



**BUSINESS OF THE CITY COUNCIL
CITY OF MERCER ISLAND**

**AB 6111
July 5, 2022
Regular Business**

AGENDA BILL INFORMATION

TITLE:	AB 6111: Parks Levy Renewal Ordinance (First Reading of Ord. No. 22-13)	<input type="checkbox"/> Discussion Only <input checked="" type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input checked="" type="checkbox"/> Ordinance <input type="checkbox"/> Resolution
RECOMMENDED ACTION:	Set Ordinance No. 22-13 for a second reading and adoption on July 19, 2022.	

DEPARTMENT:	City Manager	
STAFF:	Jessi Bon, City Manager Robbie Cunningham Adams, Management Analyst	
COUNCIL LIAISON:	n/a	
EXHIBITS:	1. Ordinance No. 22-23 - Parks Levy Renewal Ballot Measure 2. Explanatory Statement	
CITY COUNCIL PRIORITY:	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.	

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

EXECUTIVE SUMMARY

The purpose of this agenda bill is to conduct a first reading of Ordinance No. 22-13 (Exhibit 1) related to the renewal of the parks levy, to receive feedback from the City Council, and to set Ordinance No. 22-13 for a second reading and final approval on July 19, 2022.

- The current parks levy was approved by the Mercer Island community in 2008 and expires at the end of 2023. The current levy provides funding to operate and maintain Luther Burbank Park and supports operations at all City parks, trails, athletic fields, open spaces, and recreation facilities.
- At the June 7, 2022 ([AB 6090](#)) and the June 21, 2022 ([AB 6105](#)) City Council meetings, the Council discussed placing the parks levy renewal on the ballot a year early and considered a number of parks levy renewal scenarios.
- At the June 21, 2022 City Council meeting, the Council directed the City Manager to bring for the Council’s consideration a draft ordinance for a November 8, 2022 special election for the renewal of the parks levy to include the base parks levy plus Alternative B as summarized in the table on the next page.

Base Parks Levy + Alternative B		
Base Parks Levy	2022 (Current Levy)	2023 (Proposed Levy)
Luther Burbank Park (O&M)	\$373,007	\$376,737
Parks Maintenance (O&M)	\$355,115	\$358,666
Luther Burbank Small Capital Projects (Capital)	\$110,000	\$111,100
Pioneer Park Forest Management (Capital)	\$77,000	\$77,770
Open Space/Vegetation Management (Capital)	\$65,000	\$65,650
Alternative B:		
Option 1D: Fund 100% of Playground Replacement Costs	-	\$414,355
Option 2C: Fund all Forest Management Plan projects except for second phase of tree planting	-	\$225,054
Total	\$980,122	\$1,629,332*

*The total for the Base Parks Levy plus Alternative B was increased by \$70 to address a calculation error in the prior agenda bill materials.

- At the time of publication of these agenda materials, staff were in the process of commencing recruitment for the Pro and Con Committees. The applications received from community members interested in serving in either the Pro or Con Committee will be presented to the City Council for appointment at the July 19, 2022 City Council meeting.
- Staff is seeking feedback from the City Council on draft Ordinance No. 22-13, which includes the ballot title. Staff will incorporate feedback from the City Council meeting and prepare Ordinance No. 22-13 for a second reading and final approval on July 19, 2022.
- Staff are also seeking feedback from the City Council on the Explanatory Statement (Exhibit 2) for the local voter’s pamphlet.

BACKGROUND

Parks Levy History

In 2001, King County approached the City of Mercer Island about transferring long-term ownership and operation of Luther Burbank Park to the City. The transfer of the park property was finalized in 2002.

In 2003, the Mercer Island community approved a six-year parks levy to fund the operations and maintenance of Luther Burbank Park. The \$415,000 annual levy passed with 55% voter approval.

In 2008, the Mercer Island community approved a 15-year parks levy. The scope of the levy included funding to continue operating Luther Burbank Park and to support operations at all city parks, open spaces, and recreation facilities. The annual levy passed with 54% voter approval and began in 2009. The final amount levied in 2009 was \$882,000, establishing the basis for the 15-year parks levy as summarized in the table on the next page.

2009 Operations & Maintenance Levy (Implemented)	
Luther Burbank Park (O&M)	\$370,000
Parks Maintenance (O&M)	\$260,000
Luther Burbank Small Capital Projects (Capital)	\$110,000
Pioneer Park Forest Management (Capital)	\$77,000
Open Space/Vegetation Management (Capital)	\$65,000
Total	\$882,000

2022 Parks Levy Allocations

In 2022, the annual levy amount for the current parks levy is \$980,122. A 1% statutorily allowed increase was taken in all but two years over the life of the current parks levy. The 1% increase was applied to the operations and maintenance components of the parks levy, while the capital funding categories remained flat. The table below compares the initial levy amount in 2009 with the current levy amount in 2022.

2009 vs. 2022 Parks Levy Budget Allocations		
	2009 Allocation	2022 Allocation
Luther Burbank Park (O&M)	\$370,000	\$373,007
Parks Maintenance (O&M)	\$260,000	\$355,115
Luther Burbank Small Capital Projects (Capital)	\$110,000	\$110,000
Pioneer Park Forest Management (Capital)	\$77,000	\$77,000
Open Space/Vegetation Management (Capital)	\$65,000	\$65,000
Total	\$882,000	\$980,122

In 2022, the General Fund receives \$728,122 of the levied amount to support operations and maintenance at parks and athletic fields. This includes fully funding operations and maintenance at Luther Burbank Park at current service levels.

The remaining \$252,000 is allocated to the Capital Improvement Fund in support of Luther Burbank Park Small Capital Projects (\$110,000), Pioneer Park Forest Management (\$77,000), and Citywide Open Space Vegetation Management (\$65,000). This annual allocation for capital projects has been unchanged since 2009.

June 7, 2022 City Council Meeting

At the June 7, 2022 City Council meeting, Councilmembers considered a parks levy renewal recommendation for the November 8, 2022 election that included the following (see [AB 6090](#)):

- **Base levy:** Maintains the current parks levy amount and levy categories. The 2023 proposed base levy amount is \$989,923 and includes a 1% annual increase from 2022.
- **Option 1:** Proposed additional funding for ongoing playground replacements, the alternatives varied from funding 25% of the playground replacement costs (about \$100,000 annually) over the life of the parks levy to fully funding the replacement costs (over \$400,000 annually).

- Option 2: Proposed increasing the annual funding for Pioneer Park to fund the restoration projects identified in the Pioneer Park Forest Management Plan. The proposed funding increase ranged from \$36,000 to over \$400,000 annually with the latter representing fully funding all of the projects identified in the Pioneer Park Forest Management Plan.

Councilmembers concurred with the recommendation to place the parks levy renewal on the November 8, 2022 ballot and requested more information on various parks levy scenarios. It was also suggested that the levy length change from 15 years to 16 years. This would align the parks levy with the biennial budget and put the next parks levy renewal off-cycle from a City Council election year.

June 21, 2022 City Council Meeting

At the June 21, 2022 City Council meeting, staff presented several alternative levy scenarios for City Council consideration ([see AB 6105](#)).

The City Council voted unanimously to direct the City Manager to bring for the Council’s consideration a draft ordinance for a November 8, 2022 special election for the renewal of the parks levy to include the base parks levy plus Alternative B as summarized in the table below.

Base Parks Levy + Alternative B		
Base Parks Levy	2022 (Current Levy)	2023 (Proposed Levy)
Luther Burbank Park (O&M)	\$373,007	\$376,737
Parks Maintenance (O&M)	\$355,115	\$358,666
Luther Burbank Small Capital Projects (Capital)	\$110,000	\$111,100
Pioneer Park Forest Management (Capital)	\$77,000	\$77,770
Open Space/Vegetation Management (Capital)	\$65,000	\$65,650
Alternative B:		
Option 1D: Fund 100% of Playground Replacement Costs	-	\$414,355
Option 2C: Fund all Forest Management Plan projects except for second phase of tree planting	-	\$225,054
Total	\$980,122	\$1,629,332*

*The total for the Base Parks Levy plus Alternative B was increased by \$70 to address a calculation error in the prior agenda bill materials.

FOLLOW-UP ITEMS FROM THE JUNE 21, 2022 CITY COUNCIL DISCUSSION

Correcting Math Error in AB 6105

Staff identified a minor error in the calculation of the levy alternatives that were presented in [AB 6105](#) at the June 21, 2022 City Council meeting. The prior calculation omitted the \$70 increase in base levy funding for Pioneer Park across all three alternatives. This \$70 increase results from the inclusion of the 1% statutorily allowed increase in this levy funding category from 2022 to 2023.

The table with the corrections is shown on the next page. The error does not meaningfully affect the levy rate.

Revised Levy Alternative Comparisons						
	Alternative A		Alternative B		Alternative C	
	2023 (AB6105)	2023 (Corrected)	2023 (AB6105)	2023 (Corrected)	2023 (AB6105)	2023 (Corrected)
Luther Burbank Park (O&M)	\$376,737	\$376,737	\$376,737	\$376,737	\$376,737	\$376,737
Parks Maintenance (O&M)	\$358,666	\$358,666	\$358,666	\$358,666	\$358,666	\$358,666
Luther Burbank Small Capital Projects (Capital)	\$111,100	\$111,100	\$111,100	\$111,100	\$111,100	\$111,100
Pioneer Park Forest Management (Capital)	\$77,770	\$77,770	\$77,770	\$77,770	\$77,700	<u>\$77,770</u>
Open Space/ Vegetation Management (Capital)	\$65,650	\$65,650	\$65,650	\$65,650	\$65,650	\$65,650
Alternatives:						
Playground Replacement Costs	\$207,178	\$207,178	\$414,355	\$414,355	\$414,355	\$414,355
Funding for Forest Management Plan projects	\$105,577	\$105,577	\$225,054	\$225,054	\$403,748	\$403,748
Total	\$1,302,608	\$1,302,678	\$1,629,262	\$1,629,332	\$1,807,956	\$1,808,026
Total Change		+\$70		+\$70		+\$70

King County Elections: Even-Numbered Years

Information was shared during the June 21, 2022 parks Levy presentation that the King County Council is considering a ballot measure to move elections to even-numbered years. It was noted that if the measure passes, Mercer Island City Council elections would be moved to even-numbered years. This information was incorrect.

The ballot measure approved by the King County Council is to amend provisions in the County Charter on times for holding elections for County-elected positions only. It does not impact city elected positions. Times for holding city elections are determined exclusively by state statute, RCW 29A.04.330.

During the 2022 Legislative Session, the legislature did consider a measure to amend RCW 29A.04.330 to move city elections to even-numbered years, but that measure did not move forward.

ISSUE/DISCUSSION

Development of Ballot Measure Ordinance/Ballot Title

Upon receiving direction from the City Council on components of the parks levy renewal, staff and legal counsel have developed Ordinance No. 22-13 (Exhibit 1). The ordinance includes the parks levy renewal ballot title, which consists of three elements: ballot caption (name of jurisdiction and a statement of the subject matter); a concise description of the measure; and a question. The concise description must not exceed seventy-five words.

Setting the Levy Rate

State law requires that ballot measures state the maximum property tax rate to be imposed as a result of the passage of the measure. In other words, the ballot must account for all of the property taxes to be collected by the City should the measure pass.

Ordinance No. 22-13 states the maximum property tax rate will be \$0.862 per \$1,000 assessed valuation upon passage of the parks levy renewal. The information below explains how the property tax rate was derived.

Property Tax Rate Calculation

The property tax rate is derived based on the following formula:

$$\text{Total Property Tax Collected} / \text{Total Assessed Valuation} = \text{Levy Rate (per \$1,000 assessed valuation)}$$

By law, this number is expressed in terms of a dollar rate per \$1,000 of assessed valuation. For example, a rate of \$.000257 is expressed as \$0.257 per \$1,000 of assessed value.

Total Property Tax

The first step in calculating the property tax rate is to estimate the total property tax amount to be collected by the City of Mercer Island in 2023, which includes the following:

- The City's regular property tax levy, estimated at \$12,700,540.
- Assumes a 1% increase will be taken, which is estimated at \$127,005.
- Includes estimates of \$200,000 for new construction and \$20,000 for the re-levy of prior year refunds.
- Includes \$1,629,332 for the parks levy lid lift renewal, which upon approval of the voters, will commence on January 1, 2023.
- Includes \$0 for the current parks levy lid lift, which will end one year early upon passage of the levy renewal.

The total estimated property tax to be collected by the City of Mercer Island in 2023 is \$14,676,877 and is summarized in the table on the next page. The table also includes a comparison of the total property tax collected in 2021 and 2022.

CITY OF MERCER ISLAND TOTAL PROPERTY TAX LEVY			
	2021 Final Levy	2022 Final Levy	2023 Estimated Levy
Regular Property Tax Levy			
Prior Year Levy	\$12,261,847	\$12,436,982	\$12,700,540
Plus 1% Optional Increase	\$73,571	\$124,370	\$127,005
Plus New Construction (Estimated)	\$101,564	\$139,188	\$200,000
Plus Re-levy of Prior Year Refunds (Estimated)	\$3,711	\$9,864	\$20,000
Total	\$12,440,693	\$12,710,404	\$13,047,545
Property Tax Levy Lid Lifts			
2008 Parks Maintenance & Operations Levy	\$970,418	\$980,122	-
2012 Fire Station & Fire Rescue Truck Levy	\$693,013	-	-
2022 Parks Operations & Capital Projects Levy	-	-	\$1,629,332
Total	\$1,663,431	\$980,122	\$1,629,332
Total City of Mercer Island Property Tax Levy	\$14,104,124	\$13,690,526	\$14,676,877

Assessed Valuation

The next step in calculating the property tax levy rate is to identify the assessed valuation (AV). The AV represents the total value of all properties on Mercer Island.

The AV is calculated annually by the King County Assessor’s office and the final number is provided to jurisdictions around the second week of December. And therein lies the challenge – the actual AV that will be used to set the Mercer Island property tax rate for 2023 will not be known until the end of the year, and well after the November 8, 2022 election. Calculating the property tax rate for the parks levy renewal ballot measure therefore requires the City to estimate the AV.

Estimating the AV for the Parks Levy Renewal

The AV included in the property tax levy rate calculation for the parks levy renewal ballot measure is \$17,028,480,105. This assumes a 0% increase in AV from 2022 to 2023.

The City’s AV increased by an average of 7% each year over the last five years (although over this period annual AV growth ranged from 0.9% to 11.4%).

During prior presentations to the City Council on the parks levy renewal, the City’s AV was estimated to grow by 5% from 2022 to 2023 and that number was derived based on feedback from the City’s financial consultants. Changing market conditions resulting from Federal Reserve interest rate policy, however, is increasing risk of a slowdown in AV appreciation. City legal and financial consultants are now encouraging a more cautious approach, and instead making no assumptions of how AV will change. Given these economic

uncertainties, the recommendation is to assume 0% growth in the AV for the purposes of stating the property tax rate in Ordinance No. 22-13.

Why the conservative approach? Estimating the AV higher than actual could restrict the City’s ability to collect the full amount for the parks levy renewal.

Wouldn’t estimating the AV too low, result in the City being able to levy more than was intended by the ballot measure? Theoretically yes, but the City has a fixed target of \$1,629,332 in additional tax revenue it seeks to generate from the parks levy in 2023 and that number is included in the ballot measure. Once the City receives its total AV at the end of this year, and upon passage of the parks levy renewal, the City Council will adjust the property tax levy rate to ensure the Parks levy generates only the amount requested in the ballot measure, which is \$1,629,332.

Property Tax Rate

Using the information provided above, the maximum property tax rate stated in Ordinance No. 22-13 is \$0.862 per \$1,000 of assessed valuation. This is shown in the equation below and also summarized in the table.

$$\text{Total Property Tax Levy} / \text{Assessed Valuation} = \text{Levy Rate (per \$1,000 AV)}$$

$$\$14,676,877 / \$17,028,480,105 = \$.000862$$

The levy rate is expressed in terms of a dollar rate per \$1,000 of valuation, which results in a rate of \$0.862 per \$1,000 of assessed valuation should the parks levy renewal pass.

PROPERTY TAX RATE FOR PARKS LEVY BALLOT MEASURE			
	2021 Final Levy	2022 Final Levy	2023 Estimated Levy
Total City of Mercer Island Property Tax Levy	\$14,104,124	\$13,690,526	\$14,676,877
Assessed Valuation (AV)	\$15,291,040,335	\$17,028,480,105	\$17,028,480,105
Property Tax Levy Rate per \$1,000 of AV	\$0.922	\$0.804	\$0.862

Ordinance No. 22-13 – Parks Levy Renewal Ballot Measure

The maximum property tax rate (\$0.862/\$1,000 assessed valuation) along with the total amount to be collected through the renewal of the parks levy are included in Ordinance 22-13.

Explanatory Statement

City staff, with support from legal counsel have prepared an Explanatory Statement for inclusion in the Elections Guidebook, which is included as Exhibit 2. The Explanatory Statement states the effect of a ballot measure if passed into law, and only covers the anticipated effect of the measure should it be passed into law. The statement must not be an argument in favor of or in opposition to the measure. An explanatory statement is limited to 250 words and no more than five paragraphs.

The Explanatory Statement may be prepared by the jurisdiction or by the jurisdiction’s attorney. If the statement is prepared by the jurisdiction, it must be signed-off by the jurisdiction’s attorney. The explanatory statement must be submitted by 4:30 p.m. on August 2, 2022 to King County Elections.

NEXT STEPS

Second Reading of Ballot Measure Ordinance

Staff is seeking feedback from the City Council on draft Ordinance No. 22-13 (Exhibit 1), which includes the ballot title. Staff will incorporate feedback from the City Council meeting and prepare Ordinance No. 22-13 for a second reading and final approval on July 19, 2022.

Staff are also seeking feedback from the City Council on the Explanatory Statement (Exhibit 2) for the local voter's pamphlet.

Formation of Pro and Con Committees

At the time of publication of these agenda materials, staff were in the process of commencing recruitment for the Pro and Con Committees. The applications received from community members interested in serving on either the Pro or Con Committee will be presented to the City Council for appointment at the July 19, 2022 City Council meeting. The committees will be comprised of a maximum of three individuals. For the November 8, 2022 election, Pro and Con Statements are due to King County by August 9, 2022 and Rebuttals are due by August 11, 2022.

RECOMMENDED ACTION

Set Ordinance No. 22-13 for a second reading and adoption on July 19, 2022.