# City Assistance to LO Public Schools

In early 2011, the City Council voted to support Lake Oswego School District (LOSD) due to the funding shortfall. After considering options that were legal, reasonable and doable, a one-time $2 million contribution for the next school year was developed. Funds come from the City's savings and from reducing costs and temporarily increasing the franchise fees.

Many residents advocated for and showed support for assistance to Lake Oswego's public schools, as healthy, high quality schools is important to the value and vibrancy of all residents.  There have been two primary areas of concerns raised in how the City is providing financial assistance:

- the temporary increase of Franchise Fees, and
- use of funds that had been set aside for the Lake Oswego Library capital construction. UPDATE: At the January 24, 2012 Council Meeting, the Council unanimously approved replenishing funds that had previously been set aside for Library Capital construction. This return of funds was made possible due to underspending by the City of Lake Oswego in the 2010-2011 Fiscal Year. The reserve for Library Capital construction is now back to its original amount (with interest accruing) of $914,000.

Below is information on the one-time, $2 million assistance provided to the LOSD including response to the two areas of concern.

**Use of Franchise Fees:**

The increase in the franchise fees (through PGE, NW Natural and Allied Waste), will go into effect this summer and last for one year.  The franchise fee increase is approximately $4-5 dollars per month for the average residence.

Recently, residents received a notice from PGE.  Certain information was missing from the letter: the funding was for the Lake Oswego School District and that it is in increase to an already existing fee. The temporary increase in the franchise fee was enacted through Resolution 11-26.

The City collects a total of $2.4 million per year in franchise fees.  These include $1 million from PGE (rate of 3.5%), $442,000 from Northwest Natural Gas (rate of 3%), $500,000 from Comcast (5%), and $300,000 from Allied Waste (5%).  In addition, the City collects $200,000 from six smaller franchise agreements including Quest and Frontier (Verizon).

By state law, there are limits set on how much cities can charge for franchise agreements from electric and gas utilities. The City of Lake Oswego charges less than the amounts allowed by state law. In Oregon, there are currently over 70 cities charging at least 5% franchise fees on their electric utility including the neighboring cities of Portland and West Linn. The same is true for natural gas with the majority of cities now at 5% including Portland, Tigard, Oregon City, and Milwaukie. In Lake Oswego, franchise fees for PGE, Northwest Natural, and Allied are all embedded in current rates. Any increases would be shown on bills as “Lake Oswego franchise fee” or “privilege tax.”

**Use of funds previously set aside for the Library:**

Clackamas County voters supported a countywide Library Services District in the 2008 election. As federal funds to the County were going away (referred to as “timber revenue”), voters supported permanent, dedicated library funding. Also, the District assured that each municipality in Clackamas County would receive an additional one-time allocation of $1,000,000 for capital construction. The money that the District provides for Library Services and capital in Lake Oswego are given to our Library. The Library has yet not received the funding for capital construction through the District.

All Clackamas County Library District funds sent to Lake Oswego are used for Library Services. In addition, the Library continues to be supported by other funds. In FY 2010/2011 the City received $2.1 million from the District; the total Library Budget is $3 million.

The Library’s total budget is made up of District funds, general fund (property tax) monies, donations, fines and other funds. As increased District funds became available there was a decrease in general fund to the Library. The City Council at first allocated a portion of the general fund going to the Library into future capital for a new Library and has since used the general fund for other property tax dependant services. While the City continues to provide general fund dollars in addition to Library District monies for direct operations of the Library, it is this move of general fund dollars that is the source of discussion.

The City Council carefully vetted revenues and funds to determine what legally could be provided to the School District. As part of the process to support the schools, the City Council allocated less than half, $414,000, of the general fund previously set aside for Library capital. The allocation was done after the Lake Oswego Redevelopment Agency, made up of City Council, moved to support exploring a new library within the urban renewal area that would be eligible for urban renewal dollars. Upon the adoption of next year’s budget, the City Council discussed possible ways to return the $414,000 for future Library capital as there was interest by many of the Councilors in responding to the concerns raised in this area. The Council indicated interest in reviewing this next year. Update: Council returned the funds on January 24, 2012.

**For more information:**

- Franchise Fees:

Council materials providing an overview on the Franchise Fees and the Resolution for adoption a temporary increase. Please note, the final adoption was for one year as the City is providing a onetime contribution to LOSD, not three as initially noted in documents.

- Library District Funding:

Clackamas County Measure 3-310 (Establish a Countywide Library Service District in Clackamas County)

**Providing Comment:**

Through the process to consider how to help the Lake Oswego School District (LOSD) and to adopt next year’s budget, the City of Lake Oswego took public testimony and accepted written comments. To read some comments received early in the discussion process on ways to assist the LOSD, visit Open City Hall and click on City School Partnerships.

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