

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of Resolution No. 307, Levy for Public Safety, Park Maintenance and Operations and Community Services
DEPARTMENT:	Finance
PRESENTED BY:	Bob Olander, City Manager and Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

On July 19, 2010, the City Council reviewed the proposed ballot measure language for a property tax increase. This ballot proposition will appear on the November 2, 2010, general election, if the City Council adopts Resolution No. 307. In order for the measure to appear on the November ballot King County Elections must receive the City's approved resolution no later than August 10, 2010.

The following is the proposed language for the ballot measure:

City of Shoreline Proposition 1
Levy for Public Safety, Park Maintenance and Operations and Community Services

The Shoreline City Council Adopted Resolution No.307 concerning public safety, parks and community services.

If approved, this proposition would maintain basic police and crime prevention programs, maintenance and operations for park, recreation, pool, and community services. This proposition would restore the City's property tax rate to \$1.48/\$1,000 of assessed valuation for collection in 2011; limit annual levy increases for 2012-2016 to an amount not to exceed the Seattle CPI-U inflation rate, and use the 2016 levy amount to calculate subsequent levy limits.

Should this proposition be approved?

YES _____

NO _____

The City's six-year financial forecast projects operating budget gaps for the next six years. The 2011 projected budget gap is \$1 million with gaps growing to \$4 million by 2016. The following table summarizes the projected budget gaps for the next six years:

	2011	2012	2013	2014	2015	2016	Total
Projected Budget Gap	(995,238)	(1,531,626)	(1,678,638)	(2,392,478)	(3,349,172)	(4,076,682)	(14,023,834)

The projected budget gaps are a result of a long-term structural problem as the City's primary operating revenues are growing at a slower rate than projected cost increases for basic services. Property tax is the City's largest operating revenue source and it is capped at a 1% annual increase, unless voters approve a larger increase. Sales tax has grown on average at 2.2% annually, below the rate of inflation. At the same time the cost for City services grows in many cases at a rate greater than inflation. For example the City's contract for police services increases 4 to 4.5% per year, the cost of a gallon of gas has increased by more than 65% over the last ten years and the cost per ton of hot mix asphalt has more than doubled since year 2000.

The City Council was aware that existing revenues would not fully support the cost of providing services starting in 2008, and therefore implemented a short-term strategy in 2007 to address budget gaps through 2010. The short-term strategy included a combination of revenue enhancements and expenditure reductions. Recognizing that the long-term structural imbalance still existed, in March 2008 the City Council appointed an 18-member citizen advisory committee to review the City's long-term financial condition, including the operating budget, citizen satisfaction surveys, and revenue sources. The Committee was asked to develop recommendations for the City Council to consider that addressed a long-term strategy to fund City services.

After nearly 18 months, the Committee developed five recommendations, which they delivered to the City Council in April 2009:

1. Sustain the City's commitment to efficiencies;
2. Keep services that preserve the quality of life in Shoreline
3. Implement revenue strategies including adopting a \$20 vehicle license fee to fund the City's pavement preservation program and in 2010 or later, ask the voters to reaffirm their investment in Shoreline and consider a property tax levy increase.
4. If service reductions are necessary, then preserve the quality of core services, i.e., required police services; and
5. Expand the City's communication and outreach to the community.

Many of these recommendations have been implemented. One of the major items still under consideration is the property tax levy lid lift. In May the City Council directed staff to bring forward a proposal in July for consideration of a levy lid lift on the November 2, 2010 general election, asking Shoreline voters to approve a property tax increase in excess of the 1% limitation. Staff is recommending that the ballot measure ask voters if they would increase the 2011 rate by \$0.28 for a projected rate of \$1.48 per \$1,000 assessed valuation. State law limits the City's property tax rate to a maximum of \$1.60 per \$1,000 assessed valuation, so the City's tax rate would still be below the legal limit. Staff is also recommending that the ballot measure be for a six year levy with annual increases equal to the Seattle/Tacoma/Bremerton Consumer Price Index for all Urban Consumers (CPI-U). The annual average projected CPI change over the six years is 2.43%.

For this measure to appear on the November ballot, the City Council needs to take formal action by adopting ballot language in the form of a resolution in time to deliver it to King County by August 10, 2010. The following table summarizes the actions that

the City Council must take over the next month if the Council votes to place the measure on the November Ballot:

Item	Deadline to Give to King County	Anticipated Council Action Date
Ballot Title Adoption	8/10/2010	7/26/2010
Explanatory Statement of Ballot Title	8/13/2010	8/9/2010
Pro/Con Committee Appointments	8/13/2010	8/9/2010

FINANCIAL IMPACT:

A property tax levy lid lift ballot measure is anticipated to cost approximately \$100,000. This cost may come down since it appears that there will be a number of items on the November ballot, and costs are shared with all the participating jurisdictions.

Staff is projecting that if approved, the levy will generate is approximately \$13.8 million over six years. This is slightly lower than the projected \$14 million gap projected for the next six years. The primary variable is the change in projected assessed valuation for 2011. Earlier in the year staff assumed a 0% change in assessed valuation. Under this scenario a \$0.28 increase in the levy rate generated adequate revenue to cover the projected six year gap. In recent discussions with the King County Assessor's Office, they have indicated that the valuations they have been reviewing are trending towards a 3 to 5% reduction in assessed value for 2011. As a result the projected revenue generated over the six year period is \$300,000 to \$500,000 less than projections made earlier this year.

Although this is the case, staff is still comfortable in recommending a \$0.28 rate increase for the ballot, given the potential variables that may change over the six year period.

An average valued home is projected to be \$325,000 in 2011. Over the six year period the projected annual impact for a homeowner of an averaged valued home is \$111, or \$9.25 a month. The actual impact in 2011 is projected to be \$91, or \$7.60 per month.

RECOMMENDATION

Staff recommends that Council adopt Resolution No. 307 placing a property tax levy lid lift on the November 2, 2010 general election ballot, to increase the 2011 regular property tax levy rate by \$0.28 which restores the City's property tax levy rate to approximately \$1.48 per \$1,000 assessed valuation, setting the annual maximum increase for property tax levies in 2012 through 2016 at the Seattle Consumer Price Index for all Urban Consumers (CPI-U), and using the 2016 levy as the base for future year levies.

Approved By:

City Manager 

City Attorney 

INTRODUCTION

The City's long-term operating budget financial projections show budget gaps starting in 2011 and continuing into the future. The budget gaps reflect that projected revenues will be less than future projected costs. The revenue projections are based on the City's current revenue sources and uses both legal and economic factors for projecting future collections. The expenditure projections are based on current services adjusted for anticipated cost increases related to inflation, contract agreements, or legal requirements. The following table summarizes the projected budget gaps for the next six years:

	2011	2012	2013	2014	2015	2016	Total
Projected Budget Gap	(995,238)	(1,531,626)	(1,678,638)	(2,392,478)	(3,349,172)	(4,076,682)	(14,023,834)

The projected budget gaps do not include funding for new programs or changes in current policy.

Legally the City must have a balanced budget each year, and as such the City Manager will need to present a balanced budget and the City Council will adopt a balanced budget. In order to close the gaps there are three options: additional revenue, expenditure reductions, or a combination.

BACKGROUND

Citizens Advisory Committee

In 2008 the City Council appointed 18 people to a Citizen's Advisory Committee (CAC) to develop recommendations to the City Council on how to address the City's long-term financial challenges. The CAC spent nearly 18 months reviewing the City's budget, citizen survey results (2006 and 2008), exploring alternative revenue sources, reviewing benchmark data, and formulating their recommendations. The CAC also held three community forums in February 2009 before finalizing their recommendations.

Additional Revenue

The Committee's final recommendation to Council included pursuing two potential revenue options to keep current programs and services:

1. Transportation Benefit District \$20 vehicle license fee. The monies for this revenue source are dedicated towards maintenance of the transportation infrastructure. The City Council authorized this fee and it became effective February 1, 2010.
2. Potential levy lid lift. The CAC believed that in order to address the long-term structural issues surrounding the City's budget an increase in property tax, beyond the 1% limitation that the City Council may approve, would be necessary. Initiative 747, which limited property tax levy increases to 1% without voter approval, promoted the idea that if additional taxes are necessary then let the voters decide. The CAC recommended that the following guidelines be considered before placing the levy lid-lift on the ballot:

- a. Given the economic recession they advised that the levy lid lift not be placed on a ballot until 2010 or later.
- b. Additional polling research should be completed to determine the level of support amongst Shoreline voters for dollar amount and purposes.
- c. The levy amount should be adequate to address needs over several years to avoid repeated returns to the voters.
- d. The impact to businesses as well as residential property owners should be considered.
- e. The levy increase should be linked to the preservation of specific services.
- f. Not place the City levy lid lift on the ballot at the same time as the anticipated Shoreline School District levy ballot measure in 2010.

Expenditure Reductions

The CAC did not make specific recommendations on program or expenditure reductions, as they felt that this was beyond their scope of responsibility. At the same time they did recommend that the City maintain current services as they believe that these services have helped develop the quality of life that Shoreline residents and businesses want. Their final recommendation also included an emphasis on the City maintaining a commitment to pursuing efficiencies, although the committee recognized that this would not in itself be a solution to the long-term projected budget gaps. The CAC did develop some guidelines if program cuts became necessary which is included in their final report.

Since 2005 the City has made nearly \$1 million in base budget reductions. This includes reductions in temporary help, travel and training, and contingency supply and service budgets. The 2010 budget eliminated three staff positions: Customer Response Team (CRT) lead position, an Administrative Assistant in Planning and Development Services, and a Capital Project Manager.

Staff does not believe that additional expenditure reductions can be made without the elimination or reduction of programs. Although staff believes that the services the City currently provides have helped create the quality of life and the type of community where our residents want to live and our businesses want to thrive and as such the City should continue to strive to provide these services at a quality level, if additional revenue sources are not implemented then program reductions and/or elimination will be necessary. Across the board reductions reduce the ability to provide quality service in all areas, and it would be staff's recommendation to provide a narrower set of high quality priority services rather than a broad set of low quality or inadequate services.

In 2005 the City held a number of public meetings in which participants were asked to provide feedback on the priority of City services. The following table summarizes that information:

Programs in Priority Buckets				
#1 = \$12.9 M	#2 = \$5.5 M	#3 = \$2.8 M	#4 = \$0.4 M	Have To = \$4.7 M
Police – Patrol, Investigation, Traffic Enforcement	24 Hr - Customer Response Team	School Resource Officer	Celebrate Shoreline	Jail & Court Services
Economic Development	Emergency Management	Police Storefronts	Museum	Liability Insurance
Street Operations & Maintenance	Park & Facility Maintenance	Current Planning	Arts	City-wide Equipment & Supplies
Human Services	Recreation Programs	Community Information	Intergovt. Participation	City Hall Mortgage
Land Use/Building Permits	Traffic Services	Neighborhood Programs		
	Long Term Planning	Pool		

The dollars that have been assigned reflect the 2010 budget less any dedicated revenue for the services listed. For example fees generated from the pool or recreation programs have been netted against the cost. Also staff has allocated support department costs (i.e., Finance and Information Services, Human Resources, City Manager, City Clerk, City Attorney, City Council) to each of these priority buckets.

Reviewing the dollar amount of projected gaps and the cost of each of these priority buckets are an indication of the type of program reductions that would be needed to close the projected gaps. For example in 2011 we have a projected gap of nearly \$1 million. To close that gap with expenditure reductions alone means that we would need to consider cuts to programs in both priority 4 and priority 3 programs. As the gaps get larger the program cuts get deeper and include even higher priority programs.

Property Tax Levy Lid Lift

Current State law limits the increase in the City's property tax levy from one year to the next to 1% unless voters approve a larger increase. To date, the City has not requested that voters approve a larger increase. Asking for a larger increase is called a "levy lid lift." RCW 84.55.050, Attachment A, outlines the requirements for a property tax levy lid lift.

The current City of Shoreline property tax levy rate is \$1.12 per \$1,000 assessed valuation (AV). The legal limit for the City is \$1.60, so we are significantly below this threshold. Without a levy lid lift, the projected levy rate for 2011 is \$1.20/\$1,000 AV. This assumes that the City's assessed value decreases by another 5% in 2010 for 2011 taxes. The King County Assessor's Office has provided information that they are projecting a 3 to 5% decrease in assessed value for Shoreline. Earlier this year staff had hoped that the City's assessed value would hold at the current level, assuming a zero percent increase or decrease in assessed value. Assuming a rate of \$1.20/\$1,000 AV in 2011 leaves capacity for up to an additional 40 cents.

To close the projected budget gaps staff is recommending that the City Council consider a levy rate increase of 28 cents. The following chart compares the projected budget gaps to the anticipated increased levy collections assuming a 25 and 28 cent increase and the impact to a homeowner for an average priced home, assuming both a 5% and a 3% decrease in assessed value in 2010 for 2011 taxes. Future years assume a steady 2.5% increase in assessed value. The chart also assumes that the levy in years 2012 through 2016 increase by the projected Seattle/Bremerton/Tacoma Consumer Price Index (CPI).

	2011	2012	2013	2014	2015	2016	Six Year Total or Average
Projected Budget Excess/(Gap)	(995,238)	(1,531,626)	(1,678,638)	(2,392,478)	(3,349,172)	(4,076,682)	(14,023,834)
25 Cent Increase							
2011 5% AV Decrease Scenario							
Difference in Levy from 1% Increase	1,607,071	1,751,948	1,924,900	2,126,282	2,340,305	2,558,946	12,309,452
Amount Excess/(Under) Projected Budget Gap	611,832	220,322	246,262	(266,195)	(1,008,867)	(1,517,735)	(1,714,382)
Projected Levy Rate	1.4467	1.4434	1.4434	1.4466	1.4503	1.4535	1.45
Projected Impact to Average Valued Home	79.68	86.32	94.27	103.53	113.32	123.25	100.06
2011 3% AV Decrease Scenario							
Difference in Levy from 1% Increase	1,640,772	1,785,419	1,958,232	2,159,563	2,373,563	2,592,186	12,509,734
Amount Excess/(Under) Projected Budget Gap	645,534	253,793	279,594	(232,915)	(975,609)	(1,484,496)	(1,514,100)
Projected Levy Rate	1.4221	1.4189	1.4189	1.4220	1.4256	1.4288	1.42
Projected Impact to Average Valued Home	81.36	88.03	96.02	105.33	115.18	121.16	101.18
28 Cent Increase							
2011 5% AV Decrease Scenario							
Difference in Levy from 1% Increase	1,799,919	1,948,804	2,126,336	2,332,871	2,562,291	2,776,412	13,536,632
Amount Excess/(Under) Projected Budget Gap	804,681	417,178	447,698	(59,607)	(796,881)	(1,300,270)	(487,202)
Projected Levy Rate	1.4767	1.4731	1.4729	1.4759	1.4795	1.4826	1.48
Projected Impact to Average Valued Home	89.24	96.02	104.14	113.60	123.60	133.74	110.06
2011 3% AV Decrease Scenario							
Difference in Levy from 1% Increase	1,837,665	1,986,403	2,163,892	2,370,483	2,589,995	2,814,212	13,762,649
Amount Excess/(Under) Projected Budget Gap	842,426	454,777	485,254	(21,995)	(759,177)	(1,262,470)	(261,185)
Projected Levy Rate	1.4521	1.4486	1.4484	1.4513	1.4549	1.4579	1.45
Projected Impact to Average Valued Home	91.12	97.94	106.11	115.62	125.68	131.88	111.39

The previous chart displays the estimated annual impact and six-year average annual impact for a homeowner with an average valued home. State law requires that a uniform tax rate be used for residential and commercial property. In determining the levy lid lift impact to a business, an assumption must be made on the assessed valuation of the property. Many of the smaller business sites, such as Starbucks or small pick-up/eat-in restaurants have property values similar to an average priced home. Larger businesses may have a much higher valued piece of property. Assuming a \$0.28 increase in the property tax rate, for each \$1 million in assessed value, a business would experience a \$280 annual increase in property taxes. For example a business with property valued at \$5 million would have an impact approximately five times that of the \$1 million value, or in other words \$1,400 a year, or approximately \$116 per month.

The City can do a one-year or multi-year levy. Staff is recommending that the City Council consider a multi-year levy, as the cost of doing a levy is approximately \$100,000 and a multi-year levy is in line with the CAC recommendations and allows for long term planning and stability.

In order to do a multi-year levy, the ballot proposition must appear on the primary or general election. The deadline for submitting a resolution to King County for an item to appear on the November 2nd election is August 10th.

A multi-year levy requires that the City identify the specific purpose for the use of funds in the ballot measure. Currently staff is recommending that the Council focus the levy on public safety, park operations, and community services. Public safety costs represent over 1/3 of the City's operating budget (\$11.5 million in 2010) and increase 4% to 5% every year (approximately \$400,000 to \$550,000). This increase far exceeds the additional revenue generated by a 1% property tax increase (approximately \$70,000).

The following chart shows the **change** in public safety related costs from one year to the next for 2005 through 2010.

	2005	2006	2007	2008	2009	2010
Jail	\$228,603	\$202,189	-\$164,525	-\$29,155	-\$7,428	\$128,971
Municipal Court	\$0	\$21,968	-\$21,968	\$88,252	\$39,588	\$22,160
Prosecuting Attorney	\$10,086	\$38,164	-\$250	\$0	\$7,830	\$6,313
Public Defender*	-\$6,657	-\$24,857	\$17,277	\$9,321	\$6,552	\$2,828
Police	\$258,922	\$526,155	\$634,243	\$357,641	\$461,374	\$401,596
Total \$\$ Variance From Previous Year	\$490,954	\$763,619	\$464,777	\$426,059	\$507,916	\$561,868

Park and recreation service costs do not grow at the same rate as public safety costs and are not a mandated service, but are certainly a service that enhances the quality of life for Shoreline residents and is one that is very important to the community. Currently the City spends nearly \$2.9 million on park and recreation services net of direct fees. Of this amount approximately \$1.2 million is for

maintenance of parks and open space and \$500,000 is the net general fund support for the Shoreline pool.

Multi-year levies usually may not supplant "existing funds" used for the purpose stated in the ballot measure, but in 2009 the State Legislature removed the non-supplanting requirements for levies passed between July 26, 2009 and December 31, 2011.

A levy lid lift is considered an extension of the City's regular property tax levy, as opposed to an "excess" levy such as that assessed for repayment of the 2006 Park Bonds. State law allows for senior citizens and disabled individuals who have total annual household income of \$35,000 or less to be exempt from excess levies, therefore these individuals are exempt from the Parks Bond levy and even the school district levy which is considered an "excess" levy. Although the levy lid lift is not considered an excess levy, these same individuals may qualify for reduced property tax assessments based on an exemption of a portion of the valuation of their residence.

A levy lid lift requires simple majority approval in order to pass.

Ballot and Voter Pamphlet Requirements

Ballot Title

The ballot title for the levy lid lift consists of three elements:

- a. An identification of the enacting legislative body and a statement of the subject matter;
- b. A concise description of the measure; and
- c. A question.

The ballot title must conform to the requirements and be displayed substantially as provided under RCW 29A.72.050, except that the concise description must not exceed seventy-five words. The ballot title must be approved by the City Attorney.

Any person who is dissatisfied with the ballot title may at any time within ten days from the time of the filing of the ballot title with King County Elections, may appeal to King County Superior Court.

The following is a draft of the proposed ballot title, which must be adopted by City resolution:

City of Shoreline Proposition 1
Levy for Public Safety, Park Maintenance and Operations and Community Services

The Shoreline City Council Adopted Resolution No.307 concerning public safety, parks and community services.

If approved, this proposition would maintain basic police and crime prevention programs, maintenance and operations for park, recreation, pool, and community services. This proposition would restore the City's property tax rate to \$1.48/\$1,000 of assessed valuation for collection in 2011; limit annual levy increases for 2012-2016 to an amount not to exceed the Seattle CPI-U inflation rate, and use the 2016 levy amount to calculate subsequent levy limits.

Should this proposition be approved?

YES _____

NO _____

Staff is still working to finalize the language of the ballot proposition and may continue to provide updates to the City Council during the week of July 19, prior to final adoption on July 26, 2010.

Voters' Pamphlet

For the primary and general election, King County publishes a voters' pamphlet. Districts placing measures on the ballot are automatically included in the voters' pamphlet.

The City must provide an explanatory statement of the ballot title for the voter's pamphlet. The statement describes the effect of the measure if it is passed into law, and cannot intentionally be an argument likely to create prejudice either for or against the measure. The explanatory statement is limited to 250 words, must be signed by the City Attorney, and submitted to King County Elections by August 13, 2010.

The City is also responsible for appointing committees to prepare statements in favor of and in opposition to the ballot measure. There is a limit of three members per committee. The committee appointments must be filed by August 13, 2010. Staff has scheduled for Council to make appointments at the City Council meeting on August 9, 2010. Staff will be advertising for interested parties to submit applications starting July 27, 2010, assuming that the City Council approves Resolution No. 307, on July 26, 2010.

The statements in favor of or in opposition to the ballot measure must be submitted by the Pro and Con committees to King County Elections no later than August 18, 2010. These statements are limited to 200 words. Rebuttal statements by each of the respective committees must be submitted to the County no later than August 20, 2010. Rebuttal statements are limited to 75 words.

SUMMARY

As was stated earlier in the staff report, the City is required to have a balanced budget, and therefore must address the projected budget gaps with additional revenue, expenditure (service) reductions or a combination of both.

Staff recognizes the challenging financial times that we are in. At the same time, City Councils have been very prudent in their financial planning and have worked very hard to constrain costs for City services. Our residents have a very high level of satisfaction with the quality of life in Shoreline and have indicated that they would like to maintain this quality of life. City Council's have been addressing the long-term financial challenges by strategically implementing efficiencies, cost reductions, revenue enhancements and involving a Citizen Committee. The City Council will need to determine if they would like to move forward with a levy lid lift, implement other revenue changes, or make program reductions to keep future City budgets in balance.

Staff has brought forth the recommended ballot measure in Resolution No. 307. This ballot measure includes a recommended \$0.28 increase in the projected levy rate for 2011 for a total projected regular property tax levy rate of \$1.48 per \$1,000 assessed valuation. The purpose of the levy is to keep current service levels of basic public safety including police and crime prevention programs, funding for essential maintenance, operations and safety at local parks, trails, and recreation facilities, along with other community services. The ballot measure provides for a maximum increase in the annual levy for years 2012 through 2016 at the Seattle/Tacoma/Bremerton CPI-U inflation factor, and that the basis for future levies be the levy adopted for 2016. The ballot measure must be adopted and submitted to King County Elections by August 10, 2010, in order to appear on the November 2, 2010 election.

Assuming that the City Council authorizes the ballot measure on July 26, 2010, the City Council will need to review the explanatory statement on August 9, 2010, and appoint the Pro and Con committees on the same evening.

RECOMMENDATION

Staff recommends that Council adopt Resolution No. 307 placing a property tax levy lid lift on the November 2, 2010, general election ballot, to increase the 2011 regular property tax levy rate by \$0.28 which restores the City's property tax levy rate to approximately \$1.48 per \$1,000 assessed valuation, setting the annual maximum increase for property tax levies in 2012 through 2016 at the Seattle Consumer Price Index for all Urban Consumers (CPI-U), and using the 2016 levy as the base for future year levies.

ATTACHMENTS

Attachment A – Resolution No. 307

RESOLUTION NO. 307

A RESOLUTION PROVIDING FOR THE SUBMISSION TO THE QUALIFIED ELECTORS OF THE CITY OF SHORELINE AT AN ELECTION TO BE HELD ON NOVEMBER 2, 2010 A PROPOSITION AUTHORIZING THE CITY TO INCREASE ITS REGULAR PROPERTY TAX LEVY ABOVE THE LIMIT ESTABLISHED IN RCW 84.55.010 TO FUND CURRENT LEVELS OF PUBLIC SAFETY, PARKS OPERATIONS AND COMMUNITY SERVICES

WHEREAS, the City is authorized to levy a permanent regular property tax not to exceed the rate of \$1.60 per \$1,000 of assessed value permitted by statute and the current projected rate for 2011 is below this limit at \$1.20 per \$1000 of assessed valuation; and

WHEREAS, RCW 84.55.050 authorizes the voters of a City to permit the levy of taxes in excess of the levy limitations established in RCW 84.55.010; and

WHEREAS, Initiative 747 (codified in RCW 84.55.005 .0101) has limited the increase in property tax revenues to the City to a rate of 1%, a rate that has been less than the actual rate of inflation for the costs of providing services to the citizens of the City, causing total projected budget deficits over the next six years of over \$14 million despite sustained austerity measures and efficiencies in City government; and

WHEREAS, the City's regular property tax levy rate was \$1.60 per \$1000 assessed valuation in 2001 and that rate has fallen to \$1.12 per \$1000 assessed valuation in 2010; and

WHEREAS, the City Council desires to address these ongoing deficits by allowing the electors to approve or reject a proposition under RCW 84.55.050(2) authorizing the City Council to levy the City's regular property tax in an amount that exceeds the limit factor that would otherwise be prescribed by RCW 84.55.010; and

WHEREAS, to fund a portion of the cost of basic public safety programs, including crime prevention and jail costs, and to fund a portion of the cost of maintaining and operating parks and community services, the proposition should authorize 1) an increase in the City's regular property tax levy by up to an additional 28 cents per \$1,000 of assessed valuation for collection in 2011; 2) an increase in the regular property tax levy by the June to June Seattle/Tacoma/Bremerton CPI-U annual inflation rate for each of the succeeding five years; and 3) use of the 2016 levy amount for calculating subsequent levy limits.

WHEREAS, the proposition set forth above requires the holding of a special election in the City; now therefore

**THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON,
HEREBY RESOLVES:**

Section 1. Shoreline Proposition Pursuant to RCW 84.55.050(2) and RCW 29A.04.330, it is found to be in the best interest of the City of Shoreline to require the submission to the qualified voters of the City, for their ratification or rejection, a proposition approving a six-year increase in the City's regular property tax levy exceeding the limit factor provided in RCW 84.55.005 -.0101 to fund a portion of the cost of basic public safety programs, including jails and crime prevention, and to fund a portion of maintaining and operating parks, recreation, pool and community services. The proposition shall propose an increase in the City's regular property tax levy by up to twenty-eight (28) cents per \$1,000 of assessed valuation (to a total rate not to exceed \$1.48 per \$1,000 of assessed valuation) for collection in 2011. The proposition shall also authorize an increase in the levy limit factor as allowed by chapter 84.55 RCW for each of the five (5) succeeding years (2012-2016) by the inflation rate of the Consumer Price Index for All Urban Consumers for the Seattle-Tacoma-Bremerton Area (1982-84=100) published for June. Finally, the proposition shall authorize the use of the dollar amount of the 2016 levy for the base in computing the maximum levy that may be imposed in years after 2016.

Section 2. Special Election Requested. It is further found to be in the best interests of the City that an election be conducted and held within the City of Shoreline on Tuesday, November 2, 2010 for submission to the qualified electors of the City the proposition specified in Section 1 for approval or rejection. The Director of Records, Elections and Licensing Services Division, as *ex officio* supervisor of elections in King County, Washington, is hereby requested to assume jurisdiction of and to call and conduct said special election. The City Clerk is hereby authorized and directed, not less than 84 days prior to such election date, to certify the proposition to the King County Records, Elections and Licensing Services Division in the following form:

CITY OF SHORELINE PROPOSITION 1

**BASIC PUBLIC SAFETY, PARKS & RECREATION, AND COMMUNITY
SERVICES
MAINTENANCE AND OPERATIONS LEVY**

The Shoreline City Council adopted Resolution No. 307 concerning basic public safety, parks and recreation, and community services. If approved, this proposition would maintain current police/emergency protection including neighborhood patrols and crime prevention; preserve safe parks, trails, playgrounds/playfields and the Shoreline pool; and maintain community services including senior center and youth programs.

This proposition would restore Shoreline's property tax rate to \$1.48/\$1000 of assessed valuation for collection in 2011; limit levy increases for 2012-2016, not to exceed inflation (Seattle CPI-U); and use the 2016 levy amount to calculate subsequent levy limits.

Should this proposition be approved?

YES ☐

NO ☐

Section 3. The City Manager and City Attorney are authorized to make such minor adjustments to the wording of such proposition as may be recommended by the King County Records, Elections, and Licensing Services Division, so long as the intent of the proposition remains consistent with the intent of this Resolution.

ADOPTED BY THE CITY COUNCIL ON July 26, 2010.

Keith McGlashan, Mayor

ATTEST:

Scott Passey, City Clerk

Levy

Questions from 7/19/2010 City Council Meeting

Arthur Peach

1. What have been the annual Cost of Living Adjustments for City Employees?

Response: The following chart has the COLA increases that were given to City employees for years 2000 through 2010. As in 2010 there will not be a COLA for City employees in 2011. The annual average for years 2000 through 2010 is 2.48%. Inflation averaged 2.9% annually during the same time period.

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1.03%	3.40%	3.51%	1.40%	1.53%	2.00%	2.28%	3.78%	3.15%	5.22%	0.00%

2. What has been the increase in health care insurance costs for the City?

Response: The following table provides the total City expenditure for health insurance benefits and the % change for 2004 through 2010.

	Actual 2004	Actual 2005	Actual 2006	Actual 2007	Actual 2008	Actual 2009	Budget 2010
Expenditure \$	1,207,169	1,272,754	1,374,016	1,475,276	1,600,291	1,642,857	1,729,595
Annual Change %		5.4%	8.0%	7.4%	8.5%	2.7%	5.3%

3. Will the levy provide funding for Kruckeberg Gardens, Senior Center, Animal Control, YMCA?

Response: The long-term projections include our annual base level of funding for the Senior Center (\$77,700), but they do not include an additional \$18,000 a year that the City Council voted to fund for 2009 and 2010 with one-time dollars. This was not intended to be an on-going allocation, but the Senior Center made a request of \$130,398 in funding for 2011 from the City. Kruckeberg Garden was intended to be self-supporting by 2011, but this will not be the case. It is likely that the City will need to continue to allocate approximately \$40,000 annually over the next few years to support the operations of the garden – this will have to be funded out of the City's operating budget. The City has signed an agreement with King County for animal control. This had not happened the last time we did an update to our long-term projections so those costs (estimated at \$58,400/annually) were not included in the forecast. The City will need to pay for this service, so it will be added to the budget and either will be funded through funds from the levy or reductions to other programs. In 2008 the City agreed to a contract with the YMCA to provide some community-wide programs at \$40,000 annually for two years. This was to be one-time funding and programming – not ongoing.

Of even greater concern is the possibility of one or two initiative appearing on the November ballot related to the privatization of liquor sales. Currently the City receives approximately \$450,000 annually in liquor board profits and \$270,000 annually in liquor excise taxes. Both initiatives would eliminate the liquor board profits – eliminating the \$450,000 we receive annually. One of the initiatives also eliminates the excise tax. The City's long-term projections assumed that these revenues would continue to be available to fund City services.

4. Do the long-term projections provide for contributions to the Rainy Day Fund?

Response: The long-term projections do not include repaying the Rainy Day Fund for monies that we anticipate using in 2010 (\$995,000). If those funds are used it will leave approximately \$5.1 million in the fund. To repay monies used we will need to have the discipline in future years to allocate one-time savings or one-time revenues for this purpose.

The long-term projections do include any annual allocations that would be required to comply with the City's Rainy Day Fund policies – other than the repayment of funds that are anticipated to be used in 2010.

5. Will the levy provide funding for a new pool or police station?

Response: The levy will help maintain operating services – not capital improvements, so the levy does not provide funding for a new pool or police station. Both of those projects have been identified as capital improvements that need to be addressed in the future, but at this time there is not an identified funding source for either one.

Chris Roberts

1. What is the City's Revenue Stabilization Fund Policy?

Response: The City will establish a Revenue Stabilization Fund and shall accumulate a reserve equal to thirty percent (30%) of annual economically sensitive revenues within the City's operating budget to cover revenue shortfalls resulting from unexpected economic changes or recessionary periods.

All expenditures drawn from reserve accounts shall require prior Council approval unless previously authorized by the City Council for expenditure within the City's annual budget.

If reserves and/or fund balances fall below required levels as set by this policy, the City shall include within its annual budget a plan to restore reserves and/or fund balance to the required levels.

Terry Scott

1. What tax increases have voters approved in recent years?

Response: The following table contains measures passed in the last few years by voters that have increased taxes paid by Shoreline property owners:

<i>When</i>	<i>Agency</i>	<i>Description</i>	<i>Impact</i>	<i>Passage Rate</i>
<i>February 2010</i>	<i>King County Library District</i>	<i>Restore property tax rate to \$1.50/\$1,000 AV</i>	<i>Average home owner impact of \$32/yr</i>	<i>52% Yes</i>
<i>February 2010</i>	<i>Shoreline School District</i>	<i>Maintenance & Operations Levy Renewal. \$2.48/\$1,000 AV</i>	<i>Continue existing levy</i>	<i>70% Yes</i>
<i>February 2010</i>	<i>Shoreline School District</i>	<i>Technology Levy Renewal. \$0.35/\$1,000 AV</i>	<i>Continue existing levy</i>	<i>66% Yes</i>

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<i>February 2010</i>	<i>Shoreline School District</i>	<i>Capital Bond (\$150 million) for modernization/replacement of 2 high schools (Estimate of \$2.42/\$1,000 AV)</i>	<i>Previous bonds paid off so no additional impact</i>	<i>62% Yes</i>
<i>November 2008</i>	<i>Sound Transit</i>	<i>Expansion of mass transit. Increased the sales tax rate by 0.5%.</i>	<i>\$69 per adult/annually</i>	<i>King County Yes – 61%</i>
<i>August 2008</i>	<i>Shoreline Fire District</i>	<i>Restore property tax rate to \$1.50/\$1,000 AV and authorize 6% annual levy increases for 2009-2014</i>	<i>First year - \$75 for average home</i>	<i>69% Yes</i>
<i>May 2006</i>	<i>City of Shoreline</i>	<i>Capital Bonds (\$18.8 Million) for Park and Open Space</i>	<i>\$84 for average home</i>	<i>70% Yes</i>

Will Hall

1. How does Shoreline compare to other King County cities on new construction dollars and its related percentage of property tax revenue increase over the last few years?

Response: The following chart shows new construction related property tax revenue as a percent of the City's total property tax levy for each year from 2006 through 2009. Shoreline ranks below the average in all 4 years.

	2006 % of Levy	2007 % of Levy	2008 % of Levy	2009 % of Levy
Auburn	1.98%	4.04%	1.53%	0.70%
Bellevue	2.01%	3.45%	3.85%	2.08%
Bothell	0.73%	5.99%	1.53%	4.65%
Burien	0.81%	1.33%	1.16%	1.16%
Des Moines	0.85%	1.13%	1.36%	0.43%
Federal Way	2.23%	2.06%	1.16%	0.45%
Issaquah	7.77%	5.52%	4.08%	0.99%
Kenmore	2.20%	2.95%	2.97%	0.86%
Kent	3.33%	0.24%	1.74%	0.77%
Kirkland	3.49%	3.39%	1.69%	0.78%
Lake Forest Park	0.57%	0.89%	0.41%	0.24%
Newcastle	7.06%	3.72%	3.14%	0.50%
Redmond	2.16%	1.69%	2.60%	5.90%
Renton	3.41%	3.25%	4.30%	1.12%

	2006 % of Levy	2007 % of Levy	2008 % of Levy	2009 % of Levy
Sammamish	1.97%	1.80%	1.27%	0.38%
SeaTac	5.16%	4.95%	0.74%	0.78%
Seattle	1.49%	2.22%	2.13%	1.25%
Shoreline	1.09%	1.35%	0.98%	0.56%
Tukwila	0.81%	1.42%	6.20%	6.17%
Woodinville	2.73%	1.71%	2.28%	0.73%
Average	2.59%	2.66%	2.26%	1.53%

[illegible]

	Sorted by Total Property Tax paid per household				
	City	Total Property Tax Paid Per Person	Total Paid Per Household (Assume Household = 2.4)	City Property Tax Paid Per Person	City Tax Paid Per Household (Assume Household = 2.4)
1	Tukwila	3,060	7,343	728	1,746
2	Woodinville	2,611	6,266	259	621
3	Issaquah	2,455	5,893	303	728
4	Sammamish	2,426	5,821	495	1,189
5	Redmond	2,354	5,650	391	939
6	Bellevue	2,189	5,254	293	704
7	Newcastle	2,099	5,038	400	960
8	Kirkland	2,094	5,025	294	706
9	Bothell*	2,026	4,863	268	644
10	SeaTac	2,024	4,858	450	1,080
11	Lake Forest Park	2,013	4,830	217	520
12	Seattle	1,827	4,385	588	1,411
13	Kent	1,626	3,902	311	747
14	Shoreline	1,620	3,887	170	408
15	Kenmore	1,598	3,836	197	473
16	Renton	1,533	3,678	372	893
17	Auburn*	1,458	3,500	208	500
18	Burien	1,434	3,441	174	417
19	Federal Way	1,201	2,882	109	262
20	Des Moines	1,158	2,778	156	375
	* King County Portion				
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