



MEMORANDUM

TO: JOHN DAY CITY COUNCIL
FROM: NICHOLAS GREEN, CITY MANAGER
SUBJECT: A DAY IN THE TAXING LIFE
DATE: APRIL 18, 2017
CC:

EXECUTIVE SUMMARY

This memo provides a primer on the tax value of a John Day household. The purpose is to demonstrate the return on investment from attracting new residents.

WATER & SEWER REVENUE

The two highest sources of income for the City are its water and sewer charges. The 2017 residential base rates are \$36 per household (Water) and \$45 per household (Sewer). We currently estimate the number of household units at 1,037 (units include individual apartments, RV/manufactured home spaces and single-family homes).

Residential water rates vary based on consumption. Because of these fluctuations, one has to determine the blended rate (aka effective rate) over various usage ranges. The effective rate for a John Day household in 2016 was \$0.012763 per gallon based on a total consumption of 61,185,747 gallons. Assuming the same water usage levels at 2017 water rates, the estimated water contribution per household will be \$63.76 per month, bringing the average annual utility revenue for both water and sewer to \$1305.12 per household.

PROPERTY TAX REVENUE

Property taxes in the City are distributed to eight tax jurisdictions based on their respective mill rates (tax per \$1000 assessed value). Table 1 shows the 2016-17 property tax for a single-family home in John Day with an assessed value of \$150,000.

Table 1. Property Tax Revenue Spread

Tax Jurisdiction	Mill Rate	Total Taxes	Share of Tax Revenue
ESD	3.7557	\$563.36	24%
City of John Day	2.9915	\$448.73	19%
Blue Mountain Hospital	3.3523	\$502.85	21%
County	2.8819	\$432.29	18%
School District #3	1.6468	\$247.02	10%
Parks & Rec	0.7484	\$112.26	5%
Mid Co Cem	0.3010	\$45.15	2%
Ext & 4-H	0.2598	\$38.97	2%
<i>Effective Tax Rate</i>	<i>15.9374</i>	<i>\$2,390.61</i>	<i>100%</i>

STATE SHARED REVENUE

The City's certified population estimate for 2017 is 1,735 residents. This is the official estimate used to determine our State Shared Revenue (SSR). Distributions for 2017-18 revenue sources are estimated at \$81.62 per resident, distributed as follows:

- Liquor Revenues = \$17.15
- Cigarette Tax Revenues = \$1.20
- 9-1-1 Tax Revenues = \$5.66
- Highway Fund Revenues (Gas Tax) = \$57.61

The State also provides approximately \$7,800 per student to the local school district in which they enroll. This amount varies based on a number of factors but can be used as a planning factor for future incentives.

TAX VALUE OF A JOHN DAY HOUSEHOLD

The tax value of a new household can be estimated by making assumptions about the value of the home they will occupy and size of the household. Assuming an assessed value of \$150,000 and an equal probability of attracting households ranging from one to four people (with three and four person households having two children aged K-12) the tax value of a John Day household including all revenue sources described herein is shown in Table 2.

Table 2. Expected Tax Value of a John Day Household

Agency	One Person	Two Person	Three Person	Four Person	Avg. Household	Revenue Share
School District #3	\$247.02	\$247.02	\$8,047.02	\$15,847.02	\$6,055.85	64%
City of John Day	\$1,502.35	\$1,583.97	\$1,998.71	\$2,080.33	\$1,791.34	19%
ESD	\$563.36	\$563.36	\$563.36	\$563.36	\$563.36	6%
Blue Mtn. Hospital	\$502.85	\$502.85	\$502.85	\$502.85	\$502.85	5%
Grant County	\$432.29	\$432.29	\$432.29	\$432.29	\$432.29	5%
Parks & Rec	\$112.26	\$112.26	\$112.26	\$112.26	\$112.26	1%
Mid Co Cem	\$45.15	\$45.15	\$45.15	\$45.15	\$45.15	0.5%
Ext & 4-H	\$38.97	\$38.97	\$38.97	\$38.97	\$38.97	0.4%
<i>Total</i>	<i>\$3,444.23</i>	<i>\$3,525.85</i>	<i>\$11,740.59</i>	<i>\$19,622.21</i>	<i>\$9,583</i>	<i>100%</i>

SUMMARY

The net tax benefit of a new household is \$9,583 in annual tax revenue. If the City could realize an increase of 50 households, revenue across all public agencies would increase \$479,161 per year. For 100 households, the value would increase to \$958,322. Of this revenue, the largest beneficiaries are the School District (64%) and the City (19%); followed by ESD (6%), Blue Mountain Hospital (5%) and the County (5%). These major and minor stakeholders each benefit from growth in the number of John Day households and have a financial incentive to collaborate with the City to incentivize growth, particularly among 3+ person households.