

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of Ordinance No. 485, the 2008 Property Tax Levy and Adoption of Ordinance No. 488, finding Substantial Future Need, allowing the City to reserve and unused levy capacity for use in the future.
DEPARTMENT:	Finance
PRESENTED BY:	Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

The City of Shoreline is required to adopt its 2008 levy ordinance and certify the amount to the County Assessor by November 30, 2007. The 2008 proposed budget includes a recommended 1% regular property tax levy increase along with new property tax revenues from an estimated \$43.5 million in new construction. The 2008 general property tax levy, as proposed, is estimated at \$7,309,321 and results in a projected levy tax rate of \$1.06826.

The City also has an excess levy to collect monies to repay the general obligation bonds that will be issued in December 2006 as approved by the voters in May 2006. The general obligation bond levy for 2008 is estimated at \$1,780,000.

ALTERNATIVES ANALYZED:

Regular Property Tax Levy

The proposed budget as submitted contained a proposed property tax levy that met the limitations of I-747 which limited property tax levy increases to 1%, unless voter approval is received for a greater increase. On November 8, 2007, the Supreme Court of the State of Washington ruled that I-747 was unconstitutional. There is a 20 day waiting period after rulings, in which the State could file for reconsideration, before the ruling is determined to be in effect. This means that the earliest the ruling could be in effect is November 28, 2007. If the legislature does not take action to reinstate the provisions of I-747 then the provisions of Referendum 47 will apply. The provisions of Referendum 47 provide the Council several options for the 2008 property tax levy:

- Adopt the 1% levy increase as was proposed in the 2008 budget.
- Increase the City's levy by the lesser of 6% or the implicit price deflator (IPD) for July 2007 which was 2.084%.
- Council could also choose to find "substantial need" and increase the levy by any amount up to the 6% maximum. This action would require the approval of the majority plus one of the Council.

Under the provisions of Referendum 47, Council could also find "future substantial need" and bank or reserve the future right to use any unused levy capacity. This action would also require approval by the majority plus one of the Council.

It is still unclear if the State Legislature will take action in 2007 or early 2008 to modify the property tax limitations for 2008. Cities have been cautioned that levies adopted that differ from the limitation of I-747 could be modified by future legislative actions. Since, at the time that this report is being completed, there is still uncertainty, the ordinance included with this report, adopts the 1% levy increase as included in the proposed 2008 budget. Staff will provide any updates regarding property tax levy limitations on November 26.

In light of the City's long-term financial projections, staff would recommend that Council adopt a separate ordinance on November 26, 2007, finding a "future substantial need" in order to bank any levy capacity between the levy adopted by the City and the maximum that could be allowed. This could provide the City capacity in the future to increase its property tax levy beyond the 1% limit. Use of the banked capacity would need to be approved by Council as part of a future annual budget process which provides for a number of opportunities to receive feedback and testimony from the public. It could also be a subject for review by the citizen advisory committee that will be created shortly to advise Council on long range financial strategies and options.

In addition to the regular property tax levy, the City Council will be adopting an excess levy to continue the repayment of the \$18.795 million of Parks Bonds that voters authorized in May 2006. Staff will be recommending that the Council set a levy of \$1,780,000 for 2008 for bond debt service. The estimated levy rate is 26 cents per \$1,000 assessed valuation, which is a decrease from 28 cents in 2007. Again, if the City's assessed valuation is greater than current projections, then the levy rate will be slightly lower.

FINANCIAL IMPACT:

The total resources used in the proposed 2008 budget are \$93,928,230. Regular property tax represents 7.7% of the overall City resources in the amount of \$7,236,228. If the Council does not approve the proposed property tax levy, the 2008 proposed revenues and expenditures would need to be decreased.

RECOMMENDATION

Staff recommends that Council approve Ordinance No. 485, establishing the City's 2008 regular property tax levy and the 2008 excess voter approved levy and approve Ordinance No. 488 finding "future substantial need" which will allow the City to bank any unused levy capacity. The passage of Ordinance No. 488 will require approval by a majority of the City Council plus one.

Approved By:

City Manager 

City Attorney 

ATTACHMENTS

Attachment A – Ordinance No. 485
Attachment B – Ordinance No. 488

ORDINANCE NO. 485

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON LEVYING THE GENERAL TAXES FOR THE CITY OF SHORELINE IN KING COUNTY FOR THE FISCAL YEAR COMMENCING JANUARY 1, 2008, ON ALL PROPERTY BOTH REAL AND PERSONAL, IN SAID CITY WHICH IS SUBJECT TO TAXATION FOR THE PURPOSE OF PAYING SUFFICIENT REVENUE TO CONDUCT CITY BUSINESS FOR THE ENSUING YEAR AS REQUIRED BY LAW AND LEVYING AN EXCESS LEVY FOR THE REPAYMENT OF UNLIMITED GENERAL OBLIGATION BONDS

WHEREAS, the City Council of the City of Shoreline has considered the City's anticipated financial requirements for 2008 and the amounts necessary and available to be raised by ad valorem taxes on real, personal, and utility property; and,

WHEREAS, the City Council after hearing and after duly considering all relevant evidence and testimony presented, determined that the City of Shoreline requires an estimated regular levy in the amount of \$7,309,321, which includes an increase in property tax revenue from the previous year, and amounts resulting from the addition of new construction and improvements to property and any increase in the value of state-assessed property, and amounts authorized by law as a result of any annexations that have occurred and refunds made, in order to discharge the expected expenses and obligations of the district and in its best interest;

WHEREAS, the voters of the City of Shoreline approved the issuance of \$18,795,000 in unlimited general obligation bonds on May 16, 2006; and,

WHEREAS, the City issued the bonds on December 13, 2006, and began making debt service payments on the bonds in June of 2007;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Regular Property Tax Levy Changes. An increase in the regular property tax levy is hereby authorized for the 2008 levy in the amount of \$71,717, which is a percentage increase of 1% from the previous year. This increase is exclusive of additional revenue resulting from the addition of new construction and improvements to property and any increase in the value of state assessed property, and any additional amounts resulting from any annexations that have occurred and refunds made.

Section 2. Regular Property Tax Levy Limit. The City will use a levy limit of 101.0% of the statutory amount which may be levied, plus new construction, annexation, and any increase in the assessed value of state-assessed property for establishing the 2008 levy for collection in 2008 for a total estimated 2008 levy of \$ 7,309,321.

Section 3. 2008 Regular Property Tax Levy Rate. There shall be and hereby is levied on all real, personal, and utility property in the City of Shoreline, in King County, current taxes for

the year commencing January 1, 2008, a levy at the estimated rate of \$1.07 per thousand dollars of assessed valuation.

The said taxes herein provided for are levied for the purpose of payment upon the general indebtedness of the City of Shoreline, the General Fund, and for the maintenance of the departments of the municipal government of the City of Shoreline for the fiscal year beginning January 1, 2008.

Section 4. Voter-Approved Excess Tax Levy for Unlimited General Obligation Bonds. In addition, a further tax is hereby levied to raise revenue to provide for the interest and redemption of voter-approved general obligation bonds for the fiscal year of 2008 in the amount of \$1,780,000. This tax is applicable to all taxable property within the City of Shoreline.

Section 5. Notice to King County. This ordinance shall be certified to the proper County officials, as provided by law, and taxes herein levied shall be collected to pay to the Finance Department of the City of Shoreline at the time and in the manner provided by the laws of the State of Washington for the collection of taxes for non-charter code cities.

Section 6. Effective Date. This ordinance shall be in full force five days after publication of this ordinance, or a summary consisting of its title, in the official newspaper of the City, as provided by law.

Section 7. Severability. Should any section, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be preempted by State or Federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

PASSED BY THE CITY COUNCIL ON NOVEMBER 26, 2007.

Mayor Robert Ransom

ATTEST:

APPROVED AS TO FORM:

Scott Passey
City Clerk

Ian Sievers
City Attorney

Date of Publication:
Effective Date:

ORDINANCE NO. 488

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON
FINDING FUTURE SUBSTANTIAL NEED AND RESERVING ANY
UNUSED PROPERTY TAX LEVY CAPACITY FOR FUTURE USE**

WHEREAS, the City Council has levied a property tax increase for 2008 of _%; and,

WHEREAS, on November 8, 2007 the Supreme Court of the State of Washington ruled that Initiative 747 is unconstitutional; and,

WHEREAS, there is a 20 day waiting period after rulings, in which the State could file for reconsideration, before the ruling is determined to be in effect; and,

WHEREAS, the City of Shoreline is required to adopt and submit its 2008 property tax levy to King County by November 30; and,

WHEREAS, if the Supreme Court of the State of Washington ruling is upheld, property tax levy assessments will be limited to those under Referendum 47; and,

WHEREAS, Section 204 of Referendum 47 allows the Council to declare a finding of future substantial need; and,

WHEREAS, the City Council of the City of Shoreline has considered the City's anticipated financial requirements for future years and the amounts necessary and available to be raised by ad valorem taxes on real, personal, and utility property; and,

WHEREAS, the City Council finds that future projected revenues may not be sufficient to meet future financial requirements; and,

WHEREAS, the City Council finds future substantial need to reserve the use of unused property tax levy capacity;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE,
WASHINGTON, DO ORDAIN AS FOLLOWS:**

Section 1. Reserve Unused Property Tax Capacity. The City reserves any unused portion of the legal levy limit above the adopted _% increase for future use to be used to meet future financial requirements.

Section 2. Notice to King County. This ordinance shall be certified to the proper County officials, as provided by law.

Section 3. Effective Date. This ordinance shall be in full force five days after publication of this ordinance, or a summary consisting of its title, in the official newspaper of the City, as provided by law.

Section 4. Severability. Should any section, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be preempted by State or Federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

PASSED BY THE CITY COUNCIL ON NOVEMBER 26, 2007.

Mayor Robert Ransom

ATTEST:

APPROVED AS TO FORM:

Scott Passey
City Clerk

Ian Sievers
City Attorney

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