

W.14.a.

AGENDA COVER MEMO

AGENDA DATE: June 9, 2006
Memorandum Date: June 14, 2006

TO: LANE COUNTY BOARD OF COMMISSIONERS
DEPARTMENT: LANE COUNTY OFFICE OF LEGAL COUNSEL
PRESENTED BY: Teresa J. Wilson, County Counsel



AGENDA ITEM TITLE: Charter Amendment --Income Tax Limitation

I. MOTION None at this time

II. AGENDA ITEM SUMMARY

The purpose of this memorandum is to present the highlights of what is contained in the Lane County Home Rule Charter Amendment.

III. DISCUSSION

A. Highlights of Charter Amendment.

This Charter Amendment, as well as the ordinance, were developed using the general guidance provided by the Board in its meetings on November 29 and 30, as well from January 4 and 11 public hearings, and subsequent discussions by the Board on February 8, April 19, May 17, May 31 and June 7.

1. Subsection 1 – this portion of the Charter Amendment limits the authority of the Board with respect to any income tax. If adopted, this would prevent the Board from imposing any income tax that had a rate above 1.5% of net income without seeking voter approval. That maximum rate does allow for the Board to adopt a lower rate income tax to provide revenues to cover the loss of the federal revenues received under the Secure Rural Schools legislation (PL 106-393), the cost of the property tax relief, costs of collection and administration costs and to sustain the projected programs through and beyond the first five years.

2. Subsection 2 – this establishes the dedication of the income tax revenues for public safety purposes. It defines those, for the purpose of the income tax, as programs which protect citizens from the effects of criminal activity. It then describes the services and programs which have been discussed with the City/County Public Safety Task Force, as well as those currently provided by the 3 Public Safety departments, the Sheriff, District Attorney, and Youth Services. The last sentence describes briefly what the Task Force set and the Board adopted as the initial goals for the first 5 years.

3. Subsection 3 – this subsection requires the County as part of any income tax to provide property tax relief to income tax payers at a rate equivalent to the \$0.95 of the County's property tax rate of \$1.2793 per \$1000 assessed value. The relief only occurs for property tax paid in the income tax year.

4. Subsection 4 – this subsection provides the income tax revenues will go into a Special Fund, the Public Safety Dedicated Fund. Interest earned on the fund is credited to

it. It also provides for a Rainy Day reserve. The Charter allows for two years of collection to "fill" the Rainy Day reserve, after which it requires there to be 10% of the annual income tax revenues in the Fund, as a cushion against unforeseen events and economic downturns. The Board is required to establish policies for when/how it would use the reserves if those events occurred, and to replenish them in a reasonable time period.

A quick review of literature looking at State Rainy Day Funds seems to indicate that the range for such reserves is from 2 to 18%. Our own reserve policies in the Lane Manual (just adopted by the Board on May 31) call for a 5% reserve for all non-General Funds. In addition, the General Fund Reserve Policy calls for a 10% of operating revenues, with the first 5% being an emergency reserve and the second 5% being an economic stabilization reserve. Obviously, whatever is set in the Charter provides a MINIMUM requirement; the Board could actually have a higher reserve. The 10% of income tax revenues is recommended by the County Administrator as a "middle ground" type choice.

B. Alternatives/Options.

The language in the Charter Amendment can be changed to reflect whatever the Board desires, within the limitations of the law. Any changes may have implications for the Ordinance that is being presented as a companion agenda item.

IV. TIMING/IMPLEMENTATION

A second public hearing on the Charter Amendment is scheduled for the evening of June 28. I will have a Board Order referring the Charter Amendment to the ballot prepared for adoption that evening, as well as an Order adopting the appropriate ballot title. The Charter Amendment must be referred to the ballot not later than July 10, per LC 2.650(1).

V. ATTACHMENTS

Charter Amendment

Charter Amendment

Section 38. INCOME TAX LIMITATION

- (1) Rate Limitation. Any income tax imposed by the Board of County Commissioners may not exceed a tax rate of one and one-half percent (1.5%) of net income without an affirmative vote of the residents of Lane County, effective and applicable to tax years beginning on or after January 1, 2007.
- (2) Dedication for Public Safety. The revenue from any Lane County income tax, less costs of collection and administration, shall be dedicated for public safety purposes. Public safety purposes are defined for any income tax as those programs designed to protect citizens from the effects of, or to reduce, criminal activity. They include preventive and reactive public safety services, such as adult and youth corrections, crime prevention, prosecution, detention, supervision, mental health services, alcohol and drug treatment, victim services, drug court, interagency narcotics enforcement, patrol, investigation and arrest, and related support services. They also include the programs and services provided by the departments of the Sheriff, District Attorney and Youth Services. Through 2012, Lane County shall focus increased revenue on significantly reducing illegal drug production, dealing and use (especially methamphetamine), reducing family violence, enhancing drug and alcohol treatment programs for addicted adult and youth, and providing prevention programs to reduce future crime.
- (3) Property Tax Relief. The Lane County permanent authorized property tax rate is \$1.2793 per \$1000 of assessed value. As part of any income tax, the County shall provide property tax relief to the income taxpayer for property tax paid during the income tax year at a rate that the Board of Commissioners determines is equivalent to reducing that property tax rate by \$0.95.
- (4) Special Fund and Rainy Day Reserve. The County shall create and maintain a Public Safety Dedicated Fund. All revenue collected from any Lane County income tax shall be credited to the Public Safety Dedicated Fund, after payment of expenses of collection and administration. Interest earned on the Fund shall be credited to it. Beginning not later than two years after enactment of any income tax, the County shall provide for adequate reserves within the Fund of at least 10% of annual income tax revenues to provide a cushion against unforeseen events and economic downturns. The County shall also establish policies for use of the reserves during such events or downturns and for replenishing them within a reasonable period.

