

Resources on the Cost of Urban Services Compiled for the North Clackamas Annexation Study Group May 2005

Background

At its first meeting in April 2005, the North Clackamas Annexation Study Group requested information about the cost of urban services. This list of resources has been prepared to bring together what is currently known about the cost of urban services in the County. The six items listed below all provide pieces of the puzzle, but an up-to-date, comprehensive analysis of the cost/revenues of urban services, with comparative information about service levels, does not appear to exist at present. Nevertheless, the documents below do provide useful information. The following chart is a summary of the kinds of information each resource offers.

Resource	Description
Clackamas County-City of Milwaukie Urban Services Study	A recent fiscal analysis (2002) of urban services provision if Milwaukie were to annex and provide services to the area within the County from its boundary to Interstate 205 to the east and highway 224 to the south. <i>Conclusion: Annexation is fiscally advantageous for the City and County over a twenty-year time horizon.</i>
Double Taxation	A 1981 study from the Oregon League of Cities that describes the "urban subsidy," how to estimate it, and examples of ways to address it. <i>Conclusion: Once the value of an urban subsidy has been estimated, many possible strategies exist to address it.</i>
Law Enforcement Services in Clackamas County	A 1988 study that examines how the costs and benefits of the County's law enforcement services were distributed among cities and unincorporated areas. <i>Conclusion: Taxpayers in cities were paying 50% more than the cost of the law enforcement services that they were receiving from the County in 1986-87. Thus, they were subsidizing the cost of law enforcement services in the unincorporated areas of the County at that time.</i>
City Services Survey	The results of a recent survey (2002) by the League of Oregon Cities about the public services that their members provide.
Clackamas County Assessor: 2004-05 Tax Dollar by Type of District	Pie chart from the County Assessor about how county property tax revenues are distributed by type of district.
Happy Valley, Comparison of Property Taxes, Year ending June 30, 2005	Table that compares tax rates between eight jurisdictions, and a pie chart that describes how property taxes paid by Happy Valley residents are distributed by district.

Resources

Clackamas County-City of Milwaukie Urban Services Study: Financial Analysis. Executive Leadership Institute, Mark O. Hatfield School of Government, Portland State University; Center for Urban Studies, School of Urban Studies and Planning, Portland State University. December 2002, 148 pages.

This is the most thorough and current of the studies included in this bibliography. The study is a financial analysis of providing urban services to a study area with the following boundaries: the Clackamas/Multnomah County line to the north, Interstate 205 to the east, highway 224 to the south and the City of Milwaukie to the west. Two scenarios were compared: 1) the study area remains an unincorporated area; 2) the study area is annexed by the City of Milwaukie. The time horizon analyzed was twenty years.

The study found that, even if an additional \$10 million in capital costs were incurred for road projects by the City of Milwaukie, the City would experience a total net fiscal gain for the twenty-year period of \$11.4 million, an average of \$545,000 per year. Because capital costs were not projected to occur at equal intervals, a cash flow analysis indicated that the Milwaukie could experience a small negative net fiscal position during the first four years that totaled approximately \$200,000, which might be within the margin of error of the study.

The analysis also indicated that annexation by the City of Milwaukie could also be financially advantageous to Clackamas County. Annexation was estimated to decrease the County's expenses by approximately \$3.7 million per year, and increase the County's revenue by approximately \$107,000 per year. The total net fiscal gain was projected to be approximately \$100 million over the twenty-year period, an average of \$4.8 million per year.

The increase in revenue to the County was found to be largely a product of the urban renewal districts. The County's Urban Renewal Authority would collect the additional income generated by the application of the City's tax rate within the urban renewal districts. This additional revenue must be spent within the urban renewal district for urban renewal projects.

The study also found that the cost of providing services (at the same level) would be similar for the City and the County. The projected fiscal gains related to the annexation scenario largely result from additional property tax revenue and greater access to state revenue sources for the study area.

This study is a fiscal analysis from the point of view of the County and City of Milwaukie; it does not purport to explore the costs and benefits of annexation for study area residents. Furthermore, it does not explore the quality of services. Nevertheless, it is a detailed financial analysis that contains a wealth of relatively recent detailed information about revenues and costs associated with urban services.

Report Availability: Additional information to be provided.

Double Taxation. International City Manager's Association, Oregon Section. Prepared for League of Oregon Cities. December 1981, 42 pages.

This study examines the issue of "double taxation," provides a methodology for estimating the impact of double taxation on city residents, presents a case study of Grants Pass using this methodology, and describes a series of solutions or negotiated settlements that have been used by cities and counties in Oregon and elsewhere.

"Double taxation" (also called "tax equity" and "base-level support") is a mix of tax and service inequities that are characterized by one or more of the following:

- Unequal eligibility/use of services between areas
- Citizens of municipalities paying county taxes while receiving a lower level of benefit from county services than citizens of other areas paying the same level of taxes, primarily because city services have displaced the need for county services.
- City/county intergovernmental agreements providing for the joint financing of services or facilities, with city residents paying the county share of the cost and also the city share of the cost, but with receiving the same level of benefit as non-city residents.

The methodology for calculating inequities involves six steps, an intimate knowledge of local budgets and services, and the ability to make, document and justify judgments about levels of benefit/service provision.

The study includes information about six general strategies for addressing the problem, which range from instituting user fees to the transfer/consolidation of services or funding responsibilities. Many concrete applications of the strategies are described.

The strong points of this report are its clear logic, easy-to-read style, and wealth of information about the strategies that cities and counties have used to negotiate solutions to tax equity issues. The weakest point is the report's age; it was written in 1981, before voter-initiated limits to property taxes were implemented. A second weakness is that the methodology focuses on easy-to-calculate examples, where city residents pay county taxes for a service but receive no benefit, as in the example of city residents paying for county building inspection services, but receiving no benefit because the city provides that service to residents through its own building inspection division. What is much more difficult to calculate are instances when city residents receive some benefit but not as much benefit as county residents. This report does not describe how to calculate the value of the double taxation in situations such as this.

Report availability: Additional information to be provided.

Law Enforcement Services in Clackamas County: Description and Financial Analysis. Center for Urban Studies at Portland State University. Prepared for the Clackamas County Blue Ribbon Committee on Law Enforcement. December 16, 1988, 162 pages.

This is a detailed report on the state of law enforcement service provision in Clackamas County in 1986-87, and how it was funded. The report analyzed the equity of the amount of services received in relation to the amount paid by city and County residents.

The report found that cities were receiving about \$2.7 million less in services than what they contributed in tax revenues in 1986-87. The subsidy of county law enforcement services was substantial; it constituted approximately one quarter of the total cost of county law enforcement services and one half of the total amount of taxes for county law enforcement paid by cities. The principal beneficiaries of these subsidies were the residents living inside the unincorporated areas of the county inside the Urban Growth Boundary.

This report gives a sense of what is involved in a detailed analysis to determine the actual amount of "urban subsidy" for a single service where residents of unincorporated areas and city residents receive differing levels of services. The analysis is complex. While the urban subsidy amounts (calculated for 1986-87) indicated a condition present at that time, their relevance today would have to be determined, as service delivery and costing plans may have changed.

Report availability: From the Center for Urban Studies at Portland State University. **Law Enforcement Services in Clackamas County: Description and Financial Analysis**, Sheldon M. Edner, Charles Tracy, Jan Monroe, Mark Bechtel, Peter B. Morris, and Judy S. Davis, December 1988, 162 pages. \$15.00. Catalog Number PR030.

League of Oregon Cities City Services Survey. League of Oregon Cities website: <http://old.oregocities.org/surveys/cityservices/index.cfm>

In 2002, the League of Oregon Cities surveyed its 238 members about the services that they offered; 184 cities responded (77%). This website provides layered information about the survey results. The services were classified into five categories: community services, public safety, transportation, utilities and other. (Social services did not appear under any of the categories.) The service type provided by the highest percentage of respondents was parks, which was provided by 82% of the cities that responded. Sixty percent of respondents reported providing courts, and 58% reported providing police and solid waste services; no other services were reported as being provided by a majority of respondents. Clicking on the service types provides additional detail about the services and how they were provided.

Clackamas County Assessor: 2004-05 Tax Dollar by Type of District. Clackamas County website: <http://www.co.clackamas.or.us/at/dollars.htm>

This website provides a pie chart of the percentage of the county tax used to pay for services by type of district. The largest expenditure was for K-12 schools, which constituted 41.8% of the tax dollar. It is important to note that the chart describes expenditures by type of district (such as education services, fire, urban renewal, etc.) and not by service provision.

City of Happy Valley, Comparison of Property Taxes, Tax Roll Year Ending June 30, 2005. City of Happy Valley website: <http://www.ci.happy-valley.or.us/links/taxes.pdf>

This website provides a comparison between property tax rates for Happy Valley and seven other jurisdictions in the Metro area, divided into three sections: general government, education, and taxes excluded from limitation. It also provides a total rate for each of the eight jurisdictions. A pie chart at the bottom of the page shows residents of Happy Valley where their tax dollar goes. The largest uses are for k-12 education (32%), County services (22%), and Fire District #1 operations (15%).