

**Metropolitan King County Council**

**Budget and Fiscal Management Committee**

# STAFF REPORT

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| **Agenda Items:** | 7, 8 and 9 | **Name:** | Patrick Hamacher |
| **Proposed No**.: | 2017-04332017-04342017-0435 | **Date:** | November 21, 2017 |

**SUBJECT:**

**Proposed Ordinance 2017-0433** is necessary to levy property taxes for 2018. Proposed Ordinance 2017-0433, is known as the sunshine ordinance and it declares tax increases in both dollar and percentage values.

**Proposed Ordinance 2017-0434** and **Proposed Ordinance 2017-0435** would complete the levy certifications for 2017 (for collection in 2018).

# SUMMARY:

This staff report provides background and analysis for the ordinances relating to property tax levies for 2017 for the County and for other taxing districts within King County.

Proposed Ordinance 2017-0433 relates to the County’s property tax levies for collection in 2018 and the percentage by which these levies will increase over the 2017 levies. This ordinance, often referred to as the “Sunshine Ordinance”, is required by State law if a taxing district wishes to increase its levies by the lesser of one percent or the implicit price deflator. The Executive has proposed increasing levies by one percent over the prior year’s levies, with a couple exceptions which will be discussed later.

Proposed Ordinances 2017-0434 and 2017-0435 are known as the levy certification ordinances whereby the County Legislative Authority certifies the levies for all taxing districts in the County.

# BACKGROUND AND ANALYSIS:

King County levies property taxes for various purposes:

* The County's regular levy of up to $1.80 per $1,000 of assessed value (AV) is for general County purposes and is levied county-wide. This levy, referred to broadly as the Current Expense Levy, actually provides property tax funding for a variety of County funds. For 2018, the levy would provide funding for the General Fund, AFIS, mental health, veterans’ relief, parks, transit, children and family justice center and veterans, seniors and human services.
* The Unincorporated Area Levy (UAL) of up to $2.25 per $1,000 of AV has historically been limited to constructing, improving or maintaining roads and bridges and any service provided in the unincorporated area. This levy is assessed only in unincorporated King County.
* The Emergency Medical Services (EMS) levy was renewed by the voters in November 2013. The renewed levy set a new base rate for the EMS levy. In 2018, the EMS levy is projected to be $127 million at a rate of $0.242 per $1,000 of AV.
* Voters approved a new parks and recreation levy in August 2013. This levy was added to the tax rolls in 2014 at a rate of $0.1877 per $1,000 of AV and collecting $74 million in 2018 at a rate of $0.141.
* The Conservation Futures levy is a county-wide levy. The taxes collected for Conservation Futures are restricted to preservation of open space. The rate cannot exceed $0.0625 per $1,000 of AV. In 2018 it will generate $20 million with a rate of $0.038 per $1,000 of AV.
* The voters at the August 2012 election approved a new levy for the construction and rebuild of the Children and Family Justice Center located at 12th and Alder. For 2018, that levy is projected to generate $24.9 million at a rate of $0.048 per $1,000 AV. There is ongoing litigation related to this levy. The Executive has proposed continuing to levy the taxes pending outcome of that litigation.
* The voters have authorized a levy to replace the region’s aging emergency radio system. This levy, known as the PSERN levy, is expected to generate $31.5 million at a rate of $0.060 per $1,000 AV for collection in 2018.
* The voters authorized a new lid-lift levy in 2016. The Best Starts for Kids Levy, is projected to generate $65.4 million at a rate of $0.125 per $1,000 AV in 2018.
* Finally, the Veterans and Human Services Levy was renewed and expanded by the voters on November 7, 2017. This levy will generate $52.6 million at a rate of $0.10 per $1,000 AV in 2018.

**Current Expense Levy or General Fund Levy:** The Executive has proposed and the Council has adopted a 2017-2018 budget on a property tax levy increase of 1 percent plus new construction for the Current Expense Levy.

Table 1 shows the estimate of the Current Expense Levy developed by the Executive for budget preparation purposes. These estimates include new construction. However, the assessed values for new construction and for public utility new construction have not been finalized. The actual levy amounts are therefore subject to change. Additionally, because the Assessor has not finished the revaluations yet, the Council typically amends these ordinances at full Council to capture any increases related to the changes.

**Table 1: Current Expense Levy**

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| --- | --- | --- |
|  | **Amount** | **Totals** |
| **Regular Levy:** |  |  |
| Current Expense | 355,829,239 |  |
| Mental Health | 6,733,621 |  |
| Veterans | 3,000,349 |  |
| Intercounty River Improvement | 50,000 |  |
| ***Total Regular Levy*** |  | ***$365,613,209*** |
| **Lid Lifts:** |  |  |
| AFIS | 22,028,073 |  |
| Veterans and Human Services | 52,366,358 |  |
| Parks | 73,945,297 |  |
| Children & Family Justice Center | 24,946,544 |  |
| PSERN | 31,453,820 |  |
| Best Starts for Kids | 65,377,534 |  |
| ***Total Lid Lifts*** |  | ***$270,117,626*** |
| **Grand Total** |  | **$635,730,835** |

As shown in the table, while an estimated total of $635.7 million is to be levied for current expenses, the levy actually funds a variety of programs. The Mental Health and Veterans Relief distributions are levied in accordance with State statutes.[[1]](#footnote-1)

In total, the Current Expense Levy plus the lid-lift levies bring the County’s regular levy to $1.21 per $1,000 AV. This is actually lower than the 2017 rate of $1.24. As a reminder, counties in Washington State are allowed to levy up to a maximum of $1.80 per $1,000 AV. This leaves the County with just under 60 cents (33 percent) of available levy capacity.

**EMS Levy –** The County also levies a county-wide property tax for Emergency Management Services. This levy is not part of the Current Expense Levy. A new EMS Levy was approved by the voters in 2013 at a beginning rate of $0.335 per $1,000 of assessed value. The levy for 2018 is estimated to generate $127 million, a rate of $0.242 per $1,000 of AV.

**Unincorporated Area Levy (Road Levy) –** State law also authorizes counties to collect a property tax, in the unincorporated area only, for the purpose of raising revenue for establishing, laying out, constructing, altering, repairing, improving, and maintaining county roads, bridges, and wharves necessary for vehicle ferriage and for other proper county purposes. This levy cannot exceed $2.25 per $1,000 of assessed value. The levy is limited to a one percent annual growth rate plus new construction. For 2018, the Road Levy is projected to be $89.4 million. This translates into a rate of $2.07 per $1,000 of AV.

**Transit –** In 2009, the Washington State Legislature passed SB 5433 which allowed all counties in the state with a population in excess of 1,500,000 to levy a property tax up to 7.5 cents per $1,000 of AV for expanding transit capacity and capacity related expenses. The first one cent of this levy must be used for bus service on State Route 520. For 2018, the Executive is proposing to levy $23.6 million with an estimated rate of $0.0545.

**Ferry Levy –** King County operates passenger only ferries between Seattle and West Seattle and between Seattle and Vashon Island. For 2018 the Executive has proposed collection of $1.2 million at a rate of $0.0023 (just under one-quarter of one cent) per $1,000 AV.

**Proposed Ordinance 2017-0433** would fulfill the County’s legal obligation to disclose the percentage increase that the 2018 levies will have over the 2017 levies, as required by Referendum 47 (the state law that requires disclosure of tax increases). The calculation excludes the levy addition for new construction.

An amendment to Proposed Ordinance 2017-0433 is expected to be prepared to update the property tax levy figures to align with the most recent forecast of the Office of Economic and Financial Analysis. Those figures, and the amendment, are expected prior to final council action on or before December 11, 2018.

**Proposed Ordinance 2017-0434 and 2017-0435** are identical and both currently contain blanks in place of the levy amounts for all of the taxing districts in the county. These are known as the levy certification ordinances and the blanks are necessary at this time for the Treasury Section of the Finance and Business Operations Division to issue property tax statements in the correct amounts. State law requires that the county legislative authority establish the levy amounts for the county and for all other taxing districts in the county. One of the ordinances is usually adopted by the Council at the last meeting of the year after the County has received levy resolutions or ordinances from all the other taxing districts in the County. The ordinance requires information from the Assessor’s Office and the taxing districts that will not be available until early December. This ordinance is typically passed from Committee without recommendation and held at full Council until December.

The second ordinance is transmitted so the Council can act expeditiously in January on an amendatory ordinance prior to the issuance of tax bills in February to address any districts' levy amounts that are determined to have been incorrect.

# AMENDMENT:

All three ordinances will likely need amendments. However, those amendments will not be ready until early December.

# INVITED:

* + 1. Dwight Dively, Director, Office of Performance, Strategy and Budget
		2. Dave Reich, Chief Economist, Office of Economic and Financial Analysis

# ATTACHMENTS:

1. Proposed Ordinance 2017-0433
2. Proposed Ordinance 2017-0434
3. Proposed Ordinance 2017-0435
4. Transmittal Letter
1. In previous years, the levy also funded debt service on outstanding limited tax general obligation bonds. [↑](#footnote-ref-1)