

Priority: Accountability
Program Offer Type: Existing Operating
Related Programs:

Lead Agency: Non-Departmental - All
Program Contact: Mark Campbell

Program Characteristics:

Executive Summary

This program offer accounts for two different pass-through payments to the east county cities of Gresham, Troutdale, Fairview, and Wood Village.

One pass-through payment to the four cities is prescribed in an intergovernmental agreement (IGA) that shares revenue from the Business Income Tax (BIT). Under terms of this agreement, the four cities share 25% of the first 0.6% of BIT collections.

The other pass-through payment is Strategic Investment Program (SIP) Community Service Fees that are shared with the City of Gresham in accordance with IGAs required by state statute and adopted by the Board of County Commissioners.

Program Description

The BIT is imposed on the net income derived from business activity within Multnomah County. The BIT was originally set at a rate of 0.6% of net income. In 1985, the tax was increased to 0.95%. In 1987, the tax was further increased to 1.46%. In 1993 the rate was reduced to 1.45% due to the consolidation of collections with the City of Portland's Business License Fee (BLF). The County entered into a tax sharing agreement with the four east county cities, in part, to acknowledge the value of business income derived from there.

These agreements are in force until June 30, 2008. The Board of County Commissioners passed resolution #06-102 which signaled termination of the agreements as provided for in the IGAs.

The SIP provides a property tax abatement to businesses that require large capital investments, provide their employees with opportunities for career advancement, and are willing to meet additional "Exemplary Corporate Citizen" requirements as established by contract with Multnomah County.

Program Justification

This program links to the Accountability Priority, specifically the financial management factor. The County acts as a fiduciary agent for the four east county cities. It is important that payments are processed and remitted in a timely manner. Under terms of the IGA governing the BIT revenue sharing agreements, the County is required to report gross BIT received, along with documentation of any deductions made, before funds are distributed to the cities. The County is also required to provide a quarterly written projection and the amount expected to be distributed to each city.

The County bills companies (currently only Microchip Technologies) that have entered into SIP agreements for a Community Service Fee when tax assessments are established in October. The County then has 30 days from the date payment is received to remit Gresham's share of the revenue.

Performance Measures

| Measure Type | Primary Measure | Previous Year Actual (FY05-06) | Current Year Purchased (FY06-07) | Current Year Estimate (FY06-07) | Next Year Offer (FY07-08) |
|--------------|--|--------------------------------|----------------------------------|---------------------------------|---------------------------|
| Output | Pass-through payments as a percentage of Gresham's General Fund revenues | 9.8% | 7.0% | 7.0% | 8.6% |
| Outcome | | 0 | 0 | 0 | 0 |

Performance Measure - Description

County pass-through payments represent a significant share of Gresham's General Fund revenues. Prompt handling of these payments on Multnomah County's part helps the City of Gresham manage its revenues efficiently.

Legal/Contractual Obligation

The program is mandated under terms of IGAs with Gresham, Troutdale, Fairview, and Wood Village. The county is obligated to transfer 25% of the revenue associated with the first 0.6% BIT increment. The county also shares a little less than half of the Community Service Fee revenue received under the SIP with Gresham.

The budgeted BIT transfer was \$3.8 million in FY 2007. It is possible that actual distributions in FY 2007 and FY 2008 will exceed budgeted amounts based on the continued strength of the local economy.

Revenue/Expense Detail

| | Proposed General Fund | Proposed Other Funds | Proposed General Fund | Proposed Other Funds |
|---------------------------|-----------------------|----------------------|-----------------------|----------------------|
| Program Expenses | 2007 | 2007 | 2008 | 2008 |
| Contracts | \$3,827,586 | \$315,632 | \$5,345,700 | \$0 |
| Internal Services | \$0 | \$7,765 | \$0 | \$0 |
| Subtotal: Direct Exps: | \$3,827,586 | \$323,397 | \$5,345,700 | \$0 |
| Administration | \$0 | \$0 | \$0 | \$0 |
| Program Support | \$0 | \$0 | \$0 | \$0 |
| Subtotal: Other Exps: | \$0 | \$0 | \$0 | \$0 |
| Total GF/non-GF: | \$3,827,586 | \$323,397 | \$5,345,700 | \$0 |
| Program Total: | \$4,150,983 | | \$5,345,700 | |
| Program FTE | 0.00 | 0.00 | 0.00 | 0.00 |
| Program Revenues | | | | |
| Taxes | \$0 | \$323,397 | \$0 | \$0 |
| Program Revenue for Admin | \$0 | \$0 | \$0 | \$0 |
| Total Revenue: | \$0 | \$323,397 | \$0 | \$0 |

Explanation of Revenues

The BIT pass-through is 25% of the first 0.6% of BIT collections. The SIP pass-through is derived through fees that participating companies pay in lieu of property taxes.

Significant Program Changes

✔ Significantly Changed

Last year this program was: #10027, Business Income Tax Pass-Through

Last year this program offer was also Strategic Investment Program Contractual Obligations, PO# 10016.