

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	2012 Legislative Session Recap and Recommendations for Advance Planning of the 2013 Legislative Session		
DEPARTMENT:	City Manager's Office		
PRESENTED BY:	Scott MacColl, Intergovernmental Relations Manager		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

The Legislature adjourned the 2012 Legislative Session and Special Session on April 9th, approving an operating budget that resulted in revenue losses to cities, including Shoreline. Councilmembers have expressed interest in working with other cities to address the continued reductions of state shared funding to cities. The best approach is to influence the legislative policy process through the Association of Washington Cities (AWC). Therefore, this agenda item also includes potential legislative principles for the 2013 Legislative Session for Council to consider in advance of the AWC Annual Conference in June.

RESOURCE/FINANCIAL IMPACT:

The City's 2012 revenues will be \$72,000 less than originally budgeted and in 2013 revenues could be reduced by an additional \$47,000 (total of \$119,000), if the liquor excise taxes are not restored in October 2013 as is proposed in the current adopted legislation. Given that there was uncertainty regarding the State budget revenues when the City's 2012 budget was adopted, the City Council voted to reduce the 2012 employee cost of living adjustment to 1% which reduced the 2012 projected expenditures by \$119,000.

Based on information from AWC the City would receive approximately \$670,000 in liquor revenues in 2014. This assumes reinstatement of the liquor excise tax in October 2013, and is approximately \$60,000 more than in the City's current financial projections. If the liquor excise tax is not restored, then the City's 2014 revenue projection would need to be reduced by \$205,000.

RECOMMENDATION

Staff recommends that Council adopt Legislative Core Principles in advance of the June AWC conference and the 2013 legislative session. The best approach to legislative success is to engage AWC on an issue, and have AWC adopt it as a legislative priority for the upcoming 2013 legislative session.

Approved By: City Manager **JU** City Attorney **IS**

INTRODUCTION

The Legislature adjourned the 2012 Legislative Session and Special Session April 9th, approving an operating budget that resulted in revenue losses to cities, including Shoreline. As a result, Councilmembers have expressed interest in working with other cities to address the continued reductions of state shared funding to cities. The best approach is to influence the legislative policy process through the Association of Washington Cities (AWC). Therefore, this agenda item also includes potential legislative items for the 2013 Legislative Session for Council to consider in advance of the AWC Annual Conference in June.

BACKGROUND

The 2012 Legislature faced another round of significant budget cuts, after making significant cuts last year to enact the biennial budget. As revenues were still below projections, the Legislature was forced to make cuts mid-biennium to balance the budget. One of the significant cuts that affect all cities is liquor excise tax revenues. The state has 'shared' these revenues with cities for more than 70 years (since Prohibition was repealed), in part to provide funding for city enforcement of liquor laws.

The Legislature passed ESHB 2823, which redirects revenues from several different accounts to the State's general fund, including:

- Liquor excise taxes – all city liquor excise taxes in the State's fiscal year 2013, and then \$10 million per year from fiscal year 2014 onward;
- Liquor revolving fund – distribution to cities will only include what Initiative 1183 provided, and will not grow with any anticipated growth in liquor sales as a result of privatization of liquor sales. Any growth in liquor 'profits' go to the state general fund, so over time this revenue source actually decreases relative to inflation. Initiative 1183 provided that cities should receive liquor profits in an amount comparable to what they received prior to the approval of 1183.
- Solid Waste Tax – diverts Solid Waste Tax revenues from the Public Works Trust Fund (PWTF) to the general fund, which amounts to an 18% decrease to the PWTF.

One of Shoreline's 2012 Legislative Priorities was to ensure that reductions in state shared revenues are in concert with increased revenue options and reduced responsibilities. However, those efforts were unsuccessful. Shoreline worked with AWC and other cities on a proposal to implement a 1% Motor Vehicle Excise Tax (MVET) in King County for transportation related purposes; however, disagreement between King County and its cities over how to distribute the funding doomed the proposal. In addition, AWC made a strong push for cities to increase the amount of revenue for a Transportation Benefit District (TBD) raised through a councilmanic vote from \$20 to \$40, which was also unsuccessful.

The trend of the state sweeping funding to local governments is likely to continue as long as state budget cuts continue to be necessary. The challenge local governments face moving forward is finding new, sustainable forms of funding that aren't reliant on state revenue.

Council may want to consider some core legislative principles as the City's statement of policy in advance of the 2013 legislative session. The best approach to legislative success is to engage AWC on an issue, and have AWC adopt it as a legislative priority for the upcoming legislative session. Staff is therefore proposing the following legislative principles to guide staff and Council at the AWC conference in June, and through AWC's Legislative Committee process.

Proposed 2013 Core Legislative Principles

- Increase revenue options for local governments, possibly through an increase in the property tax cap;
- Provide for the consolidation of utilities within cities, as the most efficient providers of urban services;
- Create viable dedicated funding opportunities for transportation purposes, such as the TBD fee or the MVET

RESOURCE/FINANCIAL IMPACT

The City's 2012 revenues will be \$72,000 less than originally budgeted and in 2013 revenues could be reduced by an additional \$47,000 (total of \$119,000), if the liquor excise taxes are not restored in October 2013 as is proposed in the current adopted legislation. Given that there was uncertainty regarding the State budget revenues when the City's 2012 budget was adopted, the City Council voted to reduce the 2012 employee cost of living adjustment to 1% which reduced the 2012 projected expenditures by \$119,000.

Based on information from AWC the City would receive approximately \$670,000 in liquor revenues in 2014. This assumes reinstatement of the liquor excise tax in October 2013, and is approximately \$60,000 more than in the City's current financial projections. If the liquor excise tax is not restored, then the City's 2014 revenue projection would need to be reduced by \$205,000.

In addition to the liquor revenue reductions, the adopted State budget diverts approximately 18% (\$76 million) of funding for the Public Works Trust Fund through June 30, 2015 and 9% (\$38 million) from June 2015 through 2018. The City has previously received monies from the Public Works Trust Fund to complete major improvements to its surface water system. This diversion of funds means that it will be more challenging to obtain funds for future projects.

RECOMMENDATION

Staff recommends that Council adopt Legislative Core Principles in advance of the June AWC conference and the 2013 legislative session. The best approach to legislative success is to engage AWC on an issue, and have AWC adopt it as a legislative priority for the upcoming 2013 legislative session.

ATTACHMENTS

Attachment A: 2012 Legislative Priorities

ATTACHMENT A

City of Shoreline

2012 Legislative Priorities

1. Minimize state cuts to Shoreline's budget and consider innovative solutions to fund services.
2. Ensure that any reductions in state share revenue are in concert with increased revenue options and reduced responsibilities.
3. Support legislation to legalize gay marriage
4. Clarify GMA guidelines for cross-county annexation
5. Clarify Metadata related to public disclosure requests
6. Support efforts to clarify Cities role in regulating medical marijuana
7. Stormwater Funding – Support efforts for continued state funding to support NPDES Phase I & II requirements
8. Transportation Funding Package – support efforts for a statewide Transportation Funding Package to replace the revenue package from 2005

ATTACHMENT A

City of Shoreline General Legislative Principles

- Support street maintenance utility authority
- Support proposals to address the burgeoning number of public records requests
- Support greater fiscal flexibility with existing resources.
- Support increased infrastructure funding for economic development, and to repair and maintain parks, utilities, streets and sidewalks.
- Oppose any state preemption of local government authority to manage and franchise local public rights-of-way.
- Support legislation to improve environmental sustainability including, but not limited to, increased transit, flexibility for transit oriented development at transit stations, carbon emission reduction, energy efficiency, alternative clean energy generation and improved surface water quality and habitat restoration.
- Support Green Jobs and related workforce training through Shoreline Community College
- Oppose unfunded mandates that would result in loss of existing revenue or revenue authority.
- Oppose any additional restrictions on a city's legal authority
- Advocate for health/human services legislation to ensure maintenance of the safety net for our most vulnerable residents and oppose legislation that would shift costs and responsibilities for these programs to cities and/or school districts without appropriate funding.
- Clarify data retention requirements
- Support flexibility for arbitration rules.