

MINUTES

Eugene City Council
Council Chamber—City Hall
777 Pearl Street—Eugene, Oregon

February 14, 2011
7:30 p.m.

COUNCILORS PRESENT: Betty Taylor, George Brown, Andrea Ortiz, George Poling (via speakerphone), Mike Clark, Alan Zelenka, Chris Pryor, Pat Farr.

Her Honor Mayor Kitty Piercy called the February 14, 2011, regular meeting of the Eugene City Council to order.

1. PUBLIC FORUM

Mayor Piercy reviewed the rules of the Public Forum.

David Sweet, 2024 Emerald Street, advocated for a City income tax to fund schools. He then went on to speak of the merits of children and the love they provided to others without thought of return. He said that citizens must work to help Eugene become the great city it could be, one that was built on a foundation of love. He advised the council that the love of money was the root of all evil while the love of love was the root of all good. He said citizens knew the difference. He suggested that the councilors who supported an income tax for schools would be recalled in the future as people who remembered the children.

John Brown, 101 East Broadway, represented the Eugene Water & Electric Board commissioners. On behalf of EWEB, he thanked the council for accommodating the commissioners in taking their oaths of office at the State of the City event. He hoped it was the beginning of a new tradition. He also thanked the council for its support of EWEB's water contract to Veneta, which he believed created a win-win situation for all. The board would discuss future water rights during its upcoming strategic planning meeting to continue the momentum on the topic.

Mr. Brown shared some positive outcomes from EWEB's Customer Cares Program. He invited the council to EWEB's Centennial Celebration on March 11, 2011, from 3 p.m. to 6 p.m.

Thomas Grimsley, 299 Sterling Drive, representing the Eugene Education Association as the teachers' bargaining chair for the Bethel School District, spoke in favor of a City income tax to support schools. He noted the budget reductions that had already taken place and described the concessions already made by Bethel district bargaining groups, which included reductions in wages and benefits, reductions in school days, and reductions in personnel. He said this would be the third consecutive year that employees were discussing reductions with the district. Mr. Grimsley asked the council to place a measure establishing a tax for schools on the May 2011 ballot so voters could decide the question. He then submitted testimony in support of the proposed tax from **Tom Diliberto**, bargaining chair for the 4J School District.

Mark Callahan, 3621 Mahlon Street, a parent, opposed the proposed income tax as an attempt to redistribute wealth and as a direct attack on the middle class. He suggested the tax was targeted at those making more than \$50,000 in an attempt to make it easier to pass, which he termed class warfare. He also believed the tax would drive residents and businesses out of Eugene.

Steve Wilson, no address given, criticized the quality of Councilor Farr's analogies, suggested he had benefited from a good economy during his earlier service on the council, and offered him four recommendations: 1) change the City Code so that the funding allocated for public art associated with public projects could be directed to the school districts instead for a five-year period; 2) bring the Lane County Fair to the Bethel neighborhood; 3) ensure the improvements promised for Golden Garden Park came to fruition; and 4) create a partnership between Willamette High School and Saturday Market. He also urged Councilor Farr to work harder.

Tom Bascom, no address given, advocated for a City income tax to fund schools. He said he had brought his two children with him to show them democracy in action and that it was possible for committed citizens to effect change. He noted the growth of the River Bend hospital campus and the need to recruit highly qualified doctors to staff it, and the interest of those individuals in a quality school system for their children.

Hillary Johnson, no address given, representing Stand for Children, supported a City income tax to fund schools. She asked the council to place the measure on the May 2011 ballot to avoid drastic budget reductions that would result in increased class sizes and teacher layoffs. She noted that polls commissioned by her organization indicated that 55 percent of likely voters supported such a tax, particularly if it avoided teacher layoffs, and suggested the council take advantage of that community support and volunteer motivation and place the measure on the May ballot.

Bob White, 675 River Road, said statements made by the mayor suggested to him that the council believed it was the responsibility of the working community and taxpaying citizens to give up their property for the use of a select group of people, i.e., bus riders. He said the lower portion of River Road had been rezoned to mixed-use, prohibiting the growth of his business because it was an auto-related business. He said the River Road Community Organization was aesthetically opposed to cars. He said other residents did not know what was going on because they were working and caring for their families. He believed that common sense eluded members of the organization as well as some councilors.

Mr. White recalled that the council had killed the parkway project, which was twice approved by the voters, and changed the name of Centennial Boulevard to Martin Luther King, Jr. Boulevard because of minority pressure. He believed that Dr. King was a great man and should have been honored by having a street named for him, but it should have been a new street, not an existing one where the change cost business owners money. He said that downtown Eugene had been destroyed by the council's visions of future but it still needed to be fixed. Now the council proposed to "save the world" through the EmX system but the community could not pay for schools, public safety, or to fix the roads.

Bob Macherione, 1994 Brown Drive, wanted all children educated because "dumb kids turned into stupid adults." He asked why \$50,000 was picked as the cut-off for the proposed tax. He pointed out that residents who made less than \$50,000 also had children and questioned why the tax was not more equitable. He suggested that those making more than \$50,000 could afford to move elsewhere, which could have a negative impact on desirable things such as the local arts.

Mr. Macherione reported that a West 11th Avenue business owner had recently remarked that the Envision Eugene process had envisioned him and his 50 employees gone.

Mr. Macherione questioned how widening West 11th Avenue and mixed use worked together. He understood that wide streets were an impediment to mixed-use residential development and he questioned why the Lane Transit District (LTD) would want to run buses down both sides to “no destinations.” He asked where the City would locate industrial uses if it did not expand the urban growth boundary. Mr. Macherione said “you can’t have everything in every location.” He hoped that those who testified at the February EmX hearing received as much consideration from the council as the residents in support of a City income tax for schools.

Charles Hibberd, 5555 West 11th Avenue, suggested that public union employees should make additional wage and benefit concessions before the community was asked to pay another tax. He was not impressed with the education his children had received in Eugene for the money he had paid.

Mr. Hibberd said he had a list of 75 customers he had done business with over the last 17 years that he would provide to the council, and not one business on the list would benefit if someone arrived on a bus. The businesses in question were generally industrial in nature. Mr. Hibberd shared a map that showed an area along West 11th Avenue where he averred 95 percent of the businesses would not be visited by anyone on a bus. He pointed out that those businesses paid the taxes that supported the Lane Transit District. He did not think that EmX was needed in the corridor in question.

Joy Marshall, 5166 Alpine Loop, Stand for Children, advocated for a City income tax for schools. She supported a temporary, fair income tax, and suggested that the City might have to tax those with incomes below \$50,000 to realize the needed amount. The money collected would go to classroom instruction and to add school days. She anticipated that even if such a tax was passed, teachers would still have to take cuts, and she thought it was important the public knew that. Ms. Marshall favored placing the measure on the May 2011 ballot.

Ms. Marshall reported that she had recently met with Governor John Kitzhaber, who asked that efforts to pass the tax not be allowed to distract from State efforts for education funding reform. She supported that sentiment, but did not think that cutting more money from the local schools was sustainable. She suggested that the community needed to recognize the funding problem was not a State problem, but a “kids’ problem.” She pointed out the importance of a well-funded school system to reduced crime levels and employee recruitment.

Sarah Case, 2525 Charnelton Street, advocated for a City income tax for schools. She asked those in favor of the tax to stand. Many people did. Ms. Case emphasized the importance of a City income tax for schools to an adequately funded education system. She said budget reductions made in the past several years had resulted in shorter school years and larger class sizes. Ms. Case said reductions in Oregon school funding had resulted in a loss of touch with the “norms” of education. She did not think the State would act anytime soon, and recommended the City take local action. She shared testimony from her husband that emphasized the importance of the schools to employee recruiting efforts.

Craig Smith, 2611 Suncrest Avenue, chair of the Eugene School District 4J Board of Directors, suggested some changes to the resolution that would establish a City income tax for schools.

Eugene Drix, 307-1/2 High Street, shared some of the history of Eugene and expressed his love for the community. He spoke of its kind and enlightened citizens past and present. He said that the community “took all of us” and he was proud of each member of the community for bringing their “piece of the truth” to the discussion. He learned something new every time he attended a council meeting.

Mr. Drix expressed concern about the University of Oregon's plans to construct a new building along the riverfront.

Dennis Gabrielson, 300 South 10th Avenue, Creswell, expressed his opposition to the proposed City income tax for schools and to the extension of EmX in West Eugene. He called for more geographic diversity on the City's Budget Committee. He also objected to the deferred compensation package awarded to City Manager Jon Ruiz.

Chris Clark, 338 Meadow Butte Loop, believed everyone supported education. However, he opposed the proposed tax because he believed the State was responsible for school funding and the expense side of the question had not been addressed. The City could do nothing about the second issue. He believed that the proposed tax would perpetuate the problem if the expense side was not addressed. Councilor Clark also suggested the proposed tax could divide the community on class basis. Citizens would vote for the tax because they would not have to pay for it, and he did not think that was equitable or represented what Eugene was about.

Dave Hauser, 1401 Willamette Street, representing the Eugene Area Chamber of Commerce, expressed the chamber's support for education. He pointed out that there had been no opportunity for the public to offer meaningful public input about the form or structure of the tax. He said that more than half of all business income was reported on individual returns, so many businesses would not have the opportunity to respond to the structure of the measure if the council moved forward with a May measure. He believed a November election date provided more time for collaboration, allowed the districts to move forward with their capital measures, gave the State legislature the opportunity to act, and gave the public time to comment on the structure of the tax. If the council did chose to move forward with a May ballot date, Mr. Hauser suggested that six years was a long time for a temporary tax, that the tax should be broad-based so more contributed to the solution, and that the simpler the tax, the better.

Wendy Butler-Boyeson, 1265 City View Street, supported the proposed City income tax for schools. She then expressed support for the West Eugene EmX extension because in was in the community's future long-term interest and because she believed that the existing phases were successful and the system took cars off the road. Ms. Butler-Boyeson noted Eugene's recognition for having one of the best commutes in the country, which she attributed to past long-range transportation planning efforts. She said that most LTD riders had cars and could still use them to drive to West 11th Avenue. She believed that LTD riders would pass by businesses and want to spend money at them. Ms. Butler-Boyeson averred that "LTD is not in operation to waste money" and constantly watched its bottom line. She disagreed with those who contended that West Eugene EmX was a bus to nowhere; instead it was a way for LTD to move more people more cheaply.

Rhiannon Springall, 1475 East 15th Avenue, A University of Oregon, supported the West Eugene EmX extension. She came from Portland, where residents used public transit "for absolutely everything." She said that Eugene needed more efficient, reliable, and green transportation options to handle future growth. She said West Eugene buses were not adequate now. She termed EmX the obvious environmental choice because vehicles would be electric-hybrid vehicles that produced fewer carbon emissions. The few trees that would be removed to accommodate construction would be replanted, and their removal would be for a good cause. Ms. Springall doubted that construction of the system would harm local businesses because LTD had stated it would do its best to minimize construction impacts. LTD had further stated that construction would not close a single business.

Speaking to contentions that West Eugene EmX was unnecessary, Ms. Springall disagreed because she believed that the future system would draw more riders than the current system. She believed the proposed EmX extension was a worthwhile investment for both monetary and environmental reasons.

Rachel Epperson, 1475 East 15th Avenue, a University of Oregon student, spoke in support of the West Eugene EmX extension because it was predicted by LTD to reduce carbon emissions, it would be extremely convenient, it would create new construction jobs, and it would be economically beneficial to Eugene. She said that the community needed to use the federal grant funding that would underwrite the costs of the route or it would be lost to other communities. She said that the extension would improve access to businesses in West Eugene and cost less annually than continuing the existing system.

George Russell, 1270 Little John Lane, 4J School District Superintendent of Schools, and **Colt Gill**, 382 Dellwood Drive, Bethel School District Superintendent of Schools, noted the letter they had submitted to the council earlier. Superintendent Russell spoke of the difference between a May and November election date and said the issue was preventing harm. He anticipated his district would send layoff letters the next week to more than 100 teachers and would discuss furloughs of 10 to 13 days in 2011-12. Class sizes would increase. A May measure would allow the districts to mitigate the impacts. Superintendent Gill referred the council to Attachment F in the packet, which identified what would happen under each scenario.

Charles Moss, 4255 Berrywood Street, was opposed to the tax. He believed the tax was a form of class warfare. He noted that he would not have to pay the tax because he was retired. His neighbor would have to pay but the neighbor next to that person would not because they were not a Eugene resident, although both neighbors had children in the same Eugene school. Given current unemployment rates, Mr. Moss suggested that soon Eugene would not need an EmX system if it kept taxing people. He predicted that people would not build in the urbanizing area because they would have to annex into the city and pay the tax. He said that proponents for the tax stated it was fair but they also acknowledged that the final form the tax would take was not known. Mr. Moss questioned how the council could vote on a tax without more information.

Mr. Moss suggested dialogue between the council and residents would be more helpful than the format established for the forum.

Jay Namyet, 2770 Capital Drive, advocated for a City income tax for schools because local schools were facing a crisis of epic proportions and something must be done now. The school funding problem was nationwide and it would take years for change to come. He did not have that much time because his daughter was in school now so money was needed now. He supported a May ballot to get the funds into teachers' hands now. He asked the council to pay consideration to the details of the proposed tax, because he did not think the community would solve its problems with taxes directed only at higher paid individuals.

Pauline Hutson, 1025 Taylor Street, questioned the suitability of West 11th Avenue for the multi-story mixed-use development envisioned there. She believed that such construction would be a huge risk and bad investment and expressed concern about the impact of construction on wetlands and Amazon Creek. She said that redevelopment efforts such as Broadway Place had failed and she criticized the appearance of recent developments on West 11th Avenue. She advocated for creation of a design review board to avoid such development in the future.

Ms. Hutson said that 90 percent of those in attendance at the recent public hearing regarding the system had indicated opposition to the proposal to run EmX down West 11th Avenue. She asked the council to take that into consideration.

Josef Siekiel-Zdzienicki, 1025 Taylor Street, supported a temporary City income tax for schools with a lower threshold. He suggested that people with lower incomes had more children and should also pay the tax.

Mr. Siekiel-Zdzienicki suggested that an Environmental Impact Statement done for both the West 6th/7th avenue and West 13th/11th avenue options, and that the route be discussed as part of the Envision Eugene process. He expressed disappointment in the most recent Envision Eugene open house and said that after a year of work, not much information had come out. Mr. Siekiel-Zdzienicki suggested that owners of properties along existing transportation corridors should have been surveyed about what they wanted to do with their property and what they wanted in the form of transportation. He thought that would have saved money and discussion.

Steve Robinson, 1755 Tabor Street, submitted and reviewed his written submission in support of the school tax because of the positive economic impact it would have on the community.

Mayor Piercy closed the Public Forum.

Councilor Taylor agreed with Mr. Robinson about the positive benefit of the proposed tax. She emphasized that the council was not imposing an income tax, but instead was considering whether to give the public an opportunity to vote on such a tax. She believed that small class sizes were crucial to a good education. She said even if residents did not have children they were affected by the educational system. She supported sending the tax to the voters in May 2011.

Councilor Ortiz thanked those who offered testimony. She said she had been unable to attend the recent hearing on the proposed EmX extension but had viewed the hearing later. Speaking to the remarks of Mr. White, Councilor Ortiz recalled that she got involved in local politics because of the Martin Luther King, Jr. street renaming controversy and had wanted to contribute to greater understanding of the issue. She urged others to get similarly involved.

Councilor Clark also thanked those who offered testimony. He said that people who supported education differed on the best approach to funding.

Councilor Pryor agreed with Councilor Taylor about the nature of the decision before the council. He believed it was appropriate to let the voters decide on such a tax. In regard to the appropriate election date, he said that he had to take the remarks of the superintendents about that topic seriously. He believed in a temporary tax that was broadly based and if the council was able to resolve the structure of the tax in a satisfactory manner, he was willing to place such a tax before the voters.

Councilor Zelenka thanked those who testified. He emphasized the importance of quality schools and education. He supported letting the voters decide on an income tax because it was about the future and children. The schools were important in recruiting new businesses and the tax would be good for jobs and the economy. It would be a net economic benefit in terms of jobs. He said the legislature would not fix the problem soon. He applauded those who planned to work to pass the tax and hoped for their success.

Councilor Farr thanked those who offered testimony. He said he spent many years on the school board dealing with budget reductions and his first years on the City Council were spent addressing the ramifications of ballot measures 47/50, which reduced property taxes. It was not an easy thing to make budget reductions when one knew the people affected and the ramifications of the cuts. He had faced eight consecutive quarters as a State legislator facing uncertainty economic times. He hoped that by the time people had a chance to vote they would have received the information they needed to support an income tax.

Councilor Brown also thanked those who testified and thanked superintendents Russell and Gill for their presentations.

Councilor Brown said the funding situation was a crisis situation that had taken time to build up. One could get by with doing more with less for only so long. He stressed the temporary nature of the proposed tax, which was intended to “stop the bleeding” and keep the situation from getting worse while the State of Oregon worked toward a solution. He hoped the details of the tax would be hammered out soon.

Mayor Piercy also thanked those who testified and acknowledged the work that had occurred to get the proposal to this point. She thanked the schools for the good job they did in trying times.

2. CONSENT CALENDAR

This item was addressed at the 5:30 p.m. work session.

3. POSSIBLE ACTION:

Adoption of Resolution 5023 Calling a City Election on May 17, 2011, on a Temporary City Income Tax to Raise Funds for Local Schools

Bethel School District Superintendent and Eugene School District 4J Superintendent George Russell were present to answer questions.

Finance Director Sue Cutsogeorge distributed copies of a PowerPoint presentation entitled *City of Eugene—City Income Tax for Local Schools*. She reviewed the presentation, which highlighted the details of the two resolution options included in the meeting packet, Resolution A and Resolution B. Under Resolution A (*Attachment A* in the meeting packet), the council would set the tax rates in the ballot measure and the districts would receive whatever revenue was collected after the cost of implementation and administration was subtracted. Under Resolution B (*Attachment B* in the meeting packet), the council would set the amounts to be raised for schools in the measure and establish the tax rates at a later date. The rates would be reset each year to provide the desired amount for schools. Either resolution could have a graduated tax rate.

Ms. Cutsogeorge reported that Eugene School District 4J and the Bethel School District asked the council to consider two scenarios for a new tax for schools, one that raised \$26.6 million and one that raised \$16.8 million. The funds would be split between the two districts on the basis of the number of City residents attending district schools. Because of uncertainty about future State funding levels and the need for labor negotiations to secure concessions, the districts could not guarantee that the dollars from such a tax would reduce class sizes, restore furlough days, or prevent teacher layoffs. In addition, the actual revenues from a City tax could vary from year, affecting district service levels.

Ms. Cutsorge called the council's attention to *Attachment C, Summary of Scenarios to raise \$26.6 Million or \$16.8 Million for Schools*. She reviewed the four scenarios outlined in the summary. She said if the council wished to implement one of the scenarios, it could adopt Resolution A with a fixed tax rate or rates; if it wished to have more detailed discussion of tax rates and structures, it could adopt Resolution B with a variable rate and structure to be set later.

Ms. Cutsorge referred the council to an economic analysis of the tax by the consulting firm EcoNorthwest, included in the packet as *Attachment D*. The analysis concluded that an income tax for schools would have a positive economic effect from reduced household spending by increased taxes to fund schools, resulting in more local economic activity. The analysis also suggested that people would be likely to support such a tax if the districts could demonstrate it would result in better educational outcomes.

Ms. Cutsorge recommended that if the council chose to place a ballot measure for an income tax to fund schools on the May 2011 ballot, it adopt an ordinance before the ballots were mailed with specific information about who was subject to the tax, what income was taxable, deadlines for filing, and penalties for failure to file. That ordinance would only be effective if voters approved the ballot measure. If the council chose to place a measure on the November 2011 ballot, staff would draft an ordinance prior to that time.

Mayor Piercy solicited council questions and comments.

Responding to a question from Councilor Clark, 4J Chief Financial Officer Susan Fahy indicated the district's shortfall was projected to be \$21.2 million in 2012, based on the Oregon Legislature's budget for schools. Superintendent Gill indicated that the Bethel shortfall was anticipated to be about \$5.6 million in year 1 of the biennium, and would increase by \$1.7 million in year 2. Councilor Clark pointed out that the City did not yet know what the legislature would do, leading him to incline to a November election date. Councilor Clark determined from Ms. Fahy that the district would lose the \$17 million in federal grant dollars if its capital bond did not appear on the May ballot because of competition for the remaining qualified school construction bonds.

Responding to a question from Councilor Zelenka, Ms. Cutsorge indicated the analysis done by EcoNorthwest was based on the Oregon Taxable Income (OTI). Staff provided information about Adjusted Gross Income (AGI) for informational purposes. Ms. Cutsorge clarified that the Eugene taxable income would be lower because State statutes preempt the City from imposing a local tax on PERS retirees. The Eugene taxable income would be lower than the OTI because of the pension effect.

Councilor Zelenka noted another question before the council was whether to use a rate or amount. He posited that if the council selected a rate, the risk of under collecting fell on the districts, and that risk was eliminated if the council set an amount. Ms. Cutsorge concurred. She said if the council wanted a more thorough discussion of the tax structure, it should pick the amount option over the rate option to ensure those discussions could occur over the next few months. Councilor Zelenka asked about the timeline for those discussions. Ms. Cutsorge anticipated a work session before mid-March, followed by a public hearing in mid-April, with final ordinance approval before April 30.

Councilor Farr asked Ms. Cutsorge to discuss the difficulty of implementing a tax approved in November 2011 by January 2012. Ms. Cutsorge said the City would have to create an administrative structure to collect the tax, and she estimated that would take about six months. If the council decided to go to the ballot in November staff would not have to wait to create that structure, but there was a risk if

the tax did not pass. She confirmed, in response to a follow-up question from Councilor Farr, that the cost of implementing the tax would come from the tax revenues. She further confirmed that a guaranteed rate did not ensure a guaranteed return. If the council chose a guaranteed return, there would be no certainty about the rate. Councilor Farr concluded that the City would have either a questionable rate or a questionable return. Ms. Cutsogeorge concurred. City Attorney Glenn Klein added that there would be no guaranteed return even if council chose that option. Staff would do its best to estimate the needed rate to bring in the desired amount, but the City could not guarantee that yield. He said the council could adjust the rate annually to get closer to the desired yield.

Councilor Taylor, seconded by Councilor Brown, moved to adopt the resolution included as Attachment A, Option B, minus Section 8.

Councilor Clark determined from Ms. Cutsogeorge that the OTI estimate took into account those parties that Eugene could not tax (17 percent), and the percentage associated with those who would not pay because they were PERS or federal government retirees (6 percent). The estimate also accounted for administrative costs.

Councilor Clark suggested the tax should be based on amount rather than rate because the school districts were requesting specific amounts. He was concerned about under collection because of the State's experience with ballot measures 66 and 67 and wanted to have accurate projections.

Councilors Taylor and Brown accepted a friendly amendment from Councilor Ortiz to amend the motion to replace the phrase "teacher furlough days" with "instructional furlough days" in the resolution wherever it appeared.

Councilor Ortiz moved to amend Section 4 of the resolution to include Junction City schools. The motion died for lack of a second.

Responding to a question from Councilor Poling, Ms. Cutsogeorge said about 24 percents of 4J students and 12 percent of Bethel students lived outside the Eugene city limits.

Councilor Poling said he had heard from many people who opposed the tax. He suggested the council was "rushing into this" and pointed out that Governor Kitzhaber did not believe the tax was a good idea at this time and suggested that passage of the tax might give the legislature the idea that local actions would take care of the school funding question. Councilor Poling also thought the proposed tax was unfair.

Councilor Poling, seconded by Councilor Clark, moved to direct the City Manager to schedule a work session on a November ballot measure as soon as possible after the State identifies the amount of State funds that 4J and Bethel school districts will receive.

Mayor Piercy determined from City Attorney Klein that the motion was a motion to substitute for the previous motion.

Councilor Poling suggested the motion would provide the council the time it needed to get more certainty about what the districts would receive from the State while emphasizing to the State it had responsibility for the issue of school funding.

Councilor Clark said he was in favor of letting residents vote on a tax, but he wanted to offer them a tax with the greatest opportunity for success. He felt the proposed measure would not succeed because it was inherently unfair. He believed residents wanted a tax for schools to be fair, temporary, and progressive,

but in this case, the tax would not be borne by many people whose children attended schools. He thought that was at odds with the City's attempts to work with the residents of Santa Clara/River Road to transition those areas into the city. He did not think they would want to annex and be assessed a new tax. Councilor Clark pointed out that Coburg citizens, whose children attended 4J schools, would not pay the tax. He believed that would generate opposition and believed that opposition could be better overcome if the City waited until November. He also was concerned about the fate of the districts' bonds.

Councilor Zelenka said there was no perfect tax. He favored a May ballot because of the superintendents' remarks in support, because a November date pushed out the date collections could start, and because a November election would cost the City \$290,000. In addition, there was a motivated group of people willing to work on the measure now. There were no resolutions to the issues Councilor Clark raised that would make a difference in November because he thought those issue could not be resolved. He did not support the motion.

Councilor Pryor suggested that it would be too late to act when the community knew how much the State would allocate to schools. He supported a smaller amount of \$16.8 million because he thought it would be easier to pass. He did not want to presume any tax the City passed would make the districts whole because the City could not do that. However, he wanted to give the voters a chance to vote in May because of the superintendents' remarks.

Councilor Pryor asked School District 4J Board of Directors Chair Craig Smith if he preferred a May ballot. Mr. Smith said yes, because it would allow the district to have an impact on the 2011-12 school years.

Councilor Farr also favored the November ballot. He was concerned that the districts' capital bonds would not pass if the income tax measure appeared on the same ballot. He said he had always voted yes on measures related to the schools in his role as a Bethel School Board member, and his vote on the topic was not a vote in support of children in schools. He thought the November ballot gave the measure a better chance of passing.

Councilor Brown believed that November would not work. He said the measure was intended to retain teachers and add back lost school instruction days. If the council waited until November that opportunity would be lost and there would be no point. He believed that the measure had to be on the May ballot. If the measure was on the May ballot, the districts would have more certainty about the funding they could expect.

Roll call vote; the substitute motion failed, 5:3; councilors Poling, Clark, and Farr voting yes.

The council discussed how to fill out Section 2 of the resolution:

Section 2. The tax shall consist of a graduated tax of: (a) ____% if income tax is less than \$ ____; (b) ____% if income is between \$ ____ and \$ ____; and (c) ____% if income is more than \$ ____ and shall be collected annually on income earned between January 1, 2011, and December 31, 2016.

Councilor Ortiz, seconded by Councilor Zelenka, moved to amend the motion by amending Section 2 as follows: *Section 2: The tax shall consist of a flat tax of 1.42% on taxpayers with OTI in excess of \$25,000 and shall be collected annually on income earned between January 1, 2011, and December 31, 2016.*

Councilor Brown did not think the council needed to decide on the rates at this point. He recommended that the council direct staff to work with EcoNorthwest and an ad hoc citizens group to craft a graduated tax with specific rates for all four years so that taxpayers know that their rates would not change. He did not think the graduated rates presented to the council were graduated enough. Councilor Brown agreed with Councilor Ortiz that more people should share their burden because it was everyone's responsibility to pay for education. However, he did not care if a few families did not have to pay the tax. Children were the future and must be educated.

City Attorney Klein said he must draft a ballot title based on the resolution. If the council did not establish rates tonight, the ballot measure would not be specific about what would be raised or what the rates would be.

Councilor Zelenka supported the motion. He feared the tax would not receive support if it did not include a specific amount. He preferred a progressive rate structure, although he believed a flat tax might have a better chance of passing because it might be perceived as more fair. However, he could support a flat tax that covered more people.

Councilor Clark suggested the council should be discussing the amount it wished to raise rather than the rate.

Councilor Poling indicated support for a flat rate tax on incomes in excess of \$1 so that all helped to pay for the schools.

Councilor Pryor suggested the tradeoff the council faced was between the simplicity of the tax rate and the number of taxpayers affected. An OTI of \$25,000 reached 68 percent of the taxpayers. He agreed with Councilor Poling that everyone ought to pay the tax and for that reason he favored a graduated tax. He supported a four-year tax with an annual yield of \$16.8 million rather than a six-year tax with a \$26.6 million annual yield. He wanted to help the schools but also wanted to be able to pass a measure to do so, and thought the lower amount had more chance of passage.

Councilor Farr believed that the council was rushing the process and making decisions based on incomplete data. He feared the opponents of the proposed measure would be able to highlight those flaws to the community. He said the schools "deserved a lot better than this."

Responding to a question from Councilor Brown, City Attorney Klein said if the rates were not in the resolution, the ballot title would not mention the rates; he anticipated the council would adopt an implementing ordinance that contained that information prior to the election. He suggested that information about the rates could appear in the Voters Pamphlet.

Councilor Taylor determined from City Attorney Klein that a person earning \$26,000 would pay 1.42 percent on the entire amount. She suggested that was unfair.

Councilor Farr pointed out that the funding crisis had taken some time to build and he found it unwieldy to be dealing with something that should have been taken care of a long time ago. He was frustrated to be told that if the council did not do something now the schools would fall apart but he did not think the council had the right information to make the decision. He thought the result would be a bad decision.

Mayor Piercy acknowledged the situation was not ideal and the timing was challenging. She pointed out that the council was approached by community members who asked for help because they could not stand

the reductions they anticipated. When added to earlier losses, the result was a large funding gap with huge implications for class size, furlough days, and educational quality. She said the budget process added a sense of urgency to the situation. Mayor Piercy believed that people wanted to do something to mitigate the reductions and thought that other residents would be willing to pay more taxes to prevent teacher layoffs and additional reductions. She acknowledged that the funding was not a solution, but rather a bridge to a more comprehensive solution.

Responding to a question from Councilor Zelenka, City Attorney Klein said if the council included information about the estimated revenue yield in the resolution recitals, it could be included in the ballot explanation.

As a result of City Attorney Klein's remarks, Councilor Ortiz withdrew her motion and Councilor Zelenka withdrew his second.

Councilor Ortiz, seconded by Councilor Zelenka, moved to amend the motion by revising the resolution as follows: *Section 2: The tax shall consist of a graduated tax of: (a) .49 percent if OTI is less than \$6,100; (b) .69 percent if income is between \$6,100 and \$15,200; and (c) .90 percent if income is more than \$15,200, and shall be collected annually on income earned between January 1, 2011, and December 31, 2016.*

Mayor Piercy asked Superintendent Russell to comment on ramifications of the lower funding amount. Superintendent Russell responded that \$16.8 million would help mitigate losses related to classroom instruction, instructional days, and teacher layoffs. Superintendent Gill concurred. He said that Bethel would use the money to offset increases in class size and furlough days.

Mr. Smith thought the lower revenue number would make the ballot measure more politically feasible.

Councilor Ortiz agreed that the funding situation had been a problem for a long time. She believed any amount of money the City could offer would help. She acknowledged the measure did not fix all the districts' funding problems, but she thought it demonstrated that the City was doing its share.

Responding to a question from Councilor Clark, City Attorney Klein indicated the resolution would establish the rates, which were anticipated by EcoNorthwest to raise \$16.8 million. Councilor Clark asked how the City would present that number given the uncertainty that existed about what would be raised. City Attorney Klein said the ballot title could use the word "estimated." He recommended that be addressed through an amendment to a recital.

Councilor Brown preferred the higher revenue target.

Roll call vote; the amendment to the motion passed, 7:1; Councilor Taylor voting no.

Councilor Clark wanted more stringent language than "estimated at" for the revenue yield as he because the analysis was based on one firm's quick examination. City Attorney Klein offered "based on the information the council has available as of the date of the resolution."

Councilor Clark, seconded by Councilor Zelenka, moved to add a new recital D to the resolution that read "Based on the information that the council has available as of the date of this resolution, the tax is estimated to raise \$16.8 million. Roll call vote: The motion passed unanimously, 8:0

Councilor Clark expressed concern that the costs would wipe out the Council Contingency Fund. He suggested the money instead come from the tax revenues. City Manager Ruiz recalled the resolution spoke to the reimbursement for collection, not for the cost of the election.

Councilor Farr determined the cost of the measure was \$90,000 to \$100,000. The contingency fund contained \$100,000.

City Attorney Klein noted that Section 3 also included a reference to furlough days that needed to be revised to read "instructional furlough" days.

Roll call vote: The main motion as amended passed, 7:1; Councilor Poling voting no.

Councilor Taylor, seconded by Councilor Brown, moved to authorize the expenditure of funds from the General Fund contingency account to pay the costs of the election, including the cost to produce and distribute the Voters Pamphlet. Roll call vote; the motion passed, 6:2; councilors Farr and Clark voting no.

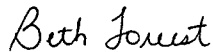
Councilor Taylor, seconded by Councilor Brown, moved to appoint councilors Brown, Clark, and Ortiz to the Voters Pamphlet Committee. Roll call vote; the motion passed unanimously, 8:0.

4. ACTION:
Ratification of Unanimous IGR Actions and Action on Non-Unanimous IGR Actions from January 26, February 2, and February 9, 2011

This item was postponed.

Mayor Piercy adjourned the meeting at 10:38 p.m.

Respectfully submitted,



Beth Forrest
City Recorder

(Recorded by Kimberly Young)