

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of the 2015 State Legislative Priorities		
DEPARTMENT:	City Manager's Office		
PRESENTED BY:	Scott MacColl, Intergovernmental Relations Manager		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input checked="" type="checkbox"/> Motion
	<input type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

The 2015 Legislative Session is approaching with some potential for an additional special session to address transportation funding, possibly in December. Council had a preliminary discussion about the City's 2015 Legislative Priorities at their October 13th Dinner Meeting. The Legislative Priorities attached to this staff report reflect the conversation and direction provided by Council at that time.

This memo outlines the challenges ahead and presents Legislative Priorities for Council's approval. Staff proposes a directed Legislative Priorities list this year to provide a clear and concise message to Legislators and others about the City's needs.

2015 bring unique challenges around education funding, prompted by the McCleary lawsuit, for which the Legislature is now in contempt of the Supreme Court for lack of sufficient funding. The budget requires between \$1.2 to \$2 billion to fully fund education; which either requires significant cuts or significant new revenue. As this year is the 2015-2017 biennial budget year, or 120-day long session, given the divide for how to fund McLeary, there is a distinct possibility of multiple special sessions to follow.

Staff proposes the attached legislative priorities (Attachment A) for Council to approve which, once adopted, provide policy direction to guide staff in determining support or opposition to specific legislation. Staff will utilize these priorities to determine whether the City supports or opposes specific legislation and amendments in Olympia during the legislative session.

RESOURCE/FINANCIAL IMPACT:

There is no financial impact to adopting the 2015 Legislative Priorities.

RECOMMENDATION

Staff recommends that Council move to adopt the 2015 legislative priorities to provide staff policy direction for the upcoming legislative session.

Approved By: City Manager **DT** City Attorney **JA-T**

INTRODUCTION

Staff proposed the attached legislative priorities (Attachment A) for Council for review and discussion during their October 13th Dinner Meeting. The priorities provide policy direction to guide staff in determining support or opposition to specific legislation. Staff utilizes these priorities to determine whether the City supports or opposes specific legislation and amendments in Olympia during the legislative session.

The City actively monitors legislative proposals at the state level, as our success in advancing the City's position in Olympia depends on providing accurate and timely information to Legislators and their staff that illustrate the impacts of pending legislation on Shoreline. The City continues to work with the Association of Washington Cities (AWC), which provides a consistent voice and a strong presence for cities in Olympia.

Key pieces of legislation that do not fall under the Council's Legislative Priorities will be presented to the Council for review. However, legislation changes very rapidly, sometimes within hours, and there usually is not time to review changes with the Council. The legislative priorities are therefore primarily drafted as general policy positions to provide staff and our council representatives the flexibility to respond quickly to requests for information or input.

The 2015 Legislative Session is approaching with Legislature under contempt of the State Supreme Court to fully fund basic education. This memo outlines the challenges ahead and presents draft Legislative Priorities for Council's review and potential approval. Staff proposes a very directed Legislative Priorities list to provide a clear and concise message to Legislators and others about the City's needs.

DISCUSSION

State Budget Snapshot

This year is the beginning of the 2015-2017 biennial budget, or the 'long' session which last 120 days, and the Legislature must deal with the financial realities of the McLeary decision to fully fund basic education.

The McLeary Decision

The Legislature did not fully address education funding last session, and as a result the Supreme Court found that the Legislature is in contempt of court. The Court has threatened to usurp the state budget and demand that basic education receive full funding first, and whatever is left over fund the remainder of state functions. The Court offered a one-session reprieve to allow the Legislature to pass a budget to address basic education. If the Court is not satisfied, then it can take action on the contempt order.

State Revenue

To fully fund education costs, between \$1.2 to \$2 billion over the biennium, additional revenue is likely needed. However, state tax earnings will likely remain flat or only slightly increase prior to the start of the new session. To meet the K-12 funding obligation, the Legislature will need to: raise new revenue, dedicate revenue from other

sources, cut governmental services, or some combination of these in order to secure the necessary revenues.

State Shared Revenue

Given the continuing size of the budget shortfall, it is highly likely that the Legislature will continue to divert (potentially permanently) shared revenues that have traditionally been designated to local governments. Liquor revenue will be on the table, along with the revenue from the sale and taxation of recreational marijuana. In addition, any and all local government shared revenue may be up for review (e.g. criminal justice assistance account). Some legislators question why the state should share any of its revenue, or they want cities to be more efficient with our existing dollars before agreeing to share revenue.

In addition, the Legislature has systematically reduced investment in basic infrastructure programs benefitting cities. Specifically \$292 million in cash and \$797 million in revenues from the Public Works Assistance Account (PW Trust Fund); \$250 million from the model toxics cleanup account, reducing appropriations to the Centennial Clean Water infrastructure grant program, and relying on cities to bear the cost of compliance with stormwater rules.

Transportation Package

Staff has heard from multiple legislators and other leaders that a transportation package is not forthcoming this year, and that the transportation budget will be fairly spartan (i.e. no funds for specific projects will be provided). The Senate and House leadership strongly differ on transportation policy and what to fund if there is a funding package. The earliest a transportation package might materialize is the 2016 Legislative Session.

AWC Concerns

This session, AWC is recognizing that doing business the same way is not producing the desired results. They are advocating a change to the approach by respectfully insisting that legislators respond to the City's needs. As noted above, significant portions of state shared revenues and funding programs have been diverted or are on the block to be diverted to the state general fund. It remains a question as to whether or not these revenue sources will return to cities in the future.

Therefore, AWC's priorities are focused on tools to allow cities to maintain their financial health in the long term. Specific items include maintaining and restoring infrastructure programs and state shared revenue (liquor, marijuana); transportation funding; lifting the 1% property tax cap; and potentially greater flexibility/authority for Real Estate Excise Tax revenues.

In addition, AWC is focusing on clarifying medical vs. retail marijuana rules, public defense funding and opposition to any new state mandated cost drivers.

Shoreline Concerns

One of the key messages from the AWC conference this past summer is that cities' relationship with the Legislature has changed; the Legislature has chosen to continue to make cuts to state revenue traditionally shared with cities. As noted above, it's not just

shared general fund revenue but infrastructure funding that spurs economic development.

Cities need to be able to plan for funding from one year to the next; providing cities more local financial flexibility allows each jurisdiction to make their own choices of how to fund local services. Addressing the systematic problem - the 1% cap on the property tax - would go a long way towards that fiscal sustainability.

Below are the four specific legislative priorities and a list of issues the city supports; however the majority of the focus would be on the specific priorities.

1. Local Government Financial Sustainability

Given the challenges of fully funding K-12 education along with the other programs beyond higher education and prisons, there is little likelihood that those revenues will return. Rather, staff proposes advocating for a more self-sufficiency model where the City can control its revenue streams.

- a. 1% Property Tax Limit - this limit doesn't keep up with inflation and doesn't allow cities to maintain services. Setting a limit that is tied to a tangible number (e.g. Consumer Price Index or Implicit Price Deflator) would allow cities to better maintain existing services.
- b. Local Transportation Revenue Options - the City currently funds only about 40% of its transportation infrastructure needs. The longer projects go unfunded, the more expensive they become to replace and the longer the backlog of project that need funding. In addition, the City has identified major transportation projects (145th Street, 175th Street) that require substantial funding to implement. Options could include an increase in Transportation Benefit District (TBD) authority to \$40 councilmanically, or another funding source.

2. 145th St. Corridor Project / Access to the Light Rail Station

Council, legislative leaders and project partners toured the project in late August. Securing funding for any component of the project, whether as a direct allocation in a transportation package or through an existing program, is a priority to ensure that the light rail station functions most effectively when it opens. This is also coincides with support for a statewide transportation package (see below) with direct project allocation for the project.

3. Utility Authority

Shoreline is moving forward into the utility business and is in process with the assumption of the Ronald Wastewater District. The City may want to utilize this method in the future and is interested in defining the ability of cities to enter into the water or sewer business by assuming an existing utility district if the Council deems it appropriate.

Earlier this year, a District court ruled that the City of Wenatchee could impose its utility tax on city customers served by the Chelan County Public Utilities District. However, the tax can only be applied to the PUD's proprietary function and not its governmental ones. While the ruling appears to authorize cities to impose the

utility tax on another governmental entity (e.g. the City imposing a utility tax on Seattle Public Utilities service in Shoreline), the ruling did not define what is considered 'proprietary' (direct service to the utility customer) vs. 'governmental' (overhead, administration, etc.).

4. Clarification of Marijuana Rules

The City is interested in providing a real distinction between retail and medical marijuana and would support Legislative clarification of this issue.

Legislative Issues the City Supports

1. Transportation Funding Options

Recent transportation proposals over the past couple of years contained city priorities, including direct distribution of gas tax revenues, increasing TBD authority, and funding state grant programs that benefit locals (e.g. the Transportation Investment Board - TIB). However, versions introduced over the past couple of sessions have not included much for pedestrian and bicycle projects or for transit. Only support a transportation package that includes projects that prioritize maintaining or improving the existing urban infrastructure for both people and freight; funding for bicycle and pedestrian facilities; transit; and includes direct distribution to local governments and additional local transportation funding options.

2. Infrastructure Funding

As noted above, infrastructure fund programs that benefit cities have been diverted to the state general fund over the past few years. These types of accounts allow cities to utilize low interests loans or grants to complete infrastructure projects at a significantly lower cost. Support any funding in infrastructure spending that cities can apply for to help fund important projects (e.g. Public Works Trust Fund).

3. Ronald Commons Project

On the capital budget, support capital budget requests from the Compass Housing Alliance or Hopelink for the Ronald Commons Projects, which will constitute a major share of their project budget.

4. Transit Communities

Advocate for city tools, such as funding and/or regulatory authority, to support communities centered around high capacity transit corridors.

5. Product Stewardship

Support a paint product stewardship program for Washington to create a collection program for the reuse, recycling or proper disposal of unwanted paint.

RESOURCE/FINANCIAL IMPACT

There is no financial impact to adopting the 2015 Legislative Priorities.

RECOMMENDATION

Staff recommends that Council move to adopt the 2015 legislative priorities to provide staff policy direction for the upcoming legislative session.

ATTACHMENTS

Attachment A: 2015 Shoreline Legislative Priorities



2015 Shoreline Legislative Priorities

1. Support local government financial sustainability and flexibility:
 - a. Revise 1% property tax limitation
 - b. Local transportation revenue options
2. Advocate funding for 145th Street Corridor Project including ensuring safe pedestrian and bicycle access to the future 145th Street Light Rail Station
3. Defend cities' ability to assume water/sewer districts without a vote and support clarifying the City utility tax 'proprietary' vs. 'governmental' issue
4. Support clarification of state law regarding medical marijuana vs. recreational marijuana

Legislative Issues the City Supports

1. Transportation funding - support a new comprehensive transportation revenue package only if it includes the following:
 - a. prioritizes projects that maintain or improve the existing urban infrastructure for both people and freight,
 - b. prioritizes funding for bicycle and pedestrian facilities,
 - c. prioritizes transit; and
 - d. includes direct distribution to local governments and additional local option authorities
2. Maintain and restore funding for infrastructure programs such as the Public Works Trust Fund
3. Ronald Commons Project capital budget funding request
4. Advocate for city tools, such as funding and regulatory authority, to support Transit Communities
5. Paint Product Stewardship legislation