

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Resolution No. 492 – Providing for the Submission to the Qualified Electors of the City of Shoreline at an Election to be Held on November 8, 2022, a Proposition Authorizing the City to Increase its Regular Property Tax Levy Above the Limit Established in RCW 84.55.010 to Fund Public Safety and Community Services
DEPARTMENT:	City Manager’s Office
PRESENTED BY:	Christina Arcidy, Management Analyst
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 City Council last reviewed this topic on June 13, 2022. At that time, the Council directed staff to bring forward a proposal in July for consideration of replacement of the levy lid lift on the November 8, 2022, general election. Resolution No. 492 (Attachment A) proposes to submit a ballot measure to the Shoreline voters that if approved would reset the City’s 2023 general property tax levy rate to \$1.40 per \$1,000 of assessed valuation and allows for annual levy increases up to the rate of inflation (Seattle Consumer Price Index for all Urban Consumers (CPI-U)) for the years 2024-2028 and uses the 2028 levy amount to calculate subsequent levy limits. Several Councilmembers expressed interest in further consideration of resetting the levy rate at \$1.49. This scenario option is also discussed in this staff report.

Without replacing the City’s operating levy lid lift, the operating budget 10-year forecast chart from the 10 Year Financial Sustainability Model (10 YFSM) projects potential budget gaps to occur beginning in 2024 with a cumulative size totaling \$37.050 million over the 10-year forecast period. In reality, these budget gaps will not materialize, as the City of Shoreline is required to pass a balanced budget and does so each year within the following policies:

- On-going expenditures will be supported by on-going revenues.
- Resources (fund balance) greater than budget estimates in any fund shall be considered “one-time” and shall not be used to fund ongoing service delivery.

As such, expenditure reductions (service reductions) would be required to achieve the legally required balanced budget.

Tonight, the Council will discuss proposed Resolution No. 492. Proposed Resolution No. 492 is currently scheduled to be brought back to Council for potential action on July 18, 2022.

RESOURCE/FINANCIAL IMPACT:

Staff estimate election costs associated with placing the Levy Lid Lift replacement measure on the ballot at approximately \$120,000, which is appropriated in the 2022 operating budget.

RECOMMENDATION

Staff recommends that Council discuss the proposed levy lid lift ballot measure and provide feedback to staff on any updates to proposed Resolution No. 492 at tonight's meeting. Staff also recommends that Council adopt proposed Resolution No. 492 when it returns to Council for action on July 18, 2022. If Council intends to consider adoption of proposed Resolution No. 492 on July 18, then staff further recommends that Council provides staff direction to start the recruitment process for members of the public to serve on the Pro and Con committees which are responsible to write the pro/con statements and the corresponding rebuttals for the Voter's Pamphlet.

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

INTRODUCTION

The 10 Year Financial Sustainability Plan (10 YFSP) accepted by Council on June 16, 2014, prioritized seven target strategies to reduce projected future revenue and expenditure gaps. More information on the 10 YFSP can be found here: [Acceptance of the 10-Year Financial Sustainability Plan](#). Strategy #7 of the plan was the potential renewal of the Levy Lid Lift. On June 13, 2022, staff provided Council with an update on Strategy #7, including the results of the City Manager's engagement of the public through the Financial Sustainability Advisory Committee 2022 (FSAC-22). More information on this update can be found here: [10 Year Financial Sustainability Plan Update: Strategy #7 – Levy Lid Lift Renewal](#).

The City Council directed staff to bring forward an Ordinance in June for consideration of placing a levy lid lift replacement on the November 8, 2022, General Election ballot.

BACKGROUND

In November 2001, Washington State voters passed Initiative 747. This limited the increase in the City of Shoreline's levy by the lesser of one percent (1%) or the percentage increase in the implicit price deflator (IPD). Even though this ballot measure was found to be unconstitutional, the State met in a special legislative session and reinstated the one percent/IPD limitation (Ch. 1, Laws of 2007, sp. sess.).

Since the IPD percentage increase has been more than one percent in most years since the legislature reinstated the one percent limit, the effective limit has been one percent. One exception to the one percent rule is the levy lid lift. A levy lid lift can be done for any limited purpose; may be increased each year for up to six years; must state the new tax rate and how it will be "lifted" as follows:

- Purpose of lid lift: It may be done for any limited purpose, but the purpose(s) must be stated in the title of the ballot measure.
- Length of time of lid lift: The lid may be "bumped up" each year for up to six years.
- Subsequent levies: The "lift" for the first year must state the new tax rate for that year. For the ensuing years, the "lift" may be a dollar amount, a percentage increase amount tied to an index such as the CPI, or a percentage amount set by some other method. If the amount of the increase for a particular year would require a tax rate that is above the maximum tax rate of \$1.60, the assessor will levy only the maximum amount allowed by law.
- Majority Vote: The levy lid lift requires a simple majority vote by the residents of Shoreline. The election date must be the August primary or the November general election.

In the November 2010 general election, Shoreline voters approved a six-year maintenance and operations levy for basic public safety, parks, recreation, and community services that set the tax rate for 2011 at \$1.48/\$1,000 assessed valuation and allowed the lid for the ensuing years to be "lifted" each year by a percentage increase tied to the CPI-U for the Seattle, Tacoma and Bremerton area.

In 2012, the City Council adopted their 2012-14 Goals. Goal #1 was to “Strengthen Shoreline’s economic base,” with Action Step #3 directing staff to “Develop a 10-year Financial Sustainability Plan to achieve sufficient fiscal capacity to fund and maintain priority public services, facilities, and infrastructure.” To implement this Goal and Action Step, the City went through a comprehensive 10-year financial sustainability process, which included staff review and analysis and Council oversight and direction. Staff developed a 10 Year Financial Sustainability Model (10 YFSM) that stores historical financial data, is updated to convert projections into actual results, is used to inform the City’s annual budget process, and models the effects of changing conditions. Changing conditions can include economic events, unexpected cost increases, the results of implementing one or a combination of the sustainability strategies, etc.

In 2014, the City Council formed a subcommittee to study the information developed by City staff and the 10 YFSM to develop a 10 YFSP. The purpose of the 10 YFSP is to strengthen Shoreline’s economic base by prioritizing seven strategies (or tools) for the City to use to maintain financial resiliency and sustain existing services. The 10 YFSP was accepted by Council on June 16, 2014. More information on the 10 YFSP can be found here: [Acceptance of the 10-Year Financial Sustainability Plan](#).

In the November 2016 general election, Shoreline voters approved a six-year public safety, parks operations, and community services levy that set the tax rate for 2017 at \$1.39/\$1,000 assessed valuation and allowed the lid for the ensuing years to be “lifted” each year by a percentage increase tied to the CPI-U for the Seattle, Tacoma and Bremerton area.

The City continues to be engaged in implementing the strategies in the 10 YFSP. Staff provided an update on the seven strategies of the 10 YFSP, emphasizing Strategy #7 and the possibility of replacing the expiring 2016 Levy Lid Lift during Council’s June 13, 2022, meeting. Staff provided Council with four options for a replacement levy as compared to a “No Action” scenario. More information on this update can be found here: [10 Year Financial Sustainability Plan Update: Strategy #7 – Levy Lid Lift Renewal](#).

During the June 13 discussion, Council directed staff to return with legislation and other materials necessary for placing a Levy Lid Lift on the November 2022 General Election ballot, focusing on Options 1 and 2 from the June 13 staff report, which is the focus of tonight’s discussion.

DISCUSSION

The Levy Lid Lift approved by voters in 2016 will expire at the end of 2022. Council has the authority to place a measure on the ballot to renew the Levy Lid Lift. Council can decide to seek a replacement of the Levy Lid Lift with an annual escalator alone or additionally seek to reset the 2017 levy rate to a specific rate up to \$1.60.

Rate Setting Considerations

A replacement levy would go into effect on January 1, 2023, if passed by voters in the November 8 General Election. In 2023, Shoreline residents will be impacted by the passage of the 2022 Parks Bond and increases to wastewater rates (which also includes increases in the King County Wastewater Treatment charges included in the

wastewater rate) that Council will be discussing in late July. Council may want to keep these impacts in mind as they determine a rate for a potential 2022 Levy Lid Lift.

The City's current financial forecast projects potential budget gaps, where costs to maintain existing services will exceed revenue resources, to occur beginning in 2024 with a cumulative size totaling \$37.050 million over the 10-year forecast period. The City's financial forecast will be updated again in August as part of the 2023-2024 biennial budget process. The CPI and assessed valuations used to create the options below were early estimates.

In addition to evaluating service levels and the cost impact to Shoreline residents when setting it is important to recognize that the rate adopted by Council in the Resolution is the maximum levy rate that can be set. This means that if the maximum rate is set higher than the minimum the levy is intended to collect, it protects against potential impacts should the economic factors that are used in the final update to the forecast are less positive than the current forecast (i.e. CPI is higher and assessed valuation is lower). Conversely if the forecast is more positive and reflects that a lower rate could support Council priorities, Council would have the flexibility to set the rate lower in the Property Tax Levy Ordinance in November. Additionally, a higher rate increases the risk that if Assessed Valuations decrease significantly in future years that the City's levy rate might reach the \$1.60 cap. If the rate is set at \$1.40, staff estimate that assessed valuations would need to decrease by 9.55% in order to reach the \$1.60 cap. If the rate is set at \$1.49, they would need to decrease by 3.68%. In 2012, when the City was impacted by this situation, the assessed valuation citywide decreased by 5.04%.

Rate-Setting Options

The following describe the impacts of two options as compared to a "No Action" scenario. Staff also provides additional information about the impacts to each \$0.01 to the City's budget and the owner of a median valued home. The No Action scenario assumes the 1% annual levy increase limitation. The options included are scenarios to demonstrate the services that each rate could support, however Council would make the final decision on the services that are funded by the Levy Lid Lift during the biennial budget process

No Action Alternative

If Council took no action (or the Levy Lid Lift failed to pass), the new tax levy rate for 2023 would be calculated based on the City's assessed valuation (AV) for the 2023 tax year (currently projected to be \$1.02) and the lid for the ensuing years would be limited to one percent. Due to a projected shortfall starting in 2024, there would need to be significant reductions in service delivery across many General Fund funded departments, including Police; Recreation, Cultural and Community Services; Planning and Community Development; Public Works, Administrative Services (Finance, IT, and Parks, Fleets, and Facilities); and City Manager's Office (Clerks, Code Enforcement/Customer Response Team, Communications, Economic Development, Intergovernmental Relations).

No Action: Estimated impact to the median homeowner if the Levy Lid Lift is not replaced.

Year	Assessed Value	Per \$1,000 AV		Levy Rate		City Assessment
2023	\$630,100	\$630	X	\$1.02	=	\$642
2024	\$647,700	\$648	X	\$1.01	=	\$657
2025	\$662,900	\$663	X	\$1.00	=	\$662
2026	\$681,700	\$682	X	\$0.99	=	\$674
2027	\$703,900	\$704	X	\$0.97	=	\$684
2028	\$726,300	\$726	X	\$0.95	=	\$691
Total over 6 Year Period 2023-2028						\$4,011

Option 1 – Enhance Program Service Levels to Address Emerging Issues and Fully Fund Support Services for Current Operational Programs

This option would fund emerging issues aligned with current Council goals and provide funding to maintain current operational program service levels including the needed increase in support service resources. Emerging issues that would be added include Human Services and Housing Support, enhancing the RADAR Program for the North King County Regional Mobile Crisis Response Program to provide 24/7 coverage in Shoreline, adding recreation programming, and enhancing the City’s urban forestry program. Maintaining program service levels would add positions for code enforcement, recreation, and park maintenance. Support service levels would add positions in information technology, human resources, legal, and finance.

In order to fund Option 1, the new tax rate for 2023 would be set at \$1.49 and the lid for the ensuing years would be “lifted” each year by a percentage increase tied to the CPI. This will generate approximately \$146.540 million of property tax revenue over the six-year period, which would result in \$50.297 million more than that generated if no action were taken. It is estimated that a homeowner of a median assessed valued home (estimated for 2023 to be \$630,100) will pay \$2,131 more than under the No Action alternative over the six-year period, or an increase on average of \$355 per year/\$30 per month. This option would increase revenues beginning in 2023 and would eliminate the potential budget gap projected to occur in 2024 through 2028.

Option 1 (All Emerging Issues/Current Program Service Levels): Estimated impact to the median homeowner with Levy Lid Lift rate reset to \$1.49 and CPI-U Increase through 2028

Year	Assessed Value	Per \$1,000 AV		Levy Rate		City Assessment	Difference to No Action (1% Limit)	Monthly
2023	\$630,100	\$630	X	\$1.49	=	\$937	\$295	\$25
2024	\$647,700	\$648	X	\$1.52	=	\$985	\$327	\$27
2025	\$662,900	\$663	X	\$1.52	=	\$1,010	\$348	\$29
2026	\$681,700	\$682	X	\$1.53	=	\$1,041	\$367	\$31

2027	\$703,900	\$704	X	\$1.52	=	\$1,072	\$387	\$32
2028	\$726,300	\$726	X	\$1.51	=	\$1,097	\$406	\$34
Total over 6 Year Period 2023-2028						\$6,142	\$2,131	

Option 2 – Add Regional Mobile Crisis Response Program to Serve North King County Cities, Partial Funding of Emerging Issues and/or Support Services Staff, and Increased Park Maintenance Staff in Conjunction with New Park Properties to Maintain Level of Service (Staff Recommendation)

This option increases the City’s investment in the Regional Mobile Crisis Response Program to Serve North King County Cities (current RADAR Program) to allow for 24/7 coverage in Shoreline, would fund a very small portion of other emerging issues or staffing needed within support services, and will maintain park maintenance level of service as new park properties are developed. Depending on Council priorities, it would likely not provide funding to maintain service levels in areas such as code enforcement and recreation and would only fund a portion of the identified support service needs. The new tax rate for 2023 would be set at \$1.39766, close to the same rate that was established in the first year of the 2016 levy lid lift, and the lid for the ensuing years would be “lifted” each year by a percentage increase tied to the CPI. This will generate approximately \$137.658 million on property tax revenue over the six-year period, which would result in \$41.414 million more than that generated if no action were taken. It is estimated that a homeowner of a median assessed valued home will pay \$1,759 more than under the No Action alternative over the six-year period, or an increase on average of \$293 per year/\$24 per month. This option would increase revenues beginning in 2023 and could eliminate the potential budget gap projected to occur in 2024 through 2028.

Option 2 (Regional Mobile Crisis Response, Partial Funding of Emerging Issues and/or Support Services, and Park Maintenance): Estimated impact to the median homeowner with Levy Lid Lift rate reset to \$1.40 and CPI-U Increase

Year	Assessed Value	Per \$1,000 AV		Levy Rate		City Assessment	Difference to No Action (1% Limit)	Monthly
2023	\$630,100	\$630	X	\$1.40	=	\$881	\$239	\$20
2024	\$647,700	\$648	X	\$1.43	=	\$925	\$268	\$22
2025	\$662,900	\$663	X	\$1.43	=	\$948	\$287	\$24
2026	\$681,700	\$682	X	\$1.43	=	\$978	\$304	\$25
2027	\$703,900	\$704	X	\$1.43	=	\$1,007	\$322	\$27
2028	\$726,300	\$726	X	\$1.42	=	\$1,031	\$340	\$28
Total over 6 Year Period 2023-2028						\$5,770	\$1,759	

The following table shows a comparison of the two options against the No Action option using a median assessed value home:

Comparison of Levy Lid Lift Options by Rate (Using Median Assessed Value Home)						
Option	Levy Rate	Increase by CPI-U (Y/N)	Six-Year Annual Avg. Difference to No Action (1% Limit)	Six-Year Monthly Avg. Difference to No Action	Difference to 2022 Levy Rate	Six-Year Contribution to Surplus/ (Deficit)
No Action	\$1.02	N	\$0	\$0	(\$6)	(\$22.937M)
Option 1	\$1.49	Y	\$355	\$30	\$24	\$15.856M
Option 2	\$1.40	Y	\$293	\$24	\$18	\$15.119M

The following table shows a potential comparison of the program and support service levels included in each of the options. Staff understands that Council may make priority issues that would change the choices made for funding, but staff thought it helpful to quantify potential scenarios.

Comparison of Potential Levy Lid Lift Options by Service Levels		
	Option 1	Option 2
Code Enforcement	1.0 FTE	
Recreation	1.0 FTE	
Parks maintenance	1.0 FTE	1.0 FTE
IT services	2.75 FTE	1.5 FTE
HR services	1.0 FTE	1.0 FTE
Legal services	1.0 FTE	
Finance services	1.0 FTE	
Regional Mobile Crisis Response Program	24/7 program	24/7 program
Housing and Human Services Program	1.0 FTE	
Enhanced Recreation	1.0 FTE	
Urban Forestry	1.0 FTE	

The following table shows a current Shoreline median homeowner’s total levy and current Shoreline levy compared with Option 1 and Option 2:

Medium Valued Home	Current Levy	Current Shoreline Levy	Option 1	Monthly Difference between Current Shoreline and Option 1		Option 2	Monthly Difference between Current Shoreline and Option 2	
				\$	%		\$	%
\$630,100	\$6,722	\$712	\$939	\$19	32%	\$882	\$14	24%

Additional Rate-Setting Options

Council could also choose to set the rate at any increment between \$1.40 and \$1.49. The levy rate adopted by Council would serve as the maximum rate for collection in 2023. If the City’s final forecast for 2023, proves to be more favorable (ie Assessed

Valuation is higher or CPI is lower) than our current forecast, the Council can choose to set the rate lower than the maximum in the first year of the levy. If the Council chose to set a rate between \$1.40-\$1.49 for the first year, each additional \$0.01 would raise approximately \$150,000 in the first year of the levy and would increase the monthly taxes for the owner of a median valued home by \$6 per year, or \$0.50 per month. The City's 10 YFSM ensures revenues exceed expenses in the early years of the levy to ensure it remains balanced in the outer years.

Ballot and Voter Pamphlet Requirements

At the June 13 Council meeting, Council directed staff to return with legislation for Option 1 and Option 2. Staff prepared draft legislation for Option 2 (\$1.40 levy rate), which can be updated to include the Council's preferred levy rate for the July 18 meeting when Council is scheduled to take action on proposed Resolution No. 492. If the Council decides to move forward with placing a levy lid lift on the November ballot, a ballot measure's title and voter pamphlet are required to adhere to requirements administered by King County Elections.

Ballot Title

Ballot titles consist of three elements: ballot caption (name of jurisdiction and a statement of the subject matter); a concise description of the measure; and a question. The concise description must not exceed 75 words. The ballot title is prepared by the Prosecuting Attorney's Office; except ballot titles for a city or town which are prepared by the city attorney. King County Elections will send an order of election containing the official ballot title to the jurisdiction.

Within ten business days of a ballot title being filed, any persons dissatisfied with the ballot title may file a petition with the superior court to appeal the ballot title. The date the ballot title is filed is the date that the ballot title was first filed with King County Elections. The decision of the superior court is final. More information about appealing a ballot title can be found in [RCW 29A.36.090](#).

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

CITY OF SHORELINE PROPOSITION 1

MAINTENANCE AND OPERATIONS LEVY FOR PUBLIC SAFETY AND COMMUNITY SERVICES

The Shoreline City Council adopted Resolution No. 492 concerning a property tax levy for public safety and community services. If approved, this proposition would restore Shoreline's levy rate to help fund police/neighborhood services, including RADAR and crime prevention; preserve parks, trails, playgrounds/playfields; and provide human services.

This proposition sets Shoreline's maximum regular property tax rate to \$1.40/\$1,000 for collection in 2023; sets the limit factor for levy increases in 2024-2028 at 100% plus annual inflation (Seattle CPI-U); uses the 2028 levy amount to calculate subsequent levy limits; and exempts qualifying seniors and persons with disabilities per RCW 84.36.381.

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 18, prior to final adoption on July 18, 2022.

Voters' Pamphlet

King County publishes a voters' pamphlet. Districts placing measures on the ballot are automatically included in the voters' pamphlet. The City must pay for the costs of publishing the local voters' pamphlet.

Explanatory Statement: The City must coordinate with their legal counsel to prepare an explanatory statement. An explanatory statement is limited to 250 words and no more than five paragraphs. An explanatory statement states the effect of a ballot measure if passed into law, and only covers the anticipated effect of the measure should it be passed into law. The statement must not be an argument in favor of or in opposition to the measure. The statement can be prepared by the City or by the City's attorney. If the statement is prepared by the City, it must be signed-off by the City's attorney. The explanatory statement must be submitted by 4:30 p.m. on August 2, 2022.

Pro/Con Committees: The City is responsible for appointing pro and con committees to prepare statements in favor of and in opposition to the ballot measure. Pro and con committees consist of members of the public who commit to write a statement either in favor of or in opposition to a ballot measure. Each committee is limited to three members, but the committee can have an unlimited number of persons assist them to prepare the statements. Each committee must designate a spokesperson with whom King County Elections will communicate all matters related to the local voters' pamphlet. Once the committee members have been chosen, the City must complete the Committee Appointment Form which is included in the Local Voters' Pamphlet Packet and submit it to King County Elections by 4:30 p.m. on August 2, 2022.

Assuming that Council moves forward with adoption of Resolution No. 492, staff has scheduled Council to make pro and con committee appointments on July 25, 2022. Staff is recommending that Council direct staff to advertise for interested parties to submit applications starting June 28, 2022.

The pro and con committees submit statements in favor of and in opposition to the ballot measure for the local voters' pamphlet. Pro and con statements are limited to 200 words and no more than four paragraphs. Pro and con statements are to be submitted directly to King County Elections by the committee spokesperson, no later than 4:30 p.m. on August 2, 2022, regardless of postmark. Rebuttal statements are limited to 75 words and no more than two paragraphs. It is the responsibility of the committees to submit all statements to King County Elections by 4:30 p.m. on August 11, 2022, regardless of postmark. Submissions received after the deadline will not be accepted.

STAKEHOLDER OUTREACH

Staff routinely makes efforts to ensure that residents are aware of both the services provided by the City as well as the City's financial position. The following are specific efforts that have been made to engage the community in discussion about the potential replacement of the Levy Lid Lift.

Currents

Since passing the original levy lid lift in 2010, the City has consistently published articles in Currents to keep residents informed of the financial position of the City. In addition to regular Currents articles, the City has specifically addressed the challenges of financial sustainability and sought volunteers to participate in the Financial Sustainability Advisory Committee in the [February 2022](#) edition.

Financial Sustainability Advisory Committee 2022 (FSAC-22)

The City Manager engaged an Advisory Committee through the months of March through May 2022. The outcome of the FSAC-22 work was reported in detail in the 10 YFSP Update provided to Council on June 13, 2022. The Committee learned about City Services, revenue options available to the City, and the 10YFSP with a focus on the potential replacement of the Levy Lid Lift.

The FSAC-22 reached consensus on several recommendations to the City Manager. The following is a summary of those recommendations with staff discussion.

- 1. The City Council should place a measure on the November 2022 ballot for a Levy Lid Lift.** A few key messages the Committee recommends the City share include the following:
 - Why the levy lid lift is needed and what services it buys
 - It is a replacement levy to continue funding services we know residents want and value (through Resident Satisfaction Survey and other opportunities for input)
 - The City is fiscally responsible, has a reserve policy, and is responsive to community priorities
 - The City's approach to surplus budget funds and how they are allocated

- 2. The Levy Lid Lift should seek to maintain the current level of City services.** As staff has previously shared with the City Council, there is a need to increase staffing resources in our support service areas, such as Human Resources, Purchasing, Payroll, Information Technology, and Legal, to maintain the City's current portfolio of services. The maintain scenario is about ensuring that the City can continue to deliver its current service level commitments by ensuring that appropriate level of support service staffing is in place to support operating programs. In a few instances, growth in external activity levels (i.e., code enforcement cases/calls for service, recreation participants, etc.) or in assets to maintain (i.e., park acres, landscaped median strips, etc.), will necessitate the addition of staffing resources to maintain service levels.

- 3. Committee members had differences of opinion on if the Levy Lid Lift should expand services to address emerging issues.** Emerging issues

presented and discussed by the Committee included expanding services related to human services, the mobile crisis response team (current RADAR program), urban forestry, and recreation. Generally, the Committee agreed that the services may be needed and/or desired by residents. However, they encouraged the Council to consider the cost of services and the impact to the levy rate.

- 4. The Committee did not come to an agreement on a recommended first year Levy Lid Lift rate.** As noted earlier, the services proposed for expansion were generally supported by the Committee in that they reflect community priorities. However, there was concern that adding these services would result in a levy reset rate that is much higher than the current rate and might not be approved by voters in November. Committee members also shared concerns about adding to the tax burden given inflation, the recently passed 2022 school levies and parks bond, and increasing property taxes. Concerns are related to levy fatigue and a household's ability to pay. The Committee expressed concern about homeowners with fixed incomes or others who may struggle to afford to stay in (or move to) Shoreline.

No FSAC-22 member supported the No Action option of not placing a renewal of the levy lid lift on the ballot.

City Website

In addition to the many financial documents available on the City's website, including monthly revenue reports, quarterly financial reports, audited financial statements, and budgets, the City has also included all documents reviewed by current and past advisory committees with information and links to a number of documents about the City's long-term financial challenges.

COUNCIL GOAL(S) ADDRESSED

This item addresses the 2022-2024 City Council Goal 1, Action Step 12:

- Goal 1: Strengthen Shoreline's economic climate and opportunities
 - Action Step 12: Pursue replacement of the City's Levy Lid Lift, expiring in 2022, to ensure the ability to deliver valued public services to the Shoreline community.

RESOURCE/FINANCIAL IMPACT

Staff estimate election costs associated with placing the Levy Lid Lift replacement measure on the ballot at approximately \$120,000, which is appropriated in the 2022 operating budget.

RECOMMENDATION

Staff recommends that Council discuss the proposed levy lid lift ballot measure and provide feedback to staff on any updates to proposed Resolution No. 492 at tonight's meeting. Staff also recommends that Council adopt proposed Resolution No. 492 when it returns to Council for action on July 18, 2022. If Council intends to consider adoption

of proposed Resolution No. 492 on July 18, then staff further recommends that Council provides staff direction to start the recruitment process for members of the public to serve on the Pro and Con committees which are responsible to write the pro/con statements and the corresponding rebuttals for the Voter's Pamphlet.

ATTACHMENTS

Attachment A – Proposed Resolution No. 492

RESOLUTION NO. 492

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, PROVIDING FOR THE SUBMISSION TO THE QUALIFIED ELECTORS OF THE CITY OF SHORELINE AT THE NOVEMBER 8, 2022 GENERAL ELECTION OF A PROPOSITION AUTHORIZING THE CITY TO INCREASE ITS REGULAR PROPERTY TAX LEVY ABOVE THE LIMIT OTHERWISE ALLOWED BY RCW 84.55.010 TO FUND PUBLIC SAFETY AND COMMUNITY SERVICES; SETTING FORTH THE BALLOT PROPOSITION; DIRECTING THE CITY CLERK TO CERTIFY TO THE KING COUNTY AUDITOR THIS RESOLUTION FOR THE AUDITOR TO PLACE THE PROPOSITION ON THE NOVEMBER 8, 2022 BALLOT; AND PROVIDING FOR OTHER MATTERS PROPERLY RELATED THERETO.

WHEREAS, the City of Shoreline is an optional code city, located in King County, Washington, duly organized and existing pursuant to the laws of the State of Washington; and

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

WHEREAS, RCW 84.55.005 - .0101 limits the incremental increase in property tax revenues to the City to 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 \$22.9 million despite cost saving measures and efficiencies in City government; and

WHEREAS, the City's regular property tax levy rate was \$1.39 per \$1,000 assessed valuation in 2017, that rate has fallen to \$1.13 per \$1,000 assessed valuation in 2022 and that rate is projected to fall further in 2023; and

WHEREAS, RCW 84.55.050 authorizes the voters of a City to permit the levy of taxes in excess of the levy limitations in RCW 84.55.010; 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 incremental limit factor that would otherwise be prescribed by RCW 84.55.010; and

WHEREAS, to fund a portion of the cost of the basic public safety programs and to fund a portion of the cost of maintaining and operating community services, the proposition should authorize: 1) an increase in the City's regular property tax levy by up to a total rate not to exceed of \$1.40 per \$1,000 of assessed valuation for collection in 2023; 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 (5) years; and 3) use of the dollar amount of the 2028 levy for calculating subsequent levy limits;

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

Section 1. Pursuant to RCW 84.55.050(2), an election is hereby requested to be called, conducted, and held within the City of Shoreline on November 8, 2022, for the purpose of submitting to the qualified voters of the City, for their ratification or rejection, a proposition approving a six (6) 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 and to fund a portion of the cost of maintaining and operating community services as more specifically described in Section 2 below.

Section 2. The proposition shall propose an increase in the City's regular property tax levy by up a total rate not to exceed \$1.40 per \$1,000 of assessed valuation for collection in 2023. The proposal 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 (2024-2028) by the inflation rate of the Consumer Price Index for all Urban Consumers for the Seattle-Tacoma-Bremerton Area published for June. Finally, the proposition shall authorize the use of the dollar amounts of the 2028 levy for the base in computing the maximum levy that may be imposed in years after 2028.

The City Council shall determine the basic public safety programs and to fund a portion of the cost of maintaining and operating community services to be funded as well as the timing, order and manner of funding these programs and services. The City Council shall determine the application of moneys available for these programs and services, including the final funding amount for each, so as to accomplish, as nearly as may be, the programs and services described. If the City Council, by ordinance, shall determine that it has become impractical to fund any portion of the planned programs or services by reason of changed conditions, including without limitation due to costs substantially in excess of the amount of tax levies and other City funds estimated to be available, the City shall not be required to fund such portions. If all of the planned programs and services have been duly provided for, or found to be impractical, the City may apply the levy proceeds (including earnings thereon) or any portion thereof to other City purposes as the Council, by ordinance and in its discretion, shall determine.

Section 3. The City Clerk is hereby authorized and directed, not later than August 2, 2022, prior to the general election date requested hereunder, to certify the proposition to the King County Records, Elections and Licensing Services Division, as *ex-officio* Supervisor of Elections in King County, Washington, in substantially the following form:

CITY OF SHORELINE PROPOSITION 1

**MAINTENANCE AND OPERATIONS LEVY
FOR PUBLIC SAFETY AND COMMUNITY SERVICES**

The Shoreline City Council adopted Resolution No. 492 concerning a property tax levy for public safety and community services. If approved, this proposition would restore Shoreline’s levy rate to help fund police/neighborhood services, including RADAR and crime prevention; preserve parks, trails, playgrounds/playfields; and provide human services.

This proposition sets Shoreline’s maximum regular property tax rate to \$1.40/\$1,000 for collection in 2023; sets the limit factor for levy increases in 2024-2028 at 100% plus annual inflation (Seattle CPI-U); uses the 2028 levy amount to calculate subsequent levy limits; and exempts qualifying seniors and persons with disabilities per RCW 84.36.381.

Should this proposition be approved?

YES[]
NO[]

Section 4. 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.

Section 5. The King County Records, Elections, and Licensing Services Division, as the City’s *ex officio* Supervisor of Elections, is hereby requested to call and conduct said election on November 8, 2022, and submit to the qualified electors of the City the proposition set forth herein. The King County Records, Elections, and Licensing Services Division shall conduct the election, canvas the vote, and certify the results in the manner provided by law.

Section 6. If any one or more sections, subsections, or sentences of this Resolution are held to be unconstitutional or invalid, such decision shall not affect the validity of the remaining portion of this Resolution and the same shall remain in full force and effect.

Section 7. This Resolution shall take effect and be in full force immediately upon passage by the City Council.

ADOPTED BY THE CITY COUNCIL ON JULY 18, 2022.

Mayor Keith Scully

ATTEST:

Jessica Simulcik Smith
City Clerk