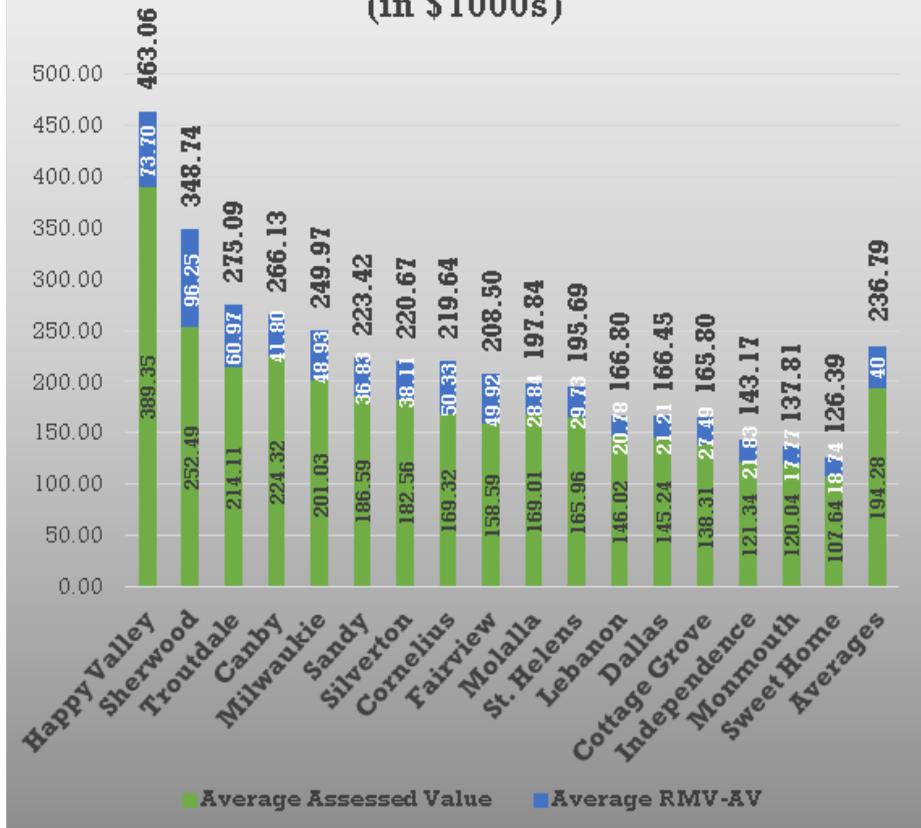
Measure 50

For existing property, Measure 50 limited the annual growth in AV to 3 percent. This limitation made predicting future assessed values much simpler. Measure 50 also stipulates that AV may not exceed RMV. As a result, if the RMV of a property falls below its AV, the taxable value will be set at the RMV. With Measure 50, property assessment changed dramatically. For 1997-98, the AV of a property was set at 90 percent of the property's 1995-96 AV.

Measure 50 also gave all existing tax districts a permanent operating rate limit. A district's permanent rate was primarily determined by combining whatever tax levies existed locally when Measure 50 passed. These tax rates cannot be changed by an action of the district or its voters, and remain as they were set in 1997. These limits introduced some stability to Oregon's property tax system, but also have a number of negative impacts on communities:

1. Tax inequities across the state, from city to city, and property to property. By setting assessable values based on 1995-96 market rates and capping the annual rate of growth, Measure 50 permanently locked into place permanent property tax imbalances between similar properties with identical market values.
2. Tax limits eliminate the ability of voters to decide on tax rates. When tax rates exceed limits, the taxes are reduced, regardless of how many voters may approve or disapprove.
3. Properties that have already reached the state limits don't have to pay any additional taxes, even if they voted for more taxes. Their neighbors can get stuck footing the bill for services that everyone should pay for.
4. Essential services lose money. The current system creates winners and losers because under the rate limits and locked in permanent rates local governments compete for the same funds to pay for police, fire, and other services.

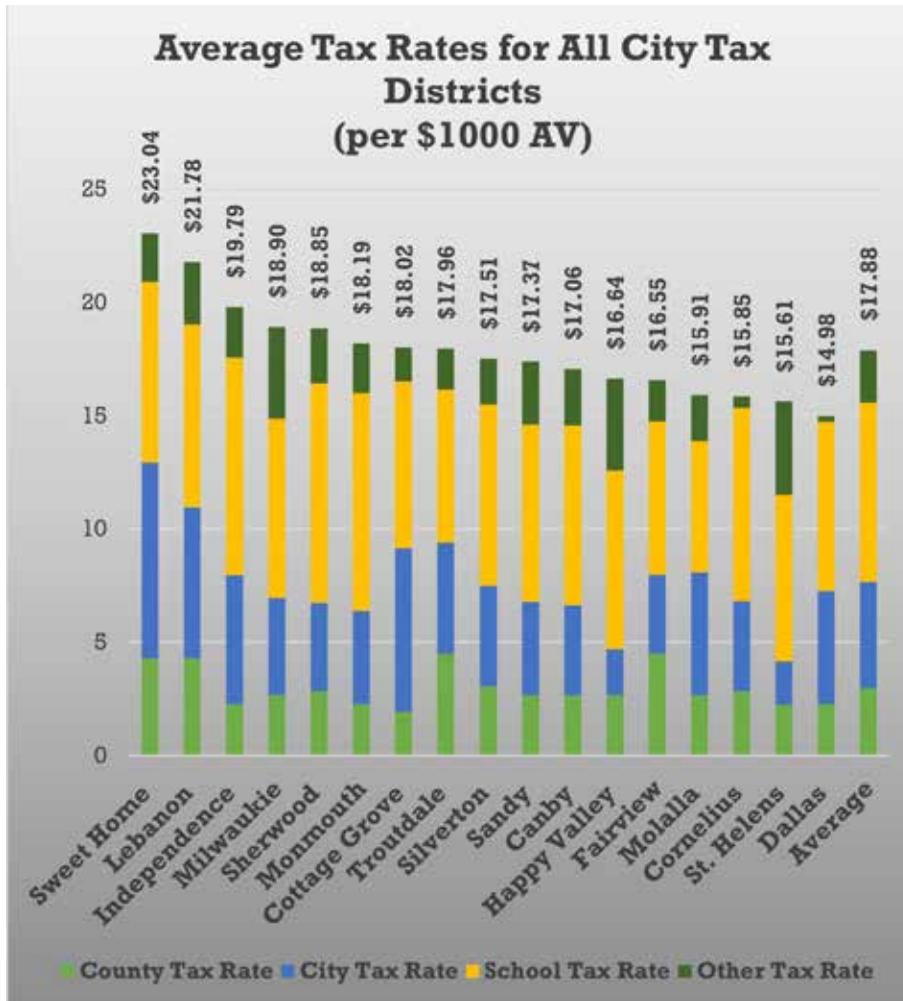
Expected AV, Difference & Total RMV (in \$1000s)



In a sense, the numbers listed in the graph above can tell us how equitable a city's tax system is across different properties. The smaller the difference between real market and assessed values (blue portion), the more likely it is that properties of equal real market value have the same assessed value. Thus, the lower the difference, the less likely that your neighbor is paying a smaller proportion of taxes than you, even if your houses are worth the same amount.

It is also worth noting that this graph expresses the tax burden on an average property across the comparison cities. The Assessed Value (AV) is what is used to calculate the expected expenses of the average house in each city.

Average Tax Rate Comparison



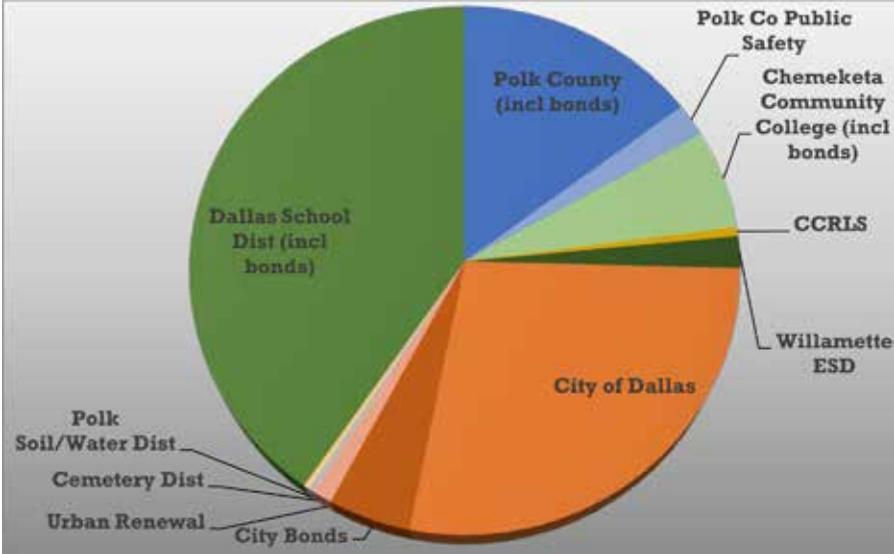
The Tax Rates expressed above include the permanent rate and any outstanding bonds combined for each district. The pie chart on the following page describes in more detail the specific types of taxing districts for the City of Dallas.

As shown above, when comparing cities of similar size in the Willamette Valley and Portland metropolitan area, the City of Dallas has the lowest overall tax rate among comparable cities.

Property Taxes

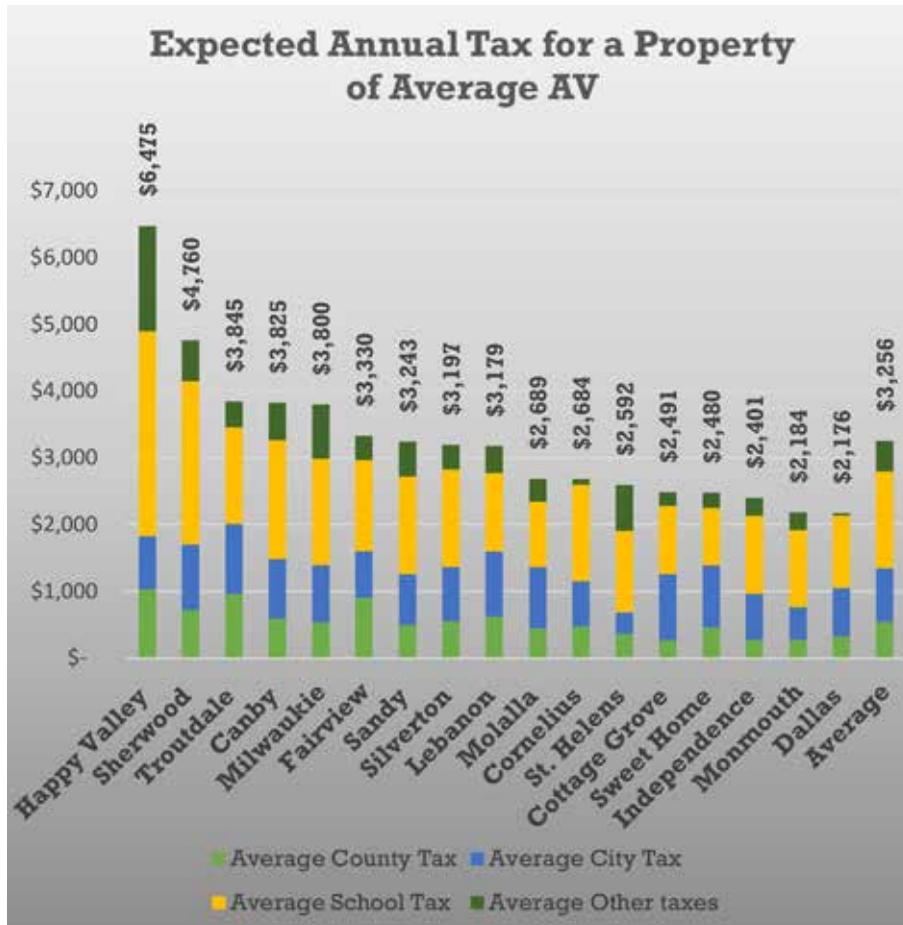
There are multiple taxing districts that overlap for a given property: city, county, school districts, and other special districts all have the right to levy taxes on properties within their jurisdiction. The graph on this page breaks down the four categories listed in the previous graph for the City of Dallas to show how many different tax rates are included on the bill for properties.

Who gets the Tax Revenues in Dallas



Generally, the largest share of taxes for any property in Oregon are levied by school districts and community colleges, which are rolled up together in the Average Tax Rates graph on the previous page as “School Tax Rate.” The second largest tax rates tend to come from cities, but there are a number of notable exceptions depending on the city and county and the extent of the services provided by each, as can be seen on the Average Tax Rates graph on the previous page.

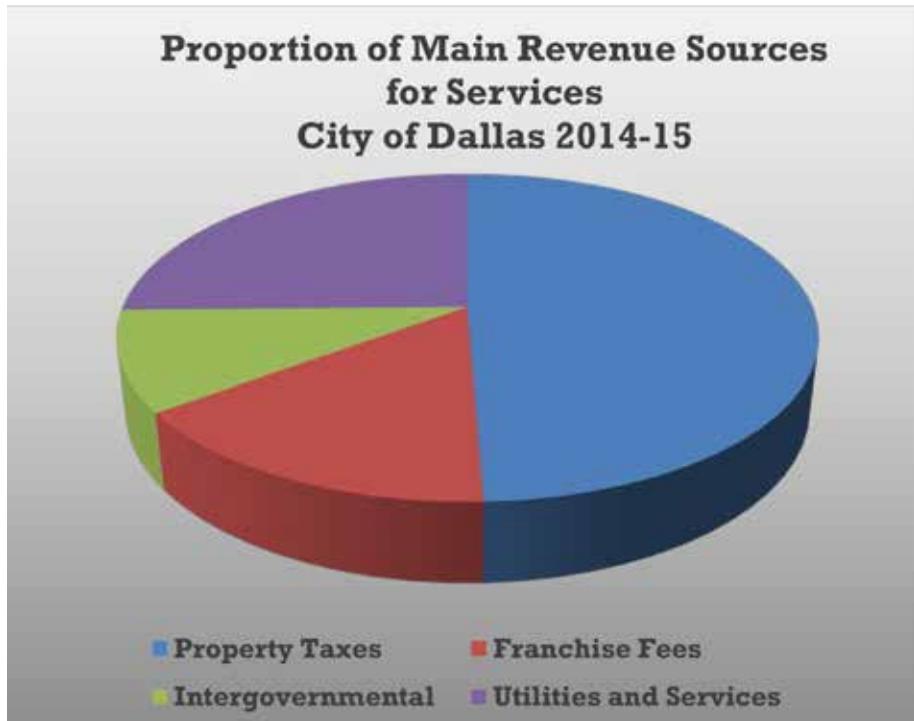
Annual Expected Property Tax Burden



In the graph above, what is being shown is that when we take the average AV of a property and multiply it by the average tax rate for a given city, we can see what the average property could expect to pay in taxes in a given year.

Where do the taxes go?

There are a number of revenue sources for cities. Generally, the largest single source of revenue for cities comes from property taxes, which make up between 40-70% of the general revenues for all of the cities in the comparison group. The graph below presents the four main revenue sources for the City of Dallas.

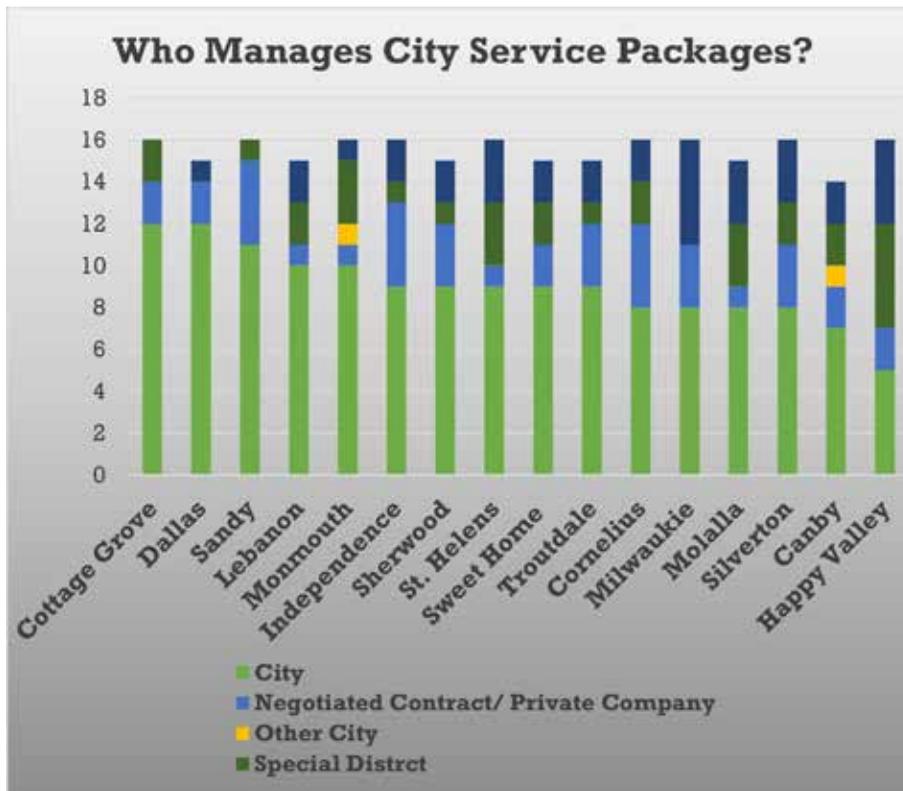


In a sense, the bulk of what a city does is converting public money into services for all of its residents. Most of the services that a city provides are non-excludable, meaning that everyone has the right to access them. This is different than in the private sector because the services provided by a business operate on price structures that are set by the ability to exclude the consumers that are unwilling or unable to pay for a good at a given price, supply and demand, to maximize profit.

Comparing Municipal Service Packages

There are a number of ways that a city can provide a service to its residents. Cities vary greatly when it comes to their preferences for how they manage and administer different services, which is also effected by the location of the city, demographics, and the relative capacity to contract with the county or other cities for services. Generally, services are either: administered directly by a city; through a special district serving as its own government; provided by contracts with other government agencies or private companies; or are not provided.

In the following graphs, a comparison is made based on the 16 most commonly provided municipal services, which are: Law Enforcement, Fire Protection, EMS/ Ambulance, 911 Dispatch, Animal Control, Municipal Court, Municipal Jail, Library, Parks and Recreation, Building Inspections, Land-use Planning, Transit, Garbage, Water, Sewer, and Stormwater.



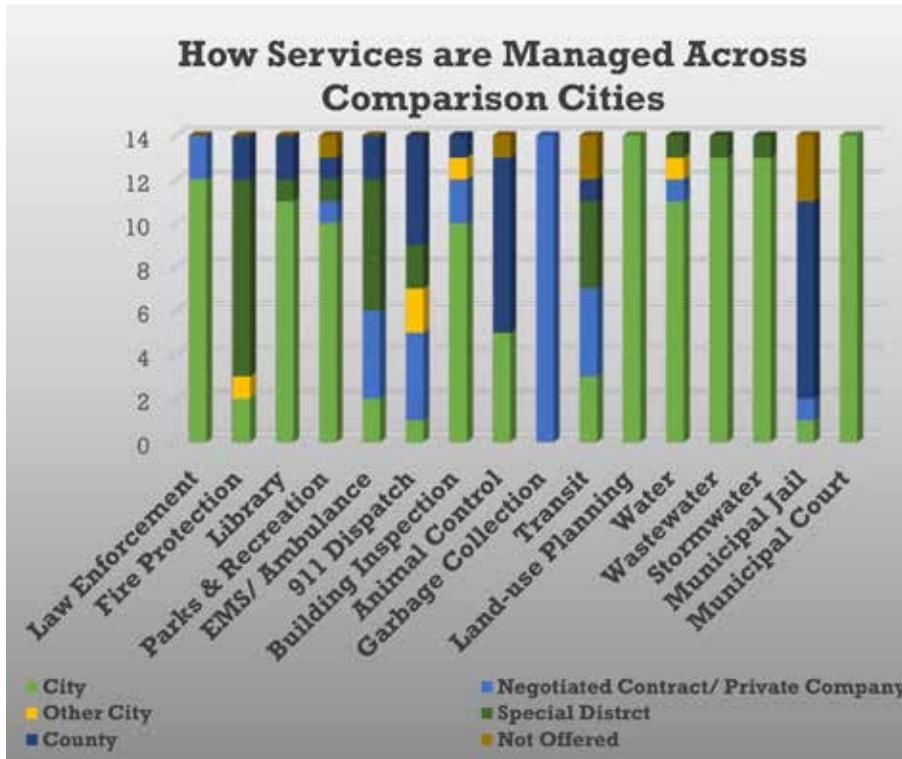
Why does the City of Dallas run so many of its own services?

It is more common for a city to manage and staff its own services under three conditions that effect one another.

- 1) If a city is larger than 10,000 in population;
 - 2) if a city is more isolated from metropolitan areas;
 - 3) if the city is in a county with lower than average revenues,
- then the city may have more of a need to directly administer certain services. Thus, the fewer potential partners and resources around a larger city, the more likely they are to have to directly manage the services they offer their citizens.

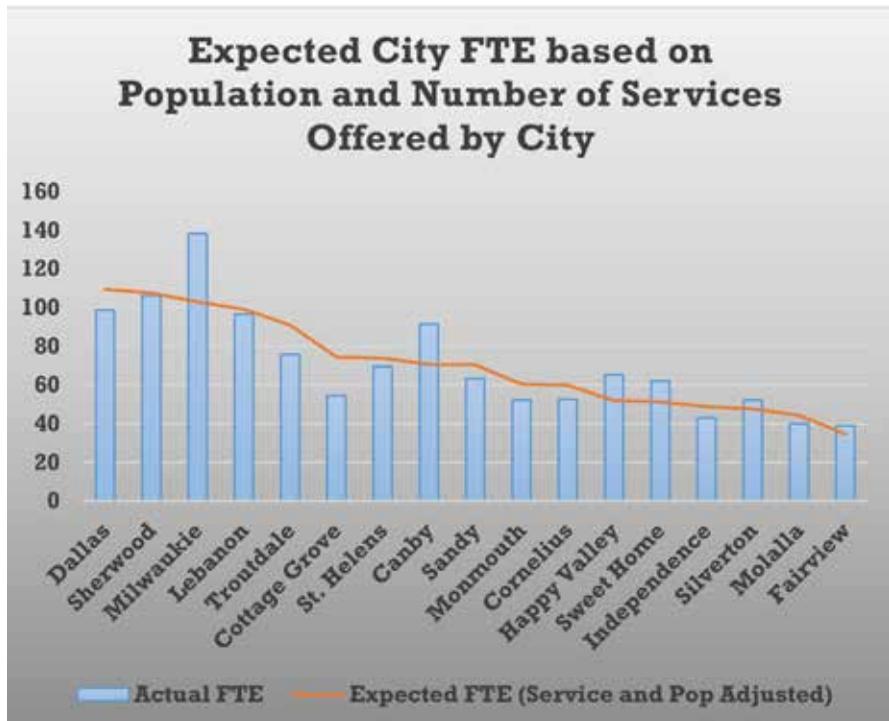
City of Dallas Service	Who Operates	% of Cities Same as Dallas
Law Enforcement	City Operated	86%
Fire Protection	City Operated	14%
Library	City Operated	79%
Parks & Recreation	City Operated	71%
EMS/ Ambulance	City Operated	14%
911 Dispatch	District Contract	93%
Building Inspection	City Operated	71%
Animal Control	City Operated	36%
Garbage Collection	Private Contract	100%
Transit	Not Offered	13%
Land-use Planning	City Operated	100%
Water	City Operated	79%
Wastewater	City Operated	93%
Stormwater	City Operated	93%
Municipal Jail	County Contract	56%
Municipal Court	City Operated	100%

Why are some services only managed directly by cities?



For certain services, there is a larger amount of risk, a higher cost of infrastructure, and a large public demand for accountability. One effect these constraints have is that many services are most effectively managed overall by governments. These constraints also make it more costly and time consuming for a city to contract with another agent in a manner that is beneficial to both parties, and most importantly maximize the benefit to citizens. Additionally, almost all government services are prohibited from excluding those who may not be able to afford to pay for those services at full cost in a normal business transaction.

It probably goes without saying that some cities are more effective than others at managing the services they offer. There are also a number of external factors that would determine how well a city can provide a certain service, i.e. crime rates, land area, conditions of roads and other infrastructure, etc. However, looking at the effectiveness of cities overall across all of the services they provide allows for some comparison to be made based simply on the population size, number of services, and number of employees for a given city.

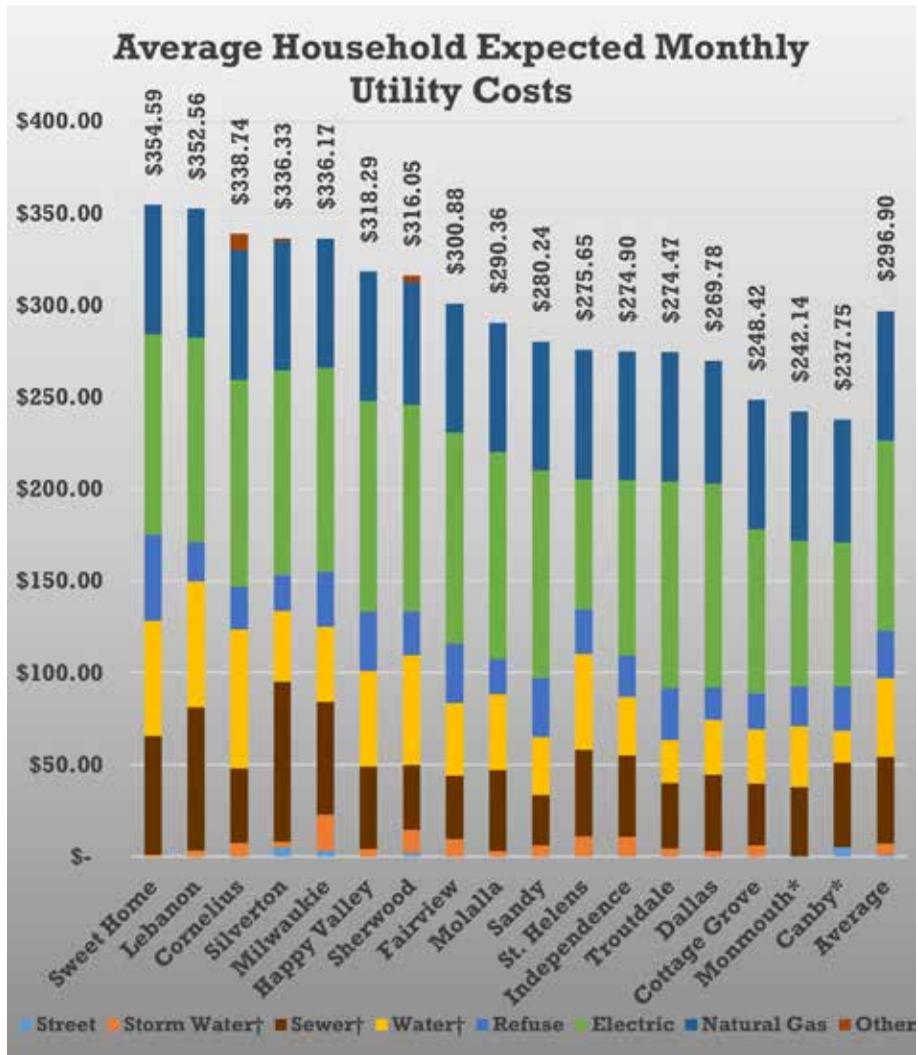


Comparisons in the graph above were made using the average FTE per service per 1000 population to estimate the number of FTE a city would need for its services and population relative to other comparable cities. Thus, this graph is simply intended to tell whether a city's staffing levels are above or below the average based on number of services and size of population.

Other costs and total expected cost per year across comparison cities

There are a number of other factors related to how expensive it is to live in one city versus another. Things like commuting distances, relative costs of goods and services, and expected mortgage payments are all things that can vary greatly from property to property and city to city. Cities have very little control over these factors, however there is one set of major household expenses that cities have direct and indirect effects on. Utilities tend to be one of the largest household expenses after mortgages/ rents and taxes. For some utility services, cities can have direct control over the prices. Water, Sewer and Storm Water are the most common utilities that cities bill properties for directly. Some cities even include street, lighting, refuse, and other fees on their monthly utility bills. More indirectly, cities can also effect the cost of utilities like electric and its natural gas by taking part in the setting of rates and the assessment of franchise fees on the utilities. The graph on the following page shows how these all vary for an average house across all of the comparison cities.

It is important to note that the same average house was used across all cities. However, there are notable variances in what constitutes the average house from city to city. For example, the average house in one city may consume half as much electricity as a house in another and certain cities may also have a tendency to need larger refuse containers. But for the purposes of this comparison, it is as if the same house with the same residents and consumption patterns were picked up and placed in each different city.



* Monmouth and Canby operate their own Electric Utilities

† Storm water, Sewer, and Water are the three utilities that are listed on every city's utility bill

Water based on typical 10 CCF/ mo. winter average with a 3/4" Connection (7480 gal./mo.)

Sewer based on 8 CCF/ mo. (5984 gal./mo.), assumes measured sewer rate (e.g. not fixed rate if applicable)

Refuse based on 32-35 gal. service, including recyclables and yard waste.

Natural Gas estimated at average annual consumption of 800 therms, or 66.7 per month

Electricity estimated at 1000 kWh/month, or 12,000 kWh per year

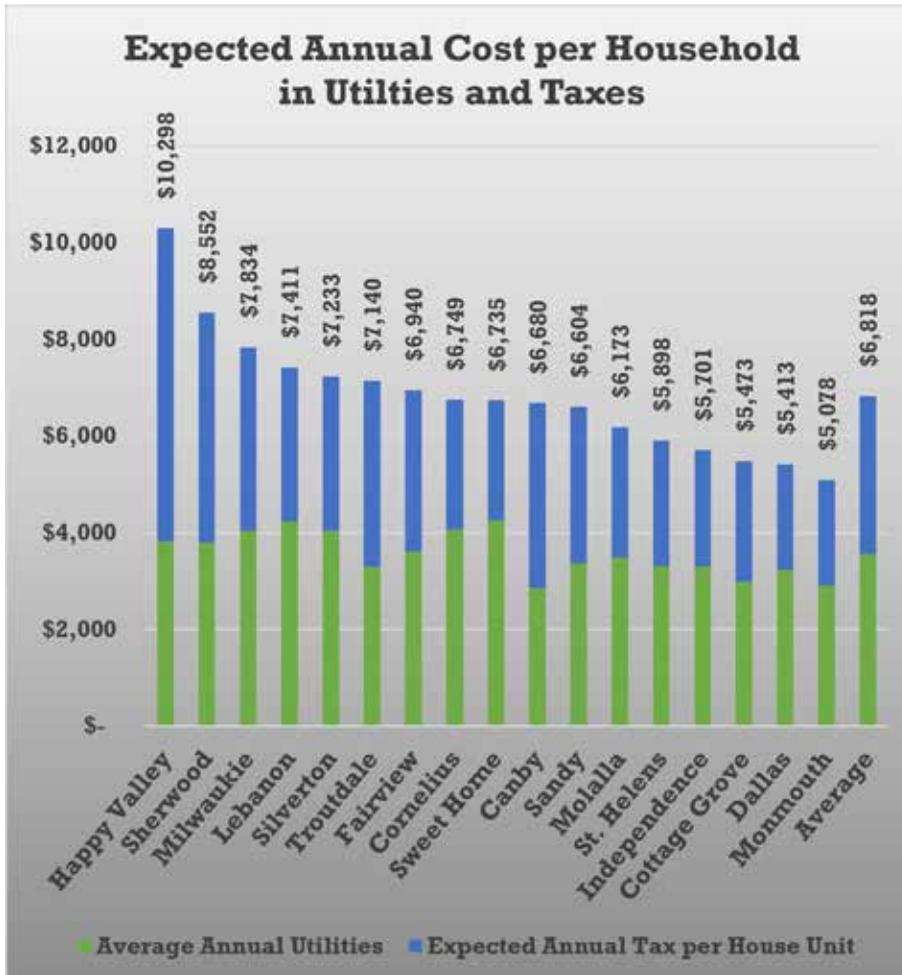
Stormwater based on 2700 ft.² impervious footprint, if not a flat rate

Costs expressed assuming a 1 month billing cycle

Natural Gas estimates contain franchise fee rates for each city

Electric rates include franchise fees for each city

What could the average house expect to pay for everything but the commute, goods, services, mortgage and cable?



Sources and Additional Resources

What is Metro?

<http://www.oregonmetro.gov/regional-leadership/what-metro>

History of Home Rule, League of Oregon Cities:

<http://www.orcities.org/Portals/17/Premium/HomeRule06newcover2012.pdf>

The Diversity, rules, & roles of cities in Oregon, League of Oregon Cities,
City Handbook:

<http://www.orcities.org/Portals/17/CityResources/LOCCityHandbook.pdf>

Data on City Services and Municipal Finance, League of Oregon Cities:

<http://data.orcities.org>

Information on taxes and Oregon cities, League of Oregon Cities, City Property
Tax Report:

<http://www.orcities.org/Portals/17/Library/City%20Property%20Tax%20Report%202016.pdf>

Database of City Financial Reports, Oregon Secretary of State

<https://secure.sos.state.or.us/muni/public.do>

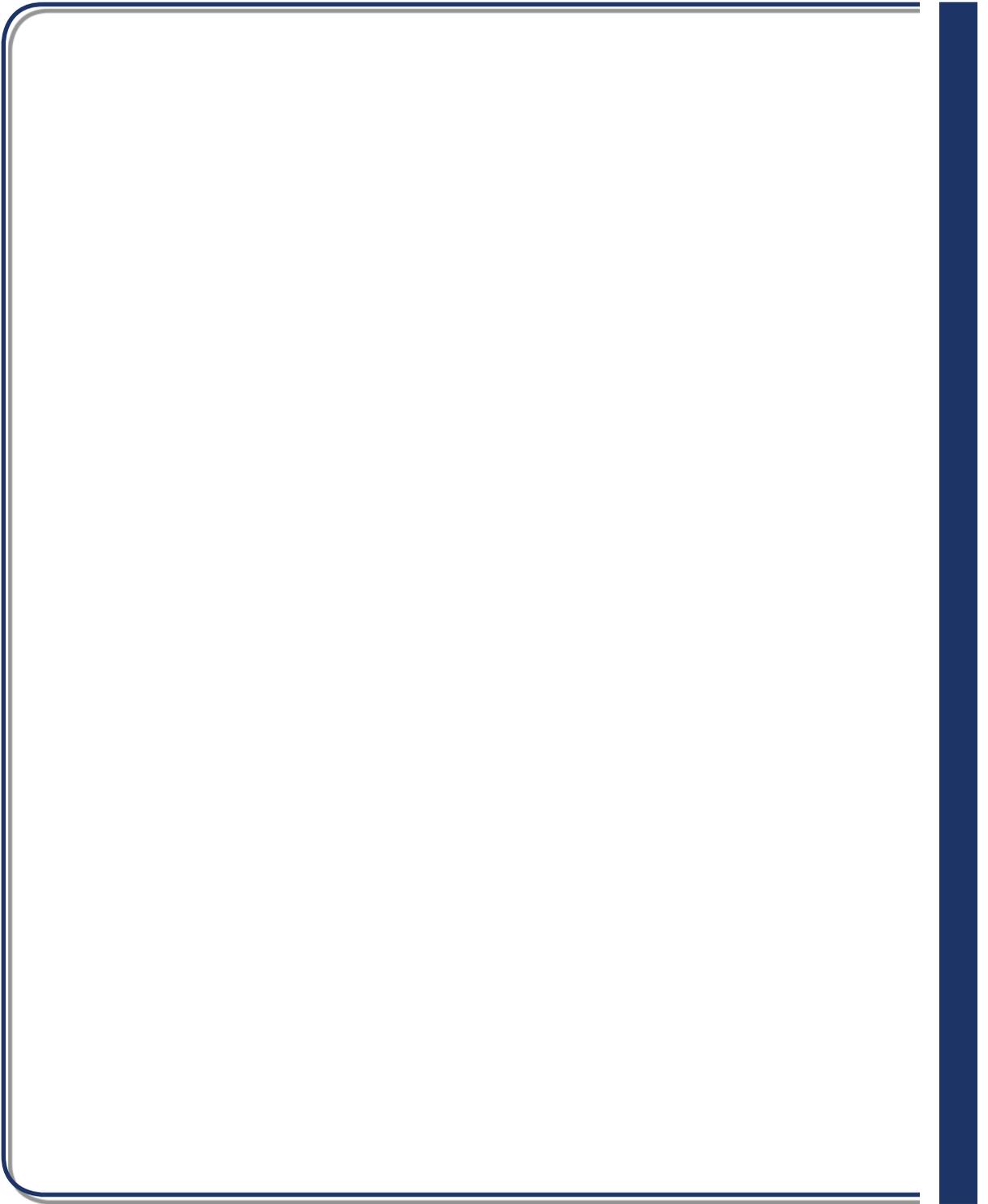
Data on RMV, AV, and Tax Rates, Oregon Department of Revenue:

<http://www.oregon.gov/DOR/programs/gov-research/Pages/research-property.aspx>

https://www.nwnatural.com/uploadedFiles/OR_Billing_Rate_Summaries_11-1-15.pdf

Reference Information

Area	4.856 square miles (3,107 acres)
Population (as of July, 2015)	15,040
Males	47.9%
Females	52.1%
Race:	
White	92.6%
Hispanic or Latino	5.9%
Other	1.5%
Median Age	48.9
Under 5 years	6.5%
5 – 24 years	27.7%
25-44 years	24.1%
45-64 years	23.9%
65 years and over	17.8%
Residents graduated from high school or higher	91%
Residents with Bachelor's degree or higher	17.1%
Average Household Size	2.53 persons
Median Household Income	\$50,170
Total Housing Units	6,241
Resident-owned homes	61.8%
Median home value of owner-occupied homes	\$186,800



CITY OF DALLAS

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