

Potential Expenditure Reductions due to Initiative 695

October 25, 1999

Reduction Description / Impact of Reduction

Parks, Recreation & Cultural Services

444,801 ♦ Eliminate Cultural Services Budget

- All funding to outside organizations (Arts Council & Museum)
- All City Events: Celebrate Shoreline, Swingin' Summer Eve, Halloween Haunt, Lunchtime Music Concerts, Christmas Ship, etc.

This would eliminate the events that bring the community together. Elimination of support for the arts and museum would decrease their ability to leverage additional funding from other organizations.

- ♦ Eliminate two positions in recreation and reorganize department
 - Close pool on Sundays and reduce maintenance by aquatics staff
 - Increase swimming pool fees
 - Reduce the total number of recreation classes offered to the community
 - Eliminate *Shoreline Enterprise* advertising
 - Increase recreation class fees where the market will allow

This would reduce the hours of swimming pool availability for the community and may require the staff to delay some basic maintenance activities.

- ♦ Reduce the Teen Program
 - Cancel 8 out of 27 trips and eliminate Einstein intramural program
 - Reduce contract with Center for Human Services for counselor on site at Recreation Center (REC)
 - Reduce number of days of operation from 6 days per week to 5 days per week during the school year and to 4 days per week during the summer
 - Change Kellogg Program to an open gym program
 - Eliminate outside performing, dance, and visual arts instructors
 - Eliminate writing classes and reduce food budget for all teen programs
 - Eliminate conference training and training for Teen Supervisor
 - Eliminate REC T-shirts as prizes.

The program will run at the minimum, not offering arts or small group support programs.

- ♦ Eliminate training for PRCS Advisory Committee and Library Board
- ♦ Reduce Park Maintenance

- Eliminate North Rehabilitation Facility contract to reclaim park land
- 59% reduction in soccer game preparations
- 22% reduction in baseball game preparations
- No overseeding
- Minimum irrigation to retain sports field turf; allow non-sports fields to brown out during summer
- Tennis court cleaned 26 times rather than 52 times per year
- Offer field renters the option to contract directly with Evergreen for field preparation or prepare the field themselves

This would decrease the already "very basic" level of parks maintenance services that are currently provided, thus decreasing the condition of the parks overtime as fields are maintained on a priority basis.

Reductions in game preparations would cause a reduction in play time for youth and adult soccer and baseball/softball groups.

- ♦ Transfer maintenance responsibility for Paramount Park to the school district

This would require the school district to provide maintenance or decrease the already barebones maintenance for this park.

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October 25, 1999

Reduction Description / Impact of Reduction

Planning and Development Services

- 282,378** ♦ Eliminate 3 - 4 professional and/or administrative staff positions and professional services along with the following program impacts.
- Eliminate proactive (recruiting businesses, seeking new opportunities) economic development program. Staff would be available for limited help with interested businesses and to provide information.
 - Eliminate support for regional transportation planning efforts leaving minimum participation in areas such as regional transit, METRO, Seashore Transportation Forum, and Interurban Trail.
 - Eliminate support of regional planning programs such as Growth Management Planning Council, Suburban Cities Association, Thornton Creek Alliance, historic preservation efforts.
 - Eliminate the North City Sub-Area Plan
 - Reduce citizen/customer response for walk-in traffic for requests for file reviews, copying, project notifications, code interpretation, etc.
 - Restrict the Walk-In Services Program to limited hours of operation
 - Retain status quo for the Code Enforcement Program

Public Works

- 395,832** ♦ Reduce levels of customer response services (emergency versus non-emergency). Institute a 40 hour work week program, eliminate standby pay and intern support.
This would decrease the level of customer response services and timeliness in the community
- ♦ Reduce facility maintenance levels to cover basic health & safety issues
Maintenance would need to be made on a priority basis, many basic fixes to improve the working environment would need to be delayed.
 - ♦ Eliminate planned office expansions for new and existing Public Works employees to meet established City space standards
Staff would need to be fit in where possible creating smaller and more uncomfortable working environments
 - ♦ Reduce janitorial services by 50% in City facilities, except parks
This would decrease the litter and cleaning to every other day, potentially requiring staff to take out their own trash and recyclable materials to avoid a deteriorating work environment.
 - ♦ Reduce/eliminate non-safety related traffic volume and speed studies
This would decrease the level of available traffic information for capital projects and the use of the Planning and Development Services Department to make long-term improvements to the City's traffic flow.
 - ♦ Eliminate the North Rehabilitation Facility (NRF) contract for roadside vegetation control
This would eliminate the services provided by NRF, resulting in higher summer grasses and weeds in the right-of-way and more visible litter.
 - ♦ Reduce tree and vegetation control by 30% (approximately equal to 1 full-time contract position)
The City's trees and vegetation would become more overgrown. Priority tree and vegetation control would be focused on eliminating traffic safety hazards and other high priority areas.
 - ♦ Reduce the sidewalk repair program by 25%
This would decrease the ability for the City to repair the miles of existing sidewalks that have deteriorated over the years. The focus would be on the most severe damage.
 - ♦ Slow down the Capital Improvement Program by eliminating one administrative support position.
This will slow down report writing, contracting, and decision-making as well as possible on-site project management by requiring engineers and project managers to perform administrative duties that would otherwise be accomplished by administrative staff.

Attachment B

Potential Expenditure Reductions due to Initiative 695

October 25, 1999

Reduction Description / Impact of Reduction

- Review Public Works Transition Plan to determine appropriate mix of current employees and new employees in the Plan to look for potential Plan savings, including potential elimination of a planned or existing position.
This may require the City to decrease it's already inadequate service levels by using existing staff positions to fulfill the roles of new Transition Plan employees, thus implementing the Transition Plan but reducing the level of customer service in other areas.

2,907,694 Total General Fund

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Public Hearing on the 2001 Operating and Capital Budget
DEPARTMENT: City Manager
PRESENTED BY: Larry Bauman, Interim City Manager *LB*

EXECUTIVE / COUNCIL SUMMARY

By this November 27 City Council meeting, your Council will have conducted three budget workshops covering individual departmental budgets, the capital budget, and recommended adjustments to the proposed budget that was originally presented on October 23.

These adjustments are related to the passage of Initiative 722, the 2001 property tax levy, suggested adjustments from your Council, and items that were unknown at the time the proposed budget was developed.

While there has been an opportunity for public input at each of the three previous budget workshops, the City Council has scheduled this hearing to provide the citizens of Shoreline a formal opportunity to provide input on the 2001 budget and the priorities of the City for the upcoming year. This public hearing has been scheduled to occur after the City Council and public have had an opportunity to hear from all of the City departments on their 2001 budgets, but prior to Council decisions. This will allow the City Council to receive public testimony before final budget decisions are made.

The 2001 budget was originally schedule for adoption on November 27. The final adoption of the budget has been rescheduled for December 11, to allow your Council to review the impacts of the passage of Initiative 722 and take appropriate responsive actions.

RECOMMENDATION

Conduct the public hearing to receive citizen input on the 2001 budget.

Approved By: City Manager *LB* City Attorney *N/A*

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Public Hearing on the City's 2001-2006 Capital Improvement Program
DEPARTMENT: Public Works
PRESENTED BY: William L. Conner, Public Works Director *WLC*

EXECUTIVE / COUNCIL SUMMARY

The purpose of this report is to request that your Council conduct a public hearing for adoption of the 2001 – 2006 Capital Improvement Program (CIP) for the City of Shoreline. This item will be brought back to your Council for final adoption by Ordinance at your December 11 meeting.

The CIP provides a six-year overview of proposed projects in the General Capital Fund, Roads Capital Fund and the Surface Water Capital Fund. The updated CIP supports your Council's 2000 – 2001 Work Plan Goal No. 3 to "Advance the CIP with Particular Emphasis on the Aurora and Interurban Trail Projects," and is required by the State Growth Management Act. On November 8, 1998, your Council adopted the City's first (1999 – 2004) Capital Improvement Program. The CIP incorporated extensive input from Shoreline residents to ascertain the community's priorities relative to infrastructure improvements. Your Council adopted the CIP and directed that future CIP updates would be performed annually as part of the City's annual budget process.

Staff presented the 2001 proposed CIP at the Council's November 13 Budget Workshop. Also on November 13, your Council held a public hearing for the 2001 Property Tax Levy. However, as a result of impacts resulting from Initiative 722, your Council considered changes to the CIP that may be necessary to accommodate I-722's budget impacts. Your Council will be reviewing 2001 CIP adjustments in light of I-722 and the adoption of the property tax levy, also scheduled for this November 27 meeting.

The following accomplishments illustrate some of the projects that were either completed or initiated in 2000:

- Construction of the North 175th Street Sidewalks Project
- Construction of sidewalk improvements along 25th Avenue NE
- Construction of additional parking at the Shoreline Swimming Pool
- Installation of the Totem Pole for the Public Arts Project
- Construction of the Richmond Beach Sewer Repair Project
- Development of the Neighborhood Traffic Safety Program
- Construction of the North 185th Street Rechannelization Project
- Completed Pre-design analysis for the Ronald Bog sub-basin to Thorton Creek
- Completed the Pre-design for the Richmond Highlands Recreation Center Upgrade

- Completed the design and construction of the pre-settlement improvements to the Bluff Trail at Richmond Beach Saltwater Park
- Designed and constructed curb ramps and sidewalk repairs at various locations throughout the City
- Completed the Annual Overlay Program

Numerous projects will carryover from 2000 to 2001, including the following major projects:

- Aurora Avenue Corridor
- Interurban Trail
- North City Business District Improvements
- 15th Avenue N.E. Roadway and Sidewalk Improvements
- 15th Avenue N.E. and N.E. 165th Street Traffic Signal
- Richmond Beach Overcrossing
- Ronald Bog Drainage Improvements
- Shoreview Park Improvements
- Paramount School Park and Skate Park Project
- Richmond Highlands Community Center
- Swimming Pool Improvements Project

Budget Analysis

Staff completed a revenue forecast to determine future revenues available relative to projected expenditures. The following table shows a summary of estimated total revenues, expenditures, and balances for the six-year 2001 - 2006 CIP:

Six Year Capital Improvement Program

Summary

	Revenues	Expenditures	Balance
2000			\$18,704,201
2001	\$ 20,896,131	\$ 27,761,369	\$11,838,963
2002	\$ 19,692,676	\$ 22,858,500	\$ 8,673,139
2003	\$ 10,631,406	\$ 14,321,390	\$ 4,983,155
2004	\$ 11,437,241	\$ 15,394,450	\$ 1,025,946
2005	\$ 11,494,967	\$ 12,254,669	\$ 266,244
2006	\$ 10,114,331	\$ 10,323,566	\$ 57,009

Fund revenues consist of fund balances, known revenue streams and assumptions on availability of future grants and other revenues. Fund expenditures are projected expenditures for all projects.

RECOMMENDATION

Staff recommends that your Council conduct a public hearing to receive citizen input on the 2001 - 2006 Capital Improvement Program.

Approved By:

City Manager



City Attorney



BACKGROUND / ANALYSIS

The 2001 – 2006 Capital Improvement Program (CIP) provides an overview of the City's long-term commitment to the preservation and improvement of its infrastructure investment. Staff utilizes the CIP for short and long-term project planning, identification of infrastructure needs and revenue resources, and funding options for current and future years.

In accordance with RCW 36. 70A, the City of Shoreline is required to adopt a six-year CIP as mandated by the Washington Growth Management Act. On November 9, 1998, after conducting a public hearing, your Council adopted Ordinance Number 177 authorizing the first CIP. Your Council adopted the CIP with the stipulation that in future years the CIP would be updated annually as a part of the annual budget.

The proposed CIP consists of three capital improvement funds. The General Capital Fund provides funding for parks and facilities improvement projects, the Roads Capital Fund for street and transportation related projects, and the Surface Water Capital Fund for projects designed to improve drainage and flooding concerns, and to provide water quality enhancements.

CIP Adoption Process

The proposed CIP supports the City Council's 2000 - 2001 Work Plan Goal No. 3 to "Advance the CIP with Particular Emphasis on the Aurora and Interurban Trail Projects." The development of the 1999 – 2004 CIP in 1998 included extensive meetings and mailings to solicit the community's input to establish project priorities, project scheduling and funding options. Staff devoted a substantial amount of time and effort to update the CIP. A public hearing to solicit citizen input is conducted by your Council prior to adoption of the CIP.

The proposed CIP includes project expenditures along with a six-year forecast of projects planned from 2001 through 2006. Staff updated the CIP using specific criteria including community priorities, assumptions on availability of future revenue resources and staffing levels. Staff reviewed each of the projects and modified the project scope and budget based on new information relevant to each project. These project modifications occurred after reviews were conducted during City Council workshops, Parks Advisory Committee meetings, and Planning Commission sessions. Additional cost changes were determined when necessary by staff.

2000 Accomplishments

In 2000, several projects identified in the CIP were either constructed or underwent design work. Several projects including Aurora Avenue North, Interurban Trail, Shoreview Park Improvements, Paramount School Park and the Swimming Pool involved extensive community input during public forums.

The following project accomplishments were completed during the 2000 fiscal year:

- Construction of the North 175th Street Sidewalks (south side) Project
This project included construction of missing sections of concrete cement, curb, gutter and sidewalk along the south side of North 175th Street between Meridian Avenue North and Interstate 5.

- Construction of the North 175th Street Sidewalks (north side) Project
This project included construction of approximately 300 feet of concrete cement, curb, gutter and sidewalk on the north side of North 175th Street from Meridian Avenue North to Wallingford Avenue.
- Construction of sidewalk improvements along 25th Avenue NE
This project included construction of two new sections of sidewalk along the west side of 25th Avenue NE. The first section constructed new sidewalk from NE 150th Street northerly to connect with the existing sidewalk at Shorecrest High School. The second section constructed new sidewalk along the Hamlin Park property between Shorecrest High School and the Kellogg Middle School.
- Construction of Additional Parking at the Shoreline Swimming Pool
This project included construction of additional parking and landscaping along with the drainage system were completed at the Shoreline Swimming Pool.
- Installation of the Totem Pole and Brass Ponies for the Public Arts Project
This project included the installation of a Dudley Carter Totem Pole at the Shoreline Library. The Brass Ponies were installed in 1999.
- Construction of the Richmond Beach Sewer Repair Project
This project included the design and repair of the sewer and water lines from the lower rest room on the beach area to the upper restroom pump station at the Richmond Beach Saltwater Park.
- Development of the Neighborhood Traffic Safety Program
This program was formed and includes a systematic approach to the issue of neighborhood traffic safety including identification of the problems and potential solutions, gaining support and commitment from the immediate neighborhood, and implementation of measures to address traffic safety related problems.
- Construction of the 185th Street Rechannelization Project
This project included restriping of North 185th Street between 1st Avenue NE and Stone Avenue North to provide two traffic lanes (one in each direction), a continuous center left-turn lane, and bicycle lanes on each side of the street. This project was designed to enhance public safety for pedestrians and motorists.
- Completed pre-design analysis for the Ronald Bog sub-basin to Thorton Creek
This project included the evaluation, design and construction of drainage improvements to address flooding downstream of the outlet from Ronald Bog, 175th Street and 10th Avenue NE, and in the vicinity of NE 178th Street to Serpentine Place. The drainage pre-design study was completed and alternatives were identified. Staff worked with a Citizens Advisory Committee (CAC) and a Technical Advisory Committee (TAC) to complete the pre-design and define the alternatives, which will be reviewed with Council early in 2001.

- Completed the pre-design for the Richmond Highlands Recreation Center Master Plan
This project includes a seismic upgrade of the overall building, the addition of a handicapped accessible restroom, and upgrades to the electrical and mechanical systems. Minor improvements may also be included depending on funding availability. This pre-design work on this project has been completed.
- Completed the design and construction of the improvements to the Bluff Trail in Richmond Beach Saltwater Park
This project included the construction of Bluff Trail improvements in the upper portion of the park and measures to prevent erosion of the beach. The improvements to the bluff trail have been completed. Future improvements include measures to prevent erosion of the beach and work to be accomplished under the recently negotiated claim settlement.
- Designed and constructed curb ramps and sidewalk repairs at various locations throughout the City
This project included the construction of new curb ramp and sidewalk repair improvements in various locations throughout the City. The ramps were constructed in accordance with the Americans with Disabilities Act (ADA) standards to increase accessibility in the community. Sidewalk improvements included repairing and replacing existing cement concrete sidewalk sections damaged by roots, cracking or settlement. In 2000, Staff constructed 75 curb ramps, 19 bus pads, and 5,800 square feet or 1,160 linear feet of sidewalk improvements.
- Completed the Annual Overlay Program
This project included the completion of pavement rehabilitation on various streets such as asphalt overlay and slurry seals.

2001-2006 CIP Overview

Numerous projects will carryover from 2000 to 2001, including the following major projects:

- Aurora Avenue Corridor
The first phase of this project included completion of the Aurora Corridor Multi-Modal Pre-Design study in 1999. The study evaluated the needs for capacity, safety, access management, pedestrians, bicycles, and transit along Aurora Avenue North within the City of Shoreline from North 145th Street to North 205th Street. The main features of the recommended design included the addition of business access transit lanes on the outside of the roadway: curbs, gutters, landscaping /street furnishing strip, and sidewalks on both sides; and the creation of a landscaped center median safety lane with left turn and U-turn provisions. The recommendation also included four new signalized intersections and four pedestrian activated signalized crossings. To date, the aerial mapping, environmental studies, right-of-way surveying and preliminary engineering have been completed.

In 2001, staff anticipates that the right of way acquisition and design of the first segment (North 145th Street to North 165th Street) will begin, and the first construction contract will be awarded.

- Interurban Trail

This project includes the design and construction of a trail that runs through the City of Shoreline along the Seattle City Light right of way. The phases of the project include preliminary design, environmental analysis, design, and construction. The preliminary design work has been completed.

In 2001, the final design and construction of the northern and southern segments of the trail will be completed.

- North City Business District Improvements

This project includes the design and construction of improvements to enhance the aesthetic environment and provide for pedestrian mobility and safety in the North City Business District. The proposed improvements include landscaping, new sidewalks with curb extensions and sidewalk reconstruction, including curb ramps and signal modifications at three intersections: 15th Avenue NE @ NE 175th Street; 15th Ave. NE @ NE 177th Street; 15th Ave. NE @ NE 180th Street. Additional improvements may include mid-block crosswalks with curb extensions at two locations: 15th Avenue NE @ 176th Street and 15th Avenue NE @ NE 178th Street, safety features such as illuminated traffic signs and pavement markings. The scope of improvements will be coordinated with the adjacent property owners, business owners, and the North City Business Association. To date, a design charrette was held on June 20 through June 23 to gather public input for preparation of the North City subarea plan.

In 2001, the design and construction work is scheduled to begin.

- 15th Avenue N.E. Roadway and Sidewalk Improvements

This project includes the construction of a pedestrian crosswalk @ NE 170th Street and sidewalks from 150th Street to 165th Street. In addition, a pedestrian crosswalk @ NE 152nd Street, a signal @ NE 150th Street, widening and adding a center turn lane from NE 150th Street to NE 155th Street, and a pedestrian signal @ NE 147th Street. The sidewalks will be constructed six feet wide with adjacent four-foot planter strips where feasible. To date, the signal and curb will be reviewed and coordinated with the North City Business District Improvement Project to address all projects in a comprehensive manner.

- 15th Avenue N.E. and N.E. 165th Street Traffic Signal

This project includes the construction of a fully actuated traffic signal at the intersection of 15th Avenue NE and NE 165th Street, along with curb ramps that comply with Americans with Disability Act (ADA) requirements.

In 2001, the construction phase of this project will begin.

- Richmond Beach Overcrossing

This project includes the design and construction of a new concrete bridge to replace the existing timber structure using City and Federal Highway Bridge

Replacement Program funds. To date, the bridge deck was repaired and \$811,880 in federal funds will be received for this project.

In 2001, the bridge pre-design, design and environmental work will be completed and construction will begin in 2002.

- Ronald Bog Drainage Improvements

This project includes the construction of storm water quality improvements in the vicinity of North 175th Street and Interstate 5 near Ronald Bog. The improvements include construction of a water quality swale to allow particulate matter to settle out of the storm water runoff before it enters Ronald Bog. To date, a drainage pre-design was completed and alternatives have been identified.

In 2001, the design, environmental review, right of way and construction are scheduled to begin.

- Shoreview Park Improvements

This project includes the design and construction of a new "Little League" baseball field, parking lot, restroom facility, and children's play area. To date, the design work has been completed and the permits have been obtained.

In 2001, the construction of the ball field parking lot improvements, restrooms and children's play areas are scheduled to begin.

- Paramount School Park including the Skate Park Project

This project includes construction of improvements to the existing fields, a second baseball field, a small restroom, improving the parking, a larger children's play area, improving the walking path around the park perimeter, and construction of a skate park. To date, the Master Plan has been developed and input has been received from skateboard users to design the proposed improvements.

In 2001, the design and construction work for phase one will be completed.

- Richmond Highlands Community Center

This project includes the seismic upgrade to the building, the addition of a handicapped accessible restroom, and upgrades to the electrical and mechanical systems. To date, the pre-design work has been completed.

In 2001, the design and construction is scheduled for completion.

- Swimming Pool Improvements Project

This project includes expanding the women's locker room, adding additional office and classroom space, construction of additional parking and a drainage system, and upgrading the mechanical and electrical systems identified in the Master Plan. To date, the construction of additional parking and landscaping along with the drainage system have been completed.

In 2001, the design and construction on the remaining improvements are scheduled to begin.

Budget Analysis

Staff completed a revenue forecast to determine future revenues available relative to projected project expenditures. The following table shows a summary of estimated total revenues, expenditures, and balances for the six-year 2001 - 2006 CIP:

Six Year Capital Improvement Program

Summary

	Revenues	Expenditures	Balance
2000			\$18,704,201
2001	\$ 20,896,131	\$ 27,761,369	\$11,838,963
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2004	\$ 11,437,241	\$ 15,394,450	\$ 1,025,946
2005	\$ 11,494,967	\$ 12,254,669	\$ 266,244
2006	\$ 10,114,331	\$ 10,323,566	\$ 57,009

Fund revenues consist of fund balances, known revenue streams and assumptions on availability of future grants and other revenues. Fund expenditures are projected expenditures for all projects.

RECOMMENDATION

Staff recommends that your Council conduct a public hearing to receive citizen input on the 2001 - 2006 Capital Improvement Program.

Note: The 2001-2006 Capital Improvement Program is provided to your Council under separate cover. There are copies available for public review in the City Clerk's Office.

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Ordinance No. 252 Adopting the 2001 Property Tax Levy
DEPARTMENT: Finance ^{OT}
PRESENTED BY: Debbie Tarry, Finance Director

EXECUTIVE / COUNCIL SUMMARY

On November 13 your Council held a public hearing on the 2001 revenue sources and the 2001 property tax levy. At that public hearing, staff presented the various impacts that I-722 may have on the City's 2001 property tax levy and the options available to your Council in setting the 2001 property tax levy. The City of Shoreline is required to adopt its levy ordinance and certify the amount to the County Assessor by December 7, 2000. Ordinance No. 252, as proposed with this staff report, reflects a 102% levy limit based on the City's highest available limit (1996). This levy is greater than the amount in the proposed 2001 budget by \$86,000 and is greater than the levy that could be assessed if all of the provisions of I-722 are implemented.

Recent legislative and voter actions have impacted the calculation of property tax levies in varying ways. The passage of Referendum 47, by the State electorate in 1997, changed the way a taxing district levies property taxes in two ways:

1. It reduced the previous ability of a taxing district to levy 106% of the "levy limit", to the "levy limit" plus the rate of inflation as defined by the implicit price deflator (IPD). The estimated IPD for the 2001 tax year is 2.61%, which would result in a "levy limit" of 102.61%.
2. If a taxing district wishes to exceed the IPD up to 106% of the "levy limit", it must define a "substantial need" in the annual property tax ordinance and the tax levy must be approved by a super-majority (majority plus one) vote of the City Council.

In addition to Referendum 47, Initiative 722 (I-722) further restricts the property tax levy options available to your Council. One of the provisions of I-722 further restrains the property tax "levy limit" to the lesser of 2% or the IPD. The "substantial need" provision of Referendum 47 would go away as the provisions of I-722 do not allow the "levy limit" to exceed the IPD. In addition I-722 negates any property tax levy taken in 1999 for the year 2000 levy, rolls back assessed valuation used for determining the property tax levy rate to 1999 levels, and then limits growth in assessed valuation to 2% annually. There has been much discussion on the legal merits of I-722, and to date three law suits have been filed regarding I-722, but as of November 20, there have not been any injunctions placed on the implementation of I-722.

Because of the unknown outcome of I-722 at the time the proposed 2001 budget was developed, it assumes that the 102% "levy limit" is applied to the 2000 property tax levy.

The City asked for clarification on the application of the I-722 limitations to know if it should be applied to the 2000 property tax levy or the highest levy limit (1996 levy). We have been informed that under I-722, the levy limit will be applied to the highest levy of the last three years (1997-1999), as recomputed by the roll-back provisions. In this case the starting point for determining the City's 2001 levy under I-722, would be the levy adopted in 1999 for year 2000 taxes. If the City were to adopt a levy that fully complies with all provisions of I-722, the 2001 revenues would be reduced by \$333,800.

There is currently no clear direction to cities on how they should respond to I-722 when adopting their 2001 property tax levies. There are many cities who are proceeding with the adoption of their 2001 property tax levy under the legal limitations that existed prior to I-722, knowing that the levies may be reduced in the future by the County Assessor if either there is no injunction preventing the Assessor from implementing I-722 or if future rulings by the courts determine that the provisions of I-722 should be implemented. The risk to cities is that if they adopt a levy that fully complies with I-722 and if a legal decision invalidates even a portion of I-722, the adopted levy will most likely be lower than would have been allowed. In this case a city cannot recoup any lost revenue that resulted in adopting a lower levy. In addition the levy base for future years will be lower than would have been legally allowed (pre I-722), thus compounding the ongoing loss and reducing revenues for services in future years.

Since the legal outcome of I-722 is unknown at this time, staff is recommending that your Council adopt a levy greater than allowed under I-722. If the Assessor implements all of the provisions of I-722, the City's levy will be reduced, but if there are legal provisions that do not fully implement I-722, the City may be able to collect the full levy. In addition the levy will impact the base that has been used in the City's long-term financial plans. Realizing that the levy could be reduced in this situation staff is recommending that your Council reserve the difference in revenue between the recommended 102% levy and that allowed by I-722 (\$419,680) until the final outcome of I-722 is known. As has been discussed with your Council, staff is recommending that the reserve be created by reducing the allocation of revenues for capital projects. This will require adjustments to the 2001-2006 CIP. As has been discussed all design monies for the projects included in the 2001-2006 CIP have been left intact, but a reduction in revenues will cause some delay in the construction schedule of a few projects. By taking this action the City is prepared for any potential decision regarding the implementation of I-722. If I-722 is not implemented the revenues that were intended for capital purposes can be used to construct the projects. If I-722 stands, revenues will have not been committed that the City can not collect.

The proposed Ordinance reflects a 102% levy based on the City's highest available levy limit. This is below the inflationary measure that is provided for in the property tax statutes. The current inflationary measure used for this purpose is the IPD and is currently estimated at 2.61%. By applying the IPD levy to the City's highest levy limit, the City's revenues would increase by \$123,000 over the proposed 2001 budget. The 106% levy, based on the City's highest available levy limit, would generate an additional \$329,200 beyond that in the proposed 2001 budget. Adopting a levy using the 106% limit would require that your Council identify substantial need in the ordinance adopting the property tax levy and that the ordinance pass by a super-majority vote of the Council.

The last few years the Council has used any property tax levy in excess of the IPD for capital purposes. If your Council decides to levy a property tax levy in excess of the IPD, past practice can continue with the excess levy amount either transferred to the capital improvement program for long-term capital needs or used to reduce the City's reliance on I-695 backfill monies to fund on-going programs.

When considering the required "substantial need" finding for levies in excess of the IPD, the City can easily justify this need. It is clear that our Capital Improvement Program (CIP) cannot be funded sufficiently with current revenues in order to address longstanding needs within the community. There are a number of park capital projects that either have only the first phase of improvements included in the 2001-2006 CIP due to limited financial resources or have extended schedules in order to match available financial resources. We estimate the cost of these additional park improvements to be in excess of \$10 million. In addition the 2001-2006 CIP is dependent on \$62.5 million in unawarded grants or loans to complete projects as proposed. Although it is the intent of the City to seek these grant resources, in many cases the final decision on the grant awards is outside of the City's control.

In addition to these projects, the Council has identified economic development as a major Council Workplan Goal. This includes designing and constructing public improvements for North City as well as completing a second sub-area plan in an area that would stimulate economic development.

As your Council is aware, the proposed 2001 budget utilizes \$425,804 of I-695 backfill monies to fund ongoing programs. At this time, the state legislature has not identified a dedicated revenue stream for this program for future years. In addition to these items, the City anticipates future increases in operational costs related to the Endangered Species Act, the Clean Water Act, and future economic development efforts. Your Council may wish to consider the impacts of these needs when determining the final 2001 levy.

Ordinance No. 252 reflects the 102% levy. Based on the current estimated City assessed value (pre I-722), the 102% levy results in an estimated City 2001 levy rate of \$1.48. For the owner of a typical single family home valued at \$180,000, this levy would result in an estimated \$9 increase in City property tax in year 2001. Staff will have alternative ordinances for the scenarios presented in this staff report available on November 27, if your Council should decide on a property tax levy different from the proposed 102% levy.

RECOMMENDATION

Ordinance 252 reflects a property tax levy of 102%. Alternative versions of Ordinance 252 are available if the Council desires to adopt a property tax levy different from the proposed 102%. As has been discussed in this staff report your Council may want to consider a larger property tax increase in order to provide additional revenues to meet the capital and future operating needs of the City.

Approved By: City Manager 

City Attorney 

BACKGROUND

On November 13 your Council held a public hearing on the 2001 revenue sources and the 2001 property tax levy. At that public hearing, staff presented the various impacts that I-722 may have on the City's 2001 property tax levy and the options available to your Council in setting the 2001 property tax levy. Although the purpose of the public hearing is to receive public comment, no one chose to provide any comments and your Council closed the public hearing. The City of Shoreline is required to adopt its levy ordinance and certify the amount to the County Assessor by December 7, 2000 and since November 27 is the last regular meeting prior to that deadline, the Council should adopt Ordinance No. 252, adopting the 2001 property tax levy this evening. Ordinance No. 252, as proposed with this staff report, reflects a 102% levy limit based on the City's highest available limit (1996). This levy is greater than the amount in the proposed 2001 budget by \$86,000 and is greater than the levy that could be assessed if all of the provisions of I-722 are implemented.

The passage of Referendum 47, by the State electorate in 1997, changed the way a taxing district levies property taxes in two ways:

1. It reduced the previous ability of a taxing district to levy 106% of the "levy limit", to the "levy limit" plus the rate of inflation as defined by the implicit price deflator (IPD). The estimated IPD for the 2001 tax year is 2.61%, which would result in a "levy limit" of 102.61%.
2. If a taxing district wishes to exceed the IPD up to 106% of the "levy limit", it must define a "substantial need" in the annual property tax ordinance and the tax levy must be approved by a super-majority (majority plus one) vote of the City Council.

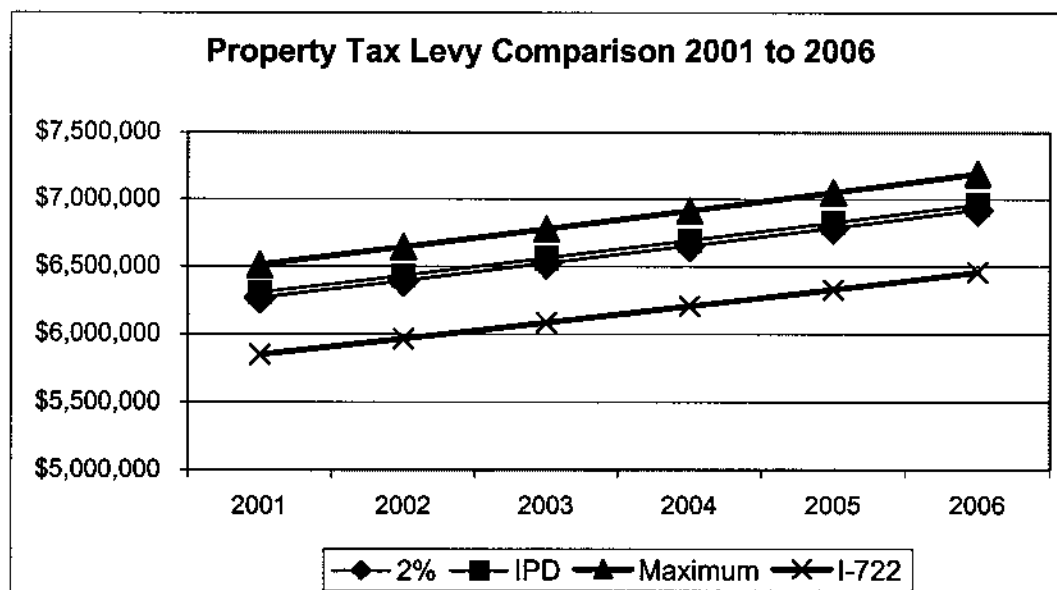
The Referendum 47 limitation applies to all taxing districts in the City except for the school district which must receive voter approval for their operational and capital levies. All cities are still allowed to increase their property tax levy by the value of new construction, annexations, and state utilities, without regard to the "levy limit".

In addition to Referendum 47, Initiative 722 (I-722) further restricts the property tax levy options available to your Council. One of the provisions of I-722 further restrains the property tax "levy limit" to the lesser of 2% or the IPD. The "substantial need" provision of Referendum 47 would go away as the provisions of I-722 do not allow the "levy limit" to exceed the IPD, in fact when the IPD is greater than 2%, the City would not be able to keep pace with this conservative measurement of inflation since the "levy limit" would be limited to 102%. In addition I-722 negates any property tax levy taken in 1999 for the year 2000 levy, rolls back assessed valuation used for determining the property tax levy rate to 1999 levels, and then limits growth in assessed valuation to 2% annually. There has been much discussion on the legal merits of I-722, and to date three law suits have been filed regarding I-722, but as of November 20, there have not been any injunctions placed on the implementation of I-722. Barring any direction from the courts to County Assessors to do something other than implement I-722 as passed by the voters, it is our understanding that the Assessor will restate property tax levies to be in compliance with I-722.

Because of the unknown outcome of I-722 at the time the proposed 2001 budget was developed, it assumes that the 102% "levy limit" is applied to the 2000 property tax levy.

Historically, the City's "levy limit" (the highest amount of revenue that the City can receive in property taxes) has been based on 1996's levy limit. That year, the City levied property tax for both the City (\$4,452,252) and the Library District (\$1,390,360) and then transferred the library's share to them. The City asked for clarification on the application of the I-722 limitations to know if it should be applied to the 2000 property tax levy or the highest levy limit (1996 levy). We have been informed that under I-722, the levy limit will be applied to the highest levy of the last three years (1997-1999), as recomputed by the roll-back provisions. In this case the starting point for determining the City's 2001 levy under I-722, would be the levy adopted in 1999 for year 2000 taxes. If the City were to adopt a levy that fully complies with all provisions of I-722, the 2001 revenues would be reduced by \$333,800.

There is currently no clear direction to cities on how they should respond to I-722 when adopting their 2001 property tax levies. There are many cities who are proceeding with the adoption of their 2001 property tax levy under the legal limitations that existed prior to I-722, knowing that the levies may be reduced in the future by the County Assessor if either there is no injunction preventing the Assessor from implementing I-722 or if future rulings by the courts determine that the provisions of I-722 should be implemented. The risk to cities is that if they adopt a levy that fully complies with I-722 and if a legal decision invalidates even a portion of I-722, the adopted levy will most likely be lower than would have been allowed. In this case a city cannot recoup any lost revenue that resulted in adopting a lower levy. In addition the levy base for future years will be lower than would have been legally allowed (pre I-722), thus compounding the ongoing loss and reducing revenues for services in future years. This point can most easily be illustrated by the following graph.



This graph compares potential property tax levies for 2001 using the 2%, IPD, Maximum (106%), and I-722 limitations and then applying a 2% levy increase to future years. The difference in the tax levy in 2001 between the maximum allowable levy and the I-722 limitation is \$663,000. When considering the long-term impact of this difference, the net present value (for years 2001 through 2006) of the difference between the maximum

allowable levy and the I-722 levy is \$3.8 million using a 3% discount factor. A comparison between the 102% levy and the I-722 levy results in a difference in revenue in 2001 of \$419,700. The net present value difference for years 2001 through 2006 is \$2.4 million. The City's long-term projections assumed an annual 3% increase in property tax through both new construction and assessed valuation increases. If I-722 is fully implemented the City will be faced with less long-term revenue than was originally anticipated.

Since the legal outcome of I-722 is unknown at this time, staff is recommending that your Council adopt a levy greater than allowed under I-722. If the Assessor implements all of the provisions of I-722, the City's levy will be reduced, but if there are legal provisions that do not fully implement I-722, the City may be able to collect the full levy. In addition the levy will impact the base that has been used in the City's long-term financial plans. Realizing that the levy could be reduced in this situation staff is recommending that your Council reserve the difference in revenue between the recommended 102% levy and that allowed by I-722 (\$419,680) until the final outcome of I-722 is known. As has been discussed with your Council, staff is recommending that the reserve be created by reducing the allocation of revenues for capital projects. This will require adjustments to the 2001-2006 CIP. As has been discussed all design monies for the projects included in the 2001-2006 CIP have been left intact, but a reduction in revenues will cause some delay in the construction schedule of a few projects. By taking this action the City is prepared for any potential decision regarding the implementation of I-722. If I-722 is not implemented the revenues that were intended for capital purposes can be used to construct the projects. If I-722 stands, revenues will have not been committed that the City can not collect. It is unfortunate that the City may have to delay some projects, but it is more fiscally responsible to plan for the possibility that the full levy may not be collected. Given the uncertainties surrounding I-722, staff recommends that no reductions in services be made at this time. Reducing our operating budget now could produce a see-sawing of service levels if I-722 is later ruled to be illegal.

As stated earlier in this report, the proposed Ordinance reflects a 102% levy based on the City's highest available levy limit. This is below the inflationary measure that is provided for in the property tax statutes. The current inflationary measure used for this purpose is the IPD and is currently estimated at 2.61%. By applying the IPD levy to the City's highest levy limit, the City's revenues would increase by \$123,000 over the proposed 2001 budget. It should be noted that the IPD is a more conservative measure of inflation than the Consumer Price Index (CPI) and reflects broader national trends. The Seattle-Tacoma-Bremerton CPI-W for the same period is 3.9%. The 106% levy, based on the City's highest available levy limit, would generate an additional \$329,200 beyond that in the proposed 2001 budget. Adopting a levy using the 106% limit would require that your Council identify substantial need in the ordinance adopting the property tax levy and that the ordinance pass by a super-majority vote of the Council.

The last few years the Council has used any property tax levy in excess of the IPD for capital purposes. If your Council decides to levy a property tax levy in excess of the IPD, past practice can continue with the excess levy amount either transferred to the capital improvement program for long-term capital needs or used to reduce the City's reliance on I-695 backfill monies to fund on-going programs.

When considering the required "substantial need" finding for levies in excess of the IPD, the City can easily justify this need. It is clear that our Capital Improvement Program (CIP) cannot be funded sufficiently with current revenues in order to address longstanding needs within the community. In order to fund basic infrastructure maintenance and improvements for roads, for example, we are forced to greatly delay or indefinitely postpone upgrades and improvements to city parks and recreation facilities. There are a number of park capital projects that either have only the first phase of improvements included in the 2001-2006 CIP due to limited financial resources or have extended schedules in order to match available financial resources. These would include Twin Ponds, Ronald Bog, Richmond Highlands Recreation Center, and Paramount Park. The Park Open Space & Recreational Services Plan identified other park projects that are of high priority to improve the park standards. These include Cromwell Park, Richmond Beach Saltwater Park, Richmond Beach Community Park, and Echo Lake Park. These projects have either been included in the 2001-2006 CIP on a very limited scale or have not been included due to the limited financial resources. We estimate the cost of these additional park improvements to be in excess of \$10 million. In addition the 2001-2006 CIP is dependent on \$62.5 million in unawarded grants or loans to complete projects as proposed. Although it is the intent of the City to seek these grant resources, in many cases the final decision on the grant awards is outside of the City's control. If these grants aren't provided, alternative funding must be identified to complete the projects as proposed or changes must be made to the projects to fit available financial resources. A detailed list of those projects with unawarded grants is provided in Attachment C.

In addition to these projects, the Council has identified economic development as a major Council Workplan Goal. This includes designing and constructing public improvements for North City as well as completing a second sub-area plan in an area that would stimulate economic development. If the results of this sub-area plan indicate a need for the City to participate in the funding of public improvements, future financial resources will need to be identified. We have maintained low operational costs, ending our budget years with funds being carried forward to the next year or transferred into our capital fund to help augment our relatively small capital resources and yet there are still needs left unfunded.

As your Council is aware, the proposed 2001 budget utilizes \$425,804 of I-695 backfill monies to fund ongoing programs. At this time, the state legislature has not identified a dedicated revenue stream for this program for future years. In addition to these items, the City anticipates future increases in operational costs related to the Endangered Species Act, the Clean Water Act, and future economic development efforts. Your Council may wish to consider the impacts of these needs when determining the final 2001 levy.

The dollars needed to meet all these needs greatly exceed the additional revenue the City will gain if your Council adopts the maximum property tax levy, but at least the greater levy amount will assist in providing some funding for these needs.

For 2001, the AV, excluding new construction and annexations, is projected to increase by 11.9% over 2000 based on the most recent estimates from the County Assessor's Office. This is slightly higher than the 10% estimate received earlier from the Assessor's Office, and used when developing the proposed 2001 budget. It should be

noted that the AV may continue to change slightly until the Assessor has received all the valuation information for the State Utility properties. The increased AV does not significantly change the projected property tax revenue, but instead impacts the City's property tax rate.

In addition to the AV growth from rising property values, the City will have increased AV from new construction (1.2%) and the A-2 Annexation area (1.1%). This results in a total AV increase of 14.1%. Because of the increased AV in the City, the City's *property tax rate will decline* in 2001 from the \$1.60 that has been levied since incorporation, in order to comply with the "levy limit" restrictions (see chart on next page). The final property tax rate will depend on the final levy adopted by the City.

The following table demonstrates the difference in levy and revenue at the various property tax levy options that have been discussed by your Council.

Year		Tax Rate	Assessed Valuation		Property Tax Revenue	Change in Revenue Over Year 2000	Total Percent Increase Over Year 2000	Difference To Proposed 2001 Budget
2000		\$1.6000	x \$3.7 Billion/1,000	=	\$5,933,565			
2001	I-722	\$1.5154	x \$3.9 Billion/1,000	=	\$5,848,869	(\$84,696)	-1.43%	(\$333,748)
	100%	\$1.4519	x \$4.2 Billion/1,000		\$6,146,915	\$213,350	3.60%	(\$35,702)
	Budget	\$1.4604	x		\$6,182,617	\$249,052	4.20%	\$0
	101%	\$1.4663	x		\$6,207,732	\$274,167	4.62%	\$25,115
	102%	\$1.4807	x		\$6,268,549	\$334,984	5.65%	\$85,932
	IPD	\$1.4894	x		\$6,305,647	\$372,082	6.27%	\$123,030
	106%	\$1.5381	x		\$6,511,817	\$578,252	9.75%	\$329,200

Ordinance No. 252 reflects the 102% levy. Staff will have alternative ordinances (100%, 101%, IPD, 106%) for the scenarios presented in this staff report available on November 27, if your Council should decide on a property tax levy different from the proposed 102% levy.

The following table illustrates the impact of the various property tax levies to a homeowner of a typical single-family home. The proposed 102% levy will result in a homeowner of a \$180,000 home paying \$9 more in City property tax in 2001 than in year 2000. This increase results from the assessed valuation rising from \$160,856 to \$180,000 for this example.

(next page....)

Year		Tax Rate		Assessed Valuation		Property Tax Revenue	Change in Tax Over Year 2000
2000		\$1.6000	x	160,856	=	\$257	
2001	I-722	\$1.5154	x	164,073		\$249	(\$9)
	0%	\$1.4519	x	180,000		\$261	\$4
	Budget	\$1.4604	x	180,000		\$263	\$5
	1%	\$1.4663	x	180,000		\$264	\$7
	2%	\$1.4807	x	180,000		\$267	\$9
	IPD	\$1.4894	x	180,000		\$268	\$11
	6%	\$1.5381	x	180,000		\$277	\$19

In 2000, the City's share of the property tax levied within the City limits is only 10.4% of the total levy rate (see Attachment B – Current 2000 Property tax Rates in the City of Shoreline). As you can see, the largest beneficiaries of property taxes are the schools, followed by the State and King County.

RECOMMENDATION

Ordinance 252 reflects a property tax levy of 102%. Alternative versions of Ordinance 252 are available if the Council desires to adopt a property tax levy different from the proposed 102%. As has been discussed in this staff report your Council may want to consider a larger property tax increase in order to provide additional revenues to meet the capital and future operating needs of the City.

ATTACHMENTS

Attachment A: Ordinance 252 - 2001 Property Tax Levy Ordinance
Attachment B: Current 2000 Property Tax Rates in the City of Shoreline
Attachment C: Partial List of Outstanding Capital Needs

ORDINANCE NO. 252

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON LEVYING THE GENERAL TAXES FOR THE CITY OF SHORELINE IN KING COUNTY FOR THE FISCAL YEAR COMMENCING JANUARY 1, 2001, ON ALL PROPERTY BOTH REAL AND PERSONAL, IN SAID CITY WHICH IS SUBJECT TO TAXATION FOR THE PURPOSE OF PAYING SUFFICIENT REVENUE TO CONDUCT CITY BUSINESS FOR THE ENSUING YEAR AS REQUIRED BY LAW

WHEREAS, the City Council of the City of Shoreline has considered the City's anticipated financial requirements for 2001 and the amounts necessary and available to be raised by ad valorem taxes on real, personal, and utility property;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Levy Changes. The 2000 property tax levy for collection in 2001 is \$5,933,565 (the amount levied in 1999 for collection in 2000), plus increases of \$334,984 (5.65%) based on increases in assessed values, annexations and an increase equal to the amount allowed under the new construction provisions of RCW 84.55.010.

Section 2. 2001 Levy Rate. There shall be and hereby is levied on all real, personal, and utility property in the City of Shoreline, in King County, current taxes for the year commencing January 1, 2001, a levy at the rate of \$1.4807 per thousand dollars of assessed valuation.

The said taxes herein provided for are levied for the purpose of payment upon the general indebtedness of the City of Shoreline, the General Fund, and for the maintenance of the departments of the municipal government of the City of Shoreline for the fiscal year beginning January 1, 2001.

Section 3. Notice to King County. This ordinance shall be certified to the proper County officials, as provided by law, and taxes herein levied shall be collected to pay to the Finance Department of the City of Shoreline at the time and in the manner provided by the laws of the State of Washington for the collection of taxes for noncharter code cities.

Section 4. Effective Date. This ordinance shall be in full force five days after publication of this ordinance, or a summary consisting of its title, thereof in the official newspaper of the City, as provided by law.

Section 5. Severability. Should any section, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this Ordinance be preempted by State or Federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

PASSED BY THE CITY COUNCIL ON NOVEMBER 27, 2000.

Mayor Scott Jepsen

ATTEST:

APPROVED AS TO FORM:

Sharon Mattioli, CMC
City Clerk

Ian Sievers
City Attorney

Date of Publication:
Effective Date:

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Current 2000 Property Tax Rates in the City of Shoreline: Unincorporated versus Incorporated

Property Tax Category	Unincorporated		2000 Shoreline	
	Rates	% of Total	Rates	% of Total
Shoreline School District	\$ 5.88	38.0%	\$ 5.88	38.4%
State (school fund)	3.30	21.4%	3.30	21.6%
King County	1.69	10.9%	1.69	11.0%
Unincorporated Roads District	1.74	11.3%		0.0%
City of Shoreline			1.60	10.4%
Fire District #4	1.77	11.4%	1.77	11.5%
Library District	0.59	3.8%	0.59	3.8%
Port of Seattle	0.22	1.4%	0.22	1.4%
King County Emergency Medical	0.27	1.8%	0.27	1.8%
Total Local Rate	\$ 15.45	100.0%	\$ 15.31	100.0%

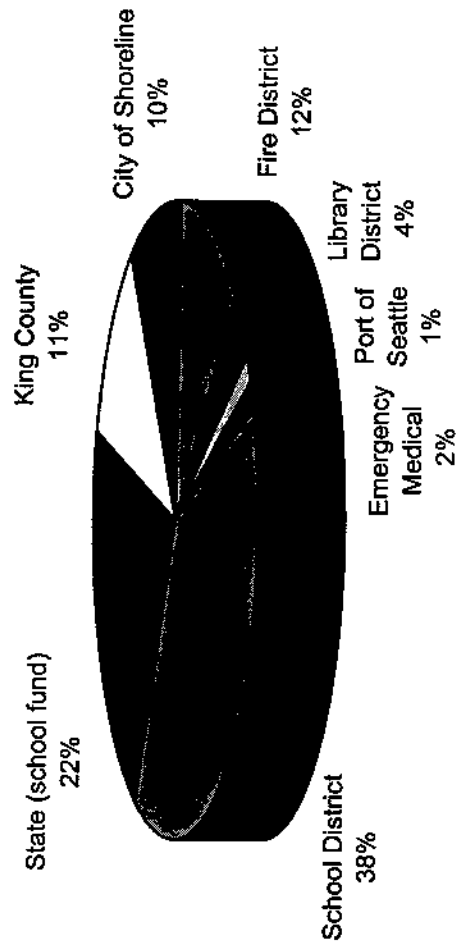
Average Assessment based on \$179,000 *

*Average single-family home value in Shoreline

\$ 2,741

\$ 2,766

2000 Property Tax





DATE: November 2, 2000

TO: City Councilmembers

FROM: Debbie Tarry, Finance Director

SUBJECT: Outstanding Capital Needs

As your Council is aware, there are many Capital Needs that are either dependent on grant or other funding sources that have not been awarded to the City at this time. This amount totals in excess of \$62 million. Although the City intends to make application and receive these grant resources, the final award decision is often out of the hands of the City. Some of the projects that are included in the 2001 through 2006 CIP that have unawarded grants as part of the funding scenario include the following:

Project	Unawarded Grants/ Loans
Ronald Bog Park	\$ 150,000
Shoreline Community College Sports Fields	1,000,000
Paramount Open Space	130,000
Interurban Trail	2,381,500
Curb Ramps Program	326,580
Annual Pedestrian Improvements Program	1,806,000
Meridian Ave N Pedestrian Improvements	150,000
Aurora Avenue N	44,524,064
Richmond Beach Road @ 3rd Avenue NW	1,048,800
North 175th Street	3,385,000
North 160th @ Greenwood Ave N	718,000
Ronald Bog Drainage Improvements	4,055,500
3rd Avenue NW Drainage Improvements	1,959,500
Midvale Avenue North Drainage Improvements	875,000
Total	\$ 62,509,944

In addition, there are a number of park capital projects that either have only Phase I of improvements included in the 2001-2006 CIP due to limited financial resources or have extended schedules in order to match available financial resources. These would include

Twin Ponds, Ronald Bog, Richmond Highlands Recreation Center, and Paramount Park. The Park Open Space & Recreational Services Plan identified other park projects that are of high priority to improve the park standards. These include Cromwell Park, Richmond Beach Saltwater Park, Richmond Beach Community Park, and Echo Lake Park. These projects have either been included in the 2001-2006 CIP on a very limited scale or have not been included due to the limited financial resources.

In addition to these projects the Council has identified economic development as a major Council Workplan Goal. This includes completing a second sub-area plan in an area that would stimulate economic development. If the results of this sub-area plan indicate a need for the City to participate in the funding of public improvements, future financial resources will need to be identified.

Although the City has most effectively leveraged its financial resources to engage in a substantial capital improvement program, there are additional needs that exist to fully accomplish the vision and goals of the Council.

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CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Adoption of Ordinance No. 255 Amending SMC 12.25.909 and Setting a 6% Franchise Fee for all Future Franchise Agreements
DEPARTMENT:	Finance
PRESENTED BY:	Debbie Tarry, Finance Director 

EXECUTIVE / COUNCIL SUMMARY

On December 13, 1999, your Council adopted Ordinance No. 221, which amended the existing code chapter regulating franchises and right-of-way use agreements (SMC 12.25) to adopt a set fee (6%) as consideration for use of the City's rights-of-way and costs of administration. This would allow for future franchises to automatically be subject to the 6% set fee.

The purpose of the amendment was to facilitate a uniform application of your Council's franchise fee policy. The City has not been able to complete franchise agreements enacting this policy with all current providers or potential future providers. The adoption of Ordinance No. 221 enacted a policy of charging a 6% franchise fee at that time and allowed for the implementation of that policy as future franchises are developed with service providers. This policy provided the authority and direction to City staff to ensure that future agreements would place all utility service providers on a level playing field, requiring each provider, not subject to a utility tax, to comply with a uniform 6% fee policy. In this way, disparate impacts between the customers of one service provider versus those of another service provider can be eliminated over time.

The ordinance set the rate for future franchises at 6% of gross revenues generated within the City unless limited by state or federal law.

As has been discussed several times with your Council during the 2001 budget planning process, one of the provisions of Initiative 722 (I-722) would require municipalities that increased any rates, fees, charges or taxes between July 2, 1999, and December 31, 1999, to roll the increases back to the July 1, 1999 levels. Since I-722 passed on November 7, 2000, the policy adopted by your Council in 1999 would be repealed as of December 7, 2000, the effective date of I-722.

In order to maintain the equity between service providers and to ensure the continued ability of the City to implement a uniform 6% fee or tax, staff would recommend that your Council adopt Ordinance No. 255 which would establish (re-establish) a fee of 6% of gross revenues for franchise agreements.

RECOMMENDATION

Staff recommends that your Council adopt Ordinance No. 255, amending SMC 12.25.909 and Setting a 6% Franchise Fee for all Future Franchise Agreements.

Approved By: City Manager LB City Attorney [Signature]

ATTACHMENTS

- A. Ordinance No. 255 amending SMC 12.25.909 and Setting a 6% Franchise Fee for all Future Franchise Agreements

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ORDINANCE NO. 255

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, AMENDING SMC 12.25.090, AND ESTABLISHING A FEE OF 6% OF GROSS REVENUES FOR FRANCHISES AND RIGHT-OF-WAY USE AGREEMENTS

WHEREAS, SMC establishes a fee for franchises to be established in the franchise agreement or right-of-way use agreement not to exceed the maximum allowed by law; and

WHEREAS, the City Council desires to establish a consistent fee for all utilities granted the privilege of using City rights-of-way and finds that rights conveyed by utility franchises or right-of-way agreements and costs of administration are approximately equivalent regardless of the utility;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SHORELINE,
WASHINGTON, DO ORDAIN AS FOLLOWS:**

Section 1. Amendment. SMC 12.25.090 is hereby amended to read as follows:

12.25.090 Franchise and Right-of-Way Use Agreement fee.

A. All franchises or right-of-way use agreements executed by the City shall include terms requiring ~~A a grantee, to pay a fee~~ in consideration of the privilege granted under a franchise ~~or right-of-way use agreement~~ to use the public right-of-way and the privilege to construct and/or operate in the City. ~~, shall pay to the city an amount set forth in the franchise agreement, not to exceed the maximum allowed by law, for each year during the term of the franchise.~~ Said franchise fee shall provide the City with compensation equal to 6% of the gross revenues generated by the grantee within the City unless limited by state or federal law. Provided, however, that this fee may be offset by any utility tax paid by grantee or in-kind facilities or services provided to the City. Any Grantee that does not provide revenue-generating services within the City shall provide alternate compensation as set out in the franchise or right-of-way use agreement.

B. A grantee shall file, no later than May 30th of each year, the grantee's financial statements for the preceding year. If the city reasonably determines, after examination of the financial statements provided, that a material underpayment of franchise fees may exist, the city may require a grantee to submit a financial statement audited by an independent public accountant. If the city's determination of underpayment is ultimately correct, the grantee shall bear the cost of such audit.

C. The city shall have the right, upon reasonable notice and consistent with the provisions of SMC 12.25.100, to inspect a grantee's income records, to audit any and all relevant records, and to recompute any amounts determined to be payable under a franchise and this chapter.

D. In the event that any franchise payment is not received by the city on or before the applicable due date, interest shall be charged from such date at the statutory rate for judgments.

E. In the event a franchise is revoked or otherwise terminated prior to its expiration date, a grantee shall file with the city, within 90 days of the date of revocation or termination, a verified or, if available, an audited financial statement showing the gross

revenues received by the grantee since the end of the previous year and shall make adjustments at that time for the franchise fees due up to the date of revocation or termination.

F. Nothing in this chapter shall limit the city's authority to tax a grantee, or to collect any fee or charge permitted by law, and no immunity from any such obligations shall attach to a grantee by virtue of this chapter.

Section 2. Severability. Should any section, paragraph, sentence, clause or phrase of this ordinance, or its application to any person or circumstance, be declared unconstitutional or otherwise invalid for any reason, or should any portion of this ordinance be preempted by state or federal law or regulation, such decision or preemption shall not affect the validity of the remaining portions of this ordinance or its application to other persons or circumstances.

Section 3. Repealer. Ordinance 221 is repealed.

Section 4. Effective Date. A summary of this ordinance consisting of its title shall be published in the official newspaper of the City. This ordinance shall take effect on December 7, 2000.

PASSED BY THE CITY COUNCIL ON NOVEMBER 27, 2000.

Mayor Scott Jepsen

ATTEST:

APPROVED AS TO FORM:

Sharon Mattioli, CMC
City Clerk

Ian Sievers
City Attorney

Date of Publication: , 2000.

Effective Date: , 2000.