

# STEALTH FEES, HACKED SERVICES

*Financial excesses abound in city budget*

Just eight months ago, the campaign for the failed city service fee focused on the non-essential spending that the city could curtail before increasing taxes or fees on residents and businesses or cutting essential services. But the city, enabled by the Financial Investigative Team (FIT, mostly connected insiders), has taken all the strategies that resonated with voters off the table. The 2015 Options for Budget Reductions are almost identical to the city's original ballot proposal: recycled service cuts and a new fee. Neither is necessary.

The city's proposals will be the subject of upcoming hearings, so here are a few things to keep in mind while you consider *your* options.

**A stealth service fee is hidden** in the city's proposed 2015 Potential Budget Reduction Options for the upcoming budget cycle. The city's worksheet, the subject of two public hearings, has six "budget reduction options." Option 6 is an across-the-board 2 percent cut to all departments.

Options 1 to 5 are various combinations of cuts to services we are all too familiar with, from human services to police detectives. All five of the service cut options also include the innocuous-sounding category "absorb parks maintenance in stormwater fund," which in reality is a new tax increase and an end-run around constitutional property tax limitations as well as the recently defeated city service fee measure.

Here's how it works: Currently stormwater conveyance is considered a "utility," rates are set by the city manager and you pay them via your EWEB bill. Stormwater charges are a user fee for a utility, like your water usage or how much wastewater your home generates. Parks maintenance is a General Fund activity and has always been funded with property taxes. The stealth fee comes from redefining what activities would be eligible to be paid with stormwater charges by expanding the definition in the ordinance to include parks maintenance. This would transfer the costs for those services from the property tax-funded General Fund to the stormwater program, increasing EWEB bills for stormwater while freeing up millions in the General Fund. Parks maintenance is a municipal service, not a utility, and there is no fair formula to gauge

ratepayers' usage of parks. The Eugene City Council and city manager can make this change via ordinance and without a public vote. Once the change is adopted, rate increases will occur under the radar, not just in 2015. It's open-ended and permanent.

As fees increase for General Fund services, taxpayers will continue paying the same, ever-increasing property taxes. If the city gets away with this, what service will they carve out next? How many new and repurposed fees will we have to pay? Will costs for services be distributed fairly? How long before taxpayers are paying fees for multiple services they used to receive by paying property taxes? General Fund revenue has increased steadily over the years but non-General Fund revenue is the fastest growing source of revenue in the city.

In their effort to recycle the same old service cuts and increase revenue, city staff steered the FIT away from existing money in the budget that could be used to fund services. The ones below particularly resonated with voters in last May's campaign to block the city service fee:

**The biggest no-brainer.** Transfer money in the City Hall building fund back into the General Fund. At least \$8 million is set aside for a new stripped-down (ceremonial) version of City Hall; the ultimate cost is predicted to be \$15 million. That money has been skimmed from the General Fund, taking it away from essential services.

Currently, the limited activities that would take place in the planned ceremonial city hall are being efficiently provided by the Lane County building where the city rents Harris Hall and a small amount of office space. The county needs the money, and the public has already invested in that space, making it a much more efficient use of taxpayer dollars than building a new \$15 million building limited to those few activities.

The city has also committed to renting additional office space downtown for up to 10 years. That's why the new City Hall plan is a stripped-down version — most of the other departmental offices are downtown in rented space. Lease agreements cost taxpayers \$1.5 million per year (in 2014) for city office space in private buildings. (One such contract is with Rob Bennett in his Woolworth building; he was a member of the FIT.)

These contracts were a very bad deal, conceived to guarantee profit margins for downtown developers using taxpayer money. But now that the city is legally obligated to pay the rent for those offices and the county is providing other needed space, it defies logic to spend more General Fund money building even more space. Alternatively, that \$8 million-plus can pay for services for years to come.

**The council needs to terminate MUPTE**, the Multiple-Unit Property Tax Exemption. Doing so will not get back the \$2 million per year the city is already obligated to give away for the next 10 years, but it would mean that from now on all developers would have to pay their fair share of taxes for the city services they use.

**It's past time to terminate the Riverfront Urban Renewal District** (the Downtown Urban Renewal District is "promised" to terminate in 2018). \$6 million is sitting in this fund, which has skimmed \$1 million a year from what would otherwise be revenue for the city, county and school district. The Riverfront URD has been around since 1985; the boundaries have been expanded to 178 acres. Taxpayers do not need to subsidize development on this real estate which is in the same neighborhood as UO, U.S. Courthouse and Matt Arena. Since 1999 the city has spent \$6.5 million from the district fund, mostly on administrative costs, and it has never produced a capital project. It's time to terminate it and return that revenue to the General Fund.

Last year California terminated every URD in the state, all 400 of them, and perhaps coincidentally, this year Gov. Jerry Brown declared a budget surplus, which he promptly funneled into education.

Those are just two of the more blatant tax giveaways. If the city feels flush enough to give away money and provide services to developers for free, how can they justify taking more money away from average working folks who already pay their fair share? The philosophy in this city appears to mirror the national trend of letting the 99 percent subsidize the 1 percent.

The second public hearing on the city's latest scheme to cut services and foist higher taxes (stormwater fee) on the unsuspecting public will be at 5:30 pm Tuesday, Jan. 28, at the Eugene Public Library. ■

*Bonny Bettman McCornack is a retired registered nurse and former Eugene Ward 1 city councilor.*

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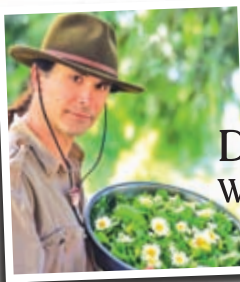
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