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May 20, 2008

Mayor Alan Unger  
Central Oregon Cities Organization  
c/o City of Redmond  
716 SW Evergreen Avenue  
Redmond, OR 97756-2242

BRUCE ABERNETHY  
Mayor

Dear Mayor Unger,

LINDA S. JOHNSON  
Mayor Pro Tem

As our Central Oregon representative on the Revenue Restructuring Task Force, we wanted to provide you with the City of Bend's perspective on our current financial situation related to revenues generated for providing city services.

MARK CAPELL  
City Councilor

JIM CLINTON  
City Councilor

The City of Bend has been growing exponentially, and therefore has not experienced revenue shortfalls in the past that were insoluble. The rapid development we've experienced has masked structural deficits that exist in a number of our City funds. These deficits most profoundly affect the General Fund, which supports basic City services such as fire, police, street maintenance, and transit. This provides us with a challenge that is not insurmountable, but difficult given the limited revenue options and the expectations our citizens have related to the level of services we provide.

BILL FRIEDMAN  
City Councilor

PETER GRAMLICH  
City Councilor

CHRIS TELFER  
City Councilor

The discussion happening at the state level related to revenues is critical for the City of Bend because Measure 50 has severely restricted our ability to keep up with the growing costs of operating basic city services. Operating expenditures related to personal services, materials and services, etc. have grown by an average of 10% every year over the last 5 years, and the current Measure 50 restrictions on property taxes provide a bleak scenario for keeping pace with operating costs without the aid of rapid growth. For example, in 07/08 the City projected property tax revenue to grow by 7% and projects growth for 08/09 at only 5%. Should property tax revenues grow by only 5% to 7% annually in future years, current service levels would not be sustainable.

ERIC KING  
Interim City Manager

SONIA ANDREWS  
Finance Director

SANDRA L. BAXTER  
Interim Police Chief

LARRY LANGSTON  
Fire Chief

In addition to these challenges, the City of Bend has one of the lowest property tax rates in the State of Oregon. At \$2.8035 per \$1,000 assessed value the City of Bend has been restricted in its property tax revenues.

PATRICIA STELL  
City Recorder

The considerable concern for many municipalities facing this scenario is that

basic services may need to be spun off into separate districts, which impacts the philosophical and functional basis for local government. Increasingly, we have resorted to exploring the creation of separate districts to provide services, which has resulted in a fractured approach to providing citizens with basic services.

It is essential that the State of Oregon consider the role of municipal governments as it relates to revenues for services such as police, fire, and street maintenance but also other services that are impacted by increasing costs without a sustainable revenue source. Thank you for providing a voice for Central Oregon during this extremely important discussion at the State level. We are confident that a solution can be implemented that will benefit all of the citizens of the State of Oregon.

Sincerely,



Eric King  
Interim City Manager

cc: City Council  
COCO members  
Sonia Andrews, Finance Director