SULTAN CITY COUNCIL

AGENDA ITEM COVER SHEET

DATE: July 12, 2007

SUBJECT: Levy Lid Lift

CONTACT PERSON: Deborah Knight, City Administrator

ISSUE:

The issue before the City Council is consideration of a voter approved levy lid lift to raise property tax revenues either for a specific purpose (e.g. public safety) for the general governmental purposes (e.g. police services, maintain parks and streets, replace city equipment, etc.).

With the anticipated General Fund short-fall, considering a voter approved levy lid lift for the November ballot is imperative.

STAFF RECOMMENDATION:

1. Discuss placing a levy lid lift on the November 2007 General Election ballot.
2. Include the levy lid lift for consideration by a "blue ribbon" citizens advisory panel seeking long-term solutions to the City's General Fund short-fall.

SUMMARY:

The City's General Fund budget is balanced on revenues from development and zoning fees. The five-year forecast shows a deficit of approximately $30,000 in 2009 and 2010. The Street Fund shows a deficit of $50,000 each year for the next 5 years. The community is concerned about police levels of service, road and park maintenance, and equipment replacement. Without a levy lid lift the City is limited to tax increases of 1% per year or about $5,000. This is insufficient to fund existing City services that increase at or more than the cost of inflation.

With the passage of Initiative 747, there only two ways for a jurisdiction to increase property taxes by more than one percent. Some jurisdictions have taken less than the maximum increase they could have in the past and have "banked" capacity that they can use. The City of Sultan does not have any "banked" capacity. The other way to

increase property taxes by more than this amount is to do a voter approved levy lid lift under RCW 84.55.050.

A voter approved levy lid lift would provide additional revenues to help balance the City's General Fund budget.

How Much Revenue Can the City Raise

The City has a maximum tax rate of $3.60 per thousand dollars. The current rate is $1.573. The City's assess value is $401,869,602.

The Fire District has a maximum tax rate of $1.50 per thousand dollars.

$3.60 City Rate
<$1.50> Fire District
$2.10 maximum rate City can charge
<$1.57> current City rate

= .52 x $401,869,602/$1,000 assessed value = $208,972

What are the Options

The purpose for the levy and the timing of the levy election are two very important considerations and may impact the success of the City's efforts.

General statutory requirements for all lid lift propositions include the following:

1. Must be approved by a majority of the voter voting at the election
2. Elections must be held no longer than 12 months prior to the date the lvey is to be made.
3. The ballot title must state the total dollar rate.

Lid lifts can be broken into two types – temporary and permanent (Attachment C)

Temporary Lid Lifts

A temporary lid lift allows the City to increase its highest lawful levy by more than 1% for a particular purpose or a specific time period, or both. An example would be a levy lid lift to build a public works shop (specific purpose and time period).

Permanent Lid Lifts

Permanent lid lifts are not limited by a particular purpose or time period. The levy limitation is calculated each year by the first year of the lid-lift with the new base amount.

The maximum length of time for a lid lift is six years. The City can put language in the ballot saying that the end of the period of the lift, the base for future year increases will be the base during the last year of the lid lift.

Timing the Election

The general consensus from individuals that manage ballot measures for a living, is that it is best not to run a levy lid lift during a general election. Rather, there seems to consensus that putting a levy lid lift in a primary or special election returns more favorable results. The City Council may want to consider other election dates including the primary election in February 2008 and the general election in November 2008.

The City Council should also be aware of any other measures on the ballot. The City may not want to compete with the school district. The Fire District is planning a ballot measure for the August 2007 primary election.

November 2007

The first available election is the General Election in November 2007. The City Council must submit a ballot proposal to the County Auditor's Office no later than August 14 in order to have a levy lid lift on the November 2007 ballot.

If the ballot measure is approved by the voters, this approach would provide the City with revenues in 2008.

The drawback to this approach is that there may not be enough time to build community support for the measure. In which case, the City would need to consider running the measure again in 2008.

February 2008

The Council may want to consider laying the ground work now for the primary election on February 5, 2008. The City Council would need to have its ballot measure to the County Auditors Office by December 14, 2007 for the February election.

The benefit to this approach is the opportunity to poll the community on its support for a levy and to raise public awareness prior to the election.

One approach would be to gather a cross-section of community stakeholders together, during the fall and early winter, and determine through this group whether there is community support for a levy lid lift.

The draw-back to this approach is that the revenues from the lid lift would not be available until 2009.

Supporting a Ballot Measure

It is very important that the City Council be careful in supporting a ballot measure.

State law in RCW 42.17.130 prohibits the use of facilities of a public office to support or oppose a ballot measure or an election campaign for public office. This prohibition is not new, as it was a part of Initiative 276 adopted by the voters in 1972.

The general prohibition against use of public facilities is very broad and comprehensive. The term "public facilities" is defined to include use of stationery, postage, equipment, use of employees during working hours, vehicles, office space, publications of the office, or lists of persons served by the local government. This prohibition means that elective or appointive personnel of local governments may not work to support or oppose a ballot proposition during work time or allow public facilities to be used for that purpose.

Exceptions to Prohibition: Allowable Activities

There are three specific exceptions to this broad prohibition. The first two exceptions apply only to elected officials. The first allows a local government legislative body, such as a city or town council or county commission or council, to vote on a motion or resolution to express support or opposition to a ballot proposition if the following procedural steps are first taken: 1) the notice for the meeting must include the title and number of the ballot proposition, and 2) members of the legislative body or members of the public must be allowed an approximately equal opportunity to express an opposing view.

The second exception allows an elected official to make a statement at an open press conference in support or opposition to a ballot proposition or in response to a specific inquiry.

The third exception is somewhat broader and allows activities which are part of the normal and regular conduct of the local government. Under this exception, a local government could prepare an objective and neutral presentation of facts concerning a ballot measure. For example, details could be provided to citizens concerning the financial impact of an initiative on the local government, such as how revenues would be affected by its passage. Care must be taken that this information be presented in a fair, objective manner.

Many local governments also allow use of their meeting room facilities on a nondiscriminatory, equal access basis to the public, usually for a rental fee. If this is the case, then it would be allowable to hold a public forum for citizens with pro and con representatives discussing an initiative in a public meeting hall.

It is important to remember that RCW 42.17.130 does not restrict the right of an individual, whether that person is an elective or appointive public official or a public employee, to express his or her personal views supporting or opposing a ballot

proposition so long as that expression does not involve using public facilities. This means that elected officials and appointed staff may campaign on their own time, using their own supplies and equipment, for or against a ballot proposition by preparing brochures, mailings, doorbelling, and other such activities.

FISCAL IMPACT:

Potential increase in revenues to support needed City services.

RECOMMENDED ACTION:

1. Discuss placing a levy lid lift on the November 2007 General Election ballot.
2. Include the levy lid lift for consideration by a "blue ribbon" citizens advisory panel seeking long-term solutions to the City's General Fund short-fall.

COUNCIL ACTION:

DATE: