



City of Mercer Island

City Revenue Options for Youth and Family Services

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Overview

Revenue Options

Property Taxes

- Background
 - Regular Property Taxes
 - Limitations
- Levy Lid Lifts
 - Options
 - Considerations
- Levy Lid Lift Ballot Measure
 - Ballot Requirements
 - Election Dates and Filing Deadlines
 - PDC Considerations

Questions

Revenue Options

Regular property taxes and sales and use taxes comprise majority of City General Fund revenue

Regular Property Tax for General Purposes

- Can be used for any governmental purpose
- Subject to constitutional and statutory limits

Levy Lid Lift

- Can be for any governmental purpose or a limited purpose; increases regular property tax above 101%; simple majority voter approval required; flexible in duration and use

Excess Property Taxes for Operations and Maintenance

- Voter approved one year excess property tax levy
- Can be used for operations
- Supermajority voter approval required; limited in duration (one year only); best suited for temporary funding gap

1% Basic Sales and Use Tax for General Purposes

- City imposes 1.0% sales and use tax for general purposes (0.85% remitted to the City; 0.15% to the County)
- Can be used for any governmental purpose

Other Sales and Use Tax Options

- Sales and use taxes for limited specific purposes; may require voter approval

Background – Property Tax Rate Limitations

Cities may impose a *regular* property tax and an *excess* property tax

Regular property tax

- Can be used for general city purposes
- Subject to rate limitations
 - **Statutory rate limit for cities**
 - \$3.375/\$1,000 of assessed value
 - Increased to \$3.60/\$1,000 if annexed into library district or fire district/regional fire authority
 - Plus \$0.225/\$1,000 if city has a fire pension fund
 - **Statutory and constitutional aggregate rate limits**
 - Aggregate constitutional rate limit (\$10/\$1,000)
 - Aggregate statutory rate limit (\$5.90/\$1,000)

Excess property tax

- Excess levies require voter approval
- Unlimited as to rate or amount
- Statutory and constitutional use restrictions and voter approval/validation requirements
- Excluded from constitutional and statutory aggregate rate limits

Background – Annual Increase Limitations

Regular property taxes are also limited to how much (the total amount to be collected) the taxing district can levy one year to the next

- Taxing district with a population of over 10,000 may increase its total regular property tax amount by
 - 101% of the amount levied in the prior year or the rate of inflation, whichever is lower, plus
 - new construction and limited other additions
 - Eyman limit (Initiative 747 established a “101% levy limit”; Supreme Court struck down the initiative in 2007; State Legislature reinstated it)
- Impact is to restrict revenue growth year over year
 - Greater impact for jurisdictions that are dependent on regular property taxes, or if municipal costs are increasing at a greater rate
- Limit is on the levy *amount* (total dollar amount levied); not levy *rate* (rate/\$1,000 of assessed value)
- 101% cap is referred to as the “levy lid”

Background – Annual Increase Limitations

Levy Elements	2017 Levy	2018 Levy	2019 Levy	2020 Levy
Regular Levy:				
Prior Year Levy	\$11,064,260	\$11,402,764	\$11,701,614	\$12,012,111
Plus 1% Optional Increase	110,643	114,027	117,016	120,121
Plus New Construction	227,861	184,823	193,481	129,615
Plus Re-levy of Prior Year Refunds	11,006	18,653	28,440	19,376
Total Regular Levy	\$11,413,770	\$11,720,267	\$12,040,551	\$12,281,223
Levy Lid Lifts:				
2008 Parks Maintenance & Operations(1) + 1%	936,260	945,623	955,079	964,630
2012 Fire Station & Fire Rescue Truck(2) + 1%	668,620	675,306	682,059	688,880
Total Levy Lid Lifts	1,604,880	1,620,929	1,637,138	1,653,510
Total Levy	\$13,018,650	\$13,341,196	\$13,677,689	\$13,934,733
% Change Relative to Prior Year(3)	1.00%	1.00%	1.00%	1.00%

(1) At the November 4, 2008 election, Mercer Island voters approved a 15 year parks maintenance and operation levy lid lift. Expires end of 2023.

(2) At the November 6, 2012 election, Mercer Island voters approved a nine year fire station and apparatus levy lid lift, including repayment of bonds issued in 2013. Expires end of 2021

(3) Excludes new construction and the re-levy of the prior year refunds.

Source: City of Mercer Island

“Lifting” the 101% Levy Lid

A city can increase its regular property tax levy by drawing on banked regular levy capacity or seeking voter approval for a “levy lid lift”

Levy lid lift “lifts” or removes the 101% limit for either one year or up to six years, depending on the type of levy lid lift approved by the voters

- Authorized in RCW 84.55.050 (see also WAC 458-19-045)
- Requires simple majority voter approval (50% plus one); no validation requirements
- Authorizes an increase in the city’s regular property tax (not an excess property tax levy)
 - Amount collected continues to be part of the city’s regular property tax levy and collections
 - Subject to constitutional and statutory rate limitations
 - Can be authorized for any city purpose or a specific purpose

Levy Lid Lift Option 1: Single Year Lift

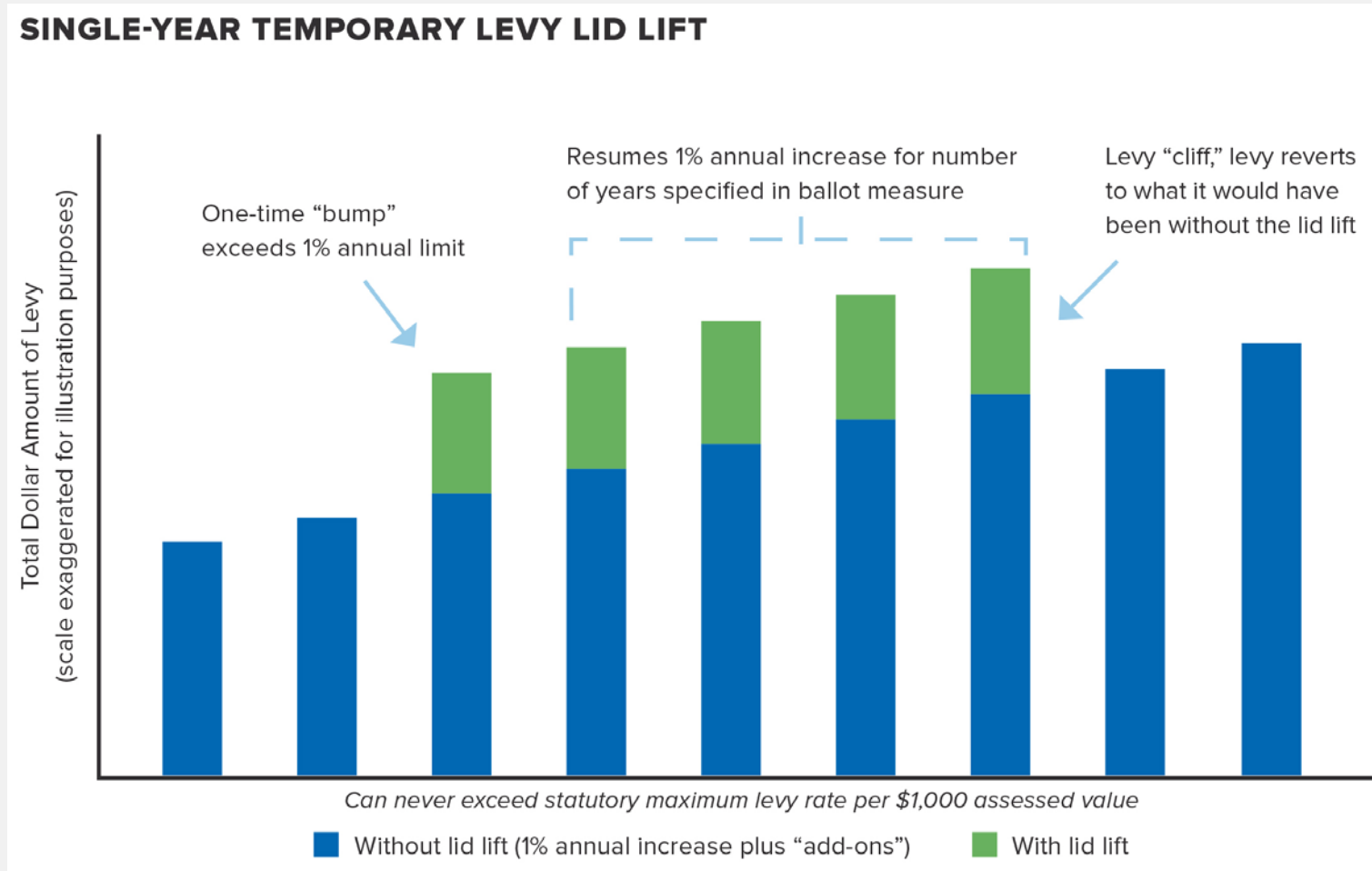
Option 1 permits a city to increase its regular property tax levy above the 101% limit for one year

“One-Bump” increase

Regular property tax levy is increased in the first year only

- Can be used for any lawful governmental purpose
- Not required to state a purpose in the ballot
- Ballot measure must state the total regular property tax rate in the first year
- No supplanting restrictions
- Can be temporary or permanent
 - **Example: temporary single year levy lid lift**

Levy Lid Lift Option 1: Temporary Single Year Lift (Illustration)



Source: Municipal Research Services Center, available at <http://mrsc.org/Home/Explore-Topics/Finance/Revenues/Levy-Lid-Lift.aspx>

Levy Lid Lift Option 2: Multiple Year Lift

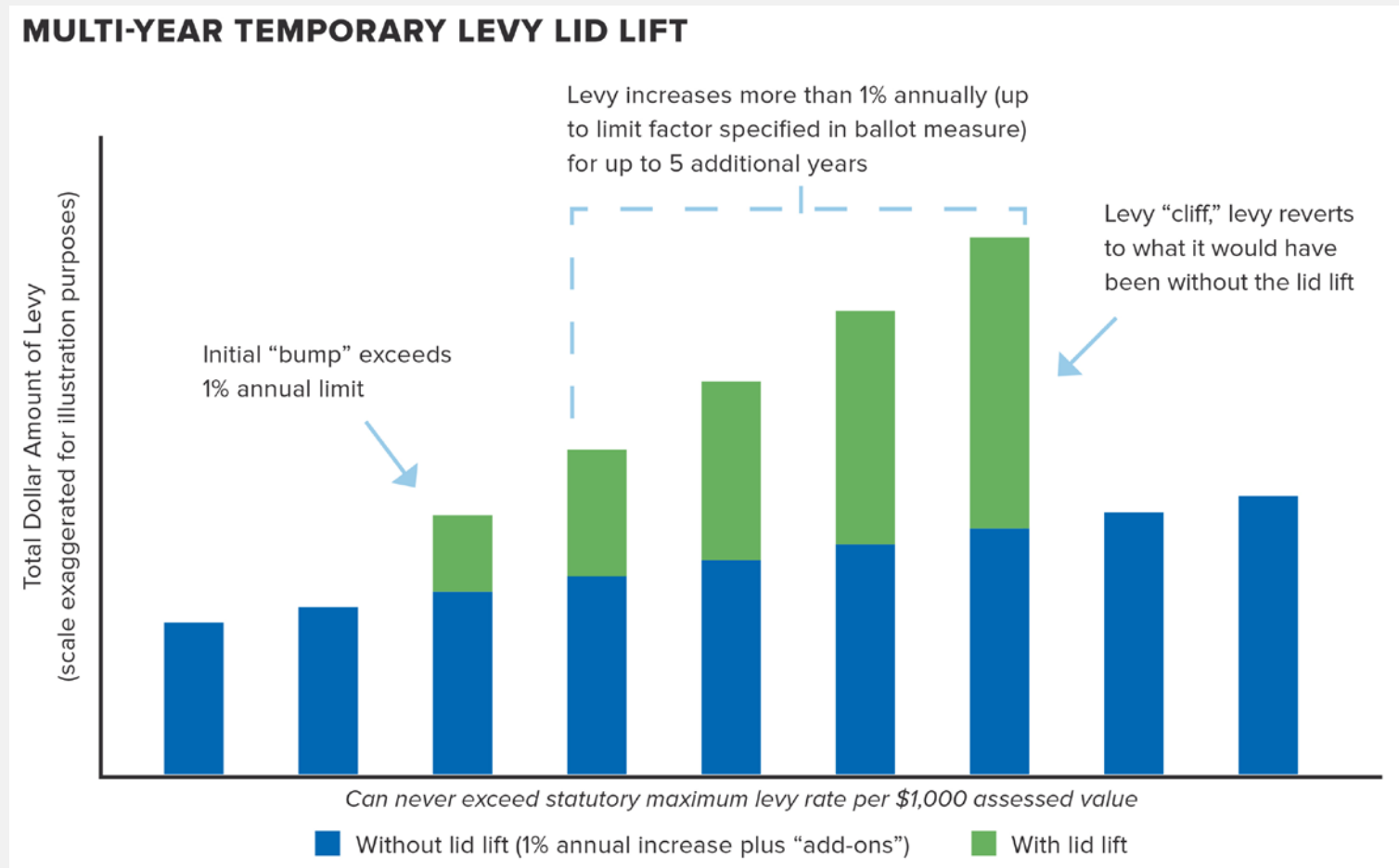
Option 2 permits a city to exceed the 101% limit in each year for up to six years

“Multi-year bump” increase

Regular property tax levy is increased above the 101% limit each year for up to six years; subsequent years are subject to the 101% limit

- Can be used for any lawful governmental purpose
- Ballot measure must state the purpose
- Ballot measure must state the total regular property tax rate in the first year, and limit factor or index that will be used for subsequent years
- Supplanting restrictions apply to jurisdictions in King County
- Can be temporary or permanent
 - [Example: temporary multi-year levy lid lift](#)

Levy Lid Lift Option 2: Temporary Multi-Year Lift (Illustration)



Source: Municipal Research Services Center, available at <http://mrsc.org/Home/Explore-Topics/Finance/Revenues/Levy-Lid-Lift.aspx>

Considerations

Determine how many years to “lift the levy lid”

- One time increase or multi-year increases for up to six years

Levy lid lifts may be temporary or permanent

- Levy lid lifts adjust the basis used to calculate subsequent levies
- If temporary, the amount attributable to the levy lid lift will expire, and the city’s base will be restored to what it would have been had the levy lid lift never occurred (assuming that the city would have taken the full 101% in each year)
- If permanent, the ballot measure must state that the increased amount will be used as the basis to calculate subsequent levies
 - *E.g. The 2023 levy amount will be the basis to calculate subsequent levies, per RCW 84.55.*

Limited to nine years if used to repay debt

- If the limited purpose of the levy lid lift includes making redemption payments on bonds, the period for which the increased levies are made may not exceed nine years (exception for Thurston County)

Considerations

Supplanting limitations

- Applies to multi-year levy lid lifts of jurisdictions located in King County only
- Tax revenue raised by the levy lid lift may not supplant existing funds used for the limited purpose specified in the ballot title
- “[E]xisting funds means the actual operating expenditures for the calendar year in which the ballot measure is approved by voters. Actual operating expenditures excludes lost federal funds, lost or expired state grants or loans, extraordinary events not likely to reoccur, changes in contract provisions beyond the control of the taxing district receiving the services, and major nonrecurring capital expenditures.” RCW 84.55.050(2)(b)(i)

Certain exemptions must be included in the ballot title

- Jurisdictions wanting to exempt qualifying seniors and persons with disabilities under RCW 84.36.381 must state so in the ballot title
- *E.g. Qualifying seniors, veterans, and others would be exempt, per RCW 84.36.*

Ballot Measure Requirements

Ballot title for levy lid lift follows format requirements applicable to local measures

- Main sections
 - o Identification of the enacting legislative body;
 - o A statement of the subject matter (no more than 10 words long);
 - o A concise description of the measure (no more than 75 words long); and
 - o A question (essentially, whether or not the proposition should be approved).

Other general ballot requirements to keep in mind

- For instance, single subject requirement

Ballot Measure Requirements - Up to 75 Word “Concise Description”

For single-year levy lid lift:

- The *maximum tax rate* to be collected in the first year
 - Note: incremental increase in regular tax levy rate as a result of the lift is not required, nor is the total dollar amount of the incremental increase or the total dollar amount of the levy, though some jurisdictions include it
- If temporary, the duration in years
- If permanent, provide that the dollar amount of the levy will be used to calculate subsequent levies
- The exemption for qualifying seniors and persons with disabilities under RCW 84.36.381, if the jurisdiction wants to exempt these individuals
- Not necessary to state a purpose
 - Voter considerations

Ballot Measure Requirements - Up to 75 Word “Concise Description”

For multi-year levy lid lift:

- The *maximum tax rate* to be collected in the first year, and the limit factor for subsequent years (not to exceed six years)
 - Note: incremental increase in regular tax levy rate as a result of the lift is not required, nor is the total dollar amount of the incremental increase or the total dollar amount of the levy, though some jurisdictions do so
 - Limit factor may be a percentage increase or a specified index. Not all years need to be the same
- If temporary, the duration in years
- If permanent, provide that the dollar amount of the levy will be used to calculate subsequent levies
- The exemption for qualifying seniors and persons with disabilities under RCW 84.36.381, if the jurisdiction wants to exempt these individuals
- Purpose

Process and Election Dates

City Council adopts an election ordinance

- Ordinance includes background and reason/need for increase above levy limit
- Contains proposed ballot measure
- States which election the proposition will be considered by the voters
- Ordinance submitted to County before filing deadline

Single-year lid lifts (temporary or permanent) may be submitted to voters at any special, primary, or general election

Multi-year lid lifts (temporary or permanent) may only be submitted at the primary or general election

Ballot measure may be submitted no more than 12 months before the tax will be imposed

Election Date	Ordinance/Resolution Filing Deadline
February 9, 2021 (special)	December 11, 2020
April 27, 2021 (special)	February 26, 2021
August 3, 2021 (primary)	May 14, 2021
November 2, 2021 (general)	August 3, 2021
February 8, 2022 (special)	December 10, 2021

Other Considerations – PDC Rules and Guidelines

Initiative 276

- Passed in 1972
- Overall goal: transparency and anti-corruption: “The People Have the Right to Know...”
 - Legislature had just passed the Open Public Meetings Act in 1971
- Origin of many “sunshine” laws:
 - Public Records Act
 - Campaign finance reporting requirements and campaign finance limits
 - Regulations on lobbyists
 - *Establishes Public Disclosure Commission and gives it enforcement power*

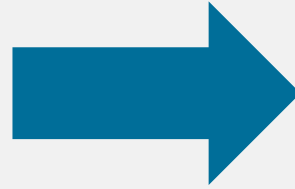
Municipalities must abide by PDC statutes and regulations in connection with communications or use of resources regarding a ballot measure

Revisit the PDC guidelines and at the beginning of your planning process
<https://www.pdc.wa.gov/learn>

Use of Public Facilities to Support or Oppose a Ballot Measure

RCW 42.17A.550

- Part of original initiative, just a few sentences out of 11 pages in the voter's guide
- “No elective official nor any employee of his or her office nor any person appointed to or employed by any public office or agency may use or authorize the use of any of the facilities of a public office or agency, directly or indirectly, for the purpose of assisting a campaign for election of any person to any office or for the promotion of or opposition to any ballot proposition.”



**No Public Facilities
or Resources May
Be Used for
Political Purposes
(*think ... anything
provided with
public funds*)**

Questions

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