

**Budget Committee
FY 2025-26 Budget
Questions and Answers
As of May 5, 2025**

1. Has the City considered implementing a land value tax as a revenue stream? A handful of countries and the State of Pennsylvania have used a land value tax to reduce or eliminate other taxes.

Response: Property taxes in Oregon are governed by Oregon's Constitution. Any changes to the property tax system would mean a Constitutional amendment would have to be voted on by voters across the state. Measure 50, passed in the late 1990s, set permanent tax rates for jurisdictions and limited how taxes can grow by limiting the growth of assessed valuation to just 3%. Additionally, it limits how new construction is placed on the tax rolls, to be the average assessed value set county-wide. Property taxes in Oregon are not based on a property's market value or land value, and while the City cannot change this independently, we continue to join cities across the state in advocating for property tax reform.

The City's tax rate is set at \$4.6180 per \$1,000 of assessed valuation. This rate is the City's permanent rate, and the City cannot levy more than that without voter approval. The assessed valuation is determined by Washington County, and is limited to 3% growth, plus new construction.

The City can ask voters to pass a local option levy, which would raise the tax rate for 5 years to fund operations. Additionally, the City can ask voters to pass additional taxes to pay debt service for a bond, referred to as a General Obligation Bond.

2. When we are giving \$\$\$ to outside organizations, can you tell us what \$\$\$ we are giving and for what, how much and where we will find that in the budget? For example, BDA, Family Justice Center, etc etc

Response: The City provides funding to outside organizations, either nonprofits or businesses, for a wide variety of reasons, and given the manual nature of the City's current financial system, the exact dollar figure would take some time to compile. Here's a snapshot of what funding is provided and why:

- o Grant funding based on a set of specific criteria, awarded by a committee. Example: Social Services Funding Grant, Arts Grant, Building Improvement Organization, Pre-Development Grant.
- o Service provision: Sometimes funds are given to outside organizations who can provide a service that the City does not offer but wants to support. Examples include Community Action for utility assistance, Greater Good NW for street outreach services, Beaverton Downtown Association for placemaking with a focus on historic preservation and business development.
- o Example of funding amounts:
 - Social Services Funding Grant: \$100,500 proposed in FY 2025-26 budget. Priorities for this grant are set by Council and currently include: housing and homelessness, hunger, affordable after-school and educational programming, healthcare, and immigrant and refugee services.
 - Beaverton Downtown Association: Approx \$70,000 proposed in FY 2025-26 budget for a portion of the Director's salary as well as a matching grant for programs like plantings, cleanups, downtown promotions.

- Family Justice Center: \$25,500 proposed in FY 2025-26 budget. FJC provides information, assistance and counseling to survivors of domestic violence, sexual assault, sex trafficking and child abuse.

3. What are the expected contributing factors to next year's anticipated shortfall?

Response: The shortfall is caused by expenditures growing faster than revenues. Inflationary factors are driving up costs across the City. In the General Fund, labor costs make up 71% to provide services to the community, and those costs are growing roughly 6% when compared to the budget figure for FY25. This increase is driven by cost-of-living adjustments (COLA), adjustments to health care premiums, and adjustments to the PERS contribution rates. This compares to an estimated revenue growth of 3.75%, when adjusting out one-time revenues. In the subsequent year, there is a reduction in revenues related to using \$3.2 million of reserves in FY 26 to balance the budget and the expiration of \$1.1 million of grant funding. One-time funding has been removed from the forecast resulting in a reduction in anticipated revenue. The financial forecast also has increases to expenditures assumed based on past trends and current economic factors. Increased costs to personnel would include expected cost increases for PERS, health and dental care, step increases, and agreed upon COLAs. There are also cost increases for various materials and services based on contracted increases or inflationary factors.

4. What is the importance of beginning working capital in a healthy budget strategy?

Response: Beginning working capital is the initial funds available at the start of a fiscal year. Since property tax revenues are not available for operations until November, it ensures liquidity, allowing the City to cover immediate expenses such as public services and infrastructure maintenance. This initial pool of funds, essential for day-to-day operations, provides a buffer that helps the City withstand economic shocks and manage risks effectively. Working capital can also be considered one-time funding that can address financial challenges in the short term while the City works on long-term solutions.

5. For the Building Permit Annual Revenue, is the projection looking like where things will end up? How do we determine expected building permit revenues with such unpredictability the last few years?

Response: This answer is pending

6. Does the bit have any cell tower right of way fees? Is that represented by "Small cell?"

Response: Cell tower lease revenues generally are seen in the Water Fund, because the cell towers are located on Water Fund property. The "small cell" revenue category is to record permit fees from those companies who are implementing the 5G technology and are placing equipment in the City's right away or affixing equipment to the City's street light poles.

7. How are employees classified as management/ Does being in management mean you are a people manager?

Response: Our unrepresented personnel units are known as M1, M2, and M3. Sometimes these unrepresented units are referred to as “management,” yet not all unrepresented personnel are managers supervising other staff.

8. What is the actual dollar amount of the 17% PERS contribution increase?

Response: The citywide impact is \$2.7M. For just the General Fund specifically, the impact is \$1.5M.

9. Rather than reduce the bike team, what avenues can we leverage within the police budget?

Response: In the middle of the 2023-24 fiscal year, Council approved the addition of 2 police FTE to the downtown bike team, increasing it from 4 to 6 officers to enhance police response. This adjustment was made in response to time-sensitive safety challenges associated with our unhoused population and in anticipation of the opening of the new shelter.

The proposed budget freezes the 2 FTE, reverting back to the previous 4-officer model. We expect that the level of service will be maintained under the prior model and this approach will have the least impact to citywide safety. Services like patrol were not reduced to preserve response times. Similarly, cuts to other areas like records, investigations, and/or community services would have significant implications as they are already resource constrained.

10. In the initial organizational overview, the firm discussed the centralization of communication. When will this process begin? What are the goals of having two comms officers? One for police and one for the city?

Response: The city currently is recruiting for a strategic communications manager to oversee the communication division and serve as the city’s official public information officer. The division also leads a citywide communications team, comprised of staff members who champion communications work for their respective departments. Over time, the city would like to have a more centralized approach, where dedicated comms professionals are assigned to departments and can rotate throughout the organization. However, due to workload and staffing limitations, the city is not in a position to implement this structure.

The police department has its own communications officer because of the unique work related to public safety. Most, if not all police departments the size of Beaverton have a specialized communications model that works in cooperation with a city’s communications team. Because the work of the police department is complex, fast-moving, and often under public scrutiny, it is critical that the department have its own dedicated communications professionals with specialized training in applicable law, crisis response, victim sensitivity, and incident transparency to ensure timeliness and accuracy. This knowledge and experience are critical given the long-term impact police communications has on community relations.