



CITY OF LAKE FOREST PARK

CITY COUNCIL

AGENDA COVER SHEET

Meeting Date November 17, 2022

Originating Department Finance Department

Contact Person Lindsey Vaughn, Finance Director

Title 2023-2024 Biennial Budget and related items

Legislative History

- First Presentation - September 8, 2022 Mayor's Proposed 2023-2024 Biennial Budget
 - Second Presentation – October 27, 2022 Public Hearing
 - Third Presentation – November 10, 2022 Public Hearing
 - Action-November 17, 2022 Final Public Hearing and adoption
-

Attachments:

1. Ordinance 1255 Adopting the 2023 Property Tax Levy
 2. Ordinance 1257 Adopting an updated Vehicle Licensing Fee
 3. Ordinance 1258 Imposing a 1/10th of One Percent Sales & Use Tax in the Transportation Benefit District
 4. Ordinance 1259 Creating Chapter 3.19 Sewer, Stormwater, and Surface Water utility tax
 5. Resolution 1864 Adopting the 2023 Surface Water Rate
 6. Resolution 1865 Adopting the 2023-2024 Sewer Rates
 7. Resolution 1866 Adopting the 2023 User Fees
 8. Ordinance 1256 Adopting the 2023-2024 Biennial Budget and attachments
-

Executive Summary

The 2023-2024 budget is balanced through the use of approximately \$1.3M in one-time funds generated during the 2021-2022 biennium, as ongoing expenditures continue to outpace ongoing revenues. The Mayor's Proposed Budget has cautiously begun increasing the revenues from the sharp downturn related to the pandemic. Departments were instructed for this biennium to take a "zero-based" budget approach identifying the need for each budget line item and not relying on past history in building any particular budget. The 2023-2024 budget also includes a 1% property tax levy increase as allowed by law through the action of the City Council.

Property Tax

In an effort to maintain the current levels of service, the City finds that it must levy the maximum 1.0% property tax allowable under State law. The maximum allowable levy includes a one percent increase compared to the prior year levy and includes an additional levy amount for new construction. The maximum allowable levy also re-levies an amount from the prior year levy that was refunded as a result of property valuation appeals. The proposed levy is \$3,493,870 which represents the maximum allowable levy. The following table contains a breakdown of the proposed levy.

Proposed 2023 Property Tax Levy	
2022 Regular Property Tax Levy	3,382,585
Increase Over Prior Year Levy	33,826
Subtotal of Levy Amount	3,416,411
New Construction Value	17,865
Relevy of Prior Year Refunds	19,594
Subtotal for Current Allowable Levy	3,453,870
<i>Estimate High for Additional Changes</i>	<i>40,000</i>
2023 Property Tax Levy	3,493,870

Due to the numbers being preliminary, the City must estimate high to capture all available funds. The final new construction, increases in state assessed property, and current year refund values will not be available until after the City is required to adopt and submit the 2023 property tax levy ordinance to King County. That is the reason for the *Estimate High for Additional Changes* line is in the above chart of \$40,000. Actual property tax collections are based on the final amounts, so actual collections may differ compared to the amounts represented in the above table.

It should be noted that the Ordinance recognizes an increase of 0.82% compared to the 2022 levy, but that the maximum allowable increase is a full 1.0% which is the value of \$33,826. The difference is because the 0.82% increase is based on the City's 'prior year actual levy' which includes refunds from 2022, versus the City's 'highest lawful levy or levy basis for calculation' which removes the refund from 2022. Irrespective of how it is calculated, the increase represents the maximum allowable annual levy increase.

Sewer Rates

King County's sewer charges will be increased by 5.75%, which equals a \$2.84 monthly increase to City of Lake Forest Park residents that will have to be passed through as a rate increase. The rate increase will go into effect on January 1, 2023. The City has also included a rate increase of 6% based

on a 2004 rate study that will go into effect on January 1, 2023. That will increase the sewer rate by \$0.61 per month. Both rate increases were included in the 2023-2024 biennial budget.

Monthly Residential Rates

	2022	2023	2024
County	49.27	52.11	55.11
City	20.16	20.77	21.39
	<u>\$ 69.43</u>	<u>\$ 72.88</u>	<u>\$ 76.50</u>
Monthly Increase: \$	3.04	3.45	3.62
Total Increase	4.6%	5.0%	5.0%
County Portion	4.0%	5.75%	5.75%
City Portion	6%	3.0%	3.0%

Commercial & Multi-Family (consumption based)

	2022	2023	2024
County	6.22	6.57	6.95
City	4.08	4.20	4.33
	<u>10.30</u>	<u>10.78</u>	<u>11.28</u>
Monthly Increase: \$	0.47	0.48	0.50
% Increase:	4.8%	5%	5%

Wastewater Excise Tax

By policy, the City levies excise tax on owners of property that can be connected to the City’s sewer system, but the owner chooses not to. The amount levied changes in alignment with increases in the City’s portion of the sewer utility charges.

The current rate is \$20.16 billed and payable bimonthly for the privilege of operating an on-site wastewater disposal system in lieu of connecting to the public system. The Wastewater excise tax portion does not increase when King County increases their portion of the sewer rate, only the City’s portion. The new sewer excise tax rate for 2023 will be \$20.77 and \$21.39 in 2024 increasing by 3% each year.

Surface Water Rate

To address the ongoing maintenance and operations costs associated with the City’s surface water infrastructure, the 2023-2024 budget includes a 10% increase to surface water rates which equals a \$22.39 annual increase for City of Lake Forest Park residents.

Surface Water				
class	class description	2022 rate	2023 rate	Difference
1	single family residential	\$223.85	\$246.24	\$22.39
2	very light (0-10% impervious area)	\$223.85	\$246.24	\$22.39
3	light (10-20% IA)	\$538.05	\$591.86	\$53.81
4	moderate (20-45% IA)	\$1,082.11	\$1,190.32	\$108.21
5	moderately heavy (45-65% IA)	\$2,089.56	\$2,298.52	\$208.96
6	heavy (65-85% IA)	\$2,649.23	\$2,914.15	\$264.92
7	very heavy (85-100% IA)	\$3,470.15	\$3,817.17	\$347.02

New Revenue

After long and thoughtful consideration, the City Council has directed the administration to include the following new revenue sources to begin addressing the ongoing deficit between revenues and expenditures.

- Transportation Benefit District Vehicle Licensing Fee Increase - \$10.00 per vehicle
- Transportation Benefit District Sales Tax - 0.10% on purchases within the corporate limits of Lake Forest Park
- Sewer Utility Tax – 6%
- Surface Water Utility Tax – 6%

The example below represents the new (2023) annual cost to a residential customer of \$1,120.80 which is inclusive of the proposed rate increases to both utilities, the proposed utility taxes, and the increase in vehicle licensing fees, assuming 2 vehicles per household as compared to the 2022 annual cost of \$1,208.04, an annual increase of \$87.24, or roughly \$7.27 per month.

HOUSEHOLD EXAMPLE: NEW REVENUE

Lake Forest Park Residential Customer

<u>2023 Annually:</u>	
2023 (w/rate increases)	\$1,120.80
Vehicle Licensing Fee	\$ 20.00 (assuming 2 vehicles/household at \$10)
<i>Sales Tax would vary per household</i>	
Sewer Utility Tax 6%	\$ 52.47 (based on proposed 2023 annual sewer rate of \$874.56)
SW Utility Tax 6%	\$ 14.77 (based on proposed 2023 annual surface water rate of \$246.24)
Total	\$1,208.04

Annual increase about \$ 87.24

Background

The City adopts a biennial budget every other year in even-numbered years. The budget process begins with the Mayor proposing a budget, followed by City Council deliberations on the Mayor's proposal and public hearings. The City Council can make any changes that it desires to the Mayor's proposal and when the City Council has a budget that it is satisfied with, then the City Council moves to adopt the budget. The budget ordinance will be the result of this process. The budget must be adopted by December 31 to ensure the continuity of city services.

The currently proposed budget will continue existing levels of service for all city services. The Mayor's Proposed 2023-2024 Biennial Budget and video recordings of the Budget and Finance Committee budget deliberations are all posted and available on the City's website.

Fiscal & Policy Implications

The proposed 2023-2024 budget ordinance will provide funding for city services through December 31, 2024. The proposed budget is balanced while using some one-time funds to supplement where ongoing revenues lag ongoing expenditures and maintains reserves in accordance with the City's adopted financial policy.

Staff Recommendation

Hold and close the public hearing on November 17, 2022, for the 2023-2024 biennial budget and adopt:

- Ordinance 1255/Establishing the 2023 Property Tax Levy
- Ordinance 1257/Increasing the Transportation Benefit District Annual Vehicle License Fee
- Ordinance 1258/Imposing a sales and use tax of one-tenth of one percent within the Lake Forest Park Transportation Benefit District
- Ordinance 1259/Creating Chapter 3.19 of the Lake Forest Park Municipal Code, Sewer, Stormwater and Surface Water Service Tax
- Resolution 1864/Setting 2023 Surface Water Utility Rates
- Resolution 1865/ Setting 2023 and 2024 Sewer Rates
- Resolution 1866/Adopting 2023 User Fees
- Ordinance 1256/Adopting the Biennial Budget for the City of Lake Forest Park for the years 2023-2024