

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	A Public Hearing to Consider Adoption of Resolution No. 193 to Oppose State of Washington Initiative 776, Which Would Repeal the Motor Vehicle Excise Tax that is Currently Available to Local Transit Agencies, Eliminate the Local Voter-Approved Motor Vehicle Excise Tax Option for high Capacity Transit that Funds Sound Transit Projects, Repeal the Vehicle License Fee that is Currently Collected in Four Counties to Fund Local Transportation Improvements, and Require License Tab Fees to be \$30 Per Year
DEPARTMENT:	Finance
PRESENTED BY:	Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

The Office of the Washington Secretary of State has certified Initiative 776 (I-776) to be placed on the ballot at the November 5, 2002, statewide general election. The passage of I-776 would eliminate the local \$15 per vehicle license fee that is collected by King County and distributed to cities in King County based on a per capita formula. This would eliminate approximately \$500,000 in annual revenue for the City of Shoreline that is currently dedicated for transportation system maintenance and improvements. I-776 would also attempt to eliminate the voter-approved MVET option for high capacity transit that funds Sound Transit projects.

ALTERNATIVES ANALYZED:

The City Council has two options tonight:

1. Adopt Resolution No. 193, opposing State of Washington Initiative 776, or
2. Not adopt Resolution No. 193, signifying either support or no opinion of Initiative 776 as a City Council.

FINANCIAL IMPACT:

If I-776 passes, it would eliminate the local \$15 per vehicle license fee that is collected by King County and distributed to cities in King County based on a per capita formula. This would eliminate approximately \$500,000 in annual revenue for the City of Shoreline that is currently dedicated for transportation system maintenance and improvements. This would significantly change the long-term financial stability of the City Street Fund.

RECOMMENDATION

Staff recommends that Council take public comment and discuss the impacts of I-776 on the City of Shoreline and take action on Resolution No. 193 as Council finds appropriate.

Approved By:

City Manager



City Attorney



INTRODUCTION

The Office of the Washington Secretary of State has certified Initiative 776 (I-776) to be placed on the ballot at the November 5, 2002, statewide general election. I-776 would do the following:

- Require license tab fees for motor vehicles to not exceed \$30;
- Require license tab fees for light trucks to not exceed \$30;
- Eliminate the authorization for voter-approved local option Motor Vehicle Excise Tax (MVET) for transit;
- Require that outstanding bonds for light rail be retired;
- Repeal the local option vehicle license fee; and,
- Repeal MVET related statutes – exemptions, valuation requirements, and revenue distribution statutes that were in effect when MVET was collected by the state.

I-776 would directly impact the City of Shoreline by its elimination of the local option vehicle license fee. Currently residents in King County pay a \$15 per vehicle license fee that is collected by King County and then distributed to both the county and cities on a per capita formula. The City of Shoreline currently receives approximately \$500,000 annually from this revenue source. These license fees are dedicated for transportation system maintenance and improvements and are considered revenue in our City Street Fund. Additionally, I-776 would attempt to repeal the MVET option that was approved by the King, Snohomish, and Pierce County voters to fund some of the Sound Transit improvements.

The passage of I-776 would reduce costs for vehicle owners, in that their vehicle license fees would be capped at \$30, and there could be a reduction in MVET with the elimination of the MVET currently collected by Sound Transit. The Washington State Office of Financial Management has identified the following savings that a car or truck owner might realize from the provisions of I-776:

A vehicle owner who currently pays would save each year:
Combined License Fee (0 to 4,000 lbs.)	\$7
Combined License Fee (4,001 to 6,000 lbs.)	\$14
Combined License Fee (6,001 to 8,000 lbs.)	\$25
Sound Transit MVET (average vehicle)* Within RTA boundary only	\$28
Local Option License Fee (Douglas, King, Pierce, Snohomish County only)	\$15

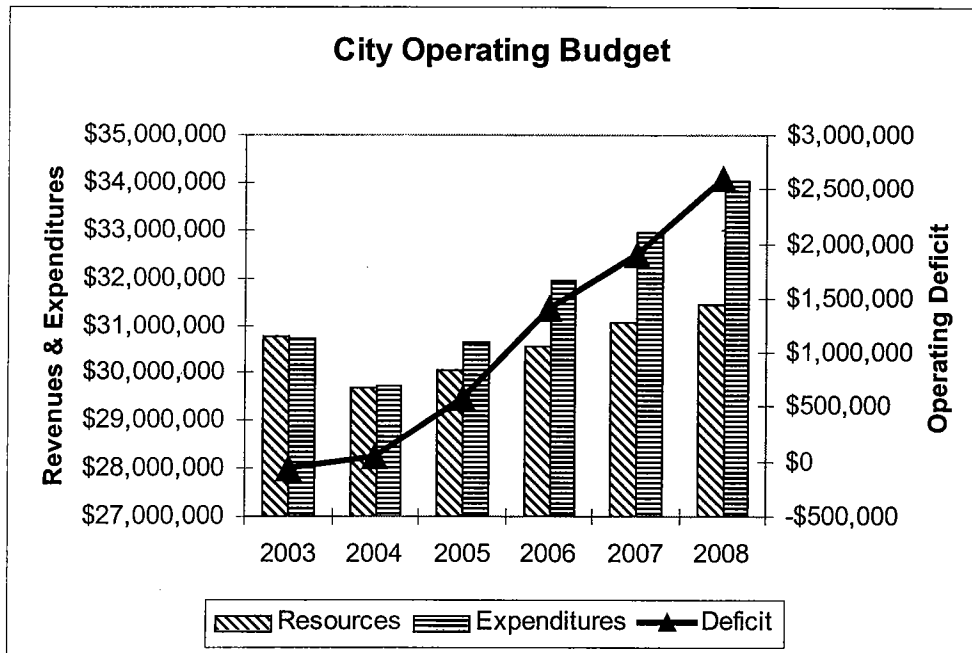
*MVET is a value based tax. Savings shown reflect vehicle average. Actual savings will vary

At the same time, funding for transportation services currently provided by the State, King County, and the City of Shoreline would be reduced, and negatively affect users of our transportation systems.

BACKGROUND

As the Council is aware, as shown in the graph below, the City's long-term operating budget projections show that there could be a significant budget deficit starting in 2005 if revenue growth does not improve.

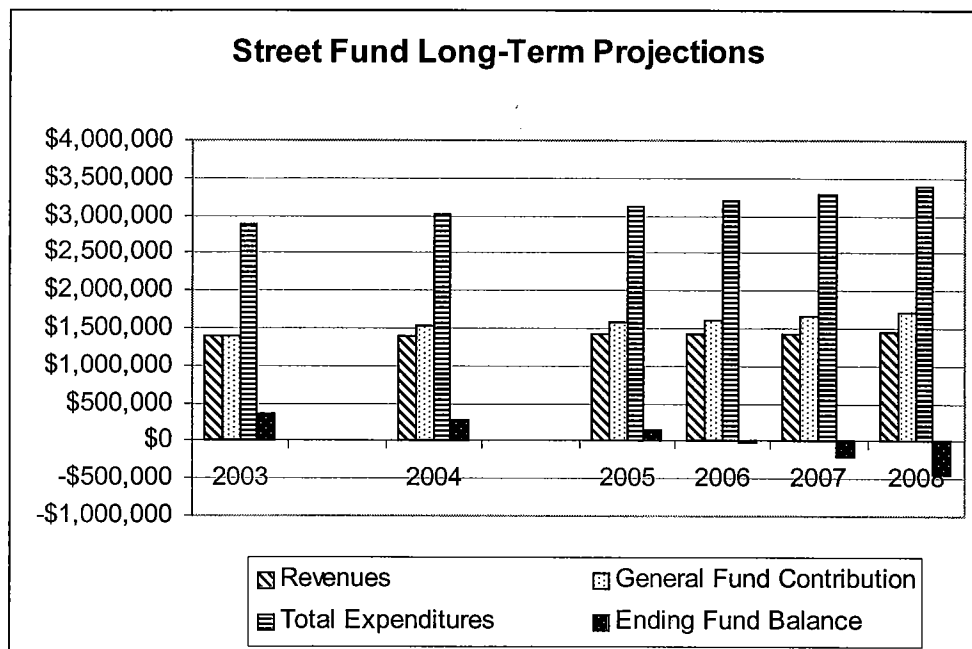
This operating budget includes expenditures related to the City's street maintenance



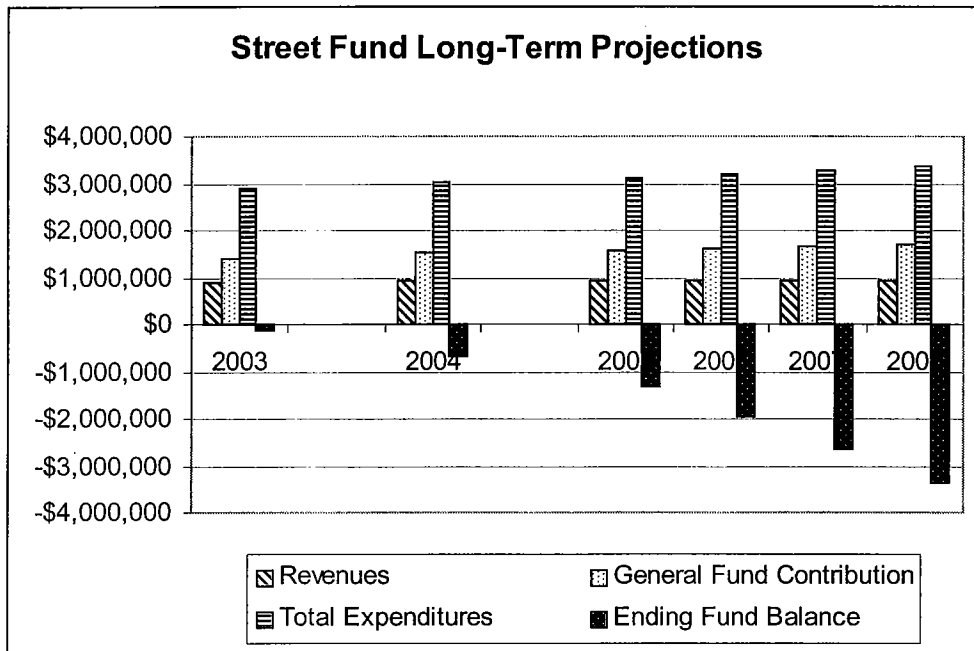
program accounted for in the City Street Fund. The City Street Fund receives approximately 48% of its resources from Gas Tax and Vehicle License Fees and the remaining 52% from General Fund Revenues. Both gas tax and license fee

collections have remained fairly flat, therefore requiring an additional allocation of general revenues to provide sufficient resources to provide the day-to-day maintenance of the City's streets. This maintenance does not include the long-term pavement management program.

The long-term projections for this fund indicate that either the City will need to allocate additional general fund revenues for street operations or develop alternative revenues to maintain service levels. In the absence of these options it is likely that service levels will need to be reduced. Although the fund currently has adequate reserves and there are no operational issues in the near-term, the passage of I-776 would significantly change this outlook. The following graphic portrays the long-term projections for the Street Fund based on current revenue allocations and service levels.



If I-776 were to pass and the City did not either find alternative revenues or reduce current service levels, the City Street Fund would be faced with a deficit for 2003. The long-term projections assuming the passage of I-776 are shown below.



DISCUSSION

State law (RCW 42.17.130) generally prohibits public agencies from using resources to oppose or support ballot measures. However, this code does allow an elected body to take positions for or against such measures under certain conditions. The notice of the meeting when the vote will be taken must include the title and number of the ballot proposition, and Councilmembers and the public must have an approximately equal opportunity to express an opposing view. The City has followed these requirements.

The Association of Washington Cities (AWC) has developed a Fact Sheet on I-776, included as Attachment A. The membership of AWC approved a resolution opposing the initiative at the association's annual business meeting in June. The City of Seattle adopted a resolution opposing I-776 on August 12, 2002. Other cities are considering whether to take a formal stance on I-776.

In 1999, Initiative 695 (I-695), was on the statewide general election ballot. This initiative was to eliminate the Motor Vehicle Excise Tax (MVET). Although I-695 passed and was found to be unconstitutional, the State legislature basically implemented I-695 by eliminating most of the MVET. I-695 did not pass in the City of Shoreline, as there was a 58% "no" vote by our residents. In 2000, I-745 appeared on the statewide general election ballot. This initiative would have required that 90% of transportation funds, including transit money, be spent for building and repairing roads. I-745 did not

receive approval on a statewide basis nor approval in the City of Shoreline. I-745 was rejected in Shoreline by a 68% "no" vote.

RECOMMENDATION

Staff recommends that Council take public comment and discuss the impacts of I-776 on the City of Shoreline and take action on Resolution No. 193 as Council finds appropriate.

ATTACHMENTS

Attachment A - AWC Fact Sheet on I-776

Attachment B – Resolution No. 193, Opposing I-776

Limiting Motor Vehicle License Fees to \$30

What is AWC's position?

The membership of AWC approved a resolution opposing the initiative at the association's annual business meeting in June.

AWC's role will be to provide its members educational materials that can be shared with electeds, staff and the community. AWC's staff is also available to help you evaluate the issue and its impacts on your city.

For current information, you can also check AWC's website at www.awcnet.org.

For more information:

AWC
Tel: (360) 753-4137
Fax: (360) 753-0149
Website: www.awcnet.org

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Tel: (360) 753-1111
E-mail: pdcc@pdcc.wa.gov
Website: www.pdcca.gov

Secretary of State's Office
<http://www.secstate.wa.gov/elections/initiatives/people.aspx>

Would the initiative impact rental car tax authority for transit systems for the purpose of high capacity transportation?

No. The authorization in RCW 81.104.160 for transit systems and regional transit authorities to impose a rental car tax of up to 2.172% for high capacity transportation would not be eliminated. Sound Transit currently imposes 0.8%.

In addition, the authority in RCW 35.58.273 for transit systems to impose a 1.944% sales tax on rental car contracts for high capacity transportation would remain, but currently no transit system imposes this tax.

What are the indirect impacts of the initiative?

Many cities and counties use the \$15 license fee revenue as matching funds for state and federal grants on transportation projects. Without the license fee revenue, jurisdictions would need to find other sources of matching funds for those grants. Based on an assumption that 70% of the local license fee revenues would be used for grant matching funds, \$22.5 million in new sources of grant matching funds would be needed in 2003, and \$142 million would be needed for the six-year period between 2003 and 2008.

What is the effective date of the initiative?

The initiative does not include a specific effective date. If the initiative is approved, the effective date would be 30 days after the election, December 5.

Will there be legal challenges to the initiative?

Preliminary analysis has raised questions about the ability to repeal revenue sources that are pledged for bond repayment and the ability to repeal local voter-approved revenues by statewide initiative. Cities should consult their attorneys if they have any questions about legal issues that may be raised by the initiative and their potential impact.

What does I-776 do?

- **Requires license tab fees for motor vehicles to not exceed \$30.**
- **Requires license tab fees for light trucks to not exceed \$30.**
Amends the combined licensing fee schedule contained in RCW 46.16.070 for truck weights as follows:

Declared Weight	Current Fee	New Fee
4000 lbs.	\$37.00	\$30.00
6000 lbs.	\$44.00	\$30.00
8000 lbs.	\$55.00	\$30.00

- **Eliminates the authorization for voter-approved local option MVET for transit**

Eliminates the authorization in RCW 81.104.160 for transit to impose a MVET of up to 0.81% of motor vehicle value for the purpose of providing high capacity transportation service. Presently only Sound Transit imposes a 0.3% MVET. Preliminary analysis of this section has raised legal questions because Sound Transit issued bonds that specifically pledged this revenue source for repayment.

- **Requires outstanding bonds for light rail be retired**

Requires that bonds previously issued for light rail be retired using reserve funds, sales of property, new voter approved tax revenues, or any combination.

- **Repeals local option vehicle license fee**

Repeals RCW 82.80.020, which authorizes counties (or certain cities by voter approval if the county does not enact the fee) to impose a vehicle license fee not to exceed \$15.00 per year for transportation purposes. Presently four counties impose this fee: Douglas, King, Pierce, and Snohomish. Revenues are shared with cities in the county by a population-based formula.

- **Repeals MVET related statutes – exemptions, valuation requirements, and revenue distribution statutes that were in effect when MVET was collected by the state**



ASSOCIATION OF WASHINGTON CITIES

Association of
Washington Cities
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Olympia, WA 98501
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AUGUST 2002

What would be the impacts of the initiative?

LOCAL GOVERNMENT IMPACTS:

The preliminary total estimated revenue loss to cities and counties from the repeal of local license fees is shown below (note: estimates based on state fiscal year, which runs from July 1-June 30):

Millions of Dollars	2001-03 (FY 2003 only)	2003-05	2006-07	2007-09	2009-11	2011-13
<i>Estimated Loss in Revenue from Local Option Fee</i>	\$16	\$66	\$68	\$71	\$73	\$75

STATE IMPACTS:

The impact to the state for the change in light truck license tabs:

Millions of Dollars	2001-03 (FY 2003 only)	2003-05	2006-07	2007-09	2009-11	2011-13
<i>Motor Vehicle Fund</i>	\$6.6	\$27.1	\$28.0	\$28.8	\$29.7	\$30.5
<i>State Patrol</i>	\$2.1	\$8.6	\$9.9	\$9.1	\$9.4	\$9.7
<i>WSP - Operations</i>	\$0.1	\$0.6	\$0.6	\$0.6	\$0.6	\$0.6
Total	\$8.8	\$36.2	\$37.4	\$38.5	\$39.7	\$40.8

TRANSIT IMPACTS:

The estimated loss in revenue from the repeal of the local MVET imposed by Sound Transit is displayed below:

Millions of Dollars	2001-03 (FY 2003 only)	2003-05	2006-07	2007-09	2009-11	2011-13
<i>Estimated Loss in Revenue for Sound Transit</i>	\$28	\$120	\$134	\$150	\$167	\$185

How would individual cities be impacted by the repeal of the \$15 local license fee?

Cities within the four counties can receive a portion of the license fee revenue, based on population, and cities in counties where the license fee is not imposed can impose the fee by voter approval. Currently, the local license fee is only imposed in four counties: Douglas, King, Pierce, and Snohomish. (note: estimates are based on calendar year January 1 - December 31)

Were car tabs more than \$30 after I-695 was approved?

When Initiative 695 (I-695) was approved in November 1999, it only eliminated the state motor vehicle excise tax (MVET) effective January 1, 2000 and imposed a \$30 state license tab fee. After the initiative was found unconstitutional by the King County Superior Court, the Legislature enacted portions of the initiative during the 2000 session. However, the 2000 Legislature did not repeal:

- The authority for transit authorities to impose a voter-approved MVET of up to 0.81% of motor vehicle value for high capacity transit.
- The authority of counties and certain cities to impose a local option vehicle license fee of up to \$15.00 per year.

REVENUE LOSSES TO CITIES AND COUNTIES FROM \$15 LOCAL VEHICLE LICENSE FEES*

City Distribution	2003	2004	Six Year Total 2003-2008	City Distribution	2003	2004	Six Year Total 2003-2008
Albion	\$23,355	\$22,802	\$141,019	Medina	\$28,210	\$28,775	\$177,955
Arlington	\$102,109	\$104,151	\$644,116	Mercer Island	\$20,856	\$210,856	\$1,304,023
Auburn	\$404,206	\$412,290	\$2,549,779	Mill Creek	\$102,279	\$104,324	\$645,186
Beaux Arts Village	\$2,848	\$2,905	\$17,963	Milton	\$49,012	\$49,992	\$309,175
Bellevue	\$1,033,760	\$1,054,935	\$6,521,084	Monroe	\$119,372	\$119,372	\$738,249
Black Diamond	\$37,131	\$37,073	\$234,226	Mountlake Terrace	\$177,661	\$181,214	\$1,120,706
Bonney Lake	\$81,662	\$83,935	\$515,134	Mukilteo	\$156,357	\$159,464	\$986,316
Bothell	\$270,452	\$275,861	\$1,706,044	Newcastle	\$74,744	\$76,441	\$472,744
Bridgeport	\$17,250	\$17,995	\$108,814	Normandy Park	\$61,678	\$62,912	\$389,072
Brier	\$58,815	\$56,322	\$352,090	North Bend	\$42,748	\$43,603	\$269,659
Buckley	\$34,220	\$34,904	\$215,863	Orring	\$31,725	\$32,359	\$200,125
Burien	\$295,648	\$301,561	\$1,864,986	Pacific	\$52,226	\$53,271	\$329,448
Carbonado	\$5,220	\$5,324	\$32,926	Puyallup	\$271,546	\$276,977	\$1,712,948
Carnation	\$17,661	\$18,014	\$111,406	Redmond	\$424,022	\$432,503	\$2,474,784
Clyde Hill	\$27,237	\$27,781	\$171,812	Renton	\$470,316	\$479,722	\$2,866,810
Coulee Dam	\$1,193	\$1,217	\$7,528	Rock Island	\$6,759	\$6,895	\$42,640
Covington	\$128,239	\$130,803	\$808,945	Roy	\$4,462	\$4,532	\$28,149
Darrington	\$10,521	\$10,731	\$66,385	Ruston	\$6,159	\$6,282	\$38,853
Des Moines	\$274,111	\$279,593	\$1,729,126	Sammamish	\$314,228	\$320,512	\$1,982,187
DuPont	\$19,625	\$20,718	\$123,797	Seabeac	\$234,517	\$238,207	\$1,479,359
Duvall	\$43,582	\$44,554	\$274,923	Seattle	\$5,261,792	\$5,367,028	\$32,192,019
East Wenatchee	\$47,223	\$48,167	\$297,887	Shoreline	\$500,195	\$510,158	\$3,155,036
Edmonds	\$16,672	\$17,006	\$105,172	Skykomish	\$2,147	\$2,190	\$13,546
Edgewood	\$78,725	\$80,299	\$496,607	Snohomish	\$73,977	\$75,456	\$466,653
Edmonds	\$344,133	\$351,016	\$2,170,833	Snoqualmie	\$16,949	\$17,288	\$106,917
Enumclaw	\$104,014	\$106,094	\$656,133	South Prairie	\$3,365	\$3,432	\$21,225
Everett	\$81,842	\$82,079	\$512,176	Stanwood	\$33,476	\$34,145	\$211,170
Federal Way	\$771,173	\$786,596	\$4,864,650	Stellacoom	\$50,601	\$51,613	\$319,197
Fife	\$40,313	\$41,120	\$254,202	Sultan	\$28,934	\$29,512	\$182,516
Fircrest	\$48,885	\$49,863	\$308,374	Sumner	\$70,819	\$72,235	\$446,735
Gig Harbor	\$53,885	\$54,963	\$339,916	Tacoma	\$1,595,206	\$1,627,110	\$10,062,751
Gold Bar	\$17,617	\$17,969	\$111,131	Tukwila	\$156,886	\$160,024	\$989,656
Granite Falls	\$20,194	\$20,598	\$127,387	University Place	\$249,240	\$254,235	\$1,572,238
Hunts Point	\$4,241	\$4,325	\$26,751	Waterville	\$9,588	\$9,780	\$60,484
Index	\$1,340	\$1,367	\$8,453	Wilkeson	\$3,345	\$3,412	\$21,100
Issaquah	\$111,111	\$113,333	\$700,899	Woodinville	\$99,070	\$99,851	\$561,862
Kennore	\$172,151	\$175,594	\$1,085,948	Woodway	\$8,308	\$8,474	\$52,405
Kent	\$737,556	\$752,307	\$4,652,594	Yarrow Point	\$9,430	\$9,619	\$59,487
Kirkland	\$424,833	\$433,329	\$2,679,897				
Lake Forest Park	\$133,740	\$126,215	\$780,567	CITY TOTAL	\$19,003,686	\$19,283,760	\$119,877,552
Lake Stevens	\$58,835	\$56,522	\$352,215				
Lakewood	\$493,770	\$503,645	\$3,114,759	<i>County Distribution</i>			
Lynnwood	\$294,461	\$300,351	\$1,857,497	Douglas County	\$278,304	\$283,870	\$1,755,575
Maple Valley	\$130,854	\$133,471	\$825,444	King County	\$5,045,991	\$5,146,911	\$31,830,721
Marysville	\$215,661	\$219,975	\$1,360,918	Pierce County	\$3,983,720	\$4,063,394	\$25,129,786
				Snohomish County	\$3,846,698	\$3,923,632	\$24,265,436
				COUNTY TOTAL	\$12,417,607	\$12,417,607	\$82,981,518
				TOTAL	\$32,158,399	\$32,801,567	\$202,859,070

*Estimates are based on population within county where equal to 1.5 times unincorporated population (BCW 82.90.000)

Distribution formula based on population within county where equal to 1.5 times unincorporated population (BCW 82.90.000)

For an expanded list of cities, see the ANC website: www.ancwast.org

RESOLUTION NO. 193

A RESOLUTION OF THE CITY OF SHORELINE, WASHINGTON, EXPRESSING THE CITY'S OPPOSITION TO STATE OF WASHINGTON INITIATIVE 776, WHICH WOULD REPEAL THE MOTOR VEHICLE EXCISE TAX THAT IS CURRENTLY AVAILABLE TO LOCAL TRANSIT AGENCIES, ELIMINATE THE LOCAL VOTER-APPROVED MOTOR VEHICLE EXCISE TAX OPTION FOR HIGH CAPACITY TRANSIT THAT FUNDS SOUND TRANSIT PROJECTS, REPEAL THE VEHICLE LICENSE FEE THAT IS CURRENTLY COLLECTED IN FOUR COUNTIES TO FUND LOCAL TRANSPORTATION IMPROVEMENTS, AND REQUIRE LICENSE TAB FEES TO BE \$30 PER YEAR.

WHEREAS, State of Washington Initiative 776 (I-776) has been certified for the November 5, 2002, ballot; and

WHEREAS, I-776 would attempt to repeal existing local motor vehicle excise taxes and vehicle license fees that are used for local transportation projects supported by the people of Shoreline, including taxes that have received voter approval; and

WHEREAS, the restoration and maintenance of the City of Shoreline's transportation system is already reliant on General Fund revenues for 50% of its funding; and

WHEREAS, I-776 would eliminate approximately \$500,000 from the City's annual budget received from King County as the City of Shoreline's share of the local vehicle license fee designated for local transportation improvements; and

WHEREAS, passage of I-776 would likely result in immediate cuts in transportation services provided by the City of Shoreline; and

WHEREAS, the impact of I-776 would extend to all corners of the State of Washington, directly eliminating the existing \$15.00 per year vehicle license fee levied in Douglas, King, Snohomish and Pierce counties, and would effectively preclude any local motor vehicle excise tax option in the immediate future for high capacity transit services in any part of the state; and

WHEREAS, the financial impact of I-776 on the four counties that currently levy the \$15.00 per year vehicle license fee for local transportation improvements would be a combined loss of \$203 million of King, Pierce, Snohomish and Douglas counties for the next five years; and

WHEREAS, the voters of the City of Shoreline rejected previous ballot measures to reduce motor vehicle excise taxes including Initiative 695 in 1999;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON AS FOLLOWS:

Section 1. The City Council of the City of Shoreline hereby declares their opposition to State of Washington Initiative 776 and encourages voters to vote “no” on Initiative 776 at the November 5, 2002 State General Election.

ADOPTED BY THE CITY COUNCIL ON September 23, 2002.

Mayor Scott Jepsen

ATTEST:

Sharon Mattioli, CMC
City Clerk