

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of Resolution No. 468 – Making a Finding and Declaration of Substantial Need for Purposes of Setting the Limit Factor for the Property Tax Levy for 2021
DEPARTMENT:	Administrative Services
PRESENTED BY:	Sara Lane, Administrative Services Director Rick Kirkwood, Budget and Tax Manager
ACTION:	<input type="checkbox"/> Ordinance <input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

The City of Shoreline is required to adopt its 2021 property tax levies by ordinance and certify the amount to the County Assessor by November 30, 2020. Property tax levy increases by local governments are limited to the lower of the Implicit Price Deflator (IPD) or 101% without voter approval. The Revised Code of Washington (RCW) Chapter 84.55.005 and Washington Administrative Code (WAC) Section 458-19-005 provide limit factors and processes 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% plus inflation, as measured by the IPD, or 101% of the previous year's levy. State law also limits the levy rate to \$1.60 per \$1,000 of assessed valuation (AV). The July IPD was 0.60%. City of Shoreline Proposition 1, which was approved by voters in 2016, allows the City to increase its property tax levy annually by the June-to-June percentage change in the Consumer Price Index for All Urban Consumers for the Seattle/Tacoma/Bellevue Area (CPI-U). When this CPI-U is applied for 2021, it results in an increase of 0.87%. Since inflation is less than 1.0%, Council may adopt a resolution of "substantial need" allowing it to increase the levy up to the full one percent (1.0%) as allowed by statute.

Throughout the year staff has briefed the Council on the impacts of the COVID-19 public health emergency and pandemic, during which the City has been engaged in essential work related to the public health emergency and that work has resulted in the need for an outlay of significant City resources to address the emergency. While those direct costs are anticipated to be reimbursed by the Federal CARES Act, the economic and financial impacts of the public health situation have resulted in decreases in both short- and long-term revenue, significantly sales taxes, to fund essential services. The Council expressed a desire to maintain municipal service levels funded by the General Fund and the cost of providing those services has risen faster than the implicit price deflator, and, generally have risen by more than 1.0%. Therefore, on November 2, staff

recommended that Council direct staff to draft a resolution of “substantial need”. Proposed Resolution No. 468 provides for this declaration of “substantial need”.

Based on the latest information provided by the King County Assessor’s Office and with adoption of Resolution No. 468 providing the declaration of “substantial need”, the regular property tax levy to be set through adoption of Proposed Ordinance No. 902 represents a dollar increase of \$138,916 and a percentage increase of 1.00% from the levy amount of the previous year, excluding the addition of new construction, improvements to property, any increase in the value of state assessed property, and administrative refunds made as shown below:

	Amount
2021 Regular Levy	\$14,260,625
Less 2020 Levy	13,891,601
Less New Construction	214,337
Less Refunds	15,771
Total Increase	\$138,916
Percent Increase	1.00%

FINANCIAL IMPACT:

The impact of using the 1.0% instead of the 0.87% is \$18,059 for 2021 prior to adding the value of new construction and re-levy for prior year refunds to the levy. As was mentioned, this would become part of the levy basis grown in future years. It is projected that CPI-U for 2022 will be 1.73%, and therefore the estimated delta added to the 2022 levy would be \$18,371. The total delta for the biennium would be \$36,430. Assuming the Levy Lid Lift is not approved in 2023 and the limit factor returns to 1% annually, the total delta for the ten-year forecast period of 2021-2030 would be approximately \$190,000.

It is anticipated the 2021 Regular Levy will total approximately \$14.261 million. Based on the latest information provided by the King County Assessor’s Office and adoption of Resolution No. 468 the regular property tax levy to set through adoption of Proposed Ordinance No. 902 represents a dollar increase of \$138,916 and a percentage increase of 1.00 percent from the levy amount of the previous year, excluding the addition of new construction, improvements to property, any increase in the value of state assessed property, and administrative refunds.

RECOMMENDATION

Staff recommends that the City Council adopt Resolution No. 468.

ATTACHMENTS:

Attachment A: Proposed Resolution No. 468

Approved By: City Manager **DT** City Attorney **MK**

RESOLUTION NO. 468

**A RESOLUTION OF THE CITY OF SHORELINE, WASHINGTON
MAKING A DECLARATION AND FINDING OF SUBSTANTIAL
NEED TO SET THE LIMIT FACTOR AT ONE HUNDRED ONE
PERCENT FOR REGULAR PROPERTY TAXES FOR THE YEAR
2021.**

WHEREAS, Revised Code of Washington (RCW) 84.55.010 provides that a taxing jurisdiction may levy taxes in 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, newly constructed wind turbines, and any increase in the value of state-assessed property and other adjustments; and

WHEREAS, pursuant to RCW 84.55.005(2)(c), the "limit factor" for a taxing jurisdiction with a population of 10,000 or greater is the lesser of one hundred one percent (101%) or one hundred percent (100%) 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 twelve-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 the year 2020 is .60% which means that the "limit factor" is thus, 100.60% and that the regular property tax levy in the City of Shoreline in 2020 for collection in 2021 will increase by only .60% (less than one percent), except for amounts resulting from new construction and improvements to property, newly constructed wind turbines, any increase in the value of state-assessed utility property, and other adjustments; and,

WHEREAS, RCW 84.55.0101 provides for use of a limit factor of up to one hundred one percent (101%) or less with a finding of "substantial need" by a majority plus one of the City Council members; and

WHEREAS, the City's "substantial need" is not due to economic problems or financial management but rather largely the result of the COVID-19 public health emergency and pandemic, during which the City has been engaged in essential work related to the public health emergency, and that work has resulted in the need for an outlay of significant City resources to address the emergency, while at the same time the economic and financial impacts of the public health situation have resulted in decreases in both short and long-term revenue, significantly sales taxes, to fund essential City services; and

WHEREAS, the City Council desires to maintain municipal service levels funded by the City's general fund and the cost of providing City services has risen faster than the implicit price deflator and, generally have risen by more than one percent; and

WHEREAS, the fixed expenses and obligations expected to be adopted in 2021-2022 budget exceeds the forecasted decrease in revenues from other tax sources, requiring the City of Shoreline to exceed one hundred percent (100%) plus inflation, requiring the City to utilize reserves to balance the budget; and

WHEREAS, the City Council, after duly considering relevant facts and hearing testimony at a public hearing on Ordinance 902, regarding revenue sources on November 2, 2020, has determined that in order to meet the financial obligations of the City as set forth in the proposed 2021-2022 biennial budget, and ensure adequate funding in future years, there is a substantial need to set the levy limit at one percent;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. Declaration and Finding of Substantial Need. Pursuant to RCW 84.55.0101, the City Council hereby finds that substantial need exists to use a limit factor of one hundred one percent (101%) for purposes of levying regular property taxes in 2020 for collection in 2021, in order to pay for fixed general fund expenses and obligations in the 2021-2022 biennial budget and maintain existing levels of municipal services funded by the general fund due to short term revenue loss along with a longer term financial challenge presented by COVID-19. In making this finding the findings stated in the whereas clauses above are incorporated as a basis for this declaration and finding of substantial need.

Section 2. Corrections by City Clerk. Upon approval of the City Attorney, the City Clerk is authorized to make necessary corrections to this Resolution, including the corrections of scrivener or clerical errors; references to other local, state, or federal laws, codes, rules, or regulations; or resolution numbering and section/subsection numbering and references.

Section 3. Severability. Should any section, subsection, paragraph, sentence, clause, or phrase of this Resolution or its application to any person or situation be found unconstitutional or invalid for any reason by any court of competent, such decision shall not affect the validity of the remaining portions of this Resolution or its application to any person or situation.

Section 4. Effective Date. This Resolution shall take effect and be in full force upon passage by the City Council.

**PASSED BY MAJORITY VOTE OF THE CITY COUNCIL PLUS ONE
ON NOVEMBER 16, 2020.**

Will Hall, Mayor

ATTEST:

Jessica Simulcik Smith, City Clerk