

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of Ordinance No. 562, Declaration of substantial need for purposes of setting a 101 percent limit factor for the 2010 regular property tax levy, Ordinance No. 564 Establishing the dollar and percentage change in the regular property tax levy from 2009 to 2010, and Ordinance No. 566, adoption of the 2010 Property Tax Levy
DEPARTMENT:	Finance
PRESENTED BY:	Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

The City of Shoreline is required to adopt its 2010 property tax levy ordinance and certify the amount to the County Assessor by December 4, 2009. The 2010 general property tax levy, as proposed, is estimated at \$7,556,847. This assumes a zero percent levy increase from 2009 to 2010 with the exception of new property tax revenues from new construction and refunds. The overall dollar increase from 2009 to 2010 is \$69,373. The increase includes \$42,068 from new construction, and \$27,305 from refunds. Staff projected that the City's assessed valuation would fall by 15% in 2010. The most recent information from the King County Assessor's Office reflects a decrease of 15.7%, and as a result the projected levy tax rate for 2010 is approximately \$1.12 per \$1,000 of assessed valuation.

The Revised Code of Washington (RCW) Chapter 84.55.005 and Washington Administrative Code (WAC) Section 458-19-005 provide the limit factors and process which the City must follow in adopting its property tax levy. For cities with a population of 10,000 or greater, the limit factor is the lesser of 100 percent plus inflation or 101 percent of the previous year's levy. For a city with a population of 10,000 or greater having made a finding of substantial need; the limit factor is the lesser of 101 percent or the limit factor contained in the ordinance of substantial need. The inflationary factor used for determining the change in property tax levy is the July Implicit Price Deflator (IPD) which was negative 0.848. This would actually require that the City adopt a 2010 property tax levy that is less than the 2009 adopted property tax levy, 99.152% of the 2009 levy, unless the City Council adopts an ordinance that declares a finding of substantial need.

Ordinance No. 562 – Finding of Substantial Financial Need

Since the 2010 budget assumes a zero percent increase, the City Council is requested to adopt Ordinance No. 562 which declares a substantial financial need in order to maintain services prior to adopting the recommended 2010 property tax levy.

As the City Council is aware the City's contract for police services is increasing by 5% or over \$0.5 million in 2010. A zero percent property tax increase does not provide any additional revenue to cover this cost increase. Other City revenues, such as natural gas utility tax, are either declining or remaining fairly flat from 2009 to 2010. In order to continue to provide critical City services the 2010 budget includes the elimination of 3 vacant staff positions, additional base budget cuts to departments, and the recommended use of \$980,000 of the Revenue Stabilization Fund. Staff believes that it is critical to at least maintain the property tax levy at a zero percent increase from 2009 to 2010.

Staff is also recommending that the City Council "bank" the difference between a zero percent and 1% levy increase (\$74,875). By banking the difference between the zero and 1% levy increase, the City Council reserves the right to levy the additional property tax in a future year. The additional amount can only be levied through the budget process and most likely would be levied to meet future financial obligations.

Ordinance No. 562 declares a substantial financial need that would allow the City Council to levy up to a one percent regular property tax levy increase. To pass Ordinance No. 562 a majority plus one (5 out of 7 votes) is required. Passage of Ordinance No. 562 is required to pass Ordinance No. 566 as written.

Ordinance No. 564 – Establishing the dollar and percentage change in the regular property tax levy

RCW 84.55.120 requires that the City adopt an ordinance that explicitly details both the dollar increase and percentage increase of the current budget request compared to the prior year's actual levy, exclusive of increases due to new construction and certain other items. Ordinance No. 564 states that the 2010 regular property tax levy is a \$0 dollar increase and a 0% increase as compared to the 2009 property tax levy. A simple majority (4 out of 7 votes) will be required to pass this ordinance.

Ordinance No. 566 – Setting the 2010 regular and excess bond levy

Ordinance No. 566 is the ordinance that adopts both the regular property tax levy and the tax levy to repay the 2006 General Obligation Bonds. As discussed previously the 2010 regular property tax levy is a zero percent increase from 2009, exclusive of new construction and other adjustments. The 2010 general property tax levy, as proposed, is estimated at \$7,556,847. The estimated 2010 property tax levy rate is \$1.12 per \$1,000 assessed valuation.

The City also has an excess levy to collect monies to repay the general obligation bonds that were issued in December 2006 as approved by the voters in May 2006 for open space acquisition and park improvements. The total general obligation bond levy for 2010 is \$1,700,000, resulting in a levy rate of \$0.25 per \$1,000 of assessed valuation.

Ordinance No. 566 adopts the 2010 regular and bond levy. A simple majority (4 out of 7 votes) will be required to pass this ordinance.

FINANCIAL IMPACT:

The total operating budget for Shoreline is \$34.4 million with the City's regular property tax levy amounting to 23% of operating revenues. The total amount of property tax proposed to be levied in 2010 is \$9,256,847 which includes both the regular and the bond levy. If the Council does not approve the proposed property tax levy, the 2010 proposed revenues and expenditures would need to be decreased.

RECOMMENDATION

Staff recommends that Council approve Ordinance No. 562, establishing substantial financial need, Ordinance No. 564, establishing the dollar and percentage increase in the regular levy from 2009 to 2010, and Ordinance No. 566, establishing the City's 2010 regular and bond property tax levies.

Approved By:

City Manager 

City Attorney 

ATTACHMENTS

Attachment A –

Ordinance No. 562

Ordinance No. 564

Ordinance No. 566

ORDINANCE NO. 562

**AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON
MAKING A DECLARATION OF SUBSTANTIAL NEED FOR PURPOSES
OF SETTING THE LIMIT FACTOR FOR THE PROPERTY TAX LEVY
FOR THE CITY OF SHORELINE IN KING COUNTY FOR THE FISCAL
YEAR COMMENCING JANUARY 1, 2010.**

WHEREAS, RCW 84.55.010 provides that a taxing jurisdiction may levy taxes in an amount no more than the limit factor multiplied by the highest levy of the most recent three years plus additional amounts resulting from new construction and improvements to property, and any increase in the value of state-assessed utility property; and,

WHEREAS, under RCW 84.55.005(2)(c), the limit factor for a taxing jurisdiction with a population of 10,000 or over is the lesser of 101 percent or 100 percent plus inflation; and,

WHEREAS, RCW 84.55.005(1) defines "inflation" as the percentage change in the implicit price deflator for personal consumption expenditures for the United States as published for the most recent 12-month period by the Bureau of Economic Analysis of the federal Department of Commerce in September of the year before the taxes are payable; and,

WHEREAS, "inflation" for July 2009 is -0.848 percent and the limit factor is 99.152, meaning the taxes levied in the City of Shoreline in 2009 for collection in 2010 will decrease except for the amounts resulting from the new construction and improvements to property, and any increase in the value of state-assessed utility property; and,

WHEREAS, RCW 84.55.0101 provides for use of a limit factor of 101 percent or less with a finding of substantial need by a majority plus one councilmembers; and

WHEREAS, the City Council desires to maintain the current contract with the King County Sheriff's Office for police services which totals approximately \$9.7 million, a \$509,000 increase from the 2009 budget; and,

WHEREAS, the City's General Fund revenues, excluding the use of beginning fund balance, are projected to decrease from 2009 to 2010 by \$690,500; and,

WHEREAS, to balance the 2010 budget the City Council will authorize the use of \$980,000 from the City's Revenue Stabilization Fund; and,

WHEREAS, the City Council of the City of Shoreline has determined that, due to general maintenance and operation expenses, the City Council finds that there is a substantial need to set the levy limit factor at one hundred one percent; and

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

Section 1. Substantial Need. A finding is made of substantial need under RCW 84.55.0101, which authorizes the use of a limit factor of 101 percent for the property tax levy for 2010. The City Council also finds substantial future financial need to bank the difference between a 100 percent and a 101 percent limit factor.

Section 2. 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 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 23, 2009.

Mayor Cindy Ryu

ATTEST:

APPROVED AS TO FORM:

Scott Passey
City Clerk

Ian Sievers
City Attorney

Date of Publication: November 23, 2009
Effective Date: December 1, 2009

ORDINANCE NO. 564

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON STATING BOTH THE DOLLAR INCREASE AND THE PERCENTAGE INCREASE OF THE CURRENT BUDGET REQUEST COMPARED TO THE PRIOR YEAR'S ACTUAL REGULAR PROPERTY TAX LEVY, EXCLUSIVE OF INCREASES DUE TO NEW CONSTRUCTION AND CERTAIN OTHER ITEMS.

WHEREAS, the City Council of the City of Shoreline has considered the City's anticipated financial requirements for 2010 and the amounts necessary and available to be raised by ad valorem taxes on real, personal, and utility property; and,

WHEREAS, the City Council has properly given notice of the public hearing held November 2, 2009 to consider the revenue sources for the City's current expense budget for the 2010 calendar year, pursuant to RCW 84.55.120; 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 increase in property tax revenue from the previous year, in addition to the increase 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 City and in its best interest; and

WHEREAS, the City's actual levy amount from the previous year was \$7,519,041 and,

WHEREAS, the population of the City of Shoreline is more than 10,000;

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

Section 1. Regular Property Tax Levy Changes. That an increase in the regular property tax levy is hereby authorized for the levy to be collected in the 2010 tax year. The dollar amount of the increase over the actual levy amount from the previous year shall be \$0 which is a percentage increase of 0% from the previous year. This increase is exclusive of additional revenue resulting from new construction, improvements to property, newly constructed wind turbines, any increase in the value of state assessed property, any annexations that have occurred, and refunds made.

Section 2. Banking Capacity. The City will bank the unused capacity between a levy percentage increase of 0% and 1% which is currently estimated at \$74,875.

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 23, 2009.

Mayor Cindy Ryu

ATTEST:

APPROVED AS TO FORM:

Scott Passey
City Clerk

Ian Sievers
City Attorney

Date of Publication:
Effective Date:

ORDINANCE NO. 566

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, 2010, 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 2010 and the amounts necessary and available to be raised by ad valorem taxes on real, personal, and utility property; and,

WHEREAS, the City Council has properly given notice of the public hearing held November 2, 2009 to consider the revenue sources for the City's current expense budget for the 2010 calendar year, pursuant to RCW 84.55.120; 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 increase in property tax revenue from the previous year, in addition to the increase 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 City and in its best interest; and

WHEREAS, the City Council has approved Ordinance No. 562 finding a substantial financial need to adopt a 101 percent levy limit factor for regular property taxes to be collected in 2010; and,

WHEREAS, the City Council desires to bank the capacity difference between a 100 percent and the 101 percent levy limit factor which is estimated to be \$74,875 for future tax levies; and,

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. That an increase in the regular property tax levy is hereby authorized for the levy to be collected in the 2010 tax year. The dollar amount

of the increase over the actual levy amount from the previous year shall be \$0 which is a percentage increase of 0% from the previous year. This increase is exclusive of additional revenue resulting from new construction, improvements to property, newly constructed wind turbines, any increase in the value of state assessed property, any annexations that have occurred, and refunds made.

	2009	2010	Change
Base Levy	7,487,475	\$7,487,475	0
Optional Increase on Base Levy			
Dollars		0	0
Percent		0.00%	0.00%
Estimated New Construction Levy		42,068	
Estimated Relevy for prior year refunds		27,305	
Estimated Total Regular Levy	\$7,519,041	\$7,556,848	\$37,807
% Change			0.50%

The City will bank the unused capacity between a levy percentage increase of 0% and 1% which is currently estimated at \$74,875.

Section 2. 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 2010 in the amount of \$1,700,000. This tax is applicable to all taxable property within the City of Shoreline.

Section 3. 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 4. 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 5. 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.

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